

## Distinguished in 2012:

The best Internet Bank  
In Poland

**Newsweek**



GLOBAL  
FINANCE

2<sup>nd</sup> place in ranking  
“The best Bank for companies”



# Bank Millennium Group

## Results of 2012 Financial Year

General Shareholders Meeting  
Bank Millennium S.A.

11 April 2013

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All data presented hereby is based on the audited, consolidated Bank Millennium Group financial data (excluding net profit for distribution, which is presented also for the Bank on non-consolidated level). This data is included in the Financial Statements for the Group and Bank Millennium and was published on 28<sup>th</sup> February 2013.

From 1st January 2006, the Bank started to treat under hedge accounting principles the combination of mortgage floating rate foreign currency loans, floating rate PLN deposits and related cross currency interest rate swaps. From 1st April 2009, the Bank extended hedge accounting principles to FX swaps. According to the accounting principles the margin from these operations is reflected in Net Interest Income. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides **pro-forma data**. The pro-forma statement presents all interests from derivatives included in Net Interest Income, which in the Bank's view allows better understanding of the economic evolution of this item.

The matters discussed in this presentation include forward-looking statements and these statements are based on management's current expectations and beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

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# Key business achievements in 2012

## RETAIL

- Current Accounts grew by **153 ths y/y**;
- Deposits volume **+13% y/y**
- Investments products **+37% y/y**
- Cash loans: **PLN 1bn** sold; 52% growth y/y
- Fast loan granting process (48h for 90% of customers)

## COMPANIES

- Factoring turnover growth **+21% y/y**
- Number of payments growth **+28% y/y**
- Increase of number of customer **+8%**  
with stable cross selling ratio at **3.60**



## INNOVATIONS

## EFFICIENCY

- Record low C/I ratio: **55%** in 4Q 2012
- Flat costs: **-0.3% y/y**
- One of the best level of cost per branch and per employee

- Number of mobile banking users: **52 ths.**
- First bank in Poland with mobile application for companies
- **500 ths.** users of PFM\*; first bank launching it on mobile
- New Express elixir for external payments

\* PFM - Personal Finance Management;

# Main financial highlights of 2012

## Net profit improvement

- Net Profit at PLN 472 million; grew by 1.2% y/y
- ROE at 10.2%

## Stable costs and record efficiency

- Operating costs dropped 0.3% yearly
- Cost-to-Income ratio at 57.4% ytd (and 55.3% in 4Q)

## Good quality of loans maintained

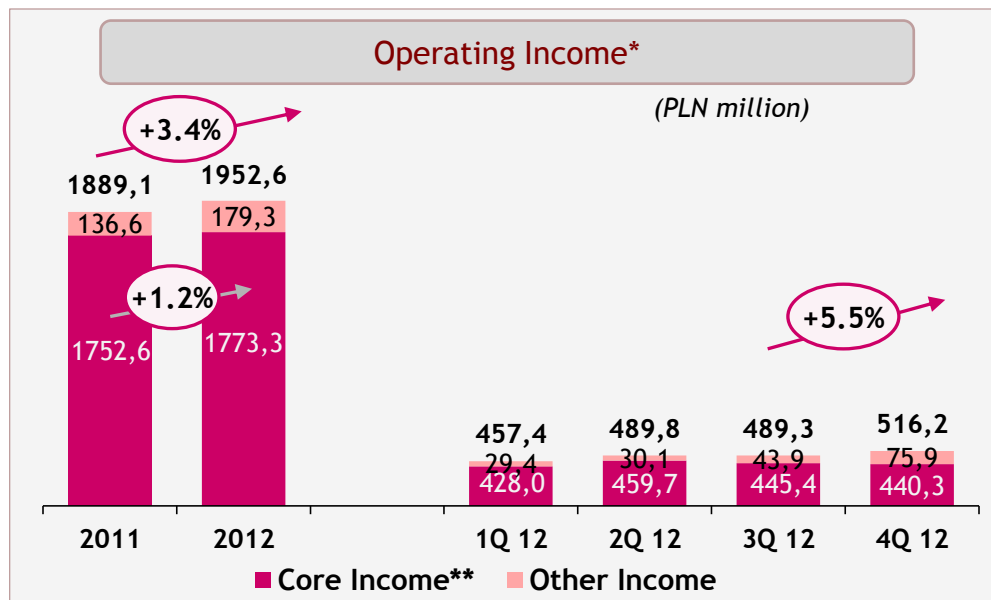
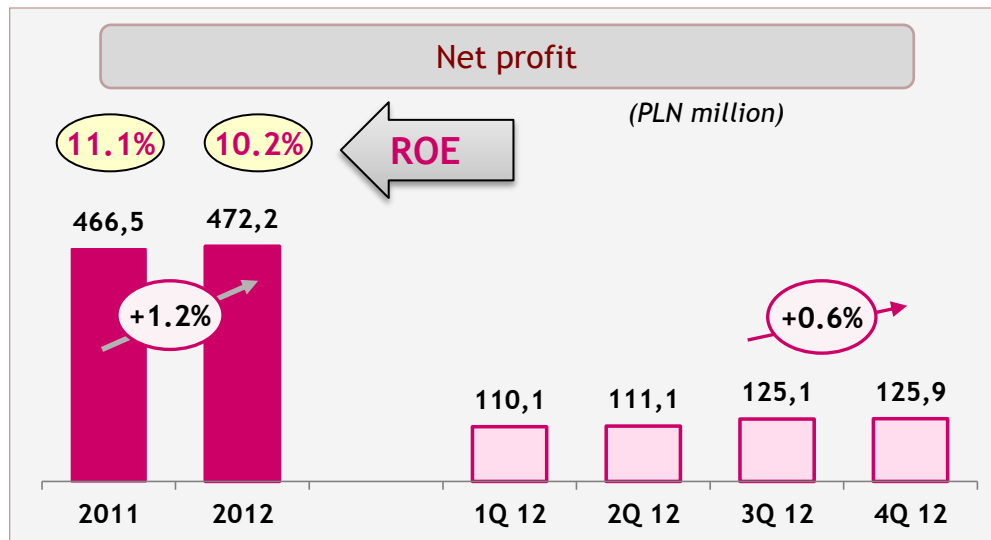
- Impaired loans ratio at 5.1% (versus market average of 8.8%)
- Past-due loans over 90 days at 2.8%
- Cost of risk at 58 bps over total net loans

## Improved liquidity and capital position

- Loan-to-Deposit\* ratio dropped to 95%
- Total CAR at 14.5% and Core Tier 1 at 12.9% - first positive impact of IRB approval

\* Includes Bank's bonds and debt securities sold to individuals, repo transactions with customers and securitisation of leasing assets

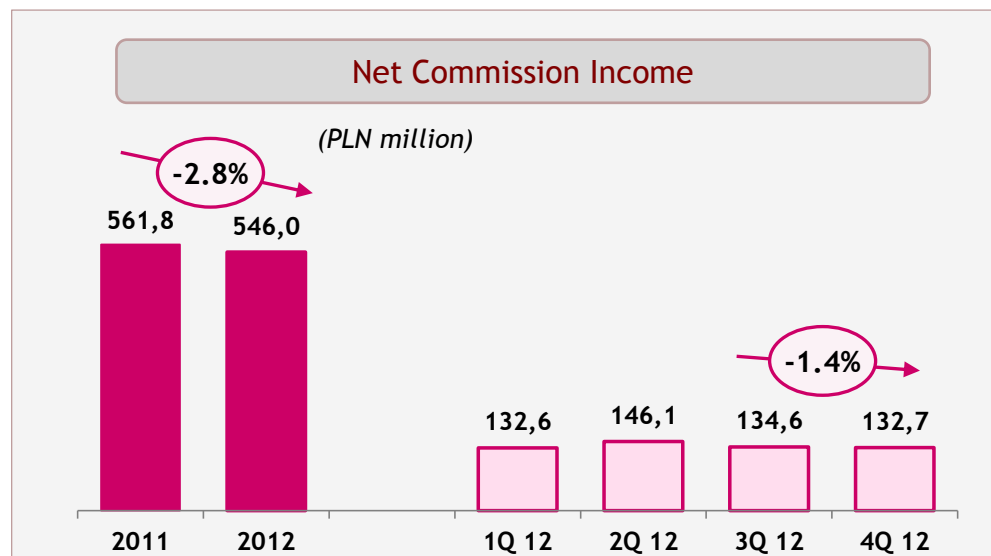
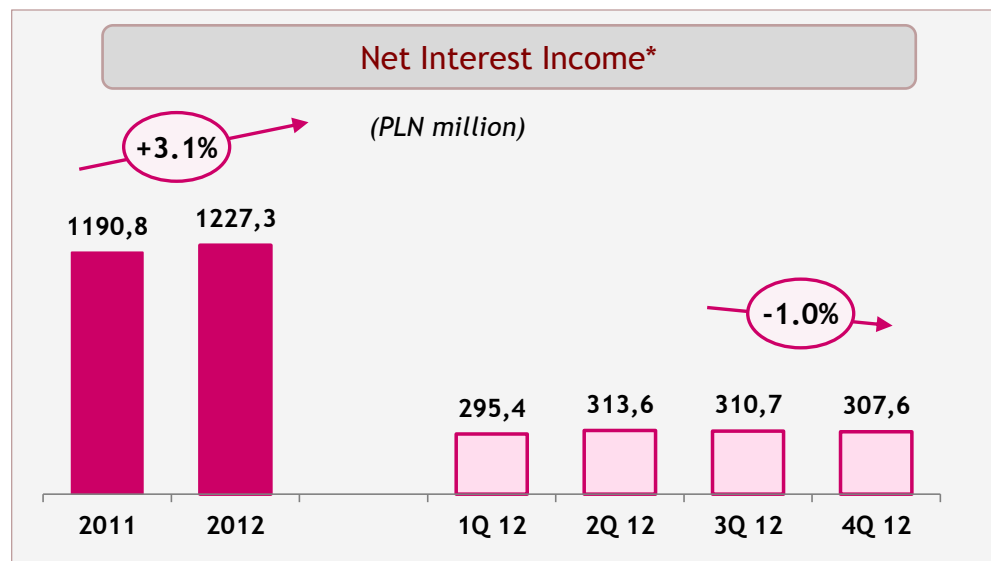
# Profitability



- Net profit of Bank Millennium Group reached PLN 472 million in 2012 and was 1.2% higher than in the previous year.
- Net profit growth was mainly driven by the growth of core income and FX result which was reflected in total operating income growth by 3.4% y/y, while operating costs were under strict control and decreased by 0.3% y/y.

\* Including net other operating income and cost \*\* Net Interest Income + Net Commissions Income

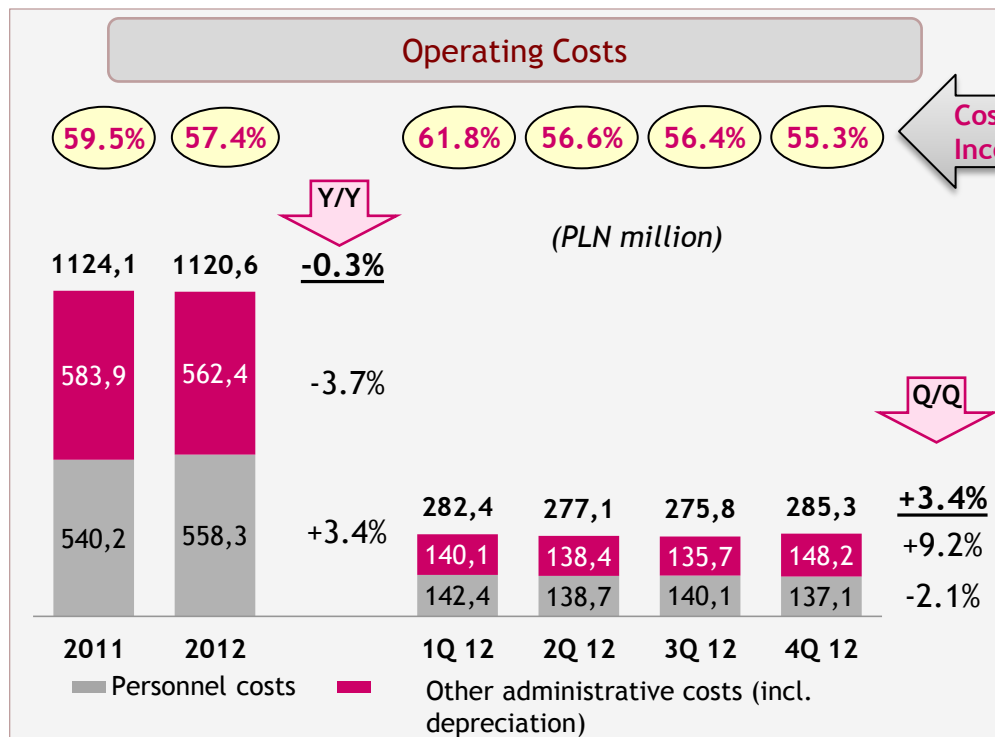
# Core Income



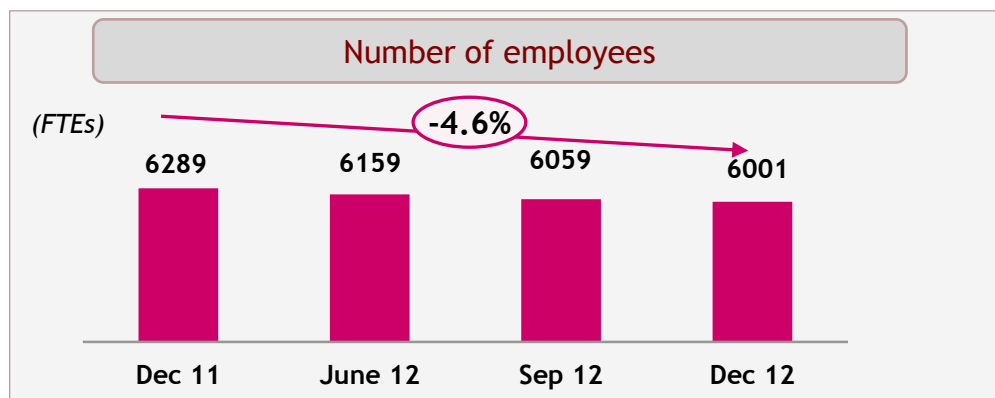
- Net Interest Income\* for 2012 was higher by 3.1% compared to 2011 year.
- The Bank managed to achieve the significant milestone of decreasing its Loan-to-Deposit ratio below 100% with limited impact on Net Interest Margin.
- Net Commissions decreased slightly (-2.8%) in 2012 compared to 2011.

\* 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 66.1 million in 2012 and PLN 48.9 million in 2011) is presented in Result on Financial Operations.

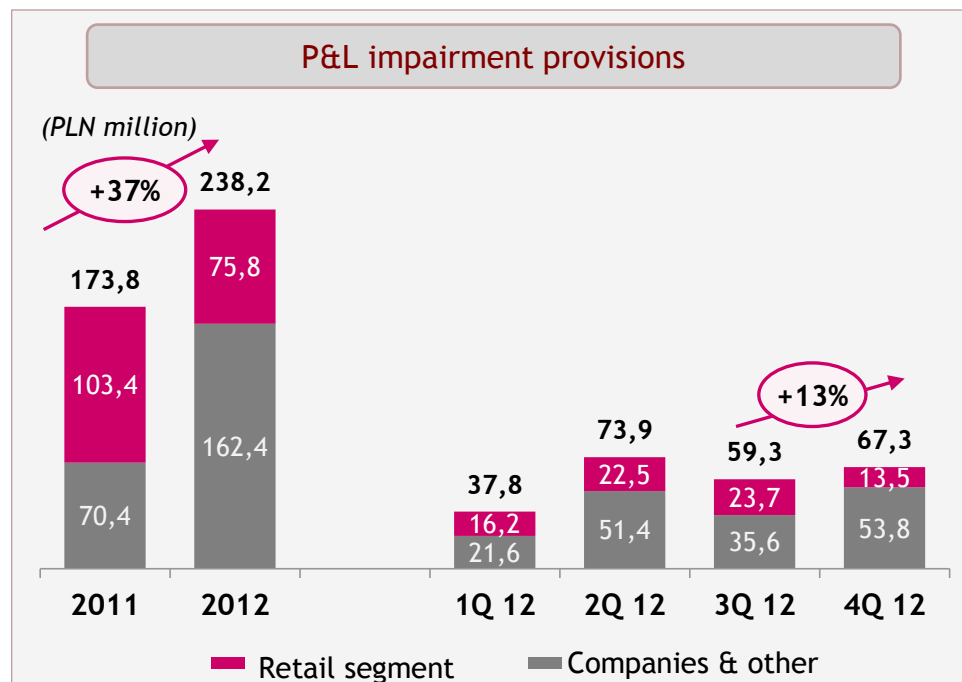
# Operating Costs



- Total costs decreased in 2012 by 0.3% compared to 2011 driven by slight growth in personnel costs and decrease of other administrative costs.
- Total number of employees decreased by 4.6% in annual horizon to the level of 6001 FTEs.
- Cost-to-Income ratio in 4Q'12 dropped to the lowest ever quarterly level of 55.3% (without one-offs). On yearly basis, Cost-to-Income ratio improved by 2.1 percentage points.



# Cost of Risk



- Total provisions created during 2012 grew by 37% compared to 2011 year. Relevant provisions were made in 2012 for the risks connected with recognized impaired cases in construction sector.
- Cost of risk for 2012 stood at 58 bps, slightly above the initial expectations.

**Cost of Risk over average net loans**

(in bps, annualised)

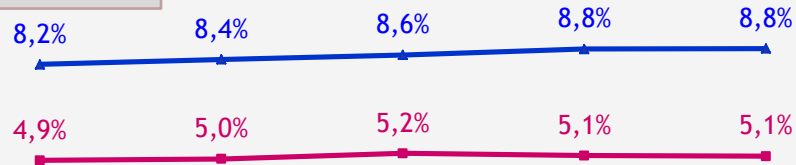
	2011	1Q 12	2Q 12	3Q 12	4Q 12	2012
MORTGAGE	4	10	17	15	13	14
OTHER RETAIL	313	137	149	195	67	136
COMPANIES	77	84	198	135	206	156
<b>TOTAL</b>	<b>45</b>	<b>37</b>	<b>72</b>	<b>58</b>	<b>66</b>	<b>58</b>



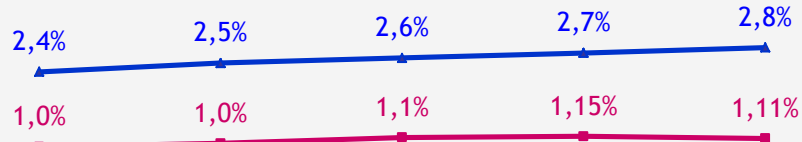
# Asset quality ratios

Impaired loans ratio by products - Bank Millennium vs. market\*

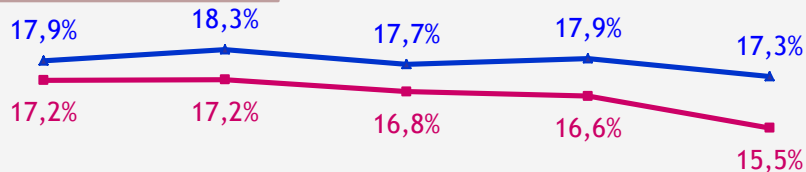
**Total loans**



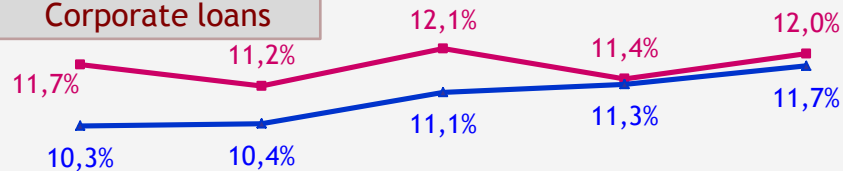
**Mortgage loans**



**Other retail loans**



**Corporate loans**



31/12/11    31/03/12    30/06/12    30/09/12    31/12/12

— BM    — Total market

**Coverage ratio \*\***

**Retail: 69%**

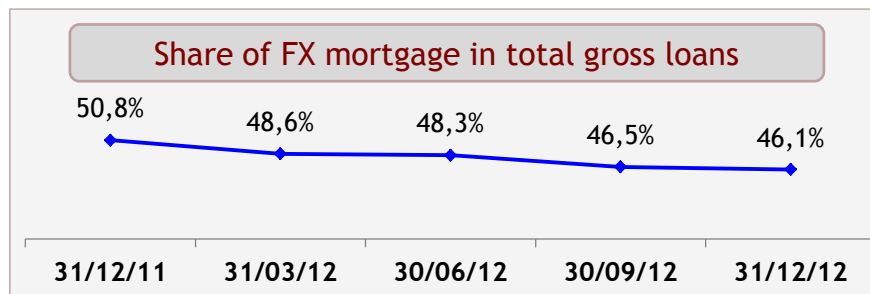
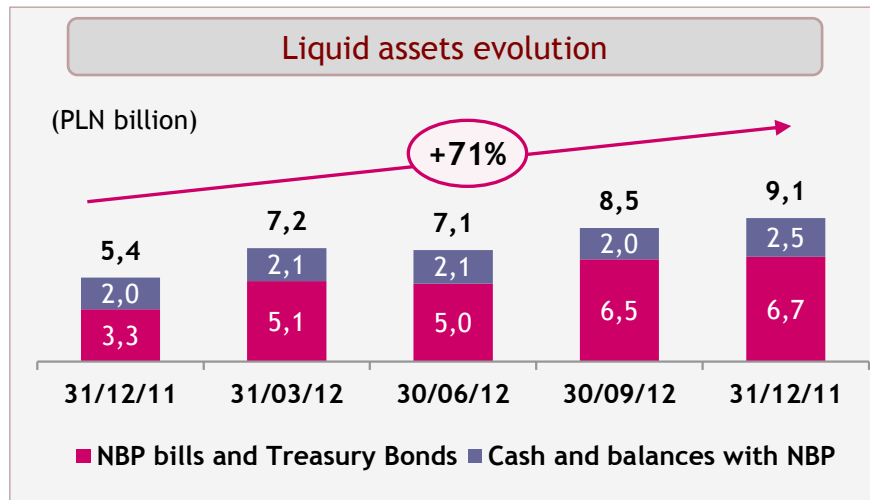
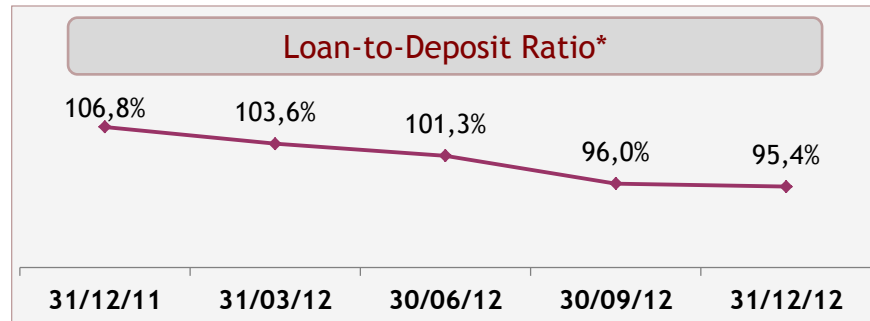
**Companies:  
52%**

**Total: 59%**

- Stabilisation of impaired loans ratio at the level much lower than market average.
- Coverage ratio of impaired loans at 59%.

\* Source of data for the banking market: National Bank of Poland    \*\* Coverage of gross impaired by total provisions (incl. IBNR).

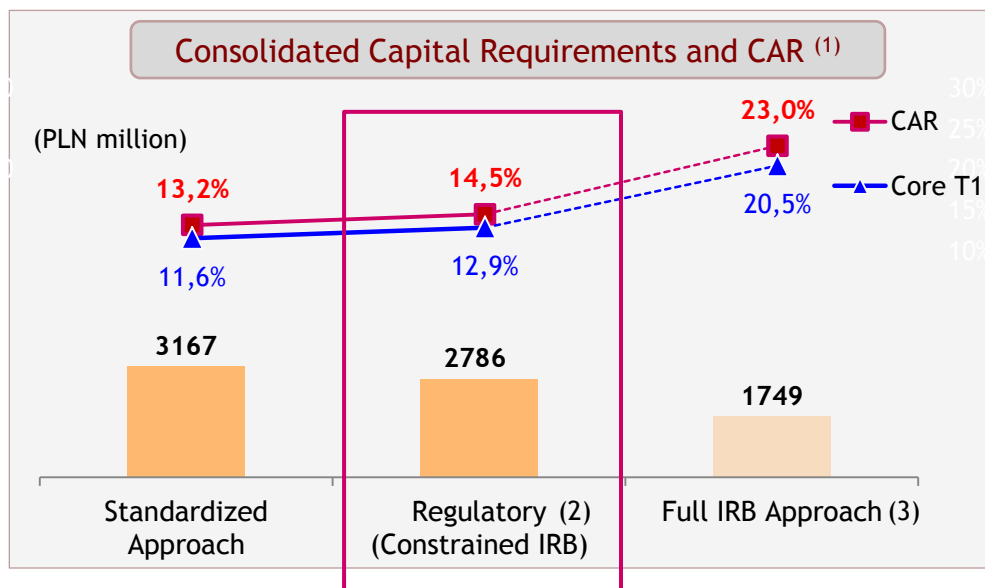
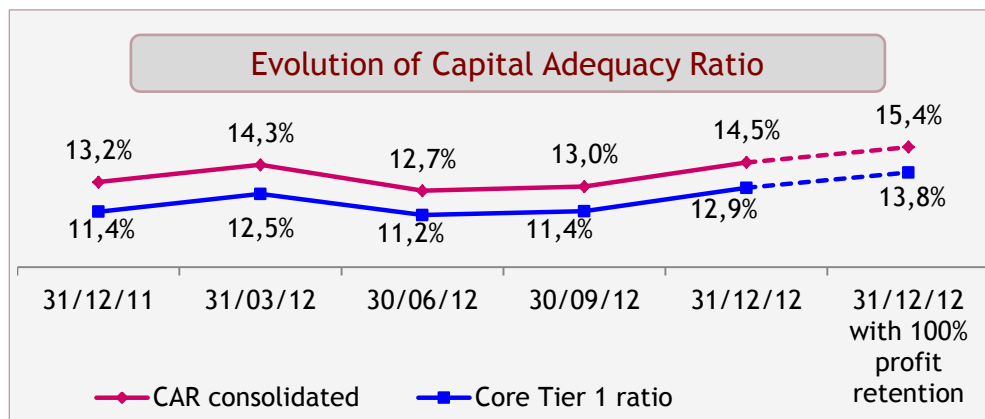
# Liquidity



- Liquidity position strongly improved during 2012. Loan-to-deposit ratio moved from 107% to 95% supported by a solid deposits growth (+11%) and reduction of nominal value of loans (-3%) caused mainly by FX effect (PLN appreciation).
- Drop of FX mortgage loans in the Group's portfolio during 2012: from 51% to 46% as a result of gradual amortization of FX denominated loan portfolio and increase of lending in PLN.

\* Includes Bank's bonds and debt securities sold to individuals, repo transactions with customers and securitisation of leasing assets.

# Capital adequacy



- Capital ratios improved during 4Q to the level of 14.5% of total CAR and 12.9% of Core Tier 1 ratio.
- At the end of 2012 year Bank Millennium was authorized to use the Internal Rating Based (IRB) approach relatively to most of the retail exposure classes <sup>(1)</sup>.
- Capital requirements calculated using the IRB approach must be temporarily maintained at no less than 80% of the respective capital requirements calculated using the Standardized approach <sup>(2)</sup>.
- Current capital requirement improvement arising from IRB represents 27% of total IRB potential gain <sup>(3)</sup>.

(1) At the end of 2012 year Banco de Portugal (BdP) and Polish Financial Supervision Authority (KNF) granted a conditional consent to the use of the Internal Rating Based (IRB) approach by Bank Millennium SA relatively to the retail exposure class in the following sub-portfolios: (i) Retail exposures to individual persons secured by residential real estate collateral (RRE), (ii) Qualifying revolving retail exposures (QRRE).

(2) This constraint will be applied until the fulfilment of the conditions defined by BdP and KNF are confirmed by both regulators, but will not cease before 30 June 2014.

(3) Without the 80% constraint, before the fulfilment of the conditions defined by BdP and KNF and before the inclusion of the remaining portfolios in the IRB approach.

## Proposal to retain 2012 profit (Resolution no. 5)

Bank Millennium used to have a dividend policy of distributing 35% to 50% of net profit as dividend.

This year the Management Board of the Bank is proposing **to keep entire profit of 2012 in the Bank's equity.**

Management Board believes it will be possible to come back to regular dividend distribution from 2014 FY year onwards.

Data as at 31.12.2012

	Bank Millennium Group	Bank Millennium
Net profit (PLN mln)	472	450
Capital Adequacy Ratio (%)	14.5	13.5
Core Tier 1 ratio (%)	12.9	12.1

Retain entire profit

### Comfortable level of capital adequacy ratio

Capital Adequacy ratio for the Group

- Increase to the level **15.1%\***

Core Tier 1 ratio for the Group

- Increase to the level **13.5%\***

\* Presented ratio after retaining entire profit of 2012. Data as at 28.02.2013.

# New strategy of Bank Millennium aims at balancing needs of the main Stakeholders in order to bring outstanding results

REMINDER

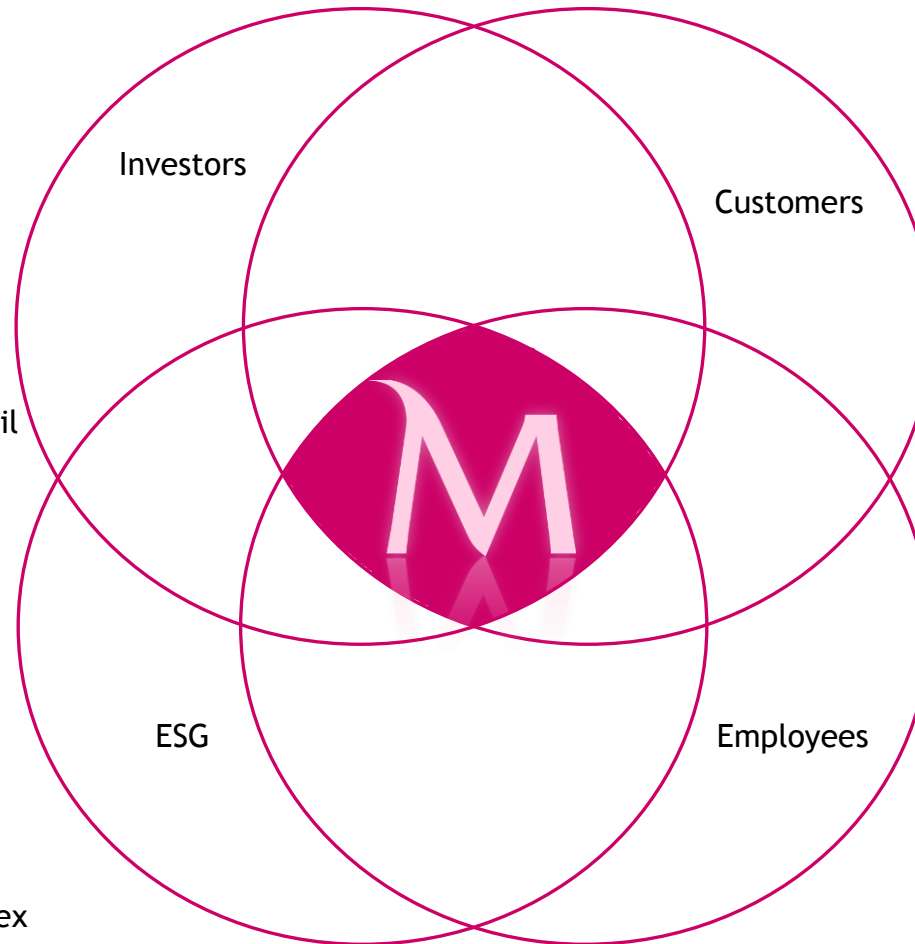
Our commitment towards four main Stakeholder groups

## Investors

- Business development
- Improved profitability
- High efficiency
- Safe solvency ratios
- Strict liquidity and capital control
- Proper risk management
- Strong market position
- More balanced share of retail and corporate in total portfolio

## Environment, Society and Governance

- Environmental friendliness
- Openness to local societies
- Compliance with legal rules and The Good Practices
- Ethics and social responsibility
- Member of WSE Respect Index



## Customers

- Stable, safe and trustworthy partner
- Outstanding quality
- Convenience of use in all sales channels
- Innovative solutions
- Help, advisory and personalised approach

## Employees

- Stable and challenging employer
- Socially responsible company with good reputation and solid market position
- Personal accomplishment, development and job satisfaction

# Five key areas that will be the focal point of Bank Millennium's strategy for 2013-2015

## A Sustain focus on **valuable areas** while redirecting product mix to **higher margin products**

- *Seize opportunities in the affluent segment using distinctive proposition and above natural market share*
- *Prioritize cash loans*
- *Broaden saving products offer*

## B Further enhance **sales effectiveness** of the network; taking it to the next level

- *Use competitive advantage in terms of the branch network - size and format*
- *Further leverage commercial discipline and sales effectiveness of the network and direct channels*

## C Improve balance sheet structure and profitability of the **corporate franchise**

- *Increase weight of corporate in portfolio and consolidate market position in specialized finance*
- *Balance market shares of deposits and credit in corporate segment*

## E Sustain **efficiency** advantage through strict platform management and cost savings discipline

- *Sustain strict cost control*
- *Continuously work on leaner internal platforms, processes and structures*

## D Prepare the Bank for the future by investing in **business analytics & multichannel platform**

- *Offer distinctive digital solutions to Polish consumers being in the fast-lane regarding adoption of innovative technologies*
- *Use customer centric approach to improve sales efficiency and customer experience*



REMINDER

# Medium term targets for Bank Millennium Group



1. Sustainably improve profitability and efficiency

	2012 December	2015 Target
ROE	10.2%	14-15%
	57.4%	~50%

2. Maintain current balance sheet strategy - conservative liquidity management & solid capital base

L/D	95.4%	<100%
CT1	12.9%	>10%

3. Maintain competitive advantage of exceptional convenience and quality

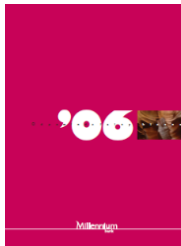
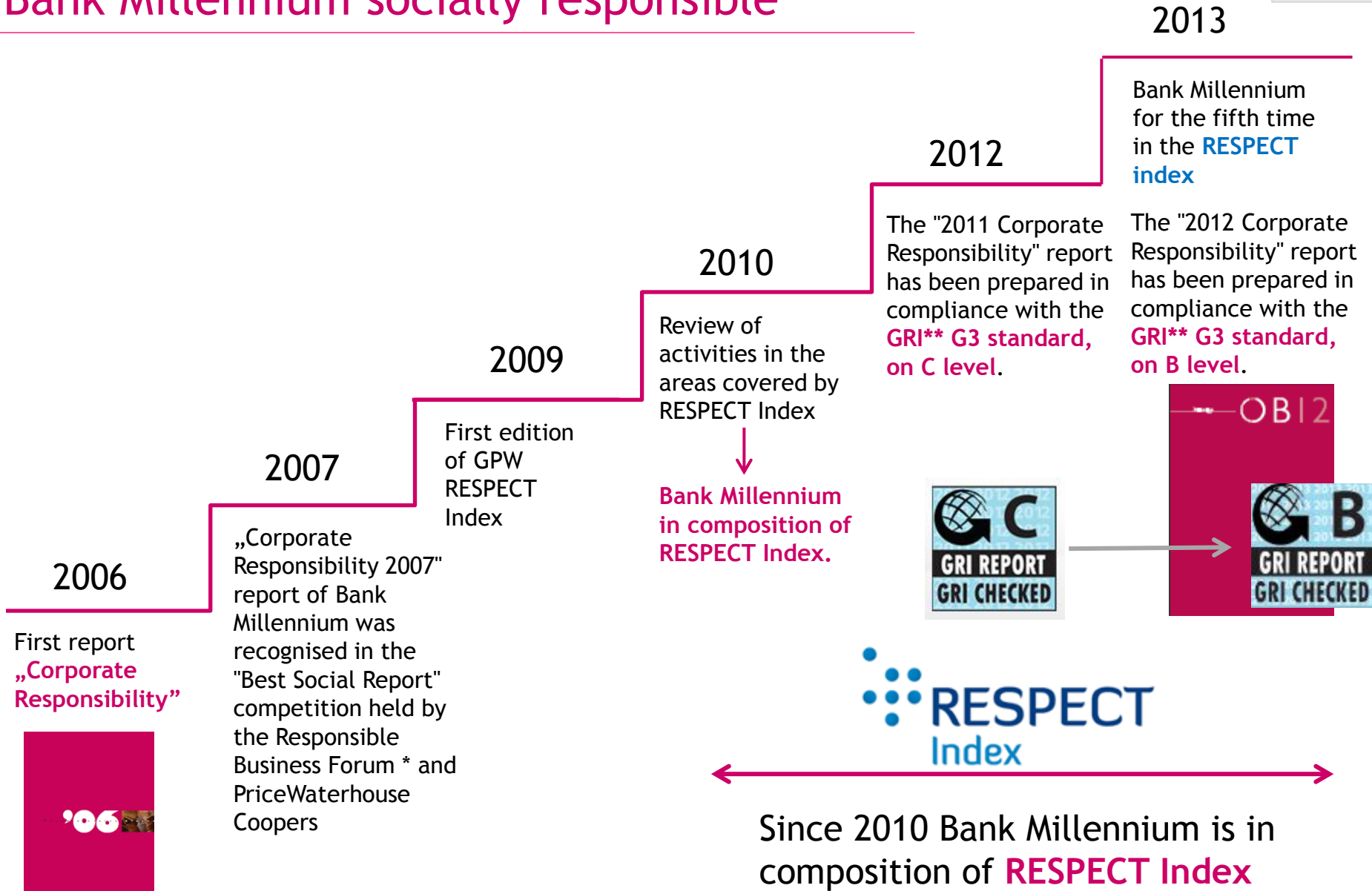
Customer satisfaction*	89%	>90%
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4. Evolve to become a more balanced commercial bank increasing presence in corporate

% of loans	25.7%	30-35%
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\* % of retail customers being satisfied and very satisfied, data for September 2012

# Bank Millennium socially responsible



\* Forum Odpowiedzialnego Biznesu (FOB)

\*\* GRI - Global Reporting Initiatives





Tradycyjna bankowość w nowoczesnym wydaniu

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