

2014 ANNUAL REPORT

a good year in challenging environment

"In 2014 the Bank was developing in a sustainable way, reaching the defined targets thanks to growth in all business areas."

"Results allow us Bank Mi sound capitalis continue impleme further strategy externa



Stakeholders Letter



- Joao Bras Jorge, CEO



2014 Consolidated annual report



Fact sheet



Presentation

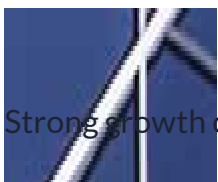


Conference for Investors and Analysts



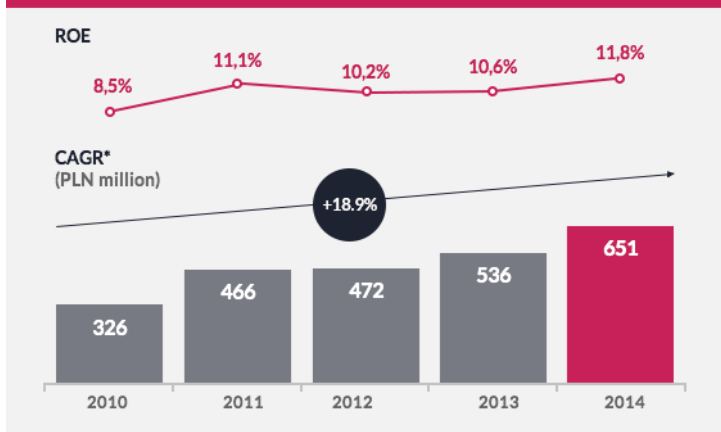
Conference for Investors and Analysts Q&A

Our Performance

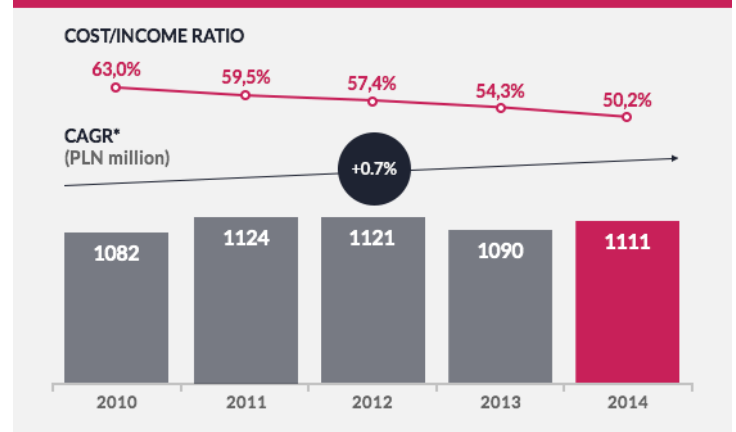


Strong growth of profitability

Net Income



Operating Costs & Cost/Income Ratio

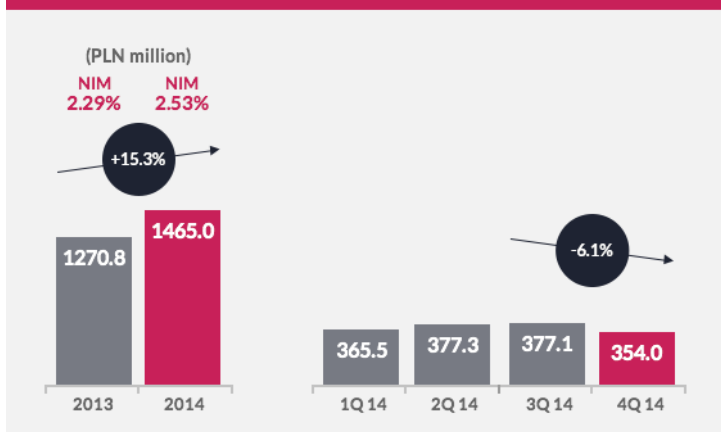


Compound average growth rate

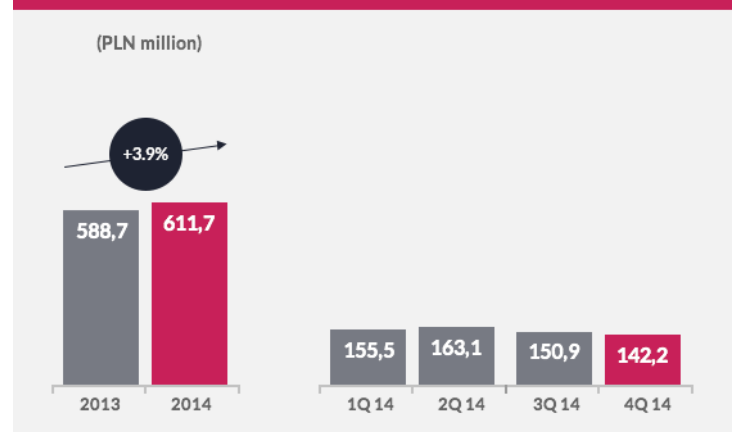
- 2014 net profit at PLN 651 million: **+21.5% y/y**
- ROE improved yearly from 10.6% to **11.8%**
- Cost to income decreased strongly by **4.1 p.p.** yearly to 50.2%

Solid core income yearly growth

Net Interest Income*



Net Commission Income

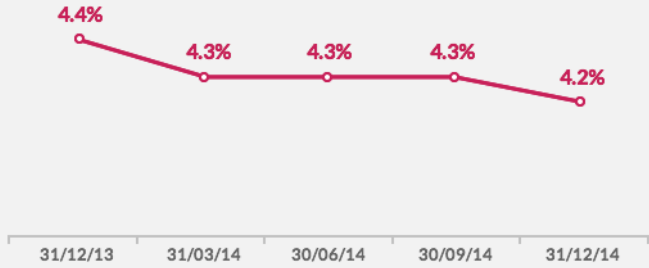


* Pro-forma data: margin from all derivatives hedging FX denominated loan portfolio is presented in interest revenue (hedging derivatives) and NII, whereas in accounting terms part of this margin (PLN 10.9 million in 2014 and PLN 50.8 million in 2013) is presented in Result on Financial Operations

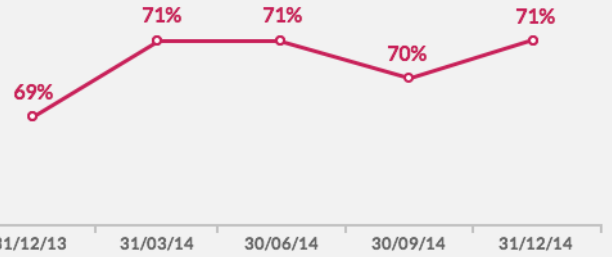
- Net interest income up **15.3% y/y**, despite lower than expected market interest rates
- Net commissions up **3.9% y/y**

Very solid asset quality, externally proven by AQR

Impaired loans ratio



Coverage ratio* of impaired loans

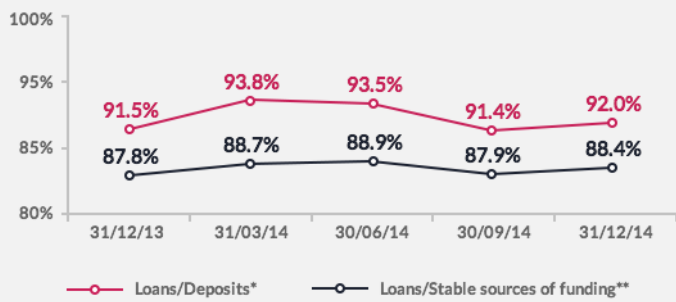


* Coverage of gross impaired loans by total provisions (including IBNR)

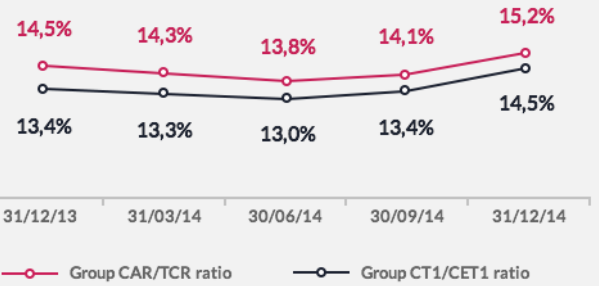
- Impaired loans ratio at **4.2%** - the lowest in the last 6 years
- High coverage ratio of impaired loans by provisions at **71%**

Stable liquidity and stronger capital ratios

Liquidity Ratios



Capital Adequacy Ratios***



- Loans-to-deposits* ratio at comfortable **92%** level
- Loans to stable sources of funding** at **88.4%**
- TCR*** at **15.2%** and CET1 *** at **14.5%**

* Deposits include Bank's debt securities sold to individuals and repo transactions with customers.

** Stable sources of funding : deposits plus all debt securities issued (including subordinated debt) and medium-term funding from financial institutions.

*** Calculated in accordance with CRR/CRD4 rules and with partial IRB approach (on mortgage and revolving retail loans) but under regulatory constraint.

Strategy

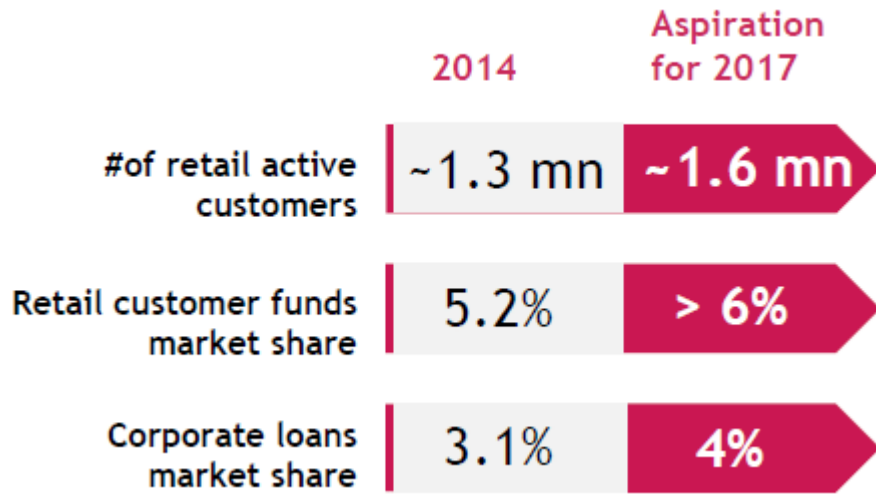
Sustainable value
creating growth in

Sustainable value creating growth in


Consolidating platform in key areas: digital, risk and analytics


Continue building operational efficiency

Strong liquidity and capital allowing stable dividend policy



- > Significant acceleration of net Client growth through increased network effectiveness and optimized footprint, digital channels and acquisition of mass affluent.
- > Increasing market share of retail Customer funds to above 6%.
- > Value creating growth in corporate, loans market share of 4% while increasing profitability, reducing cost of risk, further strengthening position in specialized finance (leasing, factoring).

 Strategy document

 Strategy presentation

Awards & Achievements

Bank Millennium Service Quality Star

Thanks to positive opinions of its customers, **Bank Millennium** has again

Bank Millennium in Newsweek ranking top 2

Bank Millennium came **1st in the "Internet Banking"** category in

been ranked among the friendliest companies and **was awarded the title of 2014 Service Quality Star**. The awarded companies from several dozen sectors include those, which to the greatest extent respond to today's market needs and are most often recommended by customers for 2014. Bank Millennium received this prestigious title for the third time already (previously in 2013 and 2011).

Newsweek's latest "Friendly Bank" ranking. Bank Millennium also **took the high 2nd place in the "Traditional Banking"** category and was classified **2nd in "Mortgage Banking"**.

The 13th annual Newsweek Ranking was based on a service quality audit carried out by means of the "mystery shopping" method and an assessment of the attractiveness of offers of largest banks in Poland.

Results by segments

Retail
Business

Companies
Business

+24%

CASH
LOAN PORTFOLIO

231.00
0

NEW CURRENT
ACCOUNTS

+10.2%

RETAIL
DEPOSITS

- › Record cash loans sale of **PLN 589 million** in 4Q and **2.1 billion** in entire year, portfolio grew **24% y/y**
- › **231 thousand** new current accounts thanks mainly to Konto 360° campaign

> Very solid growth of retail deposits at **10.2% y/y**

Consolidated financial statements

Synthetic P&L account

(PLN million)	2013 pro-forma	2014 pro-forma	4Q 2013 pro-forma	3Q 2014 pro-forma	4Q 2014 pro-forma
Net interest income*	1.270,8	1.465,0	345,7	377,1	354,0
Net commission income	588,7	611,7	147,4	150,9	142,2
Other non-interest income**	146,8	138,9	30,2	35,4	44,6
Operating Income	2.006,4	2.215,6	523,3	563,4	540,8
General and administrative costs	-1.035,2	-1.056,1	-261,3	-264,9	-263,6
Depreciation	-54,3	-55,3	-12,6	-13,1	-15,5
Total operating costs	-1.089,6	-1.111,4	-273,8	-278,0	-279,1
Net provisions	-234,1	-265,5	-63,2	-61,7	-64,0
Operating profit	682,7	838,7	186,3	223,7	197,7
Pre-tax profit	680,6	838,5	185,9	223,7	197,5
Income tax	-144,8	-187,5	-42,8	-50,5	-39,8
Net profit	535,8	650,9	143,0	173,2	157,7

(*) 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 50.8 million in 2013 and PLN 10.9 million in 2014) is presented in Result on Financial Operations.

(**) includes FX results, results on financial operations (pro-forma) and net other operating income and costs

Business segments results

(PLN million)	Retail segment	Companies segment	Treasury, ALM and other

	2013	2014	change	2013	2014	change	2013	2014	change
Net interest income	952,2	1138,5	19,60%	320,6	321	0,10%	-52,8	-5,3	-
Net commission income	457,8	475,9	4,00%	126,5	132,3	4,60%	4,4	3,5	-21,50%
Other income *	95,7	87,5	-8,60%	31,5	50,7	60,70%	70,4	11,6	-83,50%
Total operating income	1505,7	1701,8	13,00%	478,6	503,9	5,30%	22,1	9,8	-55,60%
Total operating expense **	-827,2	-841,6	1,70%	-196,7	-207,9	5,70%	-65,7	-61,9	-5,80%
<i>Cost/Income</i>	54,90%	49,50%	-5,5 p.p.	41,1%	41,20%	0,1 p.p.	-	-	-
Pre-provisions income	678,5	860,2	26,80%	281,9	296,1	5,00%	-43,6	-52,1	-
Net provisions	-121,8	-126	3,40%	-110,7	-139,1	25,60%	-1,6	-0,4	-75,30%
Pre-tax income	556,7	734,2	31,90%	171,2	157	-8,30%	-47,3	-52,7	-

(*) including FX income

(**) without impairment charges

Balance sheet

ASSETS (PLN million)	31.12.2013	30.09.2014	31.12.2014
Cash, balances with the Central Bank	3.412	1.705	2.612
Loans and advances to banks	1.519	1.710	2.384
Loans and advances to customers	41.765	43.847	44.142
Amounts due from reverse repo transactions	242	382	156
Debt Structure	8.673	11.731	10.176
Derivatives (for hedging and trading)	629	482	502
Shares and other financial instruments	4	8	10
Tangible and intangible fixed assets	204	192	213
Other assets	566	599	544
Total Assets	57.017	60.658	60.740

LIABILITIES AND EQUITY (PLN million)	31.12.2013	30.09.2014	31.12.2014
Deposits and loans from banks	2.349	2.087	2.037
Deposits from customers	45.305	47.434	47.591
Liabilities from repo transactions	115	314	60
Financial liabilities at fair value through P&L and hedging derivatives	1.505	1.778	2.020
Liabilities from securities issued	701	1.749	1.739

Provisions	67	97	99
Subordinated liabilities	623	631	640
Other liabilities	989	912	789
Total Liabilities	51.653	55.002	54.975
Total Equity	5.363	5.656	5.765
Total Liabilities and Equity	57.017	60.658	60.740



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