



## **Independent Registered Auditor's Opinion**

### **To the General Shareholders' Meeting and the Supervisory Board of Bank Millennium S.A.**

We have audited the accompanying consolidated financial statements of the Bank Millennium S.A. Capita Group (hereinafter called 'the Group'), having Bank Millennium S.A., Stanisława Żaryna 2a Street, Warsaw, as its parent company (hereinafter called 'the Parent Company') which comprise the consolidated balance sheet as at 31 December 2014, showing total assets and total equity and liabilities of PLN 60,740,482 thousand, the consolidated income statement for the year from 1 January to 31 December 2014, showing profit after taxes of PLN 650,920 thousand, the consolidated total comprehensive income statement for the period from 1 January to 31 December 2014, showing a total comprehensive income of PLN 669,232 thousand, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year and additional information on adopted accounting policies and other explanatory notes.

The Parent Company's Management Board is responsible for preparing the consolidated financial statements and Group Directors' Report in accordance with the applicable regulations. Members of the Management Board and Members of the Supervisory Board of the Parent Company are obliged to ensure that the consolidated financial statements and the Group Directors' Report comply with the requirements of the Accounting Act of 29 September 1994 ('the Accounting Act' – Journal of Laws of 2013, item 330 as amended).

Our responsibility was to perform an audit of the accompanying consolidated financial statements and to express an opinion on whether the consolidated financial statements comply in all material respects with the applicable accounting policies and whether they present, in all material respects, a true and clear view of the Group's financial position and results.

We conducted our audit in accordance with:

- a. the provisions of Chapter 7 of the Accounting Act;
- b. national standards of auditing issued by the National Council of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatements and omissions. The audit included examining, on a test basis, accounting documents and entries supporting the amounts and disclosures in the consolidated financial statements. The audit also included assessing the Group's accounting policies and significant estimates made during the preparation of the consolidated financial statements, as well as evaluating the overall presentation thereof. We believe that our audit provides a reasonable basis for our opinion.

#### *Translation note:*

*This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

PricewaterhouseCoopers Sp. z o.o., al. Armii Ludowej 14, 00-638 Warszawa  
+48 22 523 40 00, F: +48 22 508 40 40, [www.pwc.pl](http://www.pwc.pl)



## **Independent Registered Auditor's Opinion**

### **To the General Shareholders' Meeting and the Supervisory Board of Bank Millennium S.A. (cont.)**

In our opinion, the accompanying consolidated financial statements, in all material respects:

- a. give a fair and clear view of the Group's financial position as at 31 December 2014 and of the results of its operations for the year from 1 January to 31 December 2014, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;
- b. comply in terms of form and content with the applicable laws;
- c. have been prepared on the basis of properly maintained consolidation documentation.

The information contained in the Group Directors' Report for the year from 1 January to 31 December 2014 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state ('the Decree' – Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited consolidated financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Adam Celiński

Group Registered Auditor, Key Registered Auditor  
No. 90033

Warsaw, 13 February 2015

*Translation note:*

*This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

# **The Bank Millennium S.A. Capital Group**

## **Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2014**



*Translation note:*

*This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

**Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2014**

**To the General Shareholders' Meeting and the Supervisory Board of Bank Millennium S.A.**

**This report contains 16 consecutively numbered pages and consists of:**

	Page
I. General information about the Group.....	2
II. Information about the audit.....	5
III. The Group's results, financial position and significant items of consolidated financial statements .....	6
IV. The independent registered auditor's statement .....	15
V. Final information .....	17

**The Bank Millennium S.A. Capital Group**  
**Registered auditor's report on the audit of the consolidated financial**  
**statements for the year from 1 January to 31 December 2014**

---

**I. General information about the Group**

- a. The parent company of the Bank Millennium S.A. Capital Group ('the Group') is Bank Millennium S.A. ('the Bank', 'the Parent Company') with its seat in Warsaw, Stanisława Żaryna 2 a street.
- b. The Parent Company was formed on the basis of a Notarial Deed drawn up on 7 June 1989 at the State Notary Public's Office in Warsaw and registered with Rep. A No. V-9539 89. On 7 May 2001, the Parent Company was entered in the Register of Businesses maintained by the District Court in Warsaw, XIX Business Department of the National Court Register, under the name of BIG Bank Gdański Spółka Akcyjna w Warszawie, with the reference number KRS 0000010186.
- c. The Parent Company was assigned a tax identification number (NIP) 526-02-12-931 for the purpose of making tax settlements and a REGON number 001379728 for statistical purposes.
- d. As at 31 December 2014 the Parent Company's share capital amounted to PLN 1,213,116,777 and consisted of 1,213,116,777 shares, with a nominal value of PLN 1 each.
- e. As at 31 December 2014, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
Banco Comercial Portugues S.A.	794,751,136	794,751,136	ordinary	65.5
ING Otworthy Fundusz Emerytalny	95,521,053	95,521,053	ordinary	7.5
Other shareholders	322,778,188	322,778,188	ordinary	26.6
Other shareholders	66,400	66,400	preference	-
	<b>1,213,116,777</b>	<b>1,213,116,777</b>		<b>100.0</b>

- f. During the year, the Group's operations comprised:

- banking activity,
- leasing activity,
- factoring activity,
- brokerage activity,
- investment activity,
- investment funds management.

**The Bank Millennium S.A. Capital Group**  
**Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2014**

---

**I. General information about the Group (cont.)**

g. As at 31 December 2014, the Bank Millennium S.A. Capital Group comprised the following entities:

<b>Name</b>	<b>Nature of equity relationship (interest in %)</b>	<b>Consolidation method</b>	<b>Auditor of the financial statements</b>	<b>Type of opinion</b>	<b>Balance sheet date</b>
Millennium Leasing Sp. z o.o.	100	Full	PricewaterhouseCoopers Sp. z o.o.	As at the date of this report audit has not been completed	31 December 2014
Millennium Dom Maklerski S.A.	100	Full	PricewaterhouseCoopers Sp. z o.o.	As at the date of this report audit has not been completed	31 December 2014
Millennium TFI S.A.	100	Full	PricewaterhouseCoopers Sp. z o.o.	As at the date of this report audit has not been completed	31 December 2014
MB Finance AB	100	Full	Deloitte AB	As at the date of this report audit has not been completed	31 December 2014
Millennium Service Sp. z o.o.	100	Full	PricewaterhouseCoopers Sp. z o.o.	As at the date of this report audit has not been completed	31 December 2014
TBM Sp. z o.o.	100	Full	no audit required	no audit required	31 December 2014
Millennium Telecommunication Services Sp. z o.o.	100	Full	no audit required	no audit required	31 December 2014
Lubuskie Fabryki Mebli S.A.	50 + 1 share	Equity method (*)	Biuro Biegłego Rewidenta Stefania Bukowska	As at the date of this report audit has not been completed	31 December 2014
BG Leasing S.A. in liquidation	74	Historical cost method (*)	no audit required	no audit required	31 December 2014

(\*) Despite having a control over the company Lubuskie Fabryki Mebli S.A., due to insignificant nature of Lubuskie Fabryki Mebli S.A. from the realization of the primary goal of the consolidated financial statements point of view, which is the correct presentation of Group's financial situation, the Group does not consolidate capital involvement in the Lubuskie Fabryki Mebli S.A.

*Translation note:*

*This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

**The Bank Millennium S.A. Capital Group**  
**Registered auditor's report on the audit of the consolidated financial**  
**statements for the year from 1 January to 31 December 2014**

---

**I. General information about the Group (cont.)**

h. During the year the Management Board of the Parent Company comprised:

- |  |  |
|--|--|
| • Joao Nuno Lima Bras Jorge                          | President of the Management Board      |
| • Fernando Maria Cardoso<br>Rodrigues Bicho          | Vice President of the Management Board |
| • Artur Klimczak                                     | Vice President 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<br>De Matos De Campos | Member of the Management Board         |

i. The Parent Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange and in accordance with the Accounting Act prepares consolidated financial statements in accordance with IFRS as adopted by the European Union.

The decision to prepare the Bank's financial statements in accordance with these standards was made by the General Shareholders' Meeting in their Resolution No. 7 passed on 6 April 2006.

**The Bank Millennium S.A. Capital Group**  
**Registered auditor's report on the audit of the consolidated financial**  
**statements**  
**for the year from 1 January to 31 December 2014**

---

**II. Information about the audit**

- a. The audit of the consolidated financial statements as at and for the year from 1 January to 31 December 2014 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, the Group's registered auditor Adam Celiński (no. 90033).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No. 14/2013 of the Supervisory Board of Bank Millennium S.A. dated 24 October 2013 in accordance with paragraph 17 clause 2 item 4 of the Parent Company's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws No. 77, item 649, as amended).
- d. The audit was conducted in accordance with an agreement dated 22 January 2014, in the following periods:
  - interim audit from 3 November 2014 to 23 December 2014;
  - final audit from 4 January 2015 to 13 February 2015.



**The Bank Millennium S.A. Capital Group**  
**Registered auditor's report on the audit of the consolidated financial statements**  
**for the year from 1 January to 31 December 2014**

**III. The Group's results, financial position and significant items of consolidated financial statements**

**CONSOLIDATED BALANCE SHEET as at 31 December 2014 (selected lines)**

			Change		Structure	
	31.12.2014 PLN '000	31.12.2013 PLN '000	PLN '000	(%)	31.12.2014 (%)	31.12.2013 (%)
<b>ASSETS</b>						
Cash, balances with the Central Bank	2,612,242	3,412,175	(799,933)	(23.4)	4.3	6.0
Deposits, loans and advances to banks and other monetary institutions	2,384,744	1,519,614	865,130	56.9	3.9	2.7
Financial assets valued at fair value through profit and loss (held for trading) and adjustment due to fair value hedge	1,417,276	850,732	566,544	66.6	2.3	1.5
Hedging derivatives	18,999	211,395	(192,396)	(91.0)	-	0.4
Loans and advances to customers	44,142,699	41,765,680	2,377,019	5.7	72.7	73.3
Investment financial assets	9,249,537	8,241,517	1,008,020	12.2	15.2	14.5
Investments in associates	2,762	3,009	(247)	(8.2)	-	-
Receivables from securities bought with sell-back clause (loans and advances)	155,642	242,061	(86,419)	(35.7)	0.3	0.4
Property, plant and equipment	153,449	163,158	(9,709)	(6.0)	0.3	0.3
Intangible assets	59,119	41,006	18,113	44.2	0.1	-
Non-current assets held for sale	5,646	3,466	2,180	62.9	-	-
Receivables from Tax Office resulting from current tax	74,121	63,949	10,172	15.9	0.1	0.1
Deferred income tax assets	199,931	185,456	14,475	7.8	0.3	0.3
Other assets	264,315	313,497	(49,182)	(15.7)	0.5	0.5
<b>TOTAL ASSETS</b>	<b>60,740,482</b>	<b>57,016,715</b>	<b>3,723,767</b>	<b>6.5</b>	<b>100.0</b>	<b>100.0</b>

**Translation note:**

*This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

**The Bank Millennium S.A. Capital Group**  
**Registered auditor's report on the audit of the consolidated financial statements**  
**for the year from 1 January to 31 December 2014**

**III. The Group's results, financial position and significant items of consolidated financial statements (cont.)**

**CONSOLIDATED BALANCE SHEET as at 31 December 2014 (selected lines) (cont.)**

			Change		Structure	
	31.12.2014 PLN '000	31.12.2013 PLN '000	PLN '000	(%)	31.12.2014 (%)	31.12.2013 (%)
<b>LIABILITIES</b>						
Liabilities to banks and other monetary institutions	2,037,269	2,348,562	(311,293)	(13.3)	3.3	4.2
Financial liabilities valued at fair value through profit and loss (held for trading) and adjustment due to fair value hedge	629,790	575,098	54,692	9.5	1.0	1.0
Hedging derivatives	1,390,225	930,345	459,880	49.4	2.3	1.6
Liabilities to customers	47,591,244	45,305,121	2,286,123	5.0	78.3	79.5
Liabilities from securities sold with buy-back clause	59,765	114,801	(55,036)	(47.9)	0.1	0.2
Debt securities	1,739,461	701,352	1,038,109	148.0	2.9	1.2
Provisions	98,574	66,616	31,958	48.0	0.2	0.1
Deferred income tax liabilities	-	-	-	-	-	-
Current tax liabilities	8,080	11,269	(3,189)	(28.3)	-	-
Other liabilities	780,856	977,833	(196,977)	(20.1)	1.3	1.7
Subordinated debt	639,739	622,585	17,154	2.8	1.1	1.1
<b>TOTAL LIABILITIES</b>	<b>54,975,003</b>	<b>51,653,582</b>	<b>3,321,421</b>	<b>6.4</b>	<b>90.5</b>	<b>90.6</b>
<b>EQUITY</b>	<b>5,765,479</b>	<b>5,363,133</b>	<b>402,346</b>	<b>7.5</b>	<b>9.5</b>	<b>9.4</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>60,740,482</b>	<b>57,016,715</b>	<b>3,723,767</b>	<b>6.5</b>	<b>100.0</b>	<b>100.0</b>

*Translation note:*

*This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*



**The Bank Millennium S.A. Capital Group**  
**Registered auditor's report on the audit of the consolidated financial statements**  
**for the year from 1 January to 31 December 2014**

**III. The Group's results, financial position and significant items of consolidated financial statements (cont.)**

**CONSOLIDATED INCOME STATEMENT**  
**for the year from 1 January to 31 December 2014**

			Change		Structure	
	2014	2013			2014	2013
	PLN '000	PLN '000	PLN '000	(%)	(%)	(%)
Interest income	2,583,219	2,672,170	(88,951)	(3.3)	73.4	73.4
Interest expense	(1,129,100)	(1,452,119)	323,019	(22.2)	42.1	49.0
<b>Net interest income</b>	<b>1,454,119</b>	<b>1,220,051</b>	<b>234,068</b>	<b>19.2</b>		
Fee and commission income	695,321	697,600	(2,279)	(0.3)	19.7	19.1
Fee and commission expense	(83,648)	(108,863)	25,215	(23.2)	3.1	3.7
<b>Net fee and commission income</b>	<b>611,673</b>	<b>588,737</b>	<b>22,936</b>	<b>3.9</b>		
Dividend income	1,851	1,641	210	12.8	0.1	-
Result on investment financial assets	18,447	20,721	(2,274)	(11.0)	0.5	0.6
Result on financial instruments valued at fair value through profit and loss and foreign exchange result	182,836	184,414	(1,578)	(0.9)	5.2	5.1
Other operating income	39,440	64,571	(25,131)	(38.9)	1.1	1.8
<b>Operating income</b>	<b>2,308,366</b>	<b>2,080,135</b>	<b>228,231</b>	<b>11.0</b>		
General and administrative expenses	(1,056,053)	(1,035,244)	(20,809)	2.0	39.4	34.9
Impairment losses on financial assets	(265,041)	(232,531)	(32,510)	14.0	9.9	7.9
Impairment losses on non-financial assets	(430)	(1,571)	1,141	(72.6)	-	0.1
Depreciation and amortization	(55,326)	(54,332)	(994)	1.8	2.0	1.8
Other operating expenses	(92,811)	(73,750)	(19,061)	25.8	3.5	2.5
<b>Operating expenses</b>	<b>(1,469,661)</b>	<b>(1,397,428)</b>	<b>(72,233)</b>	<b>5.2</b>		
<b>Operating profit / (loss)</b>	<b>838,705</b>	<b>682,707</b>	<b>155,998</b>	<b>22.8</b>		
Share in net profit of associated companies	(246)	(2,144)	1,898	(88.5)	-	0.1
<b>Profit / (loss) before taxes</b>	<b>838,459</b>	<b>680,563</b>	<b>157,896</b>	<b>23.2</b>		
Corporate income tax	(187,539)	(144,768)	(42,771)	29.5		
<b>Profit / (loss) after taxes</b>	<b>650,920</b>	<b>535,795</b>	<b>115,125</b>	<b>21.5</b>		
In which, attributable to owners of the parent	650,920	535,795				
Total income	3,521,114	3,641,117	(120,003)	(3.3)	100.0	100.0
Total expense	(2,682,655)	(2,960,554)	277,899	(9.4)	100.0	100.0
<b>Profit / (loss) before taxes</b>	<b>838,459</b>	<b>680,563</b>	<b>157,896</b>	<b>23.2</b>		

**Translation note:**

*This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

**The Bank Millennium S.A. Capital Group**  
**Registered auditor's report on the audit of the consolidated financial**  
**statements for the year from 1 January to 31 December 2014**

**III. The Group's results, financial position and significant items of consolidated financial statements (cont.)**

**CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME**  
**for the year from 1 January to 31 December 2014**

	Change			
	2014	2013	PLN '000	(%)
	PLN '000	PLN '000		
<b>Profit / (loss) after taxes</b>	<b>650,920</b>	<b>535,795</b>	<b>115,125</b>	<b>21.5</b>
<b>Other elements of total comprehensive income that will be subsequently reclassified to profit or loss:</b>	<b>25,250</b>	<b>3,911</b>	<b>21,339</b>	<b>545.6</b>
Effect of valuation of available for sale debt securities	69,491	(44,482)	113,973	(256.2)
Effect of valuation of available for sale shares	29	18	11	61.1
Hedge accounting	(44,270)	48,375	(92,645)	(191.5)
<b>Other elements of total comprehensive income that will not be subsequently reclassified to profit or loss:</b>	<b>(2,643)</b>	<b>-</b>	<b>(2,643)</b>	<b>-</b>
Actuarial gains (losses)	(2,643)	-	(2,643)	-
<b>Other elements of total comprehensive income before taxes</b>	<b>22,607</b>	<b>3,911</b>	<b>18,696</b>	<b>478.0</b>
Corporate income tax on other elements of total comprehensive income that will be subsequently reclassified to profit or loss	(4,798)	(743)	(4,055)	545.8
Corporate income tax on other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	502	-	502	-
<b>Other elements of total comprehensive income after taxes</b>	<b>18,312</b>	<b>3,168</b>	<b>15,143</b>	<b>478.0</b>
<b>Total comprehensive income of the period</b>	<b>669,232</b>	<b>538,963</b>	<b>130,268</b>	<b>24.2</b>
In which, attributable to owners of the parent	669,232	538,963		

**The Bank Millennium S.A. Capital Group**  
**Registered auditor's report on the audit of the consolidated financial**  
**statements for the year from 1 January to 31 December 2014**

---

**III. The Group's results, financial position and significant items of consolidated financial statements (cont.)**

**Selected ratios characterising the Group's financial position and results**

The following ratios characterise the Group's operating activities, financial results during the year and its financial position as at the balance sheet date compared with previous years:

	<b>2014</b>	<b>2013</b>
<b>Profitability ratios</b>		
Return on equity (Profit / (loss) after taxes / average net assets) (1)	11.7%	10.5%
Return on assets Profit / (loss) after taxes / average assets) (1)	1.1%	1.0%
Interest margin (interest income / average working assets) – (interest expense / average interest-bearing liabilities) (1) (2) (3)	2.3%	2.0%
Cost of risk (4)	5.9	5.5
C/I ratio (general and administrative expenses and depreciation and amortisation expense / net operating profit / (loss)) (5)	50.2%	54.4%
Earnings per share ( in PLN)	0.54	0.44
	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>Asset quality ratios</b>		
Impaired loans and advances to customers to gross loans and advances to customers	4.2%	4.4%
Provision coverage of not impaired loans and advances	0.4%	0.5%
Provision coverage of impaired loans and advances	62.2%	58.5%
<b>Other ratios</b>		
Total Capital Ratio (TCR)	15.2%	14.5%
Common Equity Tier 1 Capital ratio (CET1 ratio)	14.5%	13.4%
Effective tax rate	22.37%	21.27%

- (1) The average balances of balance sheet items were calculated on the basis of the balances of the individual items as at the beginning and the end of the current financial year and the previous financial year
- (2) Working assets defined as balances with the Central Bank (without cash), loans and advances to customers and banks, debt securities and hedging derivatives.
- (3) Interest liabilities defined as liabilities to customers and banks, debt securities, subordinated debt and hedging derivatives.
- (4) Total Impairment losses on financial assets to average loans and advances to customers in given period.
- (5) Net operating profit / (loss) defined as operating profit (loss) except other operating expenses

The above ratios have been calculated on the basis of the consolidated financial statements.



**Translation note:**

*This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

**III. The Group's results, financial position and significant items of consolidated financial statements (cont.)**

It was not the purpose of the audit to present the Group in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Group's operations and its circumstances.

Our audit did not cover detailed comparative data constituting the basis for calculating the ratios for the previous years.

### **III. The Group's results, financial position and significant items of consolidated financial statements (cont.)**

The consolidated financial statements do not take into account the effects of deflation. The consumer price index (on a December to December basis) amounted to -1.0% in the audited year (inflation 0.7% in 2013).

The following comments are based on information obtained during the audit of the consolidated financial statements.

The factors described below had a significant impact on the Group's results of operations and on its financial position as at the balance sheet date:

- At the end of the financial year, the Group's total assets amounted to PLN 60,740,482 thousand. During the year total assets increased by PLN 3,723,767 thousand, i.e. by 6.5%.
- As at 31 December 2014, the net balance of loans and advances to customers amounted to PLN 44,142,699 thousand and represented 72.7% of total assets (an increase by PLN 2,377,019 thousand, i.e. by 5.7% compared to the previous year). The gross value of loans and advances to customers portfolio amounted to 45,500,954 thousand at the end of 2014 years and comprised mainly loans and advances to private individuals in the gross amount of PLN 31,135,265 thousand, loans and advances to companies in the gross amount of PLN 8,547,052 thousand and financial leasing receivables in the gross amount of PLN 4,107,136 thousand. An increase in the balance of loans and advances to customers was mainly due to the increase in the gross balance of loans and advances to companies by PLN 1,083,670 thousand and the increase in the gross balance of loans and advances to private individuals by PLN 950,881 thousand, as a result of both valuation growth rate of loans denominated in CHF and as well as the increase in the volume of loans.
- As at the end of 2014 the balance of investment financial assets amounted to PLN 9,249,537 thousand and comprised mainly bonds issued by State Treasury in the amount of PLN 6,749,204 thousand. The balance of investment financial assets increased by PLN 1,008,020 thousand, i.e. 12.2% compared to the previous year, which resulted mainly from an increase in the bonds issued by State Treasury portfolio by PLN 1,614,456 thousand. At the same time, the bills issued by Central Bank portfolio decreased by PLN 599,792 thousand.
- As at the end of 2014 the assets were primarily financed by liabilities to customers. As at 31 December 2014 the liabilities to customers amounted to PLN 47,591,244 thousand and represented 78.3% of total equity and liabilities (an increase compared to the previous year by PLN 2,286,123 thousand, i.e. by 5.0%). An increase of liabilities to customers was mainly driven by increase of term deposits from private individuals by PLN 2,526,712 thousand and increase of balances on current accounts from private individuals by PLN 862,366 thousand. At the same time, term deposits from public sector decreased by PLN 664,616 thousand and term deposits from companies decreased by PLN 491,285 thousand.

**III. The Group's results, financial position and significant items of consolidated financial statements (cont.)**

- The second financing source for the balance sheet growth was the issue of debt securities. The balance of debt securities as at 31 December 2014 amounted to PLN 1,739,461 thousand and comprised mainly outstanding bonds and bills in the amount of PLN 1,399,514 thousand..
- As at the balance sheet date the value of derivative and hedging instruments presented in the liabilities of the Group amounted to PLN 1,390,225 thousand and increased by PLN 459,880 thousand, i.e. 49.4% compared to the previous year. This increase was mainly due to the increase in the portfolio of CIRS contracts which are a cash flows hedging derivatives connected with interest rate and/or FX rate by PLN 459,512 thousand.
- Net interest income amounted to PLN 1,454,119 thousand and increased by PLN 234,068 thousand, i.e. by 19.2% compared to the previous year. An increase of the net interest income was due to a decrease of interest expense by PLN 323,019 thousand. At the same time, interest income decreased by PLN 88,951 thousand compared to the previous year. The most significant change in the interest expenses structure resulted from the debt security issue. Debt security issue expenses amounted to PLN 46.2 million in 2014 in comparison to 2013 (i.e. 41.7% change). The interest income decline was mainly driven by drop of average WIBOR 3M interest rates from 3.1% in 2013 to 2.7% in 2014.
- Net fee and commission income amounted to PLN 611,673 thousand in the audited year and was higher by PLN 22,936 thousand, i.e. by 3.9% compared to the previous year. This increase was due to a decrease of fee and commission expense by PLN 25,215 thousand. At the same time, fee and commission income decreased by PLN 2,279 thousand. The decrease of fee and commission income resulting from payment and credit cards was largely compensated by higher income from distribution of investment funds units and other savings products which increased by PLN 15.273 thousand compared to the previous year.
- Operating expenses amounted to PLN 1,469,661 thousand in the audited year and increased by PLN 72,233 thousand, i.e. by 5.2% compared to the previous year. General and administrative expenses were the largest item of operating expenses and amounted to PLN 1,056,053 thousand in 2014, which constituted 71.9% of operating expenses. General and administrative expenses comprised of staff costs in the amount of PLN 547,014 thousand and general administrative costs in the amount of PLN 509,039 thousand. General and administrative expenses increased by PLN 20,809 thousand, i.e. by 2.0% compared to the previous year, mainly due to the increase of costs of advertising, promotion and representation by PLN 13,673 thousand. Operating profit was also charged, higher by PLN 19.061 thousand, other operating expenses due to created provisions for contentious claims



**III. The Group's results, financial position and significant items of consolidated financial statements (cont.)**

- Impairment losses on financial assets in 2014 amounted to PLN 265,041 thousand and comprised mainly impairment losses on loans and advances to customers. Impairment losses on financial assets increased by PLN 32,510 thousand, i.e. by 14.0% compared to the previous year, which resulted mainly from the increase of impairment losses on loans and advances to customers.
- Effective tax rate, calculated as corporate income tax to profit/(loss) before taxes, amounted to 22.37% in the audited year and was 1.1 pp. higher than in prior year as a result of not contain a part of impairment write-offs in non-tax deductible expenses .

**The Bank Millennium S.A. Capital Group**  
**Registered auditor's report on the audit of the consolidated financial**  
**statements for the year from 1 January to 31 December 2014**

---

**IV. The independent registered auditor's statement**

- a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the consolidation documentation and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The Group has up-to-date documentation of its accounting policies, approved by the Parent Company Management Board. The Parent Company's accounting policies were tailored to the Group's needs and ensured the recognition of all events having a material effect on the assessment of its financial position and results, taking into consideration the prudence principle. There were no changes to the accounting policies compared with the previous year.
- d. The consolidation of equity items was carried out properly in all material respects.
- e. The closing balances as at the end of the previous year were correctly brought forward as the opening balances of the current financial year in all material respects.
- f. The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- g. The elimination of unrealized gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- h. The impact of the disposal or partial disposal of shares in subordinated entities was accounted for properly in all material respects, in accordance with IFRS as adopted by the European Union.
- i. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.
- j. The consolidated financial statements of the Group for the year from 1 January to 31 December 2013 were approved by Resolution No. 2 passed by the General Shareholders' Meeting of the Parent Company on 10 April 2014 and filed with the National Court Register in Warsaw on 17 April 2014.
- k. The consolidated financial statements for the previous financial year were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. The registered auditor issued an unqualified opinion.

**IV. The independent registered auditor's statement (cont.)**

- l. We determined the materiality levels at the planning stage. Materiality levels specify the limits up to which identified irregularities may be left unadjusted without any detriment to the quality of the financial statements and to the correctness of the underlying books of account, since failing to make such adjustments will not be misleading for the readers of the financial statements. Materiality measures both the quantity and quality of audited items and that is why it varies for different statement of financial position and income statement items. Due to the complexity and quantity of the materiality levels adopted for audit purposes, they are included in the audit documentation.
- m. The total capital requirement, together with the requirement concerning the risk of excessive capital exposure, amounted to PLN 2,820.5 million as at the balance sheet date. The capital adequacy ratio as at 31 December 2014 was 15,2%. As at the balance sheet date, the Bank complied with prudence principle in all material respects.
- n. The notes to the consolidated financial statements, which include the introduction and additional notes and explanations present all the significant information in accordance with IFRS as adopted by the European Union.
- o. The information in the Group Directors' Report for the year from 1 January to 31 December 2014 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information to be provided by issuers of securities and conditions for recognizing as equivalent the information required by the provisions of law of a country not being a member state (Journal of Laws of 2014, item 133) and is consistent with that presented in the consolidated financial statements.

**The Bank Millennium S.A. Capital Group**  
**Registered auditor's report on the audit of the consolidated financial**  
**statements for the year from 1 January to 31 December 2014**

---

**V. Final information**

This report has been prepared in connection with our audit of the consolidated financial statements of The Bank Millennium S.A. Capital Group having Bank Millennium S.A., Stanisława Żaryna 2a Street, Warsaw, as its Parent Company. The consolidated financial statements were signed by the Parent Company's Management Board on 13 February 2015.

This report should be read in conjunction with the Independent Registered Auditor's unqualified opinion to the General Shareholders' Meeting and the Supervisory Board of Bank Millennium S.A. dated 13 February 2015, concerning the said consolidated financial statements. The opinion on the consolidated financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements as a whole.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Adam Celiński

Group Registered Auditor, Key Registered Auditor  
No. 90033

Warsaw, 13 February 2015



*Translation note:*

*This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*