

III. HIGHLIGHTS AND MAIN EVENTS IN 2014

III.1. Summary of the results in 2014

Bank Millennium Group consolidated net profit in 2014 amounted to PLN 651 million, which means a very solid growth of 21.5% when compared to 2013 year. Net profit achieved in 4Q 2014 (PLN 157.7 million) was 9% lower than the profit achieved in the previous quarter mainly due to negative impact of interest rate cuts in October.

Main financial and business highlights of 2014 results are the following:

Strong growth of profitability

- Net profit grew 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%

Core income yearly growth

- 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 Asset Quality Review

- 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

- Loan-to-deposits¹ ratio at comfortable 92%
- Loans to stable sources of funding² at 88.4%
- Total Capital Ratio³ at 15.2% and CET1³ at 14.5%

Retail business

- Cash loans record 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 12.7% y/y

Companies business

- Total loans to companies grew by 13% yearly, faster than market average
- Leasing new asset financing at PLN 2.3 billion; 18% yearly growth
- Factoring yearly turnover of PLN 12.1 billion gives 30% yearly growth, more than double of entire market growth (+13%)

¹ Deposits include Bank's debt securities sold to individuals and repo transactions with customers

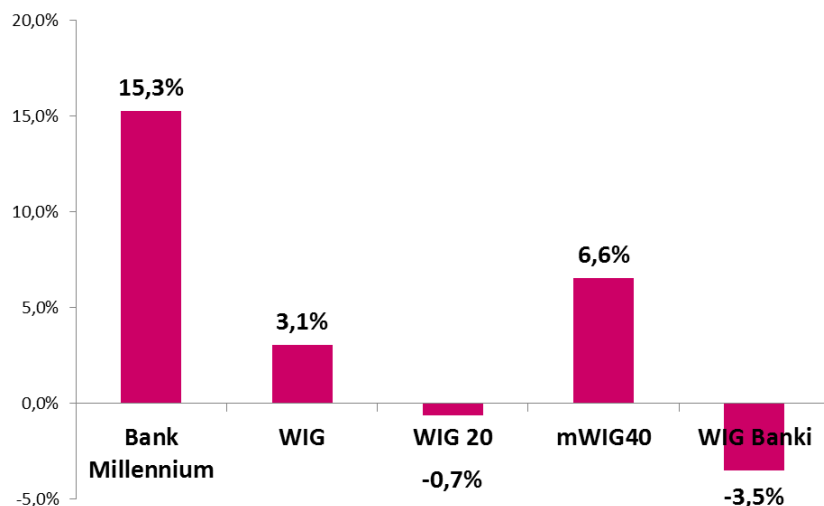
² Stable sources of funding : deposits plus all debt securities sold to individual and institutional investors (including subordinated debt) and medium-term funding from financial institutions.

³ Calculated in accordance with CRR/CRD4 rules and with partial IRB approach under regulatory constraint (70% on mortgage loans as of 31/12/2014, versus 80% on 30/09/2014 and before)

III.2. Market indicators and ratings

During 2014 Bank Millennium shares grew by 15.3% and it was second the best result among the biggest banks listed on Warsaw Stock Exchange (members of WIG banks). Only three banks recorded positive annual growth and entire WIG Banks index fell by 3.5%. During 2014 year total WIG index grew by 3.1% and mWIG40 index grew by 6.6%.

Evolution of Bank Millennium share price in 2014 versus main Warsaw Stock Exchange indices is presented below:



Earnings Per Share grew during 2014 year by 23%, which caused that Price to Earnings ratio decreased to 15.2 despite growth of share price. At the same time, Price To Book ratio grew to 1.78 i.e. by 6% yearly.

Market ratios	30.12.2014	28.12.2013	Change
Price of Bank Millennium shares (PLN)	8.30	7.20	15.3%
Market capitalization (PLN million)	10 069	8 734	15.3%
Daily turnover - avg. in the year (PLN thousand)	5 911	4 097	44.3%
EPS (PLN)	0.54	0.44	23%
P/E	15.18	16.88	-10%
P/BV	1.78	1.68	6%

Ratings

During 2014 there have been no changes of the two basic ratings of Bank Millennium, which are presented table below:

Rating	FITCH	MOODY'S
Long-term deposit rating/IDR	BBB- (stable outlook)	Ba2 (negative outlook)
National Long-term IDR	A-(pol) (stable outlook)	-
Short-term deposit rating	F-3	NP
Viability rating / financial strength	bbb- (no outlook)	E+ (stable outlook)
Support	3	-

III.3. Information on important agreements and events with impact on Group's activity

- On 28 March 2014 the Bank issued 500,000 3-year bearer Bonds, with nominal value of PLN 1,000 each. The Bonds were issued in private placement and are unsecured. Interest rate on the Bonds is variable, based on the WIBOR 6M rate, plus a margin of 1.40% per annum. Interest shall be paid every six months. Since 23 April 2014 the bonds are listed in the Alternative Trading System, kept by BondSpot S.A. of Warsaw.
- In result of sale of the Bank's shares in transactions concluded on 30 May 2014, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK reduced its stake in the total number of votes in the Bank below 5%. After concluding and settling the transactions mentioned above, as of 4 June 2014 Aviva OFE held 60,163,442 shares of the Bank, constituting 4.96% of shareholders' equity. According to the Aviva OFE annual report, as at end of 2014 the fund held 4.8% of the Bank's shareholders' equity.
- On 24 October 2014 the Supervisory Board of the Bank selected PricewaterhouseCoopers sp. z o.o. with its registered office in Warsaw to audit financial statements of Bank Millennium and consolidated financial statements of the Bank Millennium Group for 2015.
- On 26 October 2014 the Polish Financial Supervision Authority informed about results achieved by 15 Polish banks, including Bank Millennium, in the Asset Quality Review and Stress Tests, carried out in 2014 in the context of EBA Recommendations on asset quality reviews, EBA/REC/2013.04 and based on uniform guidelines defined in the methodology published by the European Central Bank in March 2014 (Asset Quality Review, Phase 2, Manual March 2014). Results of both the Asset Quality Review as well as the Stress Tests were very positive for Bank Millennium. As regards the Asset Quality Review (AQR), the level of adjustments to the Common Equity Tier 1 Ratio (CET1) was minor and decreased the mentioned ratio by only 0,28 p.p. As regards tests under an adverse scenario, the adjusted CET1 Ratio reached 12.37%, which is more than double of the minimum threshold of 5.5% and only 0,99 p.p. lower than the CET1 ratio as of 31/12/2013 before adjustments.

In the opinion of the Bank's Management Board, the Asset Quality Review (AQR) result and the relatively small size of adjustments are a confirmation of the sound principles that the Bank has been applying in terms of recognition of impaired exposures, collateral valuation and level of provisions. On the other hand, the stress tests results confirm the resilience and high level of solvency of the Bank even under adverse scenarios.

III.4. Main awards and achievements of Bank Millennium in 2014

Top bank in Newsweek ranking



Bank Millennium came 1st in the “Internet Banking” category in 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.

2014 Service Quality Star



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

The Best Internet bank according to the Global Finance



Bank Millennium is yet again in the prestigious group of banks recognized by the Global Finance independent financial magazine. Bank Millennium topped the list in “Best Trade Finance Services” in the overall category of best internet banks for corporate customers. Moreover the Bank was also number one in Best Online Deposit, Credit and Investment Product Offerings for retail customers in Central-Eastern Europe.

The custody operation awarded by the Global Custodian



Bank Millennium was awarded the Category Outperformer award in “Agent Banks in Emerging Markets Survey 2014”, carried out by the Global Custodian, a leading international magazine, which deals with services connected with processing of transactions on global securities’ markets. For 25 years now Global Custodian has been conducting surveys renowned in the financial sector, measuring achievements and quality of services provided by banks and brokerage companies.

The award given to Bank Millennium is the equivalent of the “Best in Class” award, which Global Custodian had been giving out in previous years.

Macroeconomic Research Bureau among top Polish forecasters

Macroeconomic Research Bureau of Bank Millennium was placed 1st in the ranking of forecasters of Polish financial institutions prepared by “Parkiet” daily in 2014. Macroeconomic part covers i.e. inflation, labour market, money supply, balance of payment and domestic demand (production, retail sales, GDP, investments, consumption). Ranking of financial market indicators includes forecasts of EURPLN, USDPLN, reference rate, WIBOR 3M, 2Y Bond, 5Y Bond, WIG20 in a perspective of 1 months, 1 quarter, and 2 quarters. Forecasts were collected from ca. 24 institutions.

Bank Millennium in the RESPECT Index



Bank Millennium is again part of RESPECT Index - index of socially responsible companies.

The RESPECT Index portfolio covers Polish companies listed on the Warsaw Stock Exchange Main Market which follow the highest corporate governance, reporting and investor relations standards, and which also include environmental, social and governance factors.