

PRESS RELEASE

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Warsaw, 3 February 2014

Preliminary results of Bank Millennium Capital Group in 2013 Financial Year

(Warsaw, 3 February 2014) Bank Millennium Group (the "Group") consolidated net profit in 2013 reached PLN 536 million, which is the best ever yearly profit without extraordinary results (in 2005 the Group made PLN 567 million net profit thanks to a high one-off capital gain). Just in the 4th quarter, consolidated net profit reached PLN 143 million and continued positive trend growing by 3.2% quarterly.

Main financial and business highlights of 2013 are as follows:

Improvement of profitability and strong share price increase

- 2013 net profit at PLN 536 million; 13.5% up y/y
- Bank's share price on WSE grew by 63% - the highest among the biggest listed banks
- ROE at 10.6% and C/I at 54.3%

Revenue growth with positive interest income evolution (despite low interest rates)

- Net interest income up 3.5% y/y (on pro-forma) and 5.1% (on accounting basis)
- Net commissions up 7.8% y/y
- Operating income at record PLN 2,006 million level

Lower costs and provisions

- Operating costs dropped 2.8% y/y
- Provisions slightly lower: -1.7% y/y
- Cost of Risk at stable 56 b.p.s.

Three strong pillars kept: asset quality, liquidity, capital

- Impaired loans ratio at 4.4% (less 0.7 p.p. y/y)
- Loan-to-deposits at 91.5%
- Core Tier 1 at 13.4% and total CAR at 14.5% (or 14.9% after dividend distribution)

Improvement of funding structure and cost

- Solid growth of customer funds by 10.9% y/y
- More balanced structure of deposits, with higher share of current and saving accounts (over 50% in retail)
- Continuation of margin improvement on deposits

Strategic change of asset mix continues

- Cash loans sales at PLN 1,785 million in 2013, up 77% y/y
- Loans to companies grew by PLN 1,248 million, up 12.5% y/y
- High quarterly sales of factoring and leasing; +47% and 53% versus 4Q'12 respectively
- Growing share of non-mortgage loans

Quality awards prove excellence in service level

- The most „Friendly Bank for retail customers” by Newsweek
- Awarded „Best Consumer Internet Bank” by Global Finance

Group profit and loss account in 2013

Operating Income (PLN million)	2013	2012	Change y/y	4Q 2013	3Q 2013	Change q/q
Net Interest Income *	1 270.8	1 227.3	3.5%	345.7	323.1	7.0%
Net Commissions Income	588.7	546.0	7.8%	147.4	141.9	3.8%
CORE INCOME**	1 859.5	1 773.3	4.9%	493.1	465.0	6.0%
Other Non-Interest Income ***	146.8	179.3	-18.1%	30.2	30.2	0.1%
Total Operating Income	2 006.4	1 952.6	2.8%	523.3	495.2	5.7%

(*) Pro-forma data: Net Interest Income includes margin from all derivatives. From 1st January 2006 the Bank started to apply hedge accounting principles. Starting from that date the margin from these operations is reflected in Net Interest Income since afore-mentioned change. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides pro-forma data, which presents all margin from derivatives in Net Interest Income caption, whereas in accounting terms part of this margin (PLN 50.8 million in 2013 and PLN 66.1 million in 2012) is presented in Other Non-Interest Income. In the Bank's opinion, such approach allows better understanding of the real evolution of this item from economic point of view.

(**) Sum of Net Interest Income and Net Commission Income.

(***) Includes FX results, Results on Financial Operations and net other operating income and costs.

Net Interest Income (pro-forma) reached PLN 1,270.8 million in the whole 2013 financial year, which means a growth by 3.5% (or PLN 43.5 million) versus 2012. This was an important achievement having in mind very steep reduction of market rates in Poland (average WIBOR 3M decreased by 188 bps yearly). In

quarterly terms, net interest income and margin were continuing their growing trend after 1Q'13. In 4Q'13 Net Interest Income reached PLN 345.7 million growing by 7% vs. 3Q'13. The growth was supported mainly by decreasing cost of deposits (by PLN 27.3 million). Net interest margin, grew for the third consecutive quarter and reached 2.43% level in 4Q'13 which is 22 bps more than the NIM level registered in 1Q'13. The growth of Net interest margin was supported also by changing of asset mix towards higher margin products (especially consumer loans)

Net Commissions Income in 2013 amounted to PLN 588.7 million, which means a robust 7.8% (or PLN 42.7 million) growth yearly. The main growth driver were fees from distribution of third parties' saving products and management fees from own mutual funds (altogether growth by PLN 28.3 million yearly). Also fees and commissions from sale of insurance products (mainly linked to different credit products, like cash loans, mortgages and cards) grew yearly, by PLN 21.8 million, and now constitute 16% of total Net Commission Income. In 4Q'13 Net Commission Income reached PLN 147.4 million and grew 3.8% q/q, mainly driven by investment and loan products.

Core income, defined as a combination of net interest and net commission income, grew by 4.9% in 2013 versus previous year and reached the amount of PLN 1,859.5 million, showing strengthened income generation from the core activities. Core Income in 4Q'13 amounted to PLN 493.1 million, which means strong quarterly growth by 6%.

Other non-interest income for 2013 amounted to PLN 146.8 million and fell by 18.1% yearly due to lower income from instruments at fair value through profit and loss, whereas FX gains were slightly higher (PLN 162.2 million and +1.4%) compared to the level of 2012. In quarterly terms, other non-interest income, including net balance of other operating income and costs, was stable at PLN 30.2 million.

Robust growth of Core Income during 2013 year translated into higher value of **Total Operating Income** of the Group (by 2.8% yearly) which allowed to exceed for the first time PLN 2 billion level (PLN 2,006.4 million). During 4Q'13 alone, Total Operating Income presented strong growth of 5.7% compared to 3Q'13.

Total costs in 2013 amounted to PLN 1,089.6 million, which means a reduction by 2.8% compared to the level of 2012. Costs fell in both main items: personnel and other administrative costs (including depreciation). In quarterly terms, costs grew by 4.2%, mainly due to higher costs of marketing campaigns and typical seasonality at the end of a year.

Operating Costs (PLN million)	2013	2012	Change y/y	4Q 2013	3Q 2013	Change q/q
Personnel Costs	(547.0)	(558.3)	-2.0%	(135.7)	(134.0)	1.3%
Other Administrative Costs*	(542.6)	(562.4)	-3.5%	(138.1)	(128.7)	7.3%
Total Operating Costs	(1 089.6)	(1 120.6)	-2.8%	(273.8)	(262.7)	4.2%
Cost/Income Ratio	54.3%	57.4%	-3.1 p.p.	52.3%	53.0%	-0.7 p.p.

(*) including depreciation

Personnel costs in 2013 decreased by 2.0% yearly. Total number of employees in the Group decreased also by 2.0% compared to the end of 2012 and in December 2013 comprise 5,881 persons (in Full Time Equivalents). In 4Q'13 Personnel Costs increased slightly by 1.3% vs. 3Q'13.

Other administrative costs (including depreciation) in 2013 fell by 3.5% yearly thanks to reduction in several areas including IT, telecom and rental costs. On the other hand, marketing costs grew visibly, both yearly and quarterly, which is consistent with the organic business growth strategy that is being implemented.

Cost-to-Income ratio improved again in 4Q'13 to 52.3% (from 53.0% in 3Q'13). The level of the ratio for the whole 2013 went down to annual record low of 54.3%, i.e. 3.1 p.p. less than in 2012 - well on track to achieve 50% medium-term goal for 2015 year.

Total net impairment provisions created by the Group in 2013 amounted to PLN 234.1 million and were lower by 1.7% than in 2012. In relative terms (i.e. compared to the average net loans) total provisions created in 2013 stood at 56 bps level i.e. slightly lower compared to the previous year level (58 bps). In 4Q'13 alone, provisions on consolidated level reached PLN 63.2 million, which is 11.6% higher than in 3Q'13

Net Income on consolidated basis reached PLN 535.8 million in the whole 2013 financial year, the record level in the Group's history without one-offs. Better operating income (+2.8%), lower costs (-2.8%) and provisions (-1.7%) allowed very solid annual growth of the Net Income of 13.5%, which clearly exceeded market expectations from the beginning of the previous year. The quarterly growth of Net Income was 3.2% and the value for 4Q'13 reached PLN 143 million.

Pre-tax Income and Net Income (PLN million)	2013	2012	Change y/y	4Q 2013	3Q 2013	Change q/q
Operating Income	2 006.4	1 952.6	2.8%	523.3	495.2	5.7%
Operating Costs *	(1 089.6)	(1 120.6)	-2.8%	(273.8)	(262.7)	4.2%
Impairment provisions	(234.1)	(238.2)	-1.7%	(63.2)	(56.6)	11.6%
Pre-tax Income	680.6	596.0	14.2%	185.9	175.9	5.7%
Income tax	(144.8)	(123.8)	-	(42.8)	(37.4)	-
Net Income	535.8	472.2	13.5%	143.0	138.5	3.2%

(*) without impairment provisions for financial and non-financial assets

Business results in 2013

Total assets of the Group reached PLN 57,017 million as at 31 December 2013, which means an increase by 8.1% compared to the end of December 2012.

Total customer funds of Bank Millennium Group reached PLN 51,872 million and kept solid growth rate of 10.9% year-on-year. The most important component of customer funds were deposits (together with bonds for retail clients), which as at the end of 2013 amounted to PLN 45,654 million growing by 9.1% year-on-year. The very positive fact is that this solid growth of deposits during the whole 2013 was combined with consequent improvement of quarterly interest margin starting from 2Q'13, despite sharply



falling market interest rates in 1st half and staying on low levels in 2nd half of the year. Both corporate as well as retail deposits recorded growth during 2013 year: +18.4% and +3.7% y/y respectively.

Off-balance sheet investment products also grew strongly by 26% year-on-year and at the end of December 2013 amounted to PLN 6,218 million. Millennium TFI mutual funds make the most important part and reached PLN 3,475 million after growing by 17.7% year-on-year.

The structure of retail deposit base changed with the share of saving and current accounts exceeding 50% after strong, 33% growth during last year.

The structure and evolution of Group's customer funds is presented in the table below:

Customer Funds (PLN million)	31.12.2013	30.09.2013	31.12.2012	Change y/y	Change q/q
Deposits of individuals *	27 399.2	27 466.5	26 431.3	3.7%	-0.2%
Deposits of companies and public sector	18 254.4	18 123.1	15 416.1	18.4%	0.7%
Total Deposits	45 653.6	45 589.6	41 847.5	9.1%	0.1%
Investment products **	6 218.1	6 001.5	4 944.0	25.8%	3.6%
Total Customer Funds	51 871.7	51 591.1	46 791.5	10.9%	0.5%

(*) including retail bonds issued by the Bank and deposits of an insurance company representing insurance-investment products acquired by retail clients

(**) Millennium TFI mutual funds and other off-balance investment products of third parties sold to Group's clients

Total loans of Bank Millennium Group reached as at the end of December 2013 PLN 41,766 million (in net terms), which means an increase by 3.8% versus the end of last year. Both loans for companies and individual clients recorded growth in 2013 year: +12.5% and +0.9% respectively.

As regards loans for individuals, the relatively modest growth was caused by decreasing FX mortgage loans (by PLN 1,110 million in 2013) as a result of natural amortisation of this portfolio. On the other hand the net growth of PLN mortgage book by PLN 710 million contributed positively (thanks to PLN 1,279 million new PLN mortgage loans originated in 2013). Non-mortgage retail loans grew very strongly by 24% year-on-year, driven mainly by exceptional growth of cash loans: annual sales of cash loans grew by 77% compared to the sales level in 2012 and amounted to PLN 1,785 million.

In 4Q'13 alone the mortgage portfolio decreased by 1.4% vs. 3Q'13 but non-mortgage consumer loans increased in the same period by 3.7%. Mortgage loans sale in 4Q'13 continued growing move after rebound recorded in 3Q'13 and reached PLN 415 million. Sale of cash loans in 4Q'13 recorded the level of PLN 441 million, which although slightly lower than 3Q'13 level, positively contributed to an excellent value of sales for whole 2013 year.

Loans to companies (including leasing) grew by PLN 1,248 million and amounted to PLN 11,254 million as at 31 December 2013. This means a solid 12.5% increase yearly, which is especially positive when comparing to a modest, 3.3% growth of loans to companies (including individual entrepreneurs) in the Polish banking sector. Leasing portfolio grew by 7% yearly and accelerated strongly in 4Q'13 (4.5% q/q)

indicating gradual rebound in investments financing in the sector. Other non-leasing loans to companies grew stronger, by 15.1% yearly.

The structure and evolution of loans and advances to Clients is presented in the table below:

Loans and advances to Clients (PLN million, net values)	31.12.2013	30.09.2013	31.12.2012	Change y/y	Change q/q
Loans to households	30 511.7	30 763.8	30 226.3	0.9%	-0.8%
- <i>mortgage loans</i>	26 802.8	27 186.3	27 235.3	-1.6%	-1.4%
- <i>other loans to households</i>	3 708.9	3 577.6	2 991.0	24.0%	3.7%
Loans to companies	11 254.0	11 157.1	10 005.9	12.5%	0.9%
- <i>leasing</i>	3 447.9	3 299.4	3 222.1	7.0%	4.5%
- <i>other loans to businesses</i>	7 806.1	7 857.7	6 783.8	15.1%	-0.7%
Total Loans & Advances to Clients	41 765.7	41 920.9	40 232.2	3.8%	-0.4%

Liquidity, asset quality and solvency

Continued faster growth of deposits during 2013 (by 9.1% y/y) than loan portfolio (by 3.8 y/y) brought a further improvement of liquidity of the Bank. Loan-to-deposit ratio dropped during the year from 95.4% to 91.5% level.

The Group maintains also very solid asset quality of the loan portfolio. Share of impaired loans in the consolidated portfolio dropped during the year from 5.1% to 4.4% and share of past-due more than 90 days loans is relatively stable at 2.8-2.9%. The improvement was registered in three portfolios: for non-mortgage retail loans the impaired loans ratio decreased to 13.4% (and past-due ratio to 10%), for leasing portfolio these ratios dropped to 7.2% and 1.9% and for loans to other corporates the impaired loans ratio dropped to 8.3% (past-due over 90 days ratio was stable at 6.5%) as at the end of December 2013. The quality of mortgage portfolio remains good, with impaired loans ratio at 1.34% and past due over 90 days at 0.67%.

The coverage ratio, defined as the share of total provisions in total impaired loans, significantly improved during 2013 year from 59% to 69% and coverage of loans past-due over 90 days remains at high 106% level.

The evolution of main indicators of the Group's loan portfolio quality is presented below:

Total portfolio quality indicators	31.12.2013	30.09.2013	31.12.2012
Total impaired loans (PLN million)	1 903	1 936	2 111
Loans past-due over 90 days (PLN million)	1 237	1 202	1 160
Total provisions (PLN million)	1 312	1 290	1 238
Impaired over total loans ratio (%)	4.4%	4.5%	5.1%
Past-due >90d over total loans ratio (%)	2.9%	2.8%	2.8%
Total provisions/impaired loans (%)	69.0%	66.6%	58.6%
Total provisions/Past-due 90 d loans (%)	106.1%	107.3%	106.6%

Capital position of the Group remains very solid. Consolidated equity increased by 11.2% yearly to the level of PLN 5,363 million. Consolidated Core Tier 1 ratio grew during the year from 12.9% to 13.4% and total CAR remained on solid 14.5% level. These ratios do not include retained earnings for 2H'13. Assuming proposed dividend distribution of 50% Group's net profit, CAR grow to 14.9% and CT1 to 13.8%.

Since December 2012, the Bank has been applying Internal Rating Based (IRB) approach to most of the retail exposure classes but capital requirement still include a temporary constraint applied until at least 30 June 2014.

Main solvency and liquidity indicators	31.12.2013	30.09.2013	31.12.2012
Consolidated equity (PLN million)	5 363.1	5 197.3	4 824.2
Regulatory consolidated capital (PLN million)	5 327.8	5 459.6	5 032.7
Capital Adequacy Ratio (% , consolidated)	14.5%	14.9%	14.5%
Core Tier 1 ratio (% , consolidated)	13.4%	13.4%	12.9%
Loans to Deposits ratio (%)*	91.5%	91.4%	95.4%

(*) Includes liabilities (bonds) from leasing securitisation, bonds for retail clients and sell-buy-back/ buy-sell-back transactions with customers

Legal note

Financial data presented hereby is based on the consolidated data of Bank Millennium Group. Financial data for 4Q 2013 and full 2013 year is preliminary, non-audited and has the character of estimation. Other financial data is consistent with already published periodical financial reports of the Group including Management Board reports from the activity of the Group in particular reporting period.