



BANK MILLENNIUM GROUP

Presentation of 2017 preliminary 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 on consolidated Bank Millennium Group level and is audited, except for 2nd half 2017 data which is still non-audited.

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 arise under applicable laws and regulations.

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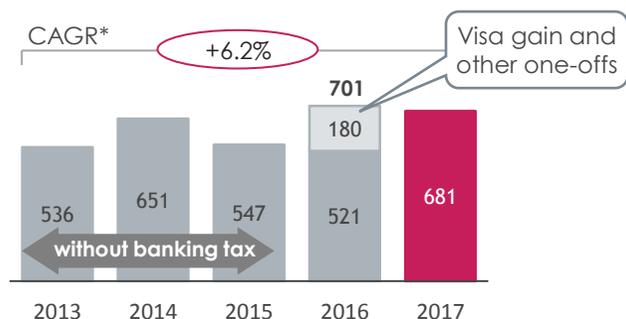
PRESENTATION OF 2017 RESULTS

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

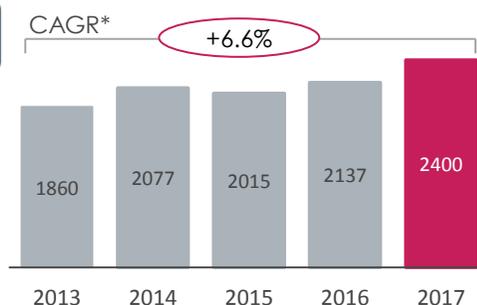
SUMMARY OF 2013-2017 ACHIEVEMENTS (1)

Improvement of recurrent profitability after impacts of low interest rates and new regulatory / tax charges. Efficiency improving to targeted level. Solvency at record high covering well in excess all new capital thresholds.

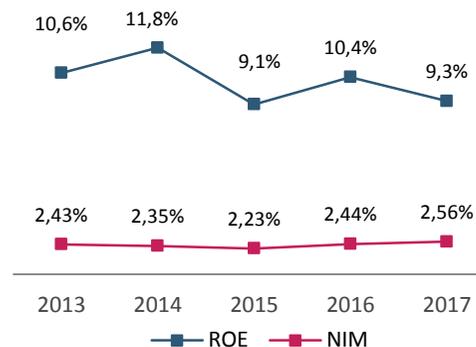
Net Income (PLN million)



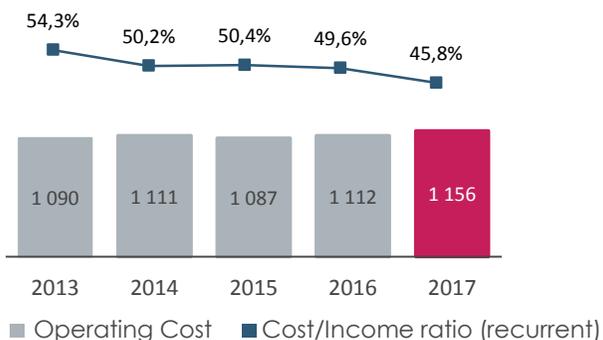
Core Income (PLN million)



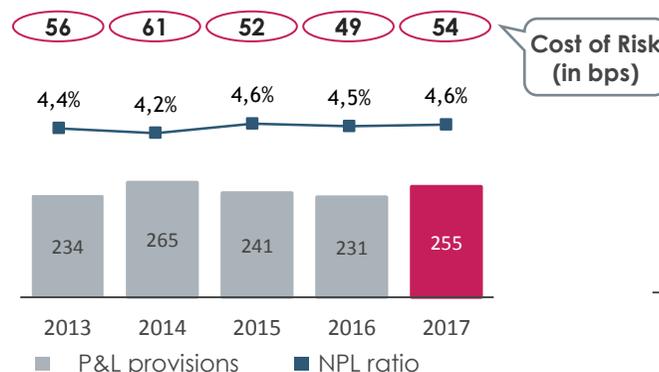
ROE & NIM (PLN million)



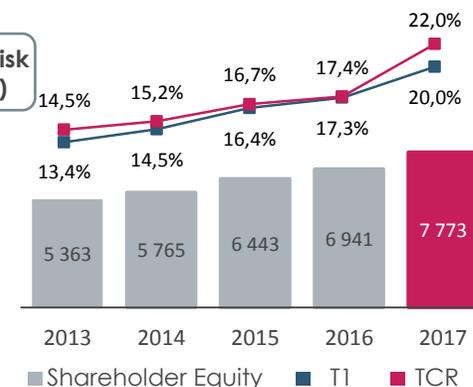
Costs & Cost/Income ratio (PLN million)



Provisions and NPL ratio (PLN million)



Capital Adequacy (PLN million)



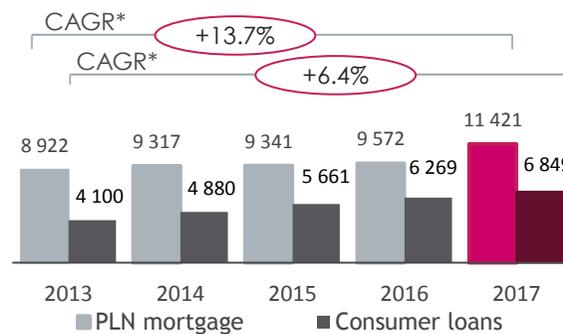
SUMMARY OF 2013-2017 ACHIEVEMENTS (2)

Solid growth of business volumes supported by strong increase of active clients (strategic 3-year target exceeded). Strong focus on digital channels and quality of service

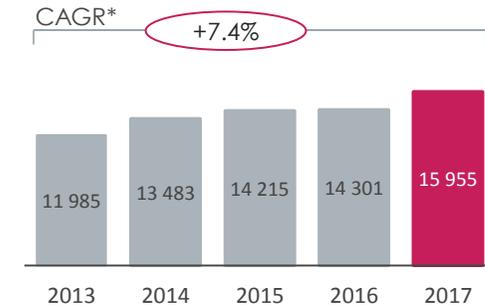
Customer Deposits (PLN million)



Retail PLN Loans (PLN million)



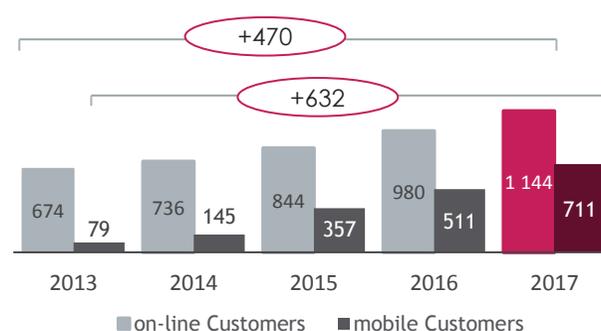
Companies Loans (PLN million)



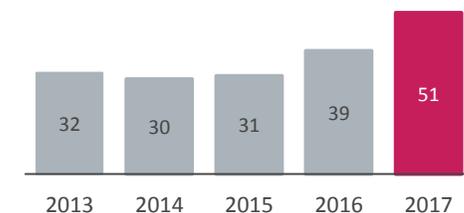
Active retail Customers (thousand)



On-line & mobile customers (thousand)



Net Promoter Score (**)



(*) Compound annual growth rate

(**) Source: internal research of Bank Millennium

MAIN FINANCIAL HIGHLIGHTS OF 2017

Continued improvement of profitability and efficiency driven by core income growth.
Very high capital ratios after retention of net profit, T2 capital issue and IRB decision impact

Improvement of profitability and cost efficiency

2017 Net profit reached PLN **681 million** which is **31%** higher versus 2016 profit adjusted for one-offs *)

High quarterly Net profit of PLN **180 million** (+**37%** vs.4Q'16)

ROE at **9.3%** and Cost to Income at **45.8%**

Core income as main driver of the improvement

Core income grew **12.3%** y/y

Net interest income up by **11.6%** y/y

Net commission strong growth of **14.2%** y/y

Solid asset quality and liquidity

Impaired loans ratio at stable **4.6%** with **67%** coverage by provisions

Cost of risk at **54 b.p.**

Loan to deposits at low **82%** level

Strong capital ratios

Group's TCR reached **22%**, boosted by PLN 700 million Tier 2 issue
CET1 remained also strong at **20%** (without profit from 2017 year)
TCR is 3.5 p.p and Tier1 ratio c.a. 5 p.p. above new minimum capital ratio thresholds **)

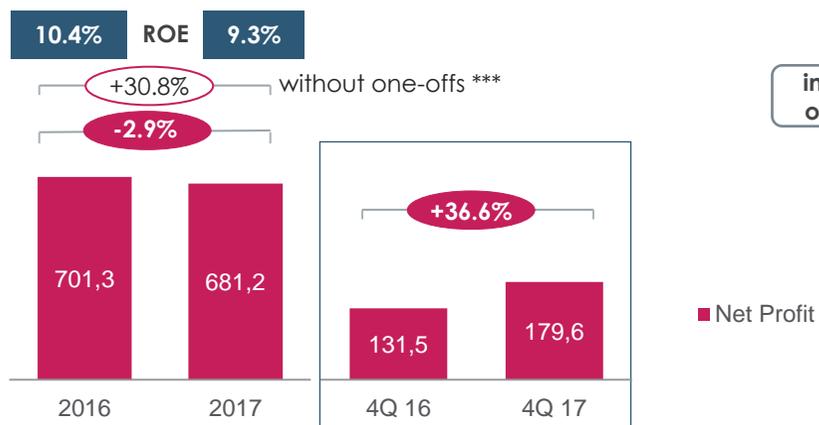
(*) In 2016 extra capital gain from VISA and extraordinary charges

(**) Current (for 2018) minimum capital thresholds for the Group are 18.5% (TCR) and 15.2% (T1)

PROFITABILITY AND COST EFFICIENCY

Core Income solid yearly growth significantly outpaced cost growth ...
 ... allowing Cost to Income to come down to 46% - level targeted in the strategy for 2017 year

Net profit (PLN million)



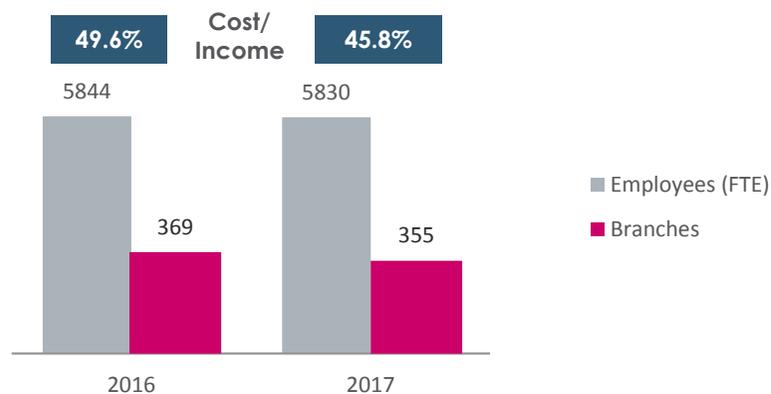
Operating income* (PLN million)



Operating cost (PLN million)



Cost/Income***; branches and staff



(*) Including net other operating income and cost (***) without one-offs: extra capital gain from VISA less extraordinary charges in 2016
 (**) Net Interest Income + Net Commissions Income

INTEREST AND COMMISSION INCOME

Double-digit yearly growth of Net Interest and Commission Income
 Net Interest Margin significantly improved versus 2016

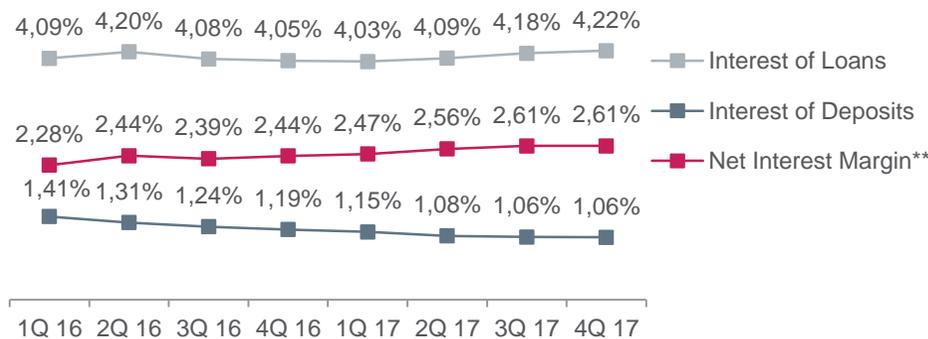
Net Interest Income *

(PLN million)



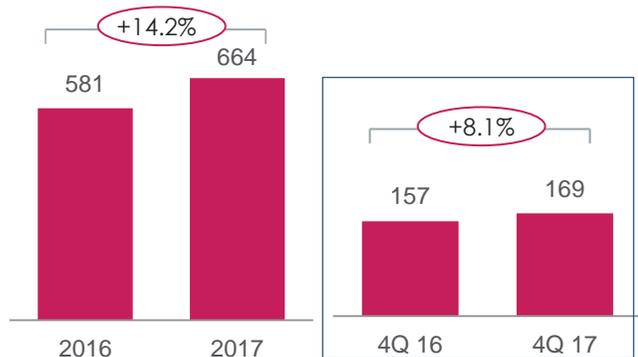
Interest on loans and deposit

(PLN million)



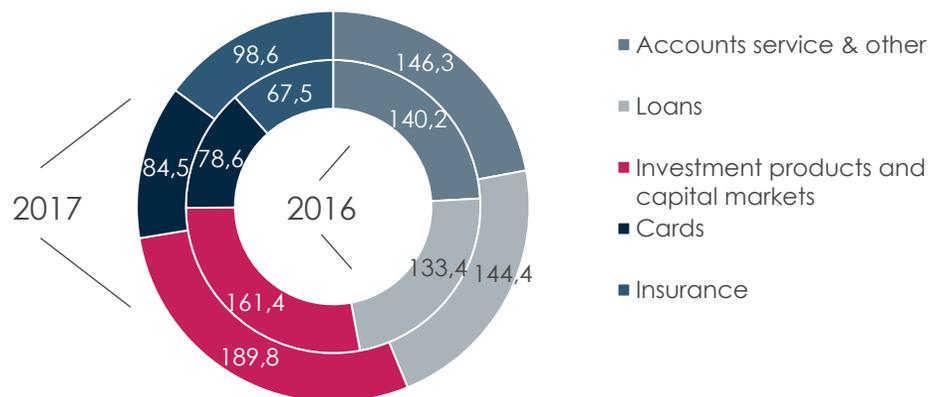
Net Commission Income

(PLN million)



Commission income structure

(in 2017)

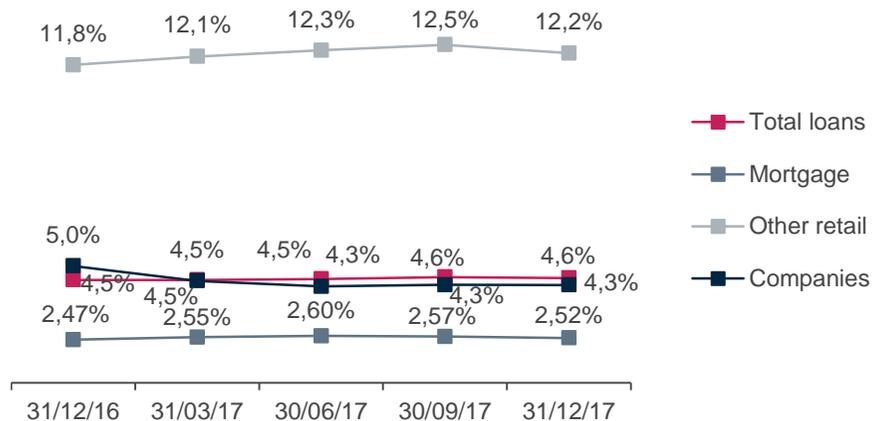


(*) Pro-forma data: margin from all derivatives hedging FX loans is presented in NII, whereas in accounting terms part of this margin (PLN 40.4 million in 2017 and PLN 50.6 million in 2016) is presented in Result on Financial Operations (**) Net Interest Margin: NII (pro-forma) to average interest earning assets

ASSET QUALITY AND LIQUIDITY

Solid asset quality and liquidity;
Cost of risk consistent with targeted levels and historical average

Impaired Loans

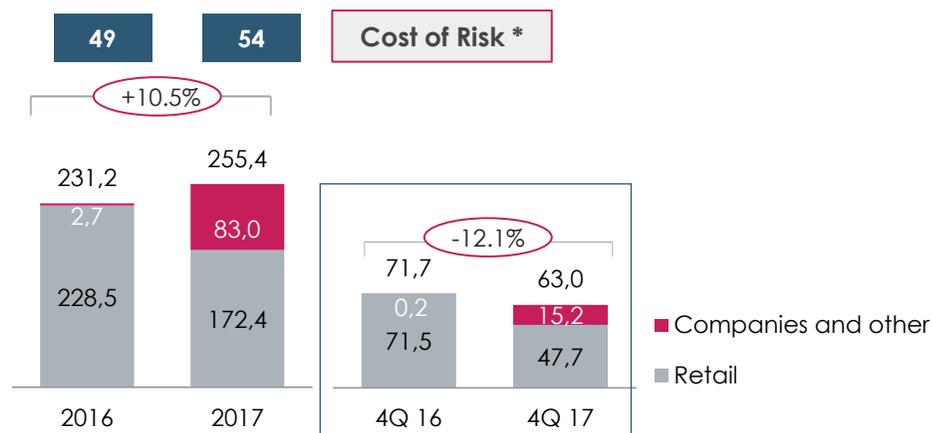


Comments

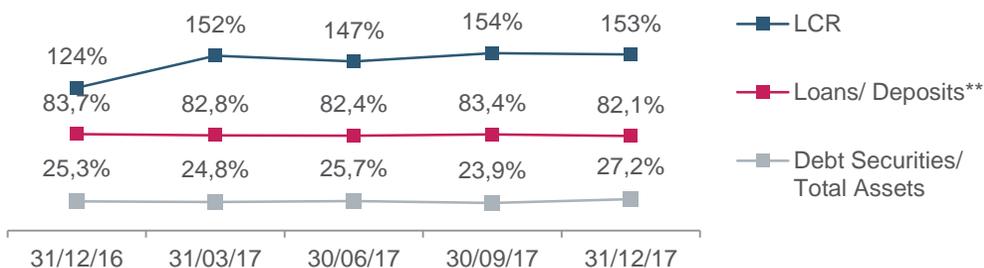
- Good and stable asset quality.
- FX mortgage dropped by 20% yearly (in PLN terms), supported by FX exchange rate and by higher early repayments

P&L impairment provisions

(PLN million)



Liquidity indicators



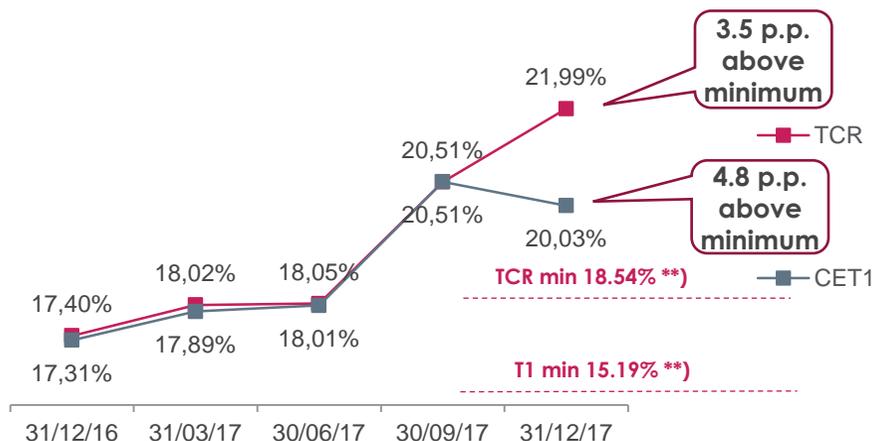
(*) Total provisions created (net) to average net loans (in basis points)

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

CAPITAL ADEQUACY

Very high capital ratios after subordinated bond issue and IRB decision
 Further increase to come in 1Q2018 after retention of FY 2017 net profit in own funds

Group Capital Ratios *



Capital developments

- The Bank issued in December PLN 700 million 10-year NC5 subordinated bonds, eligible for Tier 2 Capital

Recent important regulatory developments and clarifications regarding required capital thresholds:

- Pillar II FX buffer: KNF set it at 5.41% for Group TCR (increase due to IRB related decisions and SREP / BION regular update)
- OSII buffer (0.25%): unchanged for the Bank/Group
- Systemic risk buffer (3%): for all banks from 2018;
- Capital conservation buffer (1.875%): increase by 0.625 p.p. for all banks from 2018.

- KNF dividend policy recommendation for banks (November 2017) set the following additional buffers above minimum required for TCR for dividend distribution: +1.5% **to pay 50%**; additional 0.625% (full conservation buffer 2.5%) **to pay 75%**; + Stress test add-on **to pay 100%**; KNF kept additional criteria for banks with FX mortgage portfolio (K1 and K2) ***
- Bank Millennium has a dividend policy of distributing between 35% to 50% of net profit, subject to regulatory recommendations. The high capital ratios (as at 2017 year-end) would allow to pay 75% if not additional K1/K2 criteria.
- Therefore, **the Management Board of the Bank will recommend full retention of 2017 net profit** in Bank's equity. Assuming acceptance of this proposal by AGM, positive impact on T1 ratio will be approximately 2 p.p.

(*) Bank (unconsolidated) capital ratios are lower by ca 0.1 p.p. as in December 2017 (***) K1 is based on FX mortgage share in total portfolio and K2 on share of 2007-2008 vintages in total FX mortgage portfolio
 (**) New capital thresholds valid since January 2018 based on CRR minimum ratios plus Combined buffer (Systemic, conservation and OSII) plus Pillar 2 FX buffer; Minimum ratios required for Bank are slightly higher: TCR = 18.66% and T1 = 15.28%



PRESENTATION OF RESULTS IN 2017

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

MAIN BUSINESS HIGHLIGHTS IN 2017

Strong business results in 2017 set solid foundations for challenges set in the new strategy for 2018-2020

Main strategic goals in business area are being delivered

Active customers net growth during 3 years reached **351 ths.** (target: 300 ths.)
Market share in retail deposits reached **5.7%** (target of 6%)
Consistent top position in quality of service and Net Promoter Scores rankings
Regular growth of digital channels usage: **1.1 million** active users

Other areas are also delivering and are crucial under new strategy ...

Investment products grew **26%** y/y backed by excellent capital market performance
Cash loans sale at PLN **575 million** in 4Q
Acceleration of PLN mortgage sale to PLN **756 million** in 4Q 2017
Loans to companies grew by **12%** yearly
Factoring and leasing yearly sales grew by **15%** (for both)

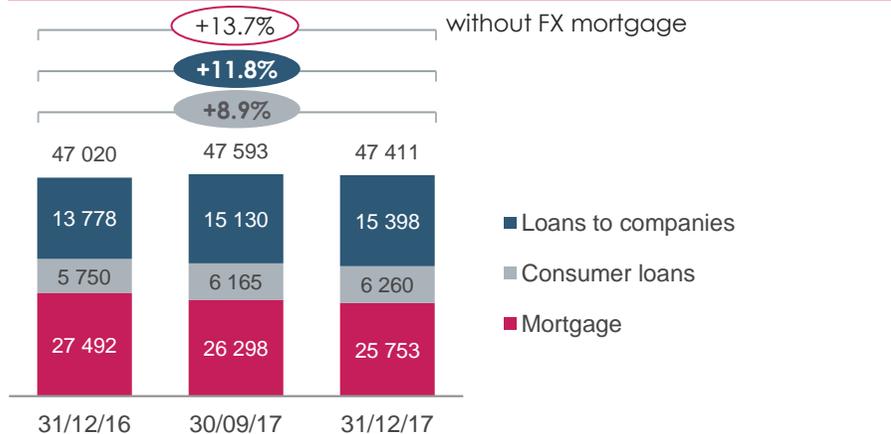
... based on superb quality and innovations

Again the highest position in the quality ranking „Newsweek Friendly Bank 2017“
First position in customer satisfaction survey done by ARC Rynek i Opinia
“Breakthrough Collaboration in Financial Services” award from BAI Global Innovation for solutions enabling access to e-administration
Euromoney award for the best bank in CSR in Central and Eastern Europe

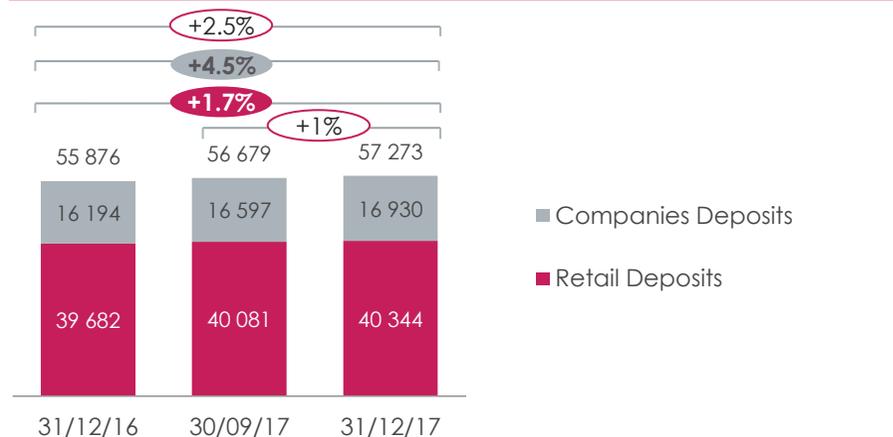
LOANS AND DEPOSITS

Solid growth of lending (excluding FX mortgages, which dropped to 30% of total portfolio). Retail deposits decelerated as non-deposit savings surged

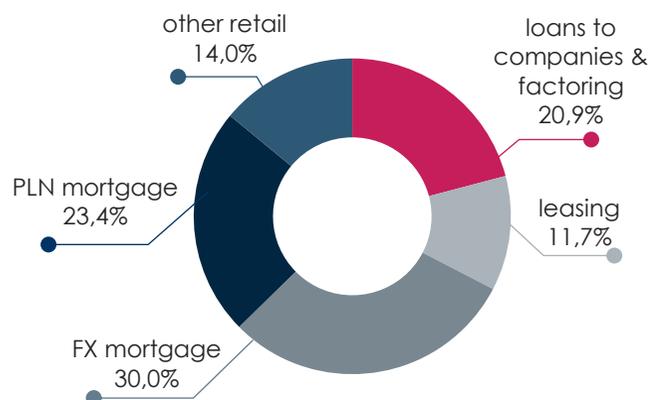
Loan Portfolio of the Group (net) (PLN million)



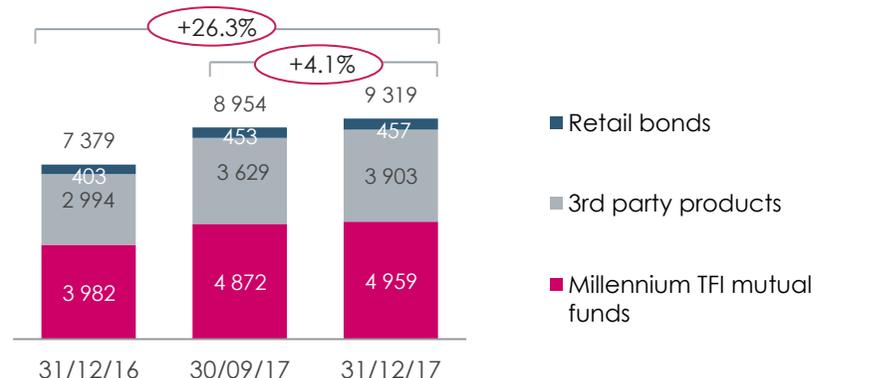
Customer Deposits (PLN million)



Structure of Loan Portfolio (gross) (as on 31.12.2017)



Non-deposit investment products (PLN million)

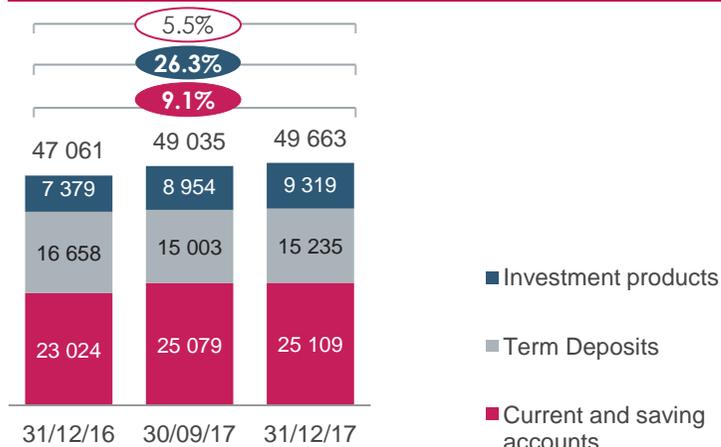


RETAIL BUSINESS – DEPOSITS AND ACCOUNTS

Over 1.6 million active customers – 351k net growth during last 3 years (strategic target met)

Retail Customer Funds

(PLN million)



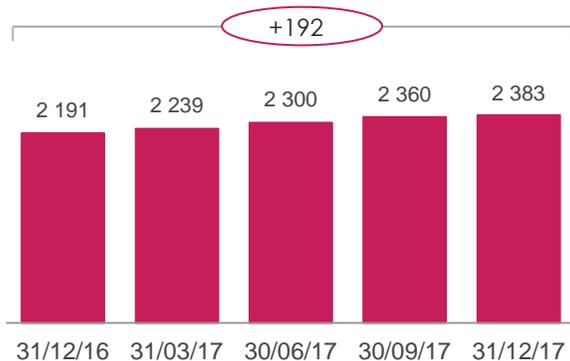
Active retail clients

(in thousand)



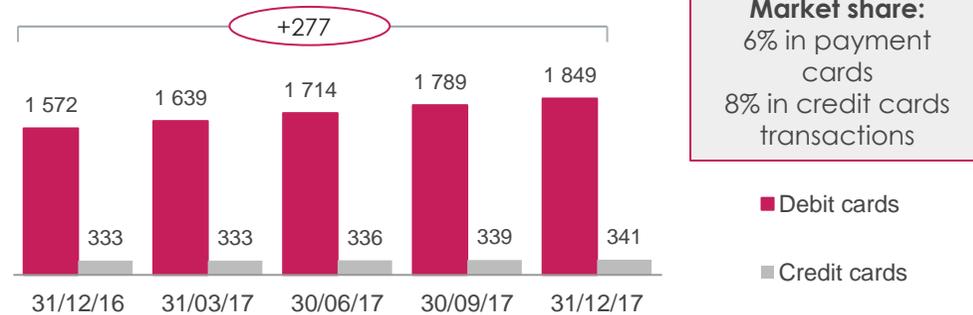
Number of current accounts

(in thousand)



Number of debit and credit cards

(in thousand)



Market share:
6% in payment cards
8% in credit cards transactions

USE OF ELECTRONIC CHANNELS

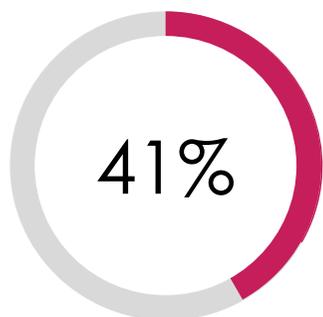
High share of electronic channels in product sales volume

1 144k (+17% y/y)

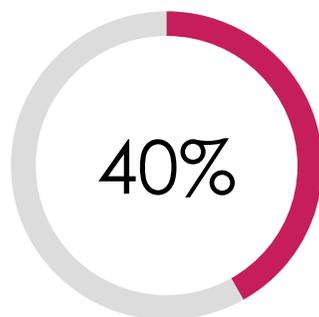
Retail clients active in online and mobile banking

711k (+39% y/y)

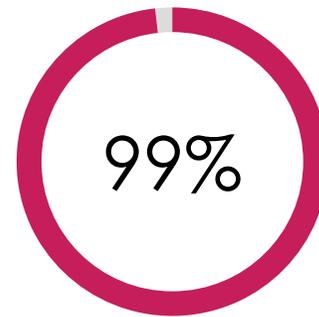
Retail clients actively using mobile devices for banking



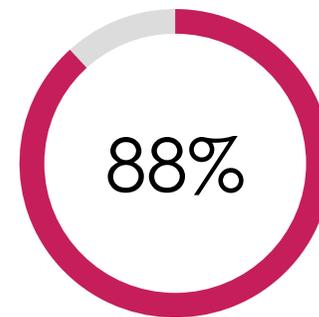
of all cash loans originated online or via mobile



of all overdrafts originated online or via mobile



of all transfers were completed in electronic channels



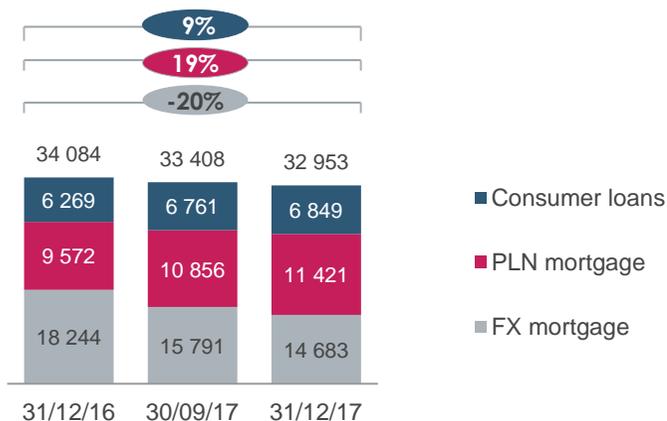
of all new term deposits were opened in electronic channels

RETAIL BUSINESS – LOANS

Strong growth of PLN mortgage compensates faster amortisation of FX mortgage portfolio

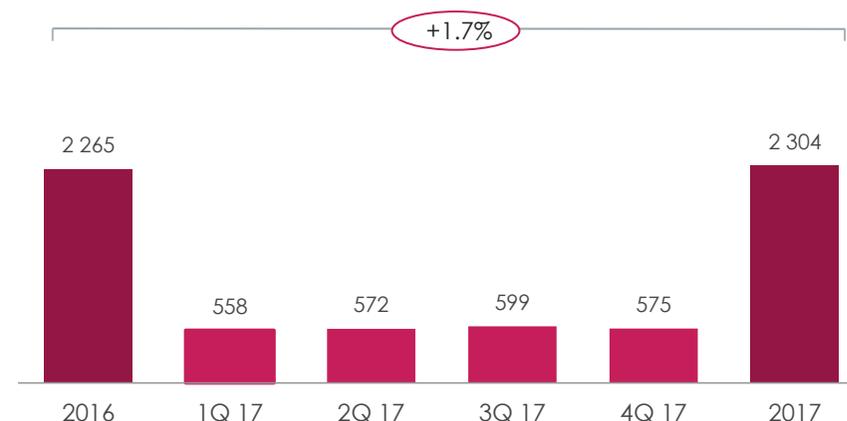
Retail loans (gross)

(PLN million)



Cash loans new sales

(PLN million)

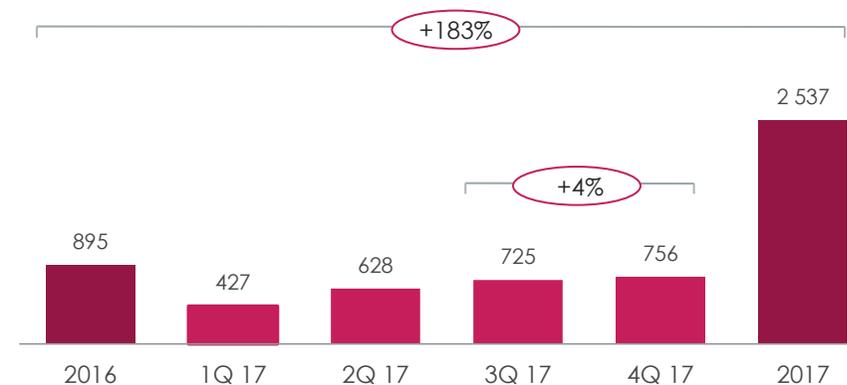


Comments

- PLN mortgage loans grew by 19% while FX mortgages decreased by 20% y/y (partially supported by higher early repayments)
- New mortgage sales almost tripled and cash loans sales were stable versus 2016
- Around 60% of new mortgage loans were sold to new-to-the-bank clients

Mortgage loans new sales

(PLN million)

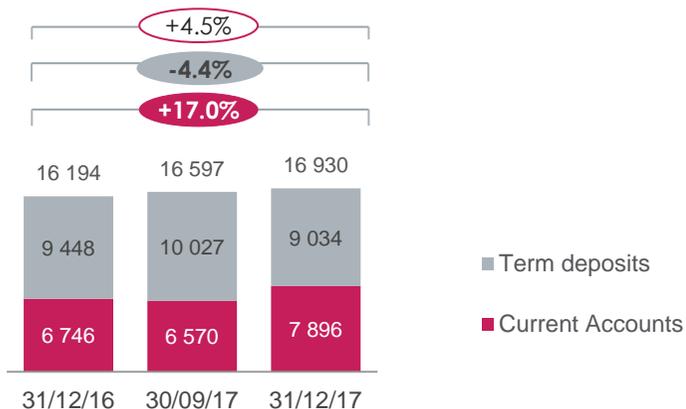


COMPANIES BUSINESS – DEPOSITS AND LOANS

Accelerated growth of lending to companies and current accounts balances

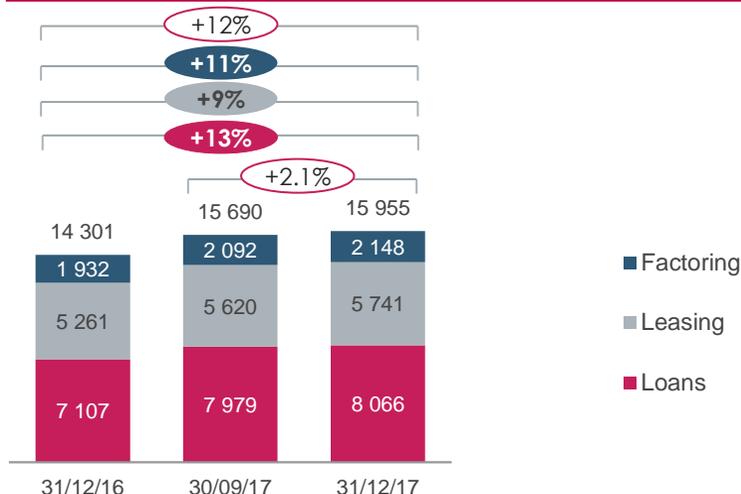
Companies deposits

(PLN million)



Loans to companies (gross)

(PLN million)

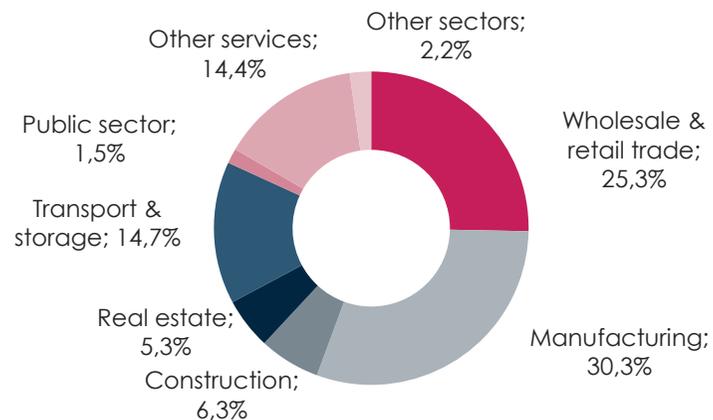


Comments

- Acceleration of growth of loans to companies to 12% y/y
- Faster current account deposits growth (+17% y/y) in line with transactions growth: foreign transfers number +36%, cash processing +6%, payment cards transfers +8% yearly

Loans by industries as at 31 Dec. 2017

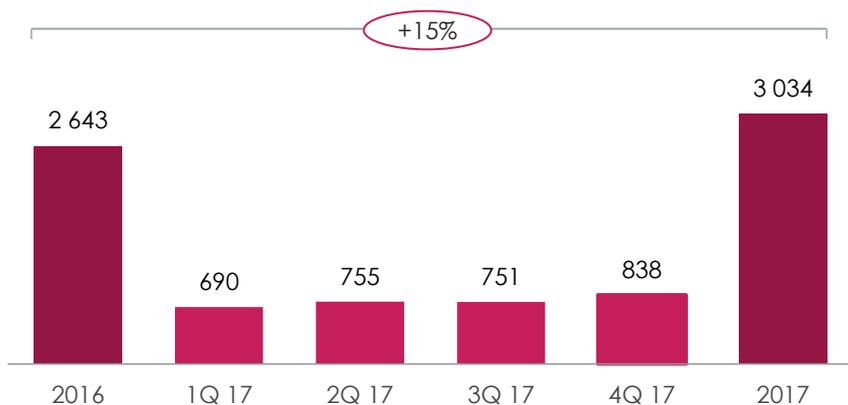
(%)



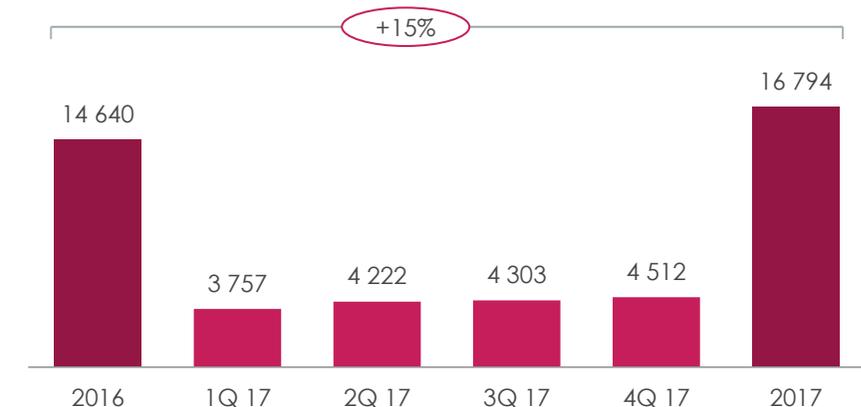
COMPANIES BUSINESS – NEW LOANS

New record sale in factoring and leasing; high pace of new loans granted

Leasing – new sales (PLN million)



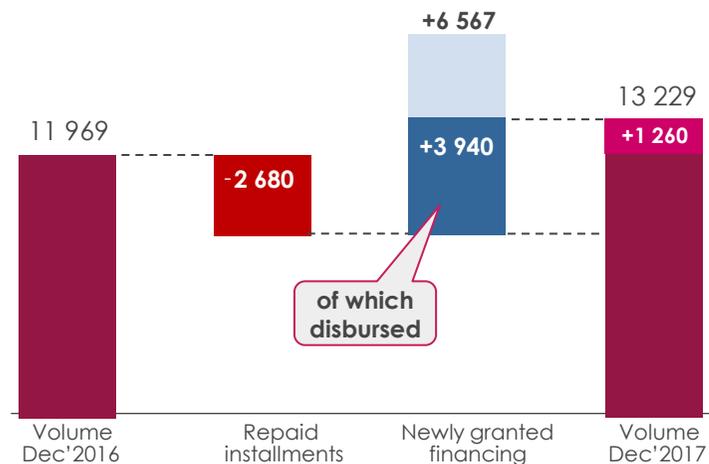
Factoring – turnover (PLN million)



Comments

- Record leasing and factoring sale of PLN 838 million and PLN 4.5 billion respectively in 4Q
- Volume of guarantees and Letters of Credit increased by 9% yearly

New loans granted* (PLN million)



(*) without micro-business

NEW SOLUTIONS IN MILLENET AND MOBILE APPLICATION

Digital solutions are delivering most relevant upgrade of product functionalities; create basis for accelerated growth 2020 Strategy



Savings and investments
new platform in app &
Millenet



Travel and Moto
insurance in app
& Millenet



Mobile contactless
payments (virtualisation of
MC&Visa plastic cards)



Development of e-
administration
services in Millenet



Electronic invoices
system, enabling to send
info about due bills to
retail e-banking users



New module for
ensuring the delivery of
information required by
MIFID2 regulation in
electronic banking



Orders of third party
cash withdrawals in
foreign currency with
SMS notification to
recipient



Instant transfers to
ZUS, tax & customs
offices in Millenet



PRESENTATION OF RESULTS IN 2017

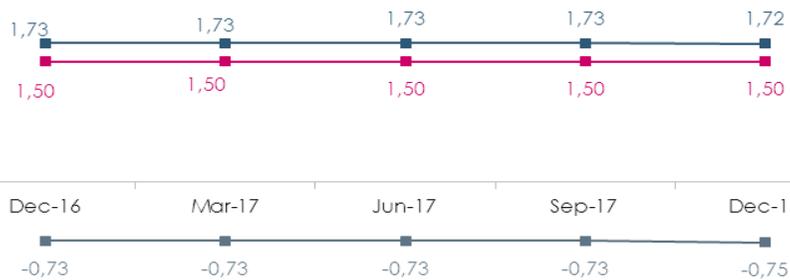
- > Financial performance
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- > **Appendixes**

MACROECONOMIC OVERVIEW

2017 year marked solid acceleration of GDP growth in Poland, which was accompanied by strong appreciation of Polish currency

Interest rates evolution

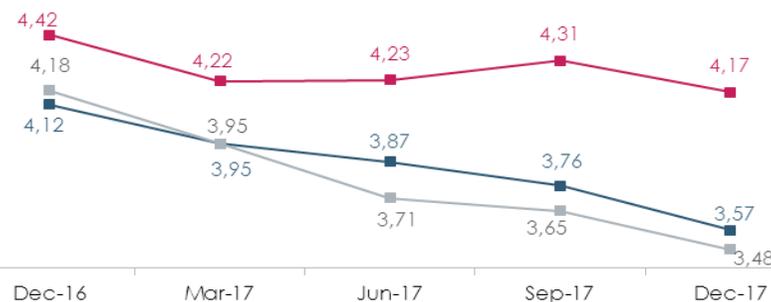
(%)



— Reference Rate — 3M Wibor — 3M CHF Libor

Q-o-Q (bp)	0	-1	-2
Y-o-Y (bp)	0	-1	-2

FX rates evolution

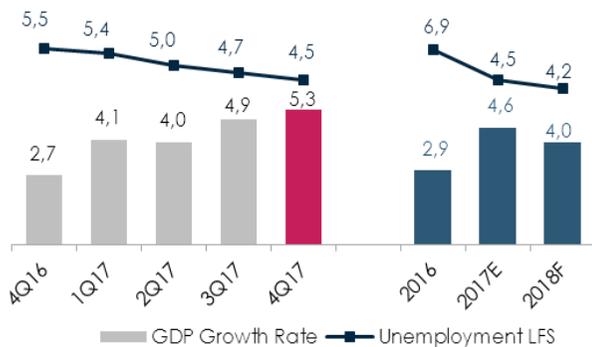


— EUR/PLN — CHF/PLN — USD/PLN

Q-o-Q	-3.2%	-5.2%	-4.7%
Y-o-Y	-5.7%	-13.4%	-16.7%

GDP growth & unemployment

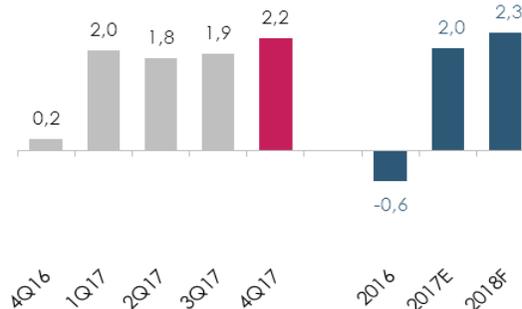
(%)



— GDP Growth Rate — Unemployment LFS

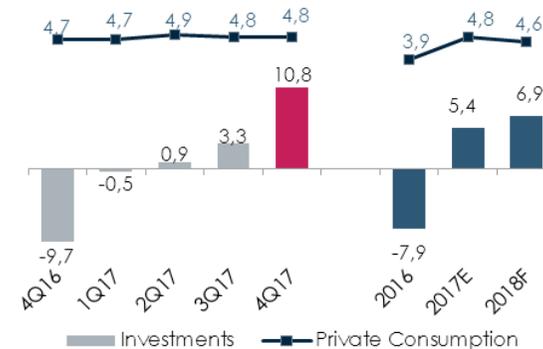
Inflation

(%)



Investments & Consumption

(% y/y)



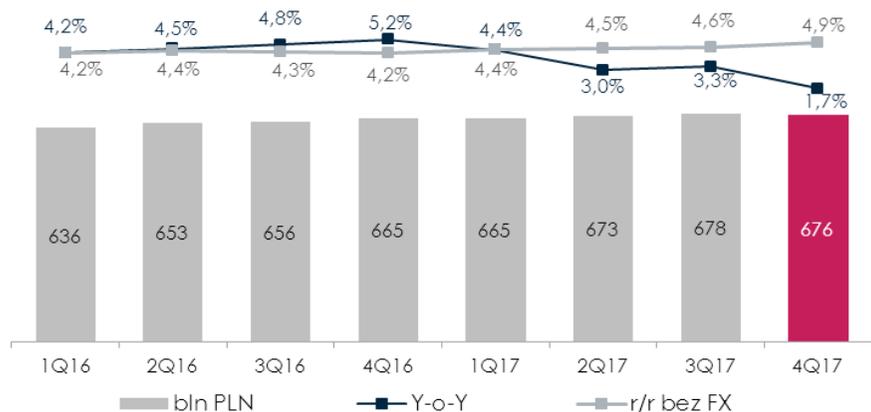
— Investments — Private Consumption

Source: NBP, GUS, Bank Millennium forecasts

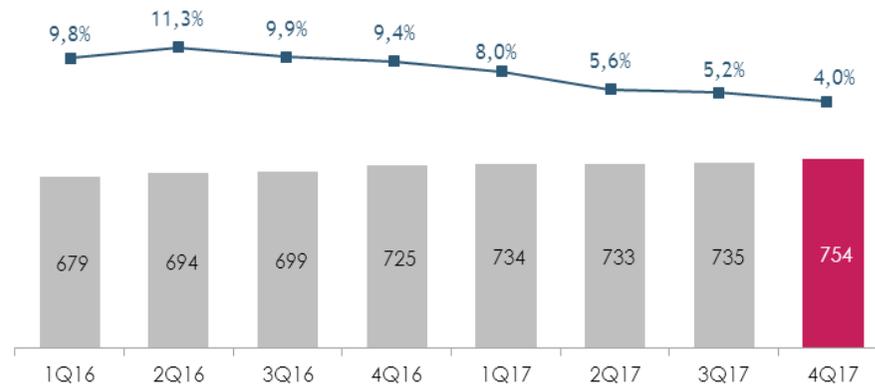
MACROECONOMIC OVERVIEW

Monetary aggregates showed deceleration of deposits growth and acceleration of loans versus 2016 (when excluding FX effect)

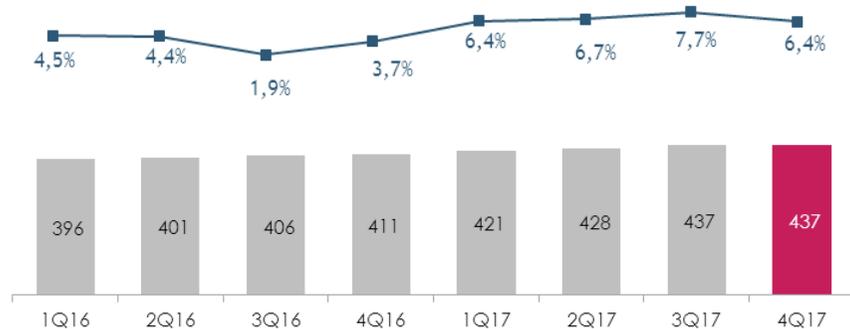
Loans to households (PLN billion, % y/y)



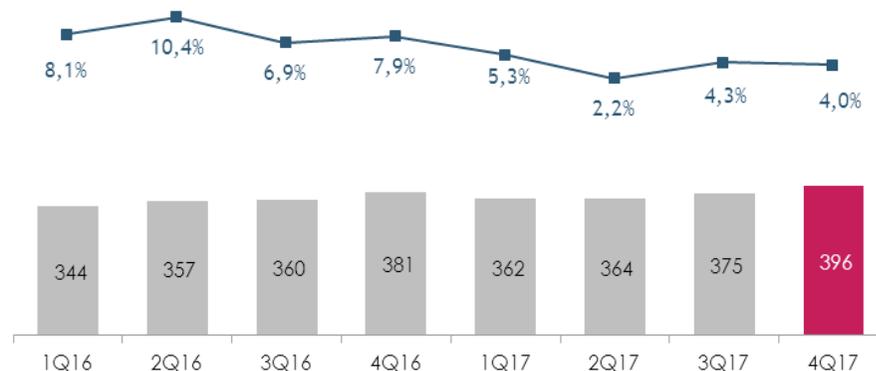
Households' deposits (PLN billion, % y/y)



Loans to companies (PLN billion, % y/y)



Companies' deposits (PLN billion, % y/y)

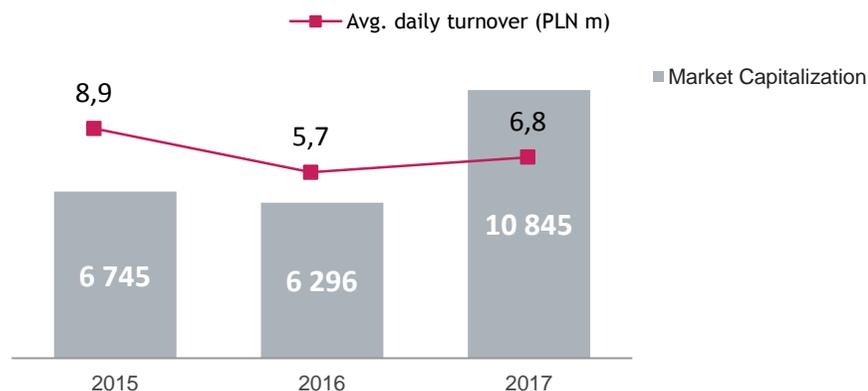


BANK MILLENNIUM SHARE PERFORMANCE

Bank Millennium was the leader of banks' shares growth on the Warsaw Stock Exchange in 2017

Market cap/liquidity

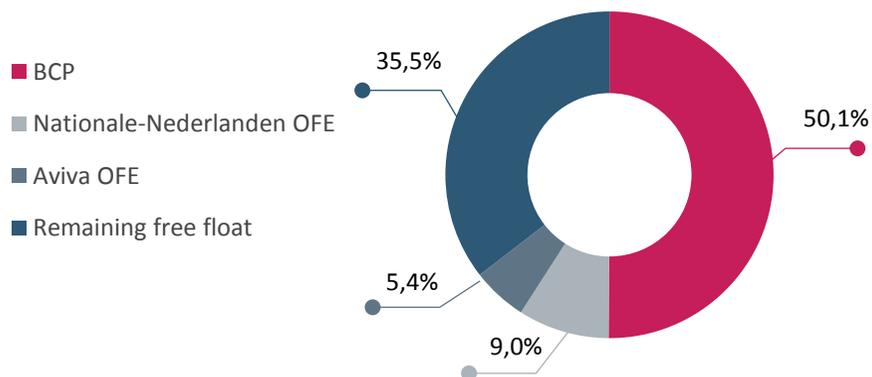
(PLN million)



Bank Millennium share performance vs. main indices

Market ratios	29.12.2017*	30.12.2016*	Change (%) Yearly
The Bank's share price (PLN)	8.94	5.19	72.3%
WIG Banks	8 482	6 263	35.4%
WIG20	2 461	1 948	26.4%
WIG30	2 825	2 243	25.9%
WIG - main index	63 746	51 754	23.2%

Bank Millennium shareholders' structure (31.12.2017)



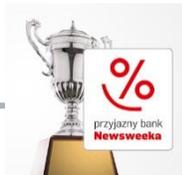
Bank Millennium was the first bank listed on the WSE



(* last day of quotation in 2016 and 2017)

MOST IMPORTANT AWARDS AND RECOGNITIONS (1)

In 2017 Bank Millennium received several awards for quality of products & services and social responsibility ...



For 7 years on podium

1st place in the „Traditional Banking”
1st place in the „Mobile Banking”
2nd place in the „Internet Bank” category



BANK
DOCENIONY
PRZEZ KLIENTÓW

First position in customer
satisfaction
survey done by ARC Rynek i Opinia



Quadruple podium

1st place in „Personal account”
2nd place in „Mortgage loans”
3rd place in „Highest quality of service”

Laureate of the „Safety – Best Practices”



Best Bank for CSR

In Central and Eastern Europe
For Bank Millennium's transparent way
of presenting CSR activities, innovative
approach to clients, which makes
Bank's services simple and easy to use



Reliable Employer 2017

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



CSR Silver Leaf

For the third time Bank Millennium has
been awarded the CSR Silver Leaf –
an award for companies, which are
doing business in a socially responsible
way

MOST IMPORTANT AWARDS AND RECOGNITIONS (2)

... as well as for digital solutions



BAI * PRIZE WINNER

„Breakthrough Collaboration in Financial Services”
for innovative solutions in providing access to e-administration services



GLOBAL FINANCE

The best digital consumer bank in Poland
and The best trade finance services
In Central and Eastern Europe according to *Global Finance*.



Service Quality Star

Bank Millennium was honoured with the prestigious Service Star.



FTSE4Good

FTSE4Good Emerging Index
Bank Millennium is now included in the FTSE4Good Emerging Index, which is one of the FTSE4Good Index Series created by FTSE Russell, part of London Stock Exchange Group



Bank Millennium in Respect Index for the tenth time
index of socially responsible companies listed on the Warsaw Stock Exchange

Millennium
bank

The Management Board of Bank Millennium the best rated by market analysts
According to the *Parkiet* daily survey among top financial analysts

SYNTHETIC P&L ACCOUNT

(PLN million)

Pro-forma	2016	2017	Change Y/Y	4Q'16	3Q'17	4Q'17	Change Q/Q
Net interest income*	1 556,5	1 736,9	11,6%	407,3	446,6	449,2	0,6%
Net commission income	581,0	663,6	14,2%	156,7	165,5	169,4	2,3%
Other non-interest income **	334,7	124,7	-62,7%	17,3	45,5	37,6	-17,2%
Operating Income	2 472,2	2 525,2	2,1%	581,3	657,6	656,2	-0,2%
General and administrative costs	-1 057,5	-1 103,3	4,3%	-268,2	-277,5	-291,4	5,0%
Depreciation	-54,9	-53,0	-3,4%	-13,5	-13,0	-13,1	0,9%
Total operating costs	-1 112,3	-1 156,3	3,9%	-281,7	-290,5	-304,5	4,8%
Net provisions	-231,2	-255,4	10,5%	-71,7	-69,7	-63,0	-9,7%
Operating profit	1 128,7	1 113,5	-1,3%	227,9	297,4	288,7	-2,9%
Banking tax	-174,1	-188,3	8,2%	-46,1	-46,4	-48,3	4,1%
Pre-tax profit	953,3	925,2	-2,9%	180,4	251,0	240,5	-4,2%
Income tax	-252,0	-244,0	-3,2%	-48,9	-63,6	-60,8	-4,3%
Net profit	701,3	681,2	-2,9%	131,5	187,5	179,6	-4,2%
Accounting	2016	2017	Change Y/Y	4Q'16	3Q'17	4Q'17	Change Q/Q
Net interest income (reported under IFRS)	1 505,8	1 696,5	12,7%	389,2	438,3	443,9	1,3%

(*) 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 40.4 million in 2017 and PLN 50.6 million in 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

	31/12/2016	30/09/2017	31/12/2017	Change y/y
	1 779	3 672	2 080	16,9%
	1 268	356	254	-79,9%
	47 020	47 593	47 411	0,8%
	91	305	0	-100,0%
	17 407	16 846	19 355	11,2%
	268	767	1 079	302,6%
	43	48	50	16,2%
	226	235	266	17,3%
	691	645	646	-6,5%
	68 793	70 468	71 141	3,4%

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

	31/12/2016	30/09/2017	31/12/2017	Change y/y
	1 271	2 173	2 353	85,2%
	55 876	56 679	57 273	2,5%
	0	172	0	
	1 489	714	367	-75,3%
	1 314	1 192	1 156	-12,0%
	49	55	68	37,1%
	664	650	702	5,7%
	1 189	1 239	1 449	21,9%
	61 852	62 874	63 369	2,5%
	6 941	7 594	7 773	12,0%
	68 793	70 468	71 141	3,4%



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