



BANK MILLENNIUM GROUP

Presentation of 3Q 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 published financial reports 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 3Q 2018

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

KEY PROFIT & LOSS ITEMS

PLN mln	1-3Q18	1-3Q17	Change Y/Y	3Q18	2Q18	Change Q/Q
Net interest income	1374,1	1287,7	6,7%	481,1	456,3	5,4%
Net commission income	499,5	494,2	1,1%	162,9	164,1	-0,7%
Total operating income	2 014,9	1 915,4	5.2%	689,6	668,9	3,1%
Total costs	-948,2	-898,2	5.6%	-316,0	-302,0	4,6%
Cost of Risk (**)	-174,2	-192,4	-9,5%	-60,8	-58,3	4,3%
Banking tax on assets	-148,5	-140,1	6,0%	-47,9	-48,5	-1,3%
Net Profit	548,1	501,6	9,3%	200,2	192,7	3,9%
Ratios:						
NIM	2.58%	2.54%	0.04 p.p.	2,67%	2,57%	0.10 p.p
Cost/Income (*)	46.6%	46.3%	0.3 p.p.	47.1%	46.9%	0.2 p.p.
Cost of Risk (**)	47 b.p.	54 b.p.	-7 b.p.	-	-	-
ROE (*)	9.5%	9.5%	0.0 p.p.	-	-	-
ROA (*)	1.02%	0.99%	0.03 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	Sep. 18	June 18	Change Q/Q	Sep. 17	Change Y/Y
Active customers (ths)	1 771	1 714	+57	1 596	+175
inc. on-line and mobile	1 296	1 240	+56	1 101	+195
Customer Funds	69 318	69 236	0.1%	65 632	5.6%
Customer Funds of individuals	53 282	52 708	1.1%	49 035	8.7%
Deposits	60 223	59 831	0.7%	56 679	6.3%
Loans	50 915	50 256	1.3%	47 593	7.0%
FX Mortgage Loans	14 404	14 698	-2.0%	15 679	-8.1%
Loans without FX mortgage	36 511	35 558	2.7%	31 914	14.4%
Ratios:					
L/D	84.5%	84.0%	0.5 p.p.	84.0%	0.5 p.p.
Impaired loan ratio (stage 3)	4.68%	4.74%	-0.06 p.p.	4.61%	0.07 p.p.
Coverage ratio *)	74.9%	76.1%	-1.2 p.p.	66.5%	8.4 p.p.
CET1 = T1	20.9%	21.3%	-0.4 p.p.	20.5%	0.4 p.p.
TCR	22.9%	23.4%	-0.5 p.p.	20.5%	2.4 p.p.

(*) Total provisions to gross loans in stage 3

MAIN FINANCIAL HIGHLIGHTS OF 1-3Q 2018

Consistent growth of net profit and high quality of assets
Record quarterly profit of PLN 200 million

Net profit increase

- Net profit of 1-3Q 2018 reached **548 million PLN**, which means **9.3%** yearly growth
- Net profit of 3Q 2018 reached **200 million PLN** – record ever (ex. one-offs)
- ROE at stable **9.5%** and cost/income at **46.6%** *)

NIM improvement, similar growth of income and costs

- NIM reached **2.67%** in 3Q and Net interest income grew **6.7%** y/y and **5.4%** q/q
- Commissions income still affected by negative capital market environment
- Operating income grew by **5.2%** y/y while costs grew by **5.6%** y/y

Low cost of risk and impaired ratio maintained

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

Strong capital and liquidity ratios, rating upgrade

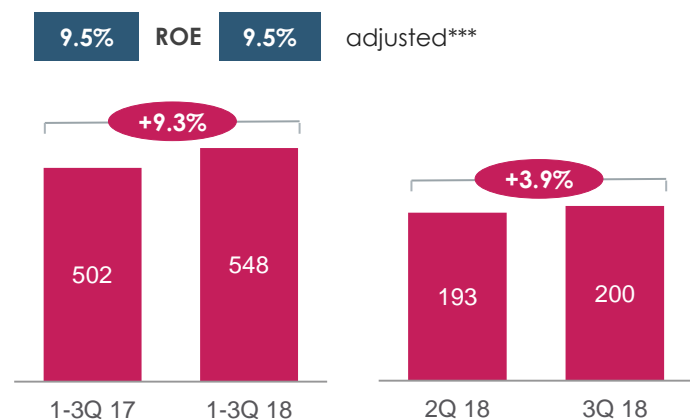
- Group's Total Capital Ratio (TCR) at **22.9%**, and CET1 (= T1) at **20.9%** ***)
- Loans to Deposits ratio still at very low level of **84.5%**
- Moodys's upgraded Bank Millennium rating to **Baa2** / P2/ ba1/ positive outlook

(*) with equal accrual through the year of BFG resolution fee booked upfront in 1Q in the amount of 34.7 million PLN (** Total net provisions to average net loans (***) without profit of the current year

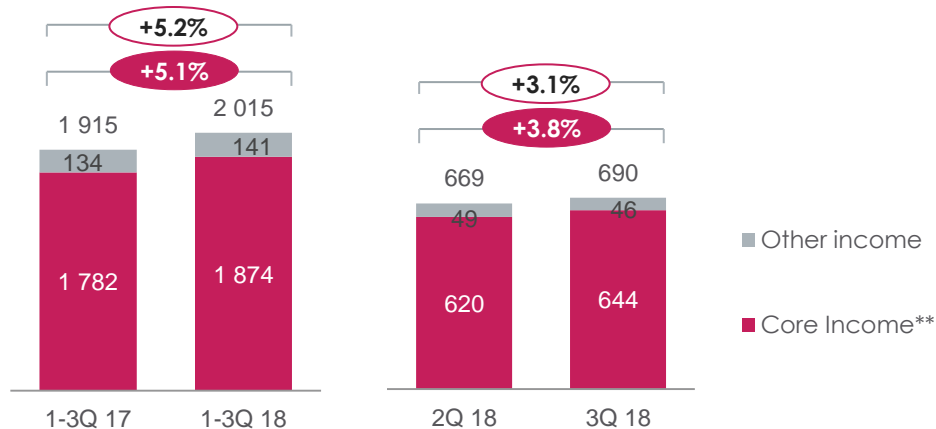
PROFITABILITY AND COST EFFICIENCY

Increase of net profit; stable ROE

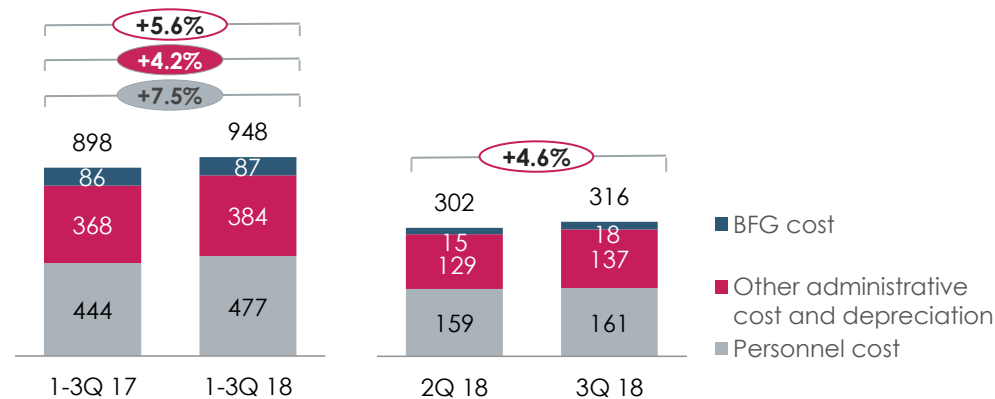
Net profit (PLN million)



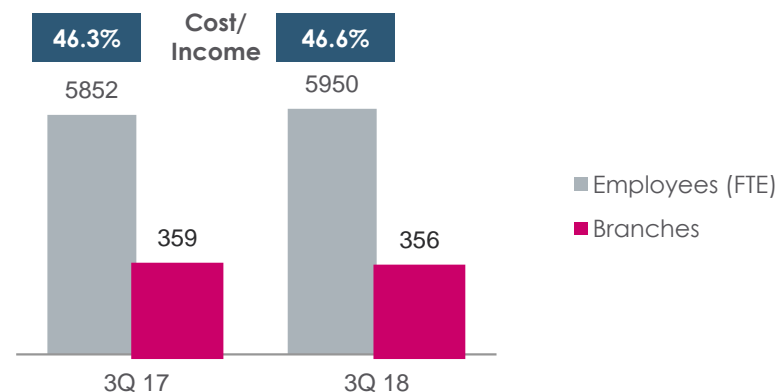
Operating income * (PLN million)



Operating cost (PLN million)



Cost/Income ***; branches and staff



(*) pro-forma, including net other operating income and cost, without result on loan portfolio presented at fair value

(**) Net Interest + Net Commissions Income (***) assuming equal accrual of BFG resolution fee over the year

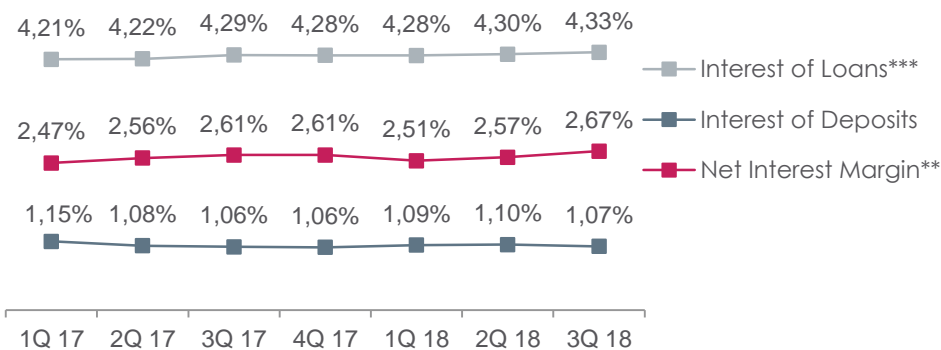
INTEREST AND COMMISSION INCOME

Solid growth of Net interest Income and margin

Net Interest Income * (PLN million)



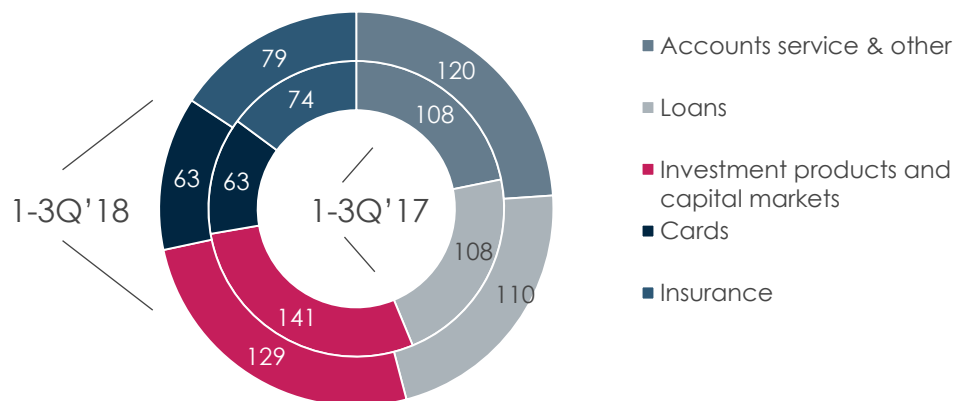
Interest on loans and deposit (PLN million)



Net Commission Income (PLN million)



Commission income structure (PLN million)

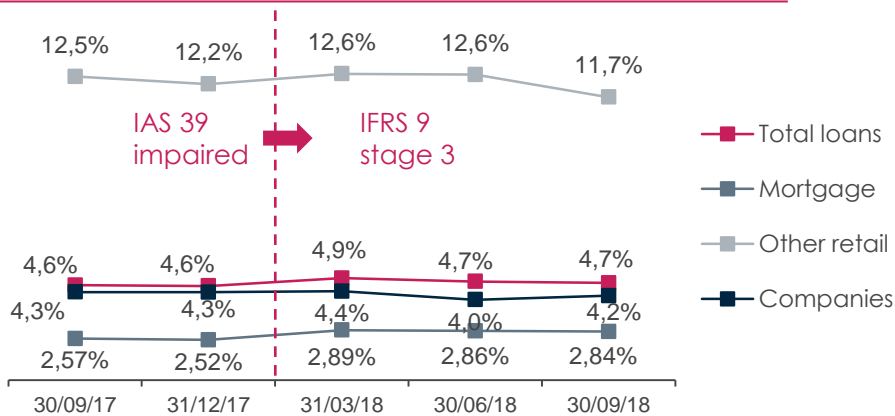


(*) Pro-forma data: margin from all derivatives hedging FX loans is presented in NII, whereas in accounting terms part of this margin (PLN 42.3 million in 1-3Q'18 and PLN 35.2 million in 1-3Q'17) is presented in results on financial assets and liabilities held for trading (**) Net Interest Margin: NII (pro-forma) to average interest earning assets (***) including interest from swaps

ASSET QUALITY, LIQUIDITY AND CAPITAL

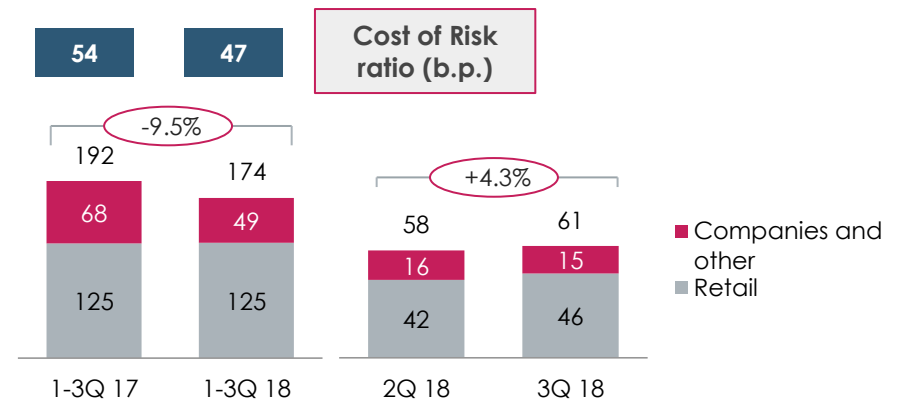
Low cost of risk and impaired ratio maintained;
Strong capital and liquidity ratios

Impaired Loans

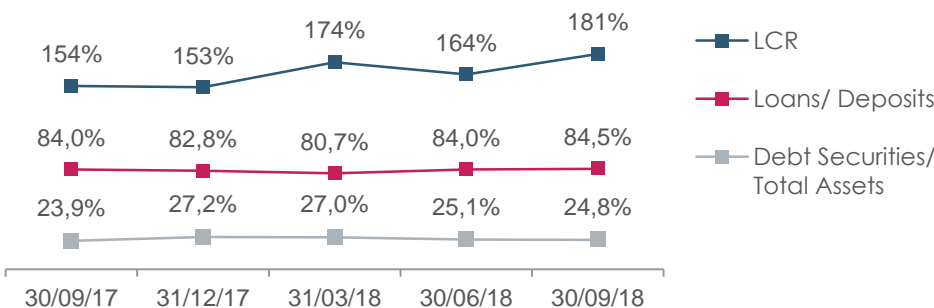


Cost of Risk *

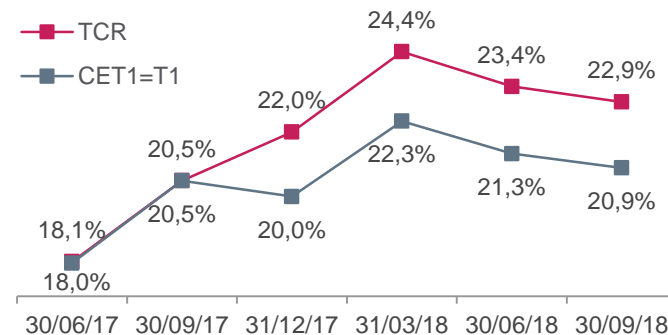
(PLN million)



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. 0.2 p.p. as in September 2018



PRESENTATION OF RESULTS IN 3Q 2018

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

MAIN BUSINESS HIGHLIGHTS OF 1-3Q 2018

Acceleration of customer acquisition and fast growth of loans – in line with 2020 strategy

Retail business

- Acceleration of active customer acquisition to **+57 ths.** in 3Q, **+175 ths** in the last 12 months
- Strong growth of accounts and cards by c.a. **300 ths** y/y in each case
- Sale of cash loans and PLN mortgages at stable, high level above **800 million** PLN in the quarter (almost **40%** growth ytd)
- Customers' funds keep strong growth of **9%** yearly to reach **53.3 bn** PLN
- **+236 ths** yearly growth of active mobile users

Companies business

- Loans to companies keep high pace of growth: **+10%** y/y
- Maintained double-digit growth in factoring and leasing sales: **+16%** and **+11%** ytd
- Accelerating current account balances growth : **+19%** y/y
- Double-digit yearly growth of transfers (domestic and foreign), trade finance and FX transactions

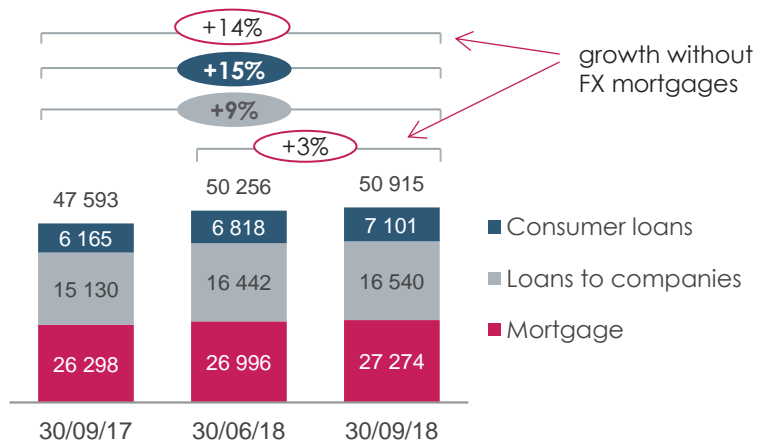
Quality and innovations

- Bank Millennium achieved again very high position in the ranking „Newsweek Friendly Bank 2018”, including top position in „Mobile banking” competition
- Almost **600 ths** apps downloads by **goodie**

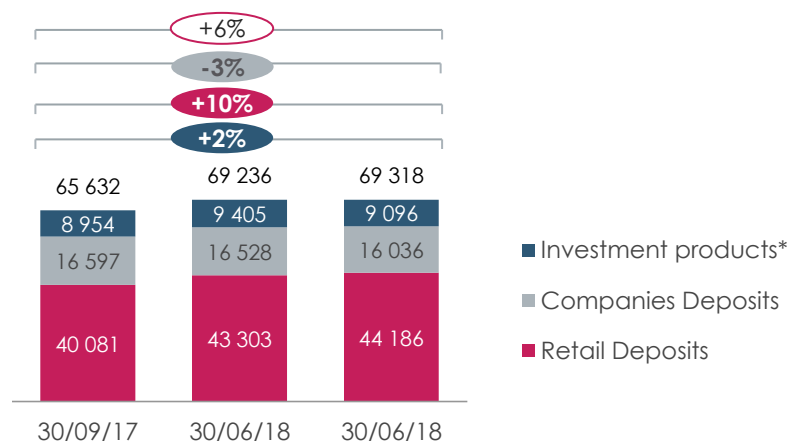
LOANS AND DEPOSITS

Strong growth of loans: +14% when excluding FX mortgages;

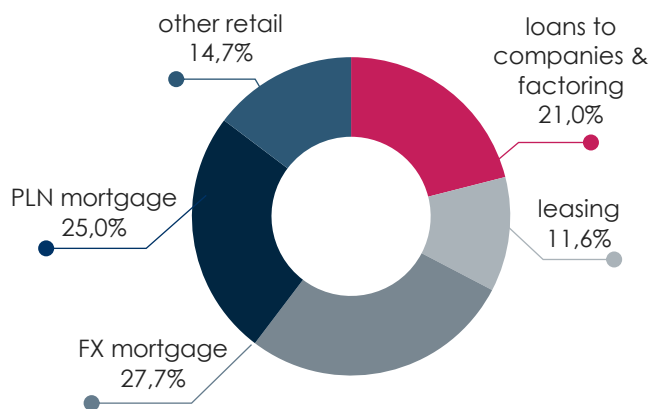
Loan Portfolio of the Group (net) (PLN million)



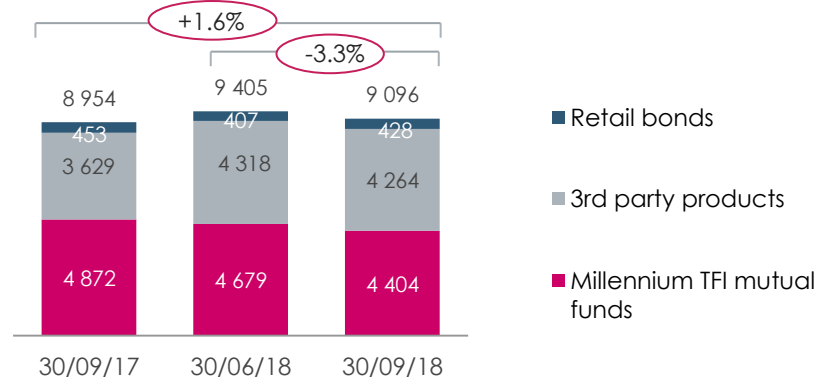
Customer Funds (PLN million)



Structure of Loan Portfolio (gross)



Non-deposit investment products* (PLN million)

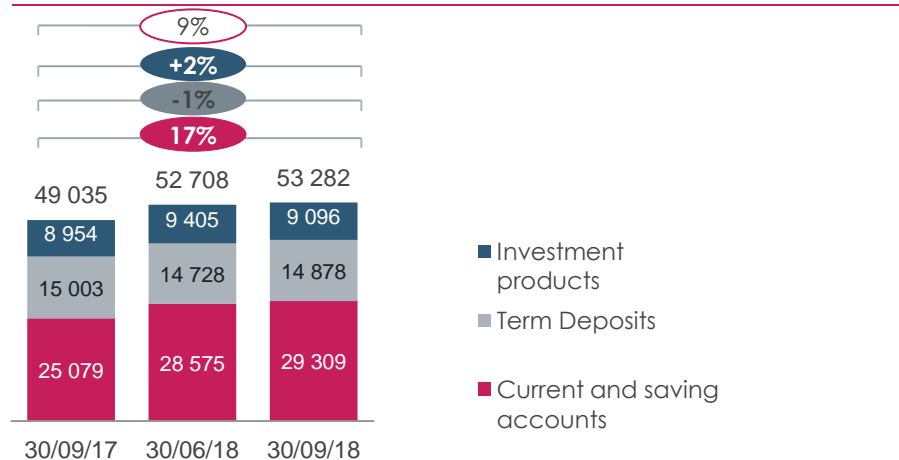


(*) including mutual funds, saving-insurance products and retail bonds

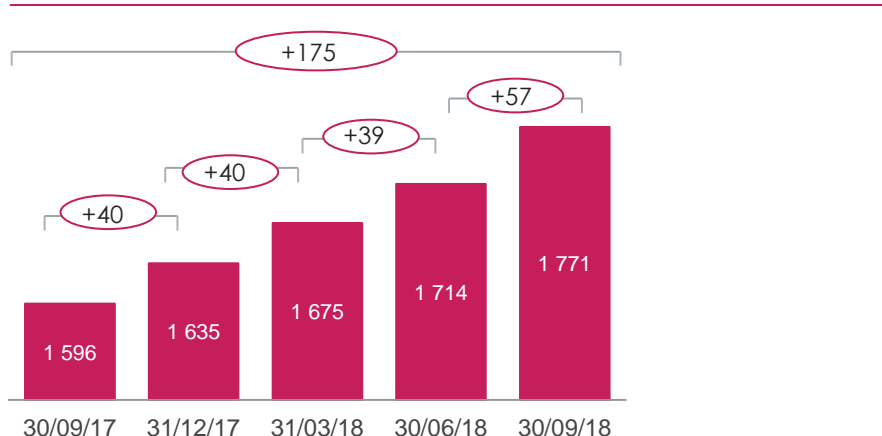
RETAIL BUSINESS – DEPOSITS AND ACCOUNTS

Acceleration of customer acquisition in 3Q18;
Customers' Funds keep strong growth

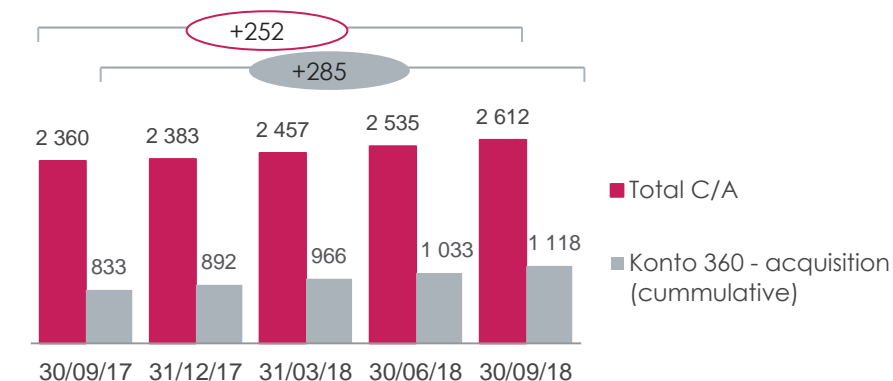
Retail Customer Funds (PLN million)



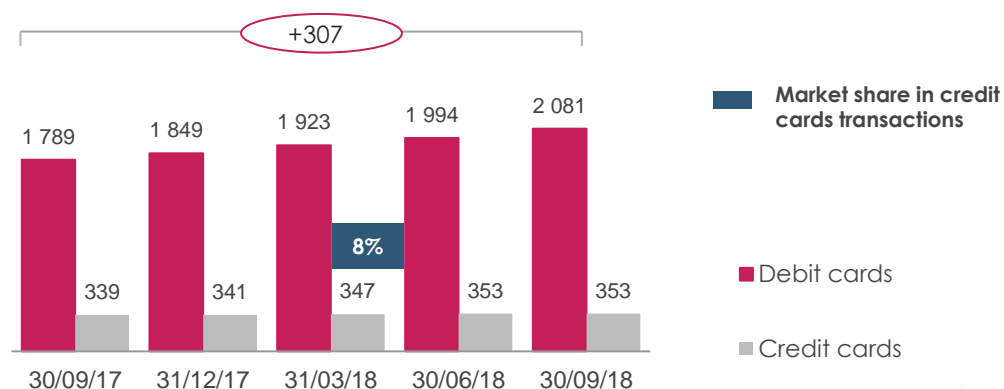
Active retail clients (in thousand)



Number of current accounts (in thousand)



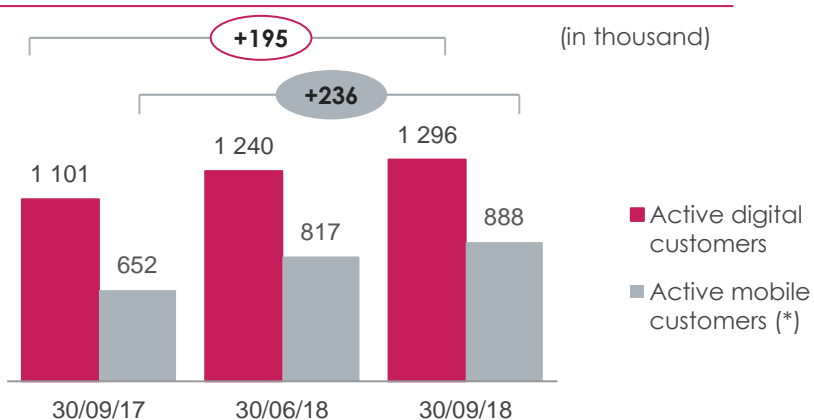
Number of debit and credit cards (in thousand)



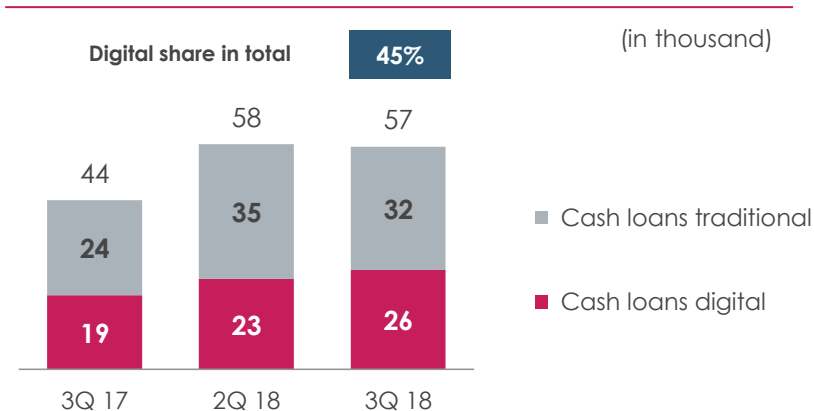
RETAIL BUSINESS - DIGITAL PRODUCTS/CHANNELS

Strong growth of mobile users;
High share of electronic channels in product sales

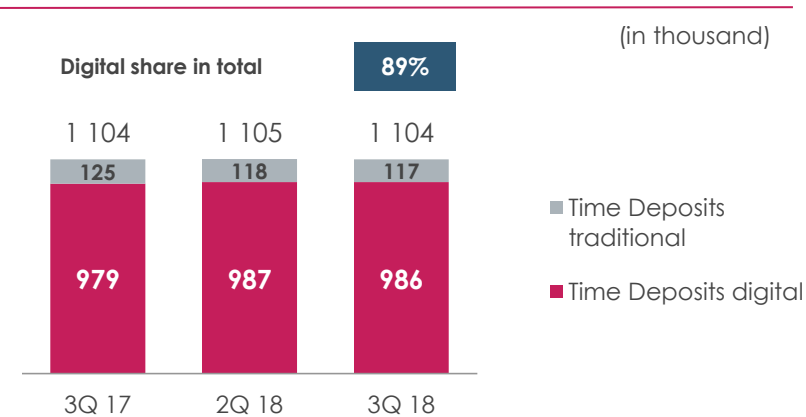
Active digital & mobile customers



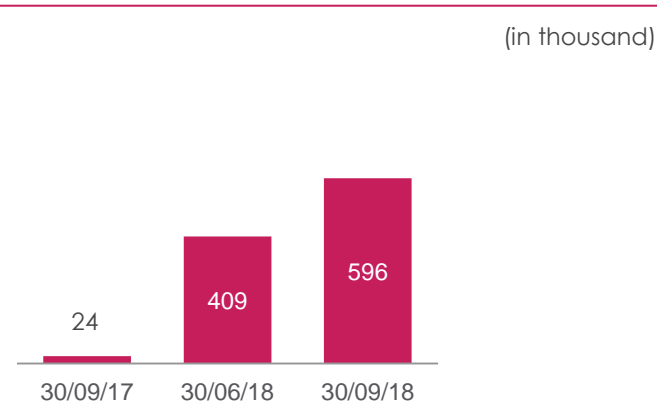
Traditional and digital channels – Cash loans



Traditional and digital channels - Time deposits



goodie apps downloads



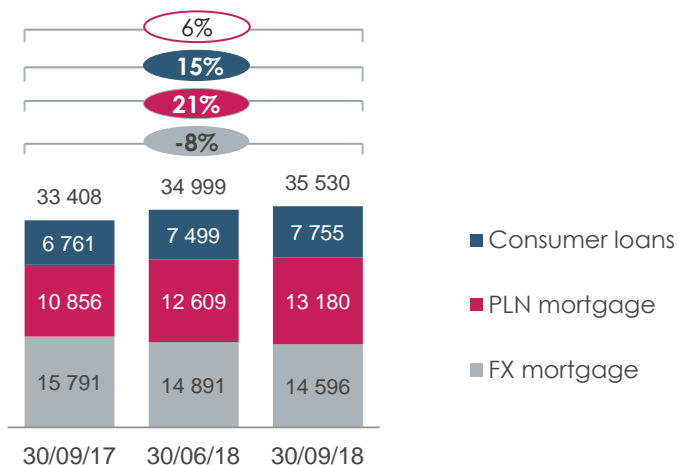
(*) retail clients actively using mobile app and mobile Millenet

RETAIL BUSINESS – LOANS

Sale of cash and PLN mortgage loans on stable, high level

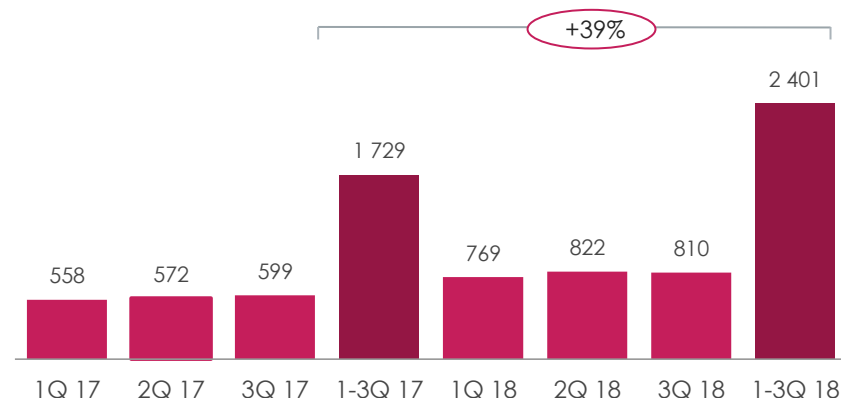
Retail loans (gross)

(PLN million)



Cash loans new sales

(PLN million)

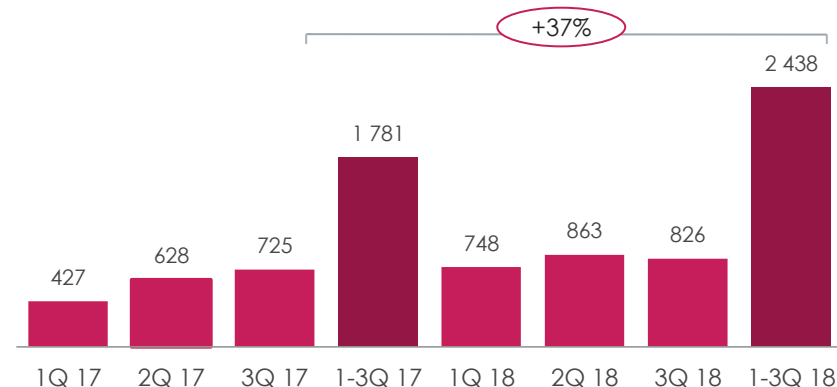


Comments

- Robust growth of retail loans at 6% y/y in spite of high FX mortgage amortisation at annual pace of -8%
- Core PLN loans grew +19% y/y: PLN mortgages +21% y/y and consumer loans +15% y/y
- Sale of cash loans and PLN mortgages at stable, high level above 800 million PLN in the quarter (almost 40% growth ytd)

Mortgage loans new sales

(PLN million)



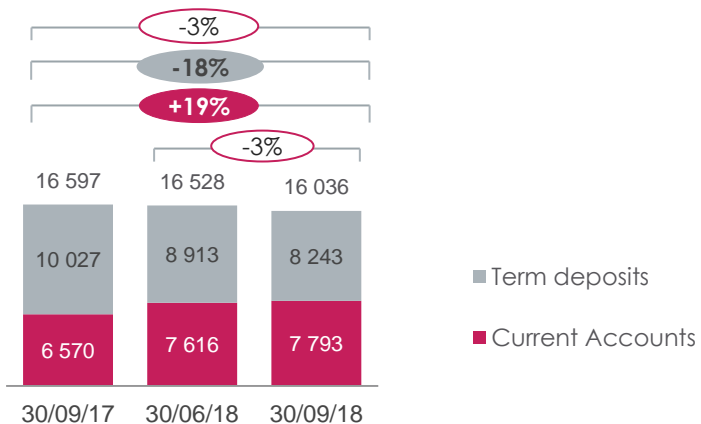
(*) market share in mortgage sale based on ZBP May data, in cash loans based on BIK April data

COMPANIES BUSINESS – DEPOSITS AND LOANS

Maintained high pace of growth in companies loans and current accounts balances

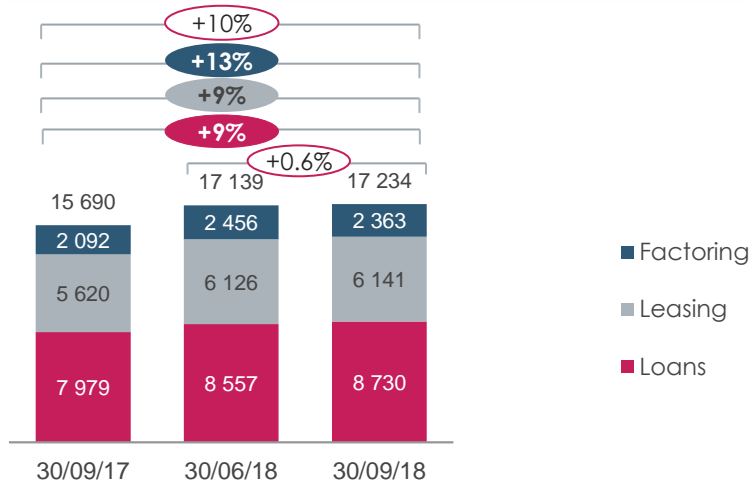
Companies deposits

(PLN million)



Loans to companies (gross)

(PLN million)

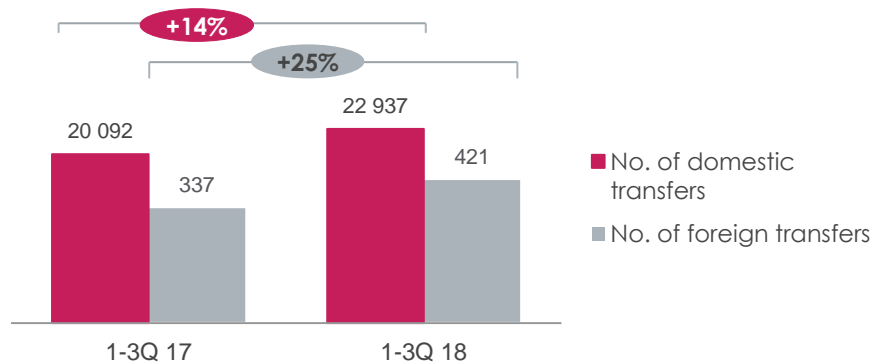


Comments

- Loans to companies keep high pace of growth: +10% y/y
- Accelerating current account balance growth: +19% y/y
- Double-digit yearly growth of transactions with clients (domestic and foreign transfers)

No. of transfers of companies

(in thousand)

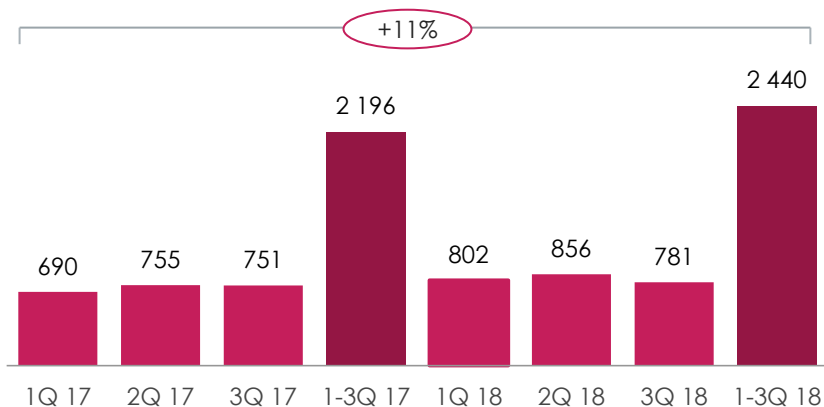


COMPANIES BUSINESS – NEW LOANS

Double-digit growth in leasing and factoring sale, trade finance and FX transactions

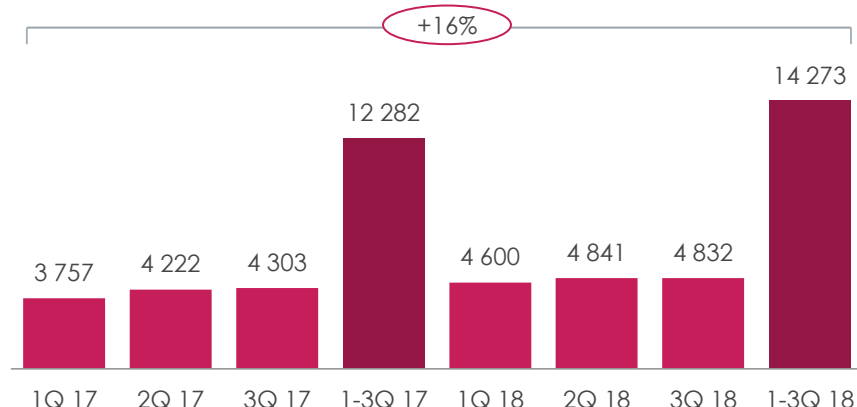
Leasing – new sales

(PLN million)



Factoring – turnover

(PLN million)

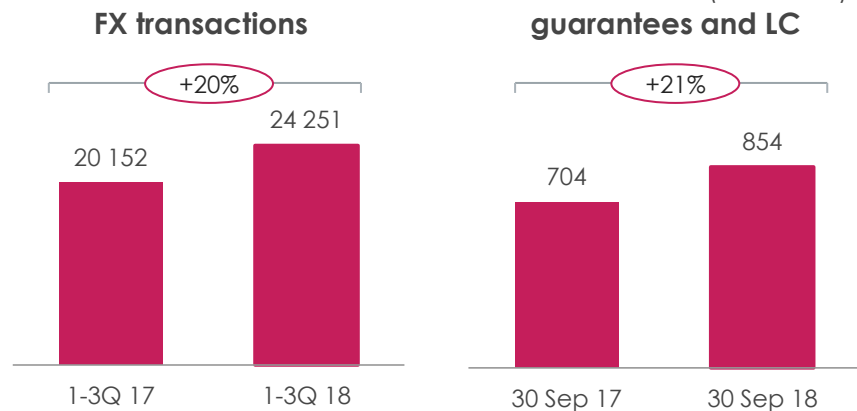


Comments

- Maintained double-digit growth in factoring and leasing sales ytd: +16% y/y and +11% y/y
- Volume of FX transactions ytd grew strongly by 20% y/y
- Volume of guarantees and Letters of Credit increased by 21% yearly

Volume of FX transactions, guarantees and LC

(PLN million)

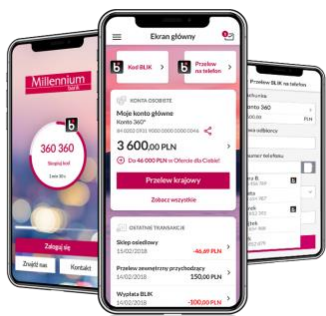


NEW SOLUTIONS IN MILLENET AND MOBILE APP

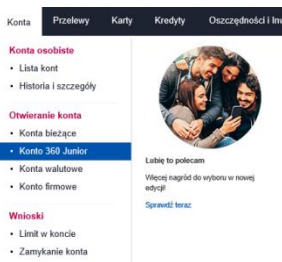
Innovation, convenience and simplicity of e-channels are key to building long-term relationships



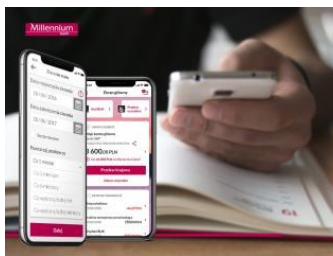
125 375 Good Start applications
58 831 Family 500+ applications from
1 July in Millenet. **8%** share in banking
industry



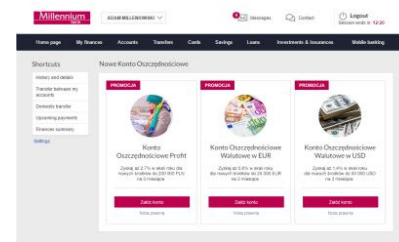
Increased use of BLIK services: **458%**
y/y in P2P transactions, **147%** y/y in
active BLIK users and **72%** y/y in the
number of registered P2P BLIK users.



Implementation of Konto 360°
Junior account opening process
in the mobile app.



Creating standing orders and
managing upcoming payments
made available in the mobile
app.



We introduced savings
accounts in EUR and
USD in Millenet.



Bank Millennium received 4 stars
(**the highest rate**) for good
mobile solutions for companies.

MARKET LEADER IN QUALITY

Highest quality confirmed again by few independent rankings

Bank Millennium once again on the podium (*)



1st place - „Mobile banking”

2nd place - „Traditional banking”

3rd place - „Internet Bank”

3rd place - „Mortgage banking”

Bank Millennium appreciated by individual clients in the PIBJA and Onet ranking



1st place – low costs

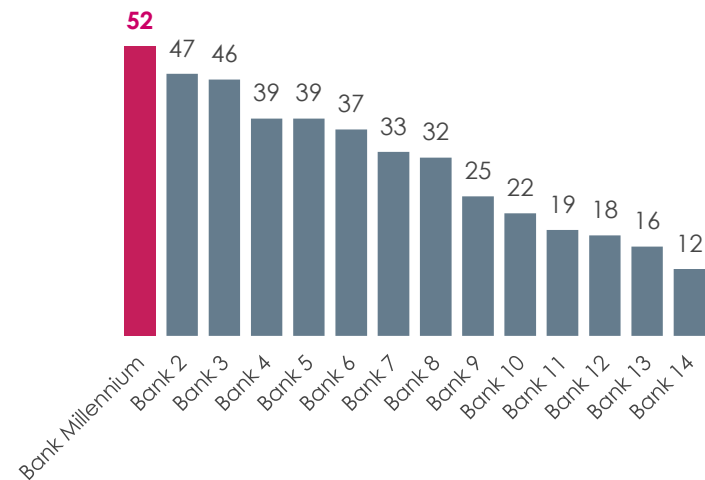
Distinction – customer service

Distinction – credibility

- Bank Millennium was placed in the top group of Polish Quality Research Institute in the ranking prepared on the basis of opinions of individual clients of the 10 biggest banks in Poland.
- The Bank was ranked second in general ranking and was indicated, by respondents, to be the best in three categories: low costs, customer service and credibility.

Bank Millennium the most often recommended bank

- Satisfied customers are the Bank's best ambassadors
- **The highest** among commercial banks in Poland **NPS ratio (52) (**)**



(*) 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.

(**) according to ARC Rynek i Opinia in 4Q 2017. The survey is carried out once a year. The next edition is planned for 4Q 2018



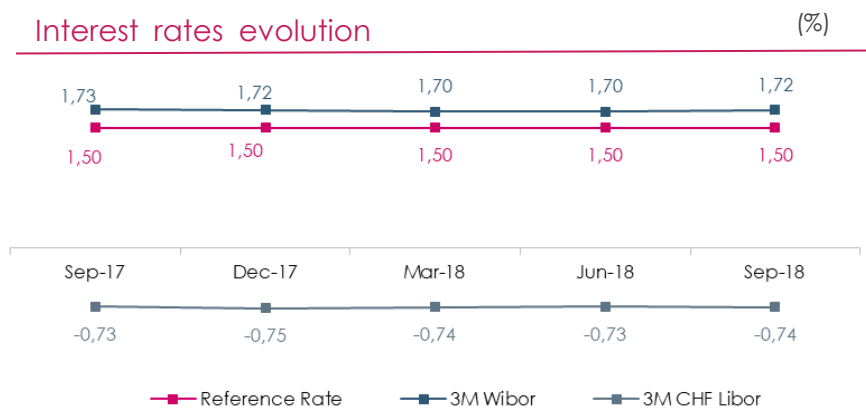
PRESENTATION OF RESULTS IN 3Q 2018

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- > Business development
- > **Appendixes**

MACROECONOMIC OVERVIEW

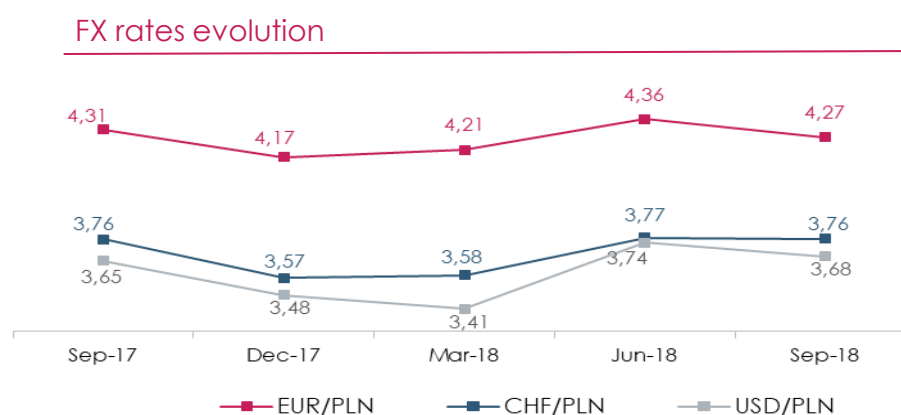
Economic growth in Poland still solid, but some deceleration observed in 3Q 2018. Inflation accelerated slightly, while interest rates outlook remained unchanged.

Interest rates evolution (%)



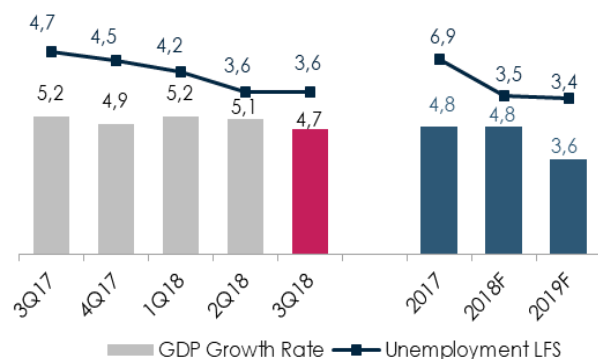
Q-o-Q (bp)	0	2	-1
Y-o-Y (bp)	0	-1	-1

FX rates evolution

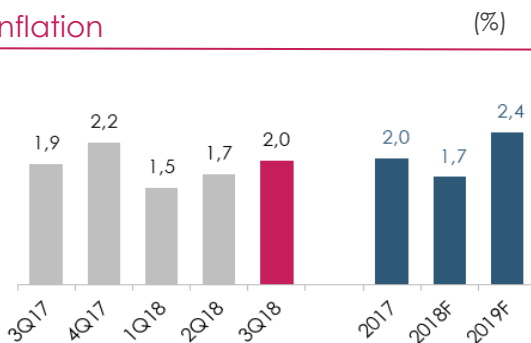


Q-o-Q	-2.1%	-0.2%	-1.8%
Y-o-Y	-0.9%	0.1%	0.6%

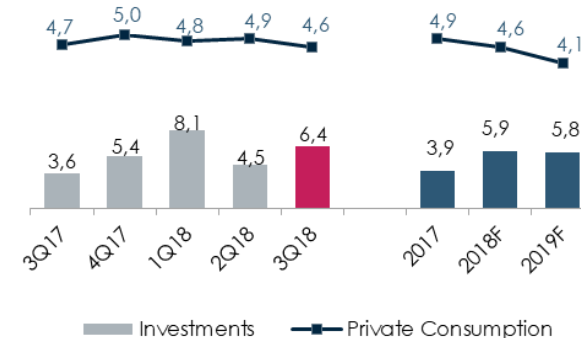
GDP growth & unemployment (%)



Inflation (%)



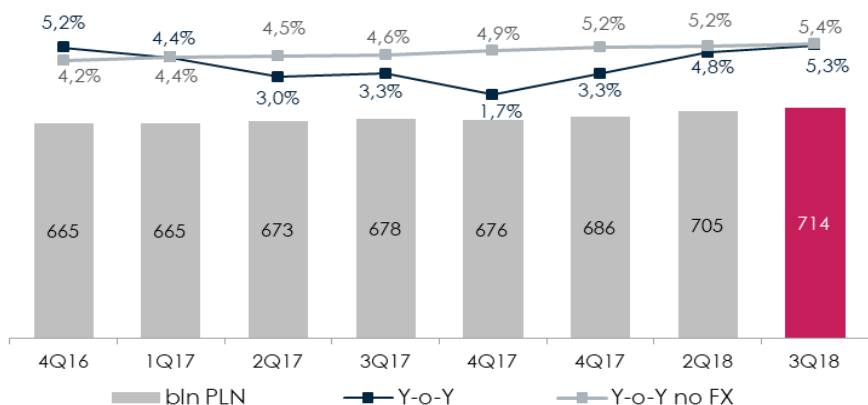
Investments & Consumption (% y/y)



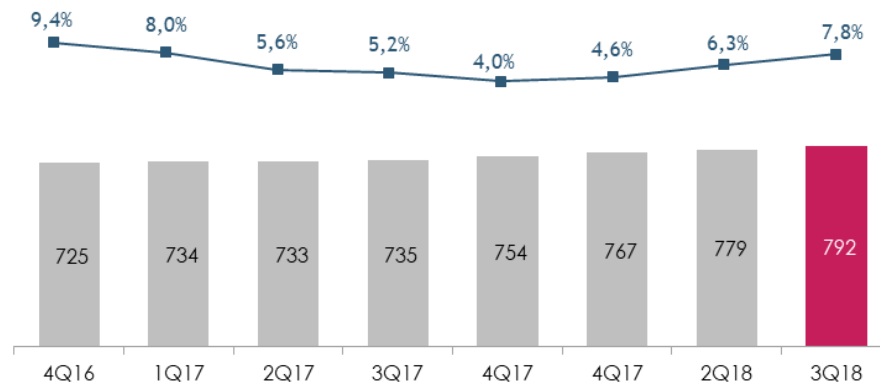
MACROECONOMIC OVERVIEW

Monetary aggregates showed some recovery of deposits growth, especially in households' sector, while loans growth advanced slightly

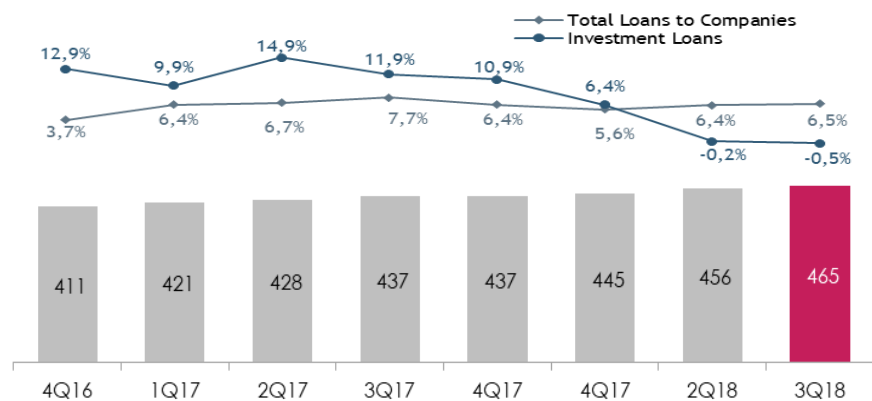
Loans to households (PLN billion, % y/y)



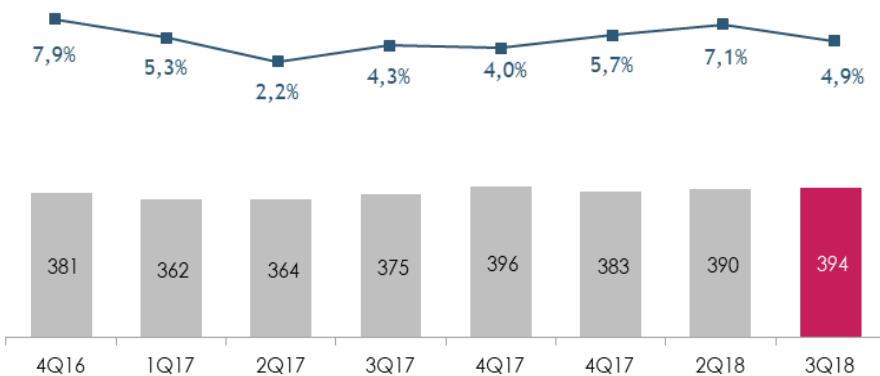
Households' deposits (PLN billion, % y/y)



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



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

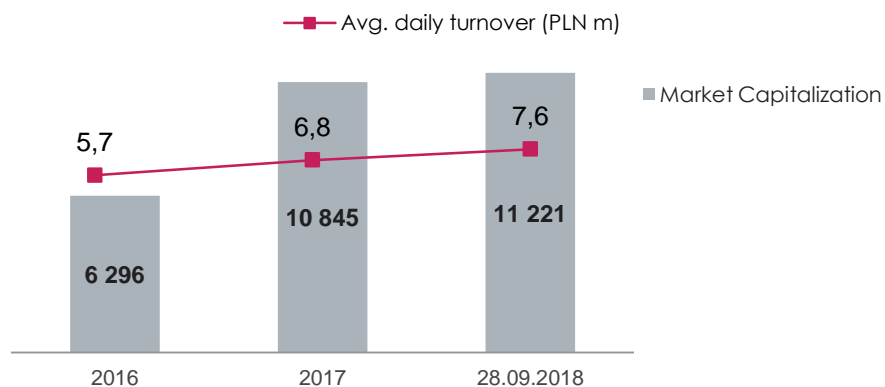


BANK MILLENNIUM SHARE PERFORMANCE

Bank's share price outperformed again all main indexes of the Warsaw Stock Exchange

Market cap/liquidity

(PLN million)



Bank Millennium share performance vs. main indices (annual change as on 28.09.2018)

Bank Millennium shares:

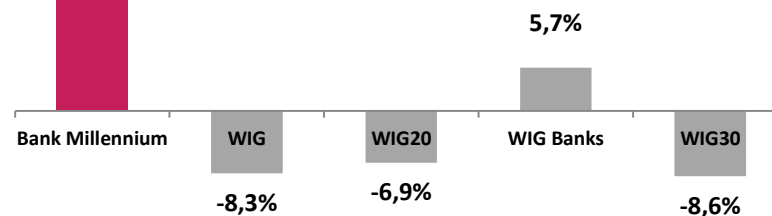
32,0%

No of shares: 1 213 116 777 (listed 1 213 008 137)

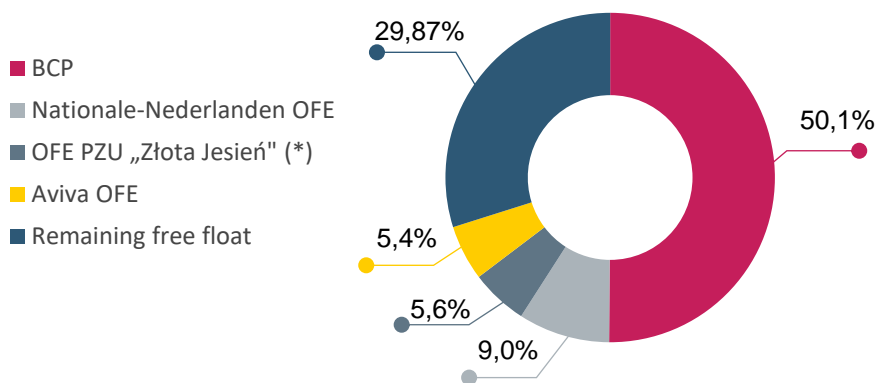
Listed: on Warsaw Stock Exchange since August 1992

Index: WIG, WIG 30, mWIG40, WIG Banks, WIG RESPECT, MSCI PL, FTSE Russel I

Tickers: ISIN PLBIG0000016, Bloomberg MIL PW, Reuters MILP.WA



Bank Millennium shareholders' structure



Bank's current ratings

On 17th of October 2018 Moody's rating agency upgraded Bank Millennium rating (**). Below current ratings of Bank Millennium:

Fitch **BBB- / F3/ bbb- / stable outlook**

Moody's **Baa2 / P2/ ba1 / positive outlook**

Capital Intelligence **BBB/A3/BBB / stable outlook**

(*) as on 12.10.2018 r. - according to the information in current report no 17/2018 on exceeding the threshold of 5% of the total number of votes at the AGM by Pension Fund OFE PZU „Złota Jesień". (**) More details are in current report no 18/2018 and in quarterly report for 3Q18.

SYNTHETIC P&L ACCOUNT

(PLN million)

Pro-forma	1-3Q 2017 pro-forma	1-3Q 2018 pro-forma	Change Y/Y	3Q'17	2Q'18	3Q'18	Change Q/Q
Net interest income*	1 287,7	1 374,1	6,7%	446,6	456,3	481,1	5,4%
Net commission income	494,2	499,5	1,1%	165,5	164,1	162,9	-0,7%
Other non-interest income **	133,5	141,3	5,8%	45,5	48,5	45,6	-6,1%
Operating Income	1 915,4	2 014,9	5,2%	657,6	668,9	689,6	3,1%
General and administrative costs	-858,3	-908,4	5,8%	-277,5	-288,8	-302,8	4,8%
Depreciation	-39,9	-39,9	0,0%	-13,0	-13,2	-13,3	0,4%
Total operating costs	-898,2	-948,2	5,6%	-290,5	-302,0	-316,0	4,6%
Net cost of risk ***	-192,4	-174,2	-9,5%	-69,7	-58,3	-60,8	4,3%
Operating profit	824,8	892,5	8,2%	297,4	308,6	312,8	1,3%
Banking tax	-140,1	-148,5	6,0%	-46,4	-48,5	-47,9	-1,3%
Pre-tax profit	684,8	744,0	8,6%	251,0	260,2	264,9	1,8%
Income tax	-183,2	-195,8	6,9%	-63,6	-67,5	-64,7	-4,1%
Net profit	501,6	548,1	9,3%	187,5	192,7	200,2	3,9%
Accounting	1-3Q 2017	1-3Q 2018	Change Y/Y	3Q'17	2Q'18	3Q'18	Change Q/Q
NII (reported under IFRS)	1 252,5	1 331,8	6,3%	438,3	440,5	463,0	5,1%

(*) 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 35.2 million in 1-3Q'17 and PLN 42.3 million in 1-3Q'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

30/09/2017	30/06/2018	30/09/2018	Change y/y
3 672	2 147	2 237	-39,1%
356	520	528	48,6%
47 593	50 256	50 915	7,0%
305	109	66	-78,2%
16 846	18 268	18 194	8,0%
767	335	293	-61,7%
48	47	47	-3,1%
235	264	264	12,1%
645	721	863	33,8%
70 468	72 666	73 408	4,2%

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

30/09/2017	30/06/2018	30/09/2018	Change y/y
2 173	1 166	1 631	-25,0%
56 679	59 831	60 223	6,3%
172	94	11	
714	743	516	-27,7%
1 192	709	731	-38,6%
55	116	120	119,3%
650	702	709	9,1%
1 239	1 397	1 355	9,4%
62 874	64 758	65 297	3,9%
7 594	7 908	8 111	6,8%
70 468	72 666	73 408	4,2%



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