

## VI. PRESENTATION OF BUSINESS ACTIVITY

### VI.1. 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.

### VI.2. Corporate banking

As part of the Corporate Banking segment Bank Millennium offers professional services to entrepreneurs with annual revenues from sale above PLN 5 million and, moreover, to institutions and public sector entities.

Services for Corporate Banking Clients are provided by an extensive countrywide sales network. Clients can use Relationship Managers and Consultants working in 37 Corporate Centres supported by Product Advisors specialising in leasing, factoring, trade finance, Treasury transactions and transactional banking.

Apart from direct contact with Bank Employees and access to the TeleMillennium telephone service, the Clients have the possibility of using modern tools such as:

- Millenet for Corporates online banking system (with the „Trade Finance” module),
- Mobile banking, i.e. access to accounts and banking operations by mobile means.

A comprehensive product offer in the corporate area allows to build customised cooperation proposals based on diagnoses of the Clients' needs, understanding their realities and those of their sector. All Clients starting their cooperation with Bank Millennium have guaranteed full support in the process of launching direct service through electronic channels (current settlements, FX platform, trade finance service and mobile banking).

In the reported period our activities also focused on further improvement of service quality for Corporate Clients. In consequence, not just business results improved, but up also went the level of Client satisfaction as shown both in an internal satisfaction survey and in the independent survey conducted by GfK Polonia.

### Loans

2014 was a period of dynamic growth in the value of financing provided to enterprises by Bank Millennium. The volume of loans in the Bank's portfolio increased in 2014 by PLN 1.5 bn (growth of 13% year on year) thus reaching the value of PLN 13.5 bn. This increment happened despite continued limited enterprises' demand for

financing with banking credit, which results from a good liquidity situation of companies and possibility of covering a major part of current needs from own funds. 2014 saw a considerable (20%) growth by value of investment loans granted by the Bank.

The Bank constantly increases its share in Medium and Large financing. For this purpose the Structured Financing Department was created in 2014 specialising in large structured financial transactions, including project finance transactions in real-estate area. The offer of credit products in Q1 2015 will be extended by the umbrella loan - common credit limit for several enterprises making up a group of related entities. This is also connected with the plan of further strengthening of the position relating to funding companies from the mid corporate segment.

Work is under way on providing new functionality in the Millenet for Corporates online banking system, which will allow Clients to send an electronic version of documents in the lending process. The launching of a new channel of supplying documents will increase the Client's convenience in contacts with the Bank and, moreover, it will make the funding process more efficient.

Bank Millennium participates in the governmental programme of enterprise promotion with the use of guarantees from Bank Gospodarstwa Krajowego. Under an agreement concluded with BGK, the Bank may offer to SMEs PLN funding secured with de minimis guarantees of the Polish Government. High guarantee value, even up to 60% of the loan value (maximum PLN 3.5 million), long period of financing - up to 24 months in the case of loans for current needs or up to 96 months for investment needs, make the programme is popular among Clients. Steps connected with obtaining the loan and guarantees are implemented directly at Bank Millennium.

### Specialist Financing - Factoring

In 2014 Bank Millennium's realised factoring turnover was PLN 12.1 bn. This is yet another record-breaking year in this area. The growth rate was recorded at 30%. In 2014 Bank Millennium moved up in the ranking of factoring institutions by one spot and is currently 5th, having increased its market share from 8.2% at year-end 2013 to 9.5%.

In view of the value of realised turnover broken down into factoring without recourse (full factoring and reverse factoring) and factoring with recourse, in 2014 Bank Millennium recorded a growth rate respectively at the level of 31% and 29%. These results demonstrate that the whole factoring portfolio of the Bank is uniformly growing and the Bank increases its turnover both in factoring without recourse, which corresponds to growing demands in this target group category, as well as in classic factoring transactions.

Such good result stems from steady growth in the number of transactions and level of factoring limits with the observance of a high degree of their utilisation. From January till the end of the year the portfolio of factoring assets went up 16%, achieving the value of PLN 1.59 bn. The Bank is fourth in the market in terms of the number of functioning agreements and the size of factoring assets.

### Trade Finance

In 2014 the Bank significantly improved the structure of the trade finance portfolio in terms of potential transaction risk. On the one hand there still persisted a noticeable falling trend in terms of the portfolio share of long-term transactions (in excess of 5 years), but, on the other hand, the share of letters of credit was significantly growing in new transactions. In January 2014 letters of credit constituted 10% of new transaction amounts, and in November this was already 47%. In 2014 year 45% more letters of credit were opened than in the preceding year. The volume of new letters of credit went up threefold.

2014 saw the expansion of the group of Clients using the „Trade Finance” module offered in the Millenet for Corporates online banking system. The advanced functionality of Millenet enables the Clients a comprehensive Web-based management of bank guarantees and documentary letters of credit.

Thanks to platform implementation the transaction rate has definitely gone up (the transaction rate is the number of transactions originated at the Bank by the Client). Our Clients like this manner of transaction processing, as evidenced by the order automation ratio defined as the ratio of the number of electronic orders to all orders in the case of documentary letters of credit. In the second half of the year it stood, on average, at 83%, and in November even 96%.

The „Trade Finance” Module has been appreciated by experts and editors of the Global Finance magazine preparing the ranking of the best online banks for corporate clients in Central and Eastern Europe, in which Bank Millennium came first in the „Best Trade Finance Services” category.

### Client Settlement Service

2014 is a continuation of a stable growth of volumes accumulated on current accounts by 8%, which stems from a consistent rise in the number of transaction products and the number and volumes of operations on Client accounts by 17% y/y.

Bank Millennium offers a comprehensive array of transactional banking products supported by a productive and ergonomic online and mobile banking system. Corporate Clients may use without any limitations all the Bank's branches. Transactional communication with Clients uses also dedicated channels through SSH/SFTP and PGP protocols. In transactional banking the Bank currently focuses on solutions ensuring high quality of Client service, streamlining of processes in accordance with the Lean methodology and operational efficiency in order to increase the base of clients actively using a variety of transactional solutions.

In the first half of 2014 the offer was supplemented by Millennium MasterCard Prepaid Commercial cards in EUR, liquidity services were expanded through cash pool type solutions, Bank Millennium was also registered with the SWIFT for Corporates service, MT101 settlements were automated and the MT 101 multiple functionality was launched.

The Bank prepared processes assuring from January 2015 compliance of its business with FATCA, i.e. the tax international compliance improvement agreement and implementation of FATCA legislation.

### Electronic Banking

In 2014 work continued on developing Millenet for Corporates as a uniform access platform for Corporate Clients. The scope of services offered in the service system was expanded by access to the Millennium Forex Trader FX platform and module for ordering and handling of payment cards. Thanks to projects which have already been implemented the system now allows our Clients to electronically manage Treasury products, trade finance and transactional banking. Access to many services after just one logging and by means of the same authorisation tools effectively increases the Client's comfort and boosts the number of performed transactions. The card ordering module will (in the next projects) be expanded by the possibility of submitting applications for other banking products and ultimately is to completely replace paper-based applications.

An important project was also the new path for implementing online banking services for clients starting their cooperation with the Bank. It lays emphasis on providing specialist support from an electronic banking expert (already from the first meeting with the Client) to the first transaction performed in the system. Thanks to the new process the transaction activity of new clients faster achieves the levels assumed for a given cooperation.

In 2014 the Bank was able to achieve a considerable, almost double growth in the number of users of corporate mobile banking. Mobile applications introduced new types of transactions (instant transfers and Sorbnet). Moreover, the possibility of handling several companies in a single application was implemented. It is planned to implement further projects enhancing mobile banking functionality.

### Deposits

In 2014 Bank Millennium improved the structure of companies deposit products increasing the share of current accounts in the total volume to 27%. 2014 was yet another year in which costs of financing by means of corporate term deposits were strictly controlled - they fell on average in a year by 0.05%. The volume of corporate deposits at the year-end 2014 was PLN 17.8 billion.

## VI.3. Treasury and investment operations

### Treasury and Investment services

Bank Millennium as part of its business conducted by the Treasury Department enables the Bank's Clients to access a broad portfolio of financial instruments: spot exchange transactions, deposit products, instruments for managing exchange rate risk (fx forward, fx swap, options) and interest rate risk management instruments (FRA, IRS, CIRS transactions).

The solutions offered by the Bank allow both exporters and importers to hedge the exchange rate risk, and by the same token perform a correct calculation of costs and prices. Clients also have the possibility of hedging the risk of financial result deterioration due to adverse fluctuations in market interest rates in future - the proposed solutions enable both to establish fixed interest cost or income - and do not require the making of changes in the already functioning credit or leasing agreements.



In 2014 the Treasury Department continued its steps connected with active sales of the Millennium Forex Trader platform (for the first time - starting from 2014 - integrated with the Millenet online banking system), which is used by Corporate Banking Clients to conclude on their own spot and forward transactions and currency swap transactions. At year-end 2014 the Bank's platform was actively used by almost 1500 Clients.

Bank Millennium is the market's leading financial institution in structured products offered to Retail and Prestige Clients.

### Custody services

Bank Millennium provides custody services based on an individual permit from the Securities and Exchanges Commission. Bank Millennium is a direct participant of deposit and settlement systems such as the National Deposit for Securities, NBP Securities Register or the International Clearing Houses: Euroclear Bank SA/NV, Clearstream Banking Luxembourg, etc.

Custody Department Clients are domestic and foreign financial institutions (global custody banks, depository banks or global depository receipts, investment banks, asset management institutions, insurance companies, mutual investment institutions, investment funds) and other legal persons active in operations of the capital and money market requiring a comprehensive and customised service.

In terms of the number of foreign and domestic Clients who entrust us with their assets Bank Millennium is one of Poland's top banks. The value of assets on Client security accounts as of 31 December 2014 stood at PLN 34.3 bn, which compared to PLN 30.25 bn in 2013 means a growth by 13.39 %. At the end of 2014 the Bank ran 11 476 securities accounts and performed the function of a Depository for 80 Investment Funds.

In this year's Global Custodian ranking „Agent Banks in Emerging Markets Survey 2014” Bank Millennium received the „Category Outperformer” award. The award received by Bank Millennium corresponds to the „Best in its Class” Award, given by Global Custodian magazine in previous years. Custody services are assessed based on detailed surveys of client opinions about banks operating in this field all over the world.

## VI.4. Business activity of subsidiaries

### Leasing services

Millennium Leasing sp. z o.o. is the Bank's subsidiary offering leasing services. The Company's activity covers both financing of movables (mainly means of transport and machines and equipment for all the sectors of the economy and services) as well as real estate.

The total value of concluded leasing agreements in 2014 stood at PLN 2 252 m, which means a growth by 17.6% from 2013.

Millennium Leasing came 5th in the ranking of leasing companies in Poland in terms of the value of all objects, with 7% market share according to data from the Polish Leasing Association. Most leasing Clients are the Bank's Clients: microbusinesses and Corporate Clients.

Millennium Leasing was created in 1991 and is one of the oldest firms operating on the leasing market in Poland. The scale of Company operations is demonstrated by signing almost 144 thousand leasing agreements with almost 45 thousand Clients for the total amount of 20.1 bn. The value of capital exposure to active leasing agreements, as of 31.12.2014, was PLN 4.05 bn, which means an 18.6% growth from 31.12.2013.

Currently the Company's portfolio includes 12.2 thsd. Clients. Sale of leasing services is conducted by leasing advisors in 67 company branches all over Poland and through relationship managers at branches and in Bank Millennium's corporate network.

### Brokerage Services

Brokerage at the Millennium Bank Group is conducted by Millennium Dom Maklerski S.A., which provides a broad scope of brokerage services, in particular in terms of implementing orders to purchase or sell financial instruments on the principal's account, purchase or sell financial instruments for own account, run securities accounts and money accounts necessary to run them, investment advice, advice for enterprises on capital structure and strategy and mergers, demergers and taking over of enterprises, offering of financial instruments, providing services in implementation of concluded agreements for investment and service sub-issues, preparing investment and financial analyses and other recommendations with respect to financial instruments.

In 2014 the regulated market turnover of Millennium DM on the stock market stood at PLN 3 914 m, which gave the company a 1.0% market share according to the Stock Exchange data. As of 31 December 2014 Millennium DM ran 60 530 investment accounts and operated as a marketmaker and bookrunner for nine companies listed on the Stock Exchange and for one corporate bond listed on BondSpot.

In 2014 Millennium DM as the underwriter conducted an initial public offering of Dekpol S.A. and as a leader of a public consortium conducted a public offering of Altus TFI S.A. In 2014 Millennium DM also conducted the purchase of shares of the companies: Emperia S.A. and Muza S.A and intermediated in the public call for shares of EGB Investment S.A.

### Investment Funds

2014 was a good year for investment funds, despite a lower growth rate of assets compared to 2013. The assets of investment funds went up in 2014 by PLN 20 billion, which constitutes 10.6% of their value last year. Investors were encouraged to more extensively use other forms of savings than bank deposits by an increasingly richer and more diversified offer of investment funds. They were not discouraged from this lack of rising valuations on the equities market and poor results of share funds.

The net assets value of investment funds managed by Millennium TFI was PLN 3 568 million at the end of 2014, having grown over the year 2.7%. Subfundusz Obligacji Korporacyjnych (Corporate Bonds Subfund) is particularly noteworthy, as its assets in 2014 went up by PLN 666 million. The structure of participants of Millennium TFI funds changed for the better. The average value of assets per one user went up from PLN 28 228 in 2013 to PLN 30 466 in 2014. In 2014 the Millennium TFI launched a new subfund under the name of Millennium Fundusz Inwestycyjny Otwarty - Subfundusz Instrumentów Dłużnych (Open Investment Subfund - Debt Instruments Subfund).