

- realised profit on sale of shares from the “available for sale” book in the amount of PLN 9 826 000,

- in calculating own funds the positive effect of pricing of shares quoted on the active market from the “available for sale” book, presented in the balance-sheet in revaluation capital (shown in the table above) was not taken into account.

### **XIII. Exposure to interest rate risk on positions not included in the trading book (CRR Article 448)**

Information on exposures to interest rate risk on positions not included in the trading book are presented in the Yearly Financial Report, in the market risk management section of the financial risk management chapter.

### **XIV. Exposure to securitisation positions (CRR Article 449)**

Exposure to securitisation positions are not material (Explanations in the additional information to the Yearly Financial Report)

### **XV. Remuneration policy (CRR Article 450)**

#### **The process of defining the policy for variable remuneration components**

The policy of variable remuneration components of employees holding managerial posts in Bank Millennium Group was prepared on the basis of assumptions concerning remuneration of employees in Bank Millennium Group - with consideration of the management and internal control system in use as well as requirements of resolution No. 258/2011 of Polish Financial Supervision Authority - by a project team set up for this purpose and composed of HR, Banking Law and Labour Law, risk management as well as compliance experts. The method of analysis of scopes of liability for risk-based decisions, adopted remuneration assumptions as well as assessment rules and criteria were presented for verification and acceptance to a Steering Committee appointed specifically for this purpose. Similar verification was made by the Committee of a list of positions and persons responsible for taking decisions, which significantly affect the Bank’s risk profile. The Steering Committee was composed of Chairman of Bank Millennium, Deputy Chairman, Management Board Member, Director of the Risk Department, Director of the Planning and Management Information Department.

The “Policy for variable components of remuneration of persons in management positions in Bank Millennium SA Group” (Policy) was approved at the meeting of the Supervisory Board of the Bank on 30 November 2012. The Policy has been detailed out with documents describing the rules for Policy implementation separately for Management Board Members and for remaining Risk Takers in the Group. The

documents were approved at the Supervisory Board meeting on 24 March 2013. The list of positions and persons, responsible for taking decisions, which significantly affect risk profile, includes all Members of the Bank's Management Board, all Members of Management Boards of Subsidiaries of the Bank as well as persons particularly responsible for determining or controlling risk profile in the Bank. No external consultants were involved in defining the "Policy for variable components of remuneration of persons in management positions".

### **Scope and composition of the Personnel Committee of the Supervisory Board and of the Supervisory Board**

Decisions concerning bonuses based on policy of variable remuneration for 2013 have been taken by Personnel Committees: - Personnel Committee of the Supervisory Board composed of a majority of Supervisory Board Members, and Personnel Committee of the Management Board, consisting of all Management Board members.

The Personnel Committee of the Supervisory Board is responsible i.a. for determining the terms and conditions of employment and assessment of work of Members of the Bank's Management Board. Starting from 2013 tasks of the Committee include giving an opinion about the Policy for variable remuneration components, including amount and types of components granted to persons in management positions who have significant influence on the Bank's risk profile. The Personnel Committee of the Supervisory Board held three meetings in 2014, during which "Policy for variable components of remuneration of persons in management positions in Bank Millennium SA Group" has been reviewed. The Committee made also decisions concerning awarding variable remuneration components (including payment of postponed remuneration components) for the Management Board Members after completion of evaluated periods. Whereas Personnel Committee of the Management Board held two meetings during which it evaluated and awarded variable compensation within yearly bonus programs for Risk Takers who are not Members of the Management Board.

### **Information concerning remuneration levels**

Remuneration of persons, who take decisions, which affect risk profile, is defined with consideration of:

- Scope of tasks performed in the organisational unit,
- Level of responsibility facing the employees and
- Based on an analysis of salary information presented in surveys of salaries in the financial institutions.

Variable remuneration components - the annual bonus pool for persons in management positions is granted following prior analysis of the Bank's situation as regards:

- Attained business results: net profit, result on banking activity, cost/income ratio, ROE ratio;
- liquidity: loans/deposits ratio, value of liquid assets;
- capital adequacy ratios as compared with KNF benchmarks.

The Bank's results are analysed in a 3-year perspective prior to awarding the bonus pool for variable remuneration.

The level of bonus pool is correlated with attainment of result on banking activity, net profit, cost/income ratio, ROE. Capital adequacy ratios in the evaluated period cannot fall below the levels accepted by KNF.

Risk indicators relating to the Bank's liquidity in the evaluated period cannot fall below levels accepted by KNF. The bonus pool may be increased as the ratios improve.

The value of bonuses granted to Risk Takers cannot exceed 100% of the base salary in accordance to the Policy of variable remuneration components adopted in Bank Millennium Group.

**Criteria of assessment of results on the level of the bank, units and individual (financial and non-financial), which are the basis for determining and paying the individual variable remuneration:**

### **Distribution of bonus pool**

#### *Members of the Bank's Management Board*

Decisions concerning the granting of bonus to Management Board Members are taken by the Personnel Committee of the Supervisory Board following an analysis of performance concerning

financial criteria:

- execution of planned budgets and ratios for the area of activity under management,
- comparison with competitors in the same segment of the market,
- market business criteria defined for the period;

as well as non-financial criteria, in particular:

- overall management quality in the area of responsibility,
- effective leadership and contribution to the Bank's development,
- management and supervision over units in the area of responsibility.

#### *Other persons covered by the Policy for variable remuneration components*

The Personnel Committee of the Management Board of Bank Millennium makes an evaluation of work in the relevant period from the point of view of quantitative criteria for the particular area of responsibility (results of banking activity of business lines) as well as discretionary evaluation of individual work quality, on this basis determining the amount of annual discretionary bonus.

### **Main parameters and principles of determining remuneration and method of linking to performance**

#### *Management Board Members*

The bonus pool for payments of bonus to Management Board Members may not exceed 100% of the value of total annual salaries and 2% of Consolidated Net Profit of Millennium Group.

Granting and payment of 50% of the value of variable components of remuneration is done only after the end of the relevant period and after announcement of financial

results, while payment of the remaining 50% of variable remuneration shall be deferred and paid in three equal annual instalments. Members of the Management Board shall receive each part of the awarded bonus - paid in the year coming after the assessment period and deferred - half in cash and half in a financial instrument, the value of which relates to the value of shares of Bank Millennium.

*Other persons covered by the Policy for variable remuneration components*

Other persons covered by the Policy for variable remuneration components are paid the bonus in 50% in cash form in the year coming after the accounting year, while the remaining 50% deferred for 3 years is paid in a financial instrument, which relates to the value of shares of Bank Millennium, in equal annual instalments.

Variable remuneration of other persons covered by the Policy may not exceed 100% of their total annual remuneration.

**Principles for granting deferred components**

The bonus in its deferred part shall be reassessed in subsequent years and pursuant to a decision of the Personnel Committee of the Supervisory Board it may be subjected to mauls or clawback, depending on the Bank’s financial situation resulting from actions taken in the assessed period.

The condition for payout shall be the non-occurrence of the events below:

- significant adjustment of performance with respect to the assessed period,
- low level of the Bank’s results, threatening the capital base,
- materialisation of the risk of decisions in the assessed period, adversely affecting the bank’s risk profile.

**Quantitative information regarding remuneration**

*Aggregated quantitative information concerning remuneration of persons in management positions in Bank Millennium Group, who have material impact on its risk profile, in the meaning of article 450 of CRR*

*Table no 13 Aggregate quantitative information on remuneration, broken down by areas of the company's activity and by senior management and members of staff whose actions have a material impact on the risk profile of the institution (PLN thous.)*

Business lines	Total remuneration for 2014		
	Management Board	Risk Takers (without Management Board Members)	Total
Retail Banking		996	996
Corporate Banking		4 607	4 607
Overall Bank Management	8 867	6 235	15 102
<b>Total</b>	<b>8 867</b>	<b>11 837</b>	<b>20 704</b>

*Table no 14 The amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries; the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types; the amounts of outstanding deferred remuneration, split into vested and unvested portions; broken down by Management Board Members, persons reporting directly to Management Board Members and other persons in management positions in Bank Millennium Group, whose actions have a material impact on the risk profile of the institution (PLN thous.)*

	Management Board	Persons in management positions - reporting directly to Management Board Members	Other persons in management positions
Number of persons	7	26	5
Fixed remuneration	8 867	8 558	1 370
Variable remuneration (*)	0	1 669	240
Total cash	0	853	123
Cash paid	0	853	123
Cash deferred	0	0	0
Total financial instrument (*)	0	817	118
Vested financial instrument	0	0	0
Deferred financial instrument	0	817	118
Paid financial instrument	0	0	0

(\*) as at the day of publication of the report no variable remuneration for 2014 was awarded to Management Board Members

*Table no 15 The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments for persons in management positions, broken down by Management Board Members, persons reporting directly to Management Board Members and other persons in management positions in Bank Millennium Group, whose actions have a material impact on the risk profile of the institution (PLN thous.)*

	Management Board	Persons in management positions - reporting directly to Management Board Members	Other persons in management positions
Number of persons	7	24	3
Deferred remuneration paid out during the financial year, subject to adjustment for performance in previous financial years	679	281	20

Table no 16 New sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments among persons in management positions, broken down by Management Board Members, persons reporting directly to Management Board Members and other persons in management positions in Bank Millennium Group, whose actions have a material impact on the risk profile of the institution (PLN thous.)

	Management Board	Persons in management positions - reporting directly to Management Board Members	Other persons in management positions
New sign-on and severance payments	1 740	0	0
Highest such payment	1 740	0	0
Number of persons receiving such payments	1	0	0

The number of individuals being remunerated EUR 1 million or more per financial year

No such individuals.

## XVI. Leverage (CRR Article 451)

As at 31 December 2014, the leverage ratio at the Group level was 8,29%

When calculating leverage, the Group does not apply the derogations set forth in Articles 499.2 and 499.3 of CRR. Leverage ratio is calculated both with respect to Tier 1 capital and using the temporary definition of Tier 1 capital.

The distribution of the total exposure measure used in the leverage ratio and leverage levels as at 31 December 2014 are presented in the table below:

Table no 17 Distribution of the total exposure measure and leverage levels as at 31 December 2014, (in PLN thous., %).

The amount and distribution of total exposure used in the leverage ratio, according to COREP report	1 month	2 months	3 months
Exposure to equity financing transactions in accordance with Article 220 of CRR	2 033 890 692	1 390 290 069	155 583 000
Derivatives: market value	621 837 738	614 635 632	618 968 267
Undrawn credit facilities unconditionally cancellable at any time without notice	678 212 461	690 202 786	722 804 005
Other assets	57 909 095 334	58 206 719 919	59 417 975 106
Medium/low risk trade finance off-balance sheet items	126 300 415	121 954 831	122 008 791