



PRESS RELEASE

Warszawa, 1 February 2016

Bank Millennium: solid profit, increased customer base, continued digitization

Bank Millennium Group's consolidated preliminary net profit amounted to PLN 546.5 million, while reported ROE valued at 9.1% in 2015. If not including 4Q extraordinary events, the yearly net profit would have reached 667.4 PLN million, which would mean 2.5% growth y/y, and ROE would have reached 11.1%. Number of active retail customers reached 1.37 million at the end of the year.

Commenting the Bank's performance Mr. Joao Bras Jorge, Chairman of Bank Millennium said:

In 2015 the Bank has consistently implemented strategy for the years 2015-2017, which assumed organic increase of market share and building competitive advantage on positive customer experience as well as continued digitization. Business results showed upward trend: the number of active retail customers rose by 6%, volume of retail deposits by 20%, and cash loans grew by 19%. In 2015 we reported a solid profit of PLN 546.5 million, if not including 4Q extraordinary charges, the net profit for 2015 would amount to PLN 667.4 million marking an increase by 2.5% year-on-year. I would like to emphasize that our capitalization measured by capital adequacy ratios indicates that we are a solid bank, ready to face future challenges.

Bank significantly participates in the development of Polish economy. At 2015 year-end we kept PLN 14.2 billion credits to business sector, primarily to Polish MSP companies, "the engine of the Polish business sector", acquired more than PLN 35 billion deposits of Polish citizens, paid PLN 375 million of all taxes and employed nearly 6000 people.

Profit and loss

Total Operating Income of the Group reached PLN 2,017.2 million in 2015 and decreased by 9% year-on-year.

Net Interest Income (pro-forma) for 2015 reached PLN 1,418.7 million and decreased by 3.2% versus the corresponding period of the previous year. Net Commission Income for 2015 amounted to PLN 596.2 million, which means a 2.5% decrease year-on-year as a result of lower interchange fees (by PLN 54 million - effect of the new regulations on limits for payment cards' interchange fees in Poland).

Total costs in 2015 amounted to PLN 1,087.0 million, which means a decrease by 2.2% when compared to the corresponding period of 2014, despite higher obligatory contribution to deposit guarantee fund (BFG).



Bank Millennium Group **consolidated preliminary net profit** in 2015 amounted to PLN 546.5 million.

Fourth quarter result of PLN 53.0 million was under negative impact of three extraordinary elements:

- ✓ PLN 102.5 million extra charge to Banking Guarantee Fund for the bankrupt SK Bank,
- ✓ PLN 15.6 million contribution to the newly created Distressed Mortgage Support Fund (FWK),
- ✓ PLN 12.2 million penalty from Authority for Competition and Customer Protection (UOKiK) connected with interchange fees.
- ✓ PLN 10 million net provision for tax and other.

If not including 4Q one-off charges, the net profit for 2015 would amount to PLN 667.4 million marking an increase by 2.5% year-on-year.

Business Results

Total net loans of Bank Millennium Group reached PLN 46,369 million as at the end of December 2015, which means an increase by 5.0% yearly (partly influenced by CHF appreciation responsible for FX mortgage loans growth).

As at the end of December 2015, loans for individuals amounted to PLN 32,906 million and grew by 4.7%. Mortgage loans remain the biggest part of this portfolio with total net balance of PLN 27,683 million. Cash loans portfolio grew by 19% yearly, new sales at PLN 2.5 billion yearly. Loans to companies (including leasing) amounted to PLN 13,463 million as at 31 December 2015, growing by 5.9% yearly. Leasing exposure grew by 16.8% year-on-year reaching PLN 4,640 million. Factoring portfolio grew by 21.1% yearly (gross) and turnover in 2015 year reached PLN 13.4 billion (11% higher than in the previous year).

Total customer funds of Bank Millennium Group reached PLN 59,894 million showing the solid growth of 10.2% vs. the end of December 2014 . The growth of deposits reached 11.0% yearly and 3.2% quarterly. Especially strong growth can be seen in deposits of individuals, which increased by 5.8 bn or 19.6% yearly and 8.1% quarterly (i.e. PLN 2.7 billion increase just in 4Q 2015). Faster growth of deposits than loans during 2015 helped the Group to improve its liquidity position. The Loan-to-deposit ratio improved during the year from 92% to the level of 87%.

In 2015 the Bank managed to grow active clients of Retail Segment by 85 thousands to 1.37 million. During 2015 year over 281 thousands current accounts were opened.

In 2015 Bank Millennium achieved 1st position in three categories („Traditional Banking”, „Internet Bank” and „Mortgage Banking”) of the Newsweek’s Friendly Bank 2015 ranking. The Bank was also awarded as the best bank in two independent “mystery shopping” research: “Bank on Quality” survey carried out by TNS Polska research agency and “The Consumer Choice 2016” title awarded by Consumer Satisfaction Survey Centre.



Digital transformation

Bank Millennium continues development of online platform. Its high adaptability offers on the spot implementation of innovative solutions.

The platform allows the focus on omnichannel approach, which assumes full integration of Millenet, Mobile Banking, TeleMillennium and Millennium Branches, where Customers has one coherent experience and receives clear information about status of their products and services.

In 2015 Bank Millennium released number of innovative solutions e.g. new Millenet in responsive web design technology (RWD), which makes it automatically adapt to any type of device (computer, tablet or phone) used by the customer. Currently 99% of transactions, 20-60% of products sale (depending on the product type) and over 10% of new customers acquisitions are performed online. Customer service gradually moves towards the digital channels as well: number of active Millenet Customers reached 806000, almost 60% of total active clients, at the end of 2015.

Last year Bank Millennium released the new Mobile Application for iOS and Android, which exceeded 400 000 users at the end of 2015. Apart from standard functions the app also incorporates a number of innovative solutions, for example smartwatch synchronization and possibility of logging in with fingerprint.

In 2015 Bank Millennium was the first bank to apply latest technologies: augmented reality and 3D Touch that combines real life images with 3D animation as well as introduced fast P2P transfers based on Blik system.

Liquidity, asset quality and solvency

Capital position of the Group remains very solid. Consolidated equity increased by 11.8% yearly to the level of PLN 6,443 million. Consolidated Total Capital Ratio reached 16.72% and Common Equity Tier 1 ratio 16.35% . During 2015 year the impaired loans ratio of the Group grew from 4.2% to 4.6% level, which is the second best among main Polish banks and proves very good asset quality of Bank Millennium. Mortgage loans portfolio showed only minor deterioration of asset quality ratios during the year to the levels of 2.13% impaired ratio.

The Management Board of the Bank will submit to the Annual General Shareholders Meeting a proposal to retain 100% of the net profit of 2015 into the equity.



Profit and Loss account (in PLN million)

	2015	2014	Change y/y	4Q 2015	3Q 2015	Change q/q
Net Interest Income	1 418.7	1 465.0	-3.2%	361.7	357.5	1.2%
Net Commission Income	596.2	611.7	-2.5%	140.4	151.6	-7.3%
Core Income	2 014.8	2 076.6	-3.0%	502.2	509.1	-1.4%
Other Non-Interest Income	2.3	138.9	-98.3%	(114.9)	31.6	-
<i>of which extraordinary charges</i>	<i>(140.3)</i>	-	-	<i>(140.3)</i>	-	-
Total Operating Income	2 017.2	2 215.6	-9.0%	387.3	540.7	-28.4%
<i>Total Operating Income (without one-offs)</i>	<i>2 157.5</i>	<i>2 215.6</i>	<i>-2.6%</i>	<i>527.6</i>	<i>540.7</i>	<i>-2.4%</i>
Personnel Costs	(546.9)	(547.0)	0.0%	(135.8)	(135.9)	0.0%
Other Administrative Costs	(540.1)	(564.4)	-4.3%	(139.5)	(130.1)	7.3%
<i>- of which BFG main contribution</i>	<i>(65.5)</i>	<i>(35.6)</i>	<i>83.9%</i>	<i>(16.4)</i>	<i>(16.4)</i>	<i>0.0%</i>
Total Operating Costs	(1 087.0)	(1 111.4)	-2.2%	(275.4)	(266.0)	3.5%
Cost/Income Ratio	53.9%	50.2%	+3.7 p.p.	71.1%	49.2%	+21.9 p.p.
<i>Cost/Income Ratio (without one-off charges)</i>	<i>50.4%</i>	<i>50.2%</i>	<i>+0.2 p.p.</i>	<i>52.2%</i>	<i>49.2%</i>	<i>+3.0 p.p.</i>
Operating Income	2 017.2	2 215.6	-9.0%	387.3	540.7	-28.4%
Operating Costs	(1 087.0)	(1 111.4)	-2.2%	(275.4)	(266.0)	+3.5%
Impairment provisions	(241.2)	(265.5)	-9.1%	(45.2)	(68.8)	-34.3%
Pre-tax Profit	687.5	838.5	-18.0%	66.7	205.9	-67.6%
Income tax	(141.0)	(187.5)	-24.8%	(13.6)	(40.2)	-66.1%
Net Profit	546.5	650.9	-16.0%	53.0	165.7	-68.0%
Net Profit (without one-offs)	667.4	650.9	+2.5%	173.9	165.7	+4.9%

Full report for 2015 is available at: <https://www.bankmillennium.pl/en/about-the-bank/investor-relations/current-reports>

