

**Report of the Bank Millennium S.A.  
Capital Group  
for 1 half 2013**





## MAIN CONSOLIDATED FINANCIAL DATA

|  | Amount '000 PLN                          |   | Amount '000 EUR                          |   |
|--|--|---|--|---|
|  | Period from<br>1.01.2013 -<br>30.06.2013 | Period from<br>1.01.2012 -<br>30.06.2012* | Period from<br>1.01.2013 -<br>30.06.2013 | Period from<br>1.01.2012 -<br>30.06.2012* |
| Interest income  | 1 392 723                                | 1 524 362                                 | 330 499                                  | 360 830                                   |
| Fee and commission income                                    | 352 874                                  | 329 852                                   | 83 738                                   | 78 079                                    |
| Operating income   | 1 014 120                                | 979 084                                   | 240 655                                  | 231 758                                   |
| Operating profit   | 320 546                                  | 275 965                                   | 76 067                                   | 65 323                                    |
| Profit (loss) before taxes                                   | 318 805                                  | 279 448                                   | 75 654                                   | 66 148                                    |
| Profit (loss) after taxes                                    | 254 227                                  | 221 178                                   | 60 329                                   | 52 355                                    |
| Total comprehensive income of the period                     | 175 959                                  | 69 408                                    | 41 756                                   | 16 430                                    |
| Net cash flows from operating activities                     | 896 893                                  | 1 343 174                                 | 212 836                                  | 317 941                                   |
| Net cash flows from investing activities                     | (2 568 685)                              | 352 448                                   | (609 560)                                | 83 428                                    |
| Net cash flows from financing activities                     | (170 387)                                | 64 987                                    | (40 434)                                 | 15 383                                    |
| Net cash flows, total  | (1 842 179)                              | 1 760 609                                 | (437 157)                                | 416 752                                   |
| Total Assets   | 57 136 929                               | 52 742 499                                | 13 198 034                               | 12 901 154                                |
| Deposits from banks  | 2 348 519                                | 2 491 745                                 | 542 483                                  | 609 497                                   |
| Deposits from customers                                      | 44 208 546                               | 41 434 077                                | 10 211 713                               | 10 135 042                                |
| Equity   | 5 000 129                                | 4 824 170                                 | 1 154 978                                | 1 180 023                                 |
| Share capital  | 1 213 117                                | 1 213 117                                 | 280 217                                  | 296 736                                   |
| Number of shares   | 1 213 116 777                            | 1 213 116 777                             | 1 213 116 777                            | 1 213 116 777                             |
| Book value per share (in PLN/EUR)                            | 4.12                                     | 3.98                                      | 0.95                                     | 0.97                                      |
| Diluted book value per share (in PLN/EUR)                    | 4.12                                     | 3.98                                      | 0.95                                     | 0.97                                      |
| Capital adequacy ratio                                       | 14.78%                                   | 14.45%                                    | 14.78%                                   | 14.45%                                    |
| Earnings (losses) per ordinary share<br>(in PLN/EUR)         | 0.21                                     | 0.18                                      | 0.05                                     | 0.04                                      |
| Diluted earnings (losses) per ordinary share<br>(in PLN/EUR) | 0.21                                     | 0.18                                      | 0.05                                     | 0.04                                      |
| Pledged or paid dividend per share (in PLN/EUR)              | -  | -   | -  | -   |

\* - Comparative balance sheet data was presented, in compliance with IFRS requirements, as at 31.12.2012. Other comparative data is presented for the period from 1.01.2012 to 30.06.2012.

## Exchange rates accepted to convert selected financial data into EURO

The following rates were used to calculate amounts stated in EURO:

- for balance sheet items: 4.3292PLN/EURO - the exchange rate of 30 June 2013 (for comparative data as at 31 December 2012: 4.0882 PLN/EURO),
- for profit and loss account items for the period from 1 January - 30 June 2013: 4.2140 PLN/EURO, the exchange rate was calculated as the average of the rates at the end of the months covered by the financial statements (for comparative data; 1 January - 30 June 2012: 4.2246 PLN/EURO).

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**I. CONDENSED INTERIM FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2013**

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## I. GENERAL INFORMATION ON THE ISSUER

Bank Millennium S.A. (the Bank) is a nationwide universal bank, offering its services to all market segments via a network of branches, corporate centers, individual advisors and electronic banking.

The Bank, entered under the number KRS 0000010186 in the National Court Register kept by the Local Court for the Capital City of Warsaw, 13th Business Department of the National Court Register, is seated in Warsaw, ul. Stanisława Żaryna 2A.

The Bank is listed on the Warsaw Stock Exchange since 1992, first Bank ever to float its shares on the WSE.

The Bank is parent company of a Capital Group (the Group) with almost 5,900 employees with core business comprising banking, leasing, factoring, brokerage, capital operations, and investment fund management.

### Supervisory Board and Management Board of Bank Millennium S.A. as at 30 June 2013

Composition of the Supervisory Board is as follows:

- Maciej Bednarkiewicz - Chairman of the Supervisory Board,
- Nuno Manuel da Silva Amado - Deputy Chairman of the Supervisory Board,
- Marek Furtek - Secretary of the Supervisory Board,
- Miguel de Campos Pereira de Bragança - Member of the Supervisory Board,
- Luís Maria França de Castro Pereira Coutinho - Member of the Supervisory Board,
- Grzegorz Jedrys - Member of the Supervisory Board,
- Andrzej Koźmiński - Member of the Supervisory Board,
- Maria da Conceição Mota Soares de Oliveira Callé Lucas - Member of the Supervisory Board,
- Marek Rocki - Member of the Supervisory Board,
- Dariusz Rosati - Member of the Supervisory Board,
- Rui Manuel da Silva Teixeira - Member of the Supervisory Board.

Among elected to the Supervisory Board by the General Meeting on 20 April 2012, is also Mr. Bogusław Kott - conditional on his resignation from the position of Chairman of the Management Board of the Bank.

General Meeting held on 11 April 2013 appointed Mr. Grzegorz Jedrys as a member of the Supervisory Board.

Composition of the Management Board is as follows:

- Bogusław Kott - Chairman of the Management Board,
- Joao Nuno Lima Bras Jorge - First Deputy Chairman of the Management Board,
- Fernando Maria Cardoso Rodrigues Bicho - Deputy Chairman of the Management Board,
- Artur Klimczak - Deputy Chairman of the Management Board,
- Julianna Boniuk-Gorzelańczyk - Member of the Management Board,
- Wojciech Haase - Member of the Management Board,
- Andrzej Gliński - Member of the Management Board,
- Maria Jose Henriques Barreto De Matos De Campos - Member of the Management Board.

## Bank Millennium S.A. Capital Group

Bank Millennium S.A. is the parent company of the Group Millennium S.A. The companies comprising the Group as at 30 June 2013 are presented in table below:

| Company  | Activity domain  | Head office | % of the Group's capital share | % of the Group's voting share | Recognition in financial statements |
|--|--|-------------|--------------------------------|-------------------------------|-------------------------------------|
| MILLENNIUM LEASING Sp. z o.o.                    | leasing services   | Warsaw      | 100                            | 100                           | consolidated                        |
| MILLENNIUM DOM MAKLECKI S.A.                     | brokerage services                                       | Warsaw      | 100                            | 100                           | consolidated                        |
| MILLENNIUM TFI SA                                | investment funds management                              | Warsaw      | 100                            | 100                           | consolidated                        |
| MB FINANCE AB                                    | funding companies from the Group                         | Stockholm   | 100                            | 100                           | consolidated                        |
| MILLENNIUM SERVICE Sp. z o.o.                    | general construction and engineering                     | Warsaw      | 100                            | 100                           | consolidated                        |
| TBM Sp. z o.o.                                   | financial operations - equity markets, advisory services | Warsaw      | 100                            | 100                           | consolidated                        |
| MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o. | financial operations - equity markets, advisory services | Warsaw      | 100                            | 100                           | consolidated                        |
| LUBUSKIE FABRYKI MEBLI S.A.                      | furniture manufacturer                                   | Świebodzin  | 50                             | 50                            | equity method valuation (*)         |
| BG LEASING S.A. under bankruptcy                 | leasing services   | Gdańsk      | 74                             | 74                            | historical cost (*)                 |
| PHCRS S.A.                                       | wholesale market   | Gdańsk      | 38,39                          | 42,92                         | equity method valuation             |

(\*) Despite having a majority shareholding of the Lubuskie Fabryki Mebli S.A., accordingly adopted an investment policy, the Group actually affect neither financial nor operational policy of the company in order to achieve the economic benefits. As a result of aforementioned lack of control the Group does not consolidate capital involvement in the Lubuskie Fabryki Mebli S.A applying equity method instead, recognizing (based on IAS 28), this involvement as associate company. Additionally under the same criterion of control the Group does not consolidate accounts of BG Leasing S.A., in view of the ongoing company bankruptcy proceedings.

Moreover, the Group is consolidating a special purpose vehicle Orchis Sp. z o.o. (SPV). The Company was created for the needs of a securitisation transaction conducted by the Group in 2007. In accordance with the provisions of IAS 27, IAS 39 and SIC 12 the Company started to be consolidated, despite the Group not having capital exposure (for this reason the Company is not included in the table presented above).

## II. INTRODUCTION AND ACCOUNTING PRINCIPLES

This condensed consolidated interim financial statement has been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statement does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2012.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in the consolidated financial statements of Bank Millennium S.A. Capital Group for the year ended 31 December 2012.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with later amendments) the Bank is required to publish the financial results for the six months ended 30 June 2013.

Condensed consolidated financial statements of the Group prepared for the period from 1 January 2013 to 30 June 2013:

- include financial data of the Bank and its subsidiaries forming the Group, and data of associates accounted under the equity method;
- are prepared on the basis of the assumption of business continuity by the Group, namely scale of business is not to be reduced substantially in a period of not less than one year from the balance sheet date;
- have been prepared in PLN, and all values, unless otherwise indicated, are given in PLN rounded to one thousand.

The Board of Directors approved this condensed consolidated interim financial statement on 24 July 2013.

### III. CONSOLIDATED FINANCIAL DATA (GROUP)

#### CONSOLIDATED INCOME STATEMENT

| Amount '000 PLN   | Note | 1.01.2013 -<br>30.06.2013 | 1.04.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 | 1.04.2012 -<br>30.06.2012 |
|---|------|---------------------------|---------------------------|---------------------------|---------------------------|
| Interest income   | 1    | 1 392 723                 | 680 582                   | 1 524 362                 | 761 759                   |
| Interest expense  | 2    | (829 092)                 | (383 756)                 | (935 239)                 | (468 502)                 |
| Net interest income   |      | 563 631                   | 296 826                   | 589 123                   | 293 257                   |
| Fee and commission income   | 3    | 352 874                   | 185 879                   | 329 852                   | 173 334                   |
| Fee and commission expense  | 4    | (53 436)                  | (28 284)                  | (51 173)                  | (27 206)                  |
| Net fee and commission income   |      | 299 438                   | 157 595                   | 278 679                   | 146 128                   |
| Dividend income   |      | 1 166                     | 1 166                     | 3 391                     | 3 371                     |
| Result on investment financial assets   |      | 16 343                    | 10 048                    | 5 213                     | 3 787                     |
| Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result | 5    | 101 516                   | 39 769                    | 73 257                    | 43 935                    |
| Other operating income  |      | 32 026                    | 16 398                    | 29 421                    | 16 716                    |
| <b>Operating income</b>   |      | <b>1 014 120</b>          | <b>521 802</b>            | <b>979 084</b>            | <b>507 194</b>            |
| General and administrative expenses   | 6    | (524 193)                 | (265 784)                 | (531 439)                 | (263 058)                 |
| Impairment losses on financial assets   | 7    | (113 700)                 | (61 484)                  | (111 567)                 | (73 832)                  |
| Impairment losses on non-financial assets   |      | (575)                     | (26)                      | (84)                      | (58)                      |
| Depreciation and amortization   |      | (28 893)                  | (14 495)                  | (28 106)                  | (14 043)                  |
| Other operating expenses  |      | (26 213)                  | (11 733)                  | (31 923)                  | (17 413)                  |
| <b>Operating expenses</b>   |      | <b>(693 574)</b>          | <b>(353 522)</b>          | <b>(703 119)</b>          | <b>(368 404)</b>          |
| <b>Operating profit</b>   |      | <b>320 546</b>            | <b>168 280</b>            | <b>275 965</b>            | <b>138 790</b>            |
| Share of profit of associates   |      | (1 741)                   | (194)                     | 3 483                     | 361                       |
| <b>Profit / (loss) before taxes</b>   |      | <b>318 805</b>            | <b>168 086</b>            | <b>279 448</b>            | <b>139 151</b>            |
| Corporate income tax  | 8    | (64 578)                  | (33 883)                  | (58 270)                  | (28 080)                  |
| <b>Profit / (loss) after taxes</b>  |      | <b>254 227</b>            | <b>134 203</b>            | <b>221 178</b>            | <b>111 071</b>            |
| Attributable to:  |      |                           |                           |                           |                           |
| Owners of the parent  |      | 254 227                   | 134 203                   | 221 178                   | 111 071                   |
| Non-controlling interests   |      | 0                         | 0                         | 0                         | 0                         |
| Weighted average number of ordinary shares  |      | 1 213 116 777             | 1 213 116 777             | 1 213 116 777             | 1 213 116 777             |
| Earnings (losses) per ordinary share (in PLN)   |      | 0.21                      | 0.11                      | 0.18                      | 0.09                      |

## CONSOLIDATED TOTAL COMPREHENSIVE INCOME STATEMENT

| <i>Amount '000 PLN</i>  | 1.01.2013 -<br>30.06.2013 | 1.04.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 | 1.04.2012 -<br>30.06.2012 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Profit / (loss) after taxes   | 254 227                   | 134 203                   | 221 178                   | 111 071                   |
| Other elements of total comprehensive income,<br>including:             |                           |                           |                           |                           |
| Effect of valuation of available for sale debt<br>securities            | (65 229)                  | (50 112)                  | 4 810                     | (2 367)                   |
| Effect of valuation of available for sale shares                        | (6)                       | (7)                       | 258                       | (20)                      |
| Hedge accounting  | (31 392)                  | (58 086)                  | (192 438)                 | 11 160                    |
| Other elements of total comprehensive income<br>before taxes            | (96 627)                  | (108 205)                 | (187 370)                 | 8 773                     |
| Corporate income tax on other elements of total<br>comprehensive income | 18 359                    | 20 559                    | 35 600                    | (1 667)                   |
| Other elements of total comprehensive income<br>after taxes             | (78 268)                  | (87 646)                  | (151 770)                 | 7 106                     |
| Total comprehensive income of the period                                | 175 959                   | 46 557                    | 69 408                    | 118 177                   |
| Attributable to:  |                           |                           |                           |                           |
| Owners of the parent  | 175 959                   | 46 557                    | 69 408                    | 118 177                   |
| Non-controlling interests   | 0                         | 0                         | 0                         | 0                         |

## CONSOLIDATED BALANCE SHEET

## ASSETS

| Amount '000 PLN   | Note | 30.06.2013        | 31.12.2012        |
|---|------|-------------------|-------------------|
| Cash, balances with the Central Bank  |      | 1 798 571         | 2 465 879         |
| Loans and advances to banks   | 9    | 1 961 744         | 1 392 424         |
| Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge | 10   | 1 656 397         | 662 404           |
| Hedging derivatives   | 11   | 71 475            | 277 812           |
| Loans and advances to customers   | 12   | 42 014 165        | 40 232 240        |
| Investment financial assets   | 13   | 8 139 296         | 6 751 104         |
| - available for sale  |      | 8 139 296         | 6 751 104         |
| - held to maturity  |      | 0                 | 0                 |
| Investments in associates   |      | 11 612            | 13 352            |
| Receivables from securities bought with sell-back clause (loans and advances)   |      | 537 609           | 17 469            |
| Property, plant and equipment   |      | 169 821           | 184 642           |
| Intangible assets   |      | 39 734            | 43 694            |
| Non-current assets held for sale  |      | 5 723             | 24 954            |
| Receivables from Tax Office resulting from current tax  |      | 13 246            | 16 270            |
| Deferred income tax assets  | 15   | 183 869           | 165 206           |
| Other assets  |      | 533 667           | 495 049           |
| <b>Total Assets</b>   |      | <b>57 136 929</b> | <b>52 742 499</b> |

## LIABILITIES AND EQUITY

| Amount '000 PLN   | Note | 30.06.2013        | 31.12.2012        |
|---|------|-------------------|-------------------|
| <b>LIABILITIES</b>  |      |                   |                   |
| Deposits from banks   | 16   | 2 348 519         | 2 491 745         |
| Financial liabilities valued at fair value through profit and loss (held for trading) | 17   | 814 871           | 467 573           |
| Hedging derivatives   | 18   | 1 409 534         | 1 115 202         |
| Deposits from customers   | 19   | 44 208 546        | 41 434 077        |
| Liabilities from securities sold with buy-back clause                                 |      | 1 098 177         | 174 788           |
| Debt securities   | 20   | 767 300           | 900 016           |
| Provisions  | 21   | 65 115            | 44 805            |
| Deferred income tax liabilities   | 22   | 0                 | 0                 |
| Current income tax liabilities  |      | 5 309             | 2 484             |
| Other liabilities   |      | 769 581           | 674 029           |
| Subordinated debt   |      | 649 848           | 613 610           |
| <b>LIABILITIES</b>  |      | <b>52 136 800</b> | <b>47 918 329</b> |
| <b>EQUITY</b>   |      |                   |                   |
| Share capital   |      | 1 213 117         | 1 213 117         |
| Share premium   |      | 1 147 502         | 1 147 502         |
| Revaluation reserve   |      | (212 659)         | (134 391)         |
| Retained earnings   |      | 2 852 169         | 2 597 942         |
| <b>Total Equity</b>   |      | <b>5 000 129</b>  | <b>4 824 170</b>  |
| Total equity attributable to owners of the parent                                     |      | 5 000 129         | 4 824 170         |
| Non-controlling interests   |      | 0                 | 0                 |
| <b>Total Liabilities and Equity</b>   |      | <b>57 136 929</b> | <b>52 742 499</b> |
| Book value  |      | 5 000 129         | 4 824 170         |
| Number of shares  |      | 1 213 116 777     | 1 213 116 777     |
| Book value per share (in PLN)   |      | 4.12              | 3.98              |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <i>Amount '000 PLN</i>                           | Total consolidated equity | Share capital | Share premium | Revaluation reserve | Retained earnings |
|--|---------------------------|---------------|---------------|---------------------|-------------------|
| Equity at the beginning of the period 01.01.2013 | 4 824 170                 | 1 213 117     | 1 147 502     | (134 391)           | 2 597 942         |
| - total comprehensive income for I half 2013     | 175 959                   | 0             | 0             | (78 268)            | 254 227           |
| Equity at the end of the period 30.06.2013       | 5 000 129                 | 1 213 117     | 1 147 502     | (212 659)           | 2 852 169         |

| <i>Amount '000 PLN</i>                           | Total consolidated equity | Share capital | Share premium | Revaluation reserve | Retained earnings |
|--|---------------------------|---------------|---------------|---------------------|-------------------|
| Equity at the beginning of the period 01.01.2012 | 4 586 245                 | 1 213 117     | 1 147 502     | 99 865              | 2 125 761         |
| - total comprehensive income of 2012             | 237 925                   | 0             | 0             | (234 256)           | 472 181           |
| Equity at the end of the period 31.12.2012       | 4 824 170                 | 1 213 117     | 1 147 502     | (134 391)           | 2 597 942         |

| <i>Amount '000 PLN</i>                           | Total consolidated equity | Share capital | Share premium | Revaluation reserve | Retained earnings |
|--|---------------------------|---------------|---------------|---------------------|-------------------|
| Equity at the beginning of the period 01.01.2012 | 4 586 245                 | 1 213 117     | 1 147 502     | 99 865              | 2 125 761         |
| - total comprehensive income for I half 2012     | 69 408                    | 0             | 0             | (151 770)           | 221 178           |
| Equity at the end of the period 30.06.2012       | 4 655 653                 | 1 213 117     | 1 147 502     | (51 905)            | 2 346 939         |

## CONSOLIDATED STATEMENT OF CASH FLOWS

## A. CASH FLOWS FROM OPERATING ACTIVITIES

| <i>Amount '000 PLN</i>  | 1.01.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 |
|---|---------------------------|---------------------------|
| Profit (loss) after taxes   | 254 227                   | 221 178                   |
| Adjustments for:  | 642 666                   | 1 121 996                 |
| Non-controlling interests profit (loss)   | 0                         | 0                         |
| Interests in net income (loss) of associated companies  | 1 741                     | (3 483)                   |
| Depreciation and amortization   | 28 893                    | 28 106                    |
| Foreign exchange (gains)/ losses  | 97 644                    | (66 923)                  |
| Dividends   | (1 166)                   | (1 307)                   |
| Changes in provisions   | 20 310                    | (8 431)                   |
| Result on sale and liquidation of investing activity assets                                     | (23 777)                  | (12 686)                  |
| Change in financial assets valued at fair value through profit and loss (held for trading)      | (797 824)                 | (98 139)                  |
| Change in loans and advances to banks   | (636 869)                 | 718 755                   |
| Change in loans and advances to customers   | (1 781 044)               | 77 143                    |
| Change in receivables from securities bought with sell-back clause (loans and advances)         | (520 140)                 | (190 259)                 |
| Change in financial liabilities valued at fair value through profit and loss (held for trading) | 641 630                   | (763 975)                 |
| Change in deposits from banks   | (112 113)                 | 138 054                   |
| Change in deposits from customers   | 2 774 469                 | 2 459 889                 |
| Change in liabilities from securities sold with buy-back clause                                 | 923 389                   | (986 486)                 |
| Change in debt securities   | (62 382)                  | (260 332)                 |
| Change in income tax settlements  | 64 476                    | 124 464                   |
| Income tax paid   | (58 931)                  | (50 928)                  |
| Change in other assets and liabilities  | 76 165                    | 9 057                     |
| Other   | 8 195                     | 9 477                     |
| <b>Net cash flows from operating activities</b>   | <b>896 893</b>            | <b>1 343 174</b>          |

## B. CASH FLOWS FROM INVESTING ACTIVITIES

| <i>Amount '000 PLN</i>  | 1.01.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 |
|---|---------------------------|---------------------------|
| <b>Inflows:</b>   | 12 903                    | 354 858                   |
| Proceeds from sale of property, plant and equipment and intangible assets           | 11 737                    | 10 189                    |
| Proceeds from sale of shares in associates  | 0                         | 2 084                     |
| Proceeds from sale of financial assets valued at fair value through profit and loss | 0                         | 0                         |
| Proceeds from sale of investment financial assets                                   | 0                         | 341 278                   |
| Other   | 1 166                     | 1 307                     |
| <b>Outflows:</b>  | <b>(2 581 588)</b>        | <b>(2 410)</b>            |
| Acquisition of property, plant and equipment and intangible assets                  | <b>(15 077)</b>           | <b>(2 410)</b>            |
| Acquisition of shares in associates   | 0                         | 0                         |
| Acquisition of financial assets valued at fair value through profit and loss        | 0                         | 0                         |
| Acquisition of investment financial assets  | <b>(2 566 511)</b>        | 0                         |
| Other   | 0                         | 0                         |
| <b>Net cash flows from investing activities</b>                                     | <b>(2 568 685)</b>        | <b>352 448</b>            |

## C. CASH FLOWS FROM FINANCING ACTIVITIES

| <i>Amount '000 PLN</i>  | 1.01.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 |
|---|---------------------------|---------------------------|
| <b>Inflows:</b>   | 60 000                    | 298 750                   |
| Long-term bank loans  | 60 000                    | 298 750                   |
| Issue of debt securities  | 0                         | 0                         |
| Increase in subordinated debt                                     | 0                         | 0                         |
| Net proceeds from issues of shares and additional capital paid-in | 0                         | 0                         |
| Other   | 0                         | 0                         |
| <b>Outflows:</b>  | <b>(230 387)</b>          | <b>(233 763)</b>          |
| Repayment of long-term bank loans                                 | <b>(141 884)</b>          | <b>(72 372)</b>           |
| Redemption of debt securities                                     | <b>(70 334)</b>           | <b>(135 580)</b>          |
| Decrease in subordinated debt                                     | 0                         | 0                         |
| Issue of shares expenses  | 0                         | 0                         |
| Redemption of shares  | 0                         | 0                         |
| Dividends paid and other payments to owners                       | 0                         | 0                         |
| Other   | <b>(18 169)</b>           | <b>(25 811)</b>           |
| <b>Net cash flows from financing activities</b>                   | <b>(170 387)</b>          | <b>64 987</b>             |

|   |                    |           |
|---|--------------------|-----------|
| D. NET CASH FLOWS, TOTAL (A + B + C)                                  | <b>(1 842 179)</b> | 1 760 609 |
| E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD | 6 294 360          | 3 643 000 |
| F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E) | 4 452 181          | 5 403 609 |

## IV. NOTES TO CONSOLIDATED FINANCIAL DATA

Note (1) Interest income and other of similar nature, including:

|   | 1.01.2013 -<br>30.06.2013 | 1.04.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 | 1.04.2012 -<br>30.06.2012 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Balances with the Central Bank                      | 25 428                    | 11 541                    | 29 492                    | 15 164                    |
| Deposits, loans and advances to banks               | 2 331                     | 810                       | 6 667                     | 4 691                     |
| Loans and advances to customers                     | 930 880                   | 456 880                   | 997 329                   | 506 267                   |
| Transactions with repurchase agreement              | 4 065                     | 2 563                     | 5 506                     | 3 608                     |
| Hedging derivatives                                 | 233 002                   | 109 270                   | 366 195                   | 172 016                   |
| Financial assets held for trading (debt securities) | 13 356                    | 10 024                    | 13 775                    | 5 894                     |
| Investment securities                               | 183 661                   | 89 494                    | 105 399                   | 54 120                    |
| <b>Total</b>  | <b>1 392 723</b>          | <b>680 582</b>            | <b>1 524 362</b>          | <b>761 759</b>            |

Interest income for I half 2013 includes interest accrued on loans with recognized impairment of PLN 38,892 thousand (for the comparative data for I half 2012, such interest was PLN 45,867 thousand). This interest income is calculated based on net exposure amounts, which take into account the impairment charges made.

Note (2) Interest expense and other of similar nature, including:

|  | 1.01.2013 -<br>30.06.2013 | 1.04.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 | 1.04.2012 -<br>30.06.2012 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Banking deposits                       | (15 536)                  | (6 245)                   | (4 003)                   | (1 429)                   |
| Loans and advances                     | (28 122)                  | (14 199)                  | (31 479)                  | (16 248)                  |
| Transactions with repurchase agreement | (32 924)                  | (20 877)                  | (34 304)                  | (15 933)                  |
| Deposits from customers                | (726 015)                 | (329 978)                 | (834 190)                 | (417 616)                 |
| Subordinated debt                      | (7 534)                   | (3 756)                   | (10 181)                  | (5 032)                   |
| Debt securities                        | (18 496)                  | (8 470)                   | (20 329)                  | (11 916)                  |
| Other                                  | (465)                     | (231)                     | (751)                     | (326)                     |
| <b>Total</b>                           | <b>(829 092)</b>          | <b>(383 756)</b>          | <b>(935 239)</b>          | <b>(468 502)</b>          |

## Note (3) Fee and commission income

|  | 1.01.2013 -<br>30.06.2013 | 1.04.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 | 1.04.2012 -<br>30.06.2012 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Resulting from accounts service  | 43 488                    | 21 561                    | 46 492                    | 23 591                    |
| Resulting from money transfers, cash payments and withdrawals and other payment transactions | 19 846                    | 9 982                     | 19 110                    | 9 956                     |
| Resulting from loans granted   | 35 722                    | 19 588                    | 36 311                    | 19 573                    |
| Resulting from guarantees and sureties granted   | 7 379                     | 3 939                     | 9 499                     | 3 944                     |
| Resulting from payment and credit cards  | 99 002                    | 47 927                    | 100 656                   | 52 935                    |
| Resulting from sale of insurance products  | 56 382                    | 33 966                    | 46 524                    | 21 960                    |
| Resulting from investment funds managed by the Group   | 38 705                    | 21 070                    | 34 647                    | 18 346                    |
| Resulting from distribution of investment funds units and other savings products             | 35 710                    | 19 412                    | 18 657                    | 14 333                    |
| Resulting from brokerage and custody service   | 9 786                     | 4 946                     | 9 927                     | 4 372                     |
| Other  | 6 854                     | 3 488                     | 8 028                     | 4 323                     |
| <b>Total</b>   | <b>352 874</b>            | <b>185 879</b>            | <b>329 852</b>            | <b>173 334</b>            |

## Note (4) Fee and commission expense

|  | 1.01.2013 -<br>30.06.2013 | 1.04.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 | 1.04.2012 -<br>30.06.2012 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Resulting from accounts service  | (942)                     | (518)                     | (899)                     | (486)                     |
| Resulting from money transfers, cash payments and withdrawals and other payment transactions | (703)                     | (332)                     | (768)                     | (385)                     |
| Resulting from loans granted   | (7 523)                   | (4 471)                   | (8 762)                   | (4 323)                   |
| Resulting from payment and credit cards  | (38 269)                  | (20 024)                  | (33 298)                  | (18 032)                  |
| Resulting from brokerage and custody service   | (1 808)                   | (878)                     | (2 026)                   | (897)                     |
| Resulting from investment funds managed by the Group   | (1 938)                   | (974)                     | (2 042)                   | (952)                     |
| Other  | (2 253)                   | (1 087)                   | (3 378)                   | (2 131)                   |
| <b>Total</b>   | <b>(53 436)</b>           | <b>(28 284)</b>           | <b>(51 173)</b>           | <b>(27 206)</b>           |

## Note (5) Result on financial instruments valued at fair value through profit and loss

|   | 1.01.2013 -<br>30.06.2013 | 1.04.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 | 1.04.2012 -<br>30.06.2012 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Operations on securities                          | (3 484)                   | (6 961)                   | (3 445)                   | (4 576)                   |
| Operations on derivatives                         | 40 111                    | 13 210                    | 82                        | 12 776                    |
| Fair value hedge accounting operations including: | 1 936                     | 1 495                     | 2 643                     | 70                        |
| - result from hedging derivatives                 | 2 575                     | 444                       | 3 793                     | (1 248)                   |
| - result from items subjected to hedging          | (639)                     | 1 051                     | (1 150)                   | 1 318                     |
| Foreign exchange result                           | 63 800                    | 32 593                    | 74 855                    | 36 367                    |
| Costs of financial operations                     | (847)                     | (568)                     | (877)                     | (701)                     |
| <b>Total</b>                                      | <b>101 516</b>            | <b>39 769</b>             | <b>73 257</b>             | <b>43 935</b>             |

## Note (6) General and administrative expenses

|  | 1.01.2013 -<br>30.06.2013 | 1.04.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 | 1.04.2012 -<br>30.06.2012 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Staff costs:   | (277 351)                 | (138 117)                 | (281 136)                 | (138 744)                 |
| Salaries   | (230 693)                 | (115 303)                 | (234 699)                 | (115 970)                 |
| Surcharges on pay  | (39 560)                  | (19 379)                  | (39 237)                  | (19 212)                  |
| Employee benefits, including:                                  | (7 098)                   | (3 435)                   | (7 200)                   | (3 562)                   |
| - provisions for unused employee holiday                       | (11)                      | (4)                       | (15)                      | (10)                      |
| - other  | (7 087)                   | (3 431)                   | (7 185)                   | (3 552)                   |
| General administrative costs:                                  | (246 842)                 | (127 667)                 | (250 303)                 | (124 314)                 |
| Costs of advertising, promotion and representation             | (22 057)                  | (13 826)                  | (13 996)                  | (5 533)                   |
| Costs of software maintenance and IT services                  | (11 448)                  | (5 665)                   | (11 122)                  | (5 621)                   |
| Costs of renting   | (93 123)                  | (45 765)                  | (95 196)                  | (47 590)                  |
| Costs of buildings maintenance, equipment and materials        | (13 092)                  | (6 860)                   | (12 701)                  | (6 208)                   |
| ATM and cash maintenance costs                                 | (8 873)                   | (4 368)                   | (10 400)                  | (5 224)                   |
| Costs of communications and IT                                 | (25 858)                  | (12 657)                  | (30 608)                  | (15 101)                  |
| Costs of consultancy, audit and legal advisory and translation | (6 257)                   | (3 780)                   | (6 962)                   | (3 845)                   |
| Taxes and fees   | (7 892)                   | (4 282)                   | (9 686)                   | (4 988)                   |
| KIR clearing charges   | (1 839)                   | (926)                     | (1 594)                   | (829)                     |
| PFRON costs  | (1 517)                   | (600)                     | (2 991)                   | (1 472)                   |
| Banking Guarantee Fund costs                                   | (16 936)                  | (8 468)                   | (17 225)                  | (8 612)                   |
| Financial Supervision costs                                    | (5 676)                   | (2 940)                   | (5 223)                   | (2 618)                   |
| Other  | (32 274)                  | (17 530)                  | (32 599)                  | (16 673)                  |
| <b>Total</b>   | <b>(524 193)</b>          | <b>(265 784)</b>          | <b>(531 439)</b>          | <b>(263 058)</b>          |

## Note (7) Impairment losses on financial assets

|   | 1.01.2013 -<br>30.06.2013 | 1.04.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 | 1.04.2012 -<br>30.06.2012 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Impairment losses on loans and advances to customers                | (96 436)                  | (56 694)                  | (123 614)                 | (79 552)                  |
| Impairment write-offs created in the period                         | (361 234)                 | (172 682)                 | (383 082)                 | (183 490)                 |
| Impairment write-offs released in the period                        | 263 006                   | 115 651                   | 253 910                   | 102 816                   |
| Amounts recovered from loans written off                            | 1 630                     | 256                       | 1 143                     | 261                       |
| Sale of receivables   | 162                       | 81                        | 4 415                     | 861                       |
| Impairment losses on securities                                     | 89                        | 89                        | 0                         | 0                         |
| Impairment write-offs created in the period                         | 0                         | 0                         | 0                         | 0                         |
| Impairment write-offs released in the period                        | 89                        | 89                        | 0                         | 0                         |
| Impairment losses on off-balance sheet liabilities                  | (17 353)                  | (4 879)                   | 12 047                    | 5 720                     |
| Impairment write-offs for off-balance sheet liabilities             | (20 926)                  | (5 669)                   | (4 148)                   | 4 241                     |
| Reversal of impairment write-offs for off-balance sheet liabilities | 3 573                     | 790                       | 16 195                    | 1 479                     |
| <b>Total</b>  | <b>(113 700)</b>          | <b>(61 484)</b>           | <b>(111 567)</b>          | <b>(73 832)</b>           |

## Note (8a) Income tax reported in income statement

|  | 1.01.2013 -<br>30.06.2013 | 1.04.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 | 1.04.2012 -<br>30.06.2012 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Current tax  | (64 884)                  | (29 522)                  | (86 102)                  | (33 325)                  |
| Current year   | (64 884)                  | (29 522)                  | (86 102)                  | (33 325)                  |
| Deferred tax:  | 306                       | (4 361)                   | 27 835                    | 5 247                     |
| Recognition and reversal of temporary differences    | (290)                     | (4 743)                   | 27 365                    | 4 865                     |
| Recognition / (Utilisation) of tax loss              | 596                       | 382                       | 470                       | 382                       |
| Adjustment resulted from Article 38a of CIT          | 0                         | 0                         | (2)                       | (1)                       |
| <b>Total income tax reported in income statement</b> | <b>(64 578)</b>           | <b>(33 883)</b>           | <b>(58 270)</b>           | <b>(28 080)</b>           |

## Note (8b) Effective tax rate

|  | 1.01.2013 -<br>30.06.2013 | 1.04.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 | 1.04.2012 -<br>30.06.2012 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Gross profit / (loss)  | 318 805                   | 168 086                   | 279 448                   | 139 151                   |
| Statutory tax rate   | 19%                       | 19%                       | 19%                       | 19%                       |
| Income tax according to obligatory income tax rate of 19%          | (60 573)                  | (31 936)                  | (53 095)                  | (26 439)                  |
| <b>Impact of permanent differences on tax charges:</b>             | <b>(4 005)</b>            | <b>(1 946)</b>            | <b>(5 173)</b>            | <b>(1 639)</b>            |
| Non taxable income   | 389                       | 261                       | 640                       | 256                       |
| Dividend income  | 221                       | 221                       | 244                       | 244                       |
| Release of other provisions  | 154                       | 34                        | 380                       | 0                         |
| Other  | 14                        | 6                         | 16                        | 12                        |
| Non tax-deductible costs   | (4 394)                   | (2 207)                   | (5 813)                   | (1 895)                   |
| Loss realised on the sale of receivables portfolio                 | (7)                       | (7)                       | (1 411)                   | (48)                      |
| PFRON fee  | (288)                     | (114)                     | (574)                     | (286)                     |
| Receivables written off  | (459)                     | (126)                     | (1 256)                   | (450)                     |
| Costs of litigations   | (831)                     | (522)                     | (573)                     | (145)                     |
| Depreciation and insurance costs of cars (in excess of EUR 20,000) | (628)                     | (331)                     | (547)                     | (289)                     |
| Cost of provisions for factoring receivables                       | (1 182)                   | (649)                     | (590)                     | (45)                      |
| Other  | (999)                     | (458)                     | (862)                     | (632)                     |
| Adjustment resulted from Article 38a of CIT                        | 0                         | 0                         | (2)                       | (1)                       |
| <b>Total income tax reported in income statement</b>               | <b>(64 578)</b>           | <b>(33 883)</b>           | <b>(58 270)</b>           | <b>(28 080)</b>           |

## Note (8c) Deferred tax reported directly in equity

|  | 30.06.2013 | 31.12.2012 |
|--|------------|------------|
| Valuation of available for sale securities | 4 247      | (8 147)    |
| Valuation of cash flow hedging instruments | 45 636     | 39 671     |
| Deferred tax reported directly in equity   | 49 883     | 31 524     |

On 1 January 2011 the Bank created with a subsidiary - Millennium Service Sp. z o.o. ., Tax Capital Group (TCG). TCG is a vehicle, described in and subject to the provisions of the Polish Corporate Income Tax law. The essence of TCG is to concentrate two or more related entities as one taxpayer for the corporate income tax purposes. The creation of TCG does not lead to the creation of a new entity, and consolidation is done only at the level of corporate income tax settlements.

TCG formation is aimed at increasing the efficiency of tax management within the Group and reducing risks resulting from the corporate income tax settlements through centralization of expertise of tax calculations and payments obligations to one chosen entity of the Group (the Bank).

### Tax Inspection Office control procedures

#### *Millennium Leasing Sp. z o.o. tax control*

As a result of findings of the tax inspection carried out in 2011 in Millennium Leasing Sp. z o.o. the correctness of income tax settlements for 2006 has been challenged in the total amount of PLN 11.4 million, including namely; PLN 4.8 million due to underestimation of tax liability for the period 1.01 - 31.08.2006 and PLN 6.6 million due to an overestimation of tax loss for the period 1.09 - 31.12.2006. Company paid the tax arrears of PLN 16.7 million. Of that amount the Tax Office returned PLN 9.8 million to the Company until completion of proceedings. The Company did not agree with the decision and appealed to the Administrative Court. In Q2'2012 the Company created a provision of PLN 2.95 million to cover potential tax liabilities. On 13 November 2012, the Regional Administrative Court ruling upheld the application of the company and annulled the contested decisions about tax period 01.01.-31.08.2006. On 15 March 2013, the Regional Administrative Court ruling upheld the application of the company and annulled the contested decisions about tax period 1.09.-31.12.2006. According to the procedure, the Company awaits further stand by the Tax Office. The Company received a letter from the Tax Office setting a deadline for response to 27.08 this year. As of June 30, 2013, the Board continues to support its evaluation of the income tax settlement for 2006 as correct, while maintaining the balance of the provision at the same level.

#### *Bank Millennium S.A. tax control procedures*

As a result of the tax inspection carried out in the Bank in 2011 the Tax Office questioned the correctness of income tax calculation for 2005, having its consequences for subsequent tax years. The Bank fully supports the correctness of its tax calculation, nonetheless several procedural steps have been undertaken, such as: (i) adjusting tax settlements for the period 2005-2010; (ii) paying (in November 2011) the tax arrears of PLN 69 million (to avoid the risk of penalty interest burden); and (iii) raising a claim against the Tax Office for the above mentioned amount. As a result of these proceedings on 30 January 2012 the Tax Office returned to the Bank a substantial part of the amount paid (PLN 66 million).

At the same time the tax authority sustain a negative opinion in the proceedings. As a result of the different positions of the Bank and tax authorities, there are currently ongoing appeals against the decision, in particular:

1 / Proceedings in front of the Tax Chamber resulting from the Bank's appealing against the decision of the Director of the Tax Control Office (first instance) determining a tax loss in the CIT for 2005. On 27.06.2013 the Director of the Tax Chamber issued a decision upholding the decision of the first instance. On 22 July 2013 the Bank submitted a complaint to the Regional Administrative Court.

2 / Appeal proceedings against the decision of the Head of Second Mazovian Tax Office determining CIT for the year 2006, appellate authority has not yet considered the appeal but issued another order extending the time for investigation till 26 August 2013,

3 / Appeal proceedings against the decisions of the Head of Second Mazovian Tax Office - determining tax liabilities for 2007 and 2008, and refusing confirmation of tax overpayment for 2007 and 2008. Appellate authority has not yet issued a decision on the matter. In June and July the Director of the Tax Chamber issued a decision defining the new time limits for investigating the appeals regarding determination of the tax liability for the years 2007 and 2008, the deadlines were extended to 28 August 2013 and 30 August 2013.

As at the 30 June 2013 the Management Board continues to fully support the correctness of tax calculation. In the opinion of the Bank the control proceedings of the Tax Office are unfounded and the Bank expects the positive outcome of the proceedings. The positive final outcome is supported by the Bank's external tax advisor.

#### Note (9) Loans and advances to banks

|  | 30.06.2013       | 31.12.2012       |
|--|------------------|------------------|
| Current accounts                                 | 83 820           | 211 004          |
| Deposits in other banks                          | 1 420 987        | 741 452          |
| Loans  | 453 318          | 435 657          |
| Interest   | 3 619            | 4 311            |
| <b>Total (gross) loans and advances to banks</b> | <b>1 961 744</b> | <b>1 392 424</b> |
| Impairment write-offs                            | 0                | 0                |
| <b>Net loans and advances to banks</b>           | <b>1 961 744</b> | <b>1 392 424</b> |

Note (10) Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge

|                                   | 30.06.2013       | 31.12.2012     |
|-----------------------------------|------------------|----------------|
| <b>Debt securities</b>            | <b>1 110 541</b> | <b>46 791</b>  |
| Issued by State Treasury          | 1 110 541        | 46 791         |
| a) bills                          | 0                | 436            |
| b) bonds                          | 1 110 541        | 46 355         |
| <b>Equity instruments</b>         | <b>1 568</b>     | <b>138</b>     |
| Quoted on the active market       | 1 568            | 138            |
| a) financial institutions         | 0                | 0              |
| b) non-financial institutions     | 1 568            | 138            |
| Adjustment from fair value hedge  | 16 014           | 18 414         |
| Positive valuation of derivatives | 528 274          | 597 060        |
| <b>Total</b>                      | <b>1 656 397</b> | <b>662 404</b> |

Note (10)/Note (17) Valuation of derivatives, Adjustment from fair value hedge, and Liabilities from short sale of securities as at 30.06.2013

|   | Fair value      |                |                |
|---|-----------------|----------------|----------------|
|   | Total           | Assets         | Liabilities    |
| <b>1. Interest rate derivatives</b>                         | <b>78 084</b>   | <b>434 853</b> | <b>356 769</b> |
| Forward Rate Agreements (FRA)                               | (1 719)         | 4 562          | 6 281          |
| Interest rate swaps (IRS)                                   | 80 043          | 429 411        | 349 368        |
| Other interest rate contracts: options, swap with FX option | (240)           | 880            | 1 120          |
| <b>2. FX derivatives</b>                                    | <b>(63 229)</b> | <b>33 155</b>  | <b>96 384</b>  |
| FX contracts  | 6 756           | 13 396         | 6 640          |
| FX swaps  | (3 665)         | 10 143         | 13 808         |
| Other FX contracts (CIRS)                                   | (66 320)        | 9 616          | 75 936         |
| FX options  | 0               | 0              | 0              |
| <b>3. Embedded instruments</b>                              | <b>(45 844)</b> | <b>0</b>       | <b>45 844</b>  |
| Options embedded in deposits                                | (31 340)        | 0              | 31 340         |
| Options embedded in securities issued                       | (14 504)        | 0              | 14 504         |
| <b>4. Indexes options</b>                                   | <b>47 846</b>   | <b>60 266</b>  | <b>12 420</b>  |
| <b>Valuation of derivatives</b>                             | <b>16 857</b>   | <b>528 274</b> | <b>511 417</b> |
| Valuation of hedged position in fair value hedge accounting |                 | 16 014         |                |
| Liabilities from short sale of securities                   |                 |                | 303 454        |

Note (10)/Note (17) Valuation of derivatives, Adjustment from fair value hedge, and Liabilities from short sale of securities as at 31.12.2012

|  | Fair value     |                |                |
|--|----------------|----------------|----------------|
|  | Total          | Assets         | Liabilities    |
| 1. Interest rate derivatives   | 85 712         | 439 378        | 353 666        |
| Forward Rate Agreements (FRA)  | (1 733)        | 4 101          | 5 834          |
| Interest rate swaps (IRS)  | 89 075         | 434 244        | 345 169        |
| Other interest rate contracts: options, volatility swap, swap with FX option | (1 630)        | 1 033          | 2 663          |
| 2. FX derivatives  | 45 036         | 81 162         | 36 126         |
| FX contracts   | 3 848          | 13 468         | 9 620          |
| FX swaps   | 21 645         | 40 551         | 18 906         |
| Other FX contracts (CIRS)  | 19 543         | 27 143         | 7 600          |
| FX options   | 0              | 0              | 0              |
| 3. Embedded instruments  | (64 640)       | 0              | 64 640         |
| Options embedded in deposits   | (38 725)       | 0              | 38 725         |
| Options embedded in securities issued  | (25 915)       | 0              | 25 915         |
| 4. Indexes options   | 63 379         | 76 520         | 13 141         |
| <b>Valuation of derivatives</b>  | <b>129 487</b> | <b>597 060</b> | <b>467 573</b> |
| Valuation of hedged position in fair value hedge accounting                  |                | 18 414         |                |
| Liabilities from short sale of securities                                    |                |                | 0              |

In first half 2013 the Group continued to apply hedge accounting for following transactions:

|   | Hedging fair value of the fixed rate portfolio of FX liabilities and floating rate portfolio of FX receivables   | Hedge of volatility of the cash flows generated by the portfolio of PLN mortgage loans  |
|---|--|---|
| Description of hedge transactions                                 | The Group hedges the risk related to changes in fair value of the fixed rate portfolio of FX liabilities and floating rate portfolio of FX receivables resulting from variation in interest rate component (margin)  | The Group hedges the risk of the volatility of cash flows generated by PLN mortgages. The volatility of cash flows results from interest rate risk.   |
| Hedged items  | Fixed rate portfolio of FX liabilities and floating rate portfolio of FX receivables   | Cash flows resulting from the PLN mortgage loan portfolio   |
| Hedging instruments   | CIRS transactions  | IRS transactions  |
| Presentation of the result on the hedged and hedging transactions | adjustment to fair value of hedged and hedging instruments are recognised in profit and loss as result on financial instruments valued at fair value through profit and loss and FX result; interest on hedging and hedged instruments are recognised in net interest income | effective part of the valuation of hedging instruments is recognised in revaluation capital; interest on both the hedged and the hedging instruments are recognised in net interest income; |

|   | Cash flow volatility hedge for the flow generated by FX mortgage portfolio and its underlying PLN deposits   | Cash flow volatility hedge for the flow generated by future revenues and expenditures denominated in foreign currency                                       |
|---|--|---|
| Description of hedge transactions                                 | The Group hedges the risk of the volatility of cash flows generated by FX mortgages and by PLN deposits financially underlying such loans. The volatility of cash flows results from the currency risk and interest rate risk.   | The Group hedges FX risk resulting from future revenues and expenditures denominated in foreign currency by exchange of aforementioned flows into PLN ones. |
| Hedged items  | Cash flows resulting from the mortgage loan portfolio and PLN deposits funding them.   | Cash flows resulting from future revenues and expenditures denominated in foreign currency.   |
| Hedging instruments   | CIRS transactions  | FX Forward transactions   |
| Presentation of the result on the hedged and hedging transactions | effective part of the valuation of hedging instruments is recognised in revaluation capital;<br>interest on both the hedged and the hedging instruments is recognised in net interest income;<br>valuation of hedging and hedged instruments on FX differences is recognised in financial instruments valued at fair value through profit and loss and foreign exchange result | effective part of spot revaluation of hedging instruments is recognised in revaluation reserve;   |

During second quarter of 2013 the Group started again to apply hedge accounting for following transactions:

|   | Cash flow volatility hedge for the flow generated by floating rate, FX mortgage portfolio   |
|---|---|
| Description of hedge transactions                                 | The Group hedges currency risk and cash flow interest rate risk for part of the period (in the time horizon of hedging transactions) resulting from floating rate loans in foreign currency by converting the interest cash flows in foreign currency into PLN ones, using the FX swap. |
| Hedged items  | Cash flows resulting from the FX mortgage loan portfolio  |
| Hedging instruments   | FX SWAP transactions  |
| Presentation of the result on the hedged and hedging transactions | effective part of the valuation of hedging instruments is recognised in revaluation capital;<br>interest on hedging instruments is recognised in net interest income;   |

## Note (11)/Note (18) Hedge accounting as at 30.06.2013

|  | Fair values        |               |                  | Adjustment to fair value of hedged items for hedged risk(*) |
|--|--------------------|---------------|------------------|---|
|  | Total              | Assets        | Liabilities      |   |
| Fair value hedging derivatives connected with interest rate risk           |                    |               |                  |   |
| CIRS contracts   | (77 241)           | 0             | 77 241           | 5 395   |
| Cash flows hedging derivatives connected with interest rate and/or FX rate |                    |               |                  |   |
| CIRS contracts   | (1 223 465)        | 59 906        | 1 283 371        | x   |
| IRS contracts  | 10 656             | 10 656        | 0                | x   |
| FX SWAP contracts  | (21 366)           | 0             | 21 366           | x   |
| FX Forward contracts   | (26 643)           | 913           | 27 556           | x   |
| <b>Total</b>   | <b>(1 338 059)</b> | <b>71 475</b> | <b>1 409 534</b> | <b>x</b>  |

(\*) Adjustment is presented for active hedge relationships

## Note (11)/Note (18) Hedge accounting as at 31.12.2012

|  | Fair values      |                |                  | Adjustment to fair value of hedged items for hedged risk |
|--|------------------|----------------|------------------|--|
|  | Total            | Assets         | Liabilities      |  |
| Fair value hedging derivatives connected with interest rate risk           |                  |                |                  |  |
| CIRS contracts   | (84 986)         | 0              | 84 986           | 6 034  |
| Cash flows hedging derivatives connected with interest rate and/or FX rate |                  |                |                  |  |
| CIRS contracts   | (725 856)        | 271 840        | 997 696          | x  |
| IRS contracts  | 2 157            | 2 157          | 0                | x  |
| FX Forward contracts   | (28 705)         | 3 815          | 32 520           | x  |
| <b>Total</b>   | <b>(837 390)</b> | <b>277 812</b> | <b>1 115 202</b> | <b>x</b>   |

## Note (12a) Loans and advances to customers

|   | 30.06.2013        | 31.12.2012        |
|---|-------------------|-------------------|
| Loans and advances                                      | 38 628 354        | 36 843 032        |
| - to companies  | 7 252 954         | 6 159 590         |
| - to private individuals                                | 30 642 036        | 29 869 616        |
| - to public sector                                      | 733 364           | 813 826           |
| Receivables on account of payment cards                 | 729 761           | 777 919           |
| - due from companies                                    | 41 405            | 38 110            |
| - due from private individuals                          | 688 356           | 739 809           |
| Purchased receivables                                   | 153 910           | 146 214           |
| - from companies  | 147 799           | 130 859           |
| - from public sector                                    | 6 111             | 15 355            |
| Guarantees and sureties realised                        | 35 350            | 35 005            |
| Debt securities eligible for rediscount at Central Bank | 14 116            | 13 235            |
| Financial leasing receivables                           | 3 409 510         | 3 367 716         |
| Other   | 1 374             | 2 288             |
| Interest  | 313 854           | 284 417           |
| <b>Total gross</b>                                      | <b>43 286 229</b> | <b>41 469 826</b> |
| Impairment write-offs                                   | (1 272 064)       | (1 237 586)       |
| <b>Total net</b>  | <b>42 014 165</b> | <b>40 232 240</b> |

## Note (12b) Quality of loans and advances to customers portfolio

|   | 30.06.2013        | 31.12.2012        |
|---|-------------------|-------------------|
| Loans and advances to customers (gross)       | 43 286 229        | 41 469 826        |
| - impaired                                    | 1 973 774         | 2 110 563         |
| - not impaired                                | 41 312 455        | 39 359 263        |
| Impairment write-offs                         | (1 272 064)       | (1 237 586)       |
| - for impaired exposures                      | (1 068 675)       | (1 045 565)       |
| - for incurred but not reported losses (IBNR) | (203 389)         | (192 021)         |
| <b>Loans and advances to customers (net)</b>  | <b>42 014 165</b> | <b>40 232 240</b> |

## Note (12c) Loans and advances to customers portfolio by methodology of impairment assessment

|  | 30.06.2013        | 31.12.2012        |
|--|-------------------|-------------------|
| Loans and advances to customers (gross)      | 43 286 229        | 41 469 826        |
| - case by case analysis                      | 968 836           | 1 125 031         |
| - collective analysis                        | 42 317 393        | 40 344 795        |
| Impairment write-offs                        | (1 272 064)       | (1 237 586)       |
| - on the basis of case by case analysis      | (476 634)         | (470 393)         |
| - on the basis of collective analysis        | (795 430)         | (767 193)         |
| <b>Loans and advances to customers (net)</b> | <b>42 014 165</b> | <b>40 232 240</b> |

## Note (12d) Loans and advances to customers portfolio by customers

|  | 30.06.2013        | 31.12.2012        |
|--|-------------------|-------------------|
| Loans and advances to customers (gross)      | 43 286 229        | 41 469 826        |
| - corporate customers                        | 11 736 949        | 10 665 421        |
| - individuals                                | 31 549 280        | 30 804 405        |
| Impairment write-offs                        | (1 272 064)       | (1 237 586)       |
| - for receivables from corporate customers   | (671 447)         | (659 478)         |
| - for receivables from private individuals   | (600 617)         | (578 108)         |
| <b>Loans and advances to customers (net)</b> | <b>42 014 165</b> | <b>40 232 240</b> |

## Note (12e) Change of impairment write-offs for loans and advances to customers

|  | 01.01.2013 -<br>30.06.2013 | 01.01.2012 -<br>31.12.2012 |
|--|----------------------------|----------------------------|
| Balance at the beginning of the period       | 1 237 586                  | 1 217 369                  |
| Change in value of provisions:               | 34 478                     | 20 217                     |
| Impairment write-offs created in the period  | 361 234                    | 671 795                    |
| Amounts written off                          | (70 112)                   | (158 742)                  |
| Impairment write-offs released in the period | (263 006)                  | (408 005)                  |
| Changes resulting from FX rates differences  | 6 459                      | (70 545)                   |
| Sale of receivables                          | (160)                      | (15 407)                   |
| Other  | 63                         | 1 121                      |
| <b>Balance at the end of the period</b>      | <b>1 272 064</b>           | <b>1 237 586</b>           |

## Note (13) Investment financial assets available for sale

|  | 30.06.2013       | 31.12.2012       |
|--|------------------|------------------|
| <b>Debt securities</b>                           | <b>8 138 198</b> | <b>6 749 758</b> |
| Issued by State Treasury                         | 5 560 026        | 3 037 456        |
| a) bills   | 0                | 0                |
| b) bonds   | 5 560 026        | 3 037 456        |
| Issued by Central Bank                           | 2 469 298        | 3 598 724        |
| a) bills   | 2 469 298        | 3 598 724        |
| b) bonds   | 0                | 0                |
| <b>Other securities</b>                          | <b>108 874</b>   | <b>113 578</b>   |
| a) listed  | 0                | 0                |
| b) not listed                                    | 108 874          | 113 578          |
| Shares and interests in other entities           | 1 098            | 1 346            |
| <b>Total financial assets available for sale</b> | <b>8 139 296</b> | <b>6 751 104</b> |

## Note (14) Impairment write-offs for selected assets

| Impairment write-offs:   | Investment securities | Property, plant and equipment | Intangibles | Non-current assets held for sale | Other assets |
|--------------------------|-----------------------|-------------------------------|-------------|----------------------------------|--------------|
| Balance as at 01.01.2013 | 16 637                | 20 545                        | 3 988       | 187                              | 7 374        |
| - Write-offs created     | 0                     | 0                             | 0           | 121                              | 890          |
| - Write-offs released    | (89)                  | (976)                         | 0           | 0                                | (436)        |
| - Utilisation            | 0                     | 0                             | 0           | 0                                | (852)        |
| - Other changes          | 0                     | 0                             | 0           | 0                                | 0            |
| Balance as at 30.06.2013 | 16 548                | 19 569                        | 3 988       | 308                              | 6 976        |

| Impairment write-offs:   | Investment securities | Property, plant and equipment | Intangibles | Non-current assets held for sale | Other assets |
|--------------------------|-----------------------|-------------------------------|-------------|----------------------------------|--------------|
| Balance as at 01.01.2012 | 16 637                | 24 870                        | 3 988       | 1 913                            | 9 588        |
| - Write-offs created     | 0                     | 0                             | 0           | 0                                | 766          |
| - Write-offs released    | 0                     | (4 325)                       | 0           | (46)                             | (542)        |
| - Utilisation            | 0                     | 0                             | 0           | (1 680)                          | (2 438)      |
| - Other changes          | 0                     | 0                             | 0           | 0                                | 0            |
| Balance as at 31.12.2012 | 16 637                | 20 545                        | 3 988       | 187                              | 7 374        |

## Note (15) Assets / Note (22) Provision from deferred income tax

|   | 30.06.2013                |                               |                               | 31.12.2012                |                               |                               |
|---|---------------------------|-------------------------------|-------------------------------|---------------------------|-------------------------------|-------------------------------|
|   | Deferred income tax asset | Deferred income tax provision | Net deferred income tax asset | Deferred income tax asset | Deferred income tax provision | Net deferred income tax asset |
| Difference between tax and balance sheet depreciation                                 | 77 277                    | (16 572)                      | 60 705                        | 67 211                    | (11 488)                      | 55 723                        |
| Balance sheet valuation of financial instruments                                      | 389 628                   | (379 072)                     | 10 556                        | 359 735                   | (354 906)                     | 4 829                         |
| Unrealised receivables/ liabilities on account of derivatives                         | 73 053                    | (98 689)                      | (25 636)                      | 87 170                    | (117 650)                     | (30 480)                      |
| Interest on deposits and securities to be paid/received                               | 48 119                    | (93 528)                      | (45 409)                      | 65 197                    | (79 150)                      | (13 953)                      |
| Interest and discount on loans and receivables  | 99                        | (27 948)                      | (27 849)                      | 98                        | (24 771)                      | (24 673)                      |
| Income and cost settled at effective interest rate                                    | 10 809                    | (1 418)                       | 9 391                         | 2 230                     | (1 304)                       | 926                           |
| Provisions for loans presented as temporary differences                               | 105 905                   | 0                             | 105 905                       | 105 026                   | 0                             | 105 026                       |
| Employee benefits   | 13 926                    | 0                             | 13 926                        | 12 736                    | 0                             | 12 736                        |
| Provisions for future costs   | 26 532                    | 0                             | 26 532                        | 18 116                    | 0                             | 18 116                        |
| Valuation of investment assets and cash flows hedge recognized in revaluation reserve | 49 932                    | (49)                          | 49 883                        | 39 671                    | (8 147)                       | 31 524                        |
| Tax loss deductible in the future   | 1 761                     | 0                             | 1 761                         | 1 165                     | 0                             | 1 165                         |
| Other   | 7 768                     | (3 664)                       | 4 104                         | 7 570                     | (3 303)                       | 4 267                         |
| Net deferred income tax asset   | 804 809                   | (620 940)                     | 183 869                       | 765 925                   | (600 719)                     | 165 206                       |

## Note (16) Deposits from banks

|                             | 30.06.2013 | 31.12.2012 |
|-----------------------------|------------|------------|
| In current account          | 235 465    | 210 646    |
| Term deposits               | 545 946    | 709 997    |
| Loans and advances received | 1 564 756  | 1 567 995  |
| Interest                    | 2 352      | 3 107      |
| Total                       | 2 348 519  | 2 491 745  |

## Note (19) Deposits from customers by type structure

|   | 30.06.2013        | 31.12.2012        |
|---|-------------------|-------------------|
| <b>Amounts due to private individuals</b> | <b>25 621 095</b> | <b>26 017 955</b> |
| Balances on current accounts              | 12 714 456        | 9 910 438         |
| Term deposits                             | 12 622 210        | 15 747 647        |
| Other                                     | 130 816           | 116 399           |
| Accrued interest                          | 153 613           | 243 471           |
| <b>Amounts due to companies</b>           | <b>14 616 813</b> | <b>13 189 987</b> |
| Balances on current accounts              | 2 859 960         | 3 449 535         |
| Term deposits                             | 11 496 448        | 9 439 749         |
| Other                                     | 202 426           | 245 143           |
| Accrued interest                          | 57 979            | 55 561            |
| <b>Amounts due to public sector</b>       | <b>3 970 638</b>  | <b>2 226 136</b>  |
| Balances on current accounts              | 725 597           | 851 063           |
| Term deposits                             | 3 185 721         | 1 322 798         |
| Other                                     | 52 774            | 45 858            |
| Accrued interest                          | 6 546             | 6 417             |
| <b>Total</b>                              | <b>44 208 546</b> | <b>41 434 077</b> |

## Note (20) Change of debt securities

|  | 01.01.2013 -<br>30.06.2013 | 01.01.2012 -<br>31.12.2012 |
|--|----------------------------|----------------------------|
| Balance at the beginning of the period                                   | 900 016                    | 1 071 193                  |
| - change of bonds issued in leasing portfolio securitization transaction | (70 334)                   | (244 193)                  |
| - change of bonds issued by subsidiary company                           | 0                          | (299 795)                  |
| - change of bonds issued by the Bank                                     | (57 635)                   | 269 347                    |
| - change of bank's securities issued                                     | (4 747)                    | 103 464                    |
| Balance at the end of the period   | 767 300                    | 900 016                    |

## Note (21) Provisions

|  | 01.01.2013 -<br>30.06.2013 | 01.01.2012 -<br>31.12.2012 |
|--|----------------------------|----------------------------|
| <b>Provision for off-balance sheet commitments</b> |                            |                            |
| Balance at the beginning of the period             | 22 463                     | 22 271                     |
| Charge of provision                                | 20 926                     | 17 149                     |
| Release of provision                               | (3 573)                    | (16 911)                   |
| FX rates differences                               | 11                         | (46)                       |
| <b>Balance at the end of the period</b>            | <b>39 827</b>              | <b>22 463</b>              |
| <b>Provision for contentious claims</b>            |                            |                            |
| Balance at the beginning of the period             | 22 342                     | 13 156                     |
| Charge of provision                                | 4 374                      | 10 462                     |
| Release of provision                               | (808)                      | (2 316)                    |
| Utilisation of provision                           | (620)                      | (88)                       |
| Reclassification                                   | 0                          | 1 128                      |
| <b>Balance at the end of the period</b>            | <b>25 288</b>              | <b>22 342</b>              |
| <b>Total</b>                                       | <b>65 115</b>              | <b>44 805</b>              |

## V. CHANGES IN RISK MANAGEMENT PROCESS

Risk management performs a key role in the strategy of balanced and sustainable development of the Bank Millennium Group, supporting optimisation of relationships between risk and returns within various business lines and maintenance of adequate risk profile relative to capital and liquidity.

In order to ensure effective risk management and coherent policy the Bank Millennium Group has implemented risk management model under which credit, market, liquidity and operational risks are managed in an integrated manner.

### Credit risk

In the 1st half of 2013 Bank Millennium Group in corporate segment focused on further development of credit policy tools, including a revision of policy towards sectors of economic activity and current level of risk appetite for the different sectors. Moreover, taking into account initiatives aiming at further improvement of tools and processes of the credit risk management, the Group has performed functional changes to Group's IT systems and redefined, unified and extended the scope of management information system.

In the first half of 2013, Bank Millennium Group in the retail segment carried out a set of improvements including the rationalization of methodology, tools and processes of the credit risk management. These initiatives largely focused on the optimization of solutions in cash loans and mortgages. In the retail segment, the Group has reviewed and modified rules of the credit campaign, loan consolidation, list of required documents, risk filters and extent of the usage of external information in the process of retail customers credit risk assessment, accordingly to current risk assessment and economic environment. In Micro Business segment, the Group implemented automated credit decisions and made changes in the credit assessment methodologies for selected sub-segments.

In the first half of 2013 Group was performing the project of adaptation to new Recommendation T requirements for consumer loans. Project covered gap analysis between Recommendation T and current processes and definition of list of required changes, which after approval of Risk Committee were put forward for implementation in Group's procedures and IT systems. Some of changes were subject to Bank Supervisory Board approval.

All above changes were aimed at streamlining of the credit process as well as unifications of the rules concerning for better identification of risks appearing in the process of granting loans to retail segment customers.

Changes in the loan portfolio of the Group in I half 2013 are summarized below:

| In '000 PLN                              | 30.06.2013                      |                             | 31.12.2012                      |                             |
|--|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
|  | Loans and advances to customers | Loans and advances to banks | Loans and advances to customers | Loans and advances to banks |
| Not overdue and without impairment       | 39 965 279                      | 1 961 744                   | 37 997 694                      | 1 392 424                   |
| Overdue*, but without impairment         | 1 347 176                       | 0                           | 1 361 569                       | 0                           |
| With impairment                          | 1 973 774                       | 0                           | 2 110 563                       | 0                           |
| <b>Gross</b>                             | <b>43 286 229</b>               | <b>1 961 744</b>            | <b>41 469 826</b>               | <b>1 392 424</b>            |
| Impairment write-offs together with IBNR | (1 272 064)                     | 0                           | (1 237 586)                     | 0                           |
| <b>Net</b>                               | <b>42 014 165</b>               | <b>1 961 744</b>            | <b>40 232 240</b>               | <b>1 392 424</b>            |

\* - Delays up to 4 days are considered as a technical delay and are classified as not overdue. The figures for 31.12.2012 were restated accordingly to this definition.

### Market risk

In the first half of 2013, the Group continued its conservative approach to market risk management that has been adopted since 2009.

The main measure used by the Group to evaluate market risks is the parametric VaR (Value at Risk) model - an expected loss that may arise on the portfolio over a specified period of time (10-days holding period) and with specified probability (99% confidence level) from an adverse market movement. The market risk measurement is carried out daily, both on an individual basis for each of the areas responsible for risk taking and risk management, and also in consolidated terms considering the effect of the diversification that exists between the particular portfolios. All eventual excesses of market risk limits are reported, documented and ratified at the proper competence level.

The VaR indicators in the period under consideration for the Group, that is jointly Trading Book and Banking Book, remained at moderate levels with total average exposure to market risk of approx. PLN 30,6 m (32% of the limit) and approx. PLN 58,1 m (61% of the limit) as of the end of June 2013. The market risk exposure in the Bank, together with risk type division, is presented in the table below (thz PLN).

VaR measures for market risk

|                        | 30.06.2013 |                                | VaR (from 31 December 2012 till 30 June 2013) |         |         | 31.12.2012 |                                |
|------------------------|------------|--------------------------------|---|---------|---------|------------|--------------------------------|
|                        | Exposure   | Average use of limit in period | Average                                       | Maximum | Minimum | Exposure   | Average use of limit in period |
| Total risk             | 58 058     | 61%                            | 30 566  | 60 812  | 13 352  | 11 419     | 12%                            |
| Generic risk           | 55 180     | 58%                            | 27 586  | 57 907  | 10 332  | 8 399      | 9%                             |
| Interest Rate VaR      | 55 188     | 60%                            | 27 597  | 57 915  | 10 350  | 8 397      | 9%                             |
| FX Risk                | 41         | 0%                             | 157   | 1 539   | 13      | 18         | 0%                             |
| Equity risk            | 0          | n.a.                           | 0   | 0       | 0       | 0          | n.a.                           |
| Diversification Effect | 0.1%       |                                |   |         |         | 0.2%       |                                |
| Non-linear risk        | 0          | 0%                             | 0   | 0       | 0       | 0          | 0%                             |
| Commodities risk       | 0          | 0%                             | 0   | 0       | 0       | 0          | 0%                             |
| Specific risk          | 2 879      | 7%                             | 2 980   | 3 037   | 2 879   | 3 020      | 7%                             |

Open positions contain mainly interest rate and FX risk instruments. According to the Risk Strategy approved in the Group, the FX open position is allowed, however should be kept at low levels. For this purpose, the Group has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows to keep FX open positions only in Trading Book, specifically in the areas of Trading and Market Risk Strategy Portfolio.

In case of the Banking Book, in order to manage interest rate risk, the non-trading portfolio sensitivity analysis has been performed and hedging strategies have been applied to mitigate this risk. The Group is performing monthly risk transfer from Commercial Area of the Banking Book to the Areas, where the risk is being managed on the operational level (i.e. respectively ALM and Funding). Those transactions have a macro hedging character.

In 1H 2013, the Group made additional analysis of the interest rate sensitivity in face of the series of decision taken by the Monetary Policy Council to lower the basic interest rates, which started in November 2012. Apart from regular gap analysis of repricing gaps and interest rate sensitivity in terms of BPV for Group's assets and liabilities, one of the most important objectives of the additional analysis was to ensure the maximisation and protection of Net Interest Income against the decrease of market interest rates.

### Liquidity risk

In 1H 2013, the Group was characterized by strong liquidity position. Strong increase of deposits, at a faster pace than loans, allowed to keep the Group's Loan-to-Deposit ratio below 100% (as of end of June 2013 the ratio equalled to 95%). The liquidity surplus enabled to continue rebuilding the portfolio of liquid assets, especially the securities with low specific risk (Polish Government Bonds, Treasury and NBP Bills) - since end of December 2012 portfolio's nominal value grew by almost 40% from PLN 6.6 bn to PLN 9.1 bn at the end of June 2013.

The main source of financing of the Group is still the large and well-diversified deposits base. Deposit base concentration, measured by share of 5 and 20 highest depositors at the end of June 2013 was equal to approximately 9% and 15% of total deposits from Clients, respectively. This level of concentration does not have any negative impact on the stability of the deposit base. However, in case of significant increase of the share of the largest depositors, the additional funds from those depositors are not treated as stable. Despite of that, in order to prevent deposit base fluctuations, the Group maintains the reserves of liquid assets in the form of securities portfolio. Additionally, in February 2013 the Bank prolonged for one additional year the agreement with Banco Comercial Portugues for the unconditional and irrevocable off-balance sheet commitment which gives the Bank right for withdrawal of 200 million EUR. This Stand-by Facility is treated as an additional liquidity buffer which can be used in case of need and has been never utilized yet.

The Group manages FX liquidity through the use of FX denominated deposits and FX-denominated bilateral loans as well as subordinated debt, Cross Currency Swap and FX Swap transactions. The swaps portfolio is diversified in terms of counterparties and maturity dates. For the majority of counterparties the Bank has signed a Credit Support Annex to the master agreements. As a result, in case of unfavourable changes of FX rates (PLN depreciation), the Bank is obliged to place deposits as collateral with counterparties in order to secure the settlement of derivative instruments in the future, and in case of favourable FX rates changes (PLN appreciation) receives deposits as collateral from the counterparty. Additionally, in June 2013, the Group managed to prolong for two additional years the 500 m CHF Cross Currency Basis Swap facility provided by EBRD that can be used in case of future market disruption or its limited accessibility for CIRS transactions.

The Group assesses the possibility of unfavourable changes of FX rates (especially CHF and EUR, which causes increase of liquidity needs) analyses the impact on liquidity risk and reflects this risk in the liquidity plans.

Stress tests as regards structural liquidity are carried out every month to understand the Group's liquidity risk profile, to make sure that the Group is able to meet its commitments in the event of a liquidity crisis and to contribute to preparing a contingency plan regarding liquidity and management decisions. The Bank has also contingency procedures for an increased liquidity risk situation - the Liquidity Contingency Plan, which is regularly updated.

### Operational risk

In the first half of 2013 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with the best practices.

In case of operational risk management, made in the first half the analysis of gaps between the current status and requirements issued in amended KNF Recommendation M shows a high level of compliance. This results from the fact that Bank has been following international best practice for a long time, which is reflected by the parametric system of operational risk management adopted at the Bank's and Group's levels.

The operational risk management model, implemented by Bank Millennium Group is reviewed and accepted on a regular basis by the Management Board.

In keeping with the adopted solution, risk management is a process of continuous improvement as regards identification, assessment, monitoring, control/mitigating and reporting by complementary activities.

In the first half of 2013 the Group continued efforts to continuously improve business processes in the context of optimizing the exposure to operational risk through preventive measures to reduce the frequency, as well as actions taken to reduce the financial impact of losses.

## VI. OPERATIONAL SEGMENTS

The Group's activity is pursued on the basis of diverse business lines, which offer specific products and services targeted at the market segments listed below:

### Retail Customer Segment

The Retail Customers Segment covers activity targeted at mass-market Customers, affluent Customers, small companies and individual entrepreneurs.

The activity of the above business lines is developed with use of the full offer of banking products and services as well as sales of specialised products offered by subsidiaries in the group. In the credit products area the key portfolio growth factors are mortgage loans, retail credit products, credit card revolving credit as well as leasing products for small companies. Meanwhile key Customers funds include: current and saving accounts, term deposits, mutual funds and structured products. Additionally the offer comprises insurance products, mainly linked with loans and credit cards, as well as specialised savings products. The product offer for affluent customers was enriched to include selected mutual funds of other financial intermediaries, foreign funds and structured bonds issued by the Bank.

### Corporate Customer Segment

The Corporate Customers Segment is based on activity targeted at Small and Medium sized Companies as well as Large Corporations. The offer is also addressed to Customers from the Public Sector.

Business in the Corporate Customers segment is pursued with use of a high quality offer of typical banking products (loans for day-to-day activity, investment loans, current accounts, term deposits) supplemented by a range of cash management products as well as treasury products (including derivatives) and leasing and factoring services.

### Treasury and investment activity

This segment covers the Group's activity as regards investments by the Treasury Department, brokerage, inter-bank market transactions and taking positions in debt securities, which are not assigned to other segments. This segment includes other assets and other liabilities, assets and liabilities connected with hedging derivatives, liabilities connected with external funding of the Group and deferred income tax assets not assigned to any of the segments.

### Unallocated (Other) assets and liabilities and revenues and expenses

The income tax charge has been presented at the Group level only.

For each segment the pre-tax profit is determined, comprising:

- Net interest income calculated on the basis of interest on external working assets and liabilities of the segment as well as allocated assets and liabilities generating internal interest income or cost. Internal income and costs are calculated based on market interest rates with internal valuation model applied;
- Net commission income;
- Other income from financial transactions and FX gains, such as: dividend income, result on investment and trading activity, FX gains/losses and result on other financial instruments;
- Other operating income and expenses;
- Costs on account of impairment of financial and non-financial assets;
- Segment share in operating costs, including personnel and administration costs;
- Segment share in depreciation costs.

The assets and liabilities of commercial segments are the operating assets and liabilities used by the segment in its operations, allocated on business grounds. The difference between operating assets and liabilities is covered by money market assets/liabilities and debt securities. The assets and liabilities of the Treasury and Investment Banking segment are money market assets/liabilities and debt securities not allocated to commercial segments.

## Income statement 1.01.2013 - 30.06.2013

| In '000 PLN   | Retail Banking   | Corporate Banking | Treasury and Investment Banking | Total consolidated |
|---|------------------|-------------------|---------------------------------|--------------------|
| Net interest income   | 497 125          | 158 556           | (92 052)                        | 563 631            |
| external income   | 709 145          | 300 785           | 382 792                         | 1 392 723          |
| external cost   | (441 718)        | (271 322)         | (116 053)                       | (829 092)          |
| External income less cost   | 267 427          | 29 463            | 266 739                         | 563 631            |
| internal income   | 466 468          | 270 443           | (736 911)                       | 0                  |
| internal cost   | (236 770)        | (141 350)         | 378 120                         | 0                  |
| Internal income less cost   | 229 698          | 129 093           | (358 791)                       | 0                  |
| Net fee and commission income   | 230 458          | 65 099            | 3 882                           | 299 438            |
| Dividends, other income from financial operations and foreign exchange profit | 48 024           | 23 692            | 47 309                          | 119 025            |
| Other operating income and cost   | 8 211            | (5 099)           | 2 702                           | 5 814              |
| <b>Operating income</b>   | <b>783 818</b>   | <b>242 249</b>    | <b>(38 161)</b>                 | <b>987 908</b>     |
| Staff costs   | (198 369)        | (63 986)          | (14 997)                        | (277 352)          |
| Administrative costs  | (198 293)        | (33 324)          | (15 224)                        | (246 841)          |
| Impairment losses on assets   | (73 759)         | (40 036)          | (480)                           | (114 275)          |
| Depreciation and amortization   | (25 874)         | (2 609)           | (411)                           | (28 893)           |
| <b>Operating expenses</b>   | <b>(496 295)</b> | <b>(139 955)</b>  | <b>(31 111)</b>                 | <b>(667 361)</b>   |
| Share in net profit of associated companies                                   | 0                | 0                 | (1 741)                         | (1 741)            |
| <b>Profit / (loss) before taxes</b>   | <b>287 523</b>   | <b>102 295</b>    | <b>(71 013)</b>                 | <b>318 805</b>     |
| Income taxes  |                  |                   |                                 | (64 578)           |
| <b>Profit / (loss) after taxes</b>  |                  |                   |                                 | <b>254 227</b>     |

## Balance sheet 30.06.2013

| In '000 PLN                      | Retail Banking    | Corporate Banking | Treasury and Investment Banking | Total consolidated |
|----------------------------------|-------------------|-------------------|---------------------------------|--------------------|
| <b>ASSETS</b>                    |                   |                   |                                 |                    |
| Segment assets                   | 32 239 249        | 15 220 534        | 9 677 145                       | 57 136 929         |
| Assets allocated to segment      | 899 064           | 2 810 566         | (3 709 629)                     | 0                  |
| <b>Total</b>                     | <b>33 138 313</b> | <b>18 031 100</b> | <b>5 967 516</b>                | <b>57 136 929</b>  |
| <b>LIABILITIES</b>               |                   |                   |                                 |                    |
| Segment liabilities              | 29 144 534        | 16 425 007        | 6 567 259                       | 52 136 800         |
| Liabilities allocated to segment | 2 514 476         | 162 837           | (2 677 313)                     | 0                  |
| Equity allocated to segment      | 1 479 303         | 1 443 257         | 2 077 569                       | 5 000 129          |
| <b>Total</b>                     | <b>33 138 313</b> | <b>18 031 100</b> | <b>5 967 516</b>                | <b>57 136 929</b>  |

## Income statement 1.01.2012 - 30.06.2012

| In '000 PLN   | Retail Banking   | Corporate Banking | Treasury and Investment Banking | Total consolidated |
|---|------------------|-------------------|---------------------------------|--------------------|
| Net interest income   | 505 647          | 129 961           | (46 486)                        | 589 123            |
| external income   | 722 293          | 332 928           | 469 141                         | 1 524 362          |
| external cost   | (509 123)        | (326 395)         | (99 722)                        | (935 239)          |
| External income less cost   | 213 170          | 6 533             | 369 419                         | 589 123            |
| internal income   | 562 251          | 309 501           | (871 752)                       | 0                  |
| internal cost   | (269 774)        | (186 073)         | 455 847                         | 0                  |
| Internal income less cost   | 292 477          | 123 428           | (415 905)                       | 0                  |
| Net fee and commission income   | 208 475          | 65 945            | 4 258                           | 278 679            |
| Dividends, other income from financial operations and foreign exchange profit | 45 159           | 25 440            | 11 264                          | 81 861             |
| Other operating income and cost   | 3 301            | (7 652)           | 1 849                           | (2 502)            |
| <b>Operating income</b>   | <b>762 581</b>   | <b>213 694</b>    | <b>(29 115)</b>                 | <b>947 161</b>     |
| Staff costs   | (201 503)        | (64 437)          | (15 196)                        | (281 136)          |
| Administrative costs  | (198 226)        | (35 843)          | (16 235)                        | (250 303)          |
| Impairment losses on assets   | (42 107)         | (73 033)          | 3 489                           | (111 651)          |
| Depreciation and amortization   | (24 430)         | (3 287)           | (389)                           | (28 106)           |
| <b>Operating expenses</b>   | <b>(466 266)</b> | <b>(176 600)</b>  | <b>(28 330)</b>                 | <b>(671 196)</b>   |
| Share in net profit of associated companies                                   | 0                | 0                 | 3 483                           | 3 483              |
| <b>Profit / (loss) before taxes</b>   | <b>296 315</b>   | <b>37 094</b>     | <b>(53 962)</b>                 | <b>279 448</b>     |
| Income taxes  |                  |                   |                                 | (58 270)           |
| <b>Profit / (loss) after taxes</b>  |                  |                   |                                 | <b>221 178</b>     |

## Balance sheet 31.12.2012

| In '000 PLN                      | Retail Banking    | Corporate Banking | Treasury and Investment Banking | Total consolidated |
|----------------------------------|-------------------|-------------------|---------------------------------|--------------------|
| <b>ASSETS</b>                    |                   |                   |                                 |                    |
| Segment assets                   | 31 760 787        | 13 352 546        | 7 629 166                       | 52 742 499         |
| Assets allocated to segment      | 2 091 660         | 1 659 972         | (3 751 632)                     | 0                  |
| <b>Total</b>                     | <b>33 852 447</b> | <b>15 012 518</b> | <b>3 877 534</b>                | <b>52 742 499</b>  |
| <b>LIABILITIES</b>               |                   |                   |                                 |                    |
| Segment liabilities              | 29 752 952        | 13 599 181        | 4 566 197                       | 47 918 329         |
| Liabilities allocated to segment | 2 664 045         | 152 205           | (2 816 250)                     | 0                  |
| Equity allocated to segment      | 1 435 451         | 1 261 132         | 2 127 588                       | 4 824 170          |
| <b>Total</b>                     | <b>33 852 447</b> | <b>15 012 518</b> | <b>3 877 534</b>                | <b>52 742 499</b>  |

## VII. DESCRIPTION OF RELATED PARTY TRANSACTIONS

All and any transactions between entities of the Group in I half 2013 resulted from the current operations.

Apart from transactions described herein, in the indicated period neither Bank Millennium S.A., nor subsidiaries of Bank Millennium S.A. made any other transactions with related entities, which individually or jointly may have been significant and concluded under terms and conditions other than market-based.

### VII.1. Description of transactions with the Parent Group

The following are the amounts of transactions with the Capital Group of Bank's parent company - Banco Comercial Portugues (these transactions are mainly of banking nature).

|   | 30.06.2013 | 31.12.2012 |
|---|------------|------------|
| <b>ASSETS</b>   |            |            |
| Loans and advances to banks - accounts and deposits                                   | 2 582      | 2 605      |
| Financial assets valued at fair value through profit and loss (held for trading)      | 2          | 0          |
| Hedging derivatives   | 0          | 0          |
| Other assets  | 62         | 45         |
| <b>LIABILITIES</b>  |            |            |
| Deposits from banks   | 231 774    | 206 150    |
| Debt securities   | 0          | 0          |
| Financial liabilities valued at fair value through profit and loss (held for trading) | 0          | 63         |
| Hedging derivatives   | 152 550    | 133 578    |
| Other liabilities   | 459        | 165        |

|                                     | 1.01-30.06.2013 | 1.01-30.06.2012 |
|-------------------------------------|-----------------|-----------------|
| <b>Income from:</b>                 |                 |                 |
| Interest                            | 10 547          | 60 591          |
| Commissions                         | 72              | 76              |
| Derivatives net                     | 0               | 0               |
| Other net operating income          | 259             | 509             |
| <b>Expense from:</b>                |                 |                 |
| Interest                            | 2 322           | 19 409          |
| Commissions                         | 1 088           | 1 359           |
| Derivatives net                     | 145             | 325             |
| General and administrative expenses | 1 945           | 2 243           |

|                         | 30.06.2013 | 31.12.2012 |
|-------------------------|------------|------------|
| Conditional commitments | 981 574    | 933 638    |
| - granted               | 105 941    | 105 448    |
| - obtained              | 875 633    | 828 190    |
| Derivatives (par value) | 1 258 393  | 1 740 865  |

## VII.2. Transactions with the managing and supervising persons

Data as at 30.06.2013

|  | Members of the Management Board | Members of the Supervisory Board |
|--|---------------------------------|----------------------------------|
| Total debt limit (in '000 PLN),                | 408.0                           | 95.0                             |
| - including an unutilized limit (in '000 PLN), | 283.5                           | 93.4                             |
| Mortgage loans and credits                     | 3 116.4                         | -                                |
| Active guarantees                              | -                               | -                                |

The Group provides standard banking services to Members of the Management Board, Members of the Supervisory Board, persons related to Members of the Management Board and Members of the Supervisory Board, which services comprise i.a.: keeping bank accounts, accepting deposits or sale of financial instruments. These transactions are concluded on market terms and conditions.

Information on total exposure towards companies and groups personally related as at 30.06.2013:

| Entity       | Amount (PLN'000) | Relation                           |
|--------------|------------------|------------------------------------|
| Company No 1 | 3 399            | Personal with a supervising person |
| Company No 2 | 441              | Personal with a supervising person |
| Group No 1   | 102 476          | Personal with a supervising person |
| Group No 2   | 2 890            | Personal with a supervising person |

Information on total exposure towards the members of the Management and Supervisory Boards as at 31.12.2012:

|  | Members of the Management Board | Members of the Supervisory Board |
|--|---------------------------------|----------------------------------|
| Total debt limit (in '000 PLN),                | 788.0                           | 145.0                            |
| - including an unutilized limit (in '000 PLN), | 731.7                           | 121.6                            |
| Mortgage loans and credits                     | 3 116.0                         | -                                |
| Active guarantees                              | -                               | -                                |

Information on total exposure towards companies and groups personally related as at 31.12.2012:

| Entity       | Amount (PLN'000) | Relation                           |
|--------------|------------------|------------------------------------|
| Company No 1 | 4 268            | Personal with a supervising person |
| Company No 2 | 423              | Personal with a supervising person |
| Group No 1   | 95 565           | Personal with a supervising person |
| Group No 2   | 2 608            | Personal with a supervising person |

### VII.3. Information on compensations and benefits of the members of the Management and Supervisory Boards

Remuneration (including provisions created) of the Members of the Management Board of the Bank (data in thousand PLN):

| Period          | Short term salaries and bonuses | Benefits | TOTAL  |
|-----------------|---------------------------------|----------|--------|
| 1.01-30.06.2013 | 10 791                          | 699      | 11 490 |
| 1.01-30.06.2012 | 8 584                           | 496      | 9 080  |

The benefits are mainly the costs of accommodation of the foreign members of the Board.

Remuneration of the Members of the Supervisory Board of the Bank (data in thousand PLN):

| Period          | Short term salaries and benefits |
|-----------------|----------------------------------|
| 1.01-30.06.2013 | 822                              |
| 1.01-30.06.2012 | 1 179                            |

## VII.2. Balance of the Bank's shares held by the Bank's Supervisory and Management Board Members

| Name and surname                                       | Function                                      | Number of shares as of delivery date of quarterly report prepared as at 30.06.2013 | Number of shares as presented in Corporate Governance report for 2012 |
|--|---|--|---|
| Bogusław Kott  | Chairman of the Management Board              | 4 465 791  | 4 465 791   |
| Joao Bras Jorge  | First Deputy Chairman of the Management Board | 0  | 0   |
| Fernando Bicho   | Deputy Chairman of the Management Board       | 0  | 0   |
| Artur Klimczak   | Deputy Chairman of the Management Board       | 0  | 0   |
| Julianna Boniuk-Gorzelańczyk                           | Member of the Management Board                | 492 248  | 492 248   |
| Wojciech Haase   | Member of the Management Board                | 7 494  | 7 494   |
| Andrzej Gliński  | Member of the Management Board                | 0  | 0   |
| Maria Jose Campos                                      | Member of the Management Board                | 0  | 0   |
| Jerzy Andrzejewicz                                     | Proxy   | 6 260  | 6 260   |
| Maciej Bednarkiewicz                                   | Chairman of the Supervisory Board             | 134  | 134   |
| Nuno Manuel da Silva Amado                             | Deputy Chairman of the Supervisory Board      | 0  | 0   |
| Marek Furtek   | Secretary of the Supervisory Board            | 1  | 1   |
| Miguel de Campos Pereira de Bragança                   | Member of the Supervisory Board               | 0  | 0   |
| Luís Maria França de Castro Pereira Coutinho           | Member of the Supervisory Board               | 0  | 0   |
| Grzegorz Jędrys  | Member of the Supervisory Board               | 0  | -   |
| Andrzej Koźmiński                                      | Member of the Supervisory Board               | 0  | 0   |
| Maria da Conceição Mota Soares de Oliveira Callé Lucas | Member of the Supervisory Board               | 0  | 0   |
| Marek Rocki  | Member of the Supervisory Board               | 0  | 0   |
| Dariusz Rosati   | Member of the Supervisory Board               | 0  | 0   |
| Rui Manuel da Silva Teixeira                           | Member of the Supervisory Board               | 0  | 0   |

## VIII. FAIR VALUE

The best reflection of fair value of financial instruments is their market value, ie. the price, which would be received in case of sell of the asset or paid in case of transfer of the liability in the arm's-length market transaction (exit price). In case of many products and transactions with unavailable market value, fair value must be estimated with the use of internal models based on discounting cash flows.

Cash flows for various instruments are determined in accordance with their individual characteristics and the discounting factors take into consideration the changes over time of both interest rates and margins.

All estimation models are arbitrary to some extent and this is why they reflect only the value of those instruments for which they were built. In these circumstances the presented differences between fair values and balance-sheet values cannot be understood to mean adjustments of the economic value of the Group.

The main assumptions and methods applied in estimating fair value of assets and liabilities of the Group are as follows:

### Receivables and liabilities with respect to banks (structured contract)

This is a transaction, which comprises the simultaneous purchase of a long-term zero-coupon bond and the taking-out of a long-term fixed-rate loan from the issuer of the bond.

The fair value of both sides of the transaction is estimated by discounting the related cash flows on maturity/due date with use of the current zero-coupon rate and the margin, which was rescaled to adjust it to the current level of market rates.

### Other receivables and liabilities with respect to banks

The fair value of these instruments was determined by discounting the future principal and interest flows with current rates, assuming that the flows arise on contractual dates.

### Loans and advances granted to customers

The fair value of such instruments without maturity and with short maturities, given their short-term nature and the time-stable policy of the Group with respect to this portfolio, is close to balance-sheet value.

With respect to floating rate leasing products fair value was assessed by adjusting balance-sheet value with discounted cash flows resulting from difference of spreads

The fair value of instruments with defined long-term maturity is estimated by discounting related cash flows on contractual dates and under contractual conditions with the use of current zero-coupon rates and credit risk margins.

In case of residential mortgage loans the effect of early repayment is additionally taken into account due to their long-term nature as well as FX liquidity risk.

### Liabilities to customers

The fair value of such instruments without maturity or with maturity under 3 months is considered by the Group to be close to balance-sheet value.

Fair value of instruments due and payable in 3 or more months is determined by discounting future principal and interest cash flows with current rates contractual terms.

### Liabilities from the issuance of structured debt securities

Liabilities from the issuance of structured debt securities are stated/priced at fair value in accordance with Bank's model. In this model, zero coupon bond price is calculated, which afterwards is increased by the option price, which was basis for a strategy built in a given structured bond.

## Subordinated liabilities and mid-term loans

The fair value of this financial instrument is estimated on the basis of a model used for determining the market value of floating-rate bonds with the current level of market rates and credit risk margin based on current level of market rates and historical margin for credit risk. Similar as in loan portfolio the Bank includes the level of the original margin as a part of mid-term cost of financing obtained in the past in relation to the current margin level for the comparable instruments, as long as reliable assessment is possible. Due to lack of the mid-term loans liquid market as a reference to estimate current level of margins, the Bank used the original margin.

The table below presents results of the above-described analyses as at 30.06.2013 (data in PLN thousand):

## ASSETS

|                                   | Note | Balance sheet value | Fair value |
|-----------------------------------|------|---------------------|------------|
| Loans and advances to banks       | 9    | 1 961 744           | 2 012 247  |
| Loans and advances to customers * | 12   | 42 014 165          | 39 986 316 |

## LIABILITIES

|                          | Note | Balance sheet value | Fair value |
|--------------------------|------|---------------------|------------|
| Amounts due to banks     | 16   | 2 348 519           | 2 462 552  |
| Amounts due to customers | 19   | 44 208 546          | 44 232 982 |
| Debt securities          | 20   | 767 300             | 776 272    |
| Subordinated debt        |      | 649 848             | 642 384    |

\* The negative impact of fair value valuation of the loans portfolio is largely attributable to growth of loan spreads due to the refinancing cost increase of those positions. The methodology, which the Bank uses for valuation of the loans portfolio, assumes that current spreads best reflect existing market conditions and economic situation. A corresponding rule is applied for valuation of debt securities, which are not quoted on active markets. In result, paradoxically whenever the Bank raises spreads, fair value of the "old" loans portfolio falls.

The table below presents data as at 31 December 2012 (data in PLN thousand):

## ASSETS

|                                   | Note | Balance sheet value | Fair value |
|-----------------------------------|------|---------------------|------------|
| Loans and advances to banks       | 9    | 1 392 424           | 1 446 903  |
| Loans and advances to customers * | 12   | 40 232 240          | 38 686 940 |

## LIABILITIES

|                          | Note | Balance sheet value | Fair value |
|--------------------------|------|---------------------|------------|
| Amounts due to banks     | 16   | 2 491 745           | 2 549 452  |
| Amounts due to customers | 19   | 41 434 077          | 41 445 995 |
| Debt securities          | 20   | 900 016             | 910 707    |
| Subordinated debt        |      | 613 610             | 607 159    |

The Group during the last six months has not made any transfers between levels of the fair value. Such reclassification, resulting in changes in valuation would be necessary, for example in the following circumstances:

- lack of access to existing information used or the emergence of new, repeatable and reliable, previously inaccessible information;
- developing a new methodology for the valuation providing more accurate results;
- changes in market conditions.

The table below presents balance-sheet values of instruments measured at fair value, by applied fair value measurement technique:

Data in '000PLN, as at 30.06.2013

|   | note | Quoted market prices | Valuation techniques - observable inputs | Valuation techniques - significant unobservable inputs |
|---|------|----------------------|--|--|
| <b>ASSETS</b>   |      |                      |  |  |
| Financial assets valued at fair value through profit and loss (held for trading)      | 10   |                      |  |  |
| - derivatives   |      |                      | 468 008                                  | 60 266   |
| - debt securities   |      | 1 110 541            |  |  |
| - shares and interests  |      | 1 568                |  |  |
| Hedging derivatives   | 11   |                      | 71 475                                   |  |
| Financial assets available for sale   | 13   |                      |  |  |
| - debt securities   |      | 5 560 293            | 2 469 298                                | 108 874  |
| - shares and interests  |      |                      |  | 831  |
| <b>LIABILITIES</b>  |      |                      |  |  |
| Financial liabilities valued at fair value through profit and loss (held for trading) | 17   |                      |  |  |
| - derivatives and short sale of securities  |      | 303 454              | 453 153                                  | 58 264   |
| Hedging derivatives   | 18   |                      | 1 409 534                                |  |

Data in '000PLN, as at 31.12.2012

|   | note | Quoted market prices | Valuation techniques - observable inputs | Valuation techniques - significant unobservable inputs |
|---|------|----------------------|--|--|
| <b>ASSETS</b>   |      |                      |  |  |
| Financial assets valued at fair value through profit and loss (held for trading)      | 10   |                      |  |  |
| - derivatives   |      |                      | 520 540                                  | 76 520   |
| - debt securities   |      | 46 791               |  |  |
| - shares and interests  |      | 138                  |  |  |
| Hedging derivatives   | 11   |                      | 277 812                                  |  |
| Financial assets available for sale   | 13   |                      |  |  |
| - debt securities   |      | 3 037 728            | 3 598 724                                | 113 578  |
| - shares and interests  |      |                      |  | 1 074  |
| <b>LIABILITIES</b>  |      |                      |  |  |
| Financial liabilities valued at fair value through profit and loss (held for trading) | 17   |                      |  |  |
| - derivatives and short sale of securities  |      |                      | 389 792                                  | 77 781   |
| Hedging derivatives   | 18   |                      | 1 115 202                                |  |

Changes of fair values of instruments measured on the basis of valuation techniques with use of significant parameters not derived from the market in the 1 half of 2013 are presented in the table below:

|   | Indexes options | Options embedded in securities issued and deposits | FX options | Municipal bonds | Shares and interests |
|---|-----------------|--|------------|-----------------|----------------------|
| Balance on 1 January 2013   | 63 379          | (64 640)   | 0          | 113 578         | 1 074                |
| Settlement/sell/purchase  | (12 619)        | 12 619   | 0          | (4 737)         | (248)                |
| Change of valuation recognized in P&L account (including interests) | (2 914)         | 6 177  | 0          | 33              | 5                    |
| Balance on 30 June 2013   | 47 846          | (45 844)   | 0          | 108 874         | 831                  |

## IX. CONTINGENT ASSETS AND LIABILITIES

The total value of lawsuits as at 30 June 2013, in which Group companies acted as claimants or defendants before courts and arbitration bodies, was PLN 534.8 million. The total value of lawsuits, in which Group companies acted as defendants was PLN 274.1 million and the total value of lawsuits, in which Group companies acted as claimants was PLN 260.7 million.

The Group has created provisions contentious claims, which accordingly to legal opinion bear the risk of cash outflow in case of need to settle the obligation. As of 30 June 2013, the volume of these provisions was PLN 25.3 million.

Below are descriptions of the largest, according to the Group's opinion ongoing cases involving the companies of the Group. Aforementioned information is divided into three categories and classification was based on the nature of the proceedings. The proceedings associated with the Fiscal Control Office stands for separate category and are described in **Chapter IV note (8)**.

### A. Proceedings connected with derivatives

As of 30 June 2013 the Bank was party to 39 lawsuits connected with derivatives, where in 26 cases the Bank was the defendant, while in 13 as the plaintiff. Accordingly to the Bank's best knowledge the total disputed value in these lawsuits was PLN 408.4 million. The highest unit value of the dispute was PLN 71.1 million.

The largest lawsuit connected with derivatives in which Group company is defendant:

Plaintiff: legal person

Value of the object of the dispute: PLN 71,065,496

Object: Claim for return of amounts due on account of settlement of FX options and compensations for lost benefits.

Case status: The bank received a lawsuit in January 2011. In 2013 two hearings were held, during which further interrogation of witnesses took place. The case is still being recognised, at the moment no date for next hearing has been set.

Expectations: the Group has a positive view of the chances of getting a positive ruling.

### B. Proceedings with participation of the Chairman of UOKiK

*Proceeding concerning determination of interchange fees in connection with transactions done with Visa and Europay/Eurocard/Mastercard cards*

The Bank is a party in proceedings instituted by the Chairman of UOKiK against operators of the Visa and Europay systems as well as banks - issuers of Visa and Europay/Eurocard/Mastercard cards. The proceedings concern practices restricting competition on the card payments market in Poland, whereby interchange fees were said to be agreed jointly for transactions done with Visa and Europay/Eurocard/Mastercard cards and also access was restricted for entrepreneurs who did not belong to the association of card issuers against whom the proceedings were instituted.

On 29 December 2006 the Chairman of UOKiK deemed the practices consisting in jointly agreeing on interchange fees as restricting competition and ordered desisting from their use, at the same time imposing i.a. on the Bank a cash penalty of PLN 12.158.370. On 19 January 2007 the Bank appealed against the decision of the Chairman of UOKiK to SOKiK. On 25 August 2008 SOKiK gave a ruling, in which it decided to suspend enforcement of the appealed decision in the item concerning the order to desist from jointly agreeing on the interchange fees.

In the ruling of 12 November 2008 SOKiK changed the appealed decision so that it did not find use of practice restricting competition, consisting in participation by banks participants in the proceedings (including the Bank) in an agreement restricting competition on the market of outsourcing of services connected with payment of consumers' liabilities to merchants on account of payments for goods and services purchased by the consumers with use of cards in Poland, by jointly agreeing on interchange fees charged on transactions done with Visa and MasterCard cards in Poland.

On 12 January 2009 the Chairman of UOKiK appealed against this ruling. Response to the appeal has been lodged by the Bank on 13 February 2009.

On 22/04/2010, the appeals hearing was held, after which the Court of Appeal overturned the positive for banks verdict entirely, sending the case back to the court of first instance. At the meeting held on 9 February 2012, the Court took into account the request of the representative of the Bank and set the date of the next hearing on April 24, and then on May 8. On May 8, 2012, the Court issued an order suspending the proceedings; the Bank filed a complaint against that ruling on May 29, 2012. The Court of Appeal in Warsaw on 25 October 2012, issued a decision taking into account the complaint in consequence changing the contested resolution of SOKiK in such a way that it rejected the application of MasterCard for suspension of proceedings. The case is pending, no next trial date is known.

*Proceedings concerning provisions included in General Agreement Conditions (GAC) of Individual Pension Accounts (IPA)*

On 28 December 2012, the Bank received Chairman of UOKiK decision dated 28 December 2012, which stated infringement of collective consumers interests, banned the use of the practices and imposed fines on the Bank a total of PLN 2,857,389. Chairman of UOKiK accused the Bank that:

- In the period from 24 April 2011 to 1 September 2011, the Bank used the GAC IPA, which does not contain provisions on the reasons of GAC IPA change and during the period from 1 April 2011 to 1 April 2012, the Bank applied the terms of use IPA which contains no provisions on liability for proper and timely conduct of monetary settlements;
- Bank changed GAC IPA provisions in September 2011 and April 2012, only to new customers, without changing the old contracts.

Bank on 11 January 2013 filed an appeal of the decision. Case in progress.

**C. The other largest lawsuit in which Group company is defendants except proceedings connected with derivatives and proceedings with participation of the Chairman of UOKiK**

Plaintiff: Limited Liability Company

Value of the subject matter of the dispute: PLN 16,500,000

Object: the plaintiff seeks annulment of legal action

Case status: On 11.12.2012, the Bank received a claim for recognition of the failure of a legal action detrimental to creditors - establishing of collateral mortgage. The answer to the lawsuit was brought by the Bank on time. There was one hearing and then case was adjourned to 24 July 2013 - in order to take evidence from a witness. The case is at an early stage of exploration.

Expectations: the Group has a positive view of the chances of getting a positive ruling.

OFF-BALANCE ITEMS

| Amount '000 PLN   | 30.06.2013       | 31.12.2012       |
|---|------------------|------------------|
| <b>Off-balance conditional commitments granted and received</b> | <b>8 014 270</b> | <b>7 821 938</b> |
| Commitments granted:  | 6 959 842        | 6 909 179        |
| - financial   | 5 748 180        | 5 610 721        |
| - guarantee   | 1 211 662        | 1 298 458        |
| Commitments received:   | 1 054 428        | 912 759          |
| - financial   | 997 719          | 817 640          |
| - guarantee   | 56 709           | 95 119           |

**X. ADDITIONAL INFORMATION****X.1. Data on assets securing liabilities**

As at 30 June 2013, the Bank's following assets secured its liabilities (In '000 PLN):

| No.          | Type of assets        | Portfolio               | Secured liability   | Par value of assets | Balance sheet value of assets |
|--------------|-----------------------|-------------------------|---|---------------------|-------------------------------|
| 1.           | Treasury bonds WZ0118 | available for sale      | Lombard credit granted to the Bank by the NBP                               | 130 000             | 130 871                       |
| 2.           | Treasury bonds OK0114 | available for sale      | Initial security deposit for bond futures                                   | 500                 | 492                           |
| 3.           | Treasury bonds WZ0115 | available for sale      | Loan agreement  | 202 000             | 204 767                       |
| 4.           | Treasury bonds WZ0117 | available for sale      | Loan agreement  | 349 000             | 352 525                       |
| 5.           | Treasury bonds WZ0117 | available for sale      | Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund | 55 000              | 55 556                        |
| 6.           | Treasury bonds WZ0118 | available for sale      | Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund | 195 000             | 196 307                       |
| 7.           | Cash                  |                         | Payment to the Futures Settlement Guarantee Fund                            | 100                 | 100                           |
| 8.           | Deposits              | Deposits in other banks | Settlement on transactions concluded  | 1 345 987           | 1 345 987                     |
| <b>TOTAL</b> |                       |                         |   | <b>2 277 587</b>    | <b>2 286 604</b>              |

As at 31 December 2012, the Bank's following assets securing its liabilities (In '000 PLN):

| No.          | Type of assets        | Portfolio               | Secured liability   | Par value of assets | Balance sheet value of assets |
|--------------|-----------------------|-------------------------|---|---------------------|-------------------------------|
| 1.           | Treasury bonds WZ0118 | available for sale      | Lombard credit granted to the Bank by the NBP                               | 130 000             | 133 548                       |
| 2.           | Treasury bonds OK0114 | available for sale      | Initial security deposit for bond futures                                   | 500                 | 484                           |
| 3.           | Treasury bonds WZ0115 | available for sale      | Loan agreement  | 182 000             | 187 094                       |
| 4.           | Treasury bonds WZ0117 | available for sale      | Loan agreement  | 400 000             | 411 336                       |
| 5.           | Treasury bonds WZ0117 | available for sale      | Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund | 55 000              | 56 559                        |
| 6.           | Treasury bonds WZ0118 | available for sale      | Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund | 195 000             | 200 322                       |
| 7.           | Cash                  |                         | Payment to the Futures Settlement Guarantee Fund                            | 100                 | 100                           |
| 8.           | Deposits              | Deposits in other banks | Settlement on transactions concluded  | 741 092             | 741 092                       |
| <b>TOTAL</b> |                       |                         |   | <b>1 703 692</b>    | <b>1 730 534</b>              |

## X.2. Dividend for 2012

According to the decision of the General Meeting held on 11 April 2013, the Bank has not paid the dividend from the profit for the year ended 31 December 2012 (the whole profit was dedicated for reserve capital).

## X.3. Earnings per share

Profit per share calculated for I half 2013 (and diluted profit per share) on the basis of the consolidated data amounted to PLN 0.21.

## X.4. Shareholders holding no less than 5% of the total number of votes at the shareholder meeting of the Group's parent company - Bank Millennium S.A.

Because the Bank is a public company whose shares are traded on the WSE primary market, the Bank has no detailed information about the shareholding structure as of June 30, 2013. Information on the shareholder - Banco Comercial Portugues S.A. presented in the table below, is provided on the basis of data collected in connection with the registration of shareholders entitled to participate in the Bank's General Shareholders Meeting held on 11 April 2013. In case of ING OFE the number of shares and their participation in the Bank's share capital were calculated on the basis of annual ING OFE asset structure, published as on 31 December 2012. For the purpose of the above calculation, the average Bank's share price as at the above dates was assumed to amount to 4,41 PLN for 2012.

Data as at the delivery date of the report for I half 2013

| Shareholder                    | Number of shares | % share in share capital | Number of votes | % share in votes at Shareholders' Meeting |
|--------------------------------|------------------|--------------------------|-----------------|---|
| Banco Comercial Portugues S.A. | 794 751 136      | 65.51                    | 794 751 136     | 65.51                                     |
| ING Otwarty Fundusz Emerytalny | 112 824 664      | 9.30                     | 112 824 664     | 9.30                                      |

Data accordingly consolidated annual report for 2012

| Shareholder                    | Number of shares | % share in share capital | Number of votes | % share in votes at Shareholders' Meeting |
|--------------------------------|------------------|--------------------------|-----------------|---|
| Banco Comercial Portugues S.A. | 794 751 136      | 65.51                    | 794 751 136     | 65.51                                     |
| ING Otwarty Fundusz Emerytalny | 112 824 664      | 9.30                     | 112 824 664     | 9.30                                      |

## X.5. Information about loan sureties or guarantees extended by the Group

In I half 2013, the Group did not grant any sureties or guarantees for a loan or bank loan to a single entity, which would cause the Group's exposure on this account to the Client as at 30 June 2013 to exceed 10% of the Group's equity as at the balance sheet date.

### X.6. Other additional information

As at 30 June 2013, the Group has no material obligations under the purchase of property, plant and equipment, and during the period covered by the condensed consolidated statement, Group did not:

- create substantial write-offs for inventories,
- conclude significant acquisitions and sales of property, plant and equipment,
- make correction of prior period errors,
- introduce significant changes in determining the fair value for financial instruments valued at fair value,
- make any reclassification of financial assets as a result of changes in purpose or use.

Moreover, between the date on which this report is drawn up and the date of its publication, there were no events that could significantly affect Group's future financial results.

#### SIGNATURES:

| Date       | Name and Surname             | Position/Function                             | Signature |
|------------|------------------------------|---|-----------|
| 24.07.2013 | Bogusław Kott                | Chairman of the Management Board              | .....     |
| 24.07.2013 | Joao Bras Jorge              | First Deputy Chairman of the Management Board | .....     |
| 24.07.2013 | Fernando Bicho               | Deputy Chairman of the Management Board       | .....     |
| 24.07.2013 | Artur Klimczak               | Deputy Chairman of the Management Board       | .....     |
| 24.07.2013 | Julianna Boniuk-Gorzelańczyk | Member of the Management Board                | .....     |
| 24.07.2013 | Wojciech Haase               | Member of the Management Board                | .....     |
| 24.07.2013 | Andrzej Gliński              | Member of the Management Board                | .....     |
| 24.07.2013 | Maria Jose Campos            | Member of the Management Board                | .....     |

## II. CONDENSED INTERIM FINANCIAL STATEMENTS OF BANK MILLENNIUM S.A. FOR THE SIX MONTHS ENDED 30 JUNE 2013

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## I. INTRODUCTION AND ACCOUNTING PRINCIPLES

This condensed interim financial statement has been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. The condensed interim financial statement does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2012.

The accounting policies applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in the financial statements of Bank Millennium S.A. for the year ended 31 December 2012.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with later amendments) the Bank is required to publish the financial results for the six months ended 30 June 2013.

Condensed financial statements of the Bank:

- are prepared on the basis of the assumption of business continuity by the Bank, namely scale of business is not to be reduced substantially in a period of not less than one year from the balance sheet date;
- have been prepared in PLN, and all values, unless otherwise indicated, are given in PLN rounded to one thousand.

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank's economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the six months period ended 30 June 2013. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the six months period ended 30 June 2013 contain all important information, which also serves as explanatory data to these separate statements of the Bank.

The Board of Directors approved this condensed separate interim financial statement on 24 July 2013.

## II. SEPARATE FINANCIAL DATA (BANK)

### INCOME STATEMENT

| Amount '000 PLN   | 1.01.2013 -<br>30.06.2013 | 1.04.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 | 1.04.2012 -<br>30.06.2012 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Interest income   | 1 337 825                 | 653 957                   | 1 449 089                 | 722 641                   |
| Interest expense  | (827 525)                 | (383 234)                 | (921 483)                 | (460 987)                 |
| Net interest income   | 510 300                   | 270 723                   | 527 606                   | 261 654                   |
| Fee and commission income   | 322 353                   | 170 964                   | 299 161                   | 158 055                   |
| Fee and commission expense  | (43 186)                  | (22 898)                  | (41 526)                  | (22 320)                  |
| Net fee and commission income   | 279 167                   | 148 066                   | 257 635                   | 135 735                   |
| Dividend income   | 28 548                    | 28 548                    | 40 856                    | 27 836                    |
| Result on investment financial assets   | 16 343                    | 10 048                    | 5 213                     | 3 787                     |
| Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result | 100 200                   | 38 920                    | 71 192                    | 42 733                    |
| Other operating income  | 25 241                    | 13 745                    | 14 607                    | 6 533                     |
| <b>Operating income</b>   | <b>959 799</b>            | <b>510 050</b>            | <b>917 109</b>            | <b>478 278</b>            |
| General and administrative expenses   | (495 824)                 | (251 330)                 | (502 910)                 | (248 811)                 |
| Impairment losses on financial assets   | (105 926)                 | (58 394)                  | (93 646)                  | (62 032)                  |
| Impairment losses on non financial assets   | (441)                     | (12)                      | (113)                     | (40)                      |
| Depreciation and amortization   | (27 974)                  | (14 026)                  | (27 091)                  | (13 516)                  |
| Other operating expenses  | (19 352)                  | (10 690)                  | (17 855)                  | (8 708)                   |
| <b>Operating expenses</b>   | <b>(649 517)</b>          | <b>(334 452)</b>          | <b>(641 615)</b>          | <b>(333 107)</b>          |
| <b>Operating profit</b>   | <b>310 282</b>            | <b>175 598</b>            | <b>275 494</b>            | <b>145 171</b>            |
| <b>Profit / (loss) before taxes</b>   | <b>310 282</b>            | <b>175 598</b>            | <b>275 494</b>            | <b>145 171</b>            |
| Corporate income tax  | (56 692)                  | (29 675)                  | (49 830)                  | (24 215)                  |
| <b>Profit / (loss) after taxes</b>  | <b>253 590</b>            | <b>145 923</b>            | <b>225 664</b>            | <b>120 956</b>            |
| Weighted average number of ordinary shares  | 1 213 116 777             | 1 213 116 777             | 1 213 116 777             | 1 213 116 777             |
| Earnings (losses) per ordinary share (in PLN)   | 0.21                      | 0.12                      | 0.19                      | 0.10                      |

## TOTAL COMPREHENSIVE INCOME STATEMENT

| <i>Amount '000 PLN</i>   | 1.01.2013 -<br>30.06.2013 | 1.04.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 | 1.04.2012 -<br>30.06.2012 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Profit / (loss) after taxes  | 253 590                   | 145 923                   | 225 664                   | 120 956                   |
| Other elements of total comprehensive income, including:             |                           |                           |                           |                           |
| Effect of valuation of available for sale debt securities            | (65 229)                  | (50 112)                  | 4 810                     | (2 367)                   |
| Effect of valuation of available for sale shares                     | 0                         | 0                         | 0                         | 0                         |
| Hedge accounting   | (31 392)                  | (58 086)                  | (192 438)                 | 11 160                    |
| Other elements of total comprehensive income before taxes            | (96 621)                  | (108 198)                 | (187 628)                 | 8 793                     |
| Corporate income tax on other elements of total comprehensive income | 18 358                    | 20 558                    | 35 649                    | (1 671)                   |
| Other elements of total comprehensive income after taxes             | (78 263)                  | (87 640)                  | (151 979)                 | 7 122                     |
| Total comprehensive income of the period                             | 175 327                   | 58 283                    | 73 685                    | 128 078                   |

## BALANCE SHEET

## ASSETS

| <i>Amount '000 PLN</i>  | 30.06.2013        | 31.12.2012        |
|---|-------------------|-------------------|
| Cash, balances with the Central Bank  | 1 798 324         | 2 465 640         |
| Loans and advances to banks   | 1 961 726         | 1 392 424         |
| Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge | 1 657 537         | 664 682           |
| Hedging derivatives   | 71 475            | 277 812           |
| Loans and advances to customers   | 41 250 861        | 39 341 449        |
| Investment financial assets   | 8 139 027         | 6 750 830         |
| - available for sale  | 8 139 027         | 6 750 830         |
| - held to maturity  | 0                 | 0                 |
| Investments in associates   | 306 916           | 308 648           |
| Receivables from securities bought with sell-back clause (loans and advances)   | 537 609           | 17 469            |
| Property, plant and equipment   | 165 072           | 179 842           |
| Intangible assets   | 36 963            | 41 375            |
| Non-current assets held for sale  | 0                 | 0                 |
| Receivables from Tax Office resulting from current tax  | 6 061             | 8 989             |
| Deferred income tax assets  | 112 728           | 104 569           |
| Other assets  | 574 282           | 559 658           |
| <b>Total Assets</b>   | <b>56 618 581</b> | <b>52 113 387</b> |

## LIABILITIES AND EQUITY

| Amount '000 PLN   | 30.06.2013        | 31.12.2012        |
|---|-------------------|-------------------|
| <b>LIABILITIES</b>  |                   |                   |
| Deposits from banks   | 2 145 917         | 2 253 000         |
| Financial liabilities valued at fair value through profit and loss (held for trading) | 814 891           | 467 634           |
| Hedging derivatives   | 1 409 534         | 1 115 202         |
| Deposits from customers   | 44 329 868        | 41 552 183        |
| Liabilities from securities sold with buy-back clause                                 | 1 098 177         | 174 788           |
| Debt securities   | 705 204           | 767 586           |
| Provisions  | 61 564            | 40 705            |
| Deferred income tax liabilities   | 0                 | 0                 |
| Current tax liabilities   | 0                 | 0                 |
| Other liabilities   | 752 383           | 652 811           |
| Subordinated debt   | 649 848           | 613 610           |
| <b>Total Liabilities</b>  | <b>51 967 386</b> | <b>47 637 519</b> |
| <b>EQUITY</b>   |                   |                   |
| Share capital   | 1 213 117         | 1 213 117         |
| Share premium   | 1 147 241         | 1 147 241         |
| Revaluation reserve   | (212 867)         | (134 604)         |
| Retained earnings   | 2 503 704         | 2 250 114         |
| <b>Total Equity</b>   | <b>4 651 195</b>  | <b>4 475 868</b>  |
| <b>Total Liabilities and Equity</b>   | <b>56 618 581</b> | <b>52 113 387</b> |
| <br>  |                   |                   |
| Book value  | 4 651 195         | 4 475 868         |
| Number of shares  | 1 213 116 777     | 1 213 116 777     |
| Book value per share (in PLN)   | 3.83              | 3.69              |

## STATEMENT OF CHANGES IN EQUITY

| <i>Amount '000 PLN</i>                           | Total equity | Share capital | Share premium | Revaluation reserve | Retained earnings |
|--|--------------|---------------|---------------|---------------------|-------------------|
| Equity at the beginning of the period 01.01.2013 | 4 475 868    | 1 213 117     | 1 147 241     | (134 604)           | 2 250 114         |
| - total comprehensive income for I half 2013     | 175 327      | 0             | 0             | (78 263)            | 253 590           |
| Equity at the end of the period 30.06.2013       | 4 651 195    | 1 213 117     | 1 147 241     | (212 867)           | 2 503 704         |

| <i>Amount '000 PLN</i>                           | Total equity | Share capital | Share premium | Revaluation reserve | Retained earnings |
|--|--------------|---------------|---------------|---------------------|-------------------|
| Equity at the beginning of the period 01.01.2012 | 4 260 196    | 1 213 117     | 1 147 241     | 99 865              | 1 799 973         |
| - total comprehensive income of 2012             | 215 672      | 0             | 0             | (234 469)           | 450 141           |
| Equity at the end of the period 31.12.2012       | 4 475 868    | 1 213 117     | 1 147 241     | (134 604)           | 2 250 114         |

| <i>Amount '000 PLN</i>                           | Total equity | Share capital | Share premium | Revaluation reserve | Retained earnings |
|--|--------------|---------------|---------------|---------------------|-------------------|
| Equity at the beginning of the period 01.01.2012 | 4 260 196    | 1 213 117     | 1 147 241     | 99 865              | 1 799 973         |
| - total comprehensive income for I half 2012     | 73 685       | 0             | 0             | (151 979)           | 225 664           |
| Equity at the end of the period 30.06.2012       | 4 333 881    | 1 213 117     | 1 147 241     | (52 114)            | 2 025 637         |

## STATEMENT OF CASH FLOWS

## A. CASH FLOWS FROM OPERATING ACTIVITIES

| <i>Amount '000 PLN</i>  | 1.01.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 |
|---|---------------------------|---------------------------|
| Profit (loss) after taxes   | 253 590                   | 225 664                   |
| Adjustments for:  | 500 142                   | 945 175                   |
| Interests in net income (loss) of associated companies  | 0                         | 0                         |
| Depreciation and amortization   | 27 974                    | 27 091                    |
| Foreign exchange (gains) losses   | 88 165                    | (55 844)                  |
| Dividends   | (28 548)                  | (38 772)                  |
| Changes in provisions   | 20 859                    | (11 084)                  |
| Result on sale and liquidation of investing activity assets                                     | (18 076)                  | (11 287)                  |
| Change in financial assets valued at fair value through profit and loss (held for trading)      | (796 687)                 | (100 042)                 |
| Change in loans and advances to banks   | (636 851)                 | 718 756                   |
| Change in loans and advances to customers   | (1 908 531)               | (337 937)                 |
| Change in receivables from securities bought with sell-back clause (loans and advances)         | (520 140)                 | (190 259)                 |
| Change in financial liabilities valued at fair value through profit and loss (held for trading) | 641 589                   | (764 126)                 |
| Change in deposits from banks   | (114 179)                 | 134 625                   |
| Change in deposits from customers   | 2 777 685                 | 2 444 035                 |
| Change in liabilities from securities sold with buy-back clause                                 | 923 389                   | (996 662)                 |
| Change in debt securities   | (62 382)                  | 39 463                    |
| Change in income tax settlements  | 56 146                    | 117 440                   |
| Income tax paid   | (43 019)                  | (41 759)                  |
| Change in other assets and liabilities  | 84 948                    | 1 350                     |
| Other   | 7 800                     | 10 187                    |
| <b>Net cash flows from operating activities</b>   | <b>753 732</b>            | <b>1 170 839</b>          |

## B. CASH FLOWS FROM INVESTING ACTIVITIES

| <i>Amount '000 PLN</i>  | 1.01.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 |
|---|---------------------------|---------------------------|
| <b>Inflows:</b>   | 36 127                    | 389 362                   |
| Proceeds from sale of property, plant and equipment and intangible assets           | 7 579                     | 2 037                     |
| Proceeds from sale of shares in associates  | 0                         | 7 274                     |
| Proceeds from sale of financial assets valued at fair value through profit and loss | 0                         | 0                         |
| Proceeds from sale of investment financial assets                                   | 0                         | 341 279                   |
| Other   | 28 548                    | 38 772                    |
| <b>Outflows:</b>  | (2 579 673)               | (3 583)                   |
| Acquisition of property, plant and equipment and intangible assets                  | (13 163)                  | (3 583)                   |
| Acquisition of shares in associates   | 0                         | 0                         |
| Acquisition of financial assets valued at fair value through profit and loss        | 0                         | 0                         |
| Acquisition of investment financial assets  | (2 566 510)               | 0                         |
| Other   | 0                         | 0                         |
| <b>Net cash flows from investing activities</b>                                     | <b>(2 543 546)</b>        | <b>385 779</b>            |

## C. CASH FLOWS FROM FINANCING ACTIVITIES

| <i>Amount '000 PLN</i>  | 1.01.2013 -<br>30.06.2013 | 1.01.2012 -<br>30.06.2012 |
|---|---------------------------|---------------------------|
| <b>Inflows:</b>   | 60 000                    | 298 750                   |
| Long-term bank loans  | 60 000                    | 298 750                   |
| Issue of debt securities  | 0                         | 0                         |
| Increase in subordinated debt                                     | 0                         | 0                         |
| Net proceeds from issues of shares and additional capital paid-in | 0                         | 0                         |
| Other   | 0                         | 0                         |
| <b>Outflows:</b>  | (112 373)                 | (94 755)                  |
| Repayment of long-term bank loans                                 | (96 269)                  | (72 372)                  |
| Redemption of debt securities                                     | 0                         | 0                         |
| Decrease in subordinated debt                                     | 0                         | 0                         |
| Issue of shares expenses  | 0                         | 0                         |
| Redemption of shares  | 0                         | 0                         |
| Dividends paid and other payments to owners                       | 0                         | 0                         |
| Other   | (16 104)                  | (22 383)                  |
| <b>Net cash flows from financing activities</b>                   | <b>(52 373)</b>           | <b>203 995</b>            |

|  |                    |           |
|--|--------------------|-----------|
| <b>D. NET CASH FLOWS, TOTAL (A + B + C)</b>                                  | <b>(1 842 187)</b> | 1 760 613 |
| <b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD</b> | 6 294 121          | 3 642 752 |
| <b>F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)</b> | 4 451 934          | 5 403 365 |

### III. SUPPLEMENTARY INFORMATION FOR SEPARATE FINANCIAL DATA

Change of impairment write-offs for loans and advances to customers

|  | 01.01.2013 -<br>30.06.2013 | 01.01.2012 -<br>31.12.2012 |
|--|----------------------------|----------------------------|
| Balance at the beginning of the period         | 1 093 170                  | 1 078 603                  |
| Change in value of provisions:                 | 51 254                     | 14 567                     |
| Write-offs in the period                       | 284 600                    | 519 581                    |
| Amounts written off                            | (42 049)                   | (137 237)                  |
| Reversal of write-offs in the period           | (196 840)                  | (285 179)                  |
| Write-offs decrease due to sale of receivables | (160)                      | (70 545)                   |
| Changes resulting from FX rates differences    | 5 640                      | (12 842)                   |
| Other  | 63                         | 789                        |
| <b>Balance at the end of the period</b>        | <b>1 144 424</b>           | <b>1 093 170</b>           |

Impairment write-offs for selected assets

| Impairment write-offs:          | Investment securities | Investments in associates | Property, plant and equipment | Intangibles | Other assets |
|---------------------------------|-----------------------|---------------------------|-------------------------------|-------------|--------------|
| Balance as at 01.01.2013        | 16 637                | 2 449                     | 20 524                        | 0           | 6 894        |
| - Write-offs created            | 0                     | 1 741                     | 0                             | 0           | 876          |
| - Write-offs released           | (89)                  | 0                         | (976)                         | 0           | (434)        |
| - Utilisation                   | 0                     | 0                         | 0                             | 0           | (853)        |
| - Other changes                 | 0                     | 0                         | 0                             | 0           | 0            |
| <b>Balance as at 30.06.2013</b> | <b>16 548</b>         | <b>4 190</b>              | <b>19 548</b>                 | <b>0</b>    | <b>6 483</b> |

| Impairment write-offs:          | Investment securities | Investments in associates | Property, plant and equipment | Intangibles | Other assets |
|---------------------------------|-----------------------|---------------------------|-------------------------------|-------------|--------------|
| Balance as at 01.01.2012        | 16 637                | 5 184                     | 24 849                        | 0           | 9 103        |
| - Write-offs created            | 0                     | 0                         | 0                             | 0           | 766          |
| - Write-offs released           | 0                     | (2 735)                   | (4 325)                       | 0           | (542)        |
| - Utilisation                   | 0                     | 0                         | 0                             | 0           | (2 433)      |
| - Other changes                 | 0                     | 0                         | 0                             | 0           | 0            |
| <b>Balance as at 31.12.2012</b> | <b>16 637</b>         | <b>2 449</b>              | <b>20 524</b>                 | <b>0</b>    | <b>6 894</b> |

## Impairment losses on financial assets

|   | 01.01.2013 -<br>30.06.2013 | 01.01.2012 -<br>30.06.2012 |
|---|----------------------------|----------------------------|
| Impairment losses on loans and advances to customers                  | (86 921)                   | (109 474)                  |
| - Impairment charges on loans and advances to customers               | (284 600)                  | (305 566)                  |
| - Reversal of impairment charges on loans and advances to customers   | 196 840                    | 190 534                    |
| - Amounts recovered from loans written off                            | 677                        | 1 143                      |
| - Result from sale of receivables portfolio                           | 162                        | 4 415                      |
| Impairment losses on investment securities                            | 89                         | 0                          |
| - Reversal of impairment write-offs for investment securities         | 89                         | 0                          |
| Impairment losses on investments in associates                        | (1 741)                    | 3 781                      |
| - Impairment write-offs for investments in associates                 | (1 741)                    | 0                          |
| - Reversal of impairment write-offs for investments in associates     | 0                          | 3 781                      |
| Impairment losses on off-balance sheet liabilities                    | (17 353)                   | 12 047                     |
| - Impairment write-offs for off-balance sheet liabilities             | (20 926)                   | (4 148)                    |
| - Reversal of impairment write-offs for off-balance sheet liabilities | 3 573                      | 16 195                     |
| <b>Total</b>  | <b>(105 926)</b>           | <b>(93 646)</b>            |

## Creation, charge, utilisation and release of provisions

|   | 01.01.2013 -<br>30.06.2013 | 01.01.2012 -<br>31.12.2012 |
|---|----------------------------|----------------------------|
| Provision for off-balance sheet commitments |                            |                            |
| Balance at the beginning of the period      | 22 463                     | 22 271                     |
| Charge of provision                         | 20 926                     | 17 149                     |
| Release of provision                        | (3 573)                    | (16 911)                   |
| FX rates differences                        | 12                         | (46)                       |
| Balance at the end of the period            | 39 828                     | 22 463                     |
| Provision for contentious claims            |                            |                            |
| Balance at the beginning of the period      | 18 242                     | 12 699                     |
| Charge of provision                         | 4 374                      | 7 808                      |
| Release of provision                        | (808)                      | (2 177)                    |
| Utilisation of provision                    | (72)                       | (88)                       |
| Balance at the end of the period            | 21 736                     | 18 242                     |
| <b>Total</b>                                | <b>61 564</b>              | <b>40 705</b>              |

## Assets and provision from deferred income tax

|   | 30.06.2013                |                               |                               | 31.12.2012                |                               |                               |
|---|---------------------------|-------------------------------|-------------------------------|---------------------------|-------------------------------|-------------------------------|
|   | Deferred income tax asset | Deferred income tax provision | Net deferred income tax asset | Deferred income tax asset | Deferred income tax provision | Net deferred income tax asset |
| Difference between tax and balance sheet depreciation                                 | 5 514                     | 0                             | 5 514                         | 5 861                     | 0                             | 5 861                         |
| Balance sheet valuation of financial instruments                                      | 376 961                   | (379 072)                     | (2 111)                       | 352 013                   | (354 906)                     | (2 893)                       |
| Unrealised receivables/ liabilities on account of derivatives                         | 73 053                    | (98 689)                      | (25 636)                      | 87 170                    | (117 650)                     | (30 480)                      |
| Interest on deposits and securities to be paid/ received                              | 47 479                    | (93 361)                      | (45 882)                      | 64 192                    | (78 879)                      | (14 687)                      |
| Interest and discount on loans and receivables  | 0                         | (27 246)                      | (27 246)                      | 0                         | (24 030)                      | (24 030)                      |
| Income and cost settled at effective interest rate                                    | 10 613                    | (209)                         | 10 404                        | 2 034                     | (245)                         | 1 789                         |
| Provisions for loans presented as temporary differences                               | 105 905                   | 0                             | 105 905                       | 105 026                   | 0                             | 105 026                       |
| Employee benefits   | 12 903                    | 0                             | 12 903                        | 11 760                    | 0                             | 11 760                        |
| Provisions for future costs   | 24 735                    | 0                             | 24 735                        | 16 702                    | 0                             | 16 702                        |
| Valuation of investment assets and cash flows hedge recognized in revaluation reserve | 49 932                    | 0                             | 49 932                        | 39 671                    | (8 097)                       | 31 574                        |
| Other   | 5 551                     | (1 341)                       | 4 210                         | 5 108                     | (1 161)                       | 3 947                         |
| Net deferred income tax asset   | 712 646                   | (599 918)                     | 112 728                       | 689 537                   | (584 968)                     | 104 569                       |

## IV. STATEMENT OF RELATED PARTY TRANSACTIONS

All the transactions concluded between Group entities in the period from 1 January 2013 to 30 June 2013 resulted from their ongoing activity. Below, we are presenting amounts of the most important intra-group transactions concluded between the following entities:

- MILLENNIUM LEASING Sp. z o.o.,
- MILLENNIUM DOM MAKLERSKI S.A.,
- MILLENNIUM TFI S.A.,
- MB FINANCE A.B.,
- ORCHIS Sp. z o.o.
- MILLENNIUM SERVICE Sp. z o.o.,
- MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o.,
- TBM Sp. z o.o.

and with the Capital Group of Bank parent company - Banco Comercial Portugues (these transactions are mainly of banking nature).

Apart from transactions described herein, in the indicated period neither Bank Millennium S.A., nor subsidiaries of Bank Millennium S.A. made any other transactions with related entities, which individually or jointly may have been significant and concluded under terms and conditions other than market-based.

## ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 30.06.2013

|   | With subsidiaries | With parent Group |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| Loans and advances to banks - accounts and deposits                                   | 0                 | 2 582             |
| Loans and advances to customers   | 2 517 328         | 0                 |
| Investments in associates   | 295 306           | 0                 |
| Financial assets valued at fair value through profit and loss (held for trading)      | 2 902             | 2                 |
| Hedging derivatives   | 0                 | 0                 |
| Other assets  | 185 461           | 62                |
| <b>LIABILITIES</b>  |                   |                   |
| Deposits from banks   | 0                 | 231 774           |
| Deposits from customers   | 210 461           | 0                 |
| Liabilities from securities sold with buy-back clause                                 | 0                 | 0                 |
| Hedging derivatives   | 0                 | 152 550           |
| Financial liabilities valued at fair value through profit and loss (held for trading) | 20                | 0                 |
| Subordinated debt   | 649 848           | 0                 |
| Other liabilities   | 95 472            | 459               |
| - including liabilities from financial leasing  | 71 444            | 0                 |

## ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2012

|   | With subsidiaries | With parent Group |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| Loans and advances to banks - accounts and deposits                                   | 0                 | 2 605             |
| Loans and advances to customers   | 2 333 191         | 0                 |
| Investments in associates   | 295 297           | 0                 |
| Financial assets valued at fair value through profit and loss (held for trading)      | 2 813             | 0                 |
| Hedging derivatives   | 0                 | 0                 |
| Other assets  | 207 448           | 45                |
| <b>LIABILITIES</b>  |                   |                   |
| Deposits from banks   | 0                 | 206 150           |
| Deposits from customers   | 225 108           | 0                 |
| Liabilities from securities sold with buy-back clause                                 | 0                 | 0                 |
| Hedging derivatives   | 0                 | 133 578           |
| Financial liabilities valued at fair value through profit and loss (held for trading) | 61                | 63                |
| Subordinated debt   | 613 610           | 0                 |
| Other liabilities   | 97 113            | 165               |
| - including liabilities from financial leasing  | 70 864            | 0                 |

## PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.06.2013

|                                     | With subsidiaries | With parent Group |
|-------------------------------------|-------------------|-------------------|
| Income from:                        |                   |                   |
| Interest                            | 45 039            | 10 547            |
| Commissions                         | 26 500            | 72                |
| Derivatives net                     | 170               | 0                 |
| Dividends                           | 27 383            | 0                 |
| Other net operating income          | 1 508             | 259               |
| Expense from:                       |                   |                   |
| Interest                            | 11 292            | 2 322             |
| Commissions                         | 12                | 1 088             |
| Derivatives net                     | 0                 | 145               |
| Other net operating income          | 0                 | 0                 |
| General and administrative expenses | 48 519            | 1 867             |

## PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.06.2012

|                                     | With subsidiaries | With parent Group |
|-------------------------------------|-------------------|-------------------|
| Income from:                        |                   |                   |
| Interest                            | 40 410            | 60 591            |
| Commissions                         | 24 504            | 76                |
| Derivatives net                     | 0                 | 0                 |
| Dividends                           | 37 465            | 0                 |
| Other net operating income          | 0                 | 509               |
| Expense from:                       |                   |                   |
| Interest                            | 4 365             | 14 222            |
| Commissions                         | 16                | 1 359             |
| Derivatives net                     | 58                | 325               |
| Other net operating income          | 818               | 0                 |
| General and administrative expenses | 48 316            | 2 165             |

## OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 30.06.2013

|                         | With subsidiaries | With parent Group |
|-------------------------|-------------------|-------------------|
| Conditional commitments | 59 432            | 981 574           |
| - granted               | 58 093            | 105 941           |
| - received              | 1 339             | 875 633           |
| Derivatives (par value) | 51 211            | 1 258 393         |

## OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2012

|                         | With subsidiaries | With parent Group |
|-------------------------|-------------------|-------------------|
| Conditional commitments | 67 947            | 933 638           |
| - granted               | 66 664            | 105 448           |
| - received              | 1 283             | 828 190           |
| Derivatives (par value) | 66 322            | 1 740 865         |

**V. ADDITIONAL INFORMATION****V.1. Seasonality and business cycles**

In the Bank's activity, there are no significant phenomena, which are cyclical or subject to seasonal variations.

**V.2. Description of non-standard factors and events**

The Bank's separate profit and loss account includes dividends received from subsidiaries, which, for the purposes of the Group's consolidated statements are eliminated as intra-group transactions. During the first half of 2013 dividend payments amounted to PLN 27,382 thousand whereas during the first half of 2012 (comparable data), its value amounted to PLN 37,465 thousand.

**V.3. Issue, redemption or repayment of debt or equity instruments**

During the 6 months ended 30 June 2013, the Bank's liabilities on account of a debt securities issues decreased by PLN 62.4 million. The bonds were issued under the Banks' Bond Issue Program, under which the Bank may issue multiple bond series (private placement issues) in the total nominal value not exceeding PLN 2,000,000,000 or its equivalent in EUR, USD, CHF. Additionally Bank offers new structured products in the form of Bank Securities, which are issued under Banking Law.

## V.4. Off-balance sheet liabilities

As at 30 June 2013 and 31 December 2012, the structure of off-balance sheet liabilities was as follows:

## OFF-BALANCE ITEMS

| <i>Amount '000 PLN</i>  | 30.06.2013       | 31.12.2012       |
|---|------------------|------------------|
| <b>Off-balance conditional commitments granted and received</b> | <b>8 073 702</b> | <b>7 889 885</b> |
| Commitments granted:  | 7 017 935        | 6 975 843        |
| - financial   | 5 749 020        | 5 610 767        |
| - guarantee   | 1 268 916        | 1 365 076        |
| Commitments received:   | 1 055 767        | 914 042          |
| - financial   | 997 719          | 817 640          |
| - guarantee   | 58 048           | 96 402           |

## SIGNATURES:

| Date       | Name and Surname             | Position/Function                             | Signature |
|------------|------------------------------|---|-----------|
| 24.07.2013 | Bogusław Kott                | Chairman of the Management Board              | .....     |
| 24.07.2013 | Joao Bras Jorge              | First Deputy Chairman of the Management Board | .....     |
| 24.07.2013 | Fernando Bicho               | Deputy Chairman of the Management Board       | .....     |
| 24.07.2013 | Artur Klimczak               | Deputy Chairman of the Management Board       | .....     |
| 24.07.2013 | Julianna Boniuk-Gorzelańczyk | Member of the Management Board                | .....     |
| 24.07.2013 | Wojciech Haase               | Member of the Management Board                | .....     |
| 24.07.2013 | Andrzej Gliński              | Member of the Management Board                | .....     |
| 24.07.2013 | Maria Jose Campos            | Member of the Management Board                | .....     |