



BANK MILLENNIUM GROUP

Presentation of 2018 preliminary results



DISCLAIMER

This presentation has been prepared by Bank Millennium for its stakeholders for information purpose only.

The information presented in this presentation should be read together with other information published by the Bank (on www.bankmillennium.pl), in particular financial and current reports.

Financial data presented hereby is on consolidated Bank Millennium Group level. The data, except for initial information referring to 4Q 2018 (not audited), 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.



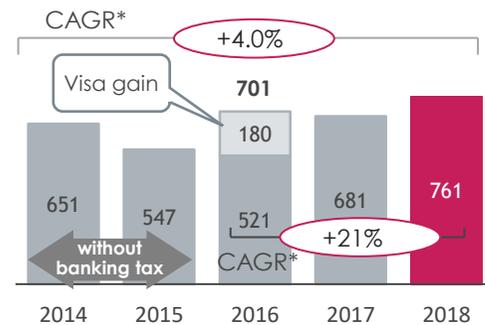
PRESENTATION OF RESULTS IN 2018

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

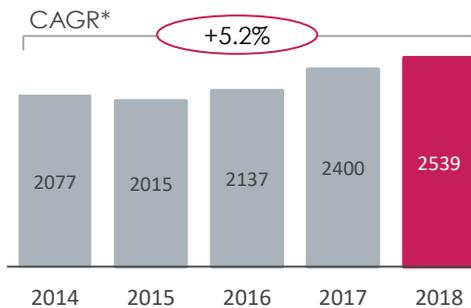
SUMMARY OF 2014-2018 ACHIEVEMENTS (1)

Consistent growth of core income helping to compensate for low interest environment and heavy tax and regulatory burden. Improvement of cost efficiency and capital adequacy, while stable cost of risk and low NPL level.

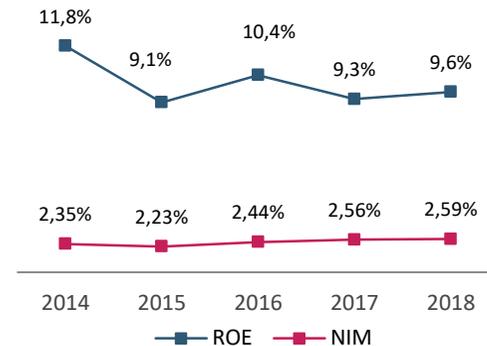
Net Income (PLN million)



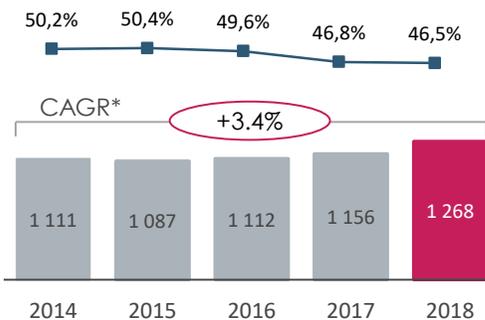
Core Income (PLN million)



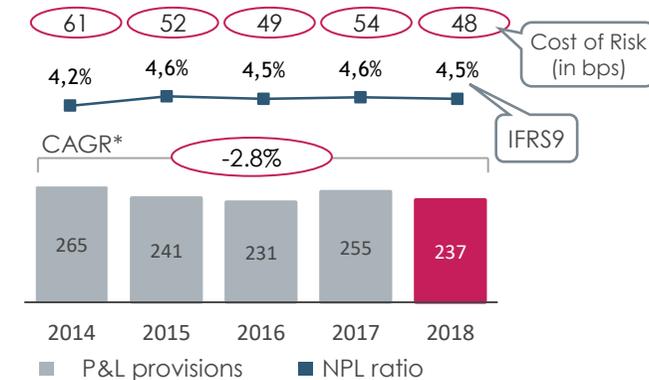
ROE & NIM (PLN million)



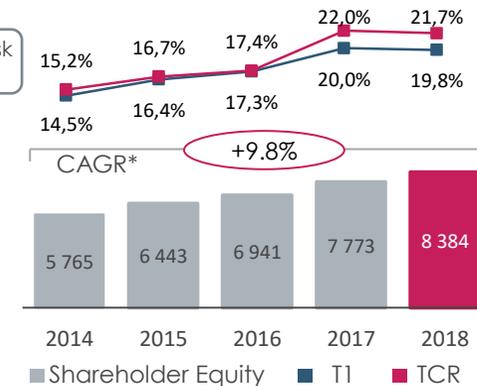
Costs & Cost/Income ratio (PLN million)



Provisions and NPL ratio (PLN million)



Capital Adequacy (PLN million)



■ Operating Cost ■ Cost/Income ratio (recurrent)

■ P&L provisions ■ NPL ratio

■ Shareholder Equity ■ T1 ■ TCR

(*) Compound annual growth rate

SUMMARY OF 2014-2018 ACHIEVEMENTS (2)

High active customers growth ahead of level targeted for 2020 Strategy, supported by leadership position in quality (highest NPS score) and digital innovations. Main products growth in line with strategy.

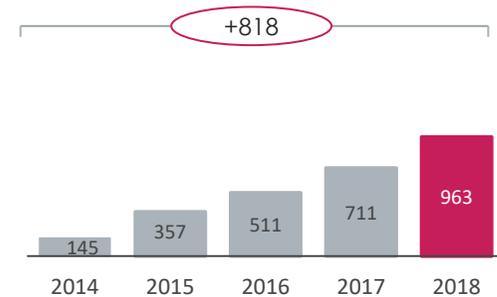
Active retail Customers (thousand)



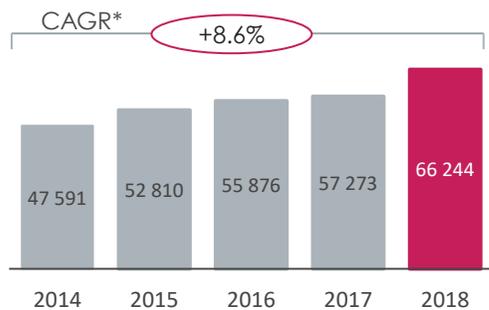
On-line active customers (thousand)



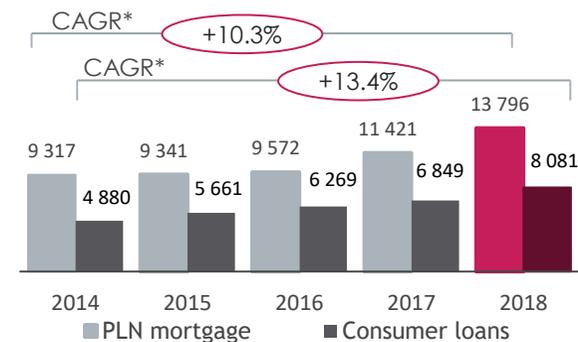
Mobile active customers



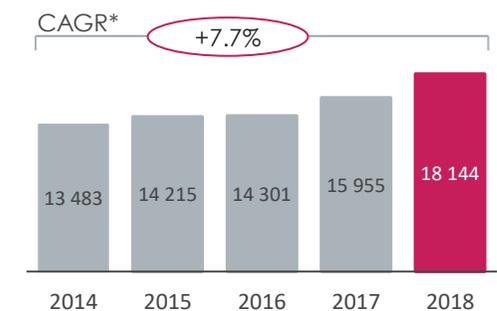
Customer Deposits (PLN million)



Retail PLN Loans (PLN million)



Companies Loans (PLN million)



MAIN FINANCIAL HIGHLIGHTS OF 2018

Record net profit, both yearly (PLN 761 million) and quarterly (PLN 213 million).
High asset quality, capital and liquidity.

Record net profit; improvement of main ratios

- Net profit of 2018 reached **761 million PLN**, which means **12%** yearly growth
- 4Q Net profit reached **213 million PLN**, +6% vs 3Q and +18% vs 4Q 2017
- ROE at **9.6%**, i.e. 0.3 p.p. higher than in 2017
- Cost/income at **46.5%** i.e. 0.3 p.p. lower vs. 2017
- High tax & regulatory burden: **40%** effective tax rate on operating profit (or 45% if adding BFG/KNF costs)

Interest income drives the growth; costs under wage inflation pressure and digital related projects

- Net interest income grew **8.1%** y/y and **4.7%** q/q
- Commissions flat yearly due to adverse capital markets impact
- Operating income grew by **6.1%** y/y while costs grew by **5.4%** y/y (of which staff costs by **7%** y/y)

High asset quality and low cost of risk maintained

- Cost of Risk* at **48 b.p.** yearly - the lowest level in the last 5 years
- Impaired loans (stage 3) ratio improvement to **4.5%** (from 5.2% after IFRS9 introduction on 1.1.2018)

Strong capital and liquidity ratios

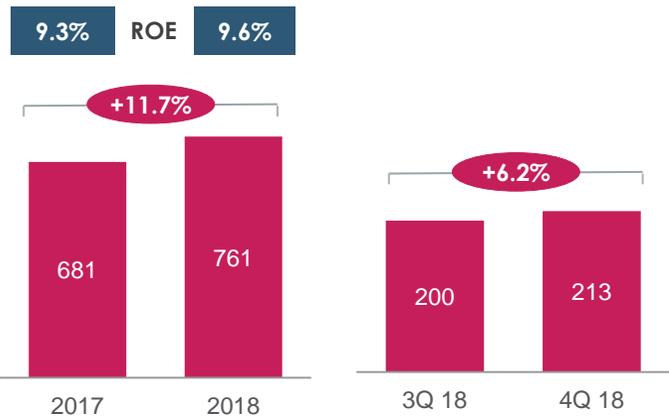
- Group's Total Capital Ratio (TCR) at **21.7%**, and CET1 (= T1) at **19.8%** **
- Further improvement to be achieved after KNF approval of subordinated bond issued in January 2019
- Loans to Deposits ratio at a very low level of **80%**

(*) Total net provisions to average net loans (**) without net profit of 2018

PROFITABILITY AND COST EFFICIENCY

Record net profit; improvement of ROE and C/I.

Net profit (PLN million)



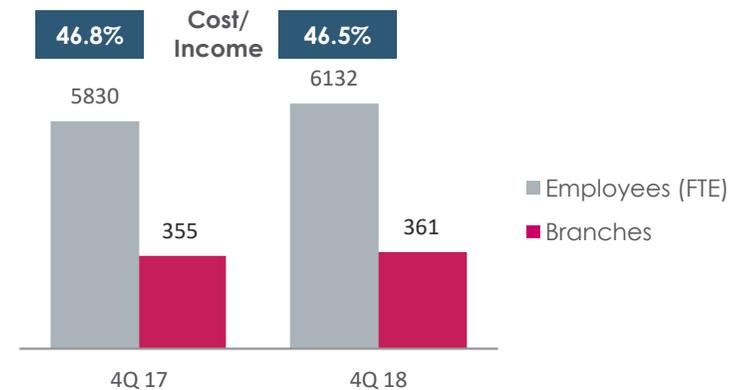
Operating income* (PLN million)



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

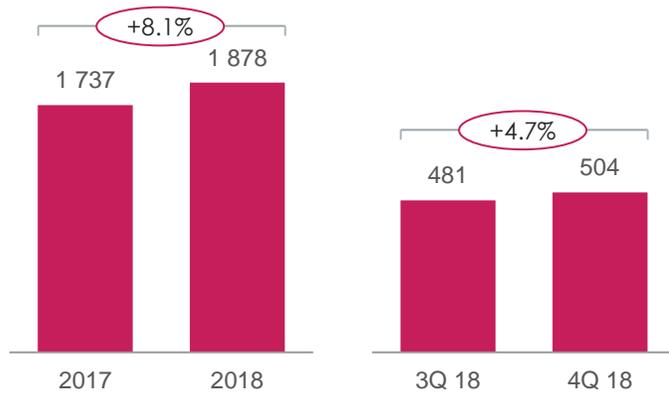
(**) Net Interest + Net Commissions Income

INTEREST AND COMMISSION INCOME

Solid growth of Net interest Income.
Commissions affected by capital markets performance and events.

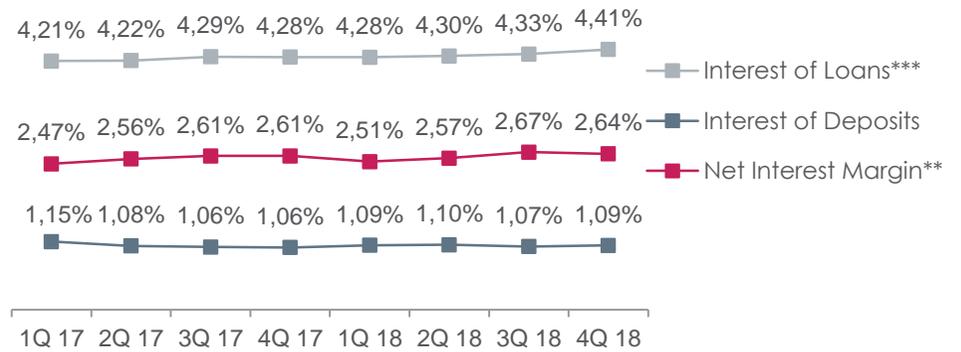
Net Interest Income *

(PLN million)



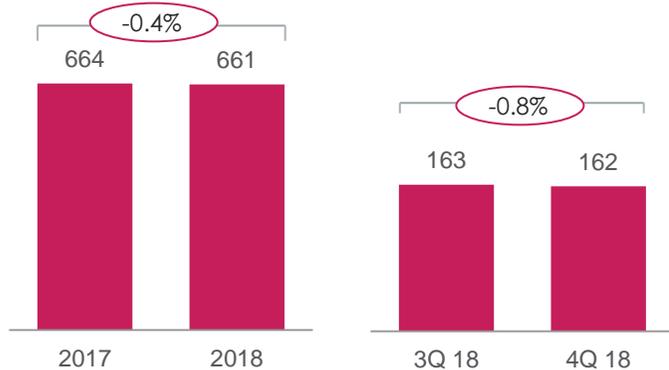
Interest on loans and deposits

(PLN million)



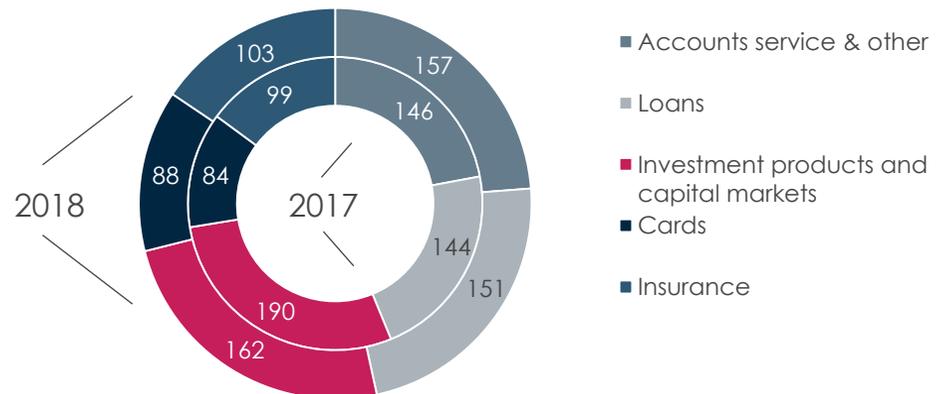
Net Commission Income

(PLN million)



Commission income structure

(PLN million)

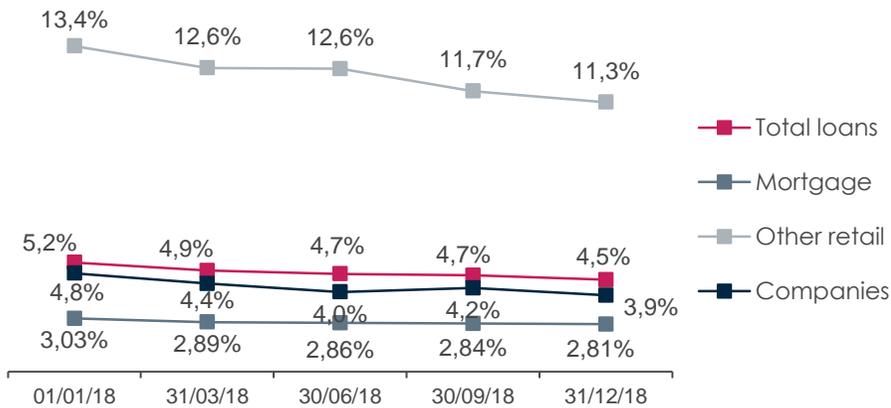


(*) Pro-forma data: margin from all derivatives hedging FX loans is presented in NII, whereas in accounting terms part of this margin (PLN 60.4 million in 2018 and PLN 40.4 million in 2017) is presented in results on financial assets and liabilities held for trading (**) Net Interest Margin: NII (pro-forma) to average interest earning assets (***) including interest from swaps

ASSET QUALITY, LIQUIDITY AND CAPITAL

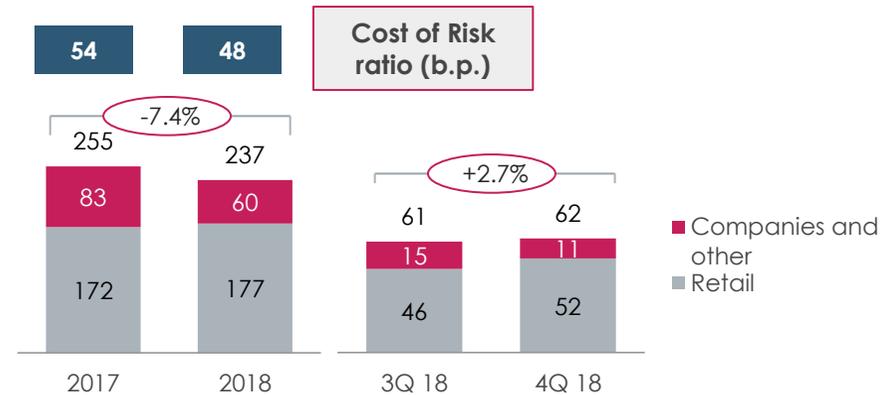
Low cost of risk and impaired ratio maintained.
Strong capital and liquidity ratios. Proposal to GSM to retain 2018 net profit

Impaired Loans (IFRS 9 stage 3)

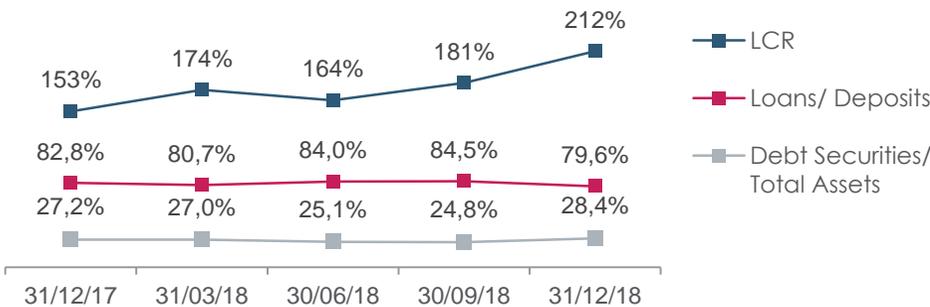


Cost of Risk *

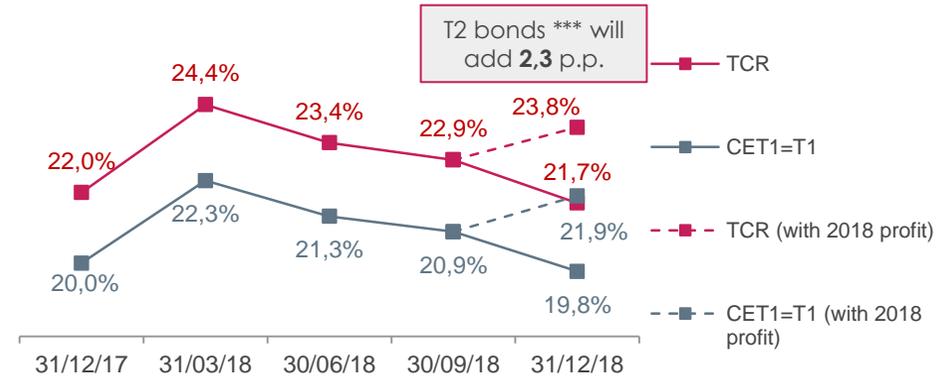
(PLN million)



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. than for the Group (***) PLN 830 million issued on 30.01.2019, waiting for KNF approval



PRESENTATION OF RESULTS IN 2018

- > Financial performance
- > **Business development**
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MAIN BUSINESS HIGHLIGHTS OF 2018

Successful implementation of 2020 strategy, complemented by agreement on acquisition of Euro Bank.

Retail business

- **+202 ths** in number of active customer acquisition – in line with 600 ths target for 3 years
- **18%** growth of clients deposits to reach **47.7 bn PLN**
- **3.2 bn PLN** new cash loans sold (+39% y/y) and **3.3 bn PLN** of mortgages (+31% y/y)
- Almost **1 million** active mobile users (+36% y/y)

Companies business

- Strongest growth of loans to companies in the last 5 years: **+14%** y/y
- Maintained double-digit growth in factoring and leasing sales : **+15%** and **+18%** y/y
- High growth kept of current account balances: **+22%** y/y
- Double-digit yearly growth of transfers (domestic & foreign), trade finance and FX transactions

Quality and innovations

- ARC Rynek i Opinia recognized the Bank as the best in many quality rankings, including the highest NPS score (**61**)
- Bank Millennium achieved again very high position in „Newsweek Friendly Bank 2018” ranking, including top position in „Mobile banking” competition
- **900 ths** apps downloads by **goodie**

Acquisition of Euro Bank

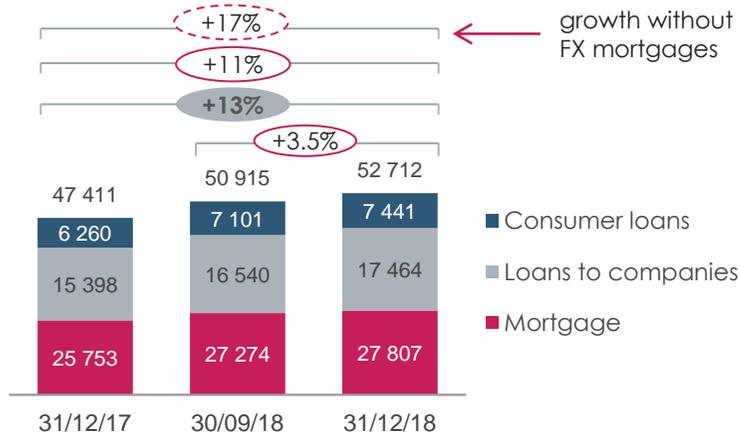
- Process on course - consent from antimonopoly authority (UOKiK) issued in the end of December
- Closing targeted for 2Q2019

LOANS AND DEPOSITS

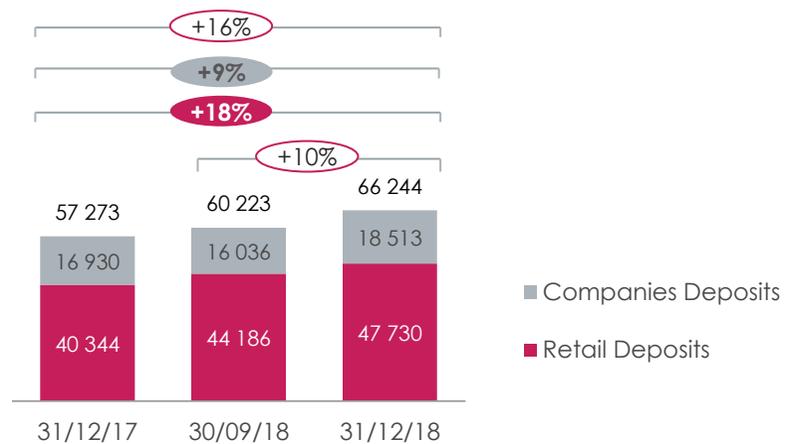
Strong growth of business volumes:

- loans +17% (excluding FX mortgages)
- deposits +16%

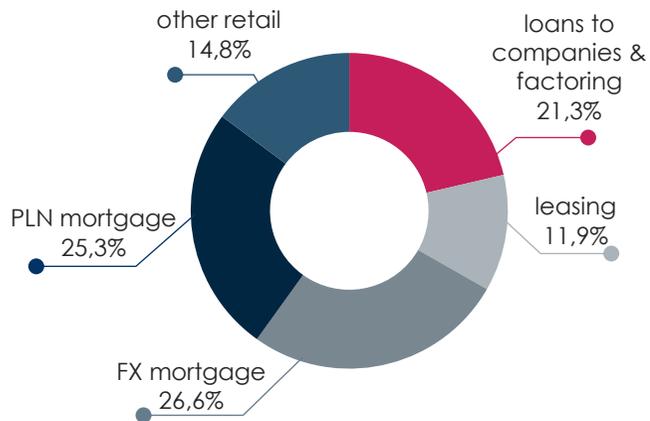
Loan Portfolio of the Group (net) (PLN million)



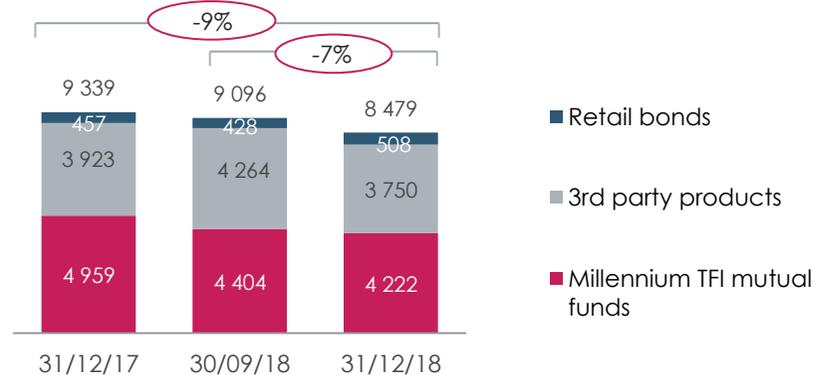
Customer Deposits (PLN million)



Structure of Loan Portfolio (gross)



Non-deposit investment products* (PLN million)



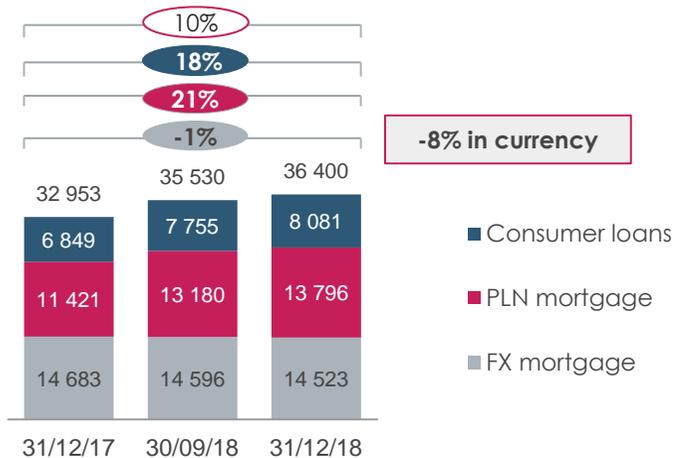
(*) including mutual funds, saving-insurance products and retail bonds

RETAIL BUSINESS – LOANS

Sales of cash and PLN mortgage loans significantly higher than in 2017.

Retail loans (gross)

(PLN million)



Cash loans new sales

(PLN million)



Comments

- Robust growth of retail loans at +10% y/y but without FX mortgage loans the growth was +20% y/y: PLN mortgages +21% y/y and consumer loans +18% y/y
- Sale of cash loans and PLN mortgages at high level: 3,2 bn and 3,3 bn yearly (over 30% yearly growth)

Mortgage loans new sales

(PLN million)



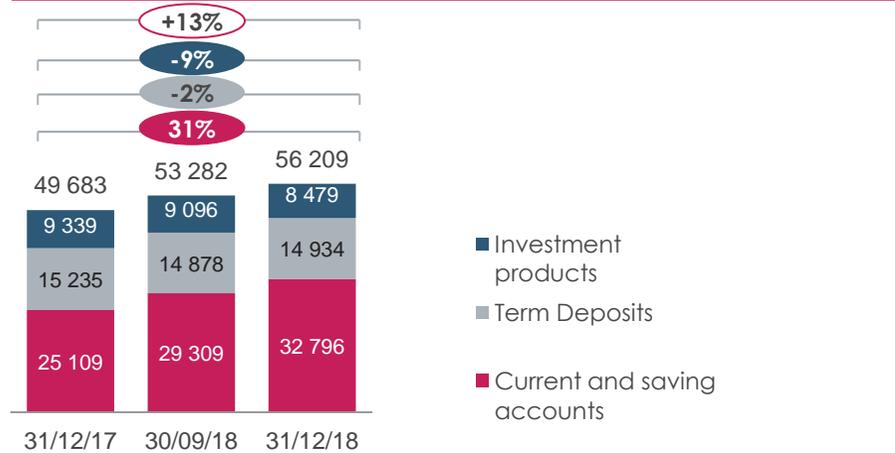
(*) market share in mortgage sale based on ZBP May data, in cash loans based on BIK April data

RETAIL BUSINESS – DEPOSITS AND ACCOUNTS

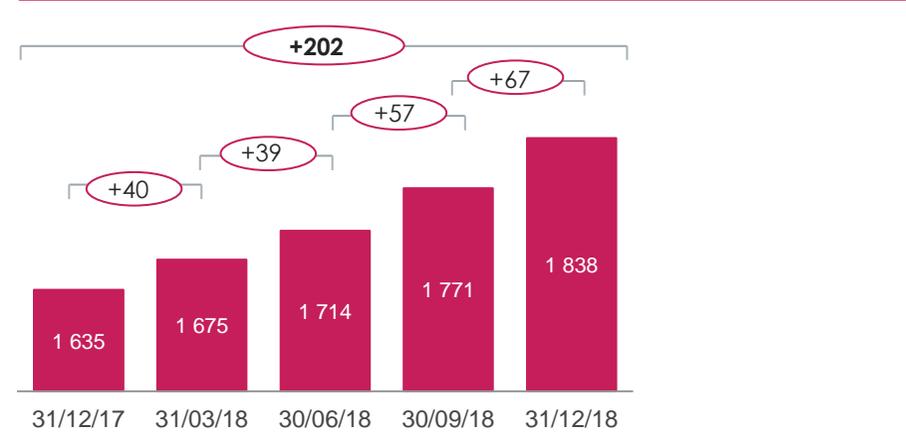
Acceleration of customer acquisition in 2H18.

Customers' Funds keep strong growth despite contraction in investment products

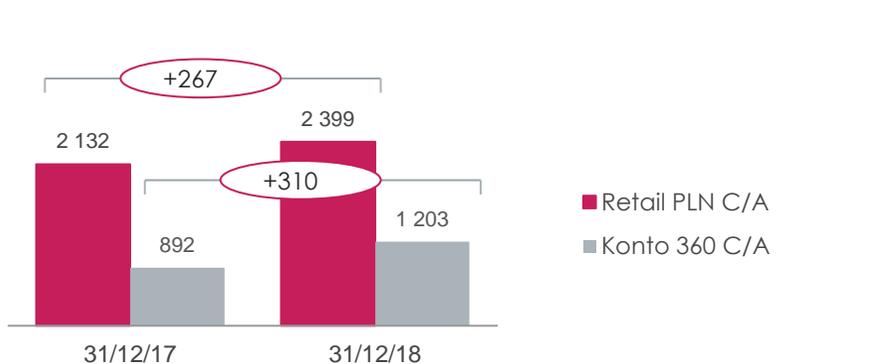
Retail Customer Funds (PLN million)



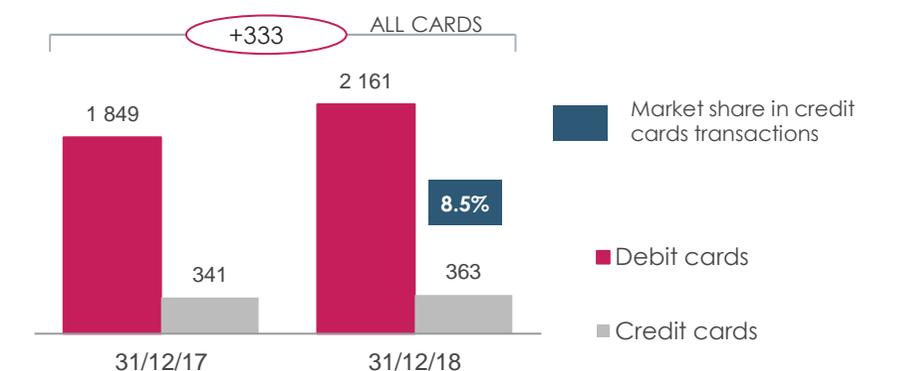
Active retail clients (in thousand)



Number of current accounts (in thousand)



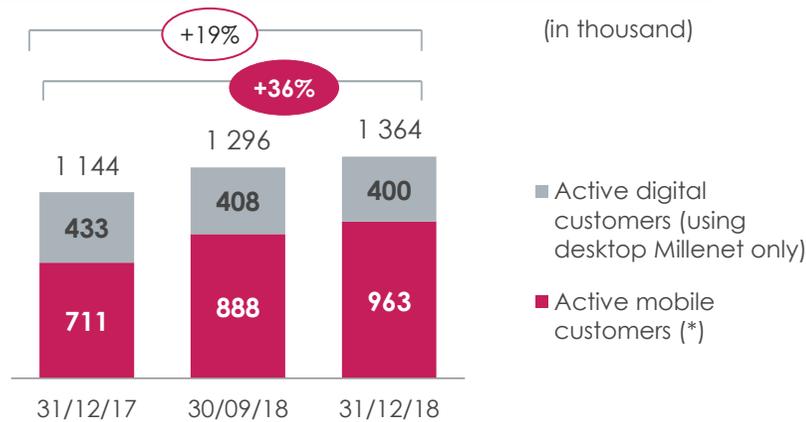
Number of debit and credit cards (in thousand)



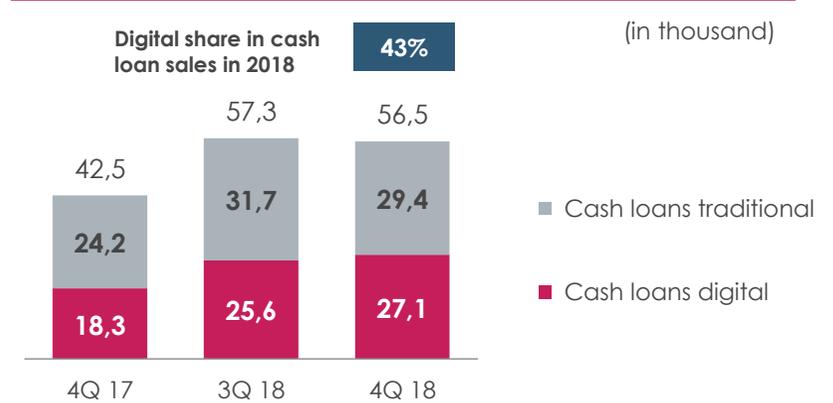
RETAIL BUSINESS – DIGITAL PRODUCTS

Strong growth of digital users.
High share of electronic channels in product sales.

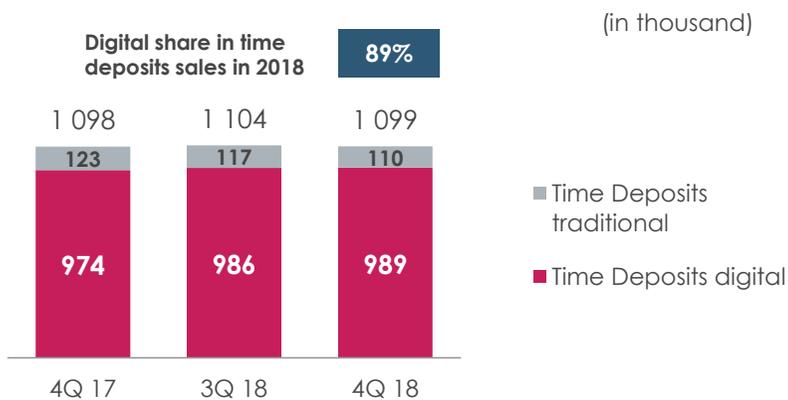
Active digital & mobile customers



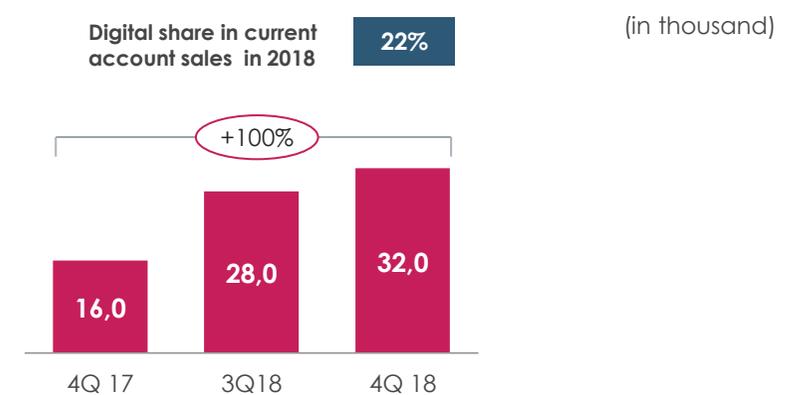
Traditional and digital channels – Cash loans



Traditional and digital channels - Time deposits



Current account acquisition online



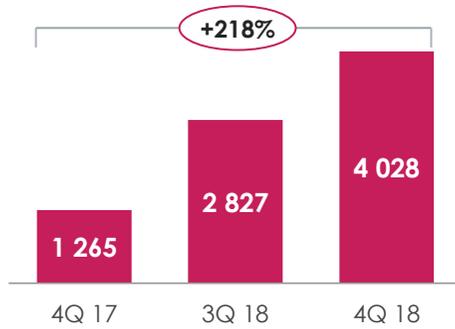
(*) retail clients actively using mobile app and mobile Millenet

RETAIL BANKING – MOBILE SALES CHANNEL

Strong growth of mobile users and products sold by phone application.

BLIK transactions

(in thousand)



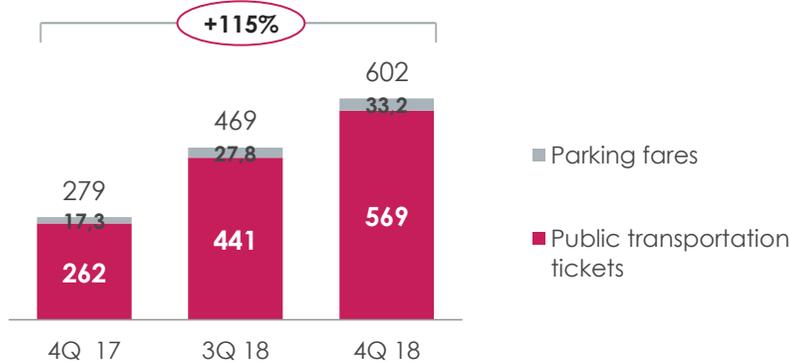
HCE cards portfolio (*)

(in thousand)



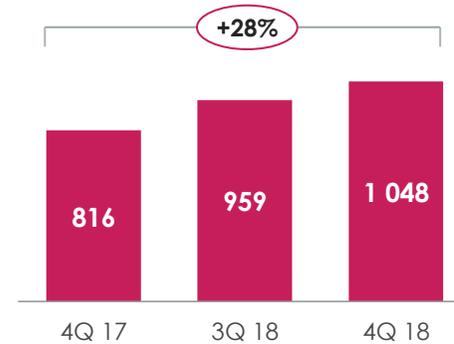
Parking fares and public transportation tickets

(in thousand)



Mobile top-ups

(in thousand)



(*) technology enabling contactless payment by phone

NEW SOLUTIONS IN MILLENET AND MOBILE APP

2018 is another year of innovation and e-banking development. Introduced solutions, based on the latest technologies, offer even easier and more convenient use of Millenet and mobile app.



- Introduction of chatbot Milla: unique on the scale of the Polish banking sector.
- Chatbot does not only answer questions but also receives and executes e.g. a transfer order.



- Implementation of the Mobile Authorization, a new method of confirming operations performed in Millenet via mobile app, without retyping SMS P@sswords.



- "Good Start" benefit program application available in Millenet
- Adjusted form for Family 500+ program in accordance with new regulations.
- 9% Market share for both applications reached in 2018.



- Possibility to update mailing address and ID card details, both in the mobile app and Millenet
- Over 18 thousand Clients already used this functionality.



Rapid growth of BLIK payments :

- introducing BLIK deposits in ATMs,
- possibility to pay with BLIK for online shopping (PayByLink)
- new feature which allows Clients to check who in their contact list uses BLIK transfers to mobile.



- The opportunity of opening Junior account in Millenet for parents with a current account with Bank Millennium.
- Use of debit card payments available for children over the age of 13.



Services optimization:

- introducing new login website,
- website redesign
- Improvement of our daily banking services:
 - ✓ implementing standing orders and upcoming payments in the app
 - ✓ online spousal agreement for cash loan application.



- Implementation of PUSH transactional notifications in the mobile app for card transactions, incoming and outgoing transfers, operations failures and reminders.

GOODIE – Bank Millennium’s smart shopping platform

Maintaining the growth rate of application downloads;
constant development and new functionalities

900 ths.

downloads since application
launching

790 ths.

application downloads in
2018

New functionalities in 2018:

- Cashback in almost 1000 online stores
- Loyalty cards
- Stamp programmes
- Shopping lists
- Loyalty card virtualisation

400 ths.

loyalty cards issued in
36 shopping malls

437 ths.

coupon codes redeemed in
campaigns with partners

2.5 ths.

Aggregated offers for goodie users from
1150 brands

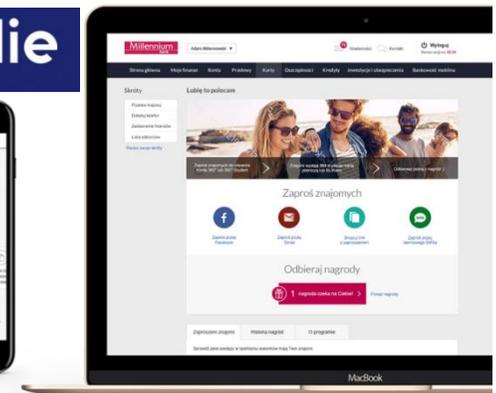
59 ths.

Cashback transactions by 10 000 active
goodie users (since 09.2018)

goodie



goodie

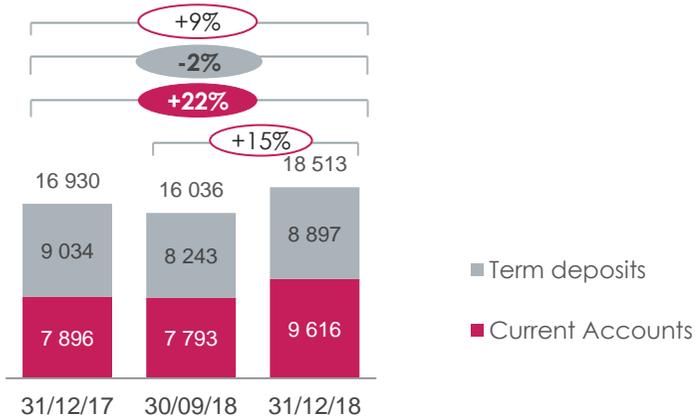


COMPANIES BUSINESS – DEPOSITS AND LOANS

High growth pace kept in companies loans and current accounts balances.

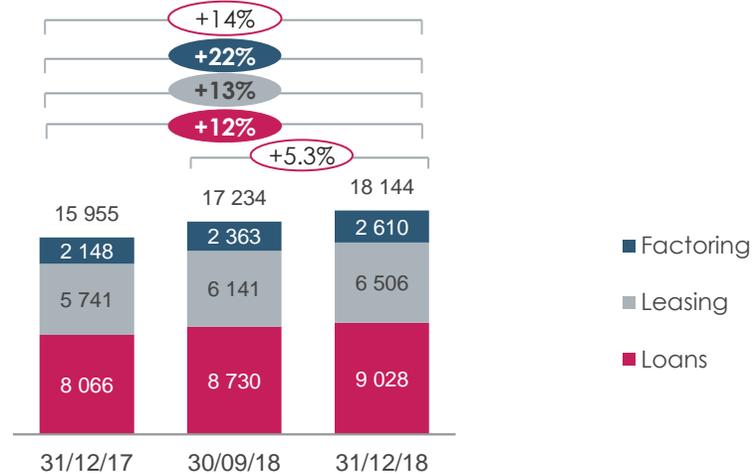
Companies deposits

(PLN million)



Loans to companies (gross)

(PLN million)

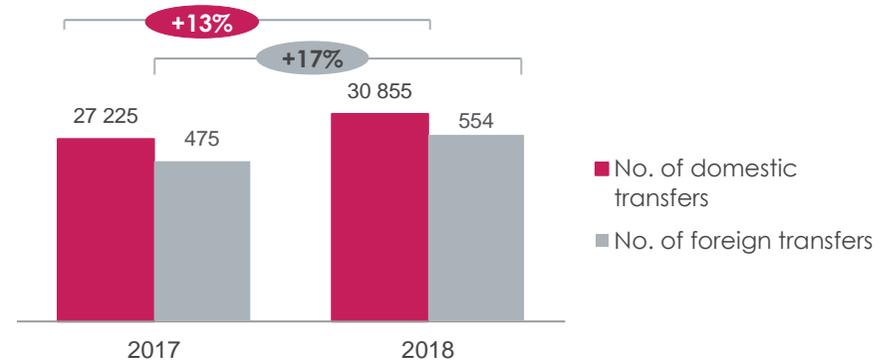


Comments

- Loans to companies keep high pace of growth: +14% y/y
- Accelerating current account balance growth: +22% y/y
- Double-digit yearly growth of transactions with clients (domestic and foreign transfers)
- Well diversified revenue growth

No. of transfers of companies

(in thousand)

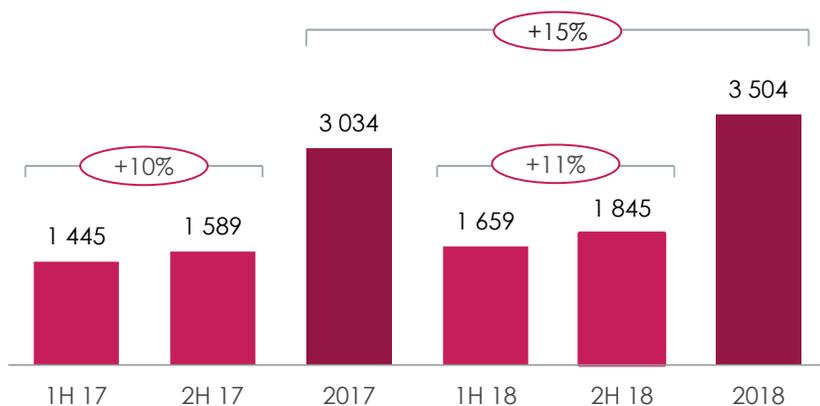


COMPANIES BUSINESS – NEW LOANS

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

Leasing – new sales

(PLN million)



Factoring – turnover

(PLN million)

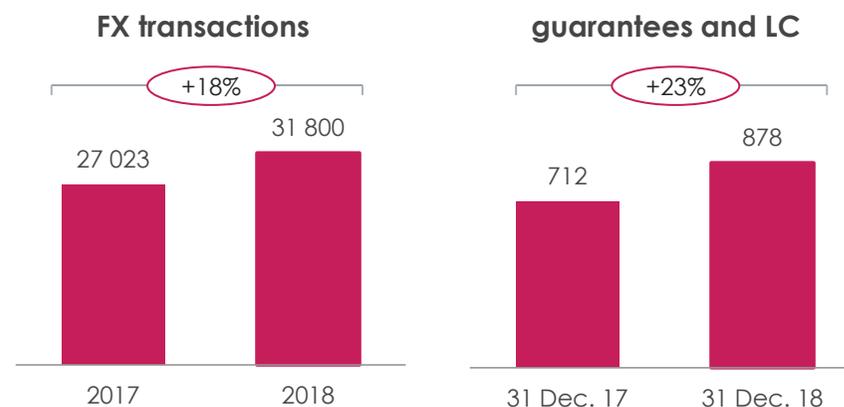


Comments

- Maintained double-digit growth in factoring and leasing sales: +18% y/y and +15% y/y
- Volume of FX transactions grew by 18% and guarantees/ Letters of Credit by 23% yearly

Volume of FX transactions, guarantees and LC

(PLN million)



MARKET LEADER IN QUALITY

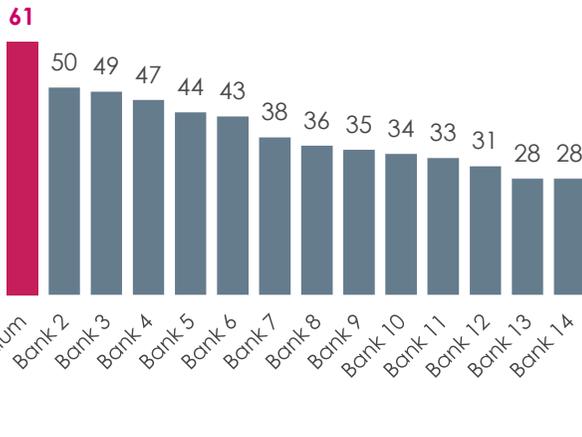
Confirmed again by few independent rankings; the highest NPS score among Polish banks.

Bank Millennium the most often recommended bank



According to **ARC Rynek i Opinia** survey (*):

- **1st place** in main categories: „Satisfaction”, „Evaluation of sales channels” and „ Evaluation of fees and commissions”
- **The highest** among banks in Poland **NPS ratio (61)**



One of the best economists teams



2nd place for our experts: Grzegorz Maliszewski, Mateusz Sutowicz and Andrzej Kamiński in *Parkiet* daily newspaper ranking of monthly financial and macroeconomic forecasts.

Bank Millennium once again on the podium (**)



- 1st place** - „Mobile banking”
- 2nd place** - „Traditional banking”
- 3rd place** - „Internet Bank”
- 3rd place** - „Mortgage banking”

(*) ARC Rynek i Opinia „Customer satisfaction monitor of retail banks”

(**) Newsweek’s Friendly Bank ranking is based on mystery client surveys of all aspects of customer service (both traditional and electronic), provided by independent auditors



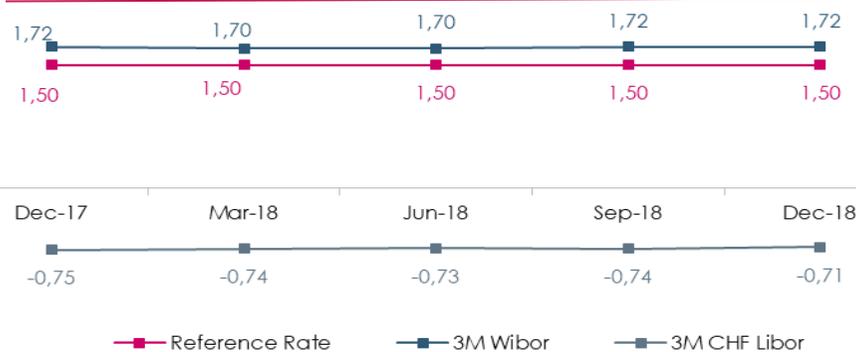
PRESENTATION OF RESULTS IN 2018

- > Financial performance
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MACROECONOMIC OVERVIEW

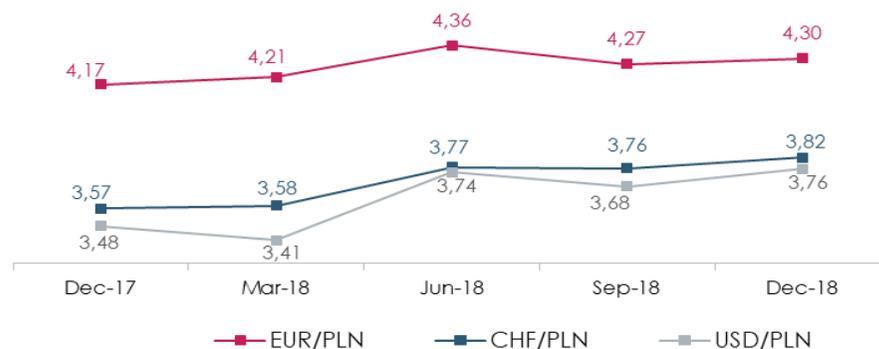
Economic growth in Poland remained solid in 2018, with deceleration signs in 4Q. Inflation expected to accelerate, but still within MPC target range.

Interest rates evolution (%)



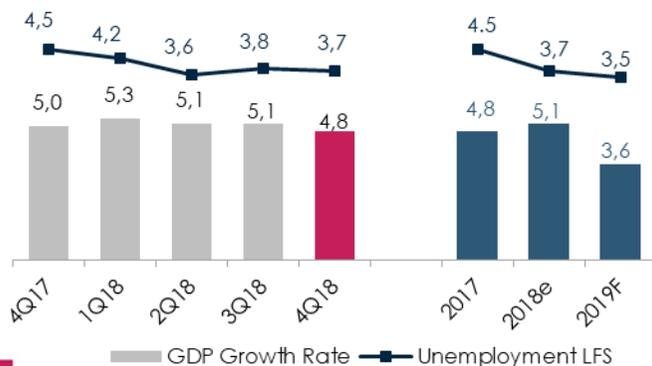
Q-o-Q (bp)	0	0	3
Y-o-Y (bp)	0	0	4

FX rates evolution

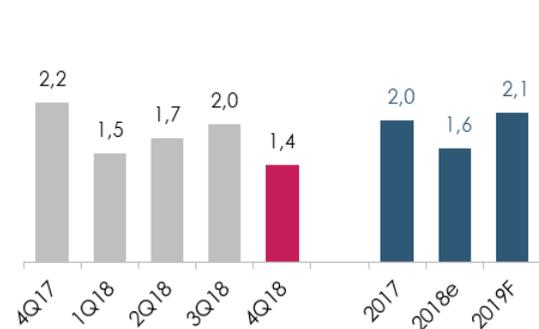


Q-o-Q	0.7%	1.4%	2.3%
Y-o-Y	3.1%	7.0%	8.0%

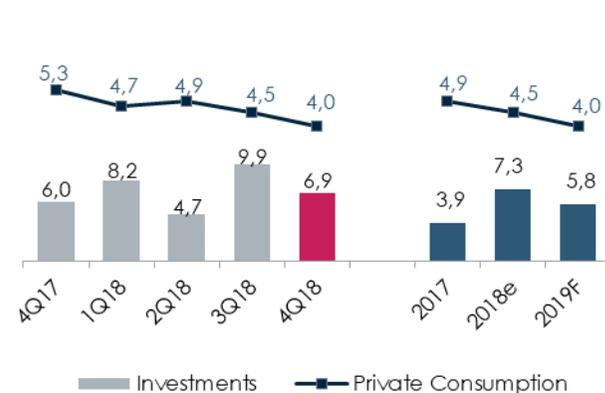
GDP growth & unemployment (%)



Inflation (%)



Investments & Consumption (% y/y)



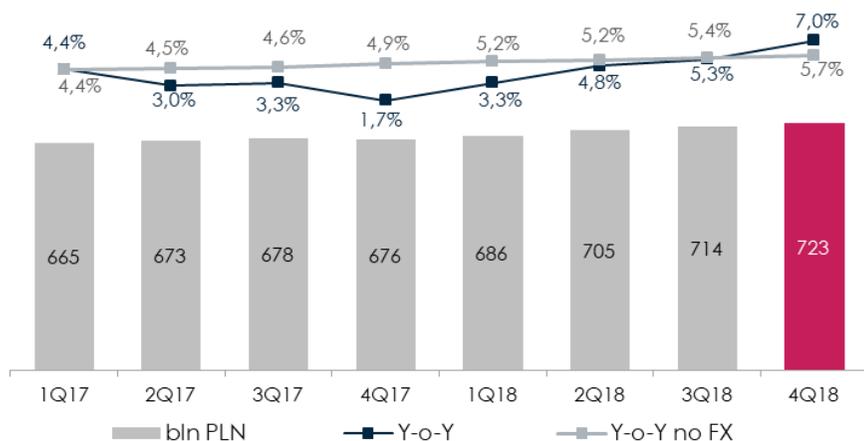
Source: NBP, GUS, F - Bank Millennium forecasts

MACROECONOMIC OVERVIEW

Monetary aggregates showed substantial growth in deposits growth, both in households' and corporate sector, while loans growth grew at slower pace

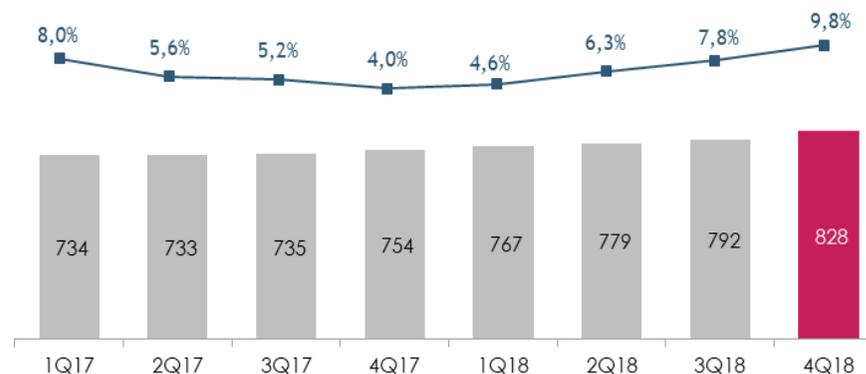
Loans to households

(PLN billion, % y/y)



Households' deposits

(PLN billion, % y/y)



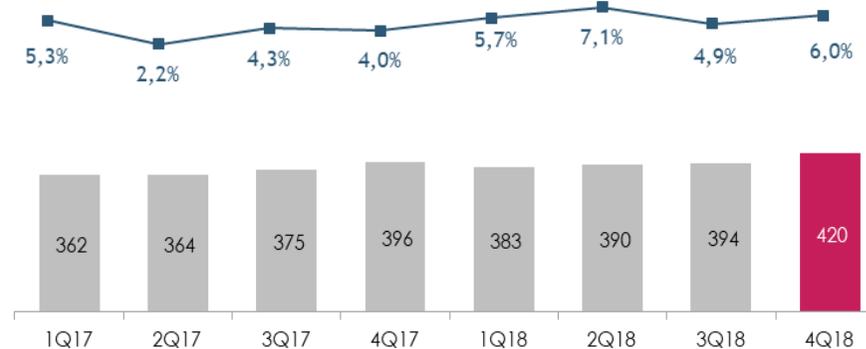
Loans to companies

(PLN billion, % y/y)



Companies' deposits

(PLN billion, % y/y)

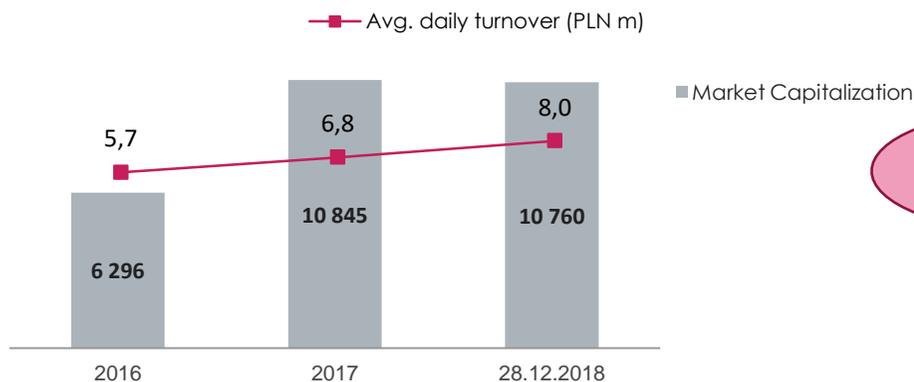


BANK MILLENNIUM SHARE PERFORMANCE

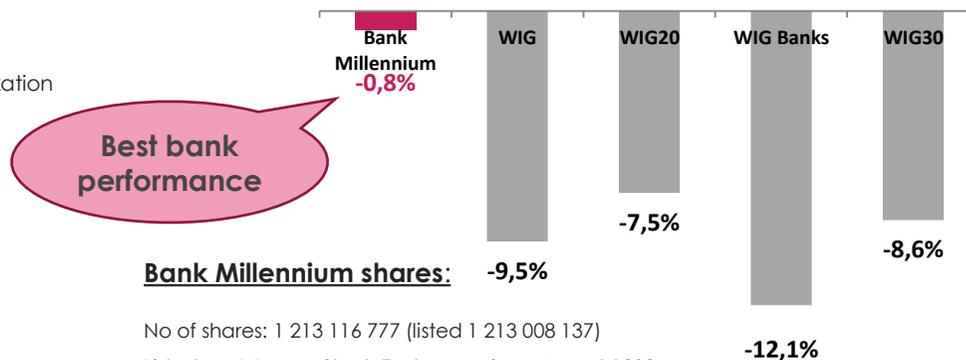
Bank's share price outperformed again, for the second consecutive year, all main indexes of the Warsaw Stock Exchange.

Market cap/liquidity

(PLN million)



Bank Millennium share performance vs. main indices (annual change as on 28.12.2018)



Bank Millennium shares:

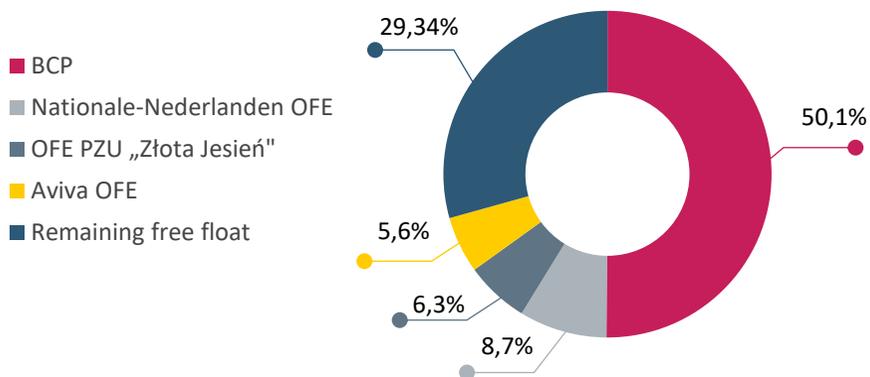
No of shares: 1 213 116 777 (listed 1 213 008 137)

Listed: on Warsaw Stock Exchange since August 1992

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

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

Bank Millennium shareholders' structure (as on 31.12.2018)



Bank's current ratings

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

Fitch	BBB- / F3/ bbb- / stable outlook
Moody's	Baa2 / P2/ ba1 / positive outlook
Capital Intelligence	BBB/A3/BBB / stable outlook

SYNTHETIC P&L ACCOUNT

(PLN million)

Pro-forma	2017 pro-forma	2018 pro-forma	Change Y/Y	4Q'17	3Q'18	4Q'18	Change Q/Q
Net interest income*	1 736,9	1 877,9	8,1%	449,2	481,1	503,8	4,7%
Net commission income	663,6	661,1	-0,4%	169,4	162,9	161,6	-0,8%
Other non-interest income **	171,2	188,7	10,2%	37,6	45,6	47,3	3,9%
Operating Income	2 571,6	2 727,6	6,1%	656,2	689,6	712,7	3,4%
General and administrative costs	-1 149,7	-1 213,8	5,6%	-291,4	-302,8	-305,4	0,9%
Depreciation	-53,0	-54,2	2,4%	-13,1	-13,3	-14,4	8,3%
Total operating costs	-1 202,7	-1 268,0	5,4%	-304,5	-316,0	-319,8	1,2%
Net cost of risk ***	-255,4	-236,6	-7,4%	-63,0	-60,8	-62,4	2,7%
Operating profit	1 113,5	1 223,1	9,8%	288,7	312,8	330,6	5,7%
Banking tax	-188,3	-198,5	5,4%	-48,3	-47,9	-50,0	4,4%
Pre-tax profit	925,2	1 024,6	10,7%	240,5	264,9	280,6	5,9%
Income tax	-244,0	-264,0	8,2%	-60,8	-64,7	-68,1	5,2%
Net profit	681,2	760,7	11,7%	179,6	200,2	212,5	6,2%
Accounting	2017	2018	Change Y/Y	4Q'17	3Q'18	4Q'18	Change Q/Q
NII (reported under IFRS)	1 696,5	1 817,5	7,1%	443,9	463,0	485,7	4,9%

(*) 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 40.4 million in 2017 and PLN 60.4 million in 2018) 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

	31/12/2017	30/09/2018	31/12/2018	Change y/y
Cash and balances with the Central Bank	2 080	2 237	2 450	17,8%
Loans and advances to banks	254	528	731	187,7%
Loans and advances to customers	47 411	50 915	52 712	11,2%
Amounts due from reverse repo trans.	0	66	250	-
Debt securities	19 355	18 194	22 886	18,2%
Derivatives (for hedging and trading)	1 079	293	227	-79,0%
Shares and other financial instruments	50	47	51	1,6%
Tangible and intangible fixed assets	266	264	307	15,6%
Other assets	646	863	845	30,7%
TOTAL ASSETS	71 141	73 408	80 459	13,1%

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

	31/12/2017	30/09/2018	31/12/2018	Change y/y
Deposits and loans from banks	2 353	1 631	1 789	-24,0%
Deposits from customers	57 273	60 223	66 244	15,7%
Liabilities from repo transactions	0	11	50	-
Financial liabilities for trading and hedging derivatives	367	516	608	65,8%
Liabilities from securities issued	1 156	731	810	-30,0%
Provisions	68	120	112	66,0%
Subordinated liabilities	702	709	702	0,0%
Other liabilities	1 449	1 355	1 759	21,4%
TOTAL LIABILITIES	63 369	65 297	72 075	13,7%
TOTAL EQUITY	7 773	8 111	8 384	7,9%
TOTAL LIABILITIES AND EQUITY	71 141	73 408	80 459	13,1%



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