



Presentation to the Ordinary General Meeting of Bank Millennium S.A.

Bank Millennium 2017 results and Strategy

26 of March 2018



DISCLAIMER

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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 and with documents delivered to this Ordinary General Meeting.

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.

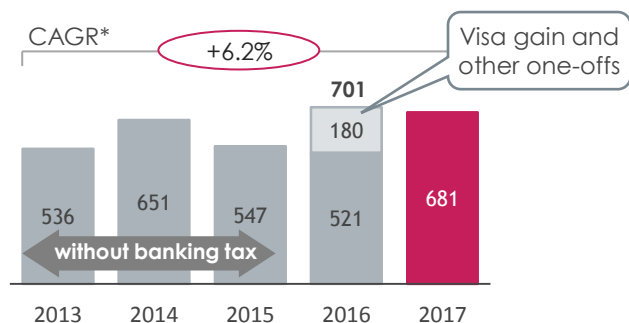
Statements regarding future refer only to the date on which they were created and are based on a knowledge, information and opinions available on this day. The Bank does not undertake obligation to publish any updates, modifications or revisions of the information, data or statements contained in this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

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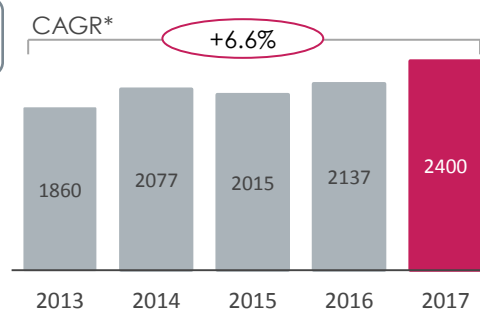
SUMMARY OF 2013-2017 ACHIEVEMENTS (1)

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.

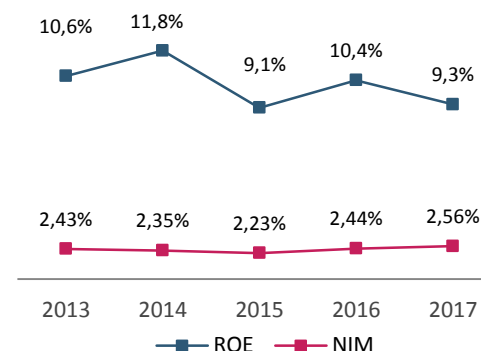
Net Income (PLN million)



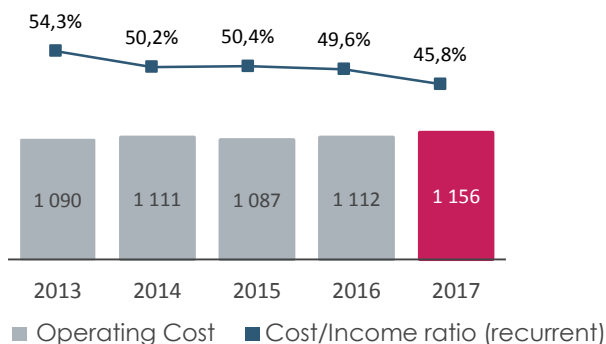
Core Income (PLN million)



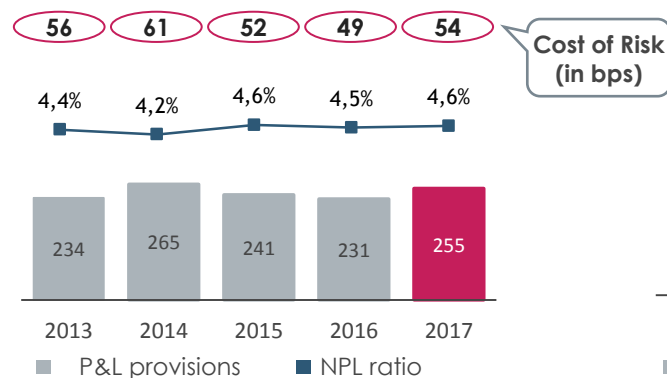
ROE & NIM (PLN million)



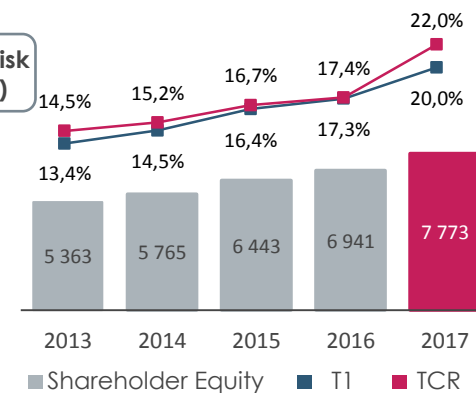
Costs & Cost/Income ratio (PLN million)



Provisions and NPL ratio (PLN million)



Capital Adequacy (PLN million)

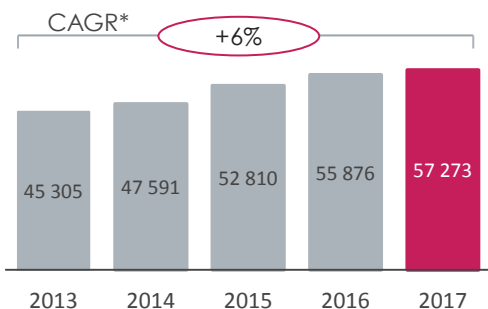


(*) Compound annual growth rate

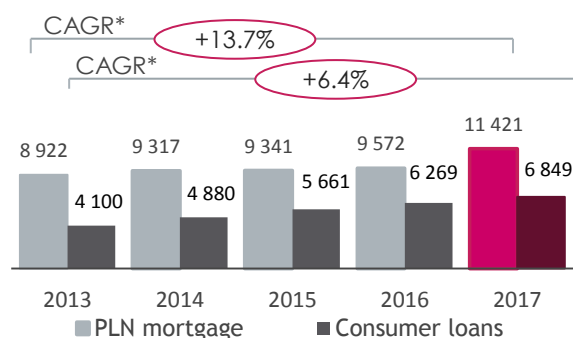
SUMMARY OF 2013-2017 ACHIEVEMENTS (2)

■ 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

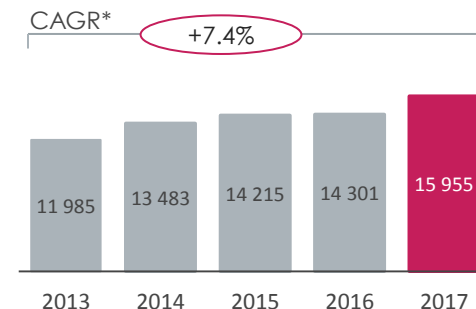
Customer Deposits (PLN million)



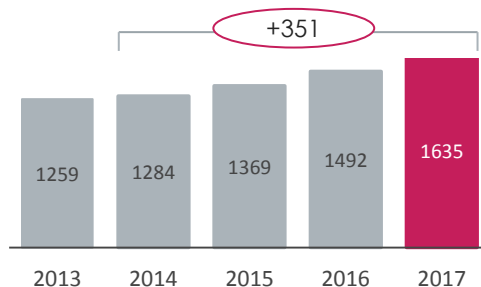
Retail PLN Loans (PLN million)



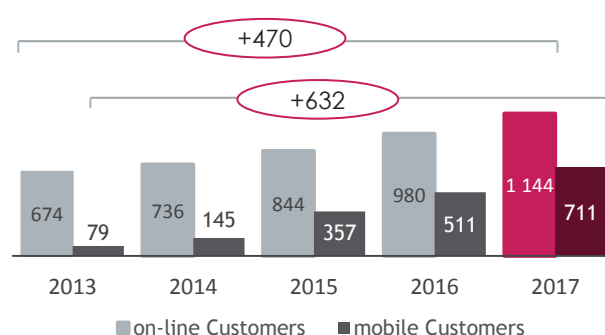
Companies Loans (PLN million)



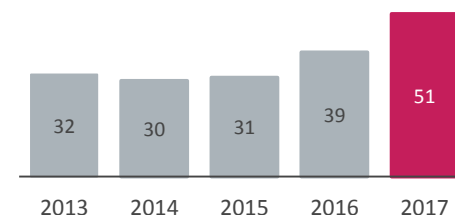
Active retail Customers (thousand)



On-line & mobile customers (thousand)



Net Promoter Score (**)



(*) Compound annual growth rate

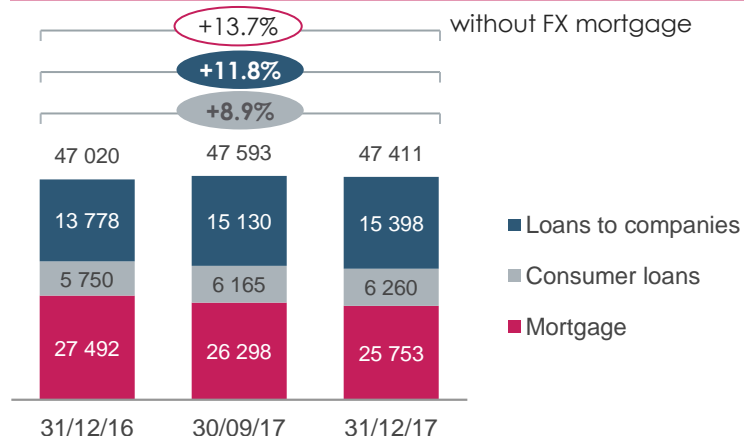
(**) Source: internal research of Bank Millennium

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

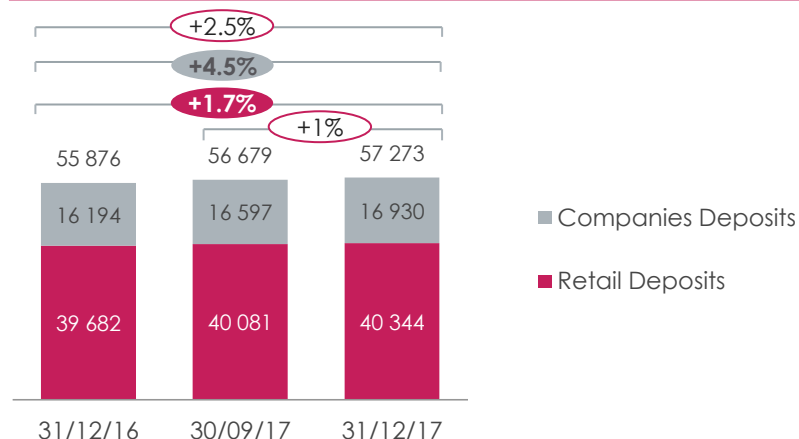
Loan Portfolio of the Group (net)

(PLN million)



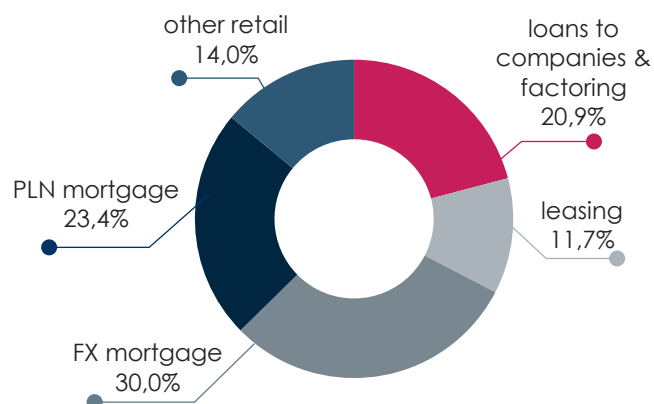
Customer Deposits

(PLN million)



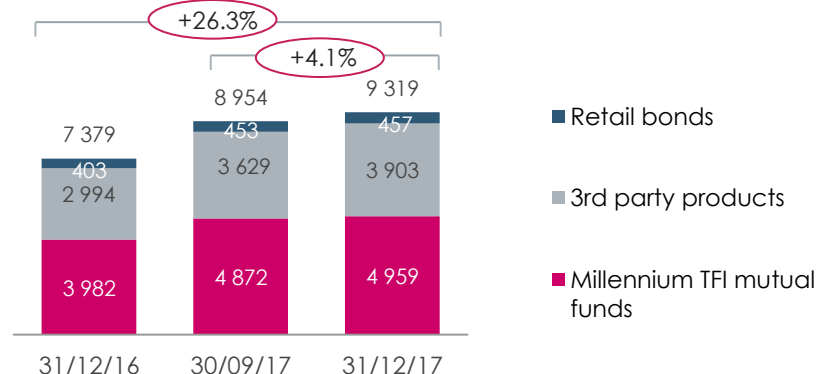
Structure of Loan Portfolio (gross)

(as on 31.12.2017)



Non-deposit investment products

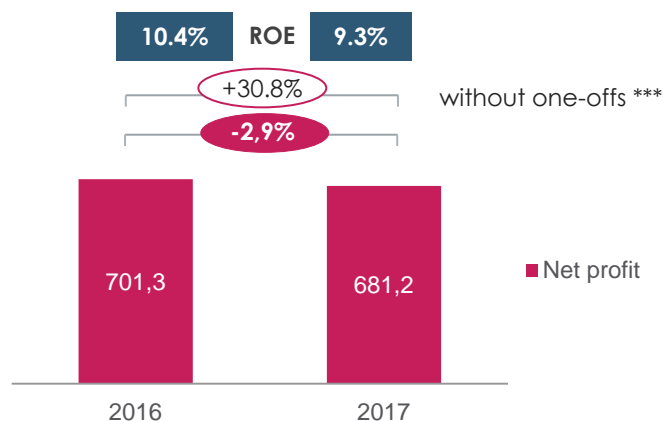
(PLN million)



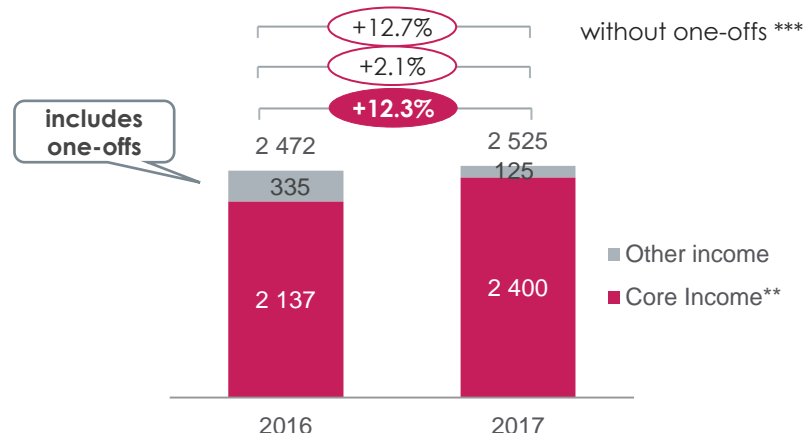
PROFITABILITY AND COST EFFICIENCY

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

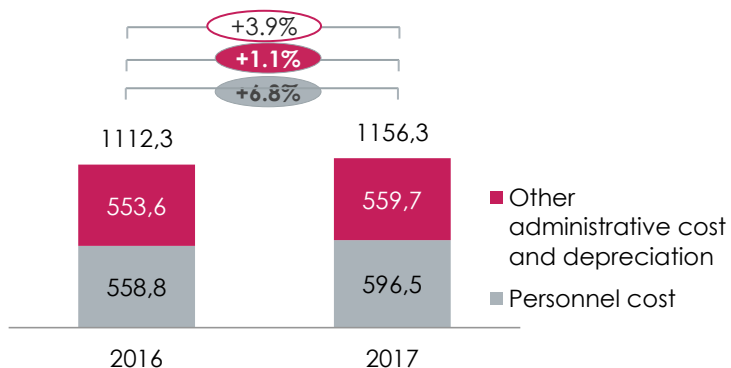
Net profit (PLN million)



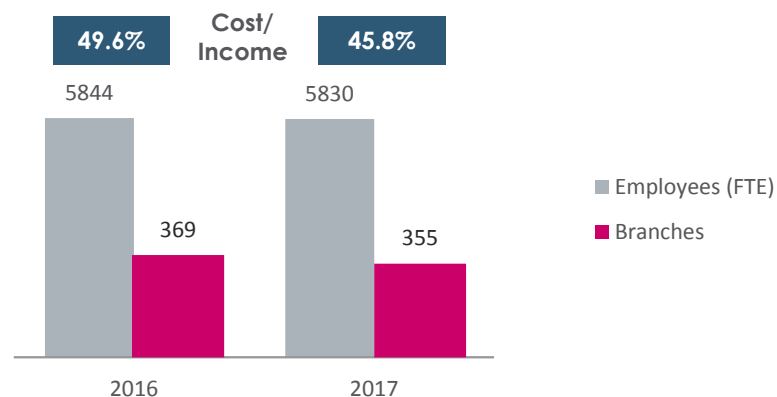
Operating income * (PLN million)



Operating cost (PLN million)



Cost/Income ***; branches and staff



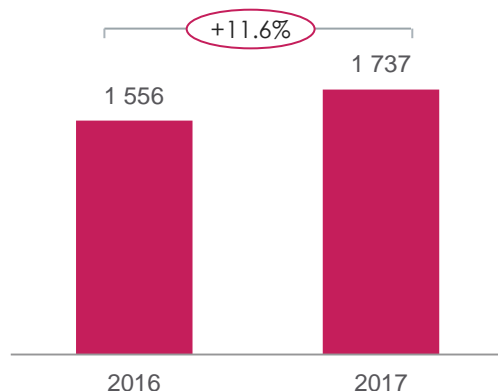
(*) Including net other operating income and cost (**) Net Interest Income + Net Commissions Income

(***) without one-offs: extra capital gain from VISA less extraordinary charges in 2016

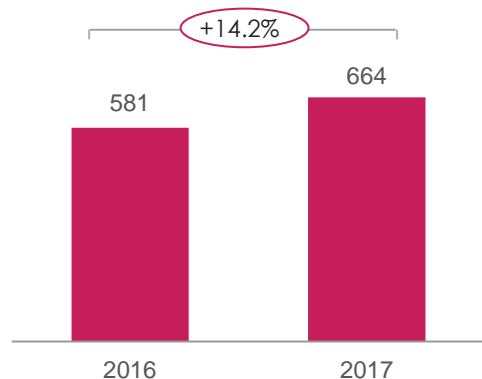
INTEREST AND COMMISSION INCOME

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

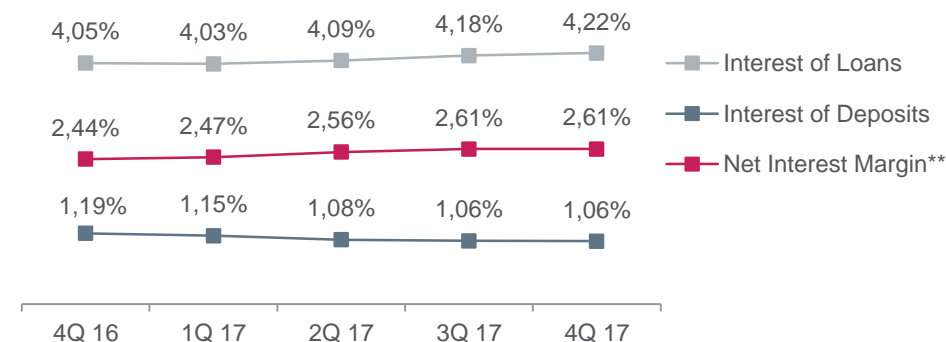
Net Interest Income * (PLN million)



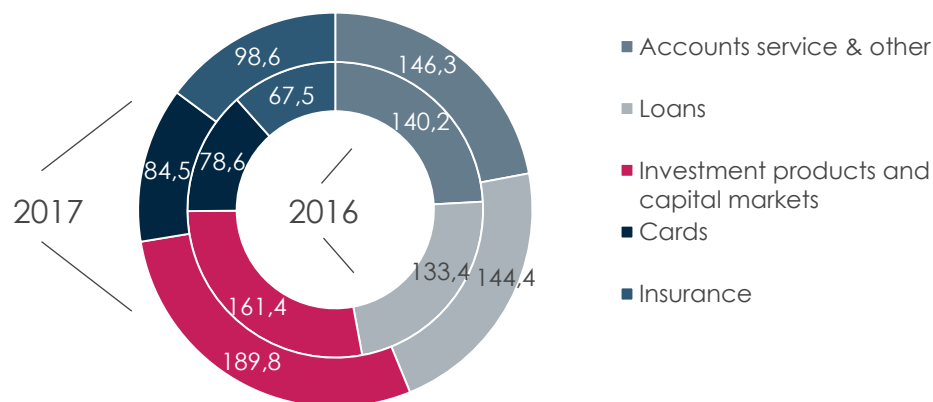
Net Commission Income (PLN million)



Interest on loans and deposit (PLN million)



Commission income structure (in 2017)

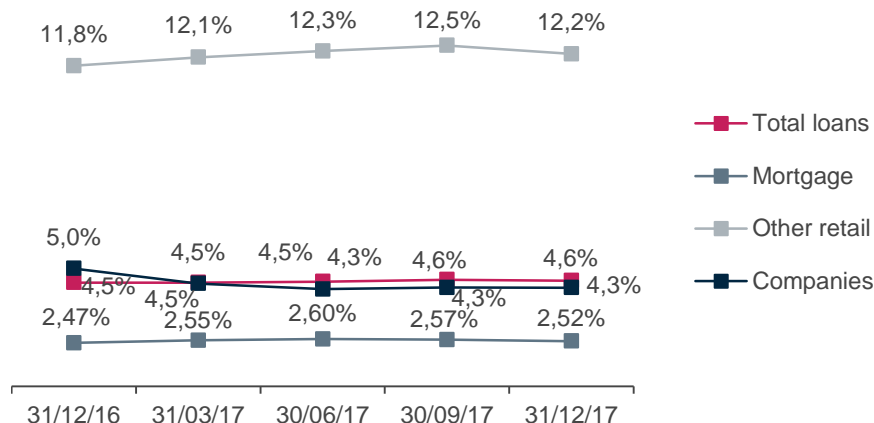


(*) Pro-forma data: margin from all derivatives hedging FX loans is presented in NII, whereas in accounting terms part of this margin (PLN 40.4 million in 2017 and PLN 50.6 million in 2016) is presented in Result on Financial Operations (**) Net Interest Margin: NII (pro-forma) to average interest earning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

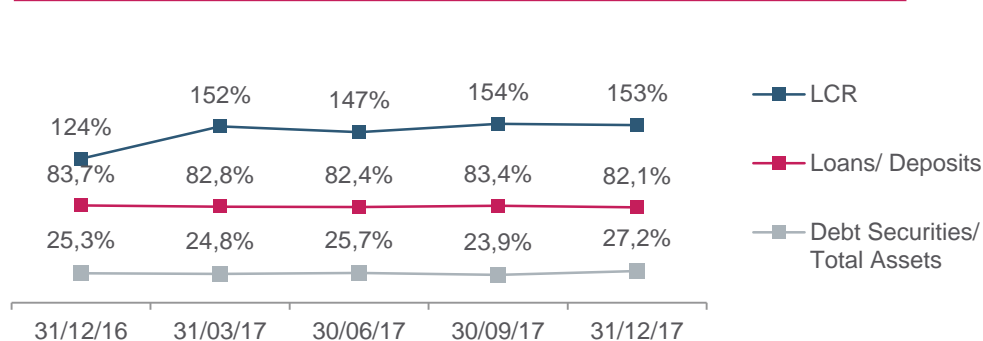
ASSET QUALITY, LIQUIDITY AND CAPITAL

Solid asset quality, cost of risk and liquidity;
Very high capital ratios after subordinated bond issue and IRB decision

Impaired Loans

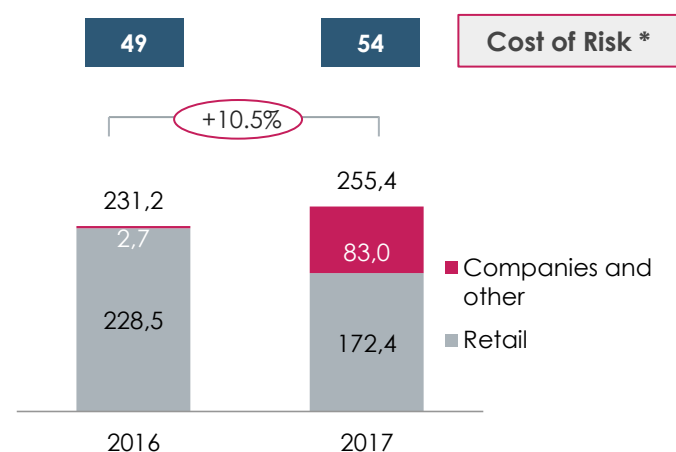


Liquidity indicators

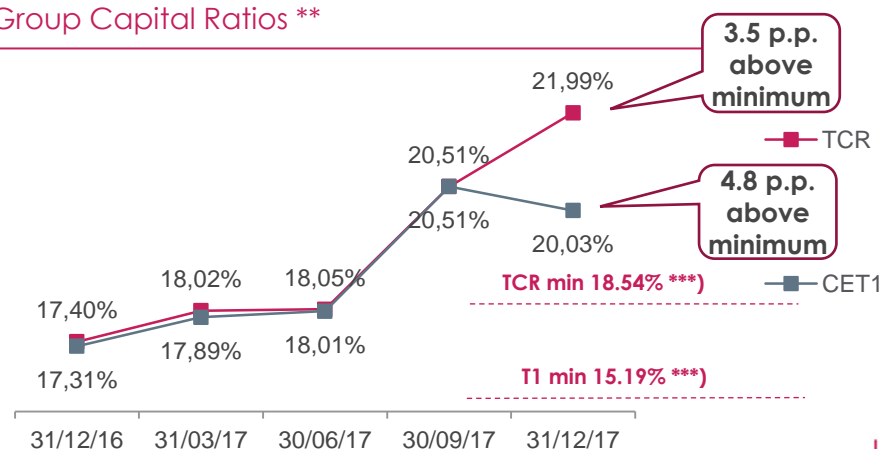


P&L impairment provisions

(PLN million)



Group Capital Ratios **



(*) Total provisions created (net) to average net loans (in basis points) ; (**) Bank (unconsolidated) capital ratios are lower by ca 0.1 p.p. as in December 2017 (***) Minimum capital thresholds for the Bank unconsolidated are slightly higher: TCR = 18.66% and T1 ratio = 15.28%

CAPITAL ADEQUACY MINIMUM THRESHOLDS

With high capital ratios Bank could already pay 75% dividend if not additional K1/K2 criteria
Further increase of ratios after retention of FY 2017 net profit in own funds

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 (from 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. High capital ratios (as at 2017 year-end) would allow the Bank to pay 75% if not additional K1/K2 criteria.
- KNF published on March 14th new medium-term dividend policy assumptions. Bank Millennium will aim to fulfil regulatory conditions to allow the possibility to pay dividends from 2018 profit, although it is still too early for the Bank to assure this possibility. Additionally, assuming today's AGM acceptance of this year proposal, Bank and Group capital ratios will grow by approximately 2 p.p.

(*) K1 is based on FX mortgage share in total portfolio and K2 on share of 2007-2008 vintages in total FX mortgage portfolio

PROPOSAL TO RETAIN 2017 PROFIT IN RESERVE CAPITAL

Resolution no. 5

Bank Millennium has a dividend policy of distributing between 35% to 50% of net profit, subject to regulatory recommendations.

On 24 November 2017 KNF issued its position on dividend policy of banks (and other entities) in 2018. Moreover, KNF in the letter dated 15 December 2017 addressed to Bank Millennium S.A., determined for the Bank the minimum levels of capital ratios. Based on this recommendation, the Management Board of the Bank presents the General Meeting the proposal to retain the entire net profit generated by the Bank in 2017 (648 945 thousand PLN) in the Bank's equity.

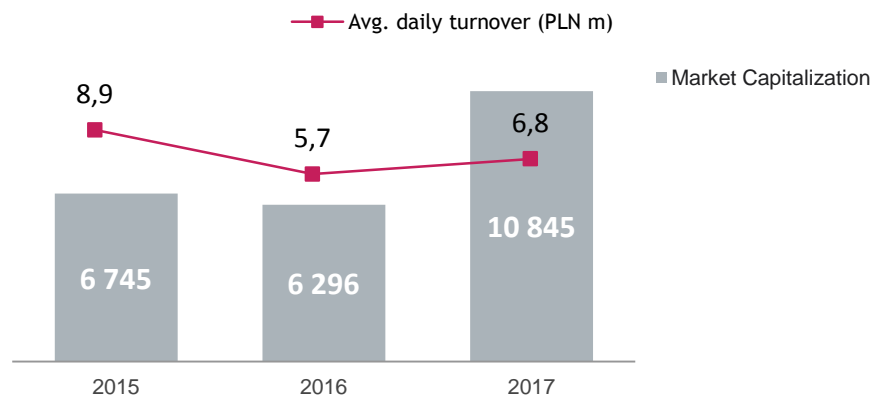
Equity, Capital ratios, Net profit	Bank Millennium Group	Bank Millennium
Equity – on 31 Dec. 2017 (PLN thousand)	7 772 599	7 540 548
Total Capital Ratio – on 31 Dec. 2017	22.0%	21.9%
Common Equity T1 ratio – on 31 Dec. 2017	20.0%	19.9%
2017 net profit (PLN thousand)	681 227	648 945
Allocation to Reserve capital (PLN thousand)	648 945	648 945 (100%)

BANK MILLENNIUM SHARE PERFORMANCE

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

Market cap/liquidity

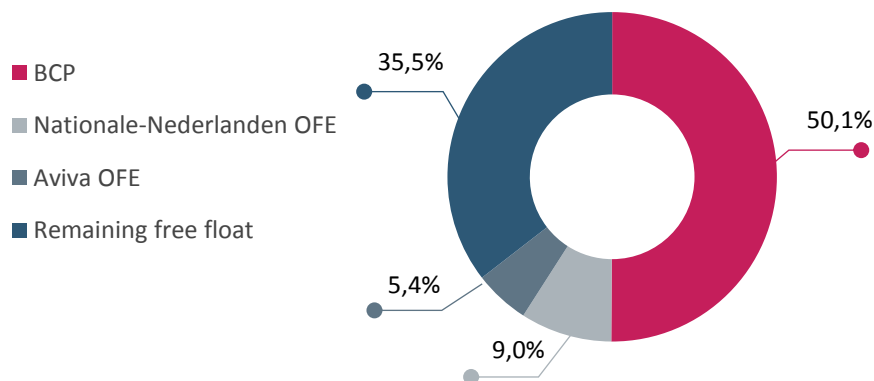
(PLN million)



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

ALL THREE-YEAR STRATEGIES BANK COMPLETED WITH SUCCESS

2009-2011: “Managing through the crisis”

- Conservative liquidity management, strengthening capital ratios
- Improved risk management
- Improving core profitability drivers
- Restructuring of distribution platform, improving efficiency through strict cost management

2012-2014: “Rebalancing the business model for profitability”

- Rebalanced product mix (e.g., mortgage vs. cash loan, term vs. other deposits), deposits price optimization
- Setting Corporate lending on a growth track with new targeting tools and RM management models
- Focus on strengthening competitive advantage (online, mobile, quality, customer intelligence)
- Further reduced operating expenses by strict admin. cost management and lean initiatives

2015-2017: “Focus on profitability preservation, while keeping organic growth target”

- Accelerating acquisition of retail customers via traditional, new and digital channels, while maintaining segment profitability
- Keeping differentiating through customer experience, further leveraging digital and customer intelligence
- Keeping the growth momentum in corporate segment while improving profitability
- Maintaining operational excellence and strict cost control

2018-2020:

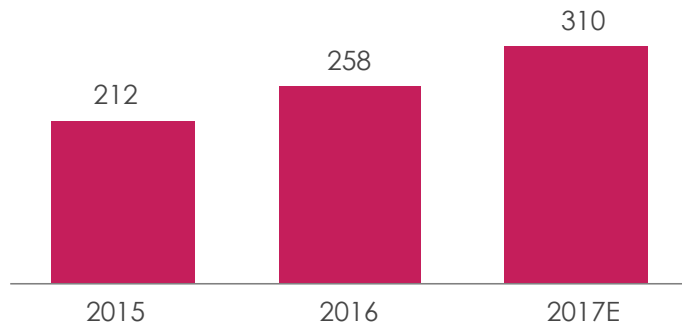
“Accelerated growth”

- Complementing current growth engine in **Retail** (CA acquisition) with **new engines** (Cash Loan, Investments and Micro business)
- Accelerate the growth in **Corporate** through **lending** and enhanced **sales force efficiency**
- Focus growth around client satisfaction, in retail **mass personalization** and in business with **sectorial knowledge approach**
- Strong leverage of **digital in banking** and beyond as competitive edge
- **Opportunistic** approach to **inorganic growth** options
- Win the **war for talent** thanks to engaging and inspiring work environment

BANK MILLENNIUM IS ENTERING THIS NEW STRATEGY PERIOD WITH VERY SOLID FOUNDATIONS

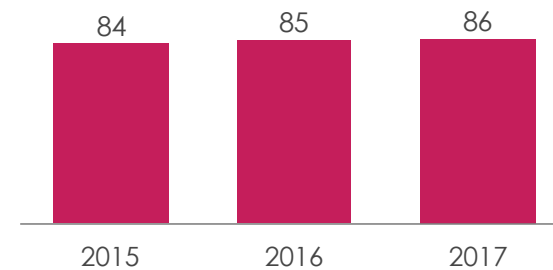
We are a leader in client acquisition

Gross addition of clients in thousands



We are a leader in client satisfaction & recommendation

% of customers satisfied or very satisfied

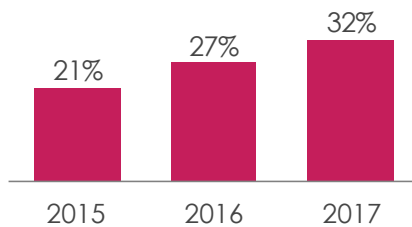


Net Promoter Score

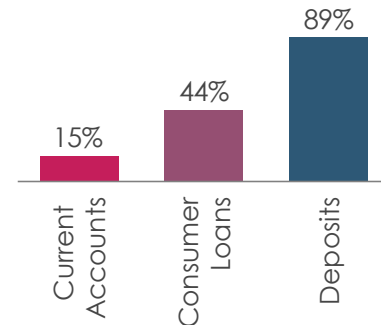


We are a leader in terms of digital banking

% of active mobile clients

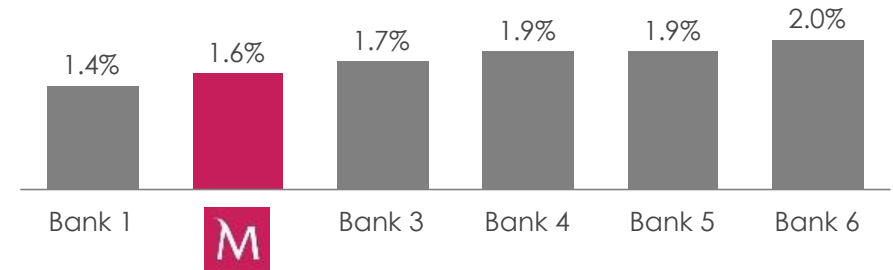


% of digital channels for key products



We are a leader in terms of efficiency

Operating costs as % of Total Assets, 2016¹

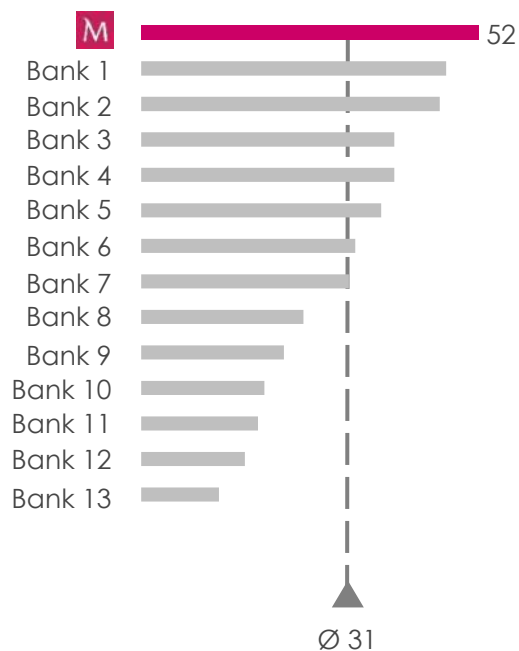


1. Excluding banking tax 2. First position among top Polish banks according to ARC Rynek i Opinia surveys in 4Q 2017

WE ARE ALREADY A LEADER IN CLIENT CENTRICITY – A COMPETITIVE ADVANTAGE FOR CONTINUED GROWTH

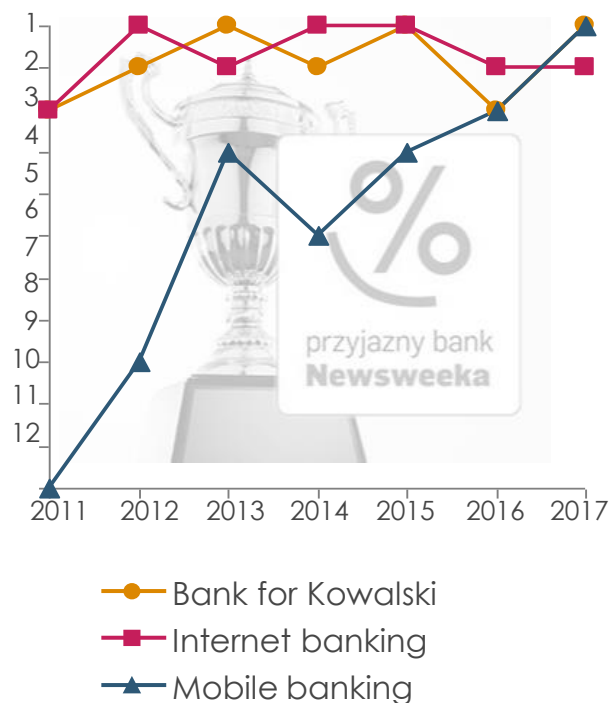
We have top NPS in the Polish banking industry...

NPS among banks in Poland



... for years we have been ranked among the best...

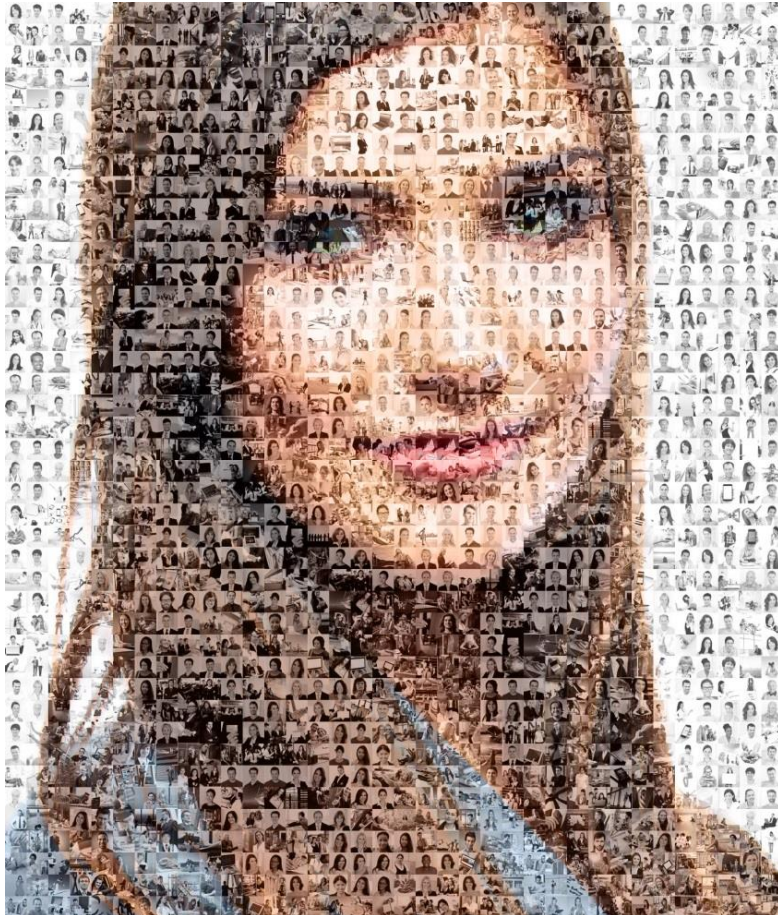
Ranking



... as a result, our clients see us as their main bank and they recommend us



TO PUSH CLIENT CENTRICITY EVEN FURTHER WE ASPIRE TO BECOME THE MOST PERSONALIZED BANK



Segmentation

- During 2017 we applied advance behaviour segmentation on our customer base.
- In addition also the full Polish Markets were compressively study.
- 10 segments were define in terms of habits, preferences and styles.

Value Proposition

- Creation of new value proposition for each segment.
- Definition of new idea on communication and offers to clients and prospers

Communication and sales approach

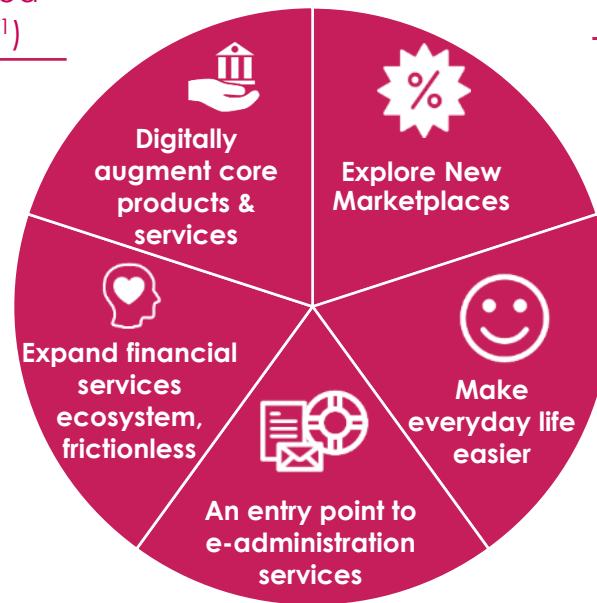
- Operacyjnie wykonalne poprzez nowej generacji silnik CRM "real time", korzystający z Big Data i sztucznej inteligencji
- Maximizing the cross selling and customer loyalty by offering the right product on the right moment

WE WILL CONTINUE TO PUSH THE INNOVATION FRONTIER TO REMAIN RELEVANT FOR OUR CUSTOMERS

#1 Bank in Poland implementing tokenized cards based contactless Payments (HCE ¹)



Seamless MOTOR and TRAVEL insurance application



500+, e-administration integration via trusted profile, ZUS , eID coming

Personalized discounts @ Goodie



goodie

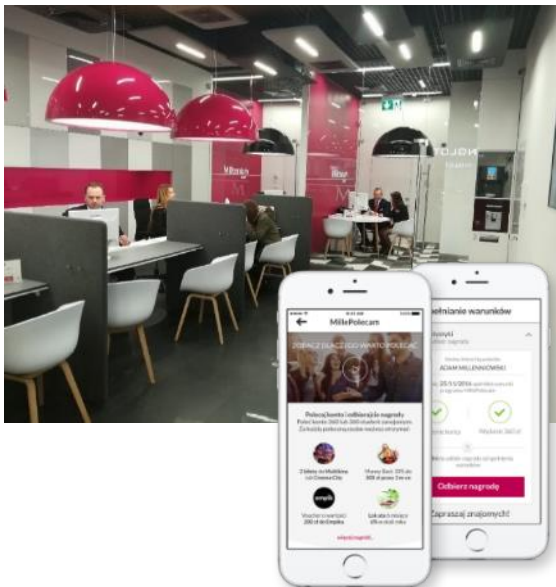
Ticketing & Parking; Bill Payments integrated in Mobile Banking



IN TERMS OF GROWTH WE ARE ALREADY THE LEADER IN CLIENT ACQUISITION

Through a mix of traditional
& new approaches ...

*An innovative multi-channel
recommendation program that
enables to build on clients loyalty*



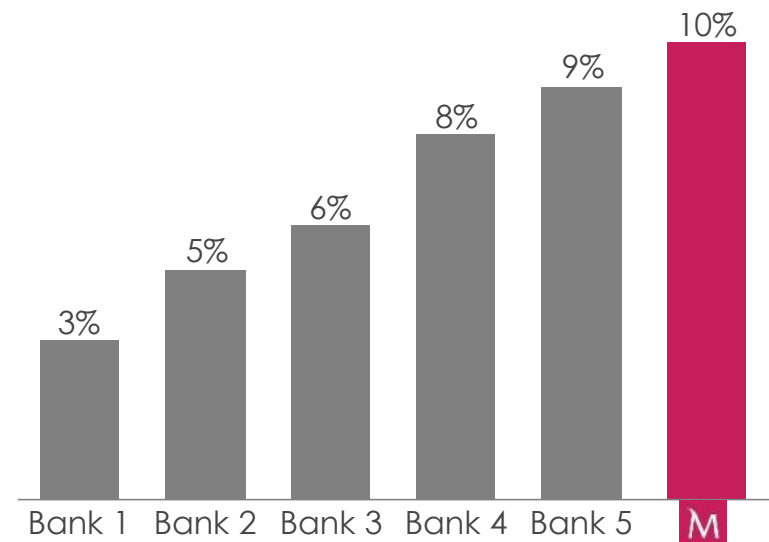
... we mastered clients
acquisition ...

*Number of acquired clients
in 2017*


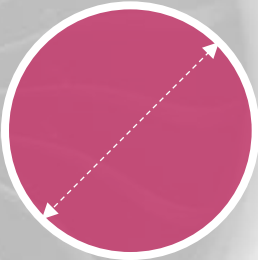
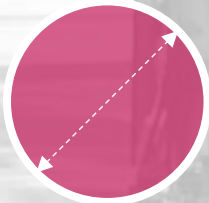
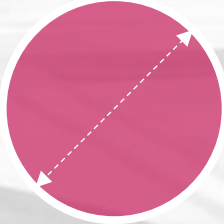
+144 K
aktywnych
klientów

... and we are growing our client base
at the fastest pace

*Change in number of C/A vs. base
for the leading banks [%]*



WE WILL COMPLEMENT CURRENT GROWTH ENGINE (ACQUISITION) WITH NEW ONES TO FURTHER ACCELERATE

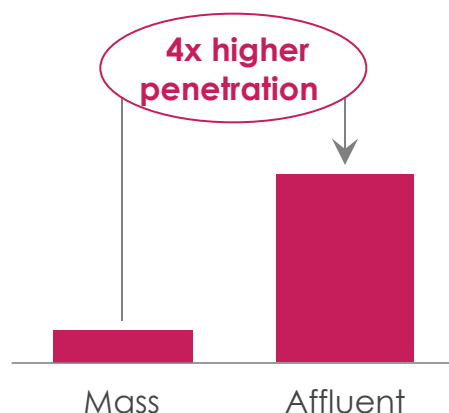
	Investments	Consumer Loans	Micro Business	SME & Corporate
Why selected	Poland still far behind EU markets while forecasts very promising (>10% volume growth CAGR)	Bank Millennium has lower penetration in consumer loans than its fair-share	Significant part of business banking where we can leverage our winning Retail capabilities	Very solid growth machine already in place with 28% revenue growth in the last three years
Revenue potential				

...and we will launch the project of mortgage bank to support business growth

WE ARE EXPANDING OUR PROVEN AFFLUENT INVESTMENTS MODEL, WITH NEXT GENERATION DIGITAL SOLUTIONS TARGETING MASS SEGMENT

By expanding our affluent investments model...

Investment products penetration



Personal advisor will be still **critical** for customer engagement and decision support

... with a new digital investment platform targeting also mass market segments...



Scalable robo-advisory platform to fuel cost efficient growth and differentiation through deeper personalization

...we will capture a significant increase of investment products x-sell



Represents ~35% growth of customers with investment products

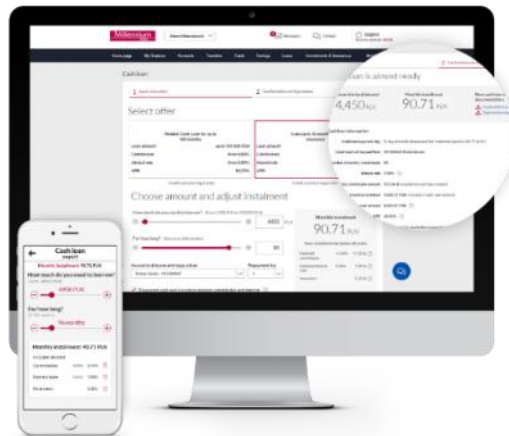
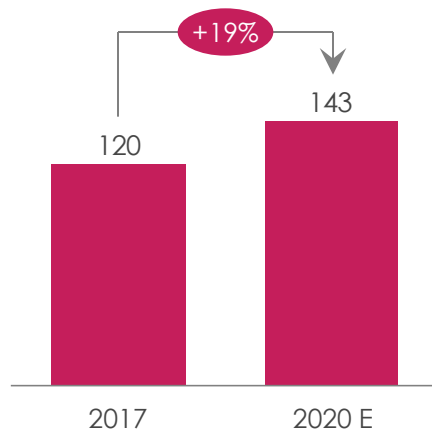
OUR CONSUMER FINANCE OFFENSIVE WILL BUILD ON STATE-OF-THE-ART CLIENT EXPERIENCE AND OPPORTUNITIES PROVIDED BY PSD2

The consumer loan market will be growing at an attractive pace...

...we will amplify the growth by leveraging open data...

... and thus translate it into accelerated growth

Market volumes (PLN bn)



>40%
consumer loan
portfolio growth
by 2020

We expect consumer loan volumes to grow at 6% p.a. **having a major impact on profitability** of the sector

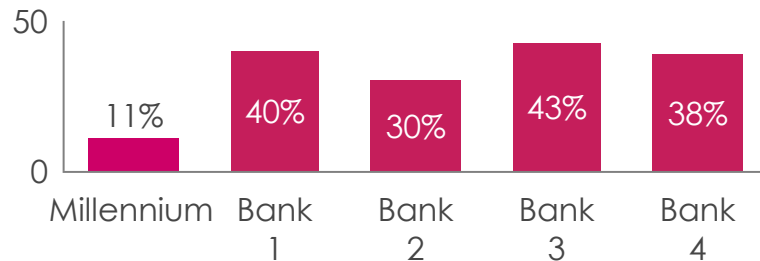
Robust risk scoring for New-To-Bank clients via PSD2 data and **seamless experience** across both direct digital platforms or third party marketplaces

We will grow our consumer loan business by also **acquiring New-to-Bank clients**

GROWTH OF BUSINESS BANKING WILL BE BASED ON OUR PROVEN STRENGTHS AND SHALL FOCUS ON CUSTOMER ACQUISITION

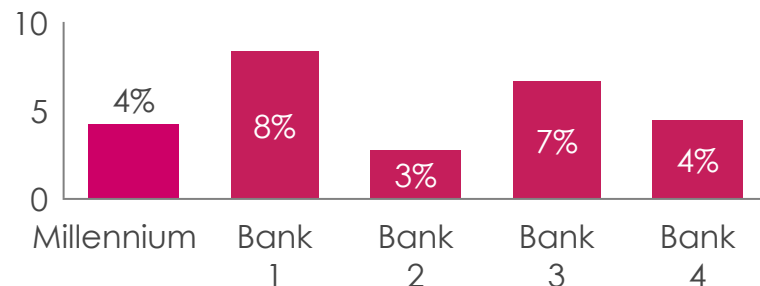
Lower share of Micro as part of overall retail business in income terms...

Micro as a % of retail business - income



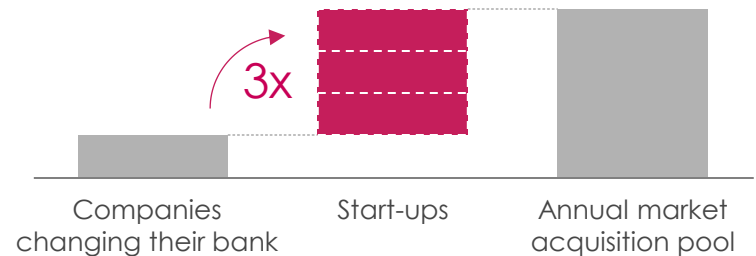
... however on a par with some players in terms of number of customers

Micro as a % of retail business – number of customers



Micro: Expansion through a proven retail model and digital channels

We are leaders in acquiring customers in retail and will be building on this skill, acquiring start-ups



Our microbusiness development initiative will concentrate on acquiring new customers and shall be based on:

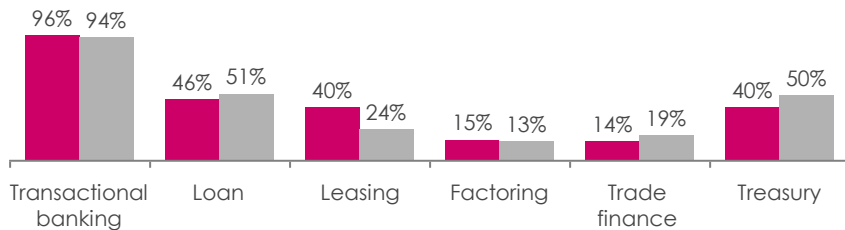
+42%
Customer base growth till 2020

- A competitive sales and digital service model
- Proven lease offering
- Innovative value-added services

PROVEN BUSINESS MODEL IN THE AREA OF CORPORATE BANKING WILL ASSURE SUSTAINABLE GROWTH OF SCALE OF THE BUSINESS

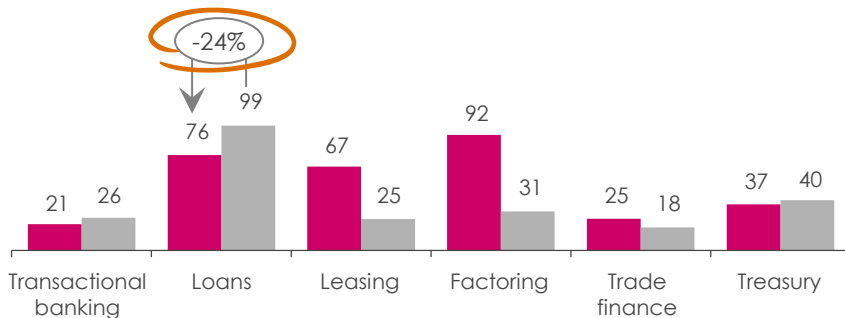
2015-2016 programme, targeted at cross-selling, allowed customers' potential to be tapped

Product penetration, %



We still have growth opportunities in business financing

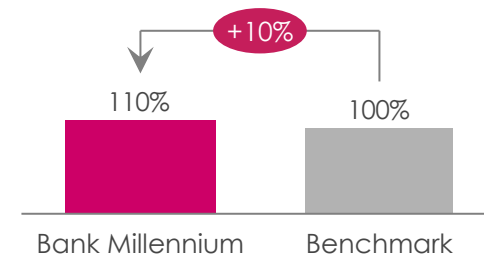
Banking income / Customer, PLN ,000



Bank Millennium Benchmark

Corporate: Using a proven model and growth by concentrating on priority sectors

We have a proven model in Corporate Banking with leading revenue per customer



For further growth of Corporate Banking we will be focusing on development of the customer base by:

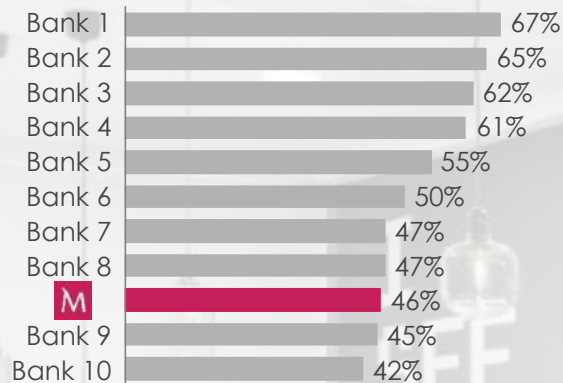
+19%
Customer base growth till 2020

- Optimised sectoral approach
- Better *prospecting* and *onboarding*
- New digital platform in transactional banking and fast credit process

OUR BEST-IN-CLASS EFFICIENCY IS ENSURED BY A FUTURE-PROOF COMBINATION OF AUTOMATION, SCALABILITY AND AGILITY

We are already a very cost efficient bank...

Cost to Income ratio 1H 2017 (%)



Smart processing technology supports benchmark level of e2e automation and integration

Branch network optimization based on **advanced geo-analytics models**

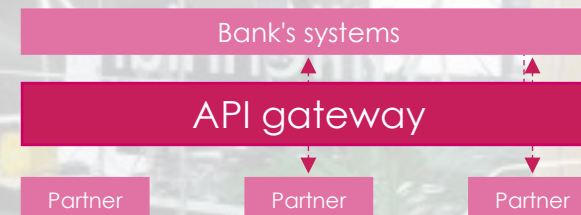
... ready to scale at negligible costs...

**ONLY
+4%**

Opex increase for 25% growth of active customer base

... and to expand across the digital ecosystem

Seamless connectivity with partners



TALENT AND CAPABILITIES NECESSARY FOR DELIVERY OF OUR AMBITIOUS STRATEGY WILL BE ENSURED BY AN ENRICHED EMPLOYER VALUE PROPOSITION

Bank Millennium is already an exciting place to work ...

Admired workplace



Broad training programs



Personal achievement recognition culture



Leadership development



Values-based company with strong **collaborative spirit** and having **multi-functional teams** focused on main challenges

...and will become even more so, to keep attracting top talents



The **first-choice employer for the brightest talents** who deliver the most innovative solutions in the financial services industry

AS THE RESULT OF STRATEGY 2020, WE WILL DELIVER CONTINUED STRONG GROWTH, SUPERIOR COST-EFFICIENCY AND TOP-OF-INDUSTRY SHAREHOLDER RETURN

AMBITION by 2020

We want to gain scale by
being a **growth leader in
Polish banking sector...**

- Core business Income growth by **~30%**
- **Double-digit** volume growth in core selected areas
- **Double** the pace of active client acquisition

**...at the best-in-class
efficiency & risk level...**

- Cost-to-income ratio of **40%**
- Cost of risk in line with historical trends

...and as a result generate
appealing return
to our shareholders

- **1 bln** PLN Net Profit¹
- **Top 3 ROE** in Polish banking industry¹