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Retail Banking

Bank Millennium has a broad, universal offer of banking services and products for Retail Clients under four specialist business lines: Individual Clients, Prestige Clients, Private Banking and Small Business.

The main product offered to retail Clients is personal account, which number of new accounts sold in 2014 reached 231 thousands and balance at the end of year amounted to almost 1.8 million accounts. At the end of December 2014 Bank Millennium gathered almost PLN 30 billion deposits of individuals (growth by 10% yearly) and additionally PLN 6.8 billion of non-deposit investment products. On the loans side, the Bank financed households with PLN 32 billion of loans (growth by 3% yearly). Such good performance of retail segment of Bank Millennium resulted from systematic expansion and modernisation of the offer, effective sale and maintaining utmost quality of service to Clients.

Personal account

In May 2014 based on in-depth analyses of Poles' preferences relating to personal accounts, the Bank enriched its retail offer by a new current account – Konto 360°. The name of the account is also its definition, because it means a comprehensive offer with a focus on the Client and his needs. As part of this new offer the Clients who have met two simple conditions – total monthly payments into the account of at least PLN 1000 and making at least one card payment a month for shopping – pay nothing for account maintenance, for the Millennium Visa Konto 360° debit card, specially prepared for the new account, or for cash withdrawals from all ATMs in Poland and abroad. But whether such conditions are met in any particular month, or not, online PLN transfers and standing orders are always free of charge. Moreover, Konto 360° accountholders can also use the assistance insurance linked to it, which in emergency situations guarantees access to 24-hour medical help and home visits of specialists in various fields. An additional advantage of the account is the possibility of using a special offer of savings products and interest-free overdraft limit up to 7 days (any days) in a settlement month.

Konto 360° is a solution prepared for the whole family and the Bank spares no effort to adjust the features of the account to one's needs, which change with age. Hence, the new offer also includes attractive versions of the account for young people: Konto 360° Junior for Clients up to 18 years of age who are only joining the world of finance and Konto 360° Student for young adults of 18 – 26.

The launching of the Konto 360° account was accompanied by an advertising campaign including information on television, in the press, on the internet and in cinemas. Additionally in October 2014 a campaign was conducted at schools and universities to promote the Konto 360° Student account, very popular among the Clients.

The Konto 360° offer was quickly appreciated and after nearly eight months the Clients opened almost 150 thousand of such accounts and over 75% of all new accounts were opened by new Clients without a current account at Bank Millennium, while almost 90% accounts were opened with a debit card. In the Bank's opinion 2014 was a very good year in terms of building long-term client relationships enabling the development of a cooperation based on modern current accounts.

Savings Products

In connection with considerable cuts in interest rates and dynamically changing external environment, including an aggressive deposit pricing policy of some market players, the year 2014 should be recognised as a time of serious challenges. Despite such factors, the Bank focused on effective deposit portfolio management, thanks to which it achieved its intended objectives, such as growth of volumes by almost PLN 3 billion, with preserving interest margin. 2014 year marked also visible growth of balances on current accounts, which allowed to maintain share of current and saving accounts in total retail deposits at the assumed level of 50%.

List of interesting offers and promotions of saving products of the Bank in 2014 year include:

- Promotion: New Money on Savings Account

In 2014 the Bank regularly promoted savings with the use of Savings Account, cyclically proposing Promotions for New Money. The Bank consistently encourages this convenient way of savings, which

enables flexible management of financial surpluses.

- Mobile Deposits

The Bank was one of the first on the market to launch special deposits available only for mobile application users. 3- and 6-months deposits were very popular among the Clients, thus becoming one way to promote this service channel.

- Promoting deposits from loyal Clients

The Bank launched innovative deposit solutions which give better savings terms to Clients who actively use Bank Millennium services.

A 3-months Mobile Deposit was launched with higher interest for holders of the new current account (Konto 360°) whose holders were paid 4.5% per annum.

In parallel with this offer the bank proposed to its Clients a promotional offer of the Savings Account on which Konto 360° holders earned more interest, even by 0.5 p.p.

- Promotion of Internet Banking Deposits

The Bank promoted modern online banking solutions: Auction Deposits and Happy Hours Deposits. Both solutions are addressed to Clients who open deposits through Millenet by themselves. They can be given higher-than-standard interest for short periods: 15 days in the case of auctions, and from 1 to 2 months in the case of Happy Hours.

In June the Bank conducted a promotion of Happy Hours deposits. They were offered every day for 6 days with interest increased up to as much as 3.5% (bonus of 1.5 percentage point compared to the analogous deposit outside the Happy Hours) and could deposit up to PLN 100 000 each day.

- Promoting the idea of long-term savings:

In order to encourage Clients to deposit their savings for longer terms the Bank launched the Risk Horizon Deposit. This is a deposit for new money for 15, 18 or 24 months at attractive interest.

- World Savings Day

On 31 December (World Savings Day) Bank Millennium offered a special Happy Day promotion. For the duration of eight hours you could set up a deposit with an interest rate 1% higher compared to the standard.

Investment Products

In 2014 the Bank continued its initiatives to make the offer of such products more attractive.

To enhance the appeal of investment-insurance products for Prestige and Private Banking Clients by adding new investment possibilities, 11 domestic investment funds and 8 foreign investment funds were added in 2014 to the list of funds available under life insurance with capital funds (the "Multicurrency Investment Programme"). The number of funds offered under the Multicurrency Investment Programme at year-end 2014 was 66 (of which 46 funds of Polish Investment Fund Companies and 20 funds of foreign investment companies).

In cooperation with Generali Życie TU SA in May 2014 the Bank expanded the offer of investment-insurance products by "Wygodny Portfel" (Comfy Wallet) Investment Programme, which combines life insurance with a one-off premium and the possibility of investing in Insurance Capital Funds. The product combines the possibility of accumulating funds by investing capital in four model portfolios with diversified investment risk and rate of return potential plus insurance cover. The offer is addressed to Retail, Prestige and Private Banking Clients.

In 2014 Bank Millennium kept a high level of exposure to structured products by conducting 19 issues of Banking Securities with 100% capital protection offered to Prestige Clients and Private Banking Clients and 26 subscriptions of investment deposits addressed to Retail, Prestige and Private Banking Clients.

As regards open architecture and Millennium TFI funds, the number of funds offered to Clients at year-end 2014 totalled 115 (including 64 domestic and 51 foreign funds).

Cards

2014 year brought important changes to business model for the card market. [Interchange fee](#), which merchants pay to issuer banks on each single transaction, was statutorily reduced to the level of 0.5%. For many years the fee was on average at 1.5% or even higher. In December 2014 the Payment Cards Act was amended, thus additionally reducing the Interchange Fee to the level of 0.3% (credit cards) and 0.2% (debit cards). These changes will be implemented in the beginning of 2015 year.

Credit cards

Since 2009 we have observed on Poland's credit card market falling numbers of issued cards. According to NBP data, in the period between Q3 2009 and Q3 2014 Poland's market lost over 4.8 million cards. At the same time, number and value of card transactions keep growing trend. This shows that banks' decisions to limit the availability of this product and review their portfolios make sense. Banks focused on the quality of their portfolio rather than on the quantity of issued cards. Within this trend, Bank Millennium took steps to increase the number of cards and generated transactions.

Such steps included the weekend discount campaign named *Stylowe zakupy* (Shopping with Style) in partnership with *Twój Styl* and *Grazia* magazines. The campaign was run twice during the year: in April and October 2014 and enabled significant discounts with the campaign partners. At the same time Bank Millennium actively promoted *Impresja* credit cards, pushing up the share of *Impresja* cards in new credit card sales to 70%.

One important way to give more appeal to the Bank's credit card offer was to launch a new credit card for male - Millennium Alfa. Alfa card users have access to the Moneyback offer for transactions performed with specially selected partners. The list of partners has been selected based on analysing the transactional behaviour of present male Bank Clients and is classified according to the following shopping categories: home appliances, car parts, entertainment, sport and recreation, travel, jewellery and cosmetics. Millennium Alfa card clients, apart from claiming back 5% of their spending with programme partners have access to an extended assistance package and promotional Convenient Instalments promotional programmes. The card is available in off and online sales channels.

The decisions of the Monetary Policy Council reducing interest rates significantly affected the level of credit card revenues. The lombard rate, which indirectly defines the maximum interest on loans,

including credit card loans, was reduced by the MPC decision of October 2014 to 3%, which means that the interest rate on credit card debt must not exceed 12%.

Debit Cards

In recent years the number of debit cards in the market is steadily growing. According to NBP data in Q3 2014 the number of debit cards in Poland reached the total of 29.2 million, i.e. went up by 388 thousands (1.3% yearly).

Also at Bank Millennium you can notice a steady growth trend in the number of debit cards and number of transactions performed with them. In 2014 the Bank Millennium portfolio went up by 6.4% yearly. Bank with 1.2 million cards has c.a. 4.3% share in the debit card market.

The value of transactions generated by holders of Bank Millennium debit cards in 2014 went up 19.4% in 2014 compared to 2013 and is higher than the growth recorded on the whole debit card market. Such growth rate results among others from a very competitive offer – particularly the Konto 360° offer. Among new debit card holders you can also notice a considerable growth of card transactions in the first months after their setting up.

In May 2014 the Bank launched a new Visa Konto 360° debit card. The card adds to the offer of the following accounts: Konto 360°, Konto 360° Student and Konto 360° Junior. This is the first embossed credit card in the Bank's offer which also supports PayWave contactless transactions. The use of the card gives certain benefits: it exempts the user from the card fee, account maintenance fee and allows withdrawals from all ATMs domestically and abroad. In the case of the Konto 360° account the Client will have all the above benefits after having met the additional condition of a certain amount of money paid into the account.

Cash Loans

In 2014 the Bank focused its activities on developing a product offer, new remote Client acquisition channels. Furthermore, it continued the implementation of credit process improvements. In January and February the national media campaign for the consolidation loan with a 0% commission boosted the sales of the product by over 70% compared to the period from before the campaign. In June and August 2014 the Bank launched two promotional offer cycles with a 0% commission named „There is only one such loan”, which pushed up sales in the offer's target segment by over 20%. In November and December the Bank promoted the „Festive Seven” offer with a promotional interest of 7% for loans up to PLN 5 000 for a maximum 24 months repayment period. The campaign was supported by window label stickers at Bank branches.

In the second half of January there was launched a new remote sales channel for the product. By means of such channel Clients can conclude a cash loan agreement entirely on the phone. The share in total monthly sales (by value) of the product in this channel was already over 9% in December. Thanks to introducing further simplifications in the transaction system and the Bank's mobile application the sale

of the loan in these channels totalled at year-end 2014 over 25% of the total monthly sales of the loan by value.

In the period from April till August 2014 the Bank launched Quick Loans up to the amount of PLN 10 000 and Quick Consolidation in the maximum amount of PLN 60 000 available for Bank's Clients in every distribution channel without the requirement of providing documents. In October this year the Bank also introduced a new product offer for the free professionals. The offer covers attractive pricing terms and significant simplifications with respect to the required income documents. Over the year there have also been implemented many improvements in the underwriting process with considerable impact on the time of loan disbursement, which in the process based on income documents is currently maximum 24 hours, and in the process without documents even several minutes.

Steps taken to promote the offer, develop new and existing product distribution channels and advantageous modifications of the sales process translated into a growth by value of the loan's sale by over 19% yearly. In 2014 the Bank noted a growth in the balance of retail cash loans by over 24%, i.e. several times more than the market at the same time.

Mortgages

In 2014 Bank Millennium actively developed credit and pricing policy with respect to mortgage loans adjusting it to macroeconomic conditions, competition requirements and regulator expectations.

In 2014 the Bank recorded a drop in the total amount of newly granted loans. Millennium mortgage Clients signed with the bank agreements totalling PLN 957 million and the value of disbursements stood at PLN 1018 million, i.e. fell by 20% compared to 2013. At the end of 2014 the mortgage loan portfolio of Bank Millennium reached the value PLN 27 138 million and was on similar level as year ago, which was consistent with adopted strategy of sustainable business growth with simultaneously conservative liquidity and credit risk management.

In January 2014 in connection with the enactment of the new KNF Recommendation S, the Bank adjusted its internal procedures to binding requirements, among others such as the necessity to have a downpayment at the level of 5% of the property's value, lending in the currency, in which the Client earns his income and period of lending no longer than 35 years.

A product innovation in April 2014 was to launch the subsidised mortgage loan under the Polish government's "Mieszkanie dla młodych" (First Home Buyers) programme. The programme is addressed to persons up to 35 years of age. The buyers can obtain a state budget grant with the allocation for paying part of the property's purchasing price at the level of 10% of the property price for childless persons and 15% for persons with a child. This way, the borrower with governmental support may buy a flat or home on the primary market without having own funds.

In 2014 the Bank also implemented certain improvements whose purpose is to offer to Clients with mortgage loans highest quality services. The bank launched a telephone line exclusively for Clients from the mortgage loan portfolio. Now mortgage Clients when they go to a bank branch or when they call the

special number will get full information and assistance within the duration of loan repayment.

The attractiveness of the Bank Millennium loan has been appreciated by the market, as evidenced by rankings and listings prepared by the media and international financial advisors. One of the most important successes is the 2nd place in the „Mortgage banking” category of Newsweek’s Friendly Bank ranking – one of the most prestigious in Poland. Such high place resulted from the professionalism of relationship managers and possibility of adjusting the offer to the needs of a particular Client.

Prestige Segment

Prestige is an offer for wealthy Clients with assets from PLN 100 thsd. to PLN 1 million or Clients making monthly payments into the account at a level of at least of PLN 10 000. Bank Millennium Prestige account comes with a broad array of products and services used for current financial management: PLN and FX current accounts, savings accounts, terms deposits, debit and credit cards. The bank also offers a broad array of investment and investment-insurance products, including domestic and foreign investment funds, investment programmes and structured products.

Communication focused first of all on organising investment seminars for current and potential Prestige and Private Banking Clients. In the reported period 53 investment seminars were held, with 1 587 Clients invited. Seminars proved an effective way to inform about changes in the market and the Bank’s product offer.

As of 31 December 2014 Bank Millennium had over 30 thsd. active Prestige clients.

Private Banking Segment

Private Banking at Bank Millennium is an offer of products and services addressed to the most wealthy individual Clients with assets over PLN 1 million expecting high quality of service and financial product offer tailored to their individual needs.

In 2014 the Bank as part of its wealth offer provided a broad array of products and services used for current financial management: PLN and FX current accounts, savings accounts, term deposits, debit and credit cards. Additionally for Private Banking Clients there were available the Millennium MasterCard® World Signia/Elite™ cards with access to the World MasterCard Reward programme, World Signia/Elite Privileges Programme (partnership programme), insurance package and Assistance Concierge package. The offer was supplemented by a broad array of investment and investment-insurance products, including domestic and foreign investment funds, and structured products.

Client funding needs were satisfied by the offer of cash loans, credit cards, mortgage loans and assets-backed loans. Credit product sales activities were focused first of all on offering the cash loan, credit cards and overdraft facility.

As of 31 December 2014 Bank Millennium had over 2.7 thousand active Private Banking Clients.

Internet Banking for Individual Clients

In 2014 the Bank launched its new website (available before logging) in the Responsive Web Design technology, which makes it well adjusted to displaying on all mobile devices.

Thanks to an appropriately designed graphical interface, incorporating special features of devices (computer, tablet and telephone), the website is useful, user-friendly and easy to use no matter which device is used. This makes all information presentable to the user in a clear and understandable manner, also on mobile browsers. The Bank implemented a number of online innovations and improvements in the online banking system for individual Clients (after logging).

The implemented changes and new solutions allowed the Bank to win the prestigious „Newsweek” ranking in the Best Internet Banking category. The bank was also highly rated in the Global Finance international ranking – best in online acquisition of deposits, credits, investment products in Central and Eastern Europe.

The Bank has launched (among others) services of a transfer to e-mail and mobile phone, loan and overdraft limit for Clients without a relationship history. Cash loan applications have also been simplified. Clients gained the possibility of launching through Millenet innovative products such as the Konto 360 account (also fully set up online) and Millennium Alfa credit card.

To further improve the quality of service for its Clients the bank continues its omnichannel strategy, by implementing in Millenet the Application Centre, unique tool focusing information on all sale and post-sale processes of the Client. Thanks to this the Client has now the possibility of submitting an application for a product in one channel and then continue and finalise it in a different channel. This is in fulfilment of the Bank’s desire to provide its Clients with uniformly high quality service, irrespective of the contact channel.

For Client’s data security the Bank implemented in 2014 changes to the logging process – possibility of defining the so-called personal security seal, using a virtual keyboard and assigning an own name to the MilleKod number. It also launched the possibility of managing contactless payments and card payments outside the European Union.

The number of active Millenet Clients at the end of December 2014 stood at 723 thsd. Indeed internet banking confirmed in 2014 its growing role as the channel for distributing the Bank’s products. Now Millenet is used to open 71% of new deposits, 25% of cash loans, 27% of current account overdrafts and 26% of credit cards. Internet banking is also an important communication channel for Clients and the bank. They can use this channel to submit their applications, enquires and complaints.

Mobile Banking for Individual Clients

The number of Clients who actively use Mobile Banking in 2014 exceeded 100 thousands, which confirms that it is becoming an increasingly significant access channel to the Bank. 2014 saw the expansion of sales of credit products – in addition to the loan which was available even earlier and increasing the credit card limit – our Clients may now apply for a new overdraft limit and its increasing, if they already have one. Moreover, this process does not require the Client to visit the Bank, because it is conducted entirely on-line, and the product is disbursed practically immediately.

In 2014 the application was enriched by many innovative functions which are this channel's distinctive feature. The first of them are push notifications – thanks to which Clients quickly obtain information about new promotions, services and updates. The notifications are so designed that they allow to quickly use the offer by clicking the application a few times. In response to Client needs the application was also enriched by widget functions – i.e. the possibility of quick and convenient checking the account or credit card balance without the necessity of logging on to the application.

A major improvement for our Clients has become a considerable simplification of the activation process, as well as ATM withdrawals by means of a mobile application without the use of a card. Mobile application users could also count in 2014 on additional benefits, such as a 3-months Mobile Deposit with promotional interest of even 4.5% per annum. The high quality of Bank Millennium's Mobile Application is confirmed by the fact that it is one of the best rated financial applications on the Polish market by Google Play clients.

Telephone Banking (TeleMillennium)

In 2014 incoming telephone traffic figures in the Bank slightly went up compared to the previous period, which is presented below:

	2013	2014	Change yearly
Number of calls to TeleMillennium	2.711.913	2.900.828	7%
Calls to consultant	1.439.082	1.520.783	6%
Automatic traffic	1.272.831	1.380.045	8%

This service channel increased its support for Clients both in technology and content thanks to a solution enabling screen sharing with Millenet users who need service assistance. In Q3 2014 a specialist consultant team for mortgage loans began to operate and at the end of the year the Bank started to combine telephone service with e-mail answers.

2014 is also the beginning of launching products in telephone channel pre-approval. This brought a growth up to 7% of the share of this channel in the bank's sales result. The total value of cash loans disbursed in this service channel exceeded PLN 150 million.

