

REPORT OF THE BANK MILLENNIUM S.A. CAPITAL GROUP

FOR 1 QUARTER 2014



MAIN CONSOLIDATED FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	Period from 1.01.2014 - 31.03.2014	Period from 1.01.2013 - 31.03.2013*	Period from 1.01.2014 - 31.03.2014	Period from 1.01.2013 - 31.03.2013*
Interest income	630 950	712 141	150 606	170 622
Fee and commission income	174 839	166 995	41 734	40 010
Operating income	574 950	492 318	137 239	117 954
Operating profit	203 397	152 266	48 550	36 481
Profit (loss) before taxes	203 397	150 719	48 550	36 111
Profit (loss) after taxes	156 448	120 024	37 344	28 757
Total comprehensive income of the period	151 214	129 402	36 094	31 003
Net cash flows from operating activities	(1 060 102)	1 671 404	(253 044)	400 451
Net cash flows from investing activities	1 344 183	(1 361 659)	320 853	(326 240)
Net cash flows from financing activities	686 724	(5 487)	163 919	(1 315)
Net cash flows, total	970 805	304 258	231 729	72 897
Total Assets	57 886 614	57 016 715	13 877 356	13 748 243
Liabilities to banks and other monetary institutions	2 345 403	2 348 562	562 271	566 301
Liabilities to customers	45 320 166	45 305 121	10 864 758	10 924 267
Equity	5 514 347	5 363 133	1 321 973	1 293 194
Share capital	1 213 117	1 213 117	290 825	292 515
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)	4.55	4.42	1.09	1.07
Diluted book value per share (in PLN/EUR)	4.55	4.42	1.09	1.07
Capital adequacy ratio**	14.27%	14.54%	14.27%	14.54%
Earnings (losses) per ordinary share (in PLN/EUR)	0.13	0.10	0.03	0.02
Diluted earnings (losses) per ordinary share (in PLN/EUR)	0.13	0.10	0.03	0.02
Pledged or paid dividend per share (in PLN/EUR)	0.22	-	0.05	-

* - Comparative balance sheet data was presented, in compliance with IFRS requirements, as at 31.12.2013. Other comparative data is presented for the period from 1.01.2013 to 31.03.2013.

** - European Commission has not accepted all executive acts to Regulation CRR up to now and the European Banking Authority has extended to 30 June 2014 reporting deadlines for the first reports from ITS package. At the same time the implementation of CRD IV into national law (mainly the so-called. the national options) has not been completed. Having in mind aforementioned conditions, the Group decided to disclosure in this report, the capital adequacy ratio calculated in accordance with the law binding as at 31 December 2013.

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: 4.1713PLN/EURO - the exchange rate of 31 March 2014 (for comparative data as at 31 December 2013: 4.1472 PLN/EURO),
- for profit and loss account items for the period from 1 January - 31 March 2014: 4.1894 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 - 31 March 2013: 4.1738 PLN/EURO).

INFORMATION ABOUT THE ACTIVITY OF BANK MILLENNIUM CAPITAL GROUP DURING 1ST QUARTER OF 2014

Bank Millennium Group (the "Group") consolidated net profit in 1Q 2014 amounted to PLN 156.4 million, which is a 30.3% increase when compared to net profit in 1Q 2013 and 9.4% increase when compared to net profit in 4Q of 2013.

The improvement of results was achieved mainly thanks to a strong growth of interest margin, which happened despite a steep decline of interest rates in Poland during 1H 2013 to the lowest ever level. The growth of net interest income (by 23.4% y/y and 3.1% q/q), accompanied by the growth of net commissions, allowed to improve total operating income by 13.8% y/y and 3.9% q/q. Operating costs were stable and cost of risk slightly higher, which brought in the end a strong growth of net income.

Higher provisions on credit risk together with reduction of impaired loans, allowed a significant improvement of coverage ratio of impaired loans by total provisions from 60% a year ago to 71% in March 2014.

At the same time, Bank Millennium Group maintains solid liquidity and capital base with Loan-to-deposit ratio at 94% and Capital Adequacy Ratio at 14.3% at the end of March 2014.

On April 10, 2014, Annual General Meeting of the Bank decided about payment of dividend of PLN 0.22 per share (50% of 2013 consolidated net profit).

Macroeconomic situation

The beginning of year 2014 showed further recovery of economic growth. Already in the fourth quarter of 2013 there was a marked acceleration of economic growth, that reached 2.7% y-o-y compared to 1.9% y-o-y in the third quarter. Net exports was still the main driver of economic growth, that added 1.5 p.p. to the annual GDP dynamics in Q4. Exports were supported by improving economic sentiment in Eurozone and markets diversification by Polish companies. Domestic demand was also a stronger pillar of economic growth and advanced 1.2% y-o-y in 4Q last year compared to 0.5% y-o-y in 3Q, driven by rebound in private consumption and recovery in investments in fixed assets. Conducive to growth of private consumption was stabilization in labour market and low inflation, that increased households' real incomes. Recovery in investments was supported by growing capacity utilization, good financial results of companies and low interest rates. Monthly data for 1Q suggest further improvement of the economic sentiment. Better readings of industrial production, construction output and retail sales between January and March, support expectations for the improvement of economic growth, which probably exceeded 3% y-o-y in 1Q 2014. Turbulences in Ukraine and restrictions in exports of Polish food to Russia pose some risks to the economic growth in coming quarters, although the loss in the GDP growth should not be substantial.

Registered unemployment rate reached 13.6% in March 2014 and was by 0.7 p.p. lower as compared to March 2013. This confirms that labour market conditions are improving gradually, which was partially supported by favourable weather conditions. In addition, Polish companies were more willing to increase employment, especially in the industrial sector. Enterprise sector employment increased in March 2014 by 0.5% as compared to March 2013 and this was the best result for the last two years. According to the PMI survey, sustained growth in new orders and output led to a faster increase in employment, especially in manufacturing sector. Wage dynamics in the first quarter remained at a relatively low level, but low inflation supported purchasing power of the labour income.

Inflationary pressures remained at low level, supported by low demand pressure and positive supply shock on food market. CPI inflation amounted to 0.7% y-o-y in March, similarly as in December 2013. Core inflation measures remained at low levels as well. Demand and cost pressures in the economy remain low and inflation is still well below NBP target (2.50% +/- 1%). It is likely to remain below 1.50% till the end of the year.

In the first quarter of 2014 monetary policy remained accommodative and the reference rate was kept at the record low of 2.50%. After a meeting in March, Monetary Policy Council unanimously changed its assessment of the future monetary policy and stressed that NBP interest rates should stay unchanged in the longer period, at least till the end of third quarter 2014. The main reason to extend the period of stable rates was the new inflation projection, which assumes that till the end of 2016 inflation should stay below NBP target.

In the first quarter of 2014 households deposits increased by PLN 15.2 bn, while annual dynamics slowed down to 5.9% from 6.6% in December 2013. Deceleration in growth of households' deposits might be related to low interest rates, still relatively low disposable income dynamics and growing propensity to consume. Growth of deposits was also mitigated by the popularity of mutual funds as households facing diminishing interest on deposits are looking for more attractive forms of investment. The annual dynamics of corporate deposits decelerated to 4.1% in March 2014 from 6.8% in December 2013, partially because of changes in pension scheme and decrease in deposits of Open Pension Funds. Annual dynamics of total credit amounted to 4.7% in March as compared with 3.6% in December. Credit to households increased by 5.0% while loans to corporate sector grew by 4.3% y/y, driven mainly by investments loans. At the same time a stabilization of portfolio quality was observed both in households and corporate sector.

Bank Millennium Group profit and loss account in 1st quarter 2014

Operating Income (PLN million)	1Q 2014	4Q 2013	Change q/q	1Q 2013	Change y/y
Net Interest Income *	356.5	345.7	3.1%	288.9	23.4%
Net Commissions Income	155.5	147.4	5.5%	141.8	9.6%
Core Income**	512.0	493.1	3.8%	430.7	18.9%
Other Non-Interest Income ***	31.8	30.2	5.4%	47.1	-32.4%
Total Operating Income	543.9	523.3	3.9%	477.8	13.8%

(*) Pro-forma data: Net Interest Income includes margin from all derivatives. From 1st January 2006 the Bank started to apply hedge accounting principles. Starting from that date the margin from these operations is reflected in Net Interest Income since afore-mentioned change. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides pro-forma data, which presents all margin from derivatives in Net Interest Income caption, whereas in accounting terms part of this margin (PLN 22.1 million in 1Q 2013 and PLN 1.2 million in 1Q 2014) is presented in Other Non-Interest Income. In the Bank's opinion, such approach allows better understanding of the real evolution of this item from economic point of view.

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

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

Net Interest Income (pro-forma) reached PLN 356.5 million in 1Q 2014, which means a growth by 3.1% versus 4Q 2013 and by 23.4% versus 1Q 2013. Both net interest income and margin were continuing their positive trend which started already in 2Q 2013, when the cycle of steep reduction of market interest rates in Poland was still not finished (market rates in Poland reduced in total by 225 bps from November 2012 till July 2013).

Total net interest margin reached in 1Q 2014 the level of 2.58%, which is comparable to the level of margins in 2012 year. The improvement of interest margin was still supported by lower cost of deposits but more and more also by gradual change of asset mix towards higher margin products.

Net Commissions Income in 1Q 2014 reached PLN 155.5 million, which means a 5.5% quarterly growth and 9.6% yearly. Fees and commissions from sale of investment products and cards were the main growth drivers.

Core income, defined as a combination of net interest and commission income, continued its very positive trend growing by 3.8% quarterly and 18.9% yearly and reaching the amount of PLN 512 million.

Other non-interest income grew by 5.4% quarterly but dropped 32.4% yearly (influenced by high base from sale of bonds in 1Q 2013) and reached PLN 31.8 million.

Total operating income of the Group reached PLN 543.9 million in 1Q 2014 and increased by 3.9% quarterly and 13.8% yearly.

Operating Costs (PLN million)	1Q 2014	4Q 2013	Change q/q	1Q 2013	Change y/y
Personnel Costs	(135.1)	(135.7)	-0.4%	(139.2)	-3.0%
Other Administrative Costs*	(139.7)	(138.1)	1.1%	(133.6)	4.6%
Total Operating Costs	(274.8)	(273.8)	0.3%	(272.8)	0.7%
Cost/Income Ratio	50.5%	52.3%	-2.3 p.p.	57.1%	-6.6 p.p.

(*) including depreciation

Total costs in 1Q 2014 amounted to PLN 274.8 million, which means a similar level compared to previous quarter (+0.3% q/q) and 1Q 2013 (+0.7% y/y).

Personnel costs decreased by 0.4% quarterly and by 3% yearly. Total number of employees in the Group decreased by 0.7% compared to the end of March 2013 to the level of 5,878 persons (in Full Time Equivalents).

The structure of employment of Bank Millennium Group is presented in the table below:

Employment structure (in FTEs)	31.03.2014	31.12.2013	31.03.2013	Change y/y
Bank Millennium S.A.	5 536	5 541	5 550	-0,2%
Subsidiaries	342	340	370	-7,5%
Total Bank Millennium Group	5 878	5 881	5 920	-0,7%

Other administrative costs (including depreciation) in 1Q 2014 grew by 1.1% quarterly and by 4.6% yearly due to higher marketing costs.

Cost-to-Income ratio continued to improve in 1Q 2014, to a record low level of 50.5%, very close to 50% medium-term target.

Total net impairment provisions created by the Group in the 1Q 2014 amounted to PLN 65.7 million and were 3.9% higher than provisions created during last quarter of 2013 and 24.5% higher than provisions of 1Q 2013. Increase of provisions resulted mainly from further strengthening of coverage for already impaired corporate exposures. In relative terms (i.e. compared to the average net loans) total provisions created in 1Q 2014 stood at 63 bps level.

Pre-tax Income in 1Q 2014 amounted to PLN 203.4 million, which is 35% higher than gross income for 1Q 2013. **Net Profit** for the analysed period amounted to PLN 156.4 million i.e. by 9.4% higher quarterly and 30.3% higher yearly. The growth was supported by operating income increase and stable operating costs, while provisions increased.

Net Profit (PLN million)	1Q 2014	4Q 2013	Change q/q	1Q 2013	Change y/y
Operating Income	543.9	523.3	3.9%	477.8	13.8%
Operating Costs *	(274.8)	(273.8)	0.3%	(272.8)	0.73%
Impairment provisions	(65.7)	(63.2)	3.9%	(52.8)	24.5%
Pre-tax Profit	203.4	185.9	9.4%	150.7	35.0%
Income tax	(46.9)	(42.8)	-	(30.7)	-
Net Profit	156.4	143.0	9.4%	120.0	30.3%

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

Business results after 1st quarter 2014

Total assets of the Group reached PLN 57,887 million as at 31 March 2014, which means an increase by 2.3% compared to the end of March 2013 and by 1.5% compared to the end of 2013.

Total customer funds of Bank Millennium Group reached PLN 51,879 million keeping the same level as at the end of December 2013 and growing 3.3% yearly. The growth of deposits, together with retail bonds, reached 2.4% yearly and was combined with visible improvement of deposit interest margin. Especially strong was a growth of current and savings accounts in retail by 17.4%.

Off-balance sheet investment products sold to Group's customers grew by 10.7% yearly reaching in March 2014 the level of PLN 6,196 million. Millennium TFI mutual funds are the biggest part of these products with the balance at the end of March of PLN 3,471 million, after growing by 2.9% yearly.

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

Customer Funds (PLN million)	31.03.2014	31.12.2013	Change q/q	31.03.2013	Change y/y
Deposits of individuals *	28 125.5	26 782.1	5.0%	25 078.3	12.2%
Deposits of Companies and public sector	17 558.1	18 871.5	-7.0%	19 542.3	-10.2%
Total Deposits	45 683.6	45 653.6	0.1%	44 620.6	2.4%
Investment products **	6 195.9	6 218.1	-0.4%	5 596.3	10.7%
Total Customer Funds	51 879.5	51 871.7	0.0%	50 216.9	3.3%

(*) including retail bonds issued by the Bank

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

Total net loans of Bank Millennium Group reached PLN 42,849 million as at the end of March 2014, which means an increase by 4.8% versus corresponding date of last year and 2.6% increase during the quarter.

Non-mortgage retail loans reached PLN 3,834 million and grew by 22.5% yearly, driven mainly by strong growth of cash loans (25% y/y and 4.3% q/q in gross terms). Mortgage loans portfolio (PLN 26,908 million net) contracted yearly by 1.6%, with its PLN part growing by 8.7% yearly and FX part decreasing by 6.1% y/y, so the share of FX mortgages in total loan portfolio reduced to 40.6%.

Loans to companies (including leasing) amounted to PLN 12,106 million as at 31 March 2014, which means a very solid yearly growth (+16.6% or PLN 1,722 million). Leasing exposure grew by 12.6% yearly, after very good sales in 1Q (PLN 501 million of new disbursed financing). Other loans to companies grew even stronger than leasing: +18.3% yearly and +9.3% quarterly. Factoring quarterly turnover in 1Q reached PLN 2,584 million, which is 42% better than in 1Q 2013. Thus, Bank Millennium Group kept its strong market share in sales both in leasing (7.7%) and in factoring (9.3%).

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

Loans and advances to Clients (PLN million, net values)	31.03.2014	31.12.2013	Change q/q	31.03.2013	Change y/y
Loans to households	30 742.2	30 511.7	0.8%	30 490.0	0.8%
- mortgage loans	26 908.3	26 802.8	0.4%	27 359.2	-1.6%
- other loans to households	3 833.8	3 708.9	3.4%	3 130.8	22.5%
Loans to companies	12 106.4	11 254.0	7.6%	10 384.0	16.6%
- leasing	3 575.0	3 447.9	3.7%	3 175.0	12.6%
- other loans to businesses	8 531.4	7 806.1	9.3%	7 208.9	18.3%
Total Loans & Advances to Clients	42 848.6	41 765.7	2.6%	40 874.0	4.8%

Liquidity, asset quality and solvency

Loan-to-deposit ratio of the Group increased both yearly and quarterly as loans grew faster than deposits. However, it remains on very comfortable 93.8% level. When adding other stable funding (medium-term funding and subordinated debt), the ratio of Loans to Stable Funds reached 88.7% at the end of March 2014.

After 1Q 2014 the Group maintains very good asset quality of its loan portfolio. Share of impaired loans in the consolidated portfolio dropped from 5% year ago to 4.3%. According to the market data, Bank Millennium had the best asset quality ratio as of end 2013 among top 12 polish banks. The improvement was registered in non-mortgage retail loans (impaired loans ratio decreased during the year from 14.7% to 12.7%) and in the portfolio of loans to companies (the ratio dropped from 11% to 7.6%). The quality of mortgage portfolio remains very good, with impaired loans ratio at 1.3%.

The reduction of impaired loans was together with further increase of provisions, resulted in significant strengthening of the coverage ratio. Percentage of coverage of impaired loans by total provisions grew during last year from 59.5% to 70.8%, which is a 11.3 percentage points increase.

Share of past-due more than 90 days loans is relatively stable at 2.8-3.0% and their coverage stays above 100% level.

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

Total portfolio quality indicators	31.03.2014	31.12.2013	31.03.2013
Total impaired loans (PLN million)	1 901	1 903	2 085
Total provisions (PLN million)	1 347	1 312	1 241
Impaired over total loans ratio (%)	4.30%	4.42%	4.95%
Total provisions/impaired loans (%)	71%	69%	60%

Capital position of the Group remains very solid. Consolidated equity increased by 11.2% yearly to the level of PLN 5,514 million. Total Capital Adequacy Ratio reached 14.3% and Core Tier 1 ratio 13.3% as at the end of March 2014.

Main solvency* and liquidity indicators	31.03.2014	31.12.2013	31.03.2013
Consolidated equity (PLN million)	5 514	5 363	4 954
Regulatory capital (PLN million)	5 418	5 328	5 372
Capital requirement (PLN million):	3 038	2 932	2 887
- Credit risk	2 756	2 665	2 598
- Market risk	24	18	40
- Operating risk	258	249	249
Risk Weighted Assets (PLN million)	37 971	36 654	36 088
Capital Adequacy Ratio (% , consolidated)	14.3%	14.5%	14.9%
Core Tier 1 ratio (% , consolidated)	13.3%	13.4%	13.4%
Loans to Deposits ratio (%)**	93.8%	91.5%	90.7%
Loans to stable sources of funding *** (%)	88.7%	87.8%	87.2%

(*) Calculated, as in previous periods, in accordance with Resolution 76/2010 of Polish FSA with partial IRB approach and under temporary constraint.

(**) Deposits include Bank's debt securities sold to individuals, repo transactions with customers and in March 2013 also leasing securitization bonds.

(***) Deposits plus all debt securities sold to individual and institutional investors (including subordinated debt) and medium-term funding from financial institutions.

Share price main indicators and ratings

During the first quarter of 2014 the main WIG index grew by 2.1%, index WIG-banks by 9.2% and mWIG 40 grew by 6.5%.

In the same period, Bank Millennium shares grew 24.3% outperforming all banks listed on the Warsaw Stock Exchange. In the yearly horizon, Bank Millennium share price growth also exceeded all banks listed in WIG-banks (index grew 37.4% yearly) and jumped remarkably by 86.5%.

On April 10, 2014, Annual General Meeting of the Bank decided about payment of dividend of PLN 0.22 per share (50% of 2013 consolidated net profit). The dividend right day is May 7, 2014 and dividend payment day is May 21, 2014.

The evolution of Bank Millennium share price versus main WSE indices is presented in the table below:

Market indicators	31.03.2014	30.12.2013	Change q/q	28.03.2013	Change y/y
Number of shares of the Bank (in ths.)	1 213 117	1 213 117	0.0%	1 213 117	0.0%
Daily trading (PLN ths, yearly moving average)	5 664	-	-	2 766	104.8%
Price of the Bank shares (PLN)	8.95	7.20	24.3%	4.80	86.5%
Market cap. (PLN million)	10 857	9 851	10.2%	5 823	86.5%
WIG - main index	52 373	51 284	2.1%	45 148	16.0%
WIG Banks	8 750	8 014	9.2%	6 369	37.4%
mWIG 40	3 481	3 269	6.5%	2 625	32.6%

As shown in the above table, not only Bank Millennium share price grew remarkably during last year but also average turnover of Bank's shares more than doubled during last year from PLN 2.7 million in 12 months ended on 28 March 2013 to PLN 5.7 million in 12 months ended on 31 March 2014.

During the first quarter of 2014 there were no changes of the two basic ratings assigned to Bank Millennium.

Rating	FITCH	MOODY'S
Long-term deposit rating/IDR	BBB- (stable outlook)	Ba2 (negative outlook)
National Long-term IDR	A-(pol) (stable outlook)	-
Short-term deposit rating	F-3	NP
Viability rating / financial strength	bbb- (no outlook)	E+ (stable outlook)
Support	3	

Main external factors that could influence results of Bank Millennium Group in the second quarter of 2014 include:

- The Bank will operate in the environment of record low, but stable, interest rates. It means low cost of financing on the domestic market but also low interest margins of the banking sector.
- Gradual rebound in private consumption and record low interest rates might support recovery in consumer lending. At the same time, good financial results of Polish companies and growing capacity utilization might support investments activity of companies and, as a result, recovery in demand for corporate lending.
- Possible disruptions of economic growth in Poland and financial standing of some companies, following deteriorating economic outlook for Ukraine and Russian embargo on import of some products from Poland.
- Fed tapering might lead to some outflow of foreign capital from emerging markets. This could lead to increased FX and fixed income markets volatility (and somewhat decrease in Polish assets value), that could translate into the loans-to-deposits ratio and into the valuation of the portfolio of debt securities. The impact of this factor might be mitigated if the European Central Bank starts quantitative easing in the Euroland.
- Regulatory changes will continue to be implemented. Among them, capital requirement and adequacy ratios will be calculated in the end of June with changed methodology according to CRR. This may cause some changes of capital requirements and ratios.

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I. CONDENSED INTERIM FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2014

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1. 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 31 March 2014

Composition of the Supervisory Board as at 31 March 2014 was as follows:

- Bogusław Kott - Chairman of the Supervisory Board,
- Maciej Bednarkiewicz - Deputy 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.

Composition of the Management Board as at 31 March 2014 was as follows:

- Joao Nuno Lima Bras Jorge - 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 Bank Millennium Group. The companies comprising the Group as at 31 March 2014 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 MAKLESKI 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 (*)

(*) Despite having a majority shareholding of the Lubuskie Fabryki Mebli S.A., 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).

2. 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 2013.

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 2013.

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 three months ended 31 March 2014.

Condensed consolidated financial statements of the Group prepared for the period from 1 January 2014 to 31 March 2014:

- 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 25 April 2014.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Interest income	1	630 950	712 141
Interest expense	2	(275 603)	(445 336)
Net interest income		355 347	266 805
Fee and commission income	3	174 839	166 995
Fee and commission expense	4	(19 344)	(25 152)
Net fee and commission income		155 495	141 843
Dividend income		0	0
Result on investment financial assets		15 187	6 295
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	5	39 167	61 747
Other operating income		9 754	15 628
Operating income		574 950	492 318
General and administrative expenses	6	(261 161)	(258 409)
Impairment losses on financial assets	7	(65 626)	(52 216)
Impairment losses on non-financial assets		(73)	(549)
Depreciation and amortization		(13 600)	(14 398)
Other operating expenses		(31 093)	(14 480)
Operating expenses		(371 553)	(340 052)
Operating profit		203 397	152 266
Share of profit of associates		0	(1 547)
Profit / (loss) before taxes		203 397	150 719
Corporate income tax	8	(46 949)	(30 695)
Profit / (loss) after taxes		156 448	120 024
Attributable to:			
Owners of the parent		156 448	120 024
Non-controlling interests		0	0
Weighted average number of ordinary shares		1 213 116 777	1 213 116 777
Earnings (losses) per ordinary share (in PLN)		0.13	0.10

CONSOLIDATED TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN		1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Profit / (loss) after taxes		156 448	120 024
Other elements of total comprehensive income, including:			
Effect of valuation of available for sale debt securities		(7 089)	(15 117)
Effect of valuation of available for sale shares		(15)	1
Hedge accounting		642	26 694
Other elements of total comprehensive income before taxes		(6 462)	11 578
Corporate income tax on other elements of total comprehensive income		1 228	(2 200)
Other elements of total comprehensive income after taxes		(5 234)	9 378
Total comprehensive income of the period		151 214	129 402
Attributable to:			
Owners of the parent		151 214	129 402
Non-controlling interests		0	0

Section of Statement of total comprehensive income presenting the components of other comprehensive income for the period includes only amounts that will be subsequently reclassified to profit or loss under certain conditions.

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	31.03.2014	31.12.2013
Cash, balances with the Central Bank		2 768 736	3 412 175
Deposits, loans and advances to banks and other monetary institutions	9	1 537 594	1 519 614
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	10	798 242	850 732
Hedging derivatives	11	91 606	211 395
Loans and advances to customers	12	42 848 551	41 765 680
Investment financial assets	13	8 595 232	8 241 517
- available for sale		8 595 232	8 241 517
- held to maturity		0	0
Investments in associates		3 009	3 009
Receivables from securities bought with sell-back clause (loans and advances)		335 297	242 061
Property, plant and equipment		155 970	163 158
Intangible assets		43 596	41 006
Non-current assets held for sale		3 442	3 466
Receivables from Tax Office resulting from current tax		60 583	63 949
Deferred tax assets	15	181 792	185 456
Other assets		462 964	313 497
Total Assets		57 886 614	57 016 715

LIABILITIES AND EQUITY

Amount '000 PLN	Note	31.03.2014	31.12.2013
LIABILITIES			
Liabilities to banks and other monetary institutions	16	2 345 403	2 348 562
Financial liabilities valued at fair value through profit and loss (held for trading)	17	456 308	575 098
Hedging derivatives	18	1 016 638	930 345
Liabilities to customers	19	45 320 166	45 305 121
Liabilities from securities sold with buy-back clause		333 135	114 801
Debt securities	20	1 219 466	701 352
Provisions	21	79 317	66 616
Deferred income tax liabilities	22	0	0
Current tax liabilities		9 253	11 269
Other liabilities		962 573	977 833
Subordinated debt		630 008	622 585
LIABILITIES		52 372 267	51 653 582
EQUITY			
Share capital		1 213 117	1 213 117
Share premium		1 147 502	1 147 502
Revaluation reserve		(136 457)	(131 223)
Retained earnings		3 290 185	3 133 737
Total Equity		5 514 347	5 363 133
Total equity attributable to owners of the parent		5 514 347	5 363 133
Non-controlling interests		0	0
Total Liabilities and Equity		57 886 614	57 016 715
Book value			
		5 514 347	5 363 133
Number of shares			
		1 213 116 777	1 213 116 777
Book value per share (in PLN)			
		4.55	4.42

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2014	5 363 133	1 213 117	1 147 502	(131 223)	3 133 737
- total comprehensive income for 1 quarter 2014	151 214	0	0	(5 234)	156 448
Equity at the end of the period 31.03.2014	5 514 347	1 213 117	1 147 502	(136 457)	3 290 185

Amount '000 PLN	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 of 2013	538 963	0	0	3 168	535 795
Equity at the end of the period 31.12.2013	5 363 133	1 213 117	1 147 502	(131 223)	3 133 737

Amount '000 PLN	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 1 quarter 2013	129 402	0	0	9 378	120 024
Equity at the end of the period 31.03.2013	4 953 572	1 213 117	1 147 502	(125 013)	2 717 966

CONSOLIDATED CASH FLOW

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Profit (loss) after taxes	156 448	120 024
Adjustments for:	(1 216 550)	1 551 380
Non-controlling interests profit (loss)	0	0
Interests in net income (loss) of associated companies	0	1 547
Depreciation and amortization	13 600	14 398
Foreign exchange (gains)/ losses	6 973	37 620
Dividends	0	0
Changes in provisions	12 701	13 410
Result on sale and liquidation of investing activity assets	(17 709)	(10 243)
Change in financial assets valued at fair value through profit and loss (held for trading)	175 196	(1 116 565)
Change in loans and advances to banks	(109 813)	(27 832)
Change in loans and advances to customers	(1 075 894)	(660 307)
Change in receivables from securities bought with sell-back clause (loans and advances)	(93 236)	(340 467)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(32 497)	140 811
Change in deposits from banks	(193 252)	231 744
Change in deposits from customers	15 045	2 819 086
Change in liabilities from securities sold with buy-back clause	218 334	467 527
Change in debt securities	18 114	(40 305)
Change in income tax settlements	46 853	30 562
Income tax paid	(40 611)	(22 890)
Change in other assets and liabilities	(164 702)	9 215
Other	4 348	4 069
Net cash flows from operating activities	(1 060 102)	1 671 404

B. CASH FLOWS FROM INVESTING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Inflows:	1 354 165	5 874
Proceeds from sale of property, plant and equipment and intangible assets	2 972	5 874
Proceeds from sale of shares in associates	0	0
Proceeds from sale of financial assets valued at fair value through profit and loss	0	0
Proceeds from sale of investment financial assets	1 351 193	0
Other	0	0
Outflows:	(9 982)	(1 367 533)
Acquisition of property, plant and equipment and intangible assets	(9 982)	(10 627)
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	0	(1 356 906)
Other	0	0
Net cash flows from investing activities	1 344 183	(1 361 659)

C. CASH FLOWS FROM FINANCING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Inflows:	711 328	60 000
Long-term bank loans	211 328	60 000
Issue of debt securities	500 000	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other	0	0
Outflows:	(24 604)	(65 487)
Repayment of long-term bank loans	(22 808)	(24 162)
Redemption of debt securities	0	(39 226)
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	(1 796)	(2 099)
Net cash flows from financing activities	686 724	(5 487)

D. NET CASH FLOWS, TOTAL (A + B + C)	970 805	304 258
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	6 752 775	6 294 360
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	7 723 580	6 598 618

4. NOTES TO CONSOLIDATED FINANCIAL DATA

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

	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Balances with the Central Bank	9 754	13 887
Deposits, loans and advances to banks	564	1 521
Loans and advances to customers	454 210	474 000
Transactions with repurchase agreement	4 752	1 502
Hedging derivatives	87 345	123 732
Financial assets held for trading (debt securities)	1 353	3 332
Investment securities	72 972	94 167
Total	630 950	712 141

Interest income for 1 quarter 2014 includes interest accrued on loans with recognized impairment of PLN 15,360 thousand (for the comparative data for 1 quarter 2013, such interest was PLN 21,192 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:

	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Banking deposits	(5 923)	(9 291)
Loans and advances	(13 935)	(13 923)
Transactions with repurchase agreement	(11 066)	(12 047)
Deposits from customers	(234 268)	(396 037)
Subordinated debt	(3 819)	(3 778)
Debt securities	(6 299)	(10 026)
Other	(293)	(234)
Total	(275 603)	(445 336)

Note (3) Fee and commission income

	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Resulting from accounts service	22 951	21 927
Resulting from money transfers, cash payments and withdrawals and other payment transactions	10 951	9 864
Resulting from loans granted	17 205	16 133
Resulting from guarantees and sureties granted	3 588	3 440
Resulting from payment and credit cards	50 299	51 075
Resulting from sale of insurance products	18 216	22 416
Resulting from distribution of investment funds units and other savings products	21 569	16 298
Resulting from brokerage and custody service	5 717	4 840
Resulting from investment funds managed by the Group	20 823	17 635
Other	3 520	3 367
Total	174 839	166 995

In 2014 Bank has further reviewed the assumptions of the model applied for recognition of revenue from bancassurance. In consequence in the field of insurance of cash loans the part of revenue recognized as commission for the execution of significant act has been set at 14% whereas in 2013 the rate of 21% used to be applied.

Note (4) Fee and commission expense

	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Resulting from accounts service	(296)	(424)
Resulting from money transfers, cash payments and withdrawals and other payment transactions	(458)	(371)
Resulting from loans granted	(3 581)	(3 052)
Resulting from payment and credit cards	(12 451)	(18 245)
Resulting from brokerage and custody service	(952)	(930)
Resulting from investment funds managed by the Group	(831)	(964)
Other	(775)	(1 166)
Total	(19 344)	(25 152)

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

	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Operations on securities	(2 983)	3 477
Operations on derivatives	4 672	26 901
Fair value hedge accounting operations including:	218	441
- result from hedging derivatives	313	2 131
- result from items subjected to hedging	(95)	(1 690)
Foreign exchange result	37 487	31 207
Costs of financial operations	(227)	(279)
Total	39 167	61 747

Note (6) General and administrative expenses

	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Staff costs:	(135 106)	(139 234)
Salaries	(111 399)	(115 390)
Surcharges on pay	(19 716)	(20 181)
Employee benefits, including:	(3 991)	(3 663)
- provisions for unused employee holiday	(9)	(7)
- other	(3 982)	(3 656)
General administrative costs:	(126 055)	(119 175)
Costs of advertising, promotion and representation	(15 451)	(8 231)
Costs of software maintenance and IT services	(4 975)	(5 783)
Costs of renting	(45 428)	(47 358)
Costs of buildings maintenance, equipment and materials	(6 054)	(6 232)
ATM and cash maintenance costs	(4 003)	(4 505)
Costs of communications and IT	(13 740)	(13 201)
Costs of consultancy, audit and legal advisory and translation	(6 232)	(2 477)
Taxes and fees	(4 076)	(3 610)
KIR clearing charges	(960)	(913)
PFRON costs	(1 372)	(917)
Banking Guarantee Fund costs	(8 901)	(8 468)
Financial Supervision costs	(1 574)	(2 736)
Other	(13 289)	(14 744)
Total	(261 161)	(258 409)

Note (7) Impairment losses on financial assets

	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Impairment losses on loans and advances to customers	(68 652)	(39 742)
Impairment write-offs created in the period	(195 914)	(188 552)
Impairment write-offs released in the period	125 450	147 355
Amounts recovered from loans written off	1 812	1 374
Sale of receivables	0	81
Impairment losses on securities	37	0
Impairment write-offs created in the period	0	0
Impairment write-offs released in the period	37	0
Impairment losses on off-balance sheet liabilities	2 989	(12 474)
Impairment write-offs for off-balance sheet liabilities	(5 553)	(15 257)
Reversal of impairment write-offs for off-balance sheet liabilities	8 542	2 783
Total	(65 626)	(52 216)

Note (8a) Income tax reported in income statement

	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Current tax	(42 058)	(35 362)
Current year	(42 058)	(35 362)
Deferred tax:	(4 891)	4 666
Recognition and reversal of temporary differences	(5 099)	4 452
Recognition / (Utilisation) of tax loss	208	214
Adjustment resulted from Article 38a of CIT	0	0
Total income tax reported in income statement	(46 949)	(30 695)

Note (8b) Effective tax rate

	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Gross profit / (loss)	203 397	150 719
Statutory tax rate	19%	19%
Income tax according to obligatory income tax rate of 19%	(38 645)	(28 636)
Impact of permanent differences on tax charges:	(5 568)	(2 059)
Non taxable income	42	128
Dividend income	0	0
Release of other provisions	40	120
Other	2	8
Non tax-deductible costs	(5 610)	(2 187)
Loss on sale of receivables	0	0
PFRON fee	(261)	(174)
Prudential fee for Banking Guarantee Fund	(626)	0
Receivables written off	(796)	(333)
Costs of litigations	(2 959)	(309)
Depreciation and insurance costs of cars (in excess of EUR 20,000)	(361)	(297)
Other	(607)	(1 074)
Amendments in declaration CIT 8 for previous years	0	0
Adjustment resulted from Article 38a of CIT	0	0
The amount of deductible temporary differences for which deferred income tax asset has not been recognized in the balance sheet	(2 736)	0
Total income tax reported in income statement	(46 949)	(30 695)

Note (8c) Deferred tax reported directly in equity

	31.03.2014	31.12.2013
Valuation of available for sale securities	1 650	300
Valuation of cash flow hedging instruments	30 358	30 480
Deferred tax reported directly in equity	32 008	30 780

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 01.01 - 31.08.2006 and PLN 6.6 million due to an overestimation of tax loss for the period 01.09 - 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 2.97 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 01.09 - 31.12.2006. At 4 October 2013 the Company received a letter from the Director of the Tax Chamber of the repeal the contested decision (in connection with the judgment of the Regional Administrative Court of 13 November 2012 mentioned above) and returning the case to the Tax Office for reconsideration. 19.11.2013, the Tax Office returned PLN 8.97 million (tax paid with interest). Date of completion of control proceedings was scheduled for 30.04.2014. As of March 31, 2014, the Board of Millennium Leasing 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 Control 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 sustained a negative opinion in the proceedings. In 2013, the Bank re-paid to the account of the Tax Authorities an amount of PLN 58.6 million (based on the decision of the Tax Chamber in Warsaw, on which see below), and part of that amount has been paid to the Bank in the amount of PLN 1.8 million.

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. Originally the court ordered a hearing on February 6, 2014 and then postponed it to 8th April, 2014. A hearing was held on the scheduled date. The court adjourned sentencing until April 28, 2014.
- 2) Appeal proceedings against the decision of the Head of Second Mazovian Tax Office determining CIT for the year 2006. On the 22nd of August 2013 the appellate authority - the Director of the Tax Chamber issued the decision which upheld the decision of the tax office and determine Bank's income which did not cause the obligation to pay additional tax burden to the tax office. On the 25th of September 2013 Bank lodged the complaint to the Regional Administrative Court. The Court set the hearing date on the 14th of April 2014. The court dismissed the Bank's complaint. The Bank is preparing a cassation complaint to the Supreme Administrative Court.
- 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. On the 27th of August 2013 the Director of Tax Chamber issued the decision which upheld the decision of the tax office and determine Bank's income for 2007. On the 30th of September 2013 the Bank lodged the complaint to the Regional Administrative Court. Court set the trial date 19 March 2014. A hearing was held on the scheduled date but the judgment was delivered on 21 March 2014. The court dismissed the Bank's complaint. The Bank is preparing a cassation complaint to the Supreme Administrative Court.

On the 29th of August 2013 Director of the Tax Chamber issued a decision setting new deadline for examining an appeal regarding refusing the statement of overpayment in CIT for the year 2007 and corresponding decision regarding 2008 year (determining liability and refusing the statement of overpayment) for 31st of October 2013.

On the 18th of September 2013 the Director of the Tax Chamber issued the decision which upheld the decision of the tax office refusing the statement of overpayment in CIT for 2007. On 23 October 2013 the Bank submitted a complaint to the Regional Administrative Court. The Court set the hearing date on the 14th of April 2014. The court dismissed the Bank's complaint. The Bank is preparing a cassation complaint to the Supreme Administrative Court.

On the 18th of September 2013 the Director of Tax Chamber issued the decision which upheld the decision of the tax office and determine Bank's income for 2008. On 23 October 2013 Bank submitted a complaint to the Regional Administrative Court. The Court set the hearing date on the 9th of April 2014.

On the 30th of September 2013 the Director of Tax Chamber issued the decision which upheld the decision of the tax office refusing the statement of overpayment in CIT for 2008. On 25 October 2013 the Bank submitted a complaint to the Regional Administrative Court. The Court set the hearing date on the 9th of April 2014. The both cases regarding 2008 tax year will be judged jointly. The court dismissed the Bank's complaints. The Bank is preparing a cassation complaints to the Supreme Administrative Court.

In summary, the Bank paid all of the claimed obligations and interest in the amount of PLN 60 million (not reflected in the Profit and Loss Account), at the same time the Management Board continues to fully support the correctness of originally made 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. The final outcome of the case depends of results of the ongoing proceedings.

Note (9) Deposits, loans and advances to banks and other monetary institutions

	31.03.2014	31.12.2013
Current accounts	226 872	283 703
Deposits granted	826 022	760 622
Loans	481 355	471 976
Interest	3 347	3 329
Total (gross) deposits, loans and advances	1 537 596	1 519 630
Impairment write-offs	(2)	(16)
Total (net) deposits, loans and advances	1 537 594	1 519 614

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

	31.03.2014	31.12.2013
Debt securities	412 536	432 822
Issued by State Treasury	412 536	432 822
a) bills	0	0
b) bonds	412 536	432 822
Equity instruments	172	227
Quoted on the active market	172	227
a) financial institutions	0	55
b) non-financial institutions	172	172
Adjustment from fair value hedge	10 255	11 321
Positive valuation of derivatives	375 279	406 362
Total	798 242	850 732

Note (10)/Note (17) Valuation of derivatives, Adjustment from fair value hedge, and Liabilities from short sale of securities as at 31.03.2014

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	7 749	264 337	256 588
Forward Rate Agreements (FRA)	0	0	0
Interest rate swaps (IRS)	7 749	263 242	255 493
Other interest rate contracts: options	0	1 095	1 095
2. FX derivatives	(2 961)	25 150	28 111
FX contracts	(6 424)	4 687	11 111
FX swaps	11 806	20 459	8 653
Other FX contracts (CIRS)	(8 343)	0	8 343
FX options	0	4	4
3. Embedded instruments	(70 253)	0	70 253
Options embedded in deposits	(53 129)	0	53 129
Options embedded in securities issued	(17 124)	0	17 124
4. Indexes options	70 459	85 792	15 333
Valuation of derivatives	4 994	375 279	370 285
Valuation of hedged position in fair value hedge accounting		10 255	
Liabilities from short sale of securities			86 023

Note (10)/Note (17) Valuation of derivatives, Adjustment from fair value hedge, and Liabilities from short sale of securities as at 31.12.2013

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	(2 684)	292 044	294 728
Forward Rate Agreements (FRA)	(281)	0	281
Interest rate swaps (IRS)	(2 403)	291 164	293 567
Other interest rate contracts: options, volatility swap, swap with FX option	0	880	880
2. FX derivatives	7 248	39 045	31 797
FX contracts	(6 434)	5 974	12 408
FX swaps	20 699	33 071	12 372
Other FX contracts (CIRS)	(7 017)	0	7 017
FX options	0	0	0
3. Embedded instruments	(60 437)	0	60 437
Options embedded in deposits	(44 773)	0	44 773
Options embedded in securities issued	(15 664)	0	15 664
4. Indexes options	60 778	75 273	14 495
Valuation of derivatives	4 905	406 362	401 457
Valuation of hedged position in fair value hedge accounting		11 321	
Liabilities from short sale of securities			173 641

In first quarter 2014 the Group applied 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; interest on both the hedged and the hedging instruments are recognised in net interest income; 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;

Note (11)/Note (18) Hedge accounting 31.03.2014

	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	(77 043)	0	77 043	4 345
Cash flows hedging derivatives connected with interest rate and/or FX rate				
CIRS contracts	(842 433)	84 315	926 748	x
IRS contracts	5 471	5 471	0	x
FX Forward contracts	(11 027)	1 820	12 847	x
Total	(925 032)	91 606	1 016 638	x

(*) Adjustment is presented for active hedge relationships

Note (11)/Note (18) Hedge accounting 31.12.2013

	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	(74 363)	0	74 363	2 432
Cash flows hedging derivatives connected with interest rate and/or FX rate				
CIRS contracts	(639 134)	201 964	841 097	x
IRS contracts	7 095	7 095	0	x
FX Forward contracts	(12 549)	2 336	14 885	x
Total	(718 951)	211 395	930 345	x

(*) Adjustment is presented for active hedge relationships

Note (12) Loans and advances to customers

	31.03.2014	31.12.2013
Loans and advances	39 297 621	38 258 194
- to companies	8 287 464	7 463 382
- to private individuals	30 442 323	30 184 384
- to public sector	567 834	610 428
Receivables on account of payment cards	687 125	725 564
- due from companies	38 262	37 581
- due from private individuals	648 863	687 983
Purchased receivables	126 629	154 703
- from companies	126 629	150 687
- from public sector	0	4 016
Guarantees and sureties realised	36 022	36 373
Debt securities eligible for rediscount at Central Bank	19 851	12 874
Financial leasing receivables	3 703 158	3 571 325
Other	1 100	1 276
Interest	323 809	317 702
Total gross	44 195 315	43 078 011
Impairment write-offs	(1 346 764)	(1 312 331)
Total net	42 848 551	41 765 680

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

	31.03.2014	31.12.2013
Loans and advances to customers (gross)	44 195 315	43 078 011
- impaired	1 901 397	1 903 046
- not impaired	42 293 918	41 174 965
Impairment write-offs	(1 346 764)	(1 312 331)
- for impaired exposures	(1 132 936)	(1 113 454)
- for incurred but not reported losses (IBNR)	(213 828)	(198 877)
Loans and advances to customers (net)	42 848 551	41 765 680

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

	31.03.2014	31.12.2013
Loans and advances to customers (gross)	44 195 315	43 078 011
- case by case analysis	902 817	886 068
- collective analysis	43 292 498	42 191 943
Impairment write-offs	(1 346 764)	(1 312 331)
- on the basis of case by case analysis	(547 289)	(519 289)
- on the basis of collective analysis	(799 475)	(793 042)
Loans and advances to customers (net)	42 848 551	41 765 680

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

	31.03.2014	31.12.2013
Loans and advances to customers (gross)	44 195 315	43 078 011
- corporate customers	12 877 750	11 984 859
- individuals	31 317 565	31 093 152
Impairment write-offs	(1 346 764)	(1 312 331)
- for receivables from corporate customers	(771 366)	(730 886)
- for receivables from private individuals	(575 398)	(581 445)
Loans and advances to customers (net)	42 848 551	41 765 680

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

	01.01.2014 - 31.03.2014	01.01.2013 - 31.12.2013
Balance at the beginning of the period	1 312 331	1 237 586
Change in value of provisions:	34 433	74 745
Impairment write-offs created in the period	195 914	668 922
Amounts written off	(37 400)	(136 213)
Impairment write-offs released in the period	(125 436)	(437 189)
Sale of receivables	0	(20 691)
Changes resulting from FX rates differences	1 204	(302)
Other	151	218
Balance at the end of the period	1 346 764	1 312 331

Note (13) Investment financial assets available for sale

	31.03.2014	31.12.2013
Debt securities	8 594 127	8 240 418
Issued by State Treasury	3 789 134	5 134 748
a) bills	0	0
b) bonds	3 789 134	5 134 748
Issued by Central Bank	4 699 021	2 999 792
a) bills	4 699 021	2 999 792
b) bonds	0	0
Other securities	105 972	105 878
a) listed	0	0
b) not listed	105 972	105 878
Shares and interests in other entities	1 085	1 099
Other financial instruments	20	0
Total financial assets available for sale	8 595 232	8 241 517

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 01.01.2014	16 605	19 569	3 988	136	18 062
- Write-offs created	0	0	0	0	226
- Write-offs released	(37)	0	0	0	(153)
- Utilisation	0	0	0	0	(144)
- Other changes	(14 946)	0	0	0	0
Balance as at 31.03.2014	1 622	19 569	3 988	136	17 991

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	57	0	0	0	15 535
- Write-offs released	(89)	(976)	0	(51)	(680)
- Utilisation	0	0	0	0	(4 167)
- Other changes	0	0	0	0	0
Balance as at 31.12.2013	16 605	19 569	3 988	136	18 062

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

	31.03.2014			31.12.2013		
	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	81 339	(7 439)	73 900	78 772	(6 830)	71 942
Balance sheet valuation of financial instruments	288 868	(283 102)	5 766	250 040	(244 473)	5 567
Unrealised receivables/ liabilities on account of derivatives	50 074	(56 484)	(6 410)	61 138	(69 120)	(7 982)
Interest on deposits and securities to be paid/received	30 398	(100 469)	(70 071)	43 182	(96 791)	(53 609)
Interest and discount on loans and receivables	70	(28 016)	(27 946)	99	(27 370)	(27 271)
Income and cost settled at effective interest rate	31 936	(1 456)	30 480	23 800	(1 481)	22 319
Provisions for loans presented as temporary differences	99 831	0	99 831	102 916	0	102 916
Employee benefits	15 532	0	15 532	15 080	0	15 080
Provisions for future costs	27 582	0	27 582	21 663	0	21 663
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	32 059	(51)	32 008	30 834	(54)	30 780
Tax loss deductible in the future	1 916	0	1 916	1 708	0	1 708
Other	3 183	(3 979)	(796)	7 413	(5 070)	2 343
Net deferred income tax asset	662 788	(480 996)	181 792	636 645	(451 189)	185 456

Note (16) Liabilities to banks and other monetary institutions

	31.03.2014	31.12.2013
In current account	258 522	232 679
Term deposits	483 504	716 014
Loans and advances received	1 599 080	1 397 789
Interest	4 297	2 080
Total	2 345 403	2 348 562

Note (19) Structure of liabilities to customers by type

	31.03.2014	31.12.2013
Amounts due to private individuals	27 762 058	26 433 646
Balances on current accounts	13 790 954	13 181 014
Term deposits	13 760 296	13 012 235
Other	118 467	108 104
Accrued interest	92 341	132 293
Amounts due to companies	14 634 879	16 054 269
Balances on current accounts	4 122 742	3 721 816
Term deposits	10 288 008	12 034 345
Other	188 404	223 245
Accrued interest	35 725	74 863
Amounts due to public sector	2 923 230	2 817 206
Balances on current accounts	1 243 492	873 511
Term deposits	1 651 108	1 912 101
Other	24 009	28 164
Accrued interest	4 621	3 430
Total	45 320 166	45 305 121

Note (20) Change of debt securities

	01.01.2014 - 31.03.2014	01.01.2013 - 31.12.2013
Balance at the beginning of the period	701 352	900 016
- change of bonds issued in leasing portfolio securitization transaction	0	(132 430)
- change of bonds issued by the Bank	497 029	(61 211)
- change of bank's securities issued	21 085	(5 023)
Balance at the end of the period	1 219 466	701 352

Note (21) Provisions

	01.01.2014 - 31.03.2014	01.01.2013 - 31.12.2013
Provision for off-balance sheet commitments		
Balance at the beginning of the period	33 738	22 463
Charge of provision	5 553	23 655
Release of provision	(8 542)	-12 387
FX rates differences	6	7
Balance at the end of the period	30 755	33 738
Provision for contentious claims		
Balance at the beginning of the period	32 878	22 342
Charge of provision	16 232	15 992
Release of provision	(212)	-4 811
Utilisation of provision	(336)	-645
Balance at the end of the period	48 562	32 878
Total	79 317	66 616

5. 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.

Credit risk

In the 1st quarter of 2014 Bank Millennium Group continued the process of optimization of methodology, tools and processes of credit risk management in retail segment.

Particular attention was paid to the implementation of changes to the mortgage loans relating to credit capacity methodology as well as tools and credit processes. Bank also continued optimization of the methodology and processes in the field of consumer loans (mainly cash loan and overdrafts).

On the other hand in the corporate segment, the Group focused on further improving of the credit policy as well as the tools and processes of credit risk management. In particular applied sector policy was updated, the new finance-behavioural model to monitor customers was implemented and further improvements in the rules for the assessment of specialized lending were made.

Changes in the loan portfolio of the Group in 1 quarter 2014 are summarized below:

	31.03.2014		31.12.2013	
	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	40 913 974	1 537 596	39 904 157	1 519 630
Overdue(*), but without impairment	1 379 944	0	1 270 808	0
Total without impairment (IBNR)	42 293 918	1 537 596	41 174 965	1 519 630
With impairment	1 901 397	0	1 903 046	0
Loans and advances, gross	44 195 315	1 537 596	43 078 011	1 519 630
Impairment write-offs together with IBNR	(1 346 764)	(2)	(1 312 331)	(16)
Loans and advances, net	42 848 551	1 537 594	41 765 680	1 519 614

(*) Loans overdue not more than 4 days the Group treats as technical and does not show in this category.

Market risk

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.

Within the current market environment, the Group continued to act very prudently. The VaR indicators in the period under consideration for the Group, that is jointly Trading Book and Banking Book, remained at relatively low levels with total average exposure to market risk of approx. PLN 15.8 million (9% of the limit) and approx. PLN 13.2 million (8% of the limit) as of the end of March 2014. The value at risk in the Group for the 1 quarter 2014, together with risk type division, is presented in the table below (thb PLN).

VaR measures for market risk

	31.03.2014		VaR (from 31 December 2013 till 31 March 2014 r.)			31.12.2013	
	Exposure	Average use of limit in period	Average	Maximum	Minimum	Exposure	Average use of limit in period
Total risk	13 215	8%	15 788	19 048	13 215	17 316	10%
Generic risk	10 416	6%	12 982	16 236	10 416	14 506	8%
Interest Rate VaR	10 404	6%	12 987	16 223	10 404	14 503	8%
FX Risk	118	1%	124	588	12	132	1%
Equity risk	0	n.a.	0	0	0	0	n.a.
Diversification Effect	1%					1%	
Non-linear risk	0	0%	0	0	0	0	0%
Commodities risk	0	0%	0	0	0	0	0%
Specific risk	2 799	3%	2 805	2 814	2 799	2 810	3%

In the first quarter of 2014 there were no excesses of VaR limits neither in Banking Book, nor in Trading Book. There were also no excesses in other risk areas identified by the Bank.

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 keeping FX open positions only in Trading Book, specifically in the areas of Trading and Market Risk Strategy Portfolio (Positioning Portfolio). In the first quarter of 2014, the only risk management area which generated FX risk was Trading area in the Trading Book. The FX Total open position (Intraday as well as Overnight) remained well below the maximum limits in place.

In addition to above mention market risk limits, the stop loss limits are introduced for the financial markets portfolios. The aim is to limit the maximum losses of the trading activity of the Group. In case of the limit is reached, a review of the management strategy and assumptions for the positions in question must be undertaken.

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.

The variations in market interest rate have an influence on the Group's net interest income, both under a short and medium-term perspective, affecting its economic value in the long term. In 1Q 2014, the Group continued the additional analysis of the interest rate sensitivity. Apart from regular gap analysis of repricing 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 changes of market interest rates.

Liquidity risk

In 1Q 2014, the Group continued to be characterized by strong liquidity position. All the internal liquidity indicators remained above minimum limits and the supervisory liquidity measures remained well above supervisory requirements.

In the first quarter of 2014 Group maintained the Loan-to-Deposit ratio below 100% (as of end of March 2014 the ratio was at the level of 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).

The main source of financing of the Group is still the large and well-diversified deposits base. The level of deposit concentration is regularly monitored and the negative impact on the stability of the deposit base was not observed in 1Q 2014. However, in case of significant increase of the share of the largest depositors, the additional funds from the 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.

On 28 March 2014 the Bank issued 3-year floating rate bonds in the total amount of PLN 500 million. The bonds were issued in private placement and are unsecured.

The Bonds have been issued by the Bank in the current Second Bonds' Issue Programme, initiated in 2012, with total nominal value not exceeding PLN 2 000 million (or the equivalent of this amount in EUR, USD, CHF).

The Group manages FX liquidity through the use of FX-denominated bilateral loans as well as subordinated debt, Cross Currency Swap and FX Swap transactions. The swaps portfolio is diversified in term 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.

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 quarter of 2014 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 practice of national and international financial institutions.

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 quarter of 2014 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.

6. 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, ALM (assets and liabilities management) and Other

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.

The profit, assets and liabilities of the segments

Following a review of the methodology during 2014, the Group has made changes in the allocation of income and cost mainly of derivatives related to the funding of foreign currency loan portfolio between operational segments. As a result, comparable results were adjusted accordingly.

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

Income statement 1.01.2014 - 31.03.2014

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	278 109	81 953	(4 715)	355 347
Net fee and commission income	117 892	36 178	1 425	155 495
Dividends, other income from financial operations and foreign exchange profit	24 102	12 300	17 952	54 354
Other operating income and cost	(3 562)	(2 908)	(14 869)	(21 339)
Operating income	416 541	127 523	(207)	543 857
Staff costs	(91 469)	(35 903)	(7 734)	(135 106)
Administrative costs	(102 913)	(14 964)	(8 178)	(126 055)
Depreciation and amortization	(11 936)	(1 452)	(212)	(13 600)
Operating expenses	(206 318)	(52 318)	(16 125)	(274 761)
Impairment losses on assets	(25 248)	(40 431)	(20)	(65 699)
Operating Profit	184 975	34 773	(16 351)	203 397
Share in net profit of associated companies	0	0	0	0
Profit / (loss) before taxes	184 975	34 773	(16 351)	203 397
Income taxes				(46 949)
Profit / (loss) after taxes				156 448

Balance sheet items as at 31.03.2014

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Liabilities to customers	29 653 796	15 547 997	118 373	45 320 166
Loans and advances to customers	31 640 284	11 208 267	0	42 848 551

Income statement 1.01.2013 - 31.03.2013

<i>In '000 PLN</i>	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	216 862	77 692	(27 749)	266 805
Net fee and commission income	108 754	32 982	106	141 842
Dividends, other income from financial operations and foreign exchange profit	22 383	10 978	34 682	68 042
Other operating income and cost	(1 388)	(2 667)	5 203	1 147
Operating income	346 611	118 985	12 242	477 837
Staff costs	(99 734)	(32 106)	(7 395)	(139 235)
Administrative costs	(95 884)	(15 941)	(7 349)	(119 174)
Depreciation and amortization	(12 898)	(1 293)	(207)	(14 398)
Operating expenses	(208 515)	(49 340)	(14 951)	(272 807)
Impairment losses on assets	(33 701)	(18 517)	(547)	(52 765)
Operating Profit	104 395	51 127	(3 256)	152 266
Share in net profit of associated companies	0	0	(1 547)	(1 547)
Profit / (loss) before taxes	104 395	51 127	(4 803)	150 719
Income taxes				(30 695)
Profit / (loss) after taxes				120 024

Balance sheet items as at 31.12.2013

<i>In '000 PLN</i>	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Liabilities to customers	29 382 593	15 791 242	131 285	45 305 121
Loans and advances to customers	31 386 599	10 379 081	0	41 765 680

7. DESCRIPTION OF RELATED PARTY TRANSACTIONS

All and any transactions between entities of the Group in 1 quarter 2014 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.

7.1. 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).

	31.03.2014	31.12.2013
ASSETS		
Loans and advances to banks - accounts and deposits	2 268	4 058
Financial assets valued at fair value through profit and loss (held for trading)	0	0
Hedging derivatives	0	0
Other assets	39	38
LIABILITIES		
Deposits from banks	224 739	223 424
Debt securities	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	0	0
Hedging derivatives	134 092	127 058
Other liabilities	470	167

	1.01-31.03.2014	1.01-31.03.2013
INCOME FROM:		
Interest	3 642	5 854
Commissions	58	34
Derivatives net	0	0
Other net operating income	67	141
EXPENSE FROM:		
Interest	782	1 209
Commissions	173	522
Derivatives net	38	304
General and administrative expenses	860	978

	31.03.2014	31.12.2013
Conditional commitments	104 478	933 909
- granted	100 345	100 345
- obtained	4 133	833 564
Derivatives (par value)	1 232 540	1 225 020

7.2. 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 31.03.2014	Number of shares as presented in annual report for 2013
Joao Bras Jorge	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
Bogusław Kott	Chairman of the Supervisory Board	4 465 791	4 465 791
Maciej Bednarkiewicz	Deputy 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 Braganca	Member of the Supervisory Board	0	0
Luis Maria Pereira Coutinho	Member of the Supervisory Board	0	0
Grzegorz Jędryś	Member of the Supervisory Board	0	0
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Maria da Conceicao Mota Soares de Oliveira Calle 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

8. FAIR VALUE

The best reflection of fair value of financial instruments is their market value which can be obtained for the sale of assets or paid for the transfer of liability in case of mutually beneficial market transactions (an exit price). For many products and transactions for which market value to be taken directly from the quotations in an active market (marking-to-market) is not available, the fair value must be estimated using internal models based on discounted cash flows (marking-to-model). Financial flows for the various instruments are determined according to their individual characteristics, and discounting factors include changes in time both in market interest rates and margins.

Accordingly IRS 13 “Fair value measurement” in order to determinate fair value the Group applies models that are appropriate under existing circumstances and for which sufficient input data is available, based to the maximum extent on observable input whereas minimizing use of unobservable input, namely:

- 1 - valuation based on the data fully observable (active market quotations);
- 2 - valuation models using the information constituting the data from level 1, but observable, either directly or indirectly;
- 3 - valuation models using unobservable data (not derived from an active market).

Valuation techniques used to determine fair value are applied consistently. Change in valuation techniques resulting in a transfer between these methods occurs when:

- transfer from method 1 to 2 takes place when for the financial instruments measured according to method 1 quoted market prices from an active market are not available at the balance sheet day (previously used to be);
- transfer from method 2 to 3 takes place when for the financial instruments measured according to the method 2 value of parameters not derived from the market has become significant at the balance sheet day (and previously used to be irrelevant).

8.1. Financial instruments not recognized at fair value in the balance sheet

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 specified repayment schedule, 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 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 mortgage loans due to their long-term nature estimation of the future cash flows also includes: the effect of early repayment and liquidity risk in foreign currencies.

Liabilities to customers

The fair value of such instruments without maturity or with maturity up to 30 days is considered by the Group to be close to balance-sheet value.

Fair value of instruments due and payable over 30 days is determined by discounting future cash flows from principal and interest (including the current average margins by major currencies and time periods) using current interest (including the current average margins by major currencies and time periods) in 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 medium term loans

The fair value of these financial instruments 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 31.03.2014 (data in PLN thousand):

ASSETS

	Note	Balance sheet value	Fair value
Loans and advances to banks	9	1 537 594	1 575 354
Loans and advances to customers *	12	42 848 551	41 060 339

LIABILITIES

	Note	Balance sheet value	Fair value
Amounts due to banks	16	2 345 403	2 384 679
Amounts due to customers	19	45 320 166	45 352 978
Debt securities	20	1 219 466	1 236 884
Subordinated debt		630 008	623 897

* 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.

Models used for determination of the fair value of financial instruments presented in the above table and not recognized at fair value in Group's balance sheet, use techniques based on parameters not derived from the market. Therefore, they are considered as the third level of valuation.

The table below presents data as at 31.12.2013 (data in PLN thousand):

ASSETS

	Note	Balance sheet value	Fair value
Loans and advances to banks	9	1 519 614	1 562 373
Loans and advances to customers	12	41 765 680	39 991 327

LIABILITIES

	Note	Balance sheet value	Fair value
Amounts due to banks	16	2 348 562	2 393 988
Amounts due to customers	19	45 305 121	45 308 196
Debt securities	20	701 352	705 382
Subordinated debt		622 585	615 720

8.2. Financial instruments recognized at fair value in the balance sheet

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

Data in PLN'000, as at 31.03.2014

	note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
ASSETS				
Financial assets valued at fair value through profit and loss (held for trading)	10			
- derivatives			289 487	85 792
- debt securities		412 536		
- shares and interests		172		
Hedging derivatives	11		91 606	
Financial assets available for sale	13			
- debt securities		3 789 134	4 699 021	105 972
- shares and other financial instruments		275	20	810
LIABILITIES				
Financial liabilities valued at fair value through profit and loss (held for trading)	17			
- derivatives and short sale of securities		86 023	284 699	85 586
Hedging derivatives	18		1 016 638	

Data in '000 PLN, as at 31.12.2013

	note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
ASSETS				
Financial assets valued at fair value through profit and loss (held for trading)	10			
- derivatives			331 090	75 273
- debt securities		432 822		
- shares and interests		227		
Hedging derivatives	11		211 395	
Financial assets available for sale	13			
- debt securities		5 134 748	2 999 792	105 878
- shares and interests		291		808
LIABILITIES				
Financial liabilities valued at fair value through profit and loss (held for trading)	17			
- derivatives and short sale of securities		173 641	326 616	74 932
Hedging derivatives	18		930 345	

Using the criterion of valuation techniques Group classified into the third category following financial instruments:

- index options, option transactions are measured at fair value with use of option measurement models, the model measurement is supplemented with impact on fair value of the estimated credit risk parameter;
- municipal bonds, the fair value is calculated based on discounted cash flows with consideration of the impact of credit risk parameter;
- shares not quoted on an active market, the fair value is assumed to be the cost value less any accumulated impairment losses.

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 first quarter of 2014 are presented in the table below (in '000 PLN):

	Indexes options	Options embedded in securities issued and deposits	FX options	Municipal bonds	Shares and interests
Balance on 1 January 2014	60 778	(60 437)	0	105 878	808
Settlement/sell/purchase	4 250	(4 010)	0	0	0
Change of valuation recognized in P&L account (including interests)	5 431	(5 806)	0	94	2
Balance on 31 March 2014	70 459	(70 253)	0	105 972	810

For options on indexes concluded on an inactive market, the Group concludes back-to-back transactions on the interbank market, in result estimated credit risk component has no impact on the financial result.

Accordingly Bank's estimation impact of adjustments for counterparty credit risk was not significant from the point of view of individual derivative transactions concluded by the Bank. Consequently, the Bank does not consider the impact of unobservable inputs used in the valuation of derivative transactions for significant and in accordance with the provisions of IFRS 13.73 does not classify such transactions for level 3 fair value measurements.

9. CONTINGENT ASSETS AND LIABILITIES

The total value of lawsuits as at 31 March 2014, in which Group companies acted as claimants or defendants before courts and arbitration bodies, was PLN 660.3 million. The total value of lawsuits, in which Group companies acted as defendants, was PLN 369.1 million and the total value of lawsuits, in which Group companies acted as claimants was PLN 291.2 million.

Below are presented the amount of claims in which the Group's companies appear as defendant in the division due to the risk of resources outflow as result of case loosing. Data in table includes also proceedings with participation of the Chairman of UOKiK with total value of claims PLN 15 million, in which the Group formally acts as the plaintiff, though there is a risk associated with the resources outflow.

The proceedings associated with the Fiscal Control Office stands for separate category and are described in *Chapter 4 Note (8)*.

The amount of claims for which:	PLN million
probability of resources outflow is negligible	0.3
outflow of resources is possible	354.8
outflow of resources is probable	29.0
TOTAL	384.1

The Group assesses that the risk of adverse financial consequences, in the event of losing the claims in which the outflow of resource is probable, is fully covered by the value created provisions for contentious claims.

As at 31 March 2014 the volume of claims in the court proceedings for which outflow of resource is considered to be possible amounted to PLN 354.8 million. In the Group's opinion probability of winning cases included in this category is high, in effect the Group has not created provisions for these proceedings. The most important group of lawsuits for which an outflow of resources is possible are proceedings connected with derivatives with total value in dispute amounted to PLN 281.9 million.

In terms of lawsuits connected with derivatives, the Group, as a defendant, was present together in 28 such proceedings. The highest unit value of the dispute considering this group of proceedings was PLN 71.1 million. Whereas in the group of proceedings not connected with derivatives in which the Group acted as the defendant, the highest unit value of the dispute was PLN 16.5 million.

OFF-BALANCE ITEMS

Amount '000 PLN	31.03.2014	31.12.2013
Off-balance conditional commitments granted and received	7 584 942	8 710 455
Commitments granted:	7 549 787	7 815 492
- financial	6 433 826	6 692 280
- guarantee	1 115 961	1 123 212
Commitments received:	35 156	894 963
- financial	2 503	850 558
- guarantee	32 653	44 405

10. ADDITIONAL INFORMATION

10.1. Data on assets securing liabilities

As at 31 March 2014, 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	129 728
2.	Treasury bonds WZ0118	available for sale	Initial security deposit for bond futures	500	499
3.	Treasury bonds WZ0115	available for sale	Loan agreement	202 000	202 992
4.	Treasury bonds WZ0117	available for sale	Loan agreement	377 000	377 927
5.	Treasury bonds WZ0115	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	15 000	15 074
6.	Treasury bonds WZ0118	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	200 000	199 582
7.	Treasury bonds WZ0117	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	55 000	55 135
8.	Cash		Payment to the Futures Settlement Guarantee Fund	100	100
9.	Deposits	Deposits in other banks	Settlement on transactions concluded	821 022	821 022
TOTAL				1 800 622	1 731 432

As at 31 December 2013, 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	130 689
2.	Treasury bonds WZ0114	available for sale	Initial security deposit for bond futures	500	499
3.	Treasury bonds WZ0115	available for sale	Loan agreement	202 000	204 384
4.	Treasury bonds WZ0117	available for sale	Loan agreement	377 000	380 167
5.	Treasury bonds WZ0115	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	15 000	15 177
6.	Treasury bonds WZ0118	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	200 000	201 060
7.	Treasury bonds WZ0117	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	55 000	55 462
8.	Cash		Payment to the Futures Settlement Guarantee Fund	100	100
9.	Deposits	Deposits in other banks	Settlement on transactions concluded	715 622	715 622
Razem				1 695 222	1 703 160

10.2. Dividend for 2013

According to the decision of the General Meeting held on 10 April 2014, the Bank will pay out the dividend from the profit for the year ended 31 December 2013 amounting to PLN 0.22 per share.

10.3. Earnings per share

Profit per share calculated for 1 quarter 2014 (and diluted profit per share) on the basis of the consolidated data amounted to PLN 0.13.

10.4. 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 March 31, 2014. Information on the shareholders 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 10 April 2014.

Data as at the delivery date of the report for 1 quarter 2014

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 Otworthy Fundusz Emerytalny	90 000 000	7.42	90 000 000	7.42
Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK	60 659 416	5.00	60 659 416	5.00

Data according to consolidated annual report for 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 Otworthy Fundusz Emerytalny	90 560 790	7.47	90 560 790	7.47
Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK	65 923 565	5.43	65 923 565	5.43

10.5. Information about loan sureties or guarantees extended by the Group

In 1 quarter 2014, 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 31 March 2014 to exceed 10% of the Group's equity as at the balance sheet date.

10.6. Other additional information

As at 31 March 2014, 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.

II. CONDENSED INTERIM FINANCIAL STATEMENTS OF BANK MILLENNIUM S.A. FOR THE THREE MONTHS ENDED 31 MARCH 2014

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1. 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 2013.

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 2013.

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 three months ended 31 March 2014.

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 three months period ended 31 March 2014. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the three months period ended 31 March 2014 contain all important information, which also serves as explanatory data to these unconsolidated statements of the Bank.

The Board of Directors approved this condensed unconsolidated interim financial statement on 25 April 2014.

2. UNCONSOLIDATED FINANCIAL DATA (BANK)

INCOME STATEMENT

Amount '000 PLN		1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Interest income		603 397	683 868
Interest expense		(275 650)	(444 291)
Net interest income		327 747	239 577
Fee and commission income		158 568	151 389
Fee and commission expense		(14 313)	(20 288)
Net fee and commission income		144 255	131 101
Dividend income		0	0
Result on investment financial assets		15 187	6 295
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result		39 518	61 280
Other operating income		5 544	11 496
Operating income		532 251	449 749
General and administrative expenses		(248 024)	(244 494)
Impairment losses on financial assets		(59 837)	(47 532)
Impairment losses on non financial assets		(73)	(429)
Depreciation and amortization		(13 220)	(13 948)
Other operating expenses		(26 560)	(8 662)
Operating expenses		(347 714)	(315 065)
Operating profit		184 537	134 684
Profit / (loss) before taxes		184 537	134 684
Corporate income tax		(42 766)	(27 017)
Profit / (loss) after taxes		141 771	107 667
Weighted average number of ordinary shares		1 213 116 777	1 213 116 777
Earnings (losses) per ordinary share (in PLN)		0.12	0.09

TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN		1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Profit / (loss) after taxes		141 771	107 667
Other elements of total comprehensive income, including:			
Effect of valuation of available for sale debt securities		(7 089)	(15 117)
Effect of valuation of available for sale shares		0	0
Hedge accounting		642	26 694
Other elements of total comprehensive income before taxes		(6 447)	11 577
Corporate income tax on other elements of total comprehensive income		1 225	(2 200)
Other elements of total comprehensive income after taxes		(5 222)	9 377
Total comprehensive income of the period		136 549	117 044

Section of Statement of total comprehensive income presenting the components of other comprehensive income for the period includes only amounts that will be subsequently reclassified to profit or loss under certain conditions.

BALANCE SHEET

ASSETS

Amount '000 PLN	31.03.2014	31.12.2013
Cash, balances with the Central Bank	2 768 503	3 411 940
Deposits, loans and advances to banks and other monetary institutions	1 537 593	1 519 595
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	800 585	853 058
Hedging derivatives	91 606	211 395
Loans and advances to customers	42 201 766	41 087 590
Investment financial assets	8 594 936	8 241 226
- available for sale	8 594 936	8 241 226
- held to maturity	0	0
Investments in associates	298 006	298 007
Receivables from securities bought with sell-back clause (loans and advances)	335 297	242 061
Property, plant and equipment	149 853	158 943
Intangible assets	39 261	36 869
Non-current assets held for sale	0	0
Receivables from Tax Office resulting from current tax	60 215	63 571
Deferred tax assets	106 789	113 131
Other assets	456 411	291 680
Total Assets	57 440 821	56 529 066

LIABILITIES AND EQUITY

Amount '000 PLN	31.03.2014	31.12.2013
LIABILITIES		
Liabilities to banks and other monetary institutions	2 222 771	2 202 585
Financial liabilities valued at fair value through profit and loss (held for trading)	456 614	575 189
Hedging derivatives	1 016 638	930 346
Liabilities to customers	45 441 813	45 448 660
Liabilities from securities sold with buy-back clause	340 153	116 803
Debt securities	1 220 466	701 352
Provisions	75 416	63 066
Deferred income tax liabilities	0	8 217
Current tax liabilities	6 042	0
Other liabilities	918 555	884 467
Subordinated debt	630 008	622 585
Total Liabilities	52 328 476	51 553 270
EQUITY		
Share capital	1 213 117	1 213 117
Share premium	1 147 241	1 147 241
Revaluation reserve	(136 673)	(131 451)
Retained earnings	2 888 660	2 746 889
Total Equity	5 112 345	4 975 796
Total Liabilities and Equity	57 440 821	56 529 066
Book value	5 112 345	4 975 796
Number of shares	1 213 116 777	1 213 116 777
Book value per share (in PLN)	4.21	4.10

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 01.01.2014	4 975 796	1 213 117	1 147 241	(131 451)	2 746 889
- total comprehensive income for I quarter 2014	136 549	0	0	(5 222)	141 771
Equity at the end of the period 31.03.2014	5 112 345	1 213 117	1 147 241	(136 673)	2 888 660

<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 of 2013	499 928	0	0	3 153	496 775
Equity at the end of the period 31.12.2013	4 975 796	1 213 117	1 147 241	(131 451)	2 746 889

<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 quarter 2013	117 044	0	0	9 377	107 667
Equity at the end of the period 31.03.2013	4 592 912	1 213 117	1 147 241	(125 227)	2 357 781

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Profit (loss) after taxes	141 771	107 667
Adjustments for:	(1 225 484)	1 500 847
Interests in net income (loss) of associated companies	0	0
Depreciation and amortization	13 220	13 948
Foreign exchange (gains) losses	7 511	32 915
Dividends	0	0
Changes in provisions	12 350	13 409
Result on sale and liquidation of investing activity assets	(15 338)	(8 238)
Change in financial assets valued at fair value through profit and loss (held for trading)	175 194	(1 116 917)
Change in loans and advances to banks	(109 831)	(27 823)
Change in loans and advances to customers	(1 107 199)	(712 544)
Change in receivables from securities bought with sell-back clause (loans and advances)	(93 236)	(340 467)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(32 283)	140 783
Change in deposits from banks	(193 923)	230 220
Change in deposits from customers	(6 847)	2 820 708
Change in liabilities from securities sold with buy-back clause	223 350	467 527
Change in debt securities	19 114	(40 305)
Change in income tax settlements	42 735	21 234
Income tax paid	(33 987)	(13 701)
Change in other assets and liabilities	(130 643)	16 309
Other	4 329	3 789
Net cash flows from operating activities	(1 083 713)	1 608 514

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Inflows:	1 351 590	5 416
Proceeds from sale of property, plant and equipment and intangible assets	392	5 416
Proceeds from sale of shares in associates	0	0
Proceeds from sale of financial assets valued at fair value through profit and loss	0	0
Proceeds from sale of investment financial assets	1 351 198	0
Other	0	0
Outflows:	(7 273)	(1 366 016)
Acquisition of property, plant and equipment and intangible assets	(7 273)	(9 111)
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	0	(1 356 905)
Other	0	0
Net cash flows from investing activities	1 344 317	(1 360 600)

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2014 - 31.03.2014	1.01.2013 - 31.03.2013
Inflows:	711 328	60 000
Long-term bank loans	211 328	60 000
Issue of debt securities	500 000	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other	0	0
Outflows:	(1 125)	(1 026)
Repayment of long-term bank loans	0	0
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	(1 125)	(1 026)
Net cash flows from financing activities	710 203	58 974

D. NET CASH FLOWS, TOTAL (A + B + C)	970 807	306 888
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	6 752 540	6 294 121
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	7 723 347	6 601 009

3. SUPPLEMENTARY INFORMATION FOR UNCONSOLIDATED FINANCIAL DATA

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

	01.01.2014 - 31.03.2014	01.01.2013 - 31.12.2013
Balance at the beginning of the period	1 190 184	1 093 170
Change in value of provisions:	28 764	97 014
Write-offs in the period	164 435	532 658
Amounts written off	(35 839)	(98 445)
Reversal of write-offs in the period	(101 015)	(316 525)
Write-offs decrease due to sale of receivables	0	(20 691)
Changes resulting from FX rates differences	1 032	(201)
Other	151	218
Balance at the end of the period	1 218 948	1 190 184

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Investments in associates	Property, plant and equipment	Intangibles	Other assets
Balance as at 01.01.2014	16 605	4 593	19 548	0	17 572
- Write-offs created	0	0	0	0	226
- Write-offs released	(37)	0	0	0	(153)
- Utilisation	0	0	0	0	(144)
- Other changes	(14 946)	0	0	0	0
Balance as at 31.03.2014	1 622	4 593	19 548	0	17 501

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	57	3 462	0	0	15 519
- Write-offs released	(89)	(1 318)	(976)	0	(676)
- Utilisation	0	0	0	0	(4 165)
- Other changes	0	0	0	0	0
Balance as at 31.12.2013	16 605	4 593	19 548	0	17 572

Impairment losses on financial assets

	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
Impairment losses on loans and advances to customers	(62 863)	(33 511)
- Impairment charges on loans and advances to customers	(164 435)	(150 725)
- Reversal of impairment charges on loans and advances to customers	101 029	117 011
- Amounts recovered from loans written off	543	122
- Result from sale of receivables portfolio	0	81
Impairment losses on investment securities	37	0
- Impairment write-offs for investment securities	0	
- Reversal of impairment write-offs for investment securities	37	0
Impairment losses on investments in associates	0	(1 547)
- Impairment write-offs for investments in associates	0	(1 547)
- Reversal of impairment write-offs for investments in associates	0	0
Impairment losses on off-balance sheet liabilities	2 989	(12 474)
- Impairment write-offs for off-balance sheet liabilities	(5 553)	(15 257)
- Reversal of impairment write-offs for off-balance sheet liabilities	8 542	2 783
Total	(59 837)	(47 532)

Creation, charge, utilisation and release of provisions

	01.01.2014 - 31.03.2014	01.01.2013 - 31.12.2013
Provision for off-balance sheet commitments		
Balance at the beginning of the period	33 738	22 463
Charge of provision	5 553	23 655
Release of provision	(8 542)	(12 387)
FX rates differences	6	7
Balance at the end of the period	30 755	33 738
Provision for contentious claims		
Balance at the beginning of the period	29 327	18 242
Charge of provision	15 882	15 992
Release of provision	(212)	(4 811)
Utilisation of provision	(336)	(96)
Balance at the end of the period	44 661	29 327
Total	75 416	63 065

Assets and provision from deferred income tax

	31.03.2014			31.12.2013		
	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	5 401	0	5 401	5 401	0	5 401
Balance sheet valuation of financial instruments	284 931	(283 095)	1 836	246 914	(244 472)	2 442
Unrealised receivables/ liabilities on account of derivatives	50 074	(56 484)	(6 410)	61 138	(69 120)	(7 982)
Interest on deposits and securities to be paid/ received	29 791	(100 358)	(70 567)	42 563	(96 674)	(54 111)
Interest and discount on loans and receivables	0	(27 214)	(27 214)	0	(26 588)	(26 588)
Income and cost settled at effective interest rate	31 742	(155)	31 587	23 592	(173)	23 419
Provisions for loans presented as temporary differences	99 831	0	99 831	102 916	0	102 916
Employee benefits	14 538	0	14 538	14 003	0	14 003
Provisions for future costs	25 785	0	25 785	19 640	0	19 640
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	32 059	0	32 059	30 834	0	30 834
Other	2 904	(2 961)	(57)	6 100	(2 943)	3 157
Net deferred income tax asset	577 056	(470 267)	106 789	553 101	(439 970)	113 131

4. STATEMENT OF RELATED PARTY TRANSACTIONS

All the transactions concluded between Group entities in the period from 1 January 2014 to 31 March 2014 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 MAKLESKI S.A.,
- MILLENNIUM TFI S.A.,
- MB FINANCE A.B.,
- ORCHIS Sp. z o.o.,
- MILLENNIUM SERVICE Sp. z o.o.,
- MILLENNIUM TELECOMMUNICATION SERVICES,
- 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 31.03.2014

	With subsidiaries	With parent Group
ASSETS		
Loans and advances to banks - accounts and deposits	0	2 268
Loans and advances to customers	2 928 849	0
Investments in associates	294 999	0
Financial assets valued at fair value through profit and loss (held for trading)	2 610	0
Hedging derivatives	0	0
Other assets	145 844	39
LIABILITIES		
Deposits from banks	0	224 739
Deposits from customers	240 285	0
Liabilities from securities sold with buy-back clause	7 018	0
Liabilities from debt securities	1 000	0
Hedging derivatives	0	134 092
Financial liabilities valued at fair value through profit and loss (held for trading)	306	0
Subordinated debt	630 008	0
Other liabilities	84 265	470
- including liabilities from financial leasing	68 258	0

Assets and liabilities from transactions with related parties (data in '000 PLN) as at 31.12.2013

	With subsidiaries	With parent Group
ASSETS		
Loans and advances to banks - accounts and deposits	0	4 058
Loans and advances to customers	2 770 629	0
Investments in associates	295 000	0
Financial assets valued at fair value through profit and loss (held for trading)	2 678	0
Hedging derivatives	0	0
Other assets	159 147	38
LIABILITIES		
Deposits from banks	0	223 424
Deposits from customers	275 123	0
Liabilities from securities sold with buy-back clause	2 002	0
Hedging derivatives	0	127 058
Financial liabilities valued at fair value through profit and loss (held for trading)	91	0
Subordinated debt	622 585	0
Other liabilities	87 452	167
- including liabilities from financial leasing	69 044	0

Profit and loss on transactions with related parties (data in '000 PLN) for the period of 1.01-31.03.2014

	With subsidiaries	With parent Group
INCOME FROM:		
Interest	18 667	3 642
Commissions	14 202	58
Derivatives net	0	0
Dividends	0	0
Other net operating income	0	67
EXPENSE FROM:		
Interest	4 996	782
Commissions	21	173
Derivatives net	263	38
Other net operating income	17	0
General and administrative expenses	24 012	821

Profit and loss on transactions with related parties (data in '000 PLN) for the period of 1.01-31.03.2013

	With subsidiaries	With parent Group
INCOME FROM:		
Interest	24 154	5 854
Commissions	11 730	34
Derivatives net	22	0
Dividends	0	0
Other net operating income	1 035	141
EXPENSE FROM:		
Interest	5 634	1 209
Commissions	8	522
Derivatives net	0	304
Other net operating income	0	0
General and administrative expenses	24 072	940

Off-balance transactions with related parties (data in '000 PLN) as at 31.03.2014

	With subsidiaries	With parent Group
Conditional commitments	37 345	104 478
- granted	35 791	100 345
- received	1 554	4 133
Derivatives (par value)	117 167	1 232 540

Off-balance transactions with related parties (data in '000 PLN) as at 31.12.2013

	With subsidiaries	With parent Group
Conditional commitments	37 041	933 909
- granted	35 571	100 345
- received	1 470	833 564
Derivatives (par value)	57 225	1 225 020

5. ADDITIONAL INFORMATION

5.1. Seasonality and business cycles

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

5.2. Description of non-standard factors and events

During Bank's activity in the first quarter of 2014 (and in the comparative period, i.e. the first quarter of 2013) there were no significant events of unusual.

5.3. Issue, redemption or repayment of debt or equity instruments

During the 3 months ended 31 March 2014, the Bank's liabilities on account of a debt securities issues increased by PLN 519.1 million, mainly because on 28 March 2014 the Bank issued in private placement 3-year floating rate bonds (unsecured) in the total amount of PLN 500 million.

The Bonds have been issued by the Bank in the current Second Bonds' Issue Programme, initiated in 2012, with total nominal value not exceeding PLN 2 000 million (or the equivalent of this amount in EUR, USD, CHF).

5.4. Off-balance sheet liabilities

As at 31 March 2014 and 31 December 2013, the structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	31.03.2014	31.12.2013
Off-balance conditional commitments granted and received	7 622 287	8 747 496
Commitments granted:	7 585 578	7 851 063
- financial	6 433 870	6 693 043
- guarantee	1 151 708	1 158 020
Commitments received:	36 709	896 433
- financial	2 503	850 558
- guarantee	34 206	45 875