



BANK MILLENNIUM GROUP

Presentation of 1st Half 2018 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 based on semi-annual financial report (reviewed by the external auditor) with two pro-forma adjustments:

- 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 assets and liabilities held for trading. As this hedge accounting relationship changes through time and does not necessarily include the entire portfolio of FX, Currency and 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.
- According to current understanding of IFRS9 standard, small part of credit portfolio is fair valued through P&L. As fair value adjustment of this portfolio has similar economic effect to impairment adjustment, it was excluded from Total Operating Income and added to cost of risk line.

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



PRESENTATION OF RESULTS IN 1H 2018

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

KEY PROFIT & LOSS ITEMS

PLN mln	1H18	1H17	Change Y/Y	2Q18	1Q18	Change Q/Q
Net interest income	892.9	841.1	6.2%	456.3	436.7	4.5%
Net commission income	336.6	328.6	2.4%	164.1	172.5	-4.9%
Total operating income	1 325.3	1 257.8	5.4%	668.9	656.4	1.9%
Total costs	-632.2	-607.7	4.0%	-302.0	-330.2	-8.6%
Cost of Risk (**)	-113.4	-122.7	-7.6%	-58.3	-55.1	5.7%
Banking tax on assets	-100.7	-93.7	7.4%	-48.5	-52.2	-7.1%
Net Profit	347.9	314.1	10.8%	192.7	155.3	24.1%
Ratios:						
NIM	2.54%	2.51%	0.03 p.p.	2,57%	2,51%	0.06 p.p
Cost/Income (*)	46.4%	46.5%	-0.1 p.p.	46.9%	45.9%	1.0 p.p.
Cost of Risk (**)	47 b.p.	52 b.p.	-5 b.p.	48 b.p.	47 b.p.	+1 b.p.
ROE (*)	9.5%	9.5%	0.0 p.p.	9.3%	9.5%	-0.2 p.p.
ROA (*)	1.01%	0.99%	0.02 p.p.	1.00%	1.02%	-0.02 p.p.

(*) adjusted for BFG resolution yearly fee by equally accruing it over the year (**) Total net provisions created (including fair value adjustment of credit portfolio and loans modification effect); ratio to average net loans - in basis points,

KEY BALANCE SHEET ITEMS

PLN mln	June 18	Mar. 18	Change Q/Q	June 17	Change Y/Y
Active customers (ths)	1 714	1 676	+39	1 557	+157
inc. on-line and mobile	1 240	1 201	+39	1 060	+180
Customer Funds	69 236	69 080	0.2%	65 166	5.8%
Customer Funds of individuals	52 708	52 752	-0.1%	48 862	7.9%
Deposits	59 831	59 474	0.6%	56 988	5.0%
Loans	50 256	48 000	4.7%	47 316	6.2%
FX Mortgage Loans	14 698	14 244	3.2%	16 425	-10.5%
Loans without FX mortgage	35 558	33 756	5.3%	30 891	15.1%
Ratios:					
L/D	84.0%	80.7%	3.3 p.p.	83.0%	1.0 p.p.
Impaired loan ratio (stage 3)	4.74%	4.86%	-0.12 p.p.	4.54%	0.20 p.p.
Coverage ratio *)	76%	76%	0 p.p.	65.7%	+10 p.p.
CET1 = T1	21.3%	22.3%	-1.0 p.p.	18.0%	+3.3 p.p.
TCR	23.4%	24.4%	-1.0 p.p.	18.0%	+5.3 p.p.

(*) Total provisions to gross loans in stage 3

MAIN FINANCIAL HIGHLIGHTS OF 1 HALF 2018

Consistent improvement of profitability with high quality of assets kept

Profitability increase

Net profit of 1H 2018 reached **348 million PLN**, which means **11%** yearly growth
ROE at **9.5%** and cost/income at **46.4%** *)

Operating income exceeds costs growth

Operating income grew by **5.4%** y/y outpacing costs growth of **4%** y/y
Net interest income grew by **6.2%** y/y and Net Commission Income by **2.4%** y/y

Low cost of risk and improvement of loans quality

Cost of Risk **) at **47 b.p.** (annualised)
Impaired loans (stage 3) ratio at **4.7%** level

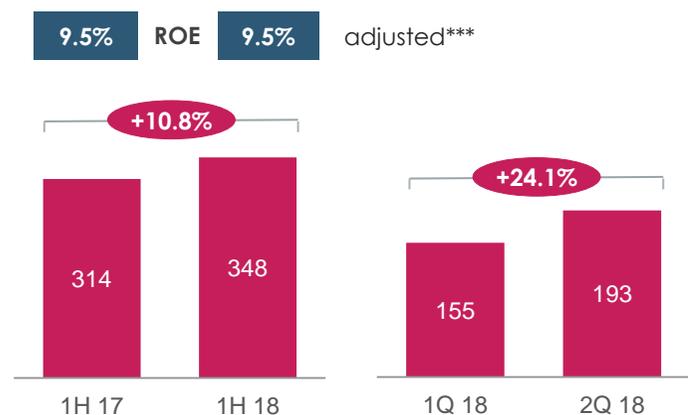
Strong capital and liquidity ratios

Group's Total Capital Ratio (TCR) at **23.4%**, and CET1 ratio (= T1) at **21.3%** much above minimum thresholds
Loans to Deposits ratio at low level of **84%**

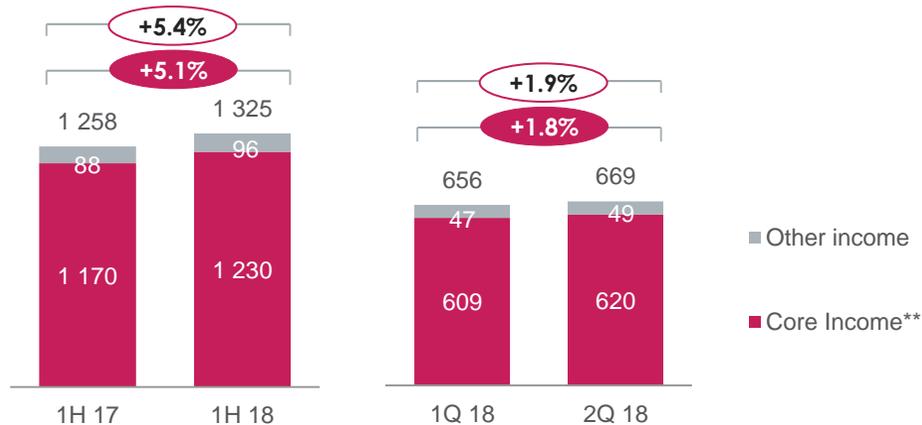
PROFITABILITY AND COST EFFICIENCY

Increase of net profit with stable ROE and Cost to Income

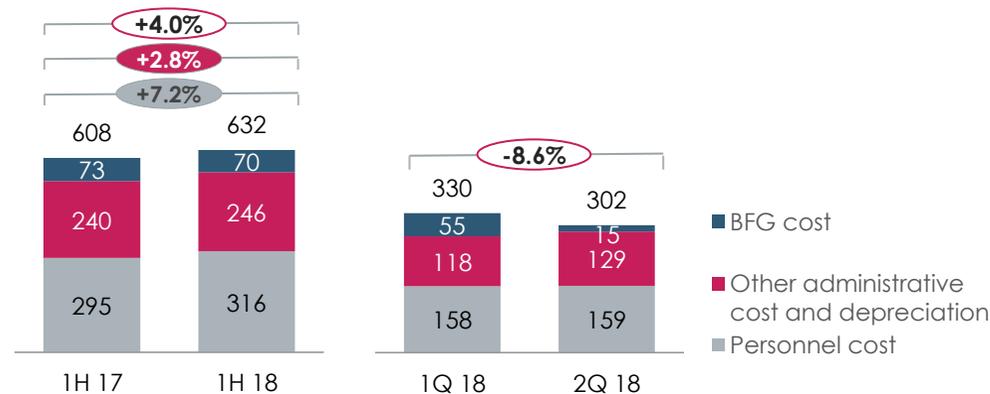
Net profit (PLN million)



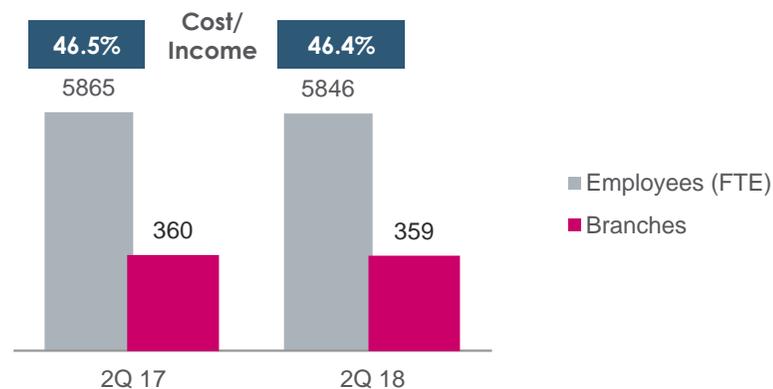
Operating income * (PLN million)



Operating cost (PLN million)



Cost/Income ***; branches and staff

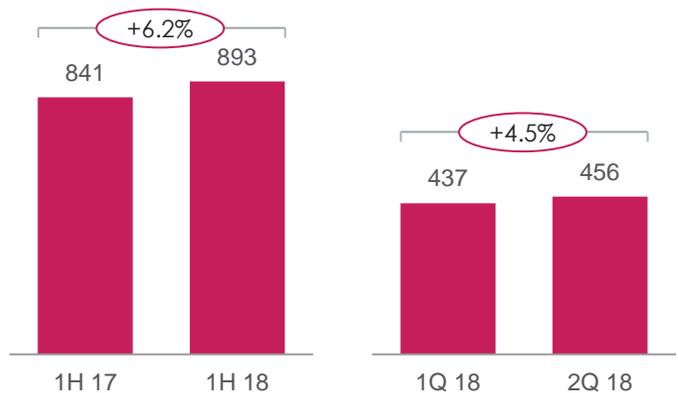


(*) pro-forma, including net other operating income and cost (***) assuming equal accrual of BFG resolution fee over the year
 (***) Net Interest + Net Commissions Income

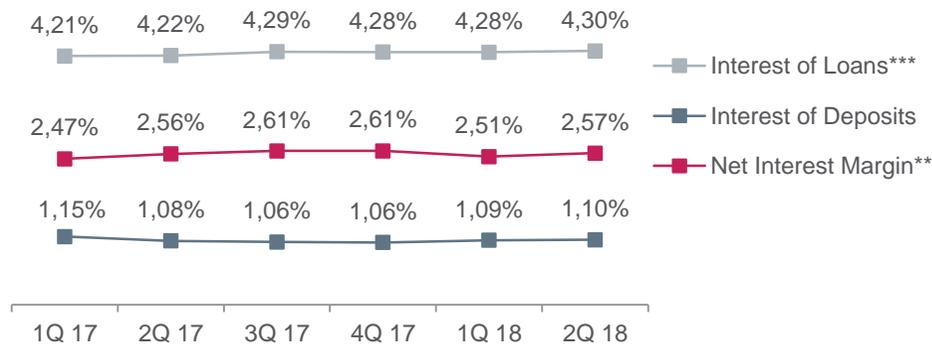
INTEREST AND COMMISSION INCOME

Continued solid growth of Net interest Income, Commissions affected by capital market related fees

Net Interest Income * (PLN million)



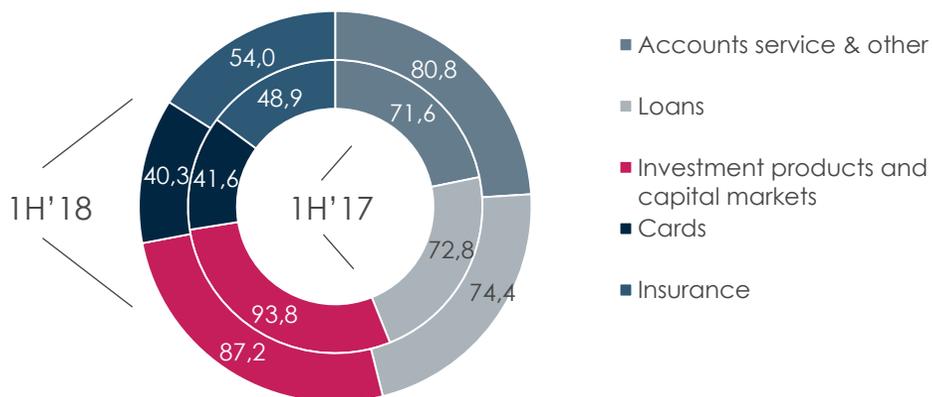
Interest on loans and deposit (PLN million)



Net Commission Income (PLN million)



Commission income structure (PLN million)

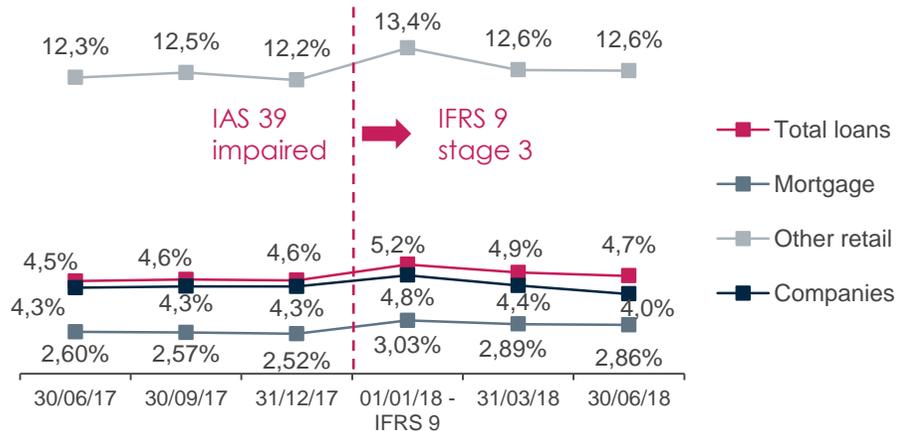


(*) Pro-forma data: margin from all derivatives hedging FX loans is presented in NII, whereas in accounting terms part of this margin (PLN 24.1 million in 1H'18 and PLN 26.8 million in 1H'17) is presented in results on financial assets and liabilities held for trading (**) Net Interest Margin: NII (pro-forma) to average interest earning assets (***) including interest from swaps

ASSET QUALITY, LIQUIDITY AND CAPITAL

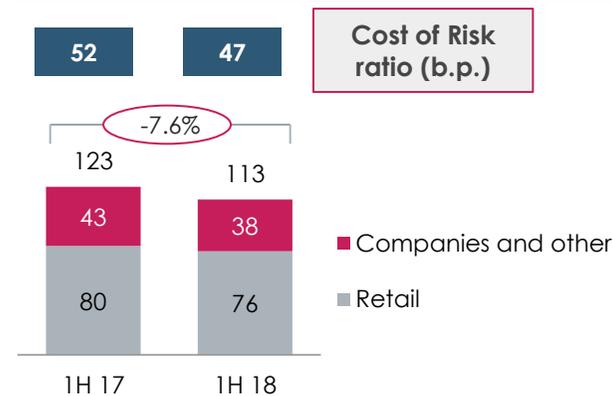
Low Cost of risk; improvement of loans quality with coverage of stage 3 at 76%
Strong capital ratios keep high surplus over minimums

Impaired Loans

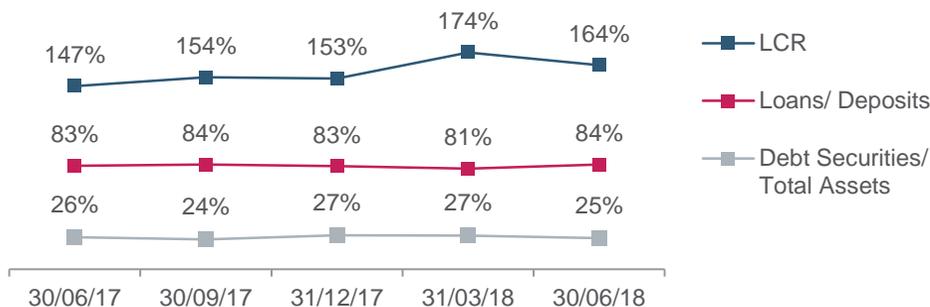


Cost of Risk *

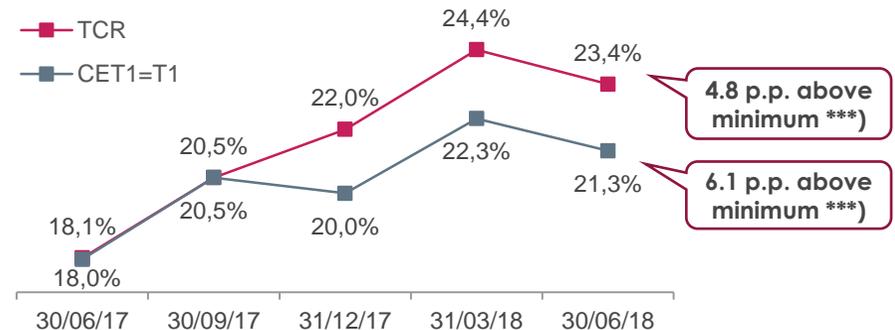
(PLN million)



Liquidity indicators



Group Capital Ratios **



(*) Total net provisions created (including fair value adjustment of credit portfolio and loans modification effect), ratio to average net loans (***) Bank (unconsolidated) capital ratios are lower by c.a. 0.25 p.p. as in June 2018 (***) capital thresholds in 2018 include Combined buffer (Systemic, conservation and OSII) plus Pillar 2 FX buffer; Minimum ratios required for the Group/Bank are: TCR = 18.54%/ 18.66% and T1 = 15.19%/ 15.28%. In June 2018 KNF started a process of removing Other Systemic Important Institution (OSII) buffer from Group's and Bank's minimum capital thresholds.



PRESENTATION OF RESULTS IN 1H 2018

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- > **Business development**
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MAIN BUSINESS HIGHLIGHTS OF 1 HALF 2018

Acceleration of loans sale and customer acquisition – in line with new 2020 strategy

Retail business

Active customers net growth in the last 12 months at **157 ths.**
Record sale of cash loans at **822 million** PLN in 2Q (+41% y/y in 1H'18)
New mortgage loans sale at high **863 million** PLN in 2Q (+53% y/y in 1H'18)
Customers' funds grew by **8%** yearly to reach **52.7 bn** PLN
+36% yearly growth of active mobile users

Companies business

Total loans to companies yearly growth accelerated to **12%** y/y
New quarterly record of factoring turnover of **4.8 bn** PLN (+18% y/y in 1H'18)
Leasing sale has grown to **856 million** PLN in 2Q (+15% y/y in 1H'18)
Volume of FX transactions grew by **26%** and volume of guaranties and LC granted grew by **31%** yearly

Digital Innovations

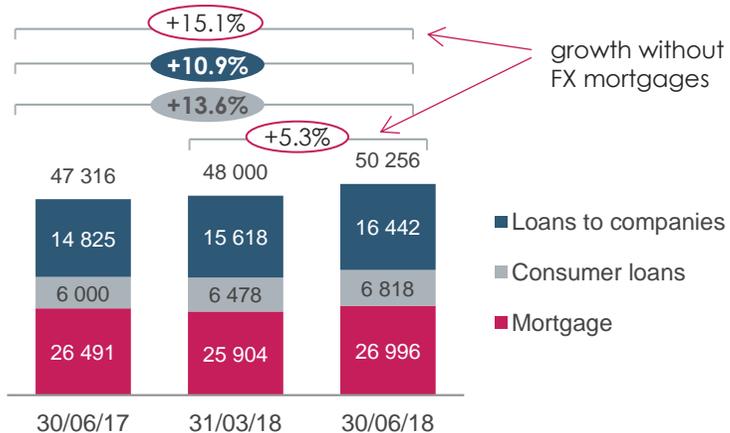
Over **400 ths** goodie apps downloads, of which almost 300 ths in the first half of 2018; continuous development and new functionalities of Bank Millennium smart-shopping platform - **goodie**

Many external awards confirming leadership position in the area of digital innovations

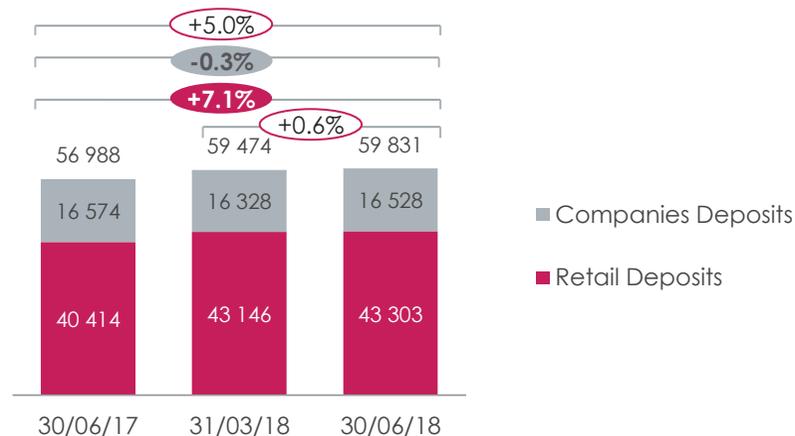
LOANS AND DEPOSITS

Strong 15% growth of all loans excluding FX mortgages

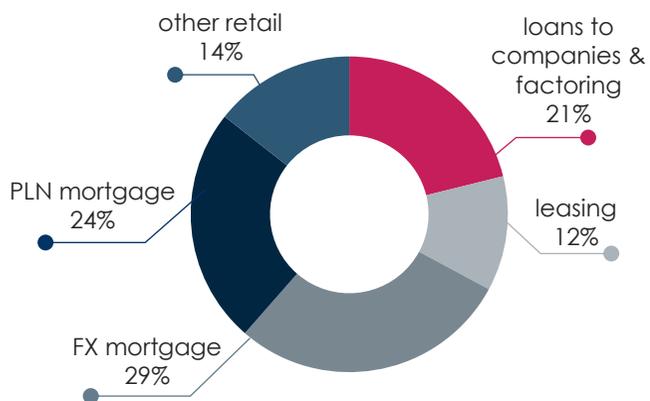
Loan Portfolio of the Group (net) (PLN million)



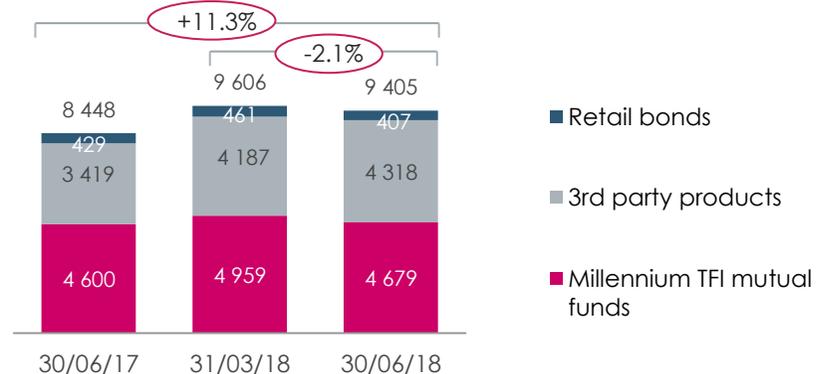
Customer Deposits (PLN million)



Structure of Loan Portfolio (gross)



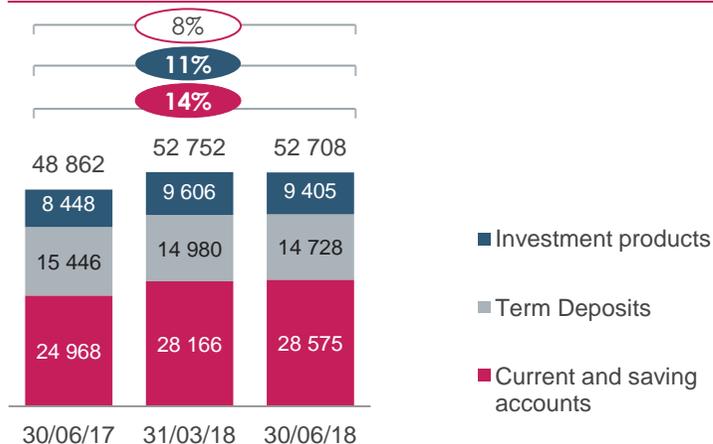
Non-deposit investment products (PLN million)



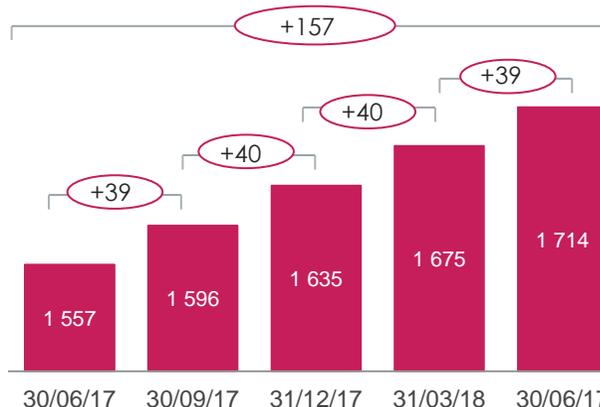
RETAIL BUSINESS – DEPOSITS AND ACCOUNTS

Over 1.7 million active customers ; strong growth of accounts and cards
 Customers' Funds grew by 8% yearly

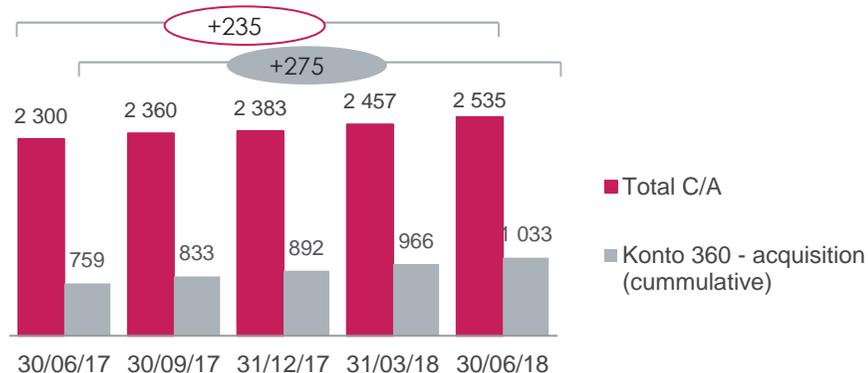
Retail Customer Funds (PLN million)



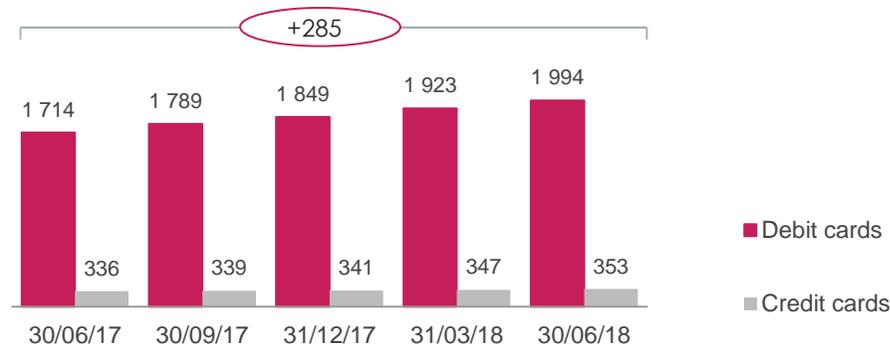
Active retail clients (in thousand)



Number of current accounts (in thousand)



Number of debit and credit cards (in thousand)



USE OF ELECTRONIC CHANNELS

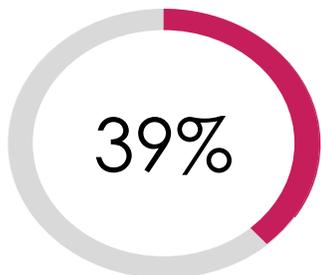
High share of electronic channels in product sales and transactions

1,24 M (+17% y/y)

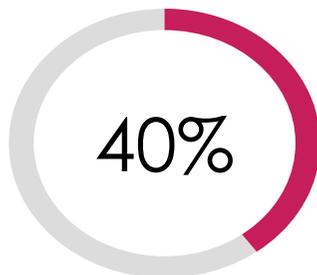
Retail clients active in mobile and online banking

817k (36% y/y)

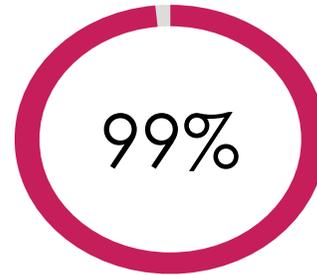
Retail clients actively using mobile app and mobile Millenet



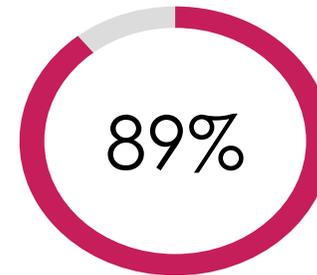
of all cash loans were started online or via mobile



of all overdrafts were started online or via mobile



of all transfers were completed in electronic channels



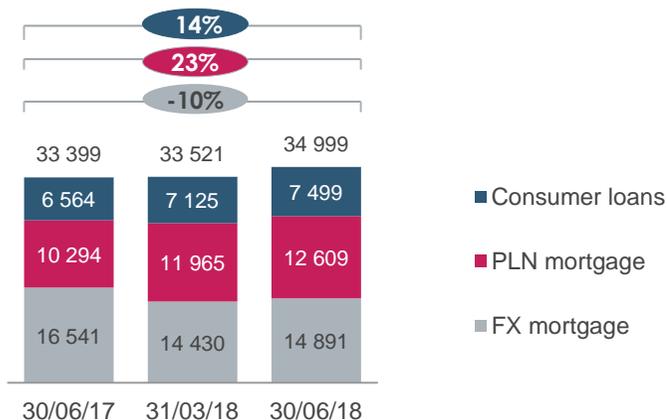
of all new term deposits were opened in electronic channels

RETAIL BUSINESS – LOANS

Strong growth of sale of cash and PLN mortgage loans

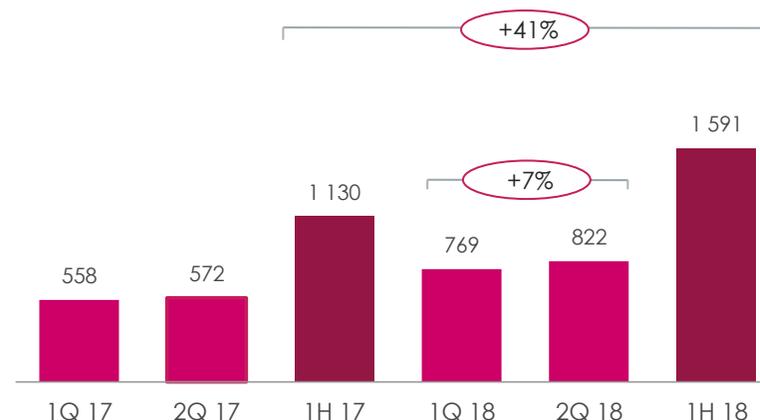
Retail loans (gross)

(PLN million)



Cash loans new sales

(PLN million)

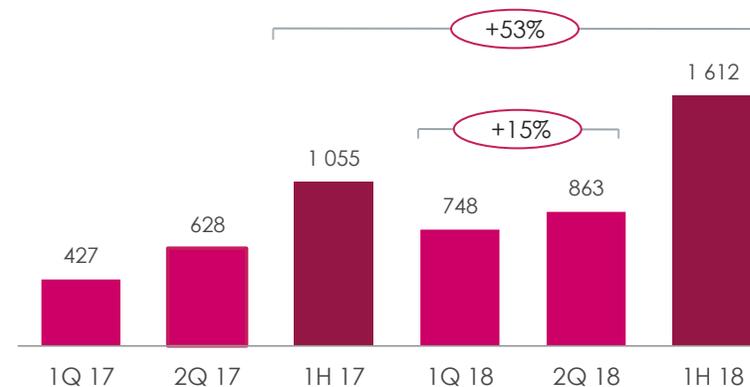


Comments

- PLN mortgage loans grew by 23% y/y while FX mortgages decreased by 10% y/y
- New record sale of mortgage and cash loans; growing market share in new production of 6.6% and 5.3% respectively *
- High chance of exceeding PLN 3 bn in each group sale in the whole year

Mortgage loans new sales

(PLN million)



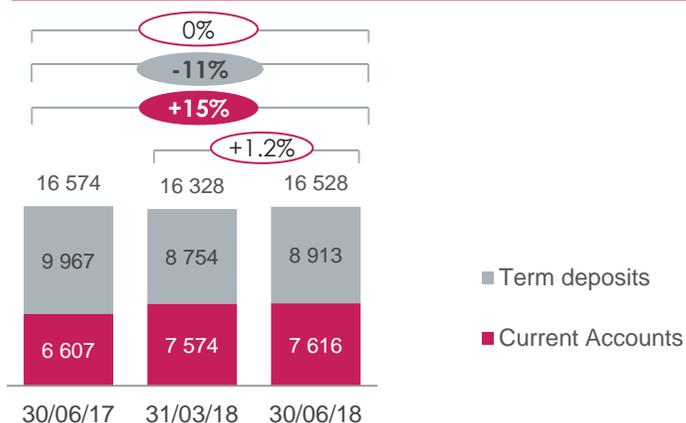
(*) market share in mortgage sale based on ZBP May data, in cash loans based on BIK April data

COMPANIES BUSINESS – DEPOSITS AND LOANS

Acceleration of companies loans growth and continued increase of current accounts balances

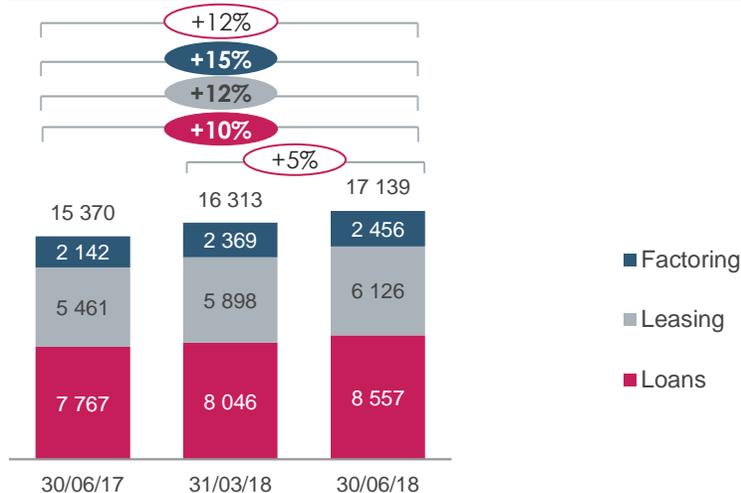
Companies deposits

(PLN million)



Loans to companies (gross)

(PLN million)

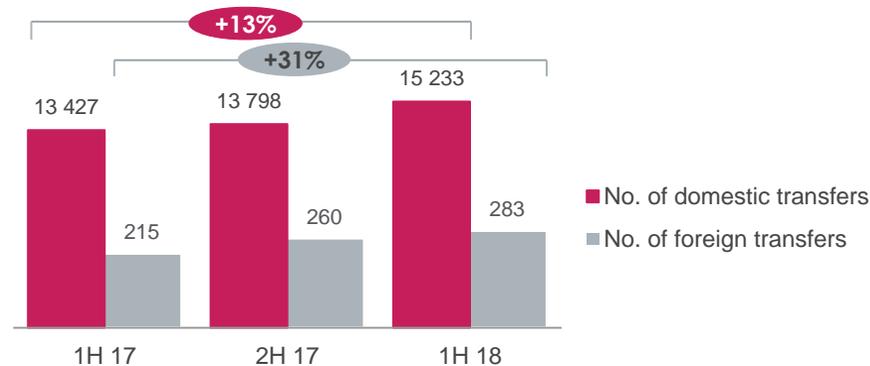


Comments

- Loans to companies accelerated to 12% growth y/y after strong quarter with 5% growth
- Solid current account balances growth kept (+15% y/y)

No. of transfers of companies

(in thousand)

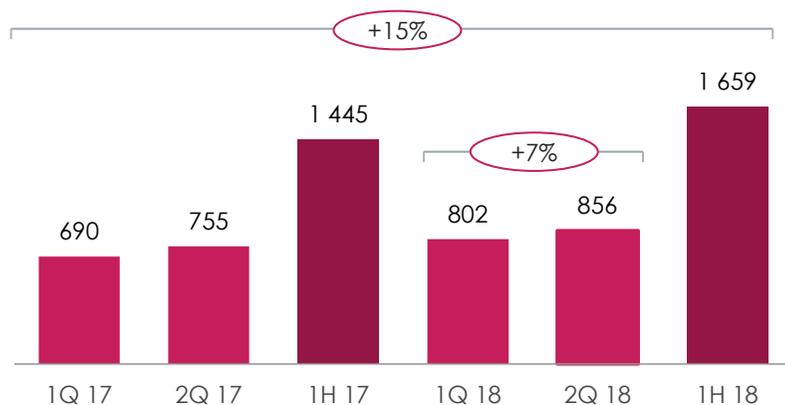


COMPANIES BUSINESS – NEW LOANS

Another record of quarterly leasing and factoring sale; strong trade finance/FX transactions kept

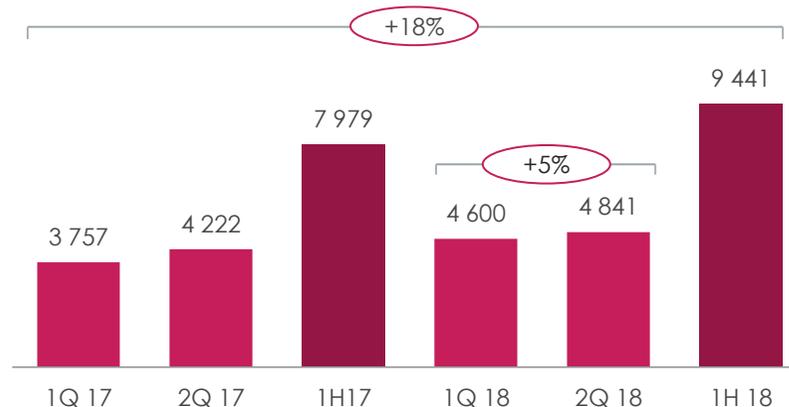
Leasing – new sales

(PLN million)



Factoring – turnover

(PLN million)

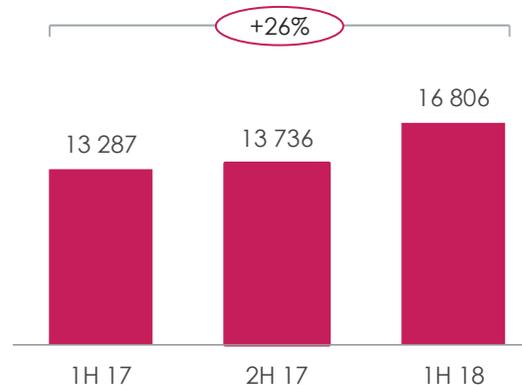


Comments

- New record in factoring sale; growth of 1H'18 turnover of +18% y/y, market share of 8.6% YTD *
- New record in leasing; +15% y/y in 1H'18 sales
- Volume of guarantees and Letters of Credit increased by 31% yearly
- Volume of FX transactions grew strongly by 26% y/y ytd

Volume of FX transactions

(PLN million)



(*) market share in factoring based on PZF June data

NEW SOLUTIONS IN MILLENET AND MOBILE APPLICATION

For customers, innovation, convenience and simplicity are key to building long-term relationships through electronic channels



Implementation of current account opening process in the mobile app



Adding Good Start application and 500+ application for a new benefit period in Millenet



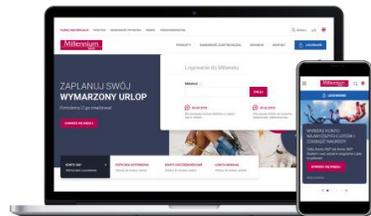
Implementation of the split payment process in Millenet



Introducing the option of updating ID card details in Millenet and the mobile app



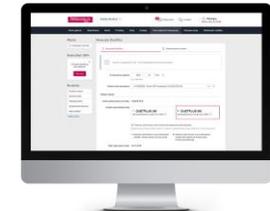
Optimization of P2P payments and redesign of the mobile app



Refreshing the Bank website, account application process and login process to Millenet



Adding BLIK payments to the PayByLink process



Development of investment products purchase process in Millenet

GOODIE – Bank Millennium smartshopping platform

Significant increase in downloads in the first half of 2018; continuous development and new functionalities

409 k

goodie downloads since launch of the app

296 k

goodie downloads in 1st half of 2018

167 k

Loyalty cards set up in 6 shopping centres

171 k

Codes used in actions with partners

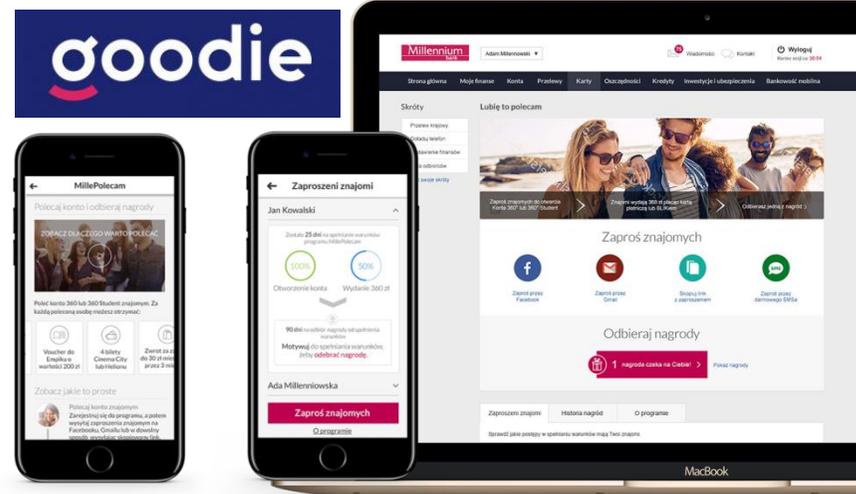
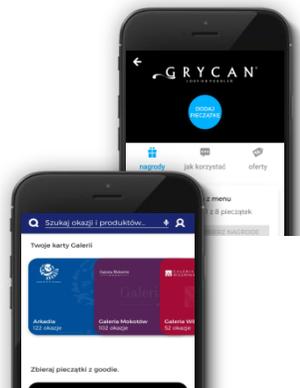
1.5 k

Aggregated offers for goodie users from 670 brands

New functionalities:

- loyalty cards
- stamp programmes
- shopping list

are an additional reason for users to use the **goodie** app regularly



MOST IMPORTANT AWARDS AND RECOGNITIONS

In 2Q 2018 Bank Millennium received several awards for innovations and social responsibility



The most innovative Bank 2017
in Leaders of the World of Banking and Insurance Competition



Bank Millennium is the winner of the prestigious Efma-Accenture Innovation in Insurance Awards 2018



Bank Millennium is one of the winners of The Innovators 2018 contest for "Pomoc w podróży" (Help in Travel) widget in the mobile app



Website without barriers

Award for adjusting the website to the needs of people with disabilities. Awarded by the "Widzialni" Foundation



The Golden Banker

1st place for Konto 360 ° and the title of Safe Bank. Also on the podium is the Impresja credit card and the Financial Elementarz educational program



Bank Millennium is the digital leader in the Deloitte EMEA Digital Banking Maturity survey 2018

Report on the maturity of digital banking in EMEA



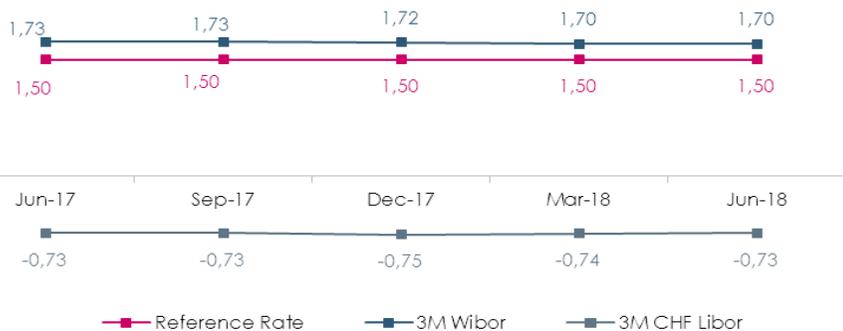
PRESENTATION OF RESULTS IN 1H 2018

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MACROECONOMIC OVERVIEW

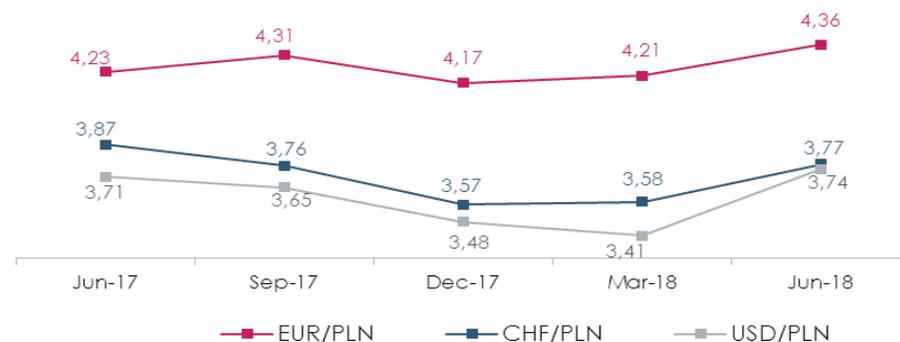
2Q 2018 marked still solid economic growth in Poland, accompanied by slightly higher inflation, stable interest rates and weaker Polish zloty

Interest rates evolution (%)



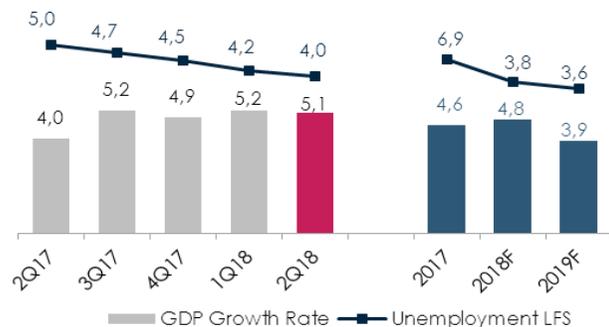
Q-o-Q (bp)	0	0	1
Y-o-Y (bp)	0	-3	0

FX rates evolution



Q-o-Q	3.6%	5.3%	9.7%
Y-o-Y	3.2%	-2.5%	1.0%

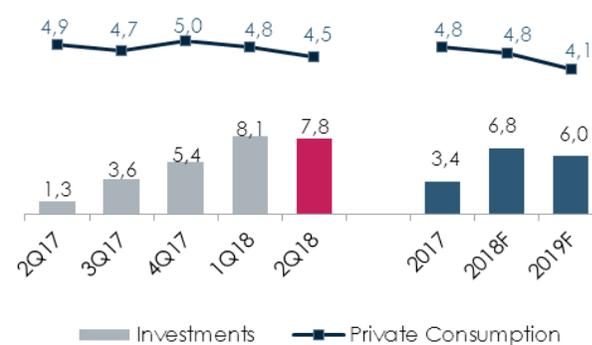
GDP growth & unemployment (%)



Inflation (%)



Investments & Consumption (% y/y)



MACROECONOMIC OVERVIEW

Monetary aggregates showed some recovery of deposits growth, while loans growth remains moderate

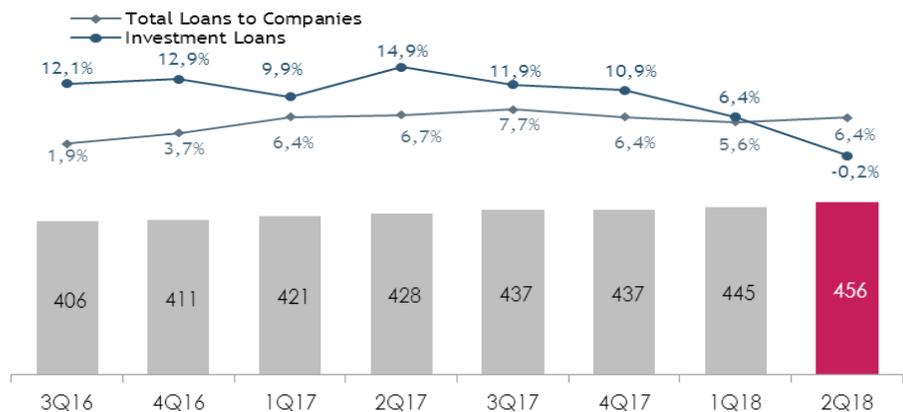
Loans to households (PLN billion, % y/y)



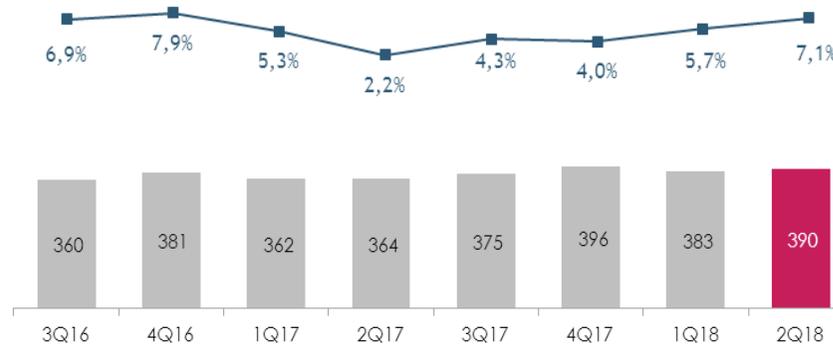
Households' deposits (PLN billion, % y/y)



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



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

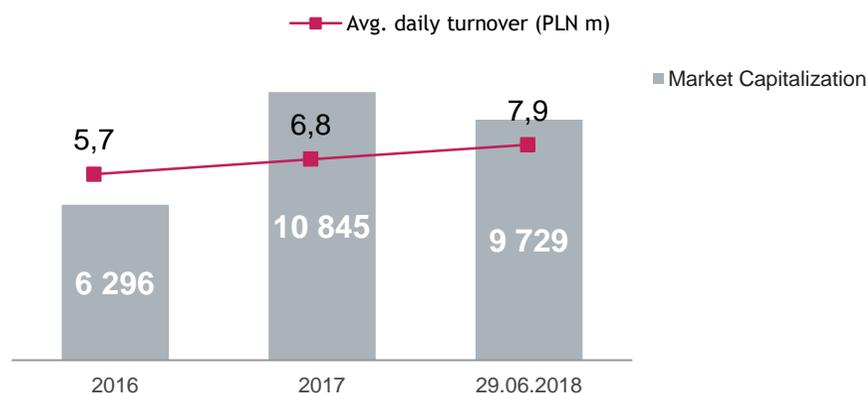


BANK MILLENNIUM SHARE PERFORMANCE

Share price outperformed all main indexes of the Warsaw Stock Exchange

Market cap/liquidity

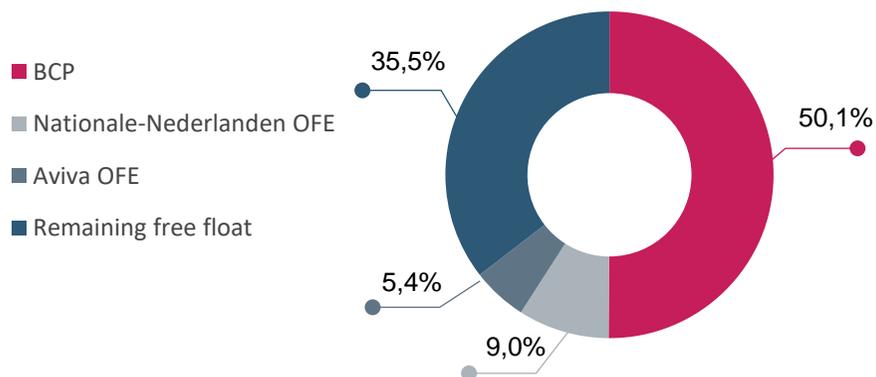
(PLN million)



Bank Millennium share performance vs. main indices

Market ratios	29.06.2018	29.12.2017*	Change (%) YTD	30.06.2017	Change (%) Yearly
The Bank's share price (PLN)	8,02	8,94	-10,3%	7,45	7.7%
WIG Banks	7 219	8 482	-14.9%	7 262	-0.6%
WIG20	2 135	2 461	-13.2%	2 300	-7.1%
WIG30	2 465	2 825	-12.8%	2 664	-7.5%
WIG - main index	55 954	63 746	-12.2%	61 018	-8.3%

Bank Millennium shareholders' structure (31.03.2018)



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 June 2018 and 2017)

SYNTHETIC P&L ACCOUNT

(PLN million)

Pro-forma	1 Half 2017 1 Half 2018		Change Y/Y	2Q'17 1Q'18 2Q'18			Change Q/Q
Net interest income*	841,1	892,9	6,2%	429,9	436,7	456,3	4,5%
Net commission income	328,6	336,6	2,4%	162,5	172,5	164,1	-4,9%
Other non-interest income **	88,1	95,8	8,7%	42,5	47,2	48,5	2,8%
Operating Income	1 257,8	1 325,3	5,4%	634,9	656,4	668,9	1,9%
General and administrative costs	-580,8	-605,6	4,3%	-279,5	-316,8	-288,8	-8,9%
Depreciation	-26,9	-26,6	-0,9%	-13,7	-13,4	-13,2	-1,5%
Total operating costs	-607,7	-632,2	4,0%	-293,2	-330,2	-302,0	-8,6%
Net cost of risk ***	-122,7	-113,4	-7,6%	-63,0	-55,1	-58,3	5,7%
Operating profit	527,4	579,7	9,9%	278,7	271,1	308,6	13,9%
Banking tax	-93,7	-100,7	7,4%	-46,5	-52,2	-48,5	-7,1%
Pre-tax profit	433,7	479,1	10,4%	232,3	218,9	260,2	18,9%
Income tax	-119,6	-131,1	9,6%	-58,7	-63,6	-67,5	6,1%
Net profit	314,1	347,9	10,8%	173,6	155,3	192,7	24,1%
Accounting	1 Half 2017 1 Half 2018		Change Y/Y	2Q'17 1Q'18 2Q'18			Change Q/Q
NII (reported under IFRS)	814,3	868,8	6,7%	420,8	428,3	440,5	2,8%

(*) Pro-forma: 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 1H'17 and PLN 24.1 million in 1H'18) is presented in results on financial assets and liabilities held for trading

(**) includes FX results, results on financial operations (pro-forma) and net other operating income and costs, excludes FV adjustment on loans

(***) cost of risk includes impairment provisions (on all stages), FV adjustment on loans and result on modification

SYNTHETIC 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

	30/06/2017	31/03/2018	30/06/2018	Change y/y
2 172	2 881	2 147	-1,1%	
518	448	520	0,5%	
47 316	48 000	50 256	6,2%	
65	141	109	67,1%	
17 834	19 741	18 268	2,4%	
590	650	335	-43,3%	
46	76	47	2,7%	
232	260	264	13,8%	
716	813	721	0,7%	
69 489	73 009	72 666	4,6%	

LIABILITIES AND EQUITY

Deposits and loans from banks
Deposits from customers
Liabilities from repo transactions
Financial liabilities for trading and hedging derivatives
Liabilities from securities issued
Provisions
Subordinated liabilities
Other liabilities
TOTAL LIABILITIES
TOTAL EQUITY
TOTAL LIABILITIES AND EQUITY

	30/06/2017	31/03/2018	30/06/2018	Change y/y
1 404	1 982	1 166	-17,0%	
56 988	59 474	59 831	5,0%	
0	0	94	-	
803	450	743	-7,5%	
1 158	1 165	709	-38,8%	
46	104	116	150,8%	
634	709	702	10,6%	
1 115	1 394	1 397	25,3%	
62 149	65 277	64 758	4,2%	
7 340	7 732	7 908	7,7%	
69 489	73 009	72 666	4,6%	



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