



# BANK MILLENNIUM GROUP

Presentation of 1st half 2019 results – first time consolidation of **Euro Bank S.A.**



## 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](http://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 1H 2019 RESULTS

- > **Acquisition of Euro Bank**
- > Financial performance
- > Business development
- > Appendixes

## ACQUISITION OF EURO BANK

Following non-objection from Financial Supervision Authority (KNF), the transaction was closed on 31/5/2019

### Transaction Agreement

### Closing

### Legal merger

### Operational merger

**Day 0** (5 November 2018)



**Day 1** (31 May 2019)



**Day 2** (October 2019)

**Day 3** (November 2019)

- **One owner**

- Two legal entities
- Two brands
- Two systems

- **One owner**
- **One legal entity**

- Two brands
- Two systems

- **One owner**
- **One legal entity**
- **One Brand**
- **One system**

Day 0



Beginning of the transaction with the signing of the Transaction Agreement

Day 1



Effective change of ownership, however two legal entities remain

IFRS3 Fair Value of assets/liabilities and IFRS9 charge of stage 1-2 portfolio (12 months ECL calculation)

Day 2



After court, KNF and Shareholders approvals

Legal merger is the moment of merging both banks into one entity - official entry of Merged Bank to the National Court Register (KRS)

Day 3



Start of day-to-day operational functioning as one bank - shared brand, common product offer, one branch network and customer service using a common IT / Digital platform

## ACQUISITION OF EURO BANK

Initial financial impact of Euro Bank acquisition on Day 1 (closing of purchase transaction on 31/5/2019)

**Initial settlement of acquisition transaction of Euro Bank closed on Day 1 in the Group's financials (\*):**

(PLN million)

<b>Preliminary Goodwill calculation</b>	
Base Purchase Price	1 833,0
Acquired Net Asset Value (preliminary)	1 550,0
Price adjustment (preliminary)	+11,0
Total Fair Value adjustments:**	158,3
- adjustments concerning loan portfolio	179,7
- other Fair Value adjustments	(21,4)
<b>Preliminary Goodwill</b>	<b>(135,7)</b>

<b>Day 1 impact on Group's Profit &amp; Loss</b>	
IFRS 9 stage 1 provisions created on fair value of acquired stage 1 and stage 2 loan portfolios of Euro Bank ***	(80,6)
Deferred tax	15,4
<b>Day 1 net impact</b>	<b>(65,2)</b>

(\*) The value of the initial settlement can be adjusted within 12 months from the date of the Transaction. (\*\*) Determination of Fair Value of assets/liabilities in accordance with IFRS 3. Difference between FV and Euro Bank net value influences the Goodwill and consolidated own funds (for Capital adequacy calculation) (\*\*\*) 12-month expected credit loss (ECL) estimated on fair value of loan portfolio in accordance with IFRS 9.





# PRESENTATION OF 1H 2019 RESULTS

- > Acquisition of Euro Bank
- > **Financial performance**
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- > Appendixes

## KEY PROFIT & LOSS ITEMS

PLN mln	1H 19	1H 18	Change Y/Y	2Q 19	1Q 19	Change Q/Q
Net interest income	1084,7	892,9	21,5%	584,3	500,3	16,8%
Net commission income	338,2	336,6	0,5%	175,0	163,2	7,3%
<b>Total operating income</b>	<b>1563,4</b>	<b>1325,3</b>	<b>18,0%</b>	<b>822,6</b>	<b>740,8</b>	<b>11,0%</b>
<b>Total costs</b>	<b>-756,0</b>	<b>-632,2</b>	<b>19,6%</b>	<b>-371,6</b>	<b>-384,5</b>	<b>-3,4%</b>
Costs without BFG fees	-660,0	-562,6	17,3%	-359,5	-300,4	19,7%
Loan loss provisions	-230,2	-113,4	103,0%	-157,9	-72,3	118,3%
- Loan provisions without Day1 ECL 12 months	-149,6	-113,4	32,0%	-77,3	-72,3	6,8%
Banking tax on assets	-110,0	-100,7	9,3%	-58,6	-51,4	14,2%
<b>Net Profit</b>	<b>333,6</b>	<b>347,9</b>	<b>-4,1%</b>	<b>173,7</b>	<b>160,0</b>	<b>8,6%</b>
<b>Net Profit without one-offs</b>	<b>411,3</b>	<b>366,8</b>	<b>12,1%</b>	<b>221,7</b>	<b>190,0</b>	<b>16,7%</b>
NIM	2,66%	2,54%	+0,12 pp	2,80%	2,53%	+0,27 pp
<b>Cost/Income adjusted (*)</b>	<b>46,0%</b>	<b>46,3%</b>	<b>-0,3 pp</b>	<b>47,3%</b>	<b>44,6%</b>	<b>+2,7 pp</b>
Cost of Risk without Day1 provisions	52 bps	47 bps	5 bps	51 bps	55 bps	-4 bps
<b>ROE adjusted (*) ytd</b>	<b>8,7%</b>	<b>9,5%</b>	<b>-0,8 pp</b>	-	-	-
<b>ROE normalised (**) ytd</b>	<b>9,7%</b>	<b>9,5%</b>	<b>+0,2 pp</b>	-	-	-

(\*) adjusted for BFG resolution yearly fee by equally accruing it over the year (1/2 considered in 1st half of the year)

(\*\*) with equal distribution of BFG fee, without PLN 27 m release of tax asset provision in 1Q and without PLN 81m Day 1 initial provisions created for Euro Bank loan portfolio (IFRS9 impact of 12 month Expected Credit Loss on acquired stage 1 and 2 portfolios)



## KEY BALANCE SHEET ITEMS AND OTHER RELEVANT INDICATORS

PLN mln	June 19	June 18	Change Y/Y	Mar. 19	Change Q/Q
<b>Active customers (ths) (*)</b>	<b>1 947</b>	<b>1 714</b>	<b>233</b>	<b>1 897</b>	<b>50</b>
inc. on-line and mobile (*)	1 513	1 264	249	1 469	44
<b>Customer Funds</b>	<b>85 590</b>	<b>69 236</b>	<b>23,6%</b>	<b>75 478</b>	<b>13,4%</b>
<b>Deposits</b>	<b>76 828</b>	<b>59 831</b>	<b>28,4%</b>	<b>66 673</b>	<b>15,2%</b>
Deposits of individuals	57 638	43 303	33,1%	47 827	20,5%
<b>Loans</b>	<b>67 855</b>	<b>50 256</b>	<b>35,0%</b>	<b>53 940</b>	<b>25,8%</b>
FX Mortgage Loans excl. EB	13 818	14 698	-6,0%	14 186	-2,6%
Loans without FX mortgage	53 019	35 558	49,1%	39 754	33,4%
L/D	88,3%	84,0%	+4.3 p.p.	80,9%	+7.4 p.p.
Impaired loan ratio (**)	4,3%	4,7%	-0.4 p.p.	4,4%	-0.1 p.p.
Coverage ratio (***)	62%	76%	-14 p.p.	73%	-11 p.p.
<b>CET1 = T1</b>	<b>16,9%</b>	<b>21,3%</b>	<b>-4.4 p.p.</b>	<b>21,5%</b>	<b>-4.6 p.p.</b>
<b>TCR</b>	<b>20,1%</b>	<b>23,4%</b>	<b>-3.3 p.p.</b>	<b>25,6%</b>	<b>-5.5 p.p.</b>

(\*) without Euro Bank

(\*\*) stage 3 loans share in gross total loans

(\*\*\*) total provisions divided by stage 3 gross loans



## MAIN FINANCIAL HIGHLIGHTS OF 2 QUARTER 2019

Continued improvement of profitability; excluding impact of initial Euro Bank consolidation  
Excess capital used for the acquisition; liquidity very solid

### Profitability with Euro Bank impact

- Net profit of 1H 2019 reached **334 million PLN** with **65 million PLN** net impact of Day 1 provisions on Euro Bank portfolio.
- Normalised\* net profit reached **411 million PLN** and grew by **12%** yearly
- Normalised \* ROE at **9.7%** and Cost/income at **46%**

### Core income accelerated. Costs influenced by Euro Bank and BFG fees

- Net interest income grew by **21.5%** y/y; without Euro Bank grew **14.7%** y/y and **4.7%** q/q
- Net Commission Income flat yearly but visibly grew by **7.3%** quarterly (without Euro Bank)
- Operating costs up by **19.6% y/y**; when excluding Euro Bank and BFG fees, costs grew by **10.9%** yearly

### High asset quality and liquidity kept

- Impaired loans (stage 3) ratio at **4.3%** level with coverage by total provisions at **62%** (Euro Bank stage 3 portfolio consolidated at net value)
- Cost of Risk at **52 b.p.** (annualised) excluding Euro Bank ECL 12 months initial impact
- Loans to Deposits ratio at low level of **88%**

### Capital ratios influenced by the acquisition

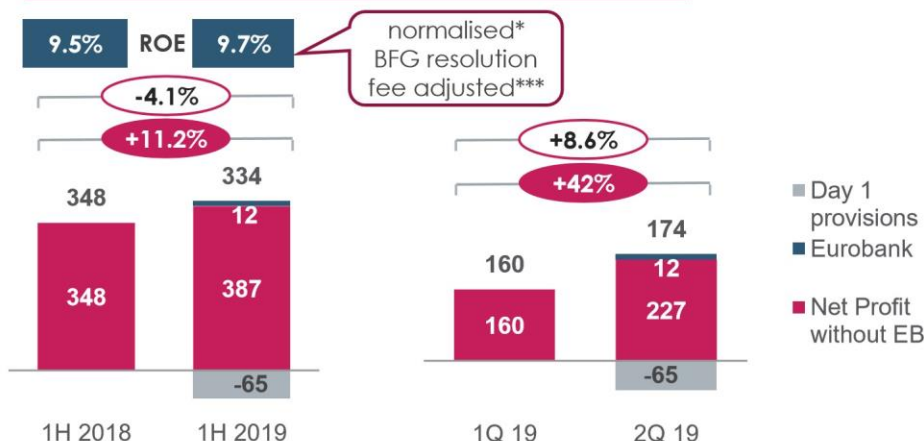
- Group's Total Capital Ratio (TCR) at **20.1%**, and CET1 ratio at **16.9%** already incorporating Euro Bank
- Bank's Total Capital Ratio (TCR) at **20.5%**, and CET1 ratio at **16.9%**

(\*) on normalised basis i.e. with equal distribution of BFG resolution fee through the year, without PLN 27 m extra release of tax asset provision in 1Q and PLN 81m (PLN 65m net) Day 1 provisions created in 2Q for Euro Bank loan portfolio (IFRS9 impact of 12month Expected Credit Loss on stage 1 and 2 portfolios )

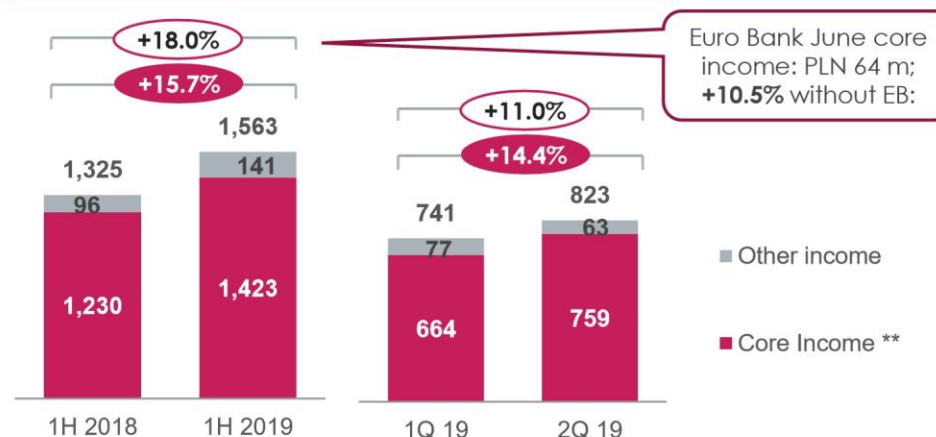
## PROFITABILITY AND COST EFFICIENCY

Net income distorted by one-off provision impact (IFRS9 on Euro Bank loans);  
Profitability improved with ROE at 9.7% and Cost to Income 46.0%

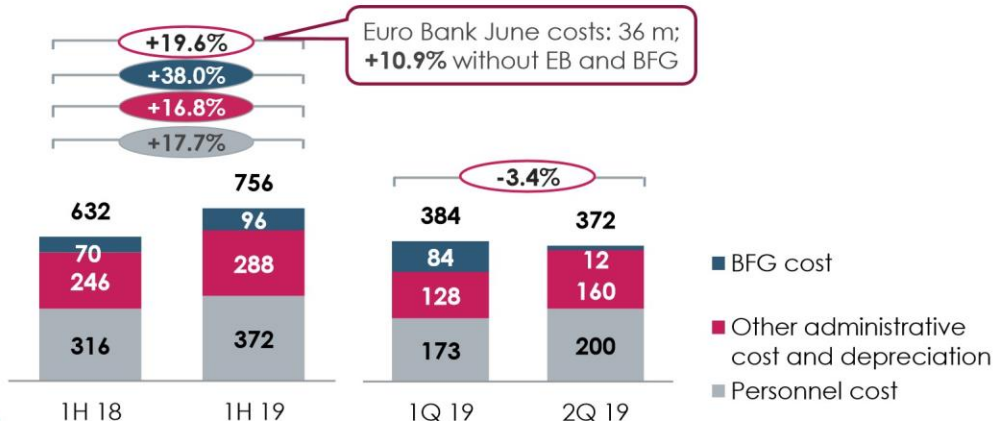
Net profit (PLN million)



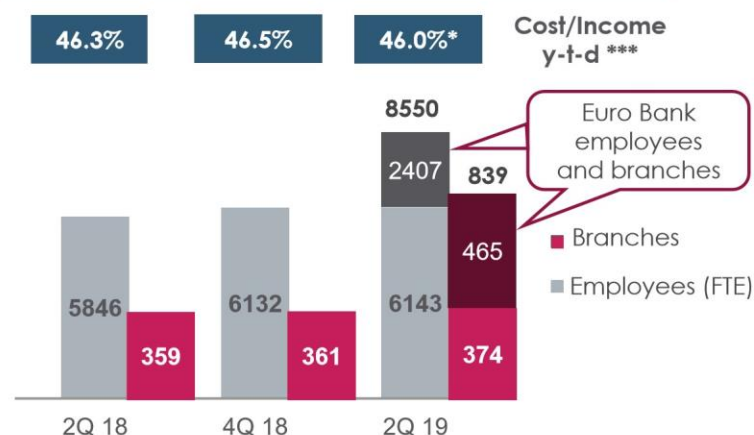
Operating income (PLN million)



Operating cost (PLN million)



Cost/Income, branches and staff



(\*) Without PLN 27 m extra release of tax asset provision in 1Q and PLN 81m (PLN 65 m net) impact of Day 1 provisions created in 2Q for Eurobank loan portfolio

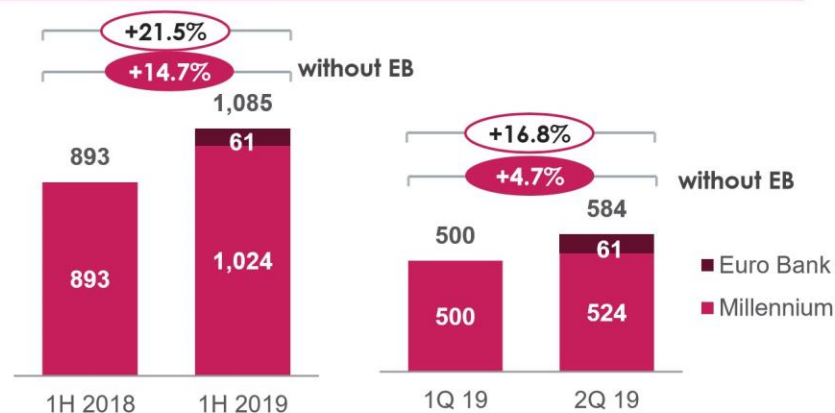
(\*\*) Net Interest Income + Net Commissions Income (\*\*\*) adjusted for equal accrual of BFG resolution fee over the year (1/2 treated as recurrent in 1H)



## INTEREST AND COMMISSION INCOME

Continued strong growth of interest income;  
Commissions flat yearly but visible rebound in the quarter

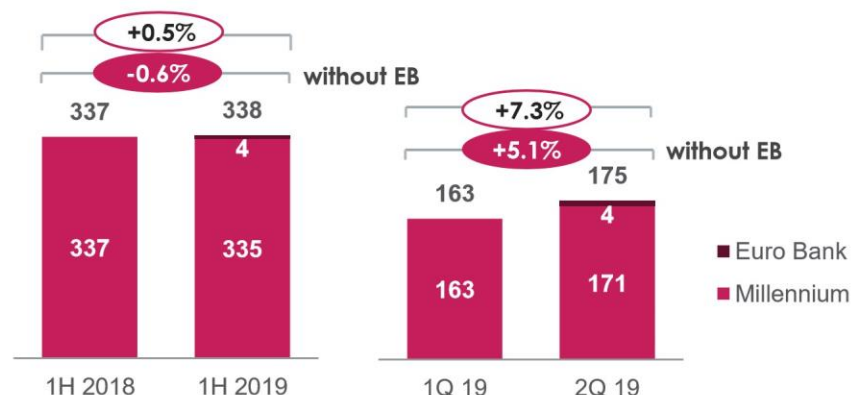
Net Interest Income \* (PLN million)



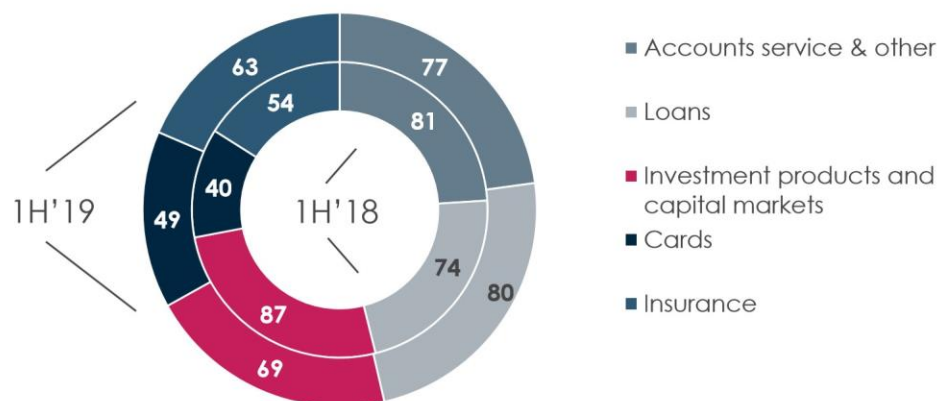
Interest on loans and deposit (PLN million)



Net Commission Income (PLN million)



Commission income structure (PLN million)

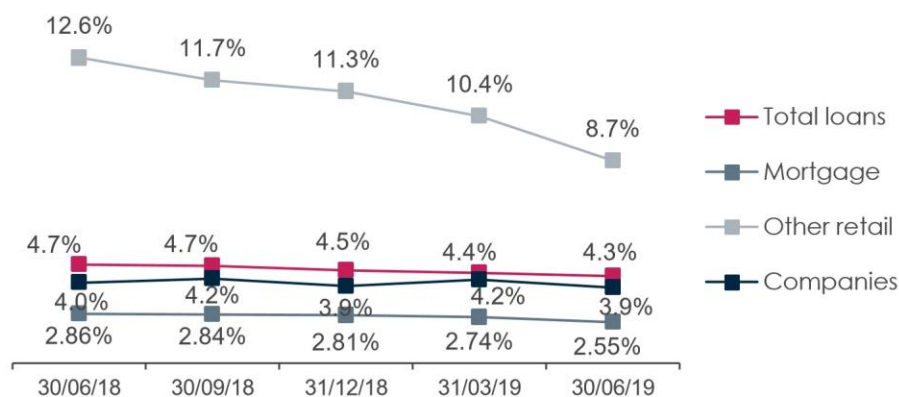


(\*) Pro-forma data: margin from all derivatives hedging FX loans is presented in NII, whereas in accounting terms part of this margin (PLN 28.1 million in 1H'19 and PLN 24.1 million in 1H'18) is presented in results on financial assets and liabilities held for trading (\*\*) Net Interest Margin: NII (pro-forma) to average interest earning assets, including Euro Bank in 2Q 2019 (\*\*\*) excluding Euro Bank, loans yield includes interest from swaps

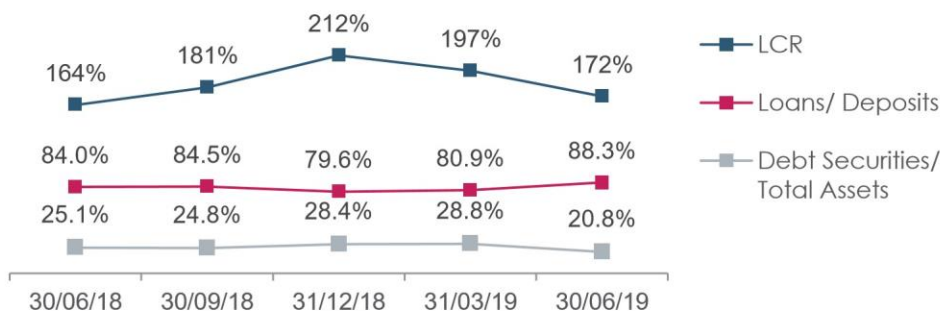
## ASSET QUALITY, LIQUIDITY AND CAPITAL

High asset quality and cost of risk kept after acquisition;  
Solid liquidity; excess capital used for Euro Bank acquisition

### Impaired Loans (IFRS9 stage 3) \*

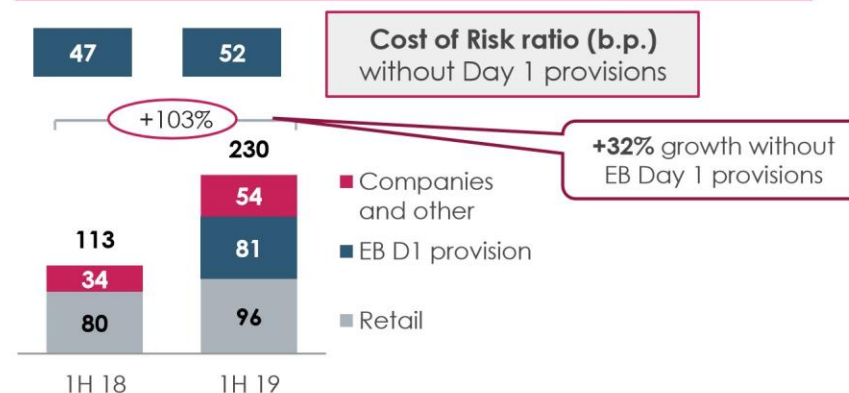


### Liquidity indicators

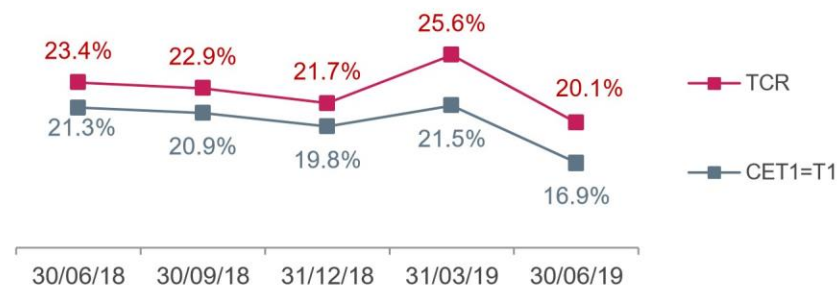


### Cost of Risk \*\*

(PLN million)



### Group Capital Ratios \*\*\*



(\*) Euro Bank performing loans portfolios were consolidated at fair value, stage 3 loans were consolidated at net value (\*\*) Total net provisions created (inc. fair value adjustment of loan portfolio and loans modification effect), ratio to average net loans (\*\*\*) Bank's (solo) capital ratios are: TCR 20.5% and CET1 16.9%





## PRESENTATION OF RESULTS IN 1H 2019

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## MAIN BUSINESS HIGHLIGHTS OF 2 QUARTER 2019

Acceleration of organic growth combined with the first consolidation of Euro Bank business

### Retail business (excluding EB)

- **1.9 million** active customers (+233 ths yearly) and **1.5 million** using digital channels
- **1.1 billion PLN** new cash loans sold in 2Q (+34% y/y) and **1 billion PLN** of mortgages (+20% y/y)
- **14.4%** yearly growth of deposits (or **33.1%** with Eurobank)

### Companies business

- Continued solid growth of loans to companies: **+11.5%** y/y
- Deposits volume grew by **+16.1%** y/y
- Growth in factoring and leasing sales around **7%** y/y

### Quality and innovations

- Introducing Millenet online facility for a new **Family 500+ and Good Start 300+** benefits
- „**Banking Stars 2019**” (\*) **1st place** in „Customer relation” ranking and **2nd place** in „Growth” and „Innovations” rankings
- **1.2 mln** apps downloads by **goodie**

(\*) Banking Stars („Gwiazda bankowości”) is a competition organised by Dziennik Gazeta Prawna daily and PwC

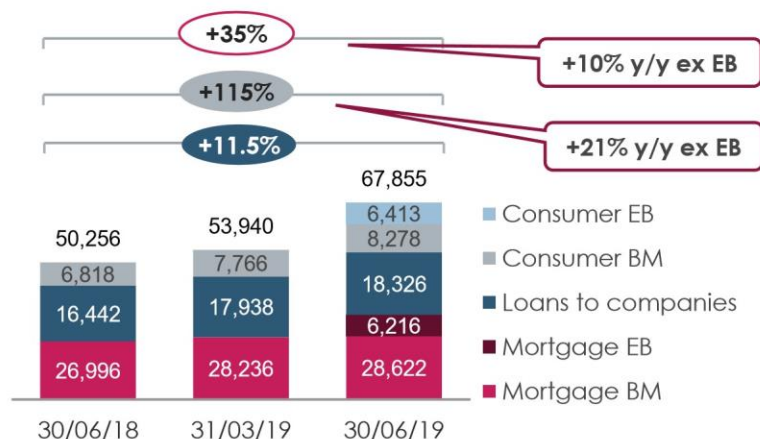


## LOANS AND DEPOSITS

Strong double-digit growth of organic business plus visible impact of Euro Bank volumes in retail segment

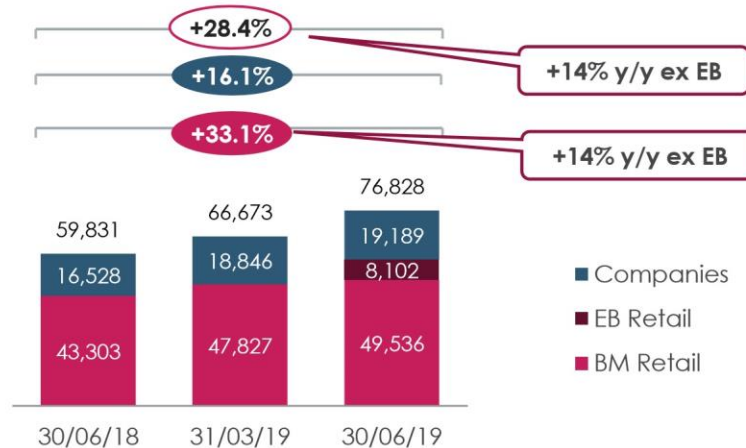
Loan Portfolio of the Group (net)

(PLN million)

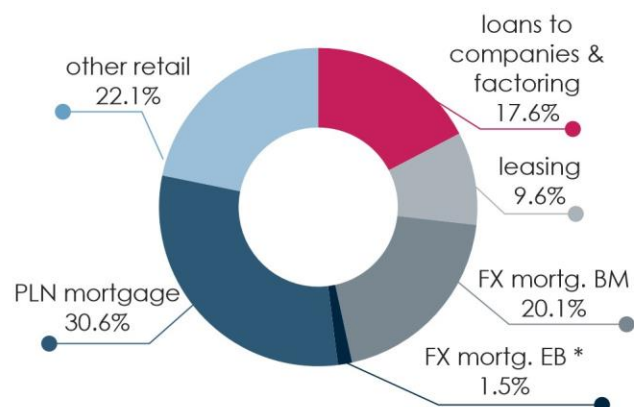


Customer Deposits

(PLN million)



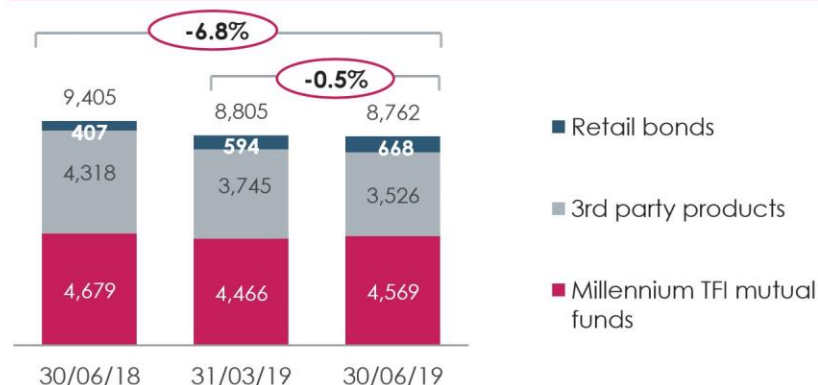
Structure of Loan Portfolio (gross)



(\*) Covered by SocGen guarantee and indemnity

Non-deposit investment products \*\*

(PLN million)



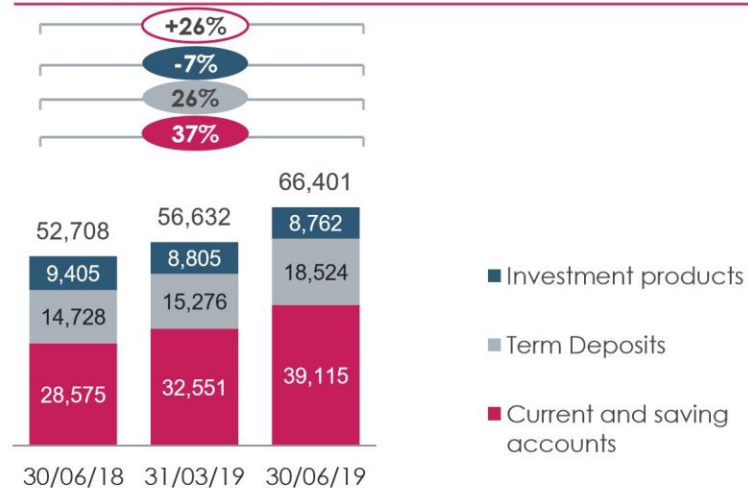
(\*\*) including mutual funds, saving-insurance products and retail bonds

## RETAIL BUSINESS – DEPOSITS AND ACCOUNTS

Continued strong pace of organic retail sales;  
Retail customers' funds at PLN 66 billion level with Euro Bank volumes

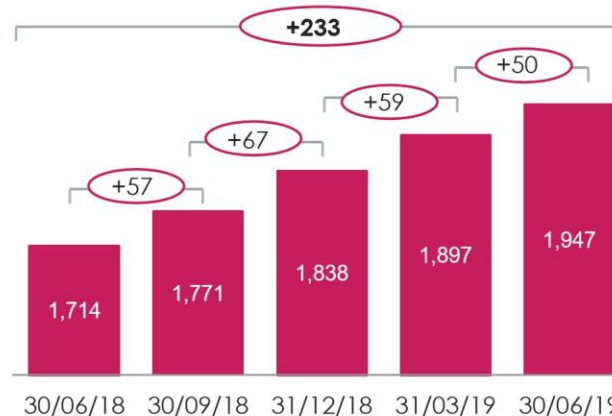
Retail Customer Funds

(PLN million)



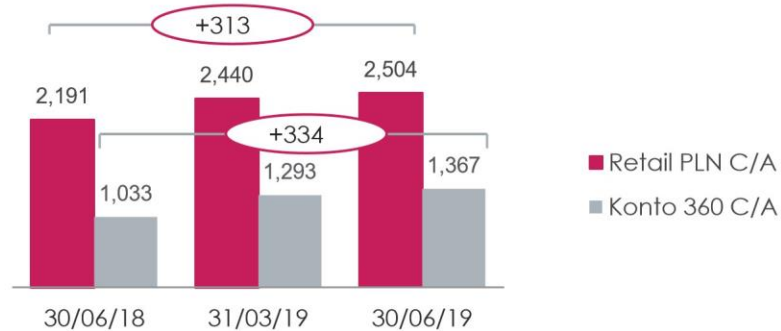
Active retail clients \*

(in thousand)



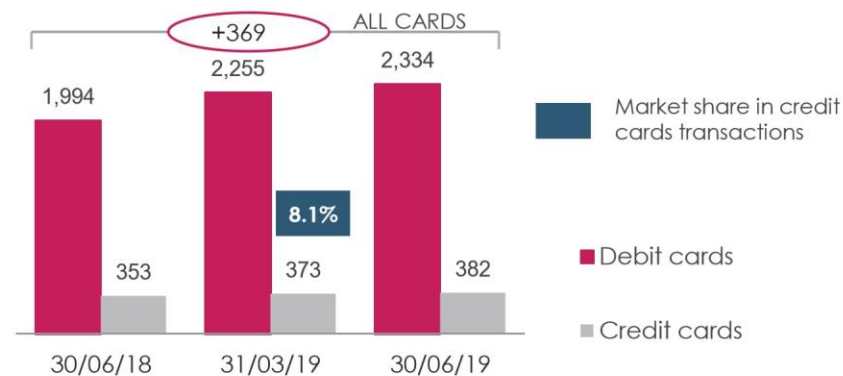
Number of current accounts \*

(in thousand)



Number of debit and credit cards \*

(in thousand)



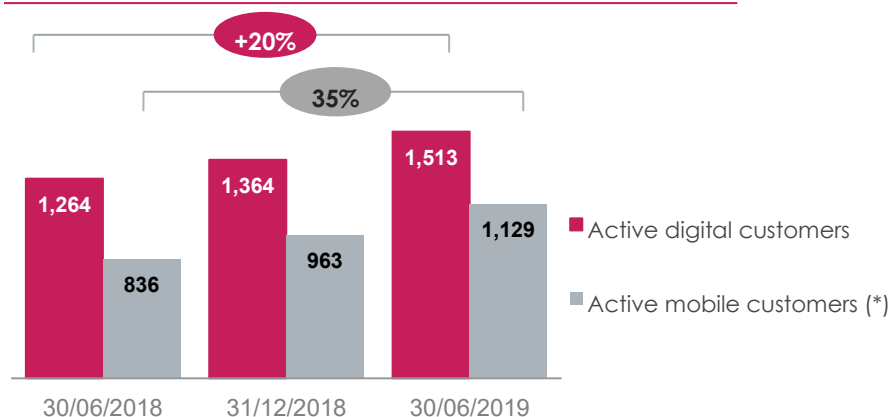
(\*) without Euro Bank.



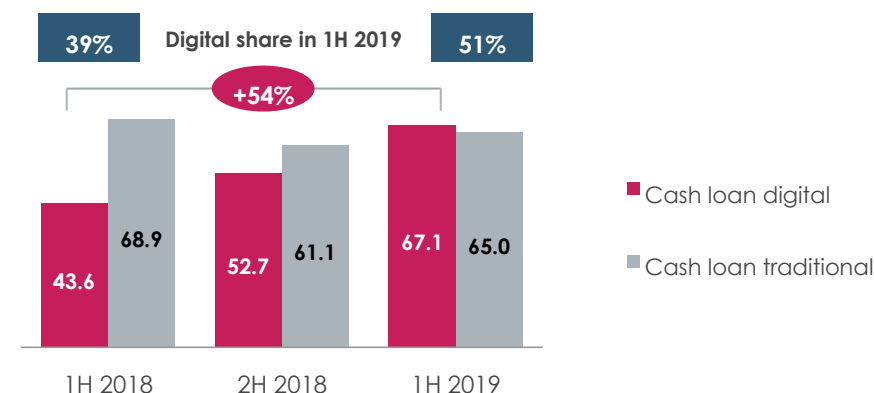
## RETAIL BANKING – DIGITAL PRODUCTS (without Euro Bank)

Strong growth in the number of digital users to 1.5 million;  
High share of electronic channels in product sales

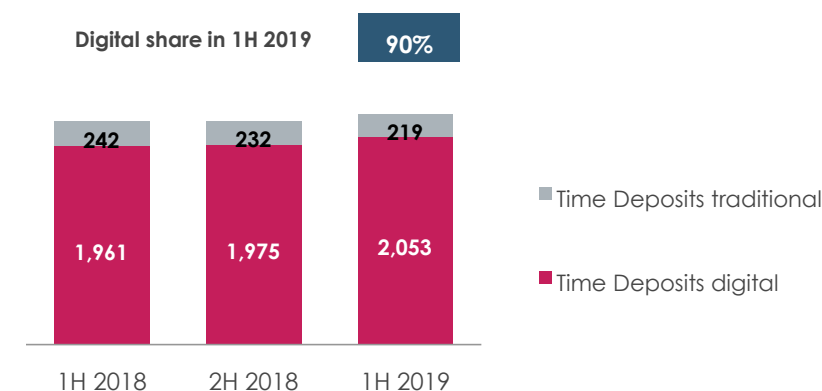
Active digital and mobile clients (in thousand)



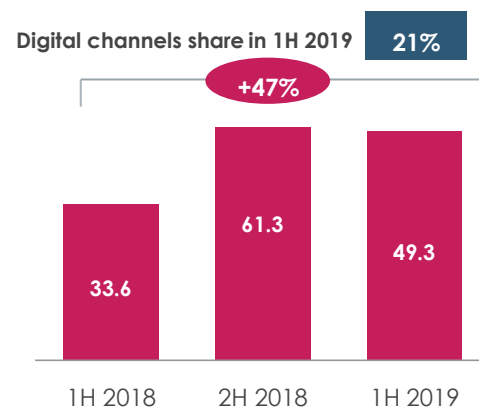
Cash loans (traditional and digital) (in thousand)



Time deposits (traditional and digital) (in thousand)



Current accounts opened online (in thousand)



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

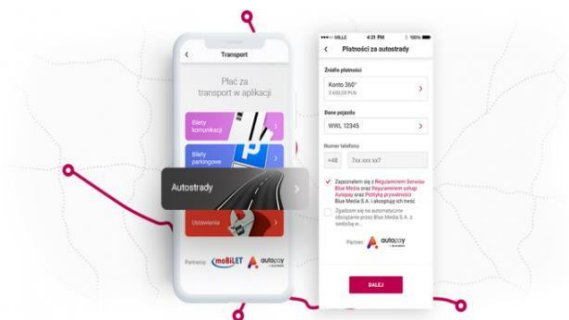
# NEW SOLUTIONS IN THE MILLENNIUM AND MOBILE APPLICATIONS

Extended Millenet application for Family 500+ and Good Start 300+;  
API\* production environment made available



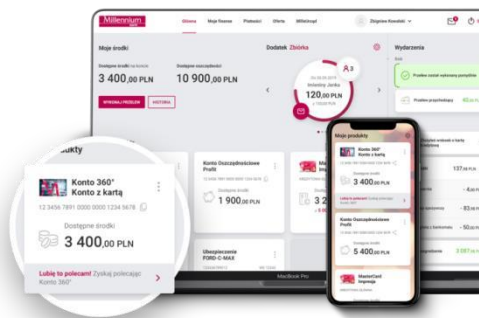
PSD2

special access interface for open banking  
based on the Polish API standard (\*)



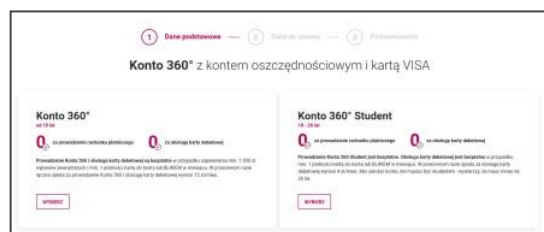
Autopay

Automatic payments for motorway rides in  
the Bank Millennium mobile app



New Digital Experience (NDE)

New home page in Millenet and mobile  
app with i.a. Timeline section and Widgets  
like Collection



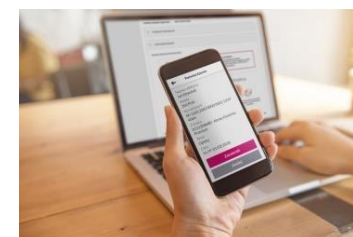
Account application

Optimization and improving account  
application process



Family 500+ and Good Start 300+ applications

Introducing online applications through  
Millenet for Family 500+ and Good Start 300+  
benefits



Mobile Authorization

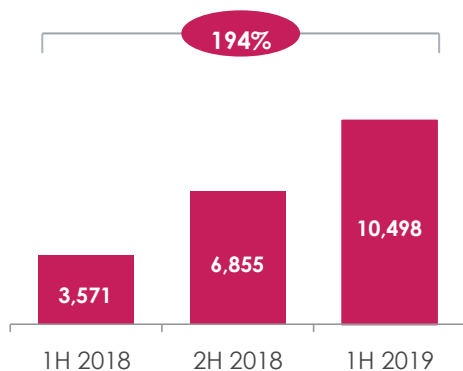
100 000 clients using authorization in  
the app of transactions made in  
Millenet

(\*) The PolishAPI standard is the key part of the Open Banking on the Polish financial market. It is defining the interface enabling third parties to access payment accounts, based on amended directive on payment services in the internal market (PSD2).

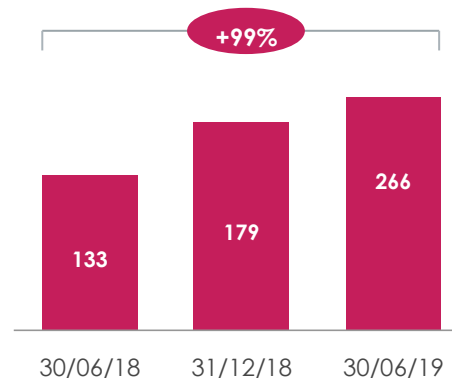
## RETAIL BANKING – MOBILE CHANNELS (without Euro Bank)

Strong growth of products sold through mobile applications

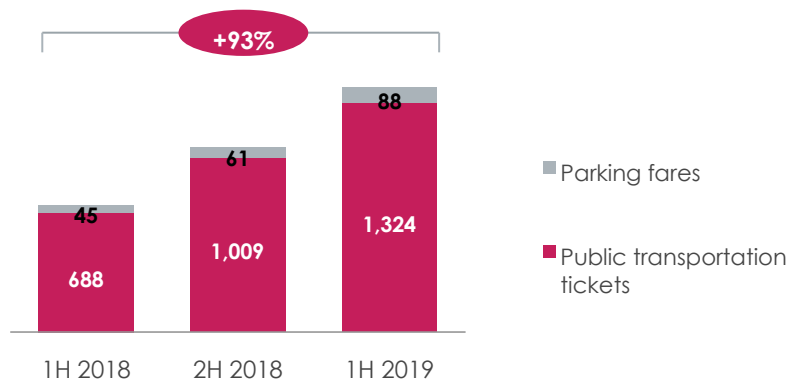
BLIK transactions (\*) (in thousand)



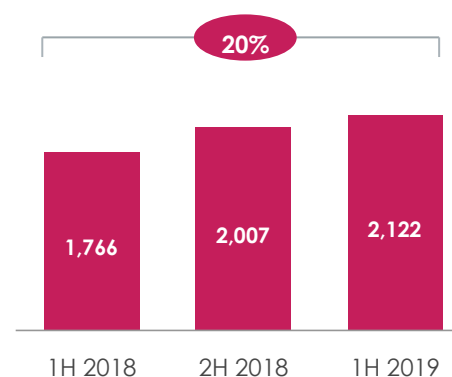
HCE cards portfolio (\*\*) (in thousand)



Parking fares and public transport tickets (in thousand)



Mobile top-ups (\*\*\*) (in thousand)



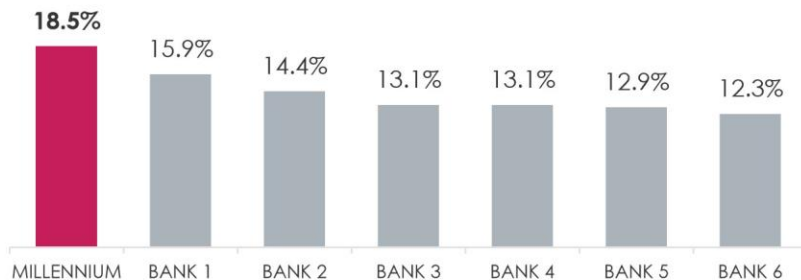
(\*) Polish mobile payment system (\*\*) contactless mobile payments based on Host Card Emulation technology  
(\*\*\*) topping up prepaid phone cards in Millenet and mobile app



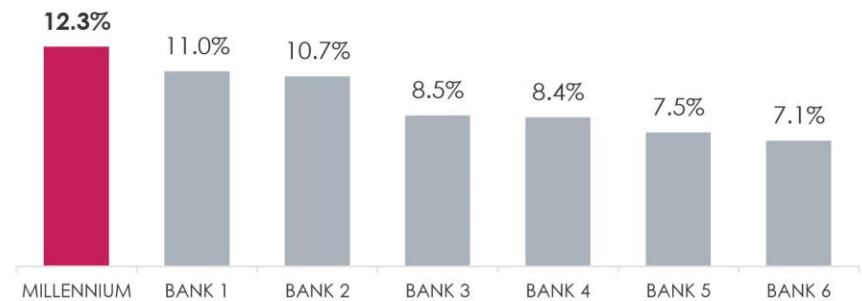
## HIGH INTEREST IN E-ADMINISTRATION SERVICES

Over 300k applications for new 500+ and 300+ benefits, which gives the highest relative result (in comparison to the total number of active internet banking users).

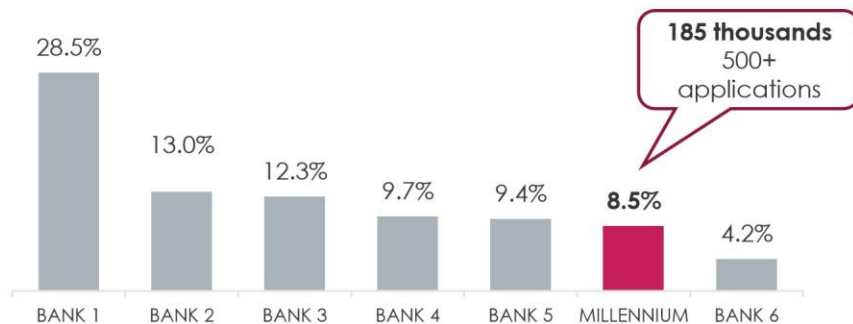
% of internet banking users (\*) (500+)



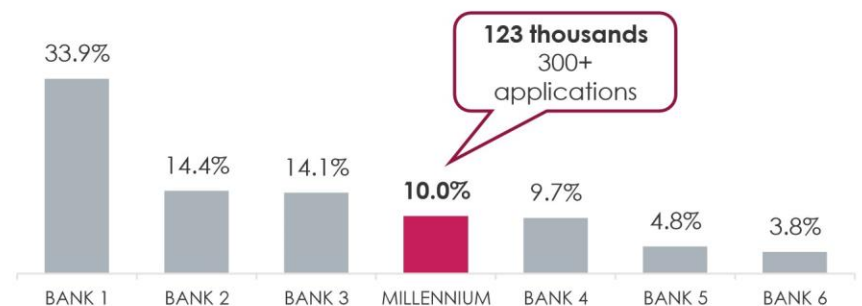
% of internet banking users (\*) (300+)



Market share (500+)



Market share (300+)



(\*) Source data: Banks data and <https://pnews.pl/raport-pnews-pl-rynek-bankowosci-internetowej-i-kw-2019-443468> (last access: 23.07.2019)

## GOODIE – Bank Millennium's smartshopping platform

Fast growth of app downloads and usage by goodie active customers

**1.2 million** downloads from app start

**300,000** app downloads in 2019

### New functionalities in 2019:

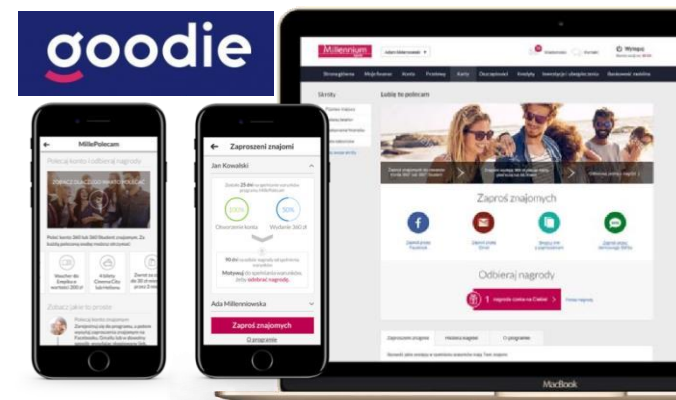
- Stamp programmes in shopping centres foodcourts
- Shopping centres maps

**480,000** Loyalty Cards set up in **43** shopping centres

**215,000** coffee shop and restaurant stamp cards set up

**2800** aggregated offerings for goodie users from **1300 brands**

**310,000** cashback transactions by **21 000** active goodie users (since 09.2018)

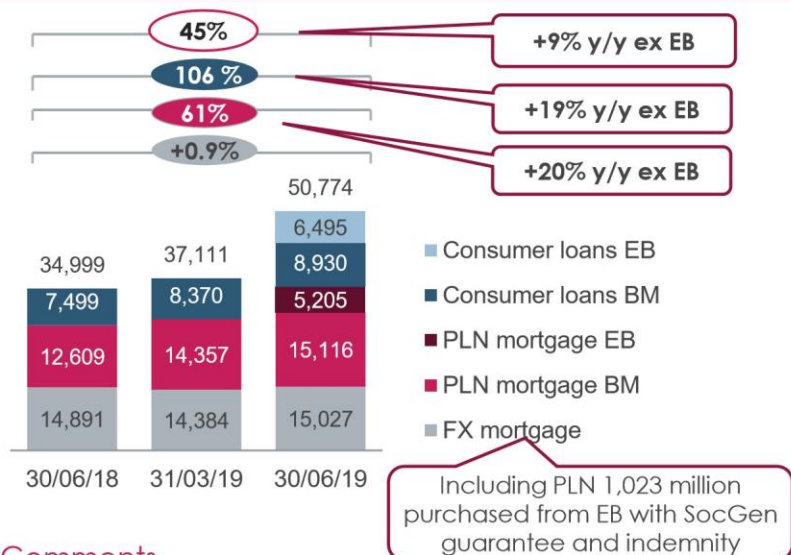


## RETAIL BUSINESS – LOANS

Above PLN 1 billion quarterly sale of cash and mortgage loans (organic);  
Significant increase of retail loans after Euro Bank acquisition

Retail loans (gross)

(PLN million)

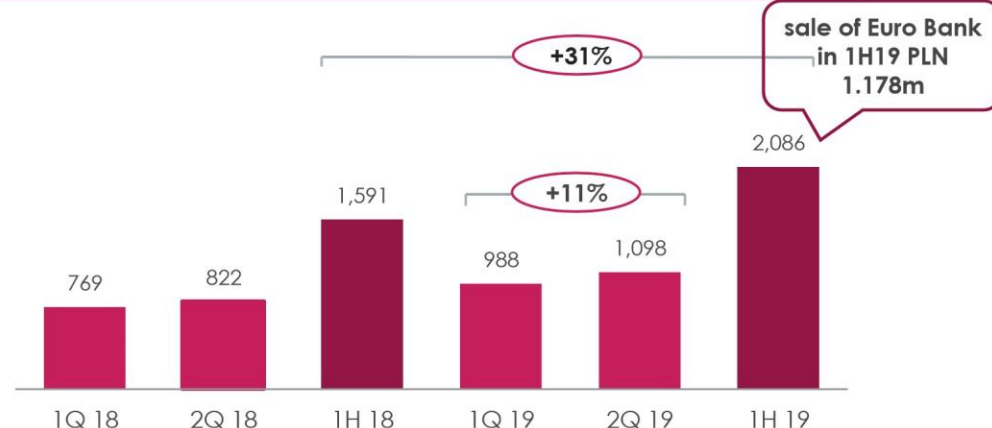


### Comments

- Robust organic growth of retail loans at +9% y/y: PLN mortgages +20% y/y and consumer loans +19% y/y
- Growth strengthened by Euro Bank acquisition: total retail loans +45% y/y (the growth of retail portfolio without FX mortgage reached +78% y/y)
- Acceleration of cash and PLN mortgage loans sales (ex EB) with record 2Q levels exceeding PLN1 billion for both cases.

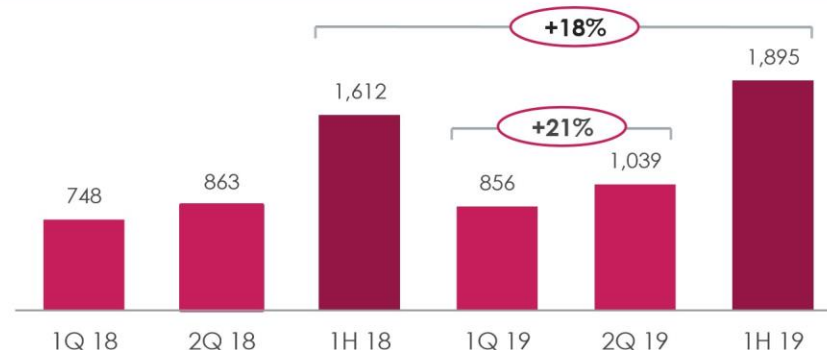
Cash loans new sales \*

(PLN million)



Mortgage loans new sales \*

(PLN million)



(\*) without Euro Bank.

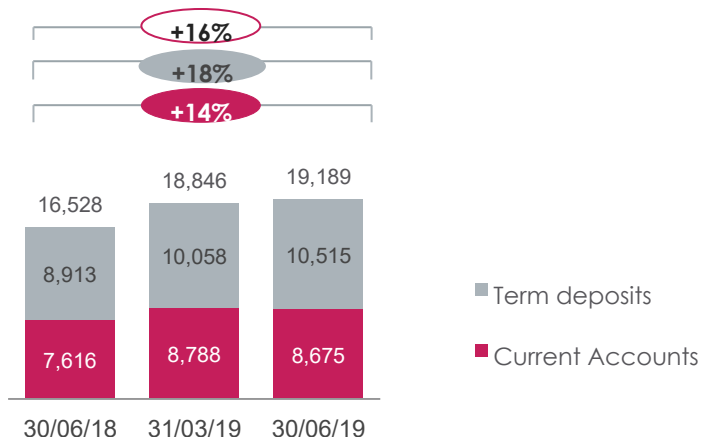


## COMPANIES BUSINESS – DEPOSITS AND LOANS

Companies business keeps running at double-digit pace growth

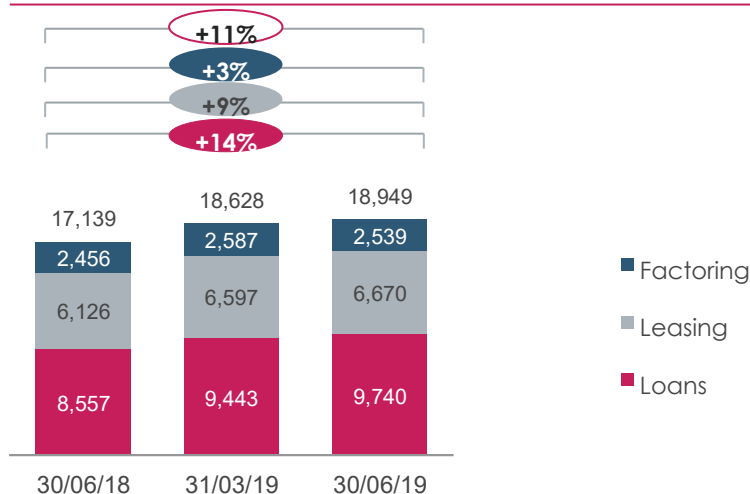
### Companies deposits

(PLN million)



### Loans to companies (gross)

(PLN million)

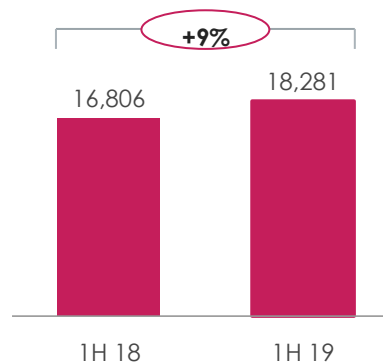


### Comments

- Loans to companies keep high growth pace: +10.6% y/y
- Strong companies deposits growth: +16.1% y/y
- Robust growth of companies' transactions kept

### Volume of FX transactions

(in thousand)

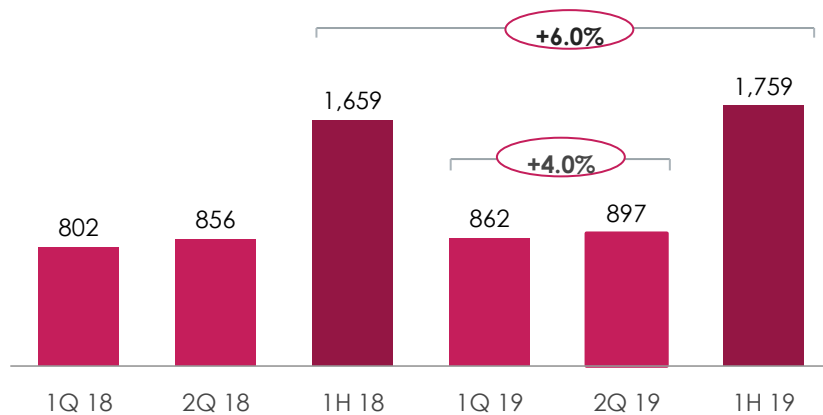


## COMPANIES BUSINESS – NEW LOANS

Robust growth in leasing and factoring sale and trade finance.

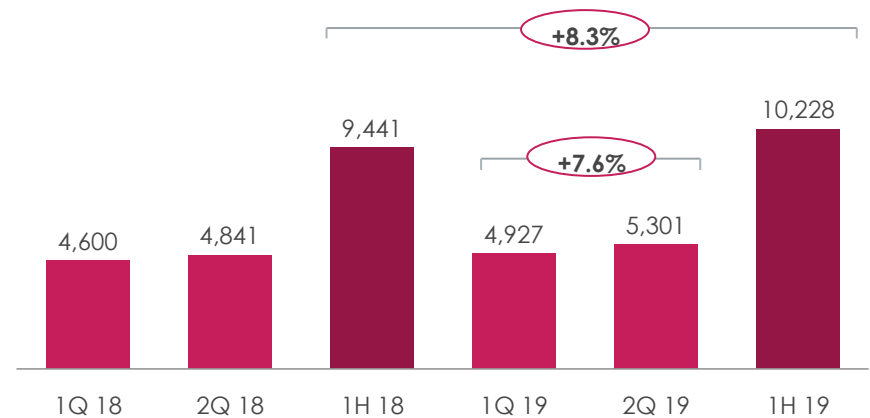
Leasing – new sales

(PLN million)



Factoring – turnover

(PLN million)



### Comments

- Growth in factoring and leasing sales at +8% y/y and +6% y/y respectively
- Innovative platform of e-guarantees services represents already 30% of all guarantees issued



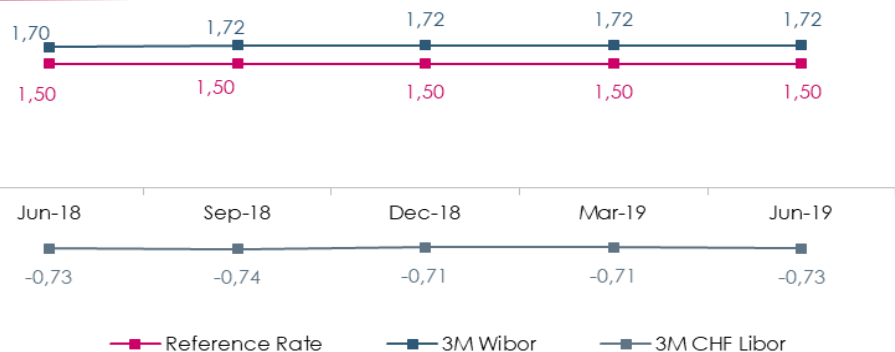


## MACROECONOMIC OVERVIEW

Economic growth in Poland remains solid, but it is decelerating. Consumption and investments are the main drivers of the growth. Inflation above the NBP's target, but NBP interest rates at record low level.

### Interest rates evolution

(%)



Q-o-Q (bp)

0

0

-2

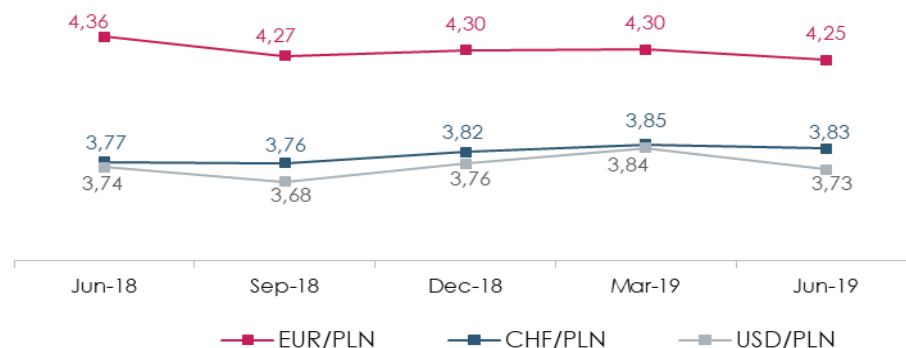
Y-o-Y (bp)

0

2

0

### FX rates evolution



Q-o-Q

-1.1%

-0.5%

-2.7%

Y-o-Y

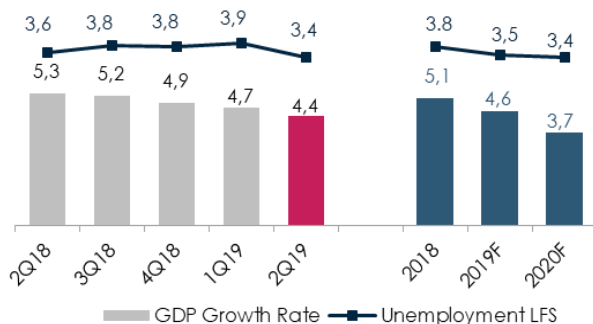
-2.5%

1.6%

-0.3%

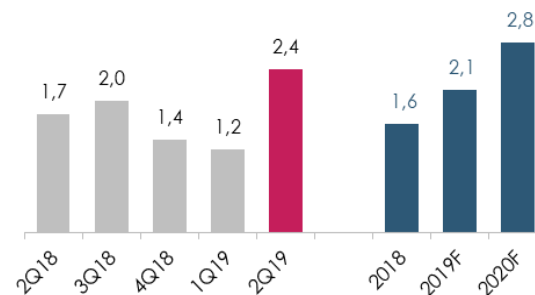
### GDP growth & unemployment

(% y/y)



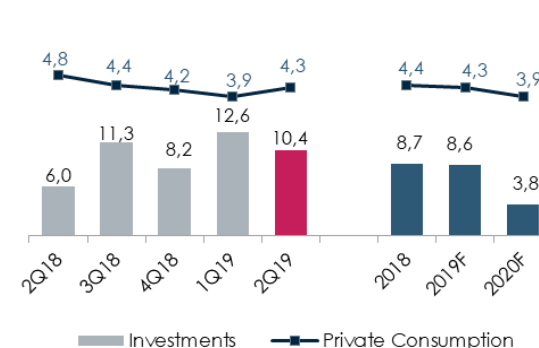
### Inflation

(% y/y)



### Investments & Consumption

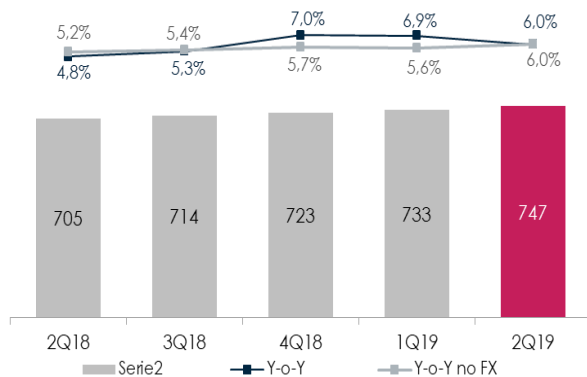
(% y/y)



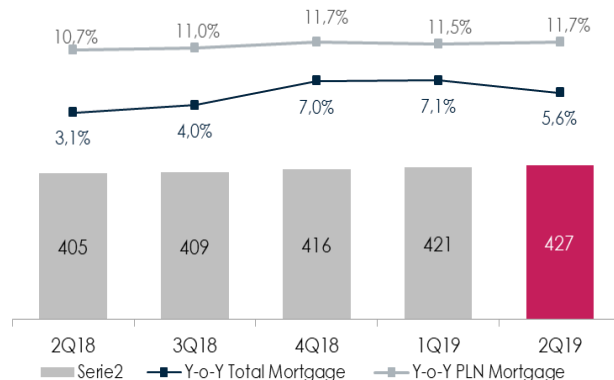
## MACROECONOMIC OVERVIEW

Growth of deposits remains solid, especially in households' sector. Credit dynamics moderated, partially because of fx changes.

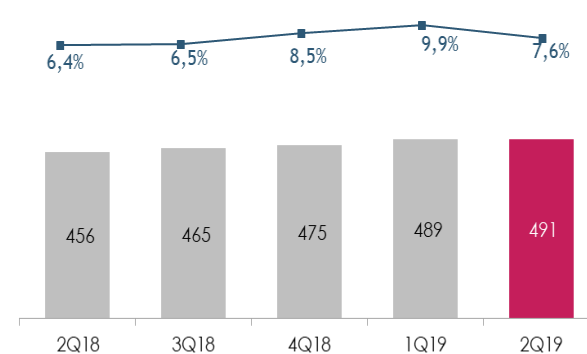
Loans to households (PLN bln, % y/y)



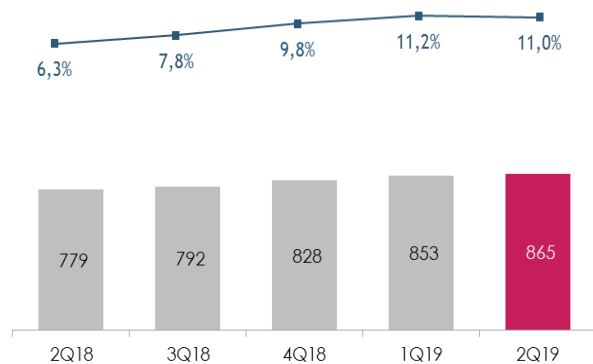
Mortgage loans (PLN bln, % y/y)



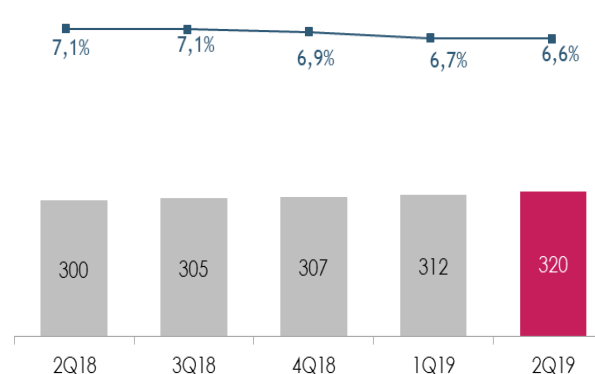
Loans to companies (PLN bln, % y/y)



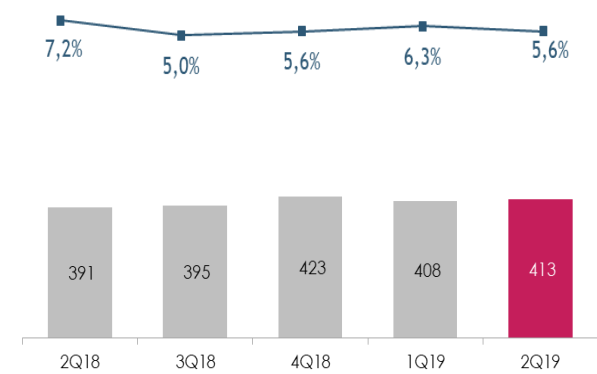
Deposits from households (PLN bln, % y/y)



Non-mortgage loans (PLN bln, % y/y)



Deposits from companies (PLN bln, % y/y)

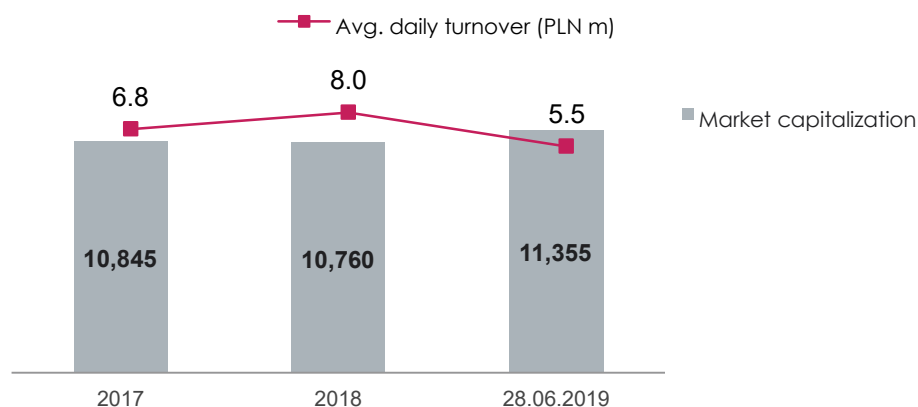


## BANK MILLENNIUM SHARE PERFORMANCE

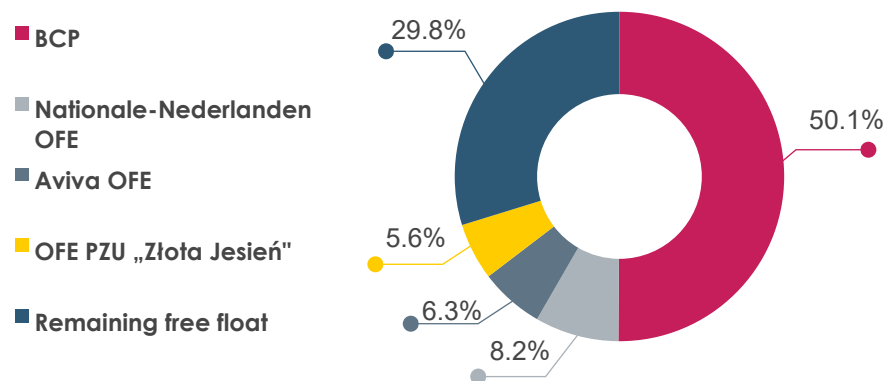
Bank's share price outperformed again all main indexes of the Warsaw Stock Exchange.

### Market cap/liquidity

(PLN million)



### Bank Millennium shareholders' structure (\*)



### Bank Millennium share performance vs. main indices (annual change as on 28.06.2019)

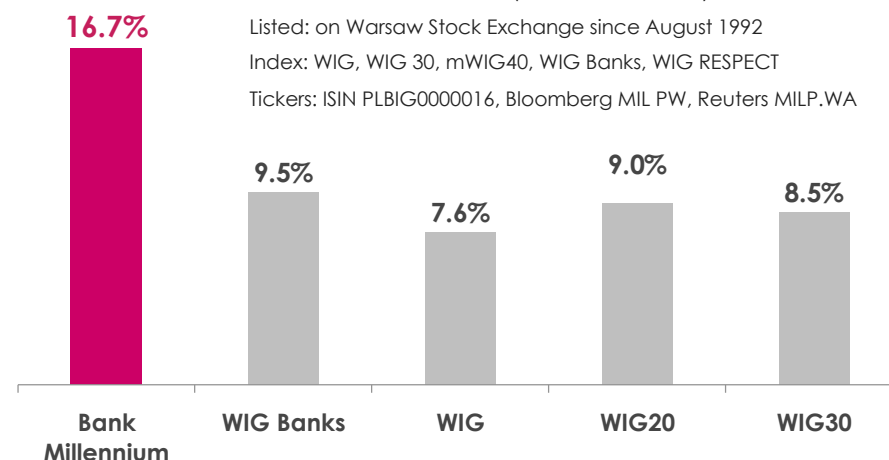
#### Bank Millennium shares:

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

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



### Bank's current ratings

On 2nd April 2019 **Moody's agency upgraded** Bank Millennium ratings (for the third time during last 18 months).

**Moody's** Baa1 / P2/ baa3 / stable outlook

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

(\*) according to the information from current report dated 25.03.2019 published after Ordinary General Shareholders Meeting of Bank Millennium



## MARKET LEADER IN QUALITY

Confirmed again by several independent rankings

### Bank Millennium – Client Relations Star



In the „**Banking Stars 2019**” competition organised by Dziennik Gazeta Prawna and PwC, the Bank was three times among the Top 3:

- **1st place in the „Client Relations” category** receiving the „Client Relations Star” title (the ranking was based on customer opinions),
- **2nd place in the „Innovativeness” and „Growth” categories.**

### The Best Bank in Poland according to Global Finance Magazine



Bank Millennium was hailed **The Best Bank in Poland for 2019** in the annual Best Bank Awards competition organised by Global Finance Magazine. The winning banks were selected by the editors of Global Finance Magazine after extensive consultations with banking experts from all over the world.

### Most transparent company among those included in the mWIG40 index



Bank Millennium won the **“Transparent Company of the Year 2018”** ranking. The ranking recognises companies which communicate with the market in the most transparent and regular way. Bank Millennium scored the highest, maximum number of points among all the ranked companies.

## SYNTHETIC P&L ACCOUNT

(PLN million)

Pro-forma	1 half 2018 pro-forma	1 half 2019 pro-forma	Change Y/Y	1Q 2019 pro-forma	2Q 2019 pro-forma	Change Q/Q
Net interest income*	892,9	1 084,7	21,5%	500,3	584,3	16,8%
Net commission income	336,6	338,2	0,5%	163,2	175,0	7,3%
Other non-interest income **	95,8	140,6	46,8%	77,3	63,2	-18,2%
<b>Operating Income</b>	<b>1 325,3</b>	<b>1 563,4</b>	<b>18,0%</b>	<b>740,8</b>	<b>822,6</b>	<b>11,0%</b>
General and administrative costs	-605,6	-683,0	12,8%	-351,1	-331,9	-5,4%
Depreciation	-26,6	-73,0	174,4%	-33,4	-39,6	18,6%
<b>Total operating costs</b>	<b>-632,2</b>	<b>-756,0</b>	<b>19,6%</b>	<b>-384,5</b>	<b>-371,6</b>	<b>-3,4%</b>
Net cost of risk ***	-113,4	-230,2	103,0%	-72,3	-157,9	118,3%
<b>Operating profit</b>	<b>579,7</b>	<b>577,2</b>	<b>-0,4%</b>	<b>284,0</b>	<b>293,2</b>	<b>3,2%</b>
Banking tax	-100,7	-110,0	9,3%	-51,4	-58,6	14,2%
<b>Pre-tax profit</b>	<b>479,1</b>	<b>467,2</b>	<b>-2,5%</b>	<b>232,7</b>	<b>234,5</b>	<b>0,8%</b>
Income tax	-131,1	-133,6	1,9%	-72,7	-60,9	-16,3%
<b>Net profit</b>	<b>347,9</b>	<b>333,6</b>	<b>-4,1%</b>	<b>160,0</b>	<b>173,7</b>	<b>8,6%</b>
Accounting	1 half 2018	1 half 2019	Change Y/Y	1Q'19	2Q'19	Change Q/Q
NII (reported under IFRS)	868,8	1 056,5	21,6%	484,0	572,5	18,3%

(\*) 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 24.1 million in 1H'18 and PLN 28.1 million in 1H'19) is presented in result on valuation and operations in financial instruments.

(\*\*) includes FX results, results on financial operations (pro-forma) and net other operating income and costs (\*\*\*) cost of risk includes impairment provisions (on all stages), FV adjustment on loans and result on modification.

## 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
<b>TOTAL ASSETS</b>

30/06/2018	31/03/2019	30/06/2019	Change y/y
2 147	1 737	3 396	58,2%
520	414	712	36,9%
50 256	53 940	67 855	35,0%
109	797	74	-32,3%
18 268	23 717	19 529	6,9%
335	186	198	-40,9%
47	51	51	9,6%
264	631	928	251,0%
721	834	928	28,7%
<b>72 666</b>	<b>82 307</b>	<b>93 670</b>	<b>28,9%</b>

### 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
<b>TOTAL LIABILITIES</b>
<b>TOTAL EQUITY</b>
<b>TOTAL LIABILITIES AND EQUITY</b>

30/06/2018	31/03/2019	30/06/2019	Change y/y
1 166	1 868	1 908	63,7%
59 831	66 673	76 828	28,4%
94	56	21	
743	582	572	-23,0%
709	898	1 470	107,4%
116	105	108	-6,7%
702	1 545	1 646	134,6%
1 397	2 064	2 413	72,7%
<b>64 758</b>	<b>73 790</b>	<b>84 966</b>	<b>31,2%</b>
<b>7 908</b>	<b>8 517</b>	<b>8 704</b>	<b>10,1%</b>
<b>72 666</b>	<b>82 307</b>	<b>93 670</b>	<b>28,9%</b>





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