



# BANK MILLENNIUM GROUP

Presentation of 1Q 2019 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](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 1Q 2019 RESULTS

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

## KEY PROFIT & LOSS ITEMS

PLN mln	1Q 19	1Q 18	Change Y/Y	4Q 18	Change Q/Q
Net interest income	500.3	436.7	14.6%	503.8	-0.7%
Net commission income	163.2	172.5	-5.4%	161.6	1.0%
<b>Total operating income</b>	<b>740.8</b>	<b>656.4</b>	<b>12.9%</b>	<b>712.7</b>	<b>3.9%</b>
<b>Total costs</b>	<b>-384.5</b>	<b>-330.2</b>	<b>16.4%</b>	<b>-319.8</b>	<b>20.2%</b>
Costs without BFG fees	-300.4	-275.5	9.0%	-301.7	-0.4%
Loan loss provisions	-72.3	-55.1	31.2%	-62.4	15.9%
Banking tax on assets	-51.4	-52.2	-1.6%	-50.0	2.8%
<b>Net Profit</b>	<b>160.0</b>	<b>155.3</b>	<b>3.0%</b>	<b>212.5</b>	<b>-24.7%</b>
NIM	2.53%	2.51%	+0.02 pp	2.64%	-0.11 pp
<b>Cost/Income adjusted (*) ytd</b>	<b>46.1%</b>	<b>45.9%</b>	<b>+0.2 pp</b>	<b>46.5%</b>	<b>-0.4 pp</b>
Cost of Risk	55 bps	44 bps	+11 bps	48 bps	+7 bps
<b>ROE adjusted (*) ytd</b>	<b>9.1%</b>	<b>9.7%</b>	<b>-0.6 pp</b>	<b>9.6%</b>	<b>-0.5 pp</b>

(\*) adjusted for BFG resolution yearly fee by equally accruing it over the year (1/4 treated as recurrent in 1Q) and adjusted for extraordinary tax asset recovery

## KEY BALANCE SHEET ITEMS AND OTHER RELEVANT INDICATORS

PLN mln	March 2019	March 2018	Change Y/Y	Dec. 2018	Change Q/Q
<b>Active customers (ths)</b>	<b>1 897</b>	<b>1 675</b>	<b>222</b>	<b>1 838</b>	<b>+59</b>
inc. on-line and mobile	1 469	1 201	+268	1 364	+105
<b>Customer Funds</b>	<b>75 478</b>	<b>69 080</b>	<b>9.3%</b>	<b>74 723</b>	<b>1.0%</b>
<b>Deposits</b>	<b>66 673</b>	<b>59 474</b>	<b>12.1%</b>	<b>66 244</b>	<b>0.6%</b>
Deposits of individuals	47 827	43 146	10,8%	47 730	0.2%
<b>Loans</b>	<b>53 940</b>	<b>48 000</b>	<b>12.4%</b>	<b>52 712</b>	<b>2.3%</b>
FX Mortgage Loans	14 186	14 244	-0.4%	14 321	-0.9%
Loans without FX mortgage	39 753	33 756	17.8%	38 391	3.5%
L/D	80.9%	80.7%	+0.2 p.p.	79.6%	+1.3 p.p.
Impaired loan ratio (*)	4.4%	4.9%	-0.5 p.p.	4.5%	-0.1 p.p.
Coverage ratio (**)	73%	76%	-3 p.p.	74%	-1 p.p.
<b>CET1 = T1</b>	<b>21.5%</b>	<b>22.3%</b>	<b>-0.8 p.p.</b>	<b>19.8%</b>	<b>+1.7 p.p.</b>
<b>TCR</b>	<b>25.6%</b>	<b>24.4%</b>	<b>+1.2 p.p.</b>	<b>21.7%</b>	<b>+3.9 p.p.</b>

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

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

## MAIN FINANCIAL HIGHLIGHTS OF 1 QUARTER 2019

Further improvement of profitability and high capital ratios ahead of acquisition of Euro Bank

### Profitability improvement

- Net profit of 1Q 2019 reached **160 million PLN**, which means **3%** yearly growth
- ROE adjusted for one-offs\*) at **9.1%**
- Cost/income\*) at **46.1%**, lower than the ratio for 2018 full year

### Interest income growing fast. Costs disturbed by BFG annual fee

- Net interest income grew by **14.6%** y/y; flat in quarterly terms due to shorter quarter.
- Net Commission Income reverted downturn trend growing by **+1.0%** q/q. Yearly drop of **-5.4%** due to worse capital markets
- Operating costs grew by **9%**, excluding BFG contribution in 1Q

### High asset quality and liquidity kept

- Impaired loans (stage 3) ratio at **4.4%** level with coverage by total provisions at **73%**
- Cost of Risk at **55 b.p.** (annualised)
- Loans to Deposits ratio at low level of **81%**

### Very high capital ratios after retaining 2018 profit and T2 issue

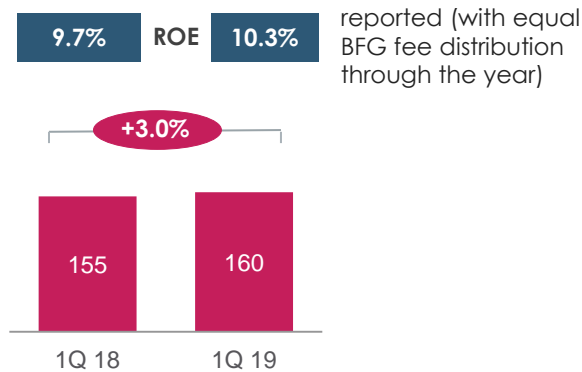
- Group's Total Capital Ratio (TCR) at **25.6%**, and CET1 ratio at **21.5%** after adding entire 2018 year profit
- **830 million PLN** subordinated bonds issued in January improved T2 capital
- Moody's agency once again upgraded the Bank rating to **Baa1**

(\*) on recurrent basis i.e. with equal distribution of BFG resolution fee through the year and without extraordinary tax asset recovery

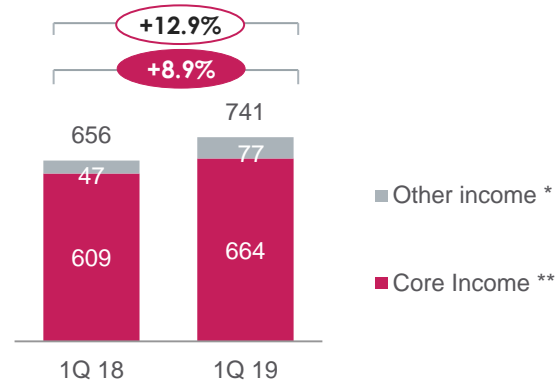
# PROFITABILITY AND COST EFFICIENCY

Profitability increase; higher BFG resolution fee impact seen in 1Q.  
ROE at 9.1% and Cost to Income improvement to 46.1%

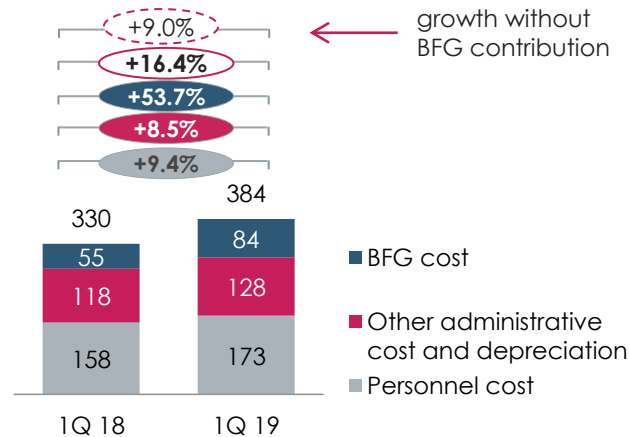
Net profit (PLN million)



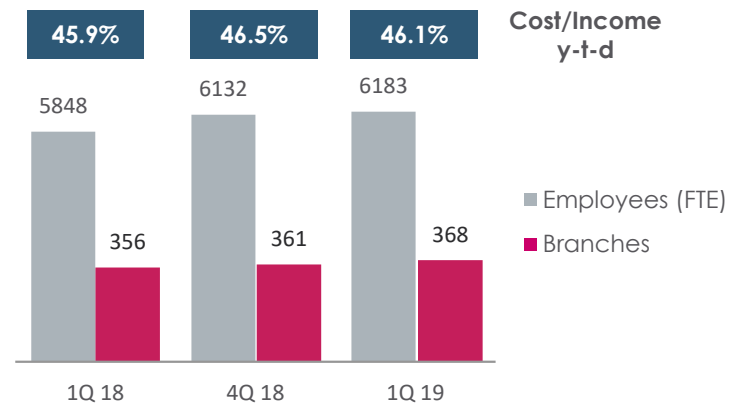
Operating income (PLN million)



Operating cost (PLN million)



Cost/Income \*\*\*, branches and staff



(\*) Including PLN 27 million extra release of tax asset provision

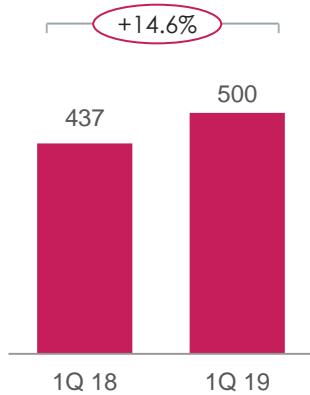
(\*\*) Net Interest Income + Net Commissions Income

(\*\*\*) adjusted for equal accrual of BFG resolution fee over the year (1/4 treated as recurrent in 1Q) and extraordinary tax asset recovery

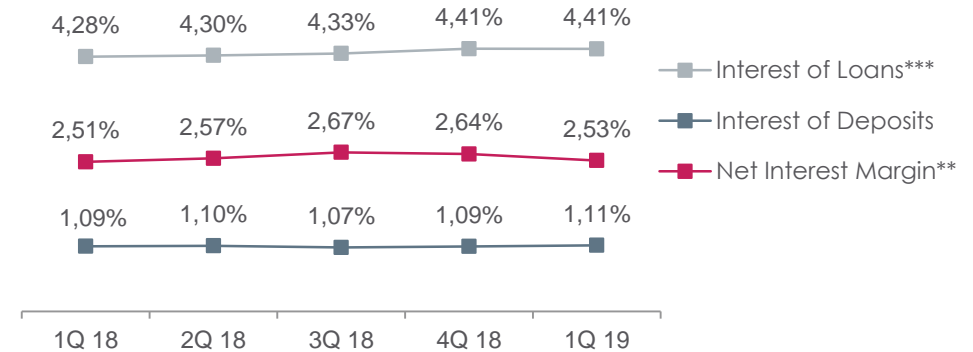
# INTEREST AND COMMISSION INCOME

Interest income show robust dynamics; Commissions still depressed by weaker capital markets although some signs of improvement can be seen in 1Q

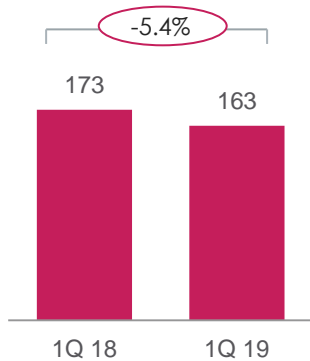
Net Interest Income \* (PLN million)



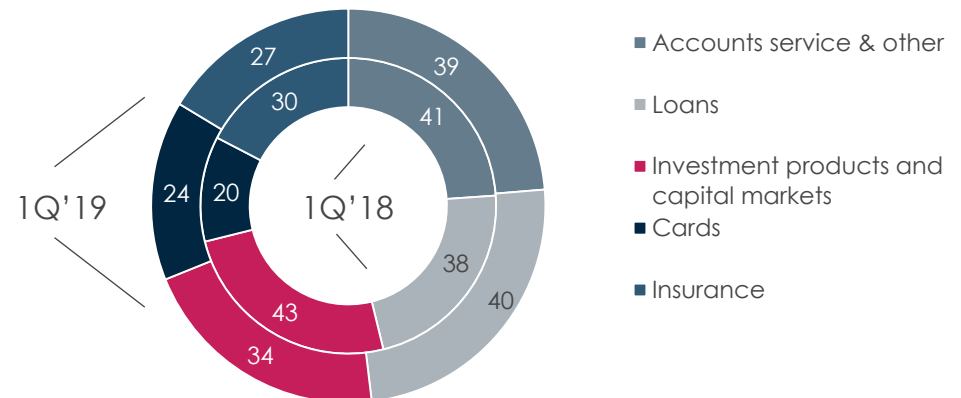
Interest on loans and deposit (PLN million)



Net Commission Income (PLN million)



Commission income structure (PLN million)



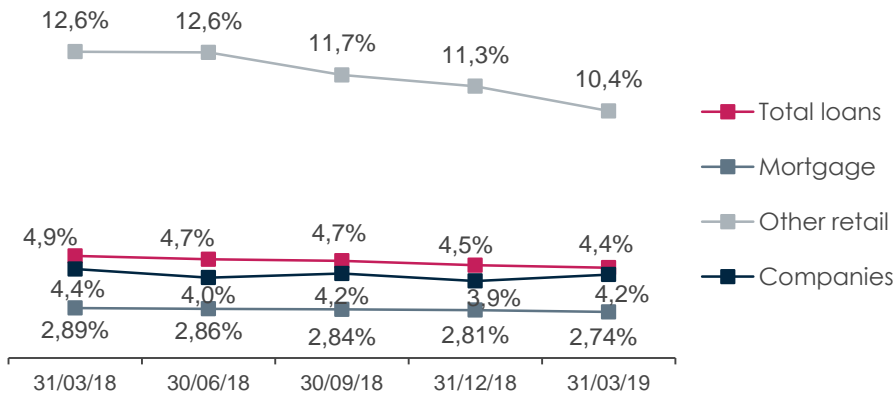
(\*) Pro-forma data: margin from all derivatives hedging FX loans is presented in NII, whereas in accounting terms part of this margin (PLN 16.3 million in 1Q'19 and PLN 8.4 million in 1Q'18) is presented in results on financial assets and liabilities held for trading (\*\*) Net Interest Margin: NII (pro-forma) to average interest earning assets (\*\*\*) including interest from swaps



# ASSET QUALITY, LIQUIDITY AND CAPITAL

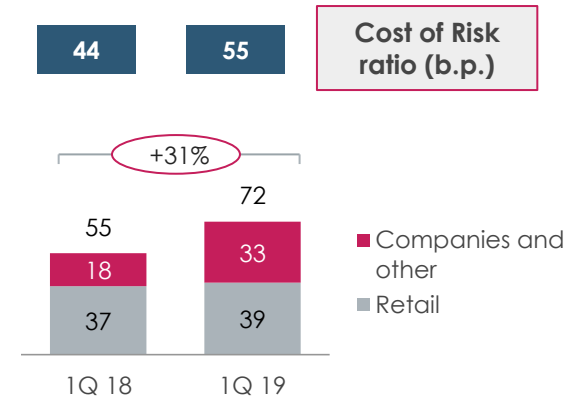
Improving asset quality and cost of risk within expected level.  
Strong liquidity and very high capital ratios after profit retention and T2 issue

## Impaired Loans (IFRS9 stage 3)

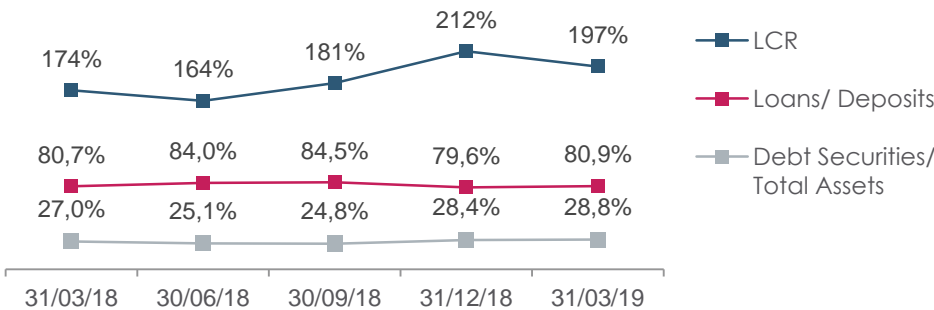


## Cost of Risk \*

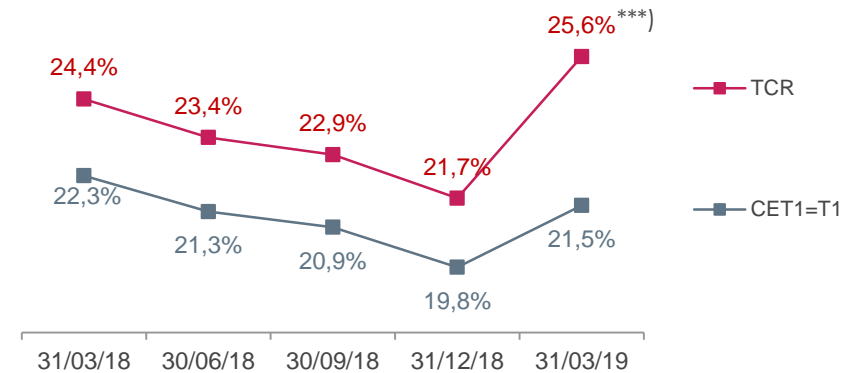
(PLN million)



## 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 (\*\*\*) Including subdebt of PLN 830 million issued on 30.01.2019



## PRESENTATION OF RESULTS IN 1Q 2019

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

## MAIN BUSINESS HIGHLIGHTS OF 1 QUARTER 2019

Continuation of organic growth strategy while preparing for closing of Euro Bank acquisition

### Retail business

- **+222 ths** yearly growth in number of active retail customer
- **988 mln PLN** new cash loans sold in 1Q (+29% y/y) and **856 mln PLN** of mortgages (+14% y/y)
- **11%** yearly growth of deposits, to 47.8 bn PLN
- Almost **1.5 million** digital customers (+22% y/y)

### Companies business

- Solid growth of loans to companies kept: **+14.9%** y/y
- Deposits volume grew by **+15.4%** y/y
- Growth in factoring and leasing sales above **+7%** y/y

### Quality and innovations

- **Złoty Bankier (\*) 2nd place** in ranking for banks with the best customer service and **1st place - „A socially sensitive bank”**
- **The Best Bank in Poland** for 2019 in the annual *Best Bank Awards* competition organised by Global Finance Magazine.
- **Over 1 mln** apps downloads by **goodie**

### Acquisition of Euro Bank

- Closing targeted for the end of May 2019
- Legal merger targeted by the end of 3Q
- Operational merger planned before the end of 2019

(\*) "Złoty Bankier 2019" is a ranking organized by Bankier.pl and Puls Biznesu daily.

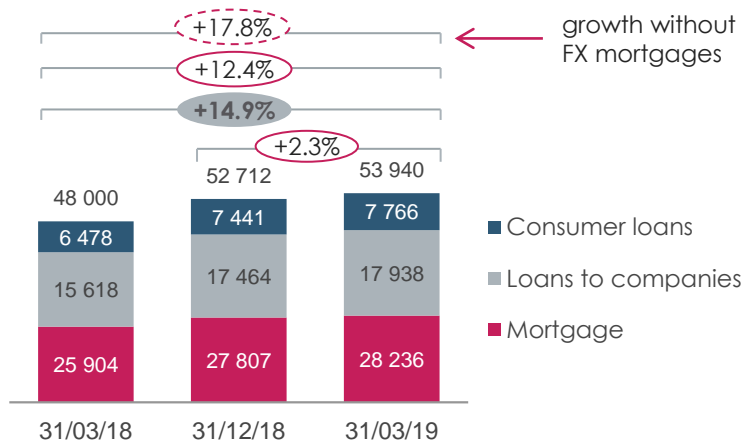
# LOANS AND DEPOSITS

Strong growth of business volumes:

- loans +18% (excluding FX mortgages)
- deposits +12%

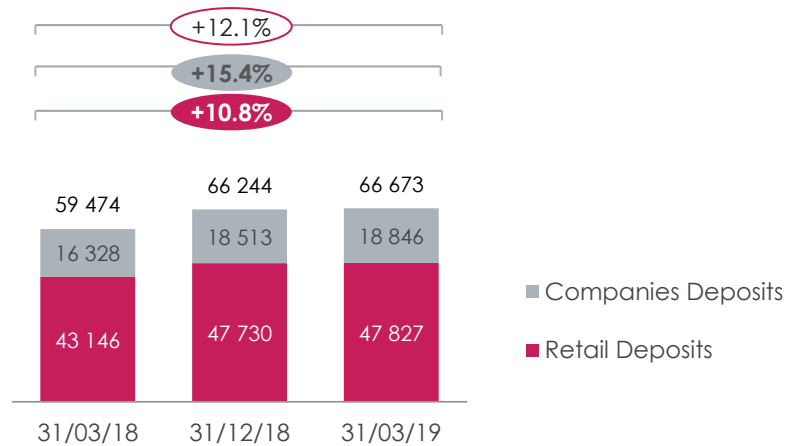
Loan Portfolio of the Group (net)

(PLN million)

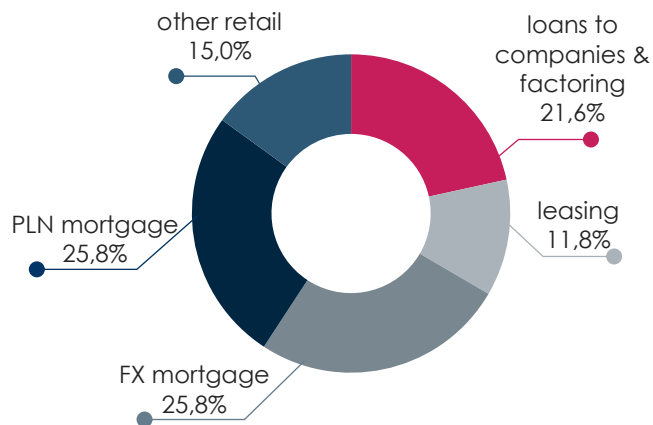


Customer Deposits

(PLN million)

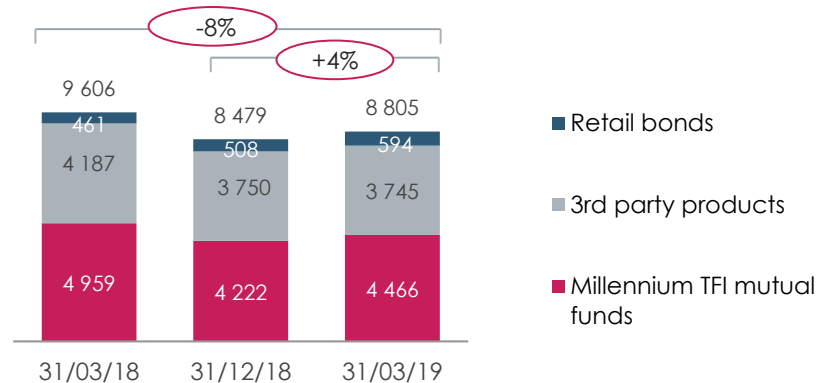


Structure of Loan Portfolio (gross)



Non-deposit investment products\*

(PLN million)

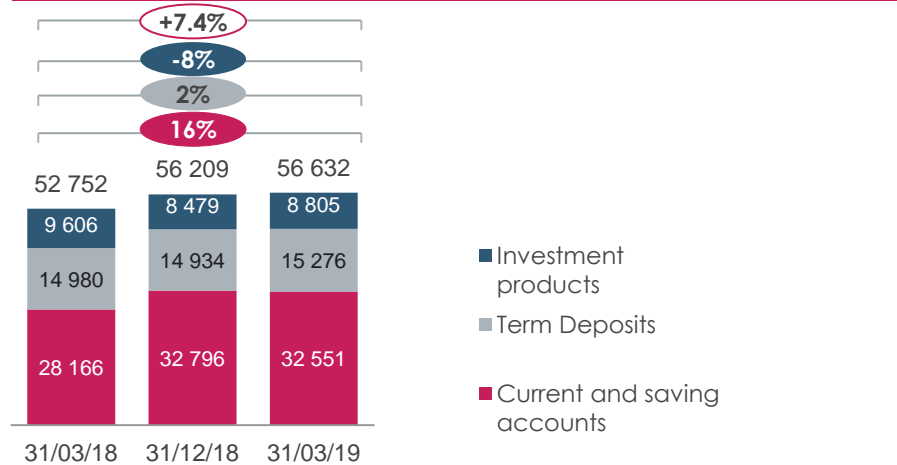


(\*) including mutual funds, saving-insurance products and retail bonds

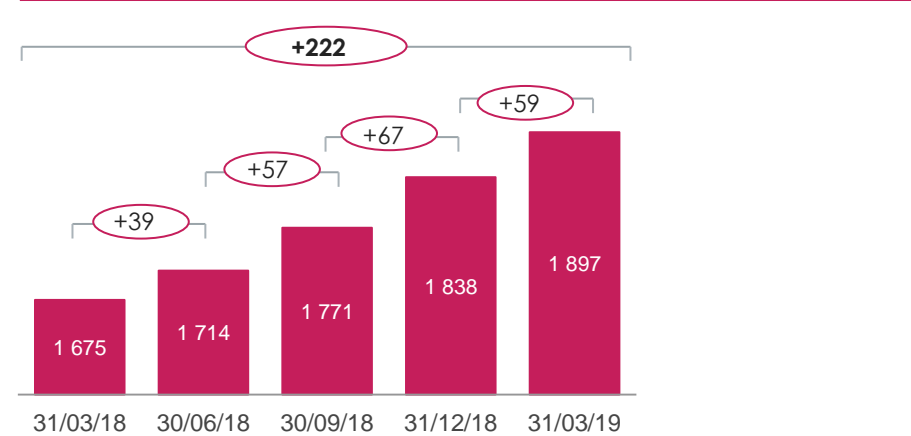
## RETAIL BUSINESS – DEPOSITS AND ACCOUNTS

Strong pace of customer acquisition of last two quarters of 2018 kept in 1Q'19.  
Customers' Funds show robust dynamics despite 2018 decrease in investment products

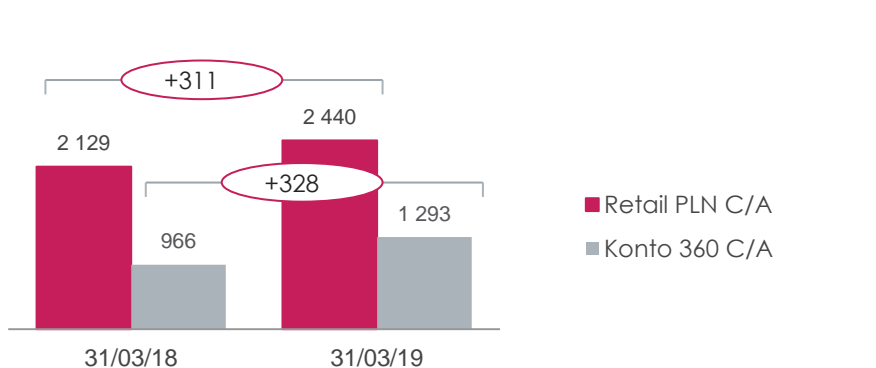
Retail Customer Funds (PLN million)



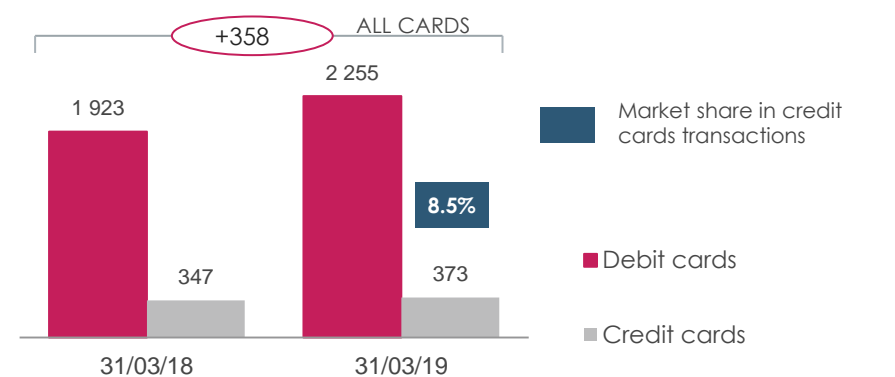
Active retail clients (in thousand)



Number of current accounts (in thousand)



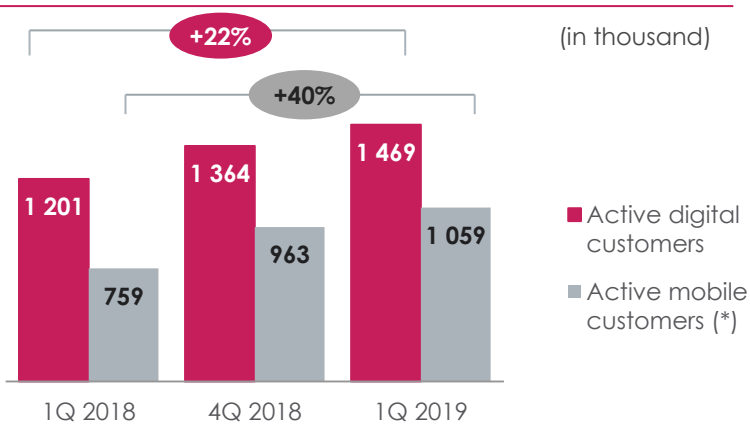
Number of debit and credit cards (in thousand)



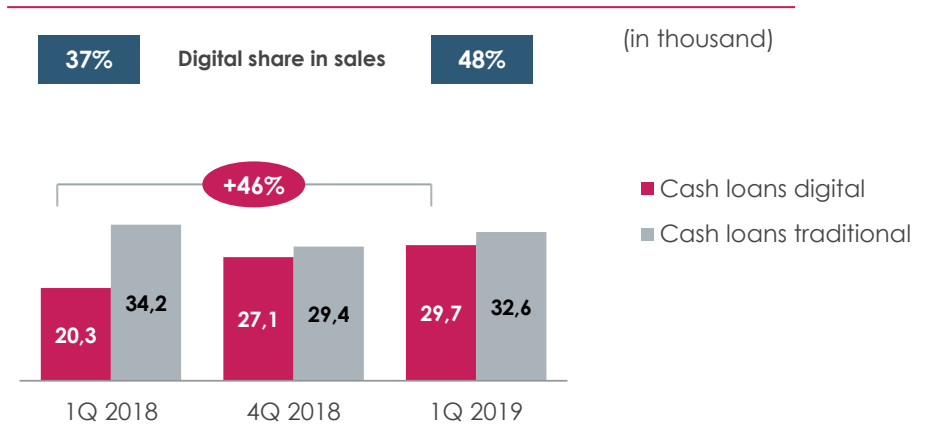
# RETAIL BANKING – DIGITAL CHANNELS

Strong growth in number of digital users to almost 1.5 million.  
Growing share of electronic channels in products sale

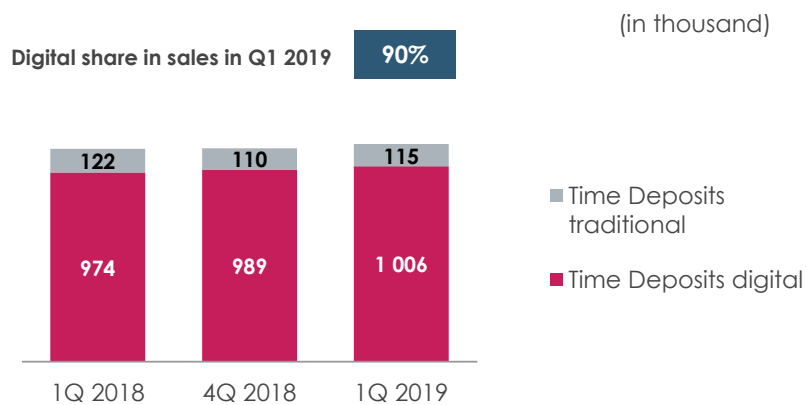
## Active digital and mobile clients



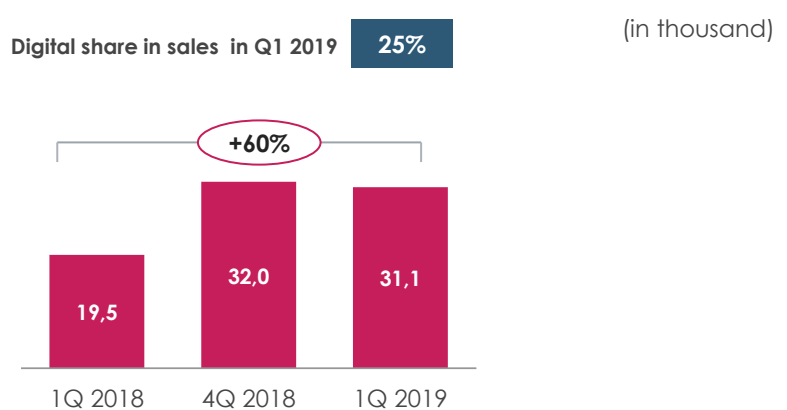
## Cash loans - traditional and digital channels



## Time deposits - traditional and digital channels



## Current account acquisition online



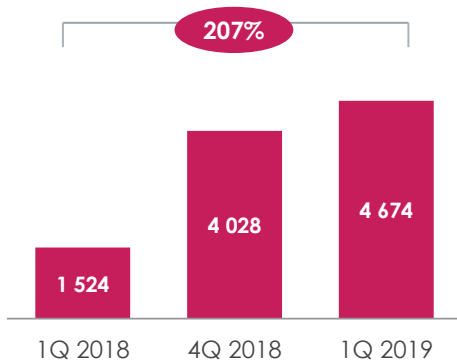
(\*) retail clients actively using mobile app and mobile Millenet

## RETAIL BANKING – MOBILE CHANNEL

Strong growth of products sold through mobile applications

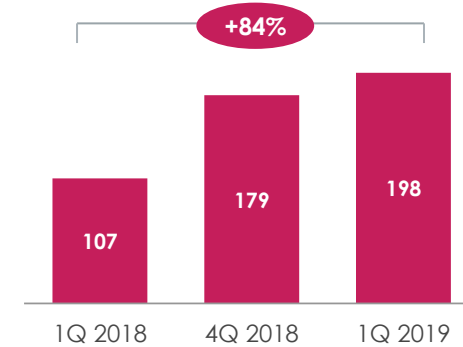
### BLIK (\*) transactions

(in thousand)



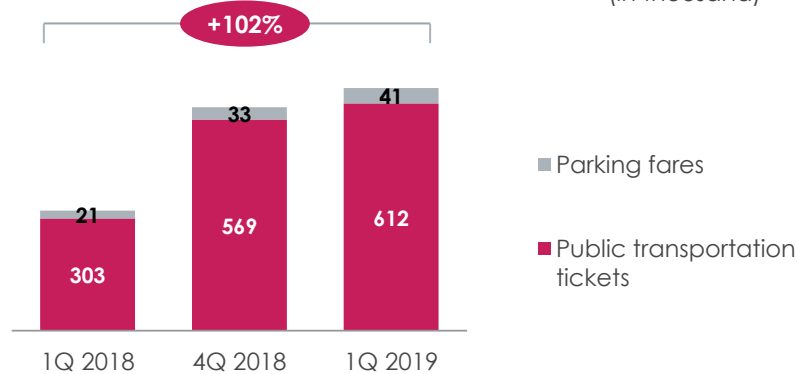
### HCE (\*\*) cards portfolio

(in thousand)



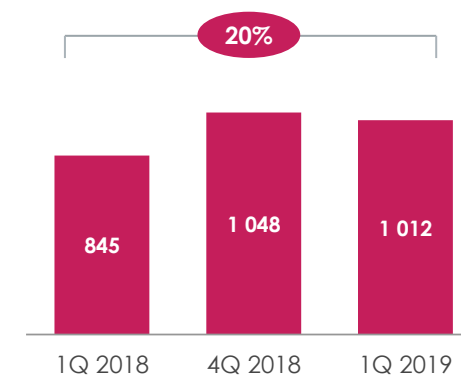
### Parking fares and public transportation tickets

(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

## NEW SOLUTIONS IN THE MILLENNIUM AND MOBILE APPLICATIONS

Another quarter of innovation and development of e-banking.



### Twój e-PIT

Possibility of paying the tax directly in the Twój e-PIT service through Millenet



### Apple Pay

Contactless payments by phone and smartwatch for users of the iOS operating system



### Temporary card block

Possibility of quick and convenient blocking of a payment card for a certain period of time in the mobile app



### Optimization of loan processes

Provide opportunities to consolidate loans in Millenet and apply for cash loan in mobile app



### API access interface

Making the developer platform (test environment and documentation) available to external service providers as part of the implementation of the PSD2 Directive



### Self unlock process in Millenet

Possibility to quickly unblock Millenet password, fully online



# GOODIE – Bank Millennium’s smartshopping platform

Maintaining growth rate of app downloads; continued development and new functionalities

**1.1 million** downloads from app start

**200,000** app downloads in 2019

## New functionalities in 2019:

- Stamp programmes in foodcourts

**400,000** Loyalty Cards set up in **41** Shopping centres

**100,000** coffee shop and restaurant stamp cards set up

**2700** aggregated offerings for goodie users from **1400 brands**

**150,000** cashback transactions by **15 000** active goodie users (since 09.2018)



goodie

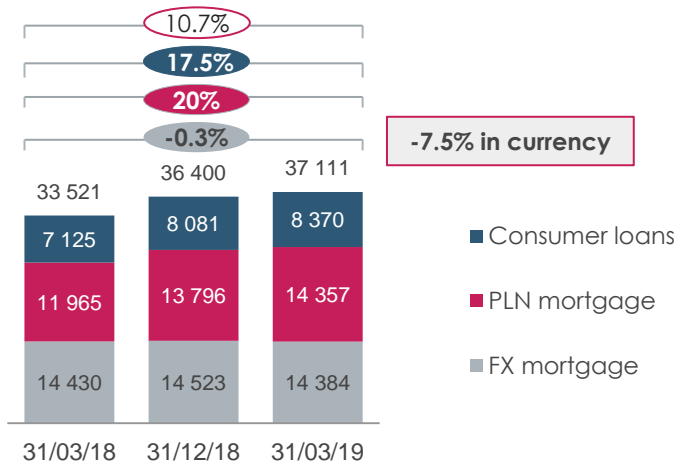


## RETAIL BUSINESS – LOANS

- Record quarterly sale for cash loans of PLN 988 million.
- PLN mortgage loans sales in 1Q visibly higher than an year ago

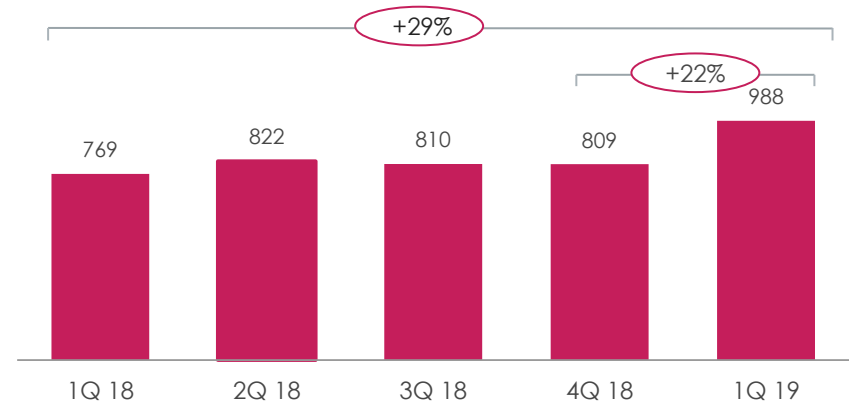
### Retail loans (gross)

(PLN million)



### Cash loans new sales

(PLN million)

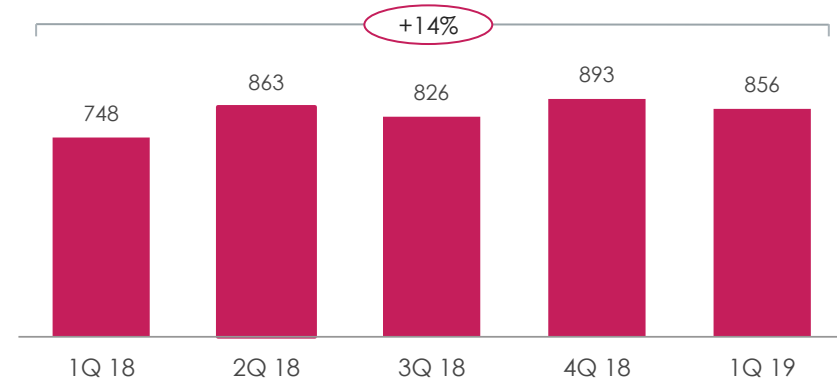


### Comments

- Robust growth of retail loans at +11% y/y (+19% Y/Y without FX mortgage loans): PLN mortgages +20% y/y and consumer loans +17.5% y/y
- Acceleration of cash loans sales above average quarterly levels of 2018.

### Mortgage loans new sales

(PLN million)



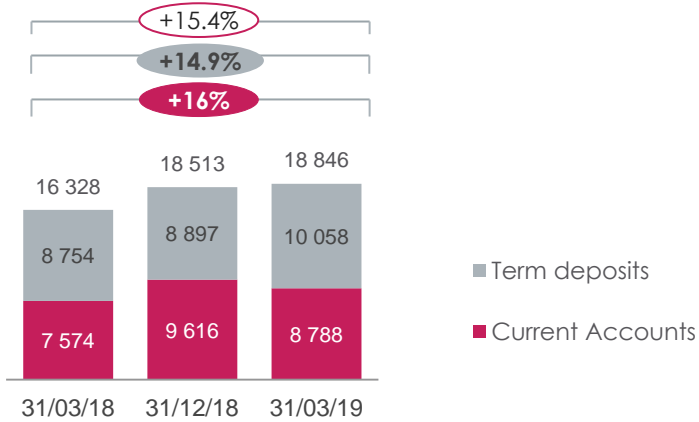
# COMPANIES BUSINESS – DEPOSITS AND LOANS

## Solid pace of growth of companies business volumes

- loans +14%
- deposits +15%

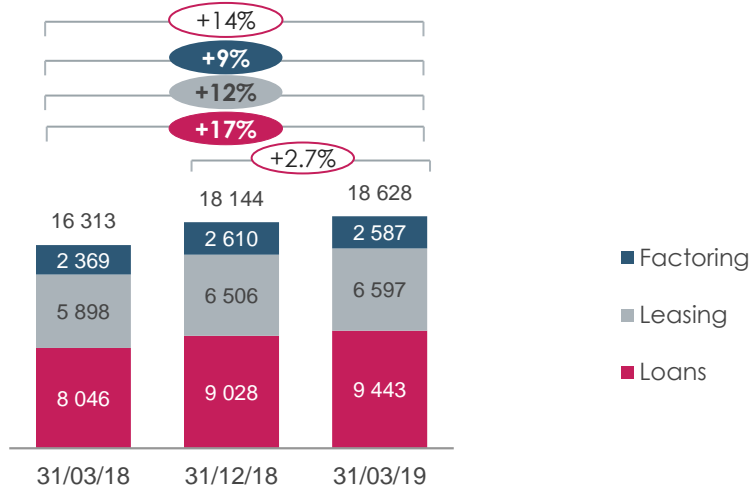
### Companies deposits

(PLN million)



### Loans to companies (gross)

(PLN million)

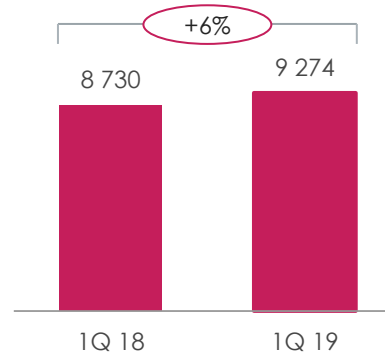


### Comments

- Loans to companies keep high growth pace: +14.2% y/y
- Robust companies deposits growth: +15.4% y/y (of which 16% y/y in current account balance)

### Volume of FX transactions

(in thousand)

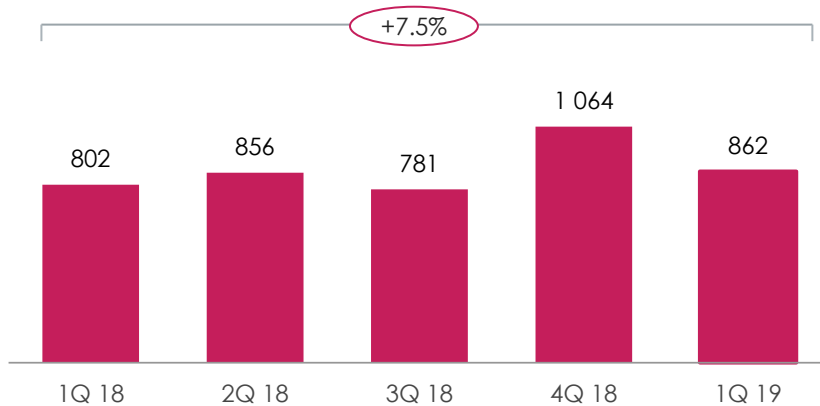


## COMPANIES BUSINESS – NEW LOANS

Robust growth in leasing and factoring sale and trade finance.

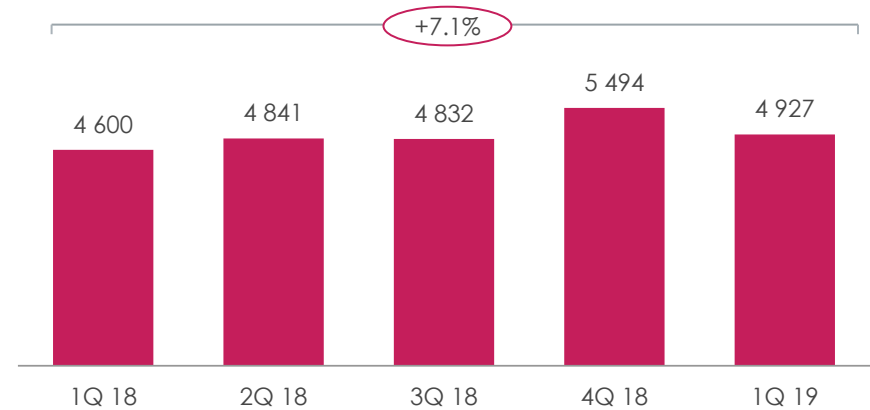
Leasing – new sales

(PLN million)



Factoring – turnover

(PLN million)

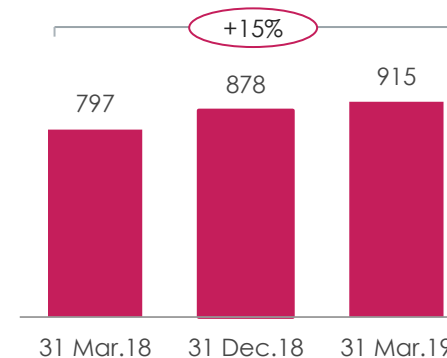


### Comments

- Growth in factoring and leasing sales above +7% y/y
- Volume of guarantees and Letters of Credit grew by 15% yearly

Volume of guarantees and LC

(PLN million)





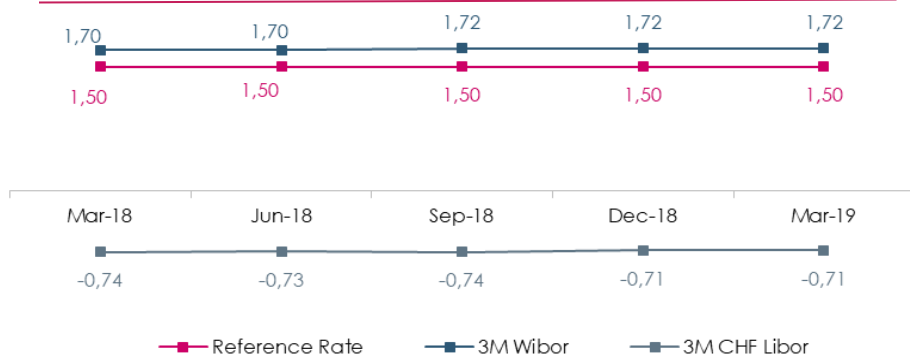
## PRESENTATION OF RESULTS IN 1Q 2019

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

## MACROECONOMIC OVERVIEW

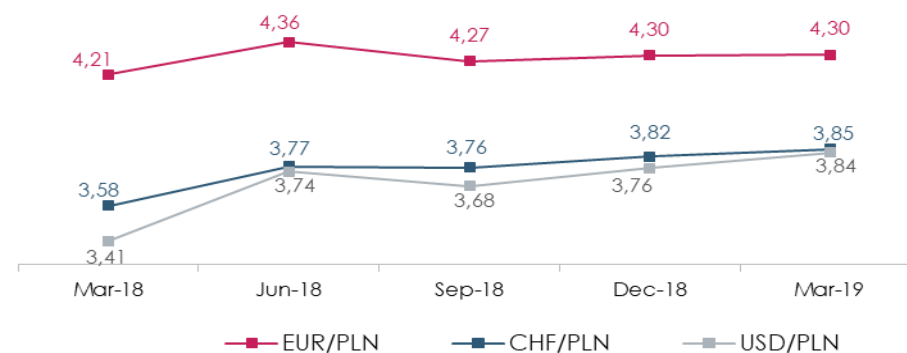
Economic growth in Poland moderated slightly in 1Q 2019 but is expected to recover because of fiscal stimulus. Inflation remains in the NBP range supporting expectation for stable interest rates.

### Interest rates evolution (%)



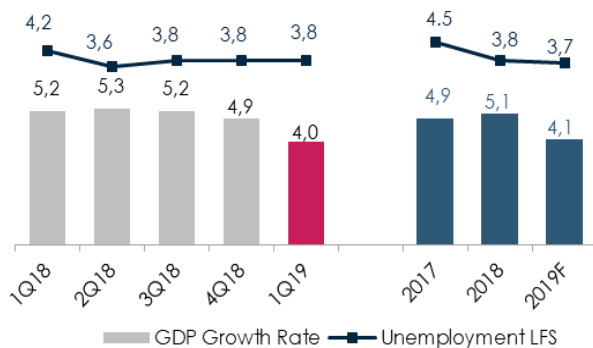
<b>Q-o-Q (bp)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Y-o-Y (bp)</b>	<b>0</b>	<b>2</b>	<b>3</b>

### FX rates evolution

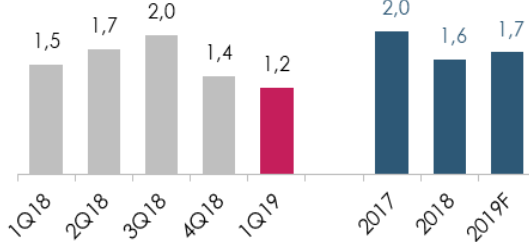


<b>Q-o-Q</b>	<b>0.0%</b>	<b>0.9%</b>	<b>2.0%</b>
<b>Y-o-Y</b>	<b>2.2%</b>	<b>7.5%</b>	<b>12.4%</b>

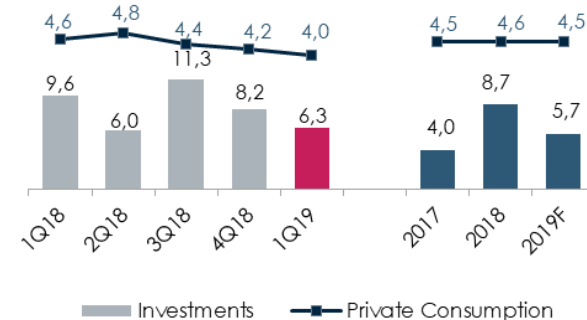
### GDP growth & unemployment (%)



### Inflation (%)

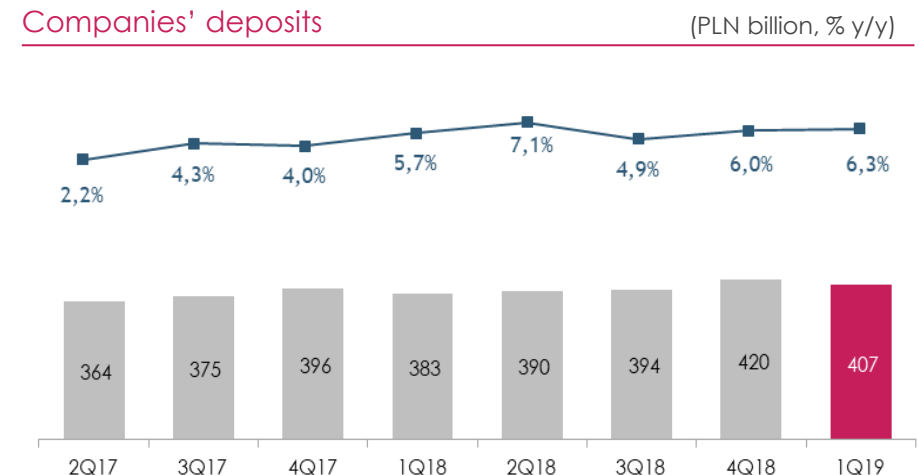
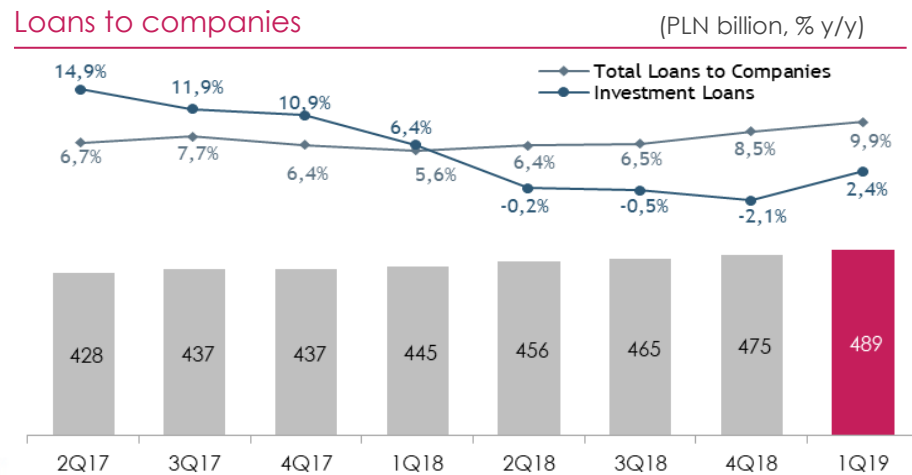
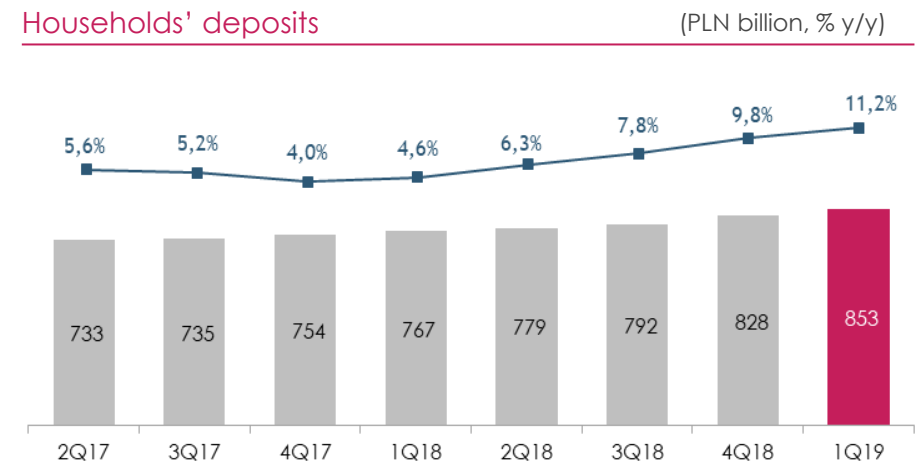
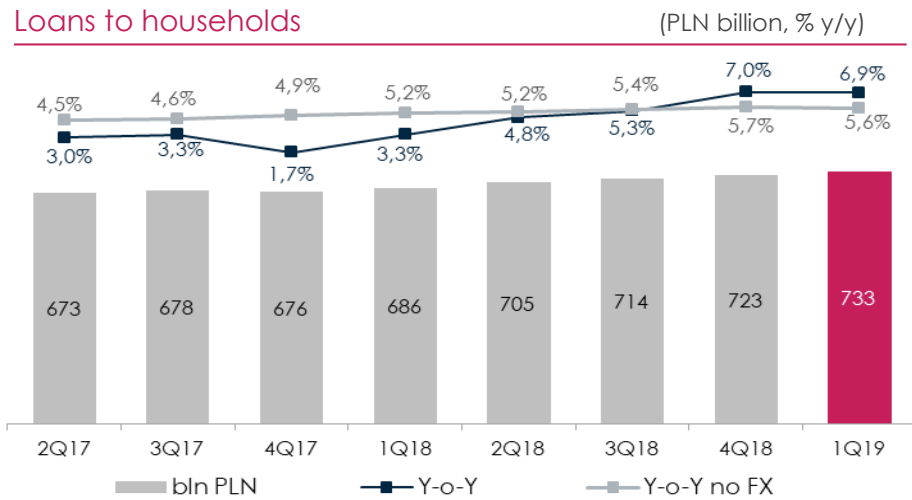


### Investments & Consumption (% y/y)



## MACROECONOMIC OVERVIEW

1Q 2019 showed further increase of deposits, especially in households sector. Credit growth advanced slightly as well, mostly because of fx changes.

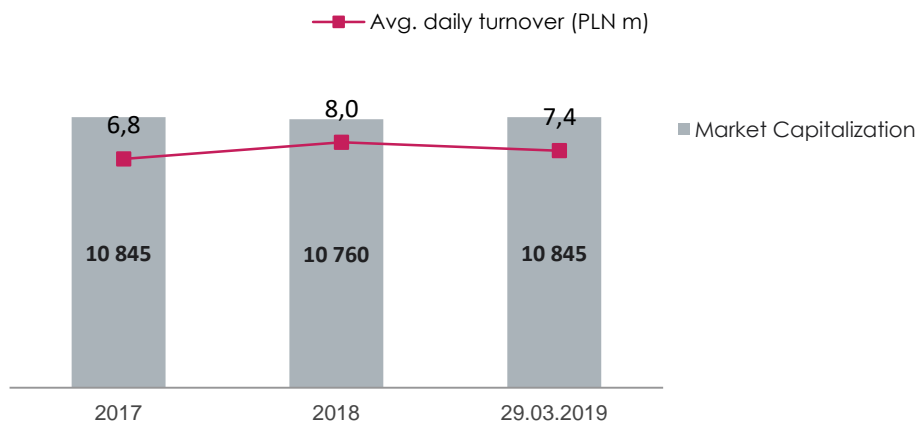


## BANK MILLENNIUM SHARE PERFORMANCE

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 29.03.2019)

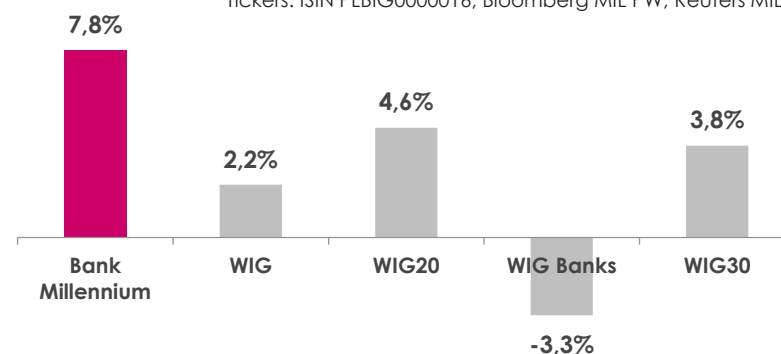
#### Bank Millennium shares:

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

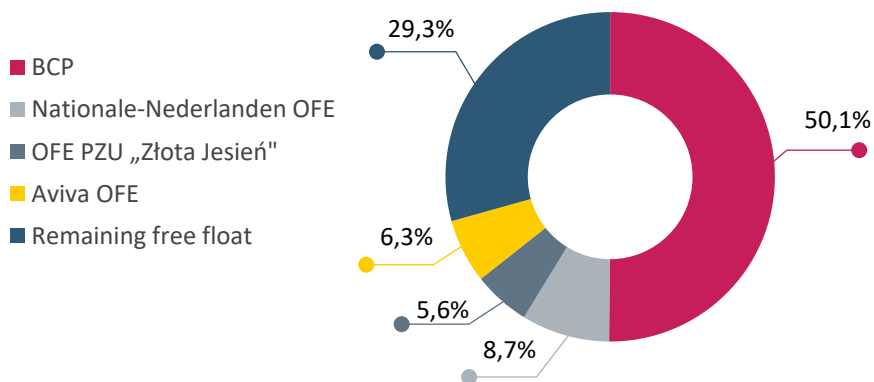
Listed: on Warsaw Stock Exchange since August 1992

Index: WIG, WIG 30, mWIG40, WIG Banks, WIG RESPECT

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



### Bank Millennium shareholders' structure (as on 31.12.2018)



### Bank's current ratings

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

Current ratings of the Bank:

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

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



## MARKET LEADER IN QUALITY

Confirmed again by several independent rankings

Bank Millennium once again on the podium in Złoty Bankier ranking (\*)



- **1st place** - „A socially sensitive bank” – for financial education program for preschoolers implemented by the Bank Millennium Foundation
- **2nd place** - „The best multi-channel quality of service”
- **2nd place** - „Safe Bank - Best Practices”

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.

Bank Millennium is the Service Quality Star 2019



Bank Millennium received the title of **Service Quality Star**, awarded by the Polish Quality Standard of Service to companies with the highest standards of customer service.

(\*) "Złoty Bankier 2019" is a ranking organized by Bankier.pl and Puls Biznesu daily.

## SYNTHETIC P&L ACCOUNT

(PLN million)

Pro-forma	1Q'18	1Q'19	Change Y/Y
Net interest income*	436,7	500,3	14,6%
Net commission income	172,5	163,2	-5,4%
Other non-interest income **	47,2	77,3	63,7%
<b>Operating Income</b>	<b>656,4</b>	<b>740,8</b>	12,9%
General and administrative costs	-316,8	-351,1	10,8%
Depreciation	-13,4	-33,4	149,2%
<b>Total operating costs</b>	<b>-330,2</b>	<b>-384,5</b>	16,4%
Net provisions	-55,1	-72,3	31,2%
<b>Operating profit</b>	<b>271,1</b>	<b>284,0</b>	4,8%
Banking tax	-52,2	-51,4	-1,6%
<b>Pre-tax profit</b>	<b>218,9</b>	<b>232,7</b>	6,3%
Income tax	-63,6	-72,7	14,3%
<b>Net profit</b>	<b>155,3</b>	<b>160,0</b>	3,0%
<b>Accounting</b>	<b>1Q'18</b>	<b>1Q'19</b>	<b>Change Y/Y</b>
Net interest income (reported under IFRS)	428,3	484,0	13,0%

(\*) 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 8.4 million in 1Q'18 and PLN 16.3 million in 1Q'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>

	31/03/2018	31/12/2018	31/03/2019	Change y/y
	2 881	2 450	1 737	-39,7%
	448	731	414	-7,5%
	48 000	52 712	53 940	12,4%
	141	250	797	465,7%
	19 771	22 886	23 717	20,0%
	650	227	186	-71,4%
	45	51	51	12,4%
	260	307	631	143,0%
	813	845	834	2,6%
	<b>73 009</b>	<b>80 459</b>	<b>82 307</b>	<b>12,7%</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>

	31/03/2018	31/12/2018	31/03/2019	Change y/y
	1 982	1 789	1 868	-5,7%
	59 474	66 244	66 673	12,1%
	0	50	56	
	450	608	582	29,4%
	1 165	810	898	-22,9%
	104	112	105	1,1%
	709	702	1 545	117,8%
	1 394	1 759	2 064	48,0%
	<b>65 277</b>	<b>72 075</b>	<b>73 790</b>	<b>13,0%</b>
	<b>7 732</b>	<b>8 384</b>	<b>8 517</b>	<b>10,2%</b>
	<b>73 009</b>	<b>80 459</b>	<b>82 307</b>	<b>12,7%</b>



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