

REPORT OF THE BANK MILLENNIUM S.A. CAPITAL GROUP

FOR 3 QUARTER 2014



MAIN CONSOLIDATED FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	Period from 1.01.2014 - 30.09.2014	Period from 1.01.2013 - 30.09.2013*	Period from 1.01.2014 - 30.09.2014	Period from 1.01.2013 - 30.09.2013*
Interest income	1 962 840	2 027 119	469 545	480 007
Fee and commission income	531 235	522 326	127 081	123 683
Operating income	1 750 883	1 527 405	418 841	361 679
Operating profit	640 977	496 445	153 333	117 555
Profit (loss) before taxes	640 977	494 704	153 333	117 142
Profit (loss) after taxes	493 248	392 762	117 993	93 003
Total comprehensive income of the period	559 752	373 104	133 902	88 348
Net cash flows from operating activities	(107 969)	3 256 047	(25 828)	771 009
Net cash flows from investing activities	(291 664)	(2 301 930)	(69 771)	(545 081)
Net cash flows from financing activities	825 734	(218 553)	197 530	(51 752)
Net cash flows, total	426 101	735 564	101 931	174 176
Total Assets	60 658 262	57 016 715	14 527 185	13 748 243
Liabilities to banks and other monetary institutions	2 086 795	2 348 562	499 771	566 301
Liabilities to customers	47 434 828	45 305 121	11 360 275	10 924 267
Equity	5 655 999	5 363 133	1 354 568	1 293 194
Share capital	1 213 117	1 213 117	290 532	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)	4.66	4.42	1.12	1.07
Diluted book value per share (in PLN/EUR)	4.66	4.42	1.12	1.07
Capital adequacy ratio**	14.08%	14.54%	14.08%	14.54%
Earnings (losses) per ordinary share (in PLN/EUR)	0.41	0.32	0.10	0.08
Diluted earnings (losses) per ordinary share (in PLN/EUR)	0.41	0.32	0.10	0.08
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 30.09.2013.

** - As at 30 September 2014 capital adequacy ratio was calculated in accordance with the Regulation No 575/2013 of the European Parliament and of the Council (EU) of 26 June 2013 on prudential requirements for credit institutions and investment firms (the so-called Basel III) binding commencing from 1st January 2014. Comparable data relating to the capital adequacy ratio were not restated.

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: 4.1755 PLN/EURO - the exchange rate of 30 September 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 - 30 September 2014: 4.1803 PLN/EURO, the exchange rate was calculated as the average of the rates at the end of the months covered by the financial statements (for comparative data: 1 January - 30 September 2013: 4.2231 PLN/EURO).

INFORMATION ABOUT THE ACTIVITY OF BANK MILLENNIUM CAPITAL GROUP DURING 1-3 QUARTERS OF 2014

Bank Millennium Group (the “Group”) consolidated net profit in 1-3Q 2014 amounted to PLN 493.2 million, which is a 25.6% increase when compared to net profit in 1-3Q 2013. Net profit achieved in 3Q 2014 (PLN 173.2 million) was 5.8% higher than the profit achieved in the previous quarter.

The improvement of results was achieved thanks to a strong growth of core income (+16% y/y), accompanied by very modest growth of operating costs (+2% y/y) and a growth of provisions (+18% y/y), which allowed to significantly improve the coverage ratio of impaired loans portfolio (to 70%).

Main financial and business highlights of 1-3Q 2014 results are the following:

Continued growth of profitability

- 1-3Q net profit at PLN 493 million: +26% y/y
- 3Q net profit at PLN 173 million: +6% q/q
- ROE improved yearly from 10.5% to 12.1%
- Cost-to-income in 3Q stood at 49.3%

Core income yearly growth ahead of future challenges

- Net interest income up 20% yearly and stable quarterly
- Net commissions up 6.4% yearly and dropped quarterly due to interchange fees reduction

One of the best in Poland asset quality ratios

- Impaired loans ratio at very low level of 4.3%
- High coverage ratio of impaired loans by provisions at 70%

Strong liquidity and capital kept

- Loan-to-deposits¹ ratio improved to 91.4%
- Loans to stable sources of funding² at 87.9%
- Total CAR³ at 14.1% and CET1³ at 13.4%

Retail business

- Cash loan record quarterly sale of PLN 578 million, portfolio up 23% y/y
- Over 100,000 new current accounts 360° since launching in May
- Continuation of strong retail deposits growth: +3% q/q and +8.6% y/y

Companies business

- Loans to companies keep strong 14% yearly growth, more than doubled market growth (loans increased by PLN 1.6 billion since December '13)
- Record factoring turnover crossing PLN 3 billion in 3Q'14, year-to-date turnover grew by 32% y/y
- Increased investment financing reflected in growing leasing sales: +30% y/y on year-to-date basis; leasing portfolio crossed PLN 4 billion

¹ Deposits include Bank's debt securities sold to individuals and repo transactions with customers

² Stable sources of funding : deposits plus all debt securities sold to individual and institutional investors (including subordinated debt) and medium-term funding from financial institutions.

³ Calculated in accordance with CRR/CRD4 rules and with partial IRB approach under regulatory constraint

Macroeconomic situation

Condition of the Polish economy deteriorated during 3Q 2014 as unfavourable external environment exerted negative impact on business sentiment in Poland. Economic growth in the second quarter of this year was still solid, and amounted to 3.3% y-o-y, supported by domestic demand, including private consumption and investments in fixed assets. However, on a quarterly basis, seasonally adjusted growth moderated from 1.1% in 1Q to 0.6% in 2Q. Deceleration in economic growth continued also in 3Q driven by slower growth in the Eurozone, including Germany, as well as negative effects of Russian sanctions imposed on exports of Polish food to Russia. Between July and September industrial output grew by ca. 1.5% y-o-y compared to a growth of 3.7% y-o-y in Q2. In the same time growth of construction output moderated to ca. 1.0% from 10.1% in Q2, suggesting slowdown in investments. Consumption was still growing supported by higher real disposable income, falling unemployment and low interest rates. The direct impact of Russian embargo is not huge, as exports of food to Russia constitutes only 0.2% of the GDP, but worse sentiment in the corporate sector might reduce willingness of companies to start new investments. Deteriorating sentiment in the industry sector was reflected in PMI index, that slipped below 50 pts and was at 49.5 pts in September suggesting moderation of economic growth in next quarters.

Situation in the labour market was improving during 3Q 2014. Registered unemployment rate went down to 11.5% in September from 13.4% in December 2013, reaching the lowest level for 4 years. As compared to September 2013, the registered unemployment rate was lower by 1.5 p.p. The fall of unemployment rate was supported not only by seasonal factors and also by cyclical factors and ongoing growth of demand for labour. In the corporate sector employment grew by 0.8% y-o-y in September compared to a growth of 0.3% y-o-y in December 2013. The unemployment kept falling despite of signs of decelerating economic growth.

Inflationary pressures remained low level. Inflation, measured with a consumer price index, turned into negative territory, for the first time after transition, and amounted to minus 0.3 y-o-y in September. Negative inflation results from combination of positive supply shocks (food prices and energy) and moderate growth of demand. Deflation in food prices speeded up after Russian ban on exports of Polish food and good harvest in this year. In next quarters inflation should go up but it remain below the bottom of NBP inflation target (1.50%).

In 3Q 2014 the reference rate was kept at the record low of 2.50%, despite of low inflation and slower economic activity. Arising risks for the economic growth because of slowdown in the Eurozone and sanctions imposed by Russia on exports of Polish food increased however expectations for monetary easing. In October the MPC resumed an easing cycle and slashed the reference rate by 50 bps and the lombard rate even more by 100 bps. It was the first not parallel change of interest rates since April 2003. The post meeting statement sounded dovish and suggested another rate cut in coming months.

In the third quarter growth of households' deposits accelerated to 7.6% in September compared to 6.5% in June 2014 supported by higher real disposable income and some moderation in consumption growth. The annual dynamics of corporate deposits advanced to 8.3% in September compared to 4.7% in June 2014, driven by deposits of non-financial companies that reflects their good liquidity and moderate investments growth. Annual dynamics of total credit amounted 5.2% in September as compared to 4.4% in June 2014.

Bank Millennium Group profit and loss account after 3rd quarter 2014

Operating Income (PLN million)	1-3Q 2014	1-3Q 2013	Change y/y	3Q 2014	2Q 2014	Change q/q
Net Interest Income *	1 111.0	925.1	20.1%	377.1	377.3	-0.1%
Net Commission Income	469.5	441.4	6.4%	150.9	163.1	-7.5%
Core Income**	1 580.5	1 366.5	15.7%	528.0	540.4	-2.3%
Other Non-Interest Income ***	94.3	116.6	-19.2%	35.4	27.1	30.7%
Total Operating Income	1 674.8	1 483.1	12.9%	563.4	567.5	-0.7%

(*) Pro-forma data: Net Interest Income includes margin from all derivatives. From 1st January 2006 the Bank started to apply hedge accounting principles. Starting from that date the margin from these operations is reflected in Net Interest Income since afore-mentioned change. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides pro-forma data, which presents all margin from derivatives in Net Interest Income caption, whereas in accounting terms part of this margin (PLN 5.5 million in 1-3Q 2014 and PLN 49.6 million in 1-3Q 2013) 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) for 1-3Q 2014 reached PLN 1,111.0 million, which signifies a high growth by 20.1% versus the corresponding period of 2013. In 3Q'14 Net Interest Income had similar value as in the previous quarter, despite falling market rates in September.

Total Net Interest Margin (over average interest earning assets) for 1-3Q 2014 reached 2.6%, which was higher by 0.4 p.p. compared to the corresponding period of 2013. The improvement of interest margin was supported by lower interest costs (mainly cost of deposits), which decreased by 25.6% y/y, whereas interest income decreased only by 5.2% y/y, which reflected good deposit margin management and gradual change of asset mix towards higher margin products. In quarterly terms, Net Interest Margin dropped in 3Q'14 by 0.12 p.p. to the level of 2.5%, as a consequence of the expected rate cuts, which effectively started in October, but was preceded by WIBOR rates reduction already in 3Q'14.

Net Commission Income in 1-3Q 2014 amounted to PLN 469.5 million, which means a 6.4% growth year-on-year. The main drivers of this growth were commissions from sale of investment products and loans. In 3Q'14 card fees decreased compared to the previous quarter as a result of lower interchange fees implemented in Poland since 1st July and thus leading to a quarterly decrease of Group's Net Commission Income by 7.5%.

Core income, defined as a combination of net interest and commission income, reached the amount of PLN 1,580.5 million in 1-3Q 2014 and recorded high growth of 15.7% year-on-year. Small quarterly decrease of 2.3% in 3Q'14 was caused by the mentioned lower commissions.

Other non-interest income amounted to PLN 94.3 million for 1-3Q 2014 and fell by 19.2% year-on-year due to lower net other operating income and costs. In quarterly terms, other non-interest income increased in 3Q'14 by 30.7%, mainly thanks to growth of income on trading financial instruments.

Total operating income of the Group reached PLN 1,674.8 million in 1-3Q 2014 and increased by 12.9% year-on-year and decreased slightly by 0.7% quarterly.

Operating Costs (PLN million)	1-3Q 2014	1-3Q 2013	Change y/y	3Q 2014	2Q 2014	Change q/q
Personnel Costs	(409.6)	(411.3)	-0.4%	(139.6)	(134.9)	3.5%
Other Administrative Costs*	(422.7)	(404.4)	4.5%	(138.4)	(144.6)	-4.3%
Total Operating Costs	(832.3)	(815.8)	2.0%	(278.0)	(279.5)	-0.5%
Cost/Income Ratio	49.7%	55.0%	-5.3 p.p.	49.3%	49.3%	0 p.p.

(*) including depreciation

Total costs in 1-3Q 2014 amounted to PLN 832.3 million, which means a slight increase (by 2.0%) when compared to the corresponding period of the previous year. In quarterly terms costs decreased by 0.5%.

Personnel costs in 1-3Q 2014 decreased by 0.4% year-on-year. The quarterly increase of this cost group in 3Q 2014 by 3.5% resulted from employing part of previously outsourced staff. As a result, the total number of employees in the Group increased by 251 employees compared to the end of June 2014 to the level of 6,134 persons (in Full Time Equivalents).

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

Employment structure (in FTEs)	30.09.2014	30.06.2014	Change q/q	30.09.2013	Change y/y
Bank Millennium S.A.	5 790	5 540	4,5%	5 552	4,3%
Subsidiaries	344	342	0,6%	338	1,8%
Total Bank Millennium Group	6 134	5 883	4,3%	5 890	4,1%

Other administrative costs (including depreciation) in 1-3Q 2014 grew by 4.5% yearly mainly due to higher marketing costs, which is consistent with business growth of the Bank.

Cost-to-Income ratio for 1-3Q 2014 went down to 49.7%, which was lower by 5.3 p.p. compared to the corresponding period of the previous year. The ratio in 3Q 2014 was on the same level as in the previous quarter, i.e. 49.3%, which means a stabilisation after the long period of gradual decrease.

Total net impairment provisions created by the Group in 1-3Q 2014 amounted to PLN 201.5 million and were 17.9% higher than provisions created during 1-3Q 2013. In quarterly dimension, net provisions amounted to PLN 61.7 million in 3Q'14, so decreased by 16.7% when compared to 2Q'14, when some strengthening of coverage for already impaired corporate exposures happened. In relative terms, cost of risk (i.e. net provisions created to the average net loans) in 3Q'14 stood at 56 bps level and in 1-3Q 2014 stood at 63 bps level.

Pre-tax Income in 1-3Q 2014 amounted to PLN 641.0 million, which is 30% higher than pre-tax income for 1-3Q 2013. **Net Profit** for the analysed period amounted to PLN 493.2 million i.e. by 26% higher yearly. The growth was supported by strong operating income increase accompanied by very modest growth of operating costs and growth of provisions.

In quarterly terms, pre-tax profit of PLN 223.7 million grew by 4.6% q/q and net profit of PLN 173.2 million grew by 5.8% q/q.

Net Profit (PLN million)	1-3Q 2014	1-3Q 2013	Change y/y	3Q 2014	2Q 2014	Change q/q
Operating Income	1 674.8	1 483.1	12.9%	563.4	567.5	-0.7%
Operating Costs *	(832.3)	(815.8)	2.0%	(278.0)	(279.5)	-0.5%
Impairment provisions	(201.5)	(170.9)	17.9%	(61.7)	(74.1)	-16.7%
Pre-tax Profit**	641.0	494.7	29.6%	223.7	213.9	4.6%
Income tax	(147.7)	(101.9)	44.9%	(50.5)	(50.3)	0.5%
Net Profit	493.2	392.8	25.6%	173.2	163.6	5.8%

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

(**) includes share in profits of associates

Business results after 3rd quarter 2014

Total assets of the Group reached PLN 60,658 million as at 30 September 2014, which means an increase by 4.4% compared to the end of September 2013.

Total customer funds of Bank Millennium Group reached PLN 51,145 million showing the growth of 5.0% vs. the end of September 2013 and by 2.9% vs. the end of June 2014. The growth of deposits reached 4.9% yearly and 3.2% quarterly. The key driver of annual growth were Deposits of Individuals, which increased strongly by 8.6% vs. the end of September 2013, and was combined with improvement of deposit interest margin.

Other savings/investment products sold to Group's customers grew by 5.5% yearly reaching in September 2014 the level of PLN 6,710 million. Over half of these products are Millennium TFI mutual funds with the balance at 30 September 2014 of PLN 3,575 million, which means the growth by 4.8% yearly.

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

Customer Funds (PLN million)	30.09.2014	30.06.2014	Change q/q	30.09.2013	Change y/y
Deposits of individuals *	29 441.4	28 590.5	3.0%	27 105.0	8.6%
Deposits of Companies and public sector	17 993.4	17 379.6	3.5%	18 123.1	-0.7%
Total Deposits	47 434.8	45 970.1	3.2%	45 228.1	4.9%
Investment products **	6 710.4	6 667.1	0.6%	6 363.0	5.5%
Total Customer Funds	54 145.2	52 637.1	2.9%	51 591.1	5.0%

(*) including deposits of insurance companies collaborating with the Bank, reflecting savings-insurance products offered by the Bank to retail customers

(**) This category includes bonds to retail customers 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 43,847 million as at the end of September 2014, which means an increase by 4.6% yearly and 1.1% quarterly.

Non-mortgage retail loans reached PLN 4,356 million and grew by 21.8% yearly, driven mainly by strong growth of cash loans (23.2% y/y and 5.8% q/q in gross terms). Mortgage loans portfolio (PLN 26,731 million net) contracted slightly by 1.7% y/y, with its PLN part growing by 6.6% y/y and FX part decreasing by 5.4% y/y, so the share of FX mortgages in total loan portfolio reduced to 39%.

Loans to companies (including leasing) amounted to PLN 12,760 million as at 30 September 2014, which means a solid yearly growth (+14.4% or PLN 1.6 billion). Leasing exposure grew by 20.0% y/y, after very good sales in 1-3Q 2014 (PLN 1.7 billion of newly disbursed financing). Other loans to companies presented also solid annual growth of 12.0%. Factoring turnover in 1-3Q 2014 reached PLN 8.6 billion, which was 32% higher than in corresponding period of the previous year.

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)	30.09.2014	30.06.2014	Change q/q	30.09.2013	Change y/y
Loans to households	31 086.9	30 830.9	0.8%	30 763.8	1.1%
- mortgage loans	26 730.5	26 741.1	0.0%	27 186.3	-1.7%
- other loans to households	4 356.3	4 089.8	6.5%	3 577.6	21.8%
Loans to companies	12 760.2	12 543.5	1.7%	11 157.1	14.4%
- leasing	3 959.7	3 710.7	6.7%	3 299.4	20.0%
- other loans to businesses	8 800.6	8 832.8	-0.4%	7 857.7	12.0%
Total Loans & Advances to Clients	43 847.1	43 374.4	1.1%	41 920.9	4.6%

Liquidity, asset quality and solvency

Loan-to-deposit ratio of the Group improved during last two quarters and reached comfortable 91.4% level, the same as was in September 2013. Also the ratio of loans to stable sources of funding (deposits plus medium-term funding and subordinated debt) reached in September 2014 the same 87.9% level as one year ago.

After 3Q 2014 the Group maintains very strong asset quality ratios, which are one of the best among Polish banks. Share of impaired loans in the consolidated portfolio stay at very low 4.3% level, which is 0.2 p.p. lower than one year ago. The main improvement was registered in non-mortgage retail loans (impaired loans ratio decreased during the year from 13.9% to 11.1%) and in the portfolio of corporate loans (the ratio dropped from 8.3% to 7.3%).

Also coverage of impaired loans by total provisions was strengthened significantly during last year and a half to one of the highest in the Polish banking system level of 70%. The highest coverage is kept for non-mortgage retail loans (78%) and corporate impaired loans (72%). The coverage of loans past-due more than 90 days was at 101% level.

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

Total portfolio quality indicators	30.09.2014	30.06.2014	30.09.2013
Total impaired loans (PLN million)	1 929	1 907	1 936
Total provisions (PLN million)	1 358	1 357	1 290
Impaired over total loans ratio (%)	4.3%	4.3%	4.5%
Total provisions/impaired loans (%)	70.4%	71.2%	66.6%

Capital position of the Group remains very solid. Consolidated equity increased by 8.8% yearly to the level of PLN 5,656 million. Total Capital Adequacy Ratio reached 14.1% and Core Tier 1 ratio 13.4% as at the end of September 2014.

Main solvency* and liquidity indicators	30.09.2014	30.06.2014	30.09.2013
Consolidated equity (PLN million)	5 656	5 435	5 197
Regulatory capital (PLN million)	5 425	5 273	5 460
Capital requirement (PLN million):	3 082	3 051	2 940
- Credit risk	2 780	2 771	2 667
- Market risk	25	23	24
- Operating risk	258	258	249
Risk Weighted Assets (PLN million)	38 521	38 142	36 755
Capital Adequacy Ratio (% , consolidated)	14.1%	13.8%	14.9%
Core Tier 1 ratio (% , consolidated)	13.4%	13.0%	13.4%
Loans to Deposits ratio (%)**	91.4%	93.5%	91.4%
Loans to stable sources of funding *** (%)	87.9%	88.9%	87.9%

(*) Calculated including regulatory constraint, as at 30 June 2014 and 30 September 2014 - according to CRR/CRD4

(**) Deposits include Bank's debt securities sold to individuals, repo transactions with customers and in September 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

In 1-3Q 2014 the main WIG index grew by 7.0% and banking index WIG-banks by 8.5%. In the same time mWIG40, which comprises the shares of Bank Millennium, increased by 8.8% while Bank Millennium shares gained 22.1%. In yearly horizon, Bank Millennium shares grew by 22.9%, thus outperforming all main indices of the Warsaw Stock Exchange.

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

	30.09.2014	30.12.2013	Change Ytd (%)	30.09.2013	Change y/y (%)
Number of Bank's shares (in ths.)	1 213 117	1 213 117	0.00%	1 213 117	0.00%
Daily trading (PLN ths, avg. ytd)	6 479	-	-	4 143	56.4%
Price of the Bank shares (PLN)	8.79	7.2	22.1%	7.15	22.9%
Market cap. (PLN million)	10 663	8 734	22.1%	8 674	22.9%
WIG - main index	54 879	51 284	7.0%	50 302	9.1%
WIG Banks	8 694	8 014	8.5%	7 693	13.0%
mWIG 40	3 640	3 345	8.8%	3 276	11.1%

As shown in the above table, not only share price but also 9-month average turnover of Bank Millennium shares grew significantly by 56.4% yearly.

During the 3rd 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 4th quarter 2014 and 1st quarter 2015 include:

- The Bank will operate in an environment of record low, and still decreasing, interest rates. The main implications of the interest rate cuts decided by the Monetary Policy Council in October and potential further cuts are the following:
 - a) limitation of the maximum interest rate that can be charged in a loan for an individual (as a result of the "Anti-Usury Law"), reducing more than proportionally the remuneration on part of consumer loan portfolio versus its funding costs,
 - b) lower margin on deposits due to the compression of the margin on non-remunerated deposits and time needed to gradual reprice existing remunerated deposits in a context of strong competition for deposits.
- Banking operating environment will continue to be subject to further regulatory changes that may curb or even reduce banking revenues. The most important affected areas are interchange fees from payment cards, which are now expected to be further cut from 1st January 2015 (after a very significant cut on 1st July 2014) and insurance related fees due to implementation of Recommendation U that will enter into force on 1st April 2015.
- Possible international growth slowdown (especially in the main trading partners of Poland) and consequences of the Russian embargo on import of some products from Poland, may affect the investment climate and lead to the risk of economic growth deceleration in Poland.
- Discussion on possible rate hikes in US and concerns over stability of Eurozone might lead to some outflow of foreign capital from emerging markets. This could lead to increased FX and fixed income bond markets volatility (and somewhat decrease in Polish financial 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 Eurozone.
- 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, support demand for corporate lending.
- Decrease in unemployment in Poland and the good financial condition of Polish companies should contribute to the stabilization or improvement of the quality of banks' loan portfolios.

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I. CONDENSED INTERIM FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 the Bank Millennium S.A. Capital Group (the Group) with over 6,100 employees with core business comprising banking, leasing, factoring, brokerage, capital operations, and investment fund management.

Supervisory Board and Management Board of Bank Millennium S.A. as at 30 September 2014

Composition of the Supervisory Board as at 30 September 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 Jędrzyński - 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 30 September 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 30 September 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	full consolidation
MILLENNIUM DOM MAKLESKI S.A.	brokerage services	Warsaw	100	100	full consolidation
MILLENNIUM TFI SA	investment funds management	Warsaw	100	100	full consolidation
MB FINANCE AB	funding companies from the Group	Stockholm	100	100	full consolidation
MILLENNIUM SERVICE Sp. z o.o.	general construction and engineering	Warsaw	100	100	full consolidation
TBM Sp. z o.o.	financial operations - equity markets, advisory services	Warsaw	100	100	full consolidation
MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o.	financial operations - equity markets, advisory services	Warsaw	100	100	full consolidation
LUBUSKIE FABRYKI MEBLI S.A.	furniture manufacturer	Świebodzin	50 (+1 share)	50	equity method valuation (*)
BG LEASING S.A. under bankructcy	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 bankructcy 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 do not include all of the information which is presented in 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, with consideration of the specific requirements of IAS 34.

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 nine months ended 30 September 2014.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2014 to 30 September 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 these condensed consolidated interim financial statements on 23 October 2014.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2014 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
Interest income	1	1 962 840	673 494	2 027 119	634 396
Interest expense	2	(857 395)	(299 240)	(1 151 683)	(322 591)
Net interest income		1 105 445	374 254	875 436	311 805
Fee and commission income	3	531 235	171 809	522 326	169 452
Fee and commission expense	4	(61 761)	(20 919)	(80 946)	(27 510)
Net fee and commission income		469 474	150 890	441 380	141 942
Dividend income		1 851	9	1 638	472
Result on investment financial assets		14 905	14	20 084	3 741
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	5	129 585	48 706	145 386	43 870
Other operating income		29 623	7 965	43 481	11 455
Operating income		1 750 883	581 838	1 527 405	513 285
General and administrative expenses	6	(792 487)	(264 933)	(773 989)	(249 796)
Impairment losses on financial assets	7	(201 137)	(61 695)	(170 272)	(56 572)
Impairment losses on non-financial assets		(351)	(2)	(623)	(48)
Depreciation and amortization		(39 818)	(13 082)	(41 775)	(12 882)
Other operating expenses		(76 113)	(18 436)	(44 301)	(18 088)
Operating expenses		(1 109 906)	(358 148)	(1 030 960)	(337 386)
Operating profit		640 977	223 690	496 445	175 899
Share of profit of associates		0	0	(1 741)	0
Profit / (loss) before taxes		640 977	223 690	494 704	175 899
Corporate income tax	8	(147 729)	(50 506)	(101 942)	(37 364)
Profit / (loss) after taxes		493 248	173 184	392 762	138 535
Attributable to:					
Owners of the parent		493 248	173 184	392 762	138 535
Non-controlling interests		0	0	0	0
Weighted average number of ordinary shares		1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Earnings (losses) per ordinary share (in PLN)		0.41	0.14	0.32	0.11

CONSOLIDATED TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2014 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
Profit / (loss) after taxes	493 248	173 184	392 762	138 535
Other elements of total comprehensive income. including:				
Effect of valuation of available for sale debt securities	64 497	42 170	(60 299)	4 930
Effect of valuation of available for sale shares	(26)	(8)	(6)	0
Hedge accounting	17 633	16 922	36 037	67 429
Other elements of total comprehensive income before taxes	82 104	59 084	(24 268)	72 359
Corporate income tax on other elements of total comprehensive income	(15 600)	(11 226)	4 610	(13 748)
Other elements of total comprehensive income after taxes	66 504	47 858	(19 658)	58 611
Total comprehensive income of the period	559 752	221 042	373 104	197 146
Attributable to:				
Owners of the parent	559 752	221 042	373 104	197 146
Non-controlling interests	0	0	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

<i>Amount '000 PLN</i>	Note	30.09.2014	31.12.2013
Cash, balances with the Central Bank		1 705 231	3 412 175
Deposits, loans and advances to banks and other monetary institutions	9	1 710 686	1 519 614
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	10	1 400 238	850 732
Hedging derivatives	11	45 399	211 395
Loans and advances to customers	12	43 847 116	41 765 680
Investment financial assets	13	10 772 902	8 241 517
- available for sale		10 772 902	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)		381 830	242 061
Property, plant and equipment		149 057	163 158
Intangible assets		43 131	41 006
Non-current assets held for sale		5 646	3 466
Receivables from Tax Office resulting from current tax		66 540	63 949
Deferred tax assets	15	200 486	185 456
Other assets		326 991	313 497
Total Assets		60 658 262	57 016 715

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.09.2014	31.12.2013
LIABILITIES			
Liabilities to banks and other monetary institutions	16	2 086 795	2 348 562
Financial liabilities valued at fair value through profit and loss (held for trading)	10	715 968	575 098
Hedging derivatives	11	1 061 741	930 345
Liabilities to customers	17	47 434 828	45 305 121
Liabilities from securities sold with buy-back clause		314 310	114 801
Debt securities	18	1 749 009	701 352
Provisions	19	97 420	66 616
Deferred income tax liabilities	15	0	0
Current tax liabilities		28 214	11 269
Other liabilities		883 444	977 833
Subordinated debt		630 534	622 585
LIABILITIES		55 002 263	51 653 582
EQUITY			
Share capital		1 213 117	1 213 117
Share premium		1 147 502	1 147 502
Revaluation reserve		(64 719)	(131 223)
Retained earnings		3 360 099	3 133 737
Total Equity		5 655 999	5 363 133
Total equity attributable to owners of the parent		5 655 999	5 363 133
Non-controlling interests			0
Total Liabilities and Equity		60 658 262	57 016 715
Book value			
Book value		5 655 999	5 363 133
Number of shares			
Number of shares		1 213 116 777	1 213 116 777
Book value per share (in PLN)			
Book value per share (in PLN)		4.66	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 3 quarters 2014	559 752	0	0	66 504	493 248
- dividend payment	(266 886)	0	0	0	(266 886)
Equity at the end of the period 30.09.2014	5 655 999	1 213 117	1 147 502	(64 719)	3 360 099

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 3 quarters 2013	373 104	0	0	(19 658)	392 762
Equity at the end of the period 30.09.2013	5 197 274	1 213 117	1 147 502	(154 049)	2 990 704

CONSOLIDATED CASH FLOWS

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2014 - 30.09.2014	1.01.2013 - 30.09.2013
Profit (loss) after taxes	493 248	392 762
Total adjustments:	(601 217)	2 863 285
Non-controlling interests profit (loss)	0	0
Interests in net income (loss) of associated companies	0	1 741
Depreciation and amortization	39 818	41 775
Foreign exchange (gains)/ losses	11 480	51 568
Dividends	(1 851)	(1 638)
Changes in provisions	30 804	10 265
Result on sale and liquidation of investing activity assets	(25 098)	(30 351)
Change in financial assets valued at fair value through profit and loss (held for trading)	(367 689)	(56 416)
Change in loans and advances to banks	(237 255)	(131 418)
Change in loans and advances to customers	(2 079 457)	(1 669 632)
Change in receivables from securities bought with sell-back clause (loans and advances)	(139 769)	(496 944)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	272 266	416 462
Change in deposits from banks	(310 237)	121 777
Change in deposits from customers	2 129 707	3 793 976
Change in liabilities from securities sold with buy-back clause	199 509	574 538
Change in debt securities	(12 977)	(48 349)
Change in income tax settlements	143 450	101 839
Income tax paid	(159 726)	(156 798)
Change in other assets and liabilities	(107 883)	329 115
Other	13 691	11 775
Net cash flows from operating activities	(107 969)	3 256 047

B. CASH FLOWS FROM INVESTING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2014 - 30.09.2014	1.01.2013 - 30.09.2013
Inflows from investing activities:	17 901	16 471
Proceeds from sale of property, plant and equipment and intangible assets	16 050	14 833
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	0	0
Other inflows from investing activities	1 851	1 638
Outflows from investing activities:	(309 565)	(2 318 401)
Acquisition of property, plant and equipment and intangible assets	(34 435)	(22 778)
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	(275 130)	(2 295 623)
Other outflows from investing activities	0	0
Net cash flows from investing activities	(291 664)	(2 301 930)

C. CASH FLOWS FROM FINANCING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2014 - 30.09.2014	1.01.2013 - 30.09.2013
Inflows from financing activities:	1 689 137	60 000
Long-term bank loans	211 328	60 000
Issue of debt securities	1 477 809	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(863 403)	(278 553)
Repayment of long-term bank loans	(161 494)	(164 692)
Redemption of debt securities	(417 175)	(93 710)
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	(266 886)	0
Other outflows from financing activities	(17 848)	(20 151)
Net cash flows from financing activities	825 734	(218 553)

D. NET CASH FLOWS. TOTAL (A + B + C)	426 101	735 564
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)	7 178 876	7 029 924

4. NOTES TO CONSOLIDATED FINANCIAL DATA

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

	1.01.2014 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
Balances with the Central Bank	29 929	10 283	35 286	9 858
Deposits, loans and advances to banks	1 747	583	3 011	680
Loans and advances to customers	1 417 139	483 198	1 375 270	444 390
Transactions with repurchase agreement	21 417	10 136	6 912	2 847
Hedging derivatives	260 237	85 849	327 351	94 349
Financial assets held for trading (debt securities)	5 117	2 282	14 633	1 277
Investment securities	227 254	81 163	264 656	80 995
Total	1 962 840	673 494	2 027 119	634 396

Interest income for III quarters 2014 includes interest accrued on loans with recognized impairment of PLN 54,850 thousand (for the comparative data for III quarters 2013, such interest was PLN 64,294 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 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
Banking deposits	(13 421)	(2 691)	(20 365)	(4 829)
Loans and advances	(42 168)	(13 993)	(43 268)	(15 146)
Transactions with repurchase agreement	(33 632)	(11 233)	(48 183)	(15 259)
Deposits from customers	(723 920)	(253 045)	(1 001 977)	(275 962)
Subordinated debt	(11 407)	(3 760)	(11 377)	(3 843)
Debt securities	(32 227)	(14 319)	(25 816)	(7 320)
Other	(620)	(199)	(697)	(232)
Total	(857 395)	(299 240)	(1 151 683)	(322 591)

Note (3) Fee and commission income

	1.01.2014 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
Resulting from accounts service	69 844	23 351	65 227	21 740
Resulting from money transfers, cash payments and withdrawals and other payment transactions	34 389	11 803	30 231	10 385
Resulting from loans granted	68 516	29 502	51 825	16 102
Resulting from guarantees and sureties granted	9 699	2 991	10 591	3 212
Resulting from payment and credit cards	143 526	39 535	152 269	53 267
Resulting from sale of insurance products	55 846	15 042	76 993	20 611
Resulting from distribution of investment funds units and other savings products	63 399	21 561	51 449	15 739
Resulting from brokerage and custody service	14 753	4 554	14 657	4 871
Resulting from investment funds managed by the Group	62 050	20 616	58 845	20 140
Other	9 213	2 854	10 239	3 385
Total	531 235	171 809	522 326	169 452

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 on a one-off basis 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 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
Resulting from accounts service	(1 005)	(354)	(1 422)	(480)
Resulting from money transfers, cash payments and withdrawals and other payment transactions	(1 145)	(403)	(1 069)	(366)
Resulting from loans granted	(10 917)	(3 485)	(11 373)	(3 850)
Resulting from payment and credit cards	(40 613)	(13 849)	(58 038)	(19 769)
Resulting from brokerage and custody service	(2 619)	(891)	(2 744)	(936)
Resulting from investment funds managed by the Group	(3 273)	(1 131)	(2 821)	(883)
Other	(2 189)	(806)	(3 479)	(1 226)
Total	(61 761)	(20 919)	(80 946)	(27 510)

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

	1.01.2014 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
Operations on securities	1 698	1 721	(6 260)	(2 776)
Operations on derivatives	13 229	8 398	37 474	(2 637)
Fair value hedge accounting operations including:	(507)	(444)	2 447	511
- result from hedging derivatives	1 396	266	3 907	1 332
- result from items subjected to hedging	(1 903)	(710)	(1 460)	(821)
Foreign exchange result	116 248	39 505	113 251	49 451
Costs of financial operations	(1 083)	(474)	(1 526)	(679)
Total	129 585	48 706	145 386	43 870

Note (6) General and administrative expenses

	1.01.2014 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
Staff costs:	(409 649)	(139 628)	(411 326)	(133 975)
Salaries	(341 391)	(117 938)	(343 541)	(112 848)
Surcharges on pay	(56 717)	(18 013)	(56 878)	(17 318)
Employee benefits, including:	(11 541)	(3 677)	(10 907)	(3 809)
- provisions for unused employee holiday	(32)	(9)	(23)	(12)
- other	(11 509)	(3 668)	(10 884)	(3 797)
General administrative costs:	(382 838)	(125 305)	(362 663)	(115 821)
Costs of advertising, promotion and representation	(48 499)	(14 081)	(31 965)	(9 908)
IT and communications costs	(53 943)	(17 876)	(53 936)	(17 543)
Costs of renting	(134 058)	(44 051)	(139 042)	(45 919)
Costs of buildings maintenance, equipment and materials	(19 102)	(6 394)	(19 449)	(6 357)
ATM and cash maintenance costs	(12 541)	(4 210)	(13 196)	(4 323)
Costs of consultancy, audit and legal advisory and translation	(21 688)	(10 031)	(9 656)	(3 399)
Taxes and fees	(12 681)	(4 447)	(12 195)	(4 303)
KIR clearing charges	(2 996)	(969)	(2 767)	(928)
PFRON costs	(4 070)	(1 274)	(2 929)	(1 412)
Banking Guarantee Fund costs	(26 703)	(8 901)	(25 404)	(8 468)
Financial Supervision costs	(3 689)	(1 017)	(4 658)	1 018
Other	(42 868)	(12 054)	(47 466)	(14 279)
Total	(792 487)	(264 933)	(773 989)	(249 796)

Note (7) Impairment losses on financial assets

	1.01.2014 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
Impairment losses on loans and advances to customers	(208 197)	(64 888)	(164 682)	(68 246)
Impairment charges on loans and advances to customers	(505 322)	(159 786)	(557 808)	(196 574)
Reversal of impairment charges on loans and advances to customers	285 098	86 242	383 919	120 913
Amounts recovered from loans written off	4 098	727	1 659	29
Sale of receivables	7 929	7 929	7 548	7 386
Impairment losses on securities	27	(1)	89	0
Impairment charges on securities	(27)	(18)	0	0
Reversal of impairment charges on securities	54	17	89	0
Impairment losses on off-balance sheet liabilities	7 033	3 194	(5 679)	11 674
Impairment charges on off-balance sheet liabilities	(20 681)	(710)	(13 695)	7 231
Reversal of impairment charges on off-balance sheet liabilities	27 714	3 904	8 016	4 443
Total	(201 137)	(61 695)	(170 272)	(56 572)

Note (8a) Income tax reported in income statement

	1.01.2014 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
Current tax	(178 363)	(76 582)	(117 374)	(52 490)
Current year	(178 363)	(76 582)	(118 740)	(53 856)
Adjustment of CIT-8 declaration	0	0	1 366	1 366
Deferred tax:	30 633	26 075	15 437	15 131
Recognition and reversal of temporary differences	29 921	25 891	14 671	14 961
Recognition / (Utilisation) of tax loss	712	184	766	170
Adjustment resulted from Article 38a of CIT	0	0	(5)	(5)
Total income tax reported in income statement	(147 729)	(50 506)	(101 942)	(37 364)

Note (8b) Effective tax rate

	1.01.2014 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
Gross profit / (loss)	640 977	223 690	494 704	175 899
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	(121 786)	(42 502)	(93 994)	(33 421)
Impact of permanent differences on tax charges:	(19 978)	(6 485)	(9 309)	(5 304)
Non taxable income	474	53	556	167
Dividend income	353	3	310	89
Release of other provisions	106	38	225	71
Other	15	12	21	7
Non tax-deductible costs	(20 452)	(6 538)	(9 865)	(5 471)
Loss on sale of receivables	(3 190)	(3 190)	(1 887)	(1 880)
PFRON fee	(774)	(242)	(557)	(269)
Prudential fee for Banking Guarantee Fund	(1 877)	(626)	0	0
Cost of provisions for factoring receivables	(1 673)	2 634	(1 541)	(359)
Receivables written off	(376)	(157)	(680)	(221)
Costs of litigations and contentious claims	(7 292)	(1 343)	(2 465)	(1 634)
Depreciation and insurance costs of cars (in excess of EUR 20.000)	(970)	(312)	(969)	(341)
Other	(4 300)	(3 302)	(1 766)	(767)
Cost of provisions for receivables considered as permanent differences	(5 966)	(1 520)	0	0
Adjustment of CIT-8 declaration	0	0	1 366	1 366
Adjustment resulted from Article 38a of CIT	0	0	(5)	(5)
Total income tax reported in income statement	(147 729)	(50 506)	(101 942)	(37 364)

Note (8c) Deferred tax reported directly in equity

	30.09.2014	31.12.2013
Valuation of available for sale securities	(11 949)	300
Valuation of cash flow hedging instruments	27 130	30 480
Deferred tax reported directly in equity	15 181	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 to the Tax Office. 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 in Warsaw 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 Inspection 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 29.10.2014. As of September 30, 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 Inspection 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 Office 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 in Warsaw 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 in Warsaw issued a decision upholding the decision of the first instance. On 22 July 2013 the Bank submitted a complaint to the Regional Administrative Court in Warsaw. 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 delivered judgment on 28 April 2014 dismissing the complaint of the Bank. On 23 July 2014 the Bank filed a cassation complaint to the Supreme Administrative Court.
- 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 in Warsaw issued the decision which upheld the decision of the tax office and determined the Bank's income which did not cause the obligation to pay additional tax burden from CIT 2006 to the tax office. On the 25th of September 2013 Bank lodged the complaint to the Regional Administrative Court in Warsaw. The hearing was held on 14th of April 2014. The court dismissed the Bank's complaint. On 1 July 2014, the Bank filed 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.
 - a. Year 2007

On the 27th of August 2013 the Director of Tax Chamber in Warsaw issued the decision which upheld the decision of the tax office and determined the Bank's CIT liability for 2007. On the 30th of September 2013 the Bank lodged the complaint to the Regional Administrative Court in Warsaw. 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. On 25 June 2014, the Bank filed a cassation complaint to the Supreme Administrative Court.

On the 29th of August 2013 Director of the Tax Chamber in Warsaw issued a decision setting new deadline for examining an appeal regarding refusing the statement of overpayment in CIT for the year 2007 for 31st of October 2013. On the 18th of September 2013 the Director of the Tax Chamber in Warsaw issued the decision which upheld the decision of The Head of Second Mazovian 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 in Warsaw. The hearing was held on 14th of April 2014. The court dismissed the Bank's complaint. On 1 July 2014, the Bank filed a cassation complaint to the Supreme Administrative Court.

b. Year 2008

On the 29th of August 2013 Director of the Tax Chamber in Warsaw issued a decision setting new deadline for examining an appeal regarding determining liability and refusing the statement of overpayment in CIT for the year 2008 till 31st of October 2013. On the 18th of September 2013 the Director of Tax Chamber issued the decision which upheld the decision of The Head of Second Mazovian Tax Office and determine Bank's income for 2008. On 23 October 2013 Bank submitted a complaint to the Regional Administrative Court in Warsaw. The Court set the hearing date on the 9th of April 2014. The court dismissed the Bank's complaint. On 27 June 2014 the Bank filed a cassation complaint to the Supreme Administrative Court. On the 30th of September 2013 the Director of Tax Chamber in Warsaw issued the decision which upheld the decision of The Head of Second Mazovian Tax Office refusing the statement of overpayment in CIT for 2008. Then on 25 October 2013 the Bank submitted a complaint to the Regional Administrative Court in Warsaw. The hearing was held on 9th of April 2014. The court dismissed the Bank's complaint. On 1 July 2014, the Bank filed a cassation complaint 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 Inspection 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 at the Supreme Administrative Court.

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

	30.09.2014	31.12.2013
Current accounts	277 508	283 703
Deposits granted	929 125	760 622
Loans	501 010	471 976
Interest	3 053	3 329
Total (gross) deposits, loans and advances	1 710 696	1 519 630
Impairment write-offs	(10)	(16)
Total (net) deposits, loans and advances	1 710 686	1 519 614

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

	30.09.2014	31.12.2013
Debt securities	962 051	432 822
Issued by State Treasury	962 051	432 822
a) bills	0	0
b) bonds	962 051	432 822
Equity instruments	1 685	227
Quoted on the active market	1 685	227
a) financial institutions	96	55
b) non-financial institutions	1 589	172
Adjustment from fair value hedge	24 964	11 321
Positive valuation of derivatives	411 538	406 362
Total	1 400 238	850 732

Note (10b) Valuation of derivatives. Adjustment from fair value hedge and Liabilities from short sale of securities as at 30.09.2014

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	(5 989)	291 957	297 945
Forward Rate Agreements (FRA)	0	0	0
Interest rate swaps (IRS)	(5 989)	290 862	296 850
Other interest rate contracts: options	0	1 095	1 095
2. FX derivatives	3 279	23 100	19 822
FX contracts	(7 752)	2 051	9 804
FX swaps	20 035	21 049	1 014
Other FX contracts (CIRS)	(9 004)	0	9 004
FX options	0	0	0
3. Embedded instruments	(88 536)	0	88 536
Options embedded in deposits	(72 756)	0	72 756
Options embedded in securities issued	(15 780)	0	15 780
4. Indexes options	87 575	96 481	8 906
Valuation of derivatives	(3 671)	411 538	415 209
Valuation of hedged position in fair value hedge accounting		24 964	18 190
Liabilities from short sale of securities			282 569

Note (10c) 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	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	0
Liabilities from short sale of securities			173 641

During III quarters 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 reserve; 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 liabilities	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 liabilities 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 together with issued debt PLN securities 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 (11a) Hedge accounting 30.09.2014

	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	(79 846)	0	79 846	17
Cash flows hedging derivatives connected with interest rate and/or FX rate				
CIRS contracts	(941 631)	33 030	974 661	x
IRS contracts	11 198	11 297	99	x
FX Forward contracts	(6 064)	1 072	7 136	x
Total	(1 016 343)	45 399	1 061 742	x

(*) Adjustment is presented for active hedge relationships

Note (11b) 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				(639 133)	201 964	841 097	x
IRS contracts				7 095	7 095	0	x
FX Forward contracts				(12 549)	2 336	14 885	x
Total				(718 950)	211 395	930 345	x

(*) Adjustment is presented for active hedge relationships

Note (12a) Loans and advances to customers

	30.09.2014	31.12.2013
Loans and advances	39 904 399	38 258 194
- to companies	8 595 594	7 463 382
- to private individuals	30 753 209	30 184 384
- to public sector	555 596	610 428
Receivables on account of payment cards	690 023	725 564
- due from companies	35 593	37 581
- due from private individuals	654 430	687 983
Purchased receivables	154 806	154 703
- from companies	154 805	150 687
- from public sector	1	4 016
Guarantees and sureties realised	11 854	36 373
Debt securities eligible for rediscount at Central Bank	17 035	12 874
Financial leasing receivables	4 090 706	3 571 325
Other	1 743	1 276
Interest	334 737	317 702
Total gross	45 205 303	43 078 011
Impairment write-offs	(1 358 187)	(1 312 331)
Total net	43 847 116	41 765 680

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

	30.09.2014	31.12.2013
Loans and advances to customers (gross)	45 205 303	43 078 011
- impaired	1 929 417	1 903 046
- not impaired	43 275 886	41 174 965
Impairment write-offs	(1 358 187)	(1 312 331)
- for impaired exposures	(1 148 261)	(1 113 454)
- for incurred but not reported losses (IBNR)	(209 926)	(198 877)
Loans and advances to customers (net)	43 847 116	41 765 680

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

	30.09.2014	31.12.2013
Loans and advances to customers (gross)	45 205 303	43 078 011
- case by case analysis	940 887	886 068
- collective analysis	44 264 416	42 191 943
Impairment write-offs	(1 358 187)	(1 312 331)
- on the basis of case by case analysis	(578 234)	(519 289)
- on the basis of collective analysis	(779 953)	(793 042)
Loans and advances to customers (net)	43 847 116	41 765 680

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

	30.09.2014	31.12.2013
Loans and advances to customers (gross)	45 205 303	43 078 011
- corporate customers	13 562 704	11 984 859
- individuals	31 642 599	31 093 152
Impairment write-offs	(1 358 187)	(1 312 331)
- for receivables from corporate customers	(802 465)	(730 886)
- for receivables from private individuals	(555 722)	(581 445)
Loans and advances to customers (net)	43 847 116	41 765 680

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

	01.01.2014 - 30.09.2014	01.01.2013 - 31.12.2013
Balance at the beginning of the period	1 312 331	1 237 586
Change in value of provisions:	45 856	74 745
Impairment write-offs created in the period	505 312	668 922
Amounts written off	(115 383)	(136 213)
Impairment write-offs released in the period	(285 082)	(437 189)
Sale of receivables	(63 881)	(20 691)
Changes resulting from FX rates differences	4 317	(302)
Other	573	218
Balance at the end of the period	1 358 187	1 312 331

Note (13) Investment financial assets available for sale

	30.09.2014	31.12.2013
Debt securities	10 769 357	8 240 418
Issued by State Treasury	5 490 503	5 134 748
a) bills	0	0
b) bonds	5 490 503	5 134 748
Issued by Central Bank	5 179 090	2 999 792
a) bills	5 179 090	2 999 792
b) bonds	0	0
Other securities	99 764	105 878
a) listed	0	0
b) not listed	99 764	105 878
Shares and interests in other entities	3 345	1 099
Other financial instruments	200	0
Total financial assets available for sale	10 772 902	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	27	233	0	6	670
- Write-offs released	(54)	0	0	0	(325)
- Utilisation	0	0	0	0	(144)
- Sale of assets	(14 946)	(1 850)	0	0	0
Balance as at 30.09.2014	1 632	17 952	3 988	142	18 263

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 / Provision from deferred income tax

	30.09.2014			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 and amortisation	78 700	(5 884)	72 816	78 772	(6 830)	71 942
Balance sheet valuation of financial instruments	263 418	(259 506)	3 912	250 040	(244 473)	5 567
Unrealised receivables/ liabilities on account of derivatives	35 314	(39 566)	(4 252)	61 138	(69 120)	(7 982)
Interest on deposits and securities to be paid/received	35 673	(91 170)	(55 497)	43 182	(96 791)	(53 609)
Interest and discount on loans and receivables	63	(28 791)	(28 728)	99	(27 370)	(27 271)
Income and cost settled at effective interest rate	51 250	(1 364)	49 886	23 800	(1 481)	22 319
Provisions for loans presented as temporary differences	99 583	0	99 583	102 916	0	102 916
Employee benefits	15 890	0	15 890	15 080	0	15 080
Provisions for costs	29 726	0	29 726	21 663	0	21 663
Valuation of investment assets and the valuation of cash flow hedge recognized in the revaluation reserve	27 130	(11 949)	15 181	30 834	(54)	30 780
Tax loss deductible in the future	2 420	0	2 420	1 708	0	1 708
Other	3 919	(4 370)	(451)	7 413	(5 070)	2 343
Net deferred income tax asset	643 086	(442 600)	200 486	636 645	(451 189)	185 456

Note (16) Liabilities to banks and other monetary institutions

	30.09.2014	31.12.2013
In current account	280 447	232 679
Term deposits	322 920	716 014
Loans and advances received	1 479 770	1 397 789
Interest	3 658	2 080
Total	2 086 795	2 348 562

Note (17) Structure of liabilities to customers by type

	30.09.2014	31.12.2013
Amounts due to private individuals	29 401 309	26 433 646
Balances on current accounts	13 925 316	13 181 014
Term deposits	15 286 976	13 012 235
Other	94 525	108 104
Accrued interest	94 492	132 293
Amounts due to companies	15 263 335	16 054 269
Balances on current accounts	4 139 894	3 721 816
Term deposits	10 834 534	12 034 345
Other	249 138	223 245
Accrued interest	39 769	74 863
Amounts due to public sector	2 770 184	2 817 206
Balances on current accounts	1 249 507	873 511
Term deposits	1 476 324	1 912 101
Other	39 052	28 164
Accrued interest	5 301	3 430
Total	47 434 828	45 305 121

Note (18) Change of debt securities

	01.01.2014 - 30.09.2014	01.01.2013 - 31.12.2013
Balance at the beginning of the period	701 352	900 016
Increases, on account of:	1 604 833	230 219
- issue of bonds by the Bank	1 477 809	0
- issue of Banking Securities	94 797	211 182
- interest accrual	32 227	19 037
Reductions, on account of:	(557 176)	(428 883)
- repurchase of Banking Securities	(102 854)	(216 205)
- repurchase of bonds by the Bank	(426 289)	(59 852)
- repurchase of bonds in leasing portfolio securitization transaction	0	(132 430)
- interest payment	(28 033)	(20 396)
Balance at the end of the period	1 749 009	701 352

Note (19) Provisions

	01.01.2014 - 30.09.2014	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	20 681	23 655
Release of provision	(27 714)	(12 387)
FX rates differences	20	7
Balance at the end of the period	26 725	33 738
Provision for contentious claims		
Balance at the beginning of the period	32 878	22 342
Charge of provision	38 973	15 992
Release of provision	(720)	(4 811)
Utilisation of provision	(436)	(645)
Balance at the end of the period	70 695	32 878
Total	97 420	66 616

5. CHANGES IN RISK MANAGEMENT PROCESS

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

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

Credit risk

In 3Q of 2014 the Group in the corporate and retail segment focused on further improving of the credit policy as well as the tools and processes of credit risk management.

In the corporate segment, in particular, the decision-making competences in the credit process and further improvements in the collateral policy were reviewed and updated. In addition, further improvements in the client's monitoring process were done. The Bank also continued to work on expanding credit offers, improving the risk models and the system reporting tools that support the credit processes.

In retail segment the Group continued the activities relating to optimization of methodology, tools and processes of credit risk management. In particular, this applied to initiatives relating to enhancement of the credit methodology and streamlining of consumer loans processes resulting from the expansion of the credit offer. These activities largely involved specific solutions for dedicated groups of customers.

Additionally in the retail segment, the Group reviewed and modified rules for the application of risk filters including the use of external information for credit assessment of customers according to on-going monitoring of credit portfolio quality.

Changes in the loan portfolio of the Group after III quarters 2014 are summarized below:

	30.09.2014		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	41 819 781	1 710 696	39 904 157	1 519 630
Overdue(*), but without impairment	1 456 105	0	1 270 808	0
Total without impairment (IBNR)	43 275 886	1 710 696	41 174 965	1 519 630
With impairment	1 929 417	0	1 903 046	0
Gross	45 205 303	1 710 696	43 078 011	1 519 630
Impairment provisions together with IBNR	(1 358 187)	(10)	(1 312 331)	(16)
Net	43 847 116	1 710 686	41 765 680	1 519 614
Loans with impairment / Total loans	4.27%	0.00%	4.42%	0.00%
Total impairment provision / Loans with impairment	70.39%		68.96%	

(*) Up to 4 days, Group considers a technical delay and classifies a not overdue.

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.

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 29.6 million and approx. PLN 34.6 million as of the end of September 2014. The market risk exposure in terms of value at risk in the Group, together with risk type division, is presented in the table below (thb PLN).

VaR measures for market risk

	30.09.2014		VaR (3Q 2014)			30.06.2014	
	Exposure	Average use of limit in period	Average	Maximum	Minimum	Exposure	Average use of limit in period
Total risk	34 588	12%	29 571	36 536	21 853	21 104	7%
Generic risk	31 953	11%	26 832	33 891	19 067	18 317	6%
Interest Rate VaR	32 009	11%	26 862	33 879	19 171	18 350	6%
FX Risk	253	2%	149	530	17	140	1%
Share price risk	0	0%	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	2 635	1%	2 739	2 787	2 635	2 787	1%

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 3Q of 2014, the 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 3Q of 2014, the stop loss limits were not reached.

In case of the Banking Book, in order to manage interest rate risk, the non-trading portfolio sensitivity analysis has been performed on the monthly basis and hedging strategies have been applied to mitigate this risk.

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. Apart from regular gap analysis of repricing gaps and interest rate sensitivity in terms of BPV for Group's assets and liabilities, in 3Q 2014 the Group has continued to run the additional analysis of which the one of the most important objectives was to ensure the maximisation and protection of Net Interest Income against the changes of market interest rates. In 3Q 2014, none of the internal limits for the interest rate risk in Banking Book were breached.

Liquidity risk

In 3Q 2014, the Group was characterized by strong liquidity position. All the internal liquidity indicators remained well above minimum limits in place. In 3Q 2014 the Group maintained Loan-to-Deposit ratio below 100% (as of end of September 2014 the ratio equalled to 91.4%). The liquidity surplus was still invested into the portfolio of liquid assets, especially the securities with low specific risk (Polish Government Bonds, Treasury and NBP Bills) that are characterized with high liquidity. Those assets can be easily collateralized or sold without material loss on its value. The share of government securities (including NBP Bills) in total securities portfolio in Banking Book (qualified as assets available for sale) amounted to 99% at the end of September 2014 that is 18% of total assets. The portfolio is treated as the Group's liquidity reserve, which will overcome crisis situations.

The main source of financing is still deposits base, the large, diversified and stable funding from retail, corporate and public sectors supplemented by the deposits from financial institution and other money market operations. The source of medium-term funding remains also medium-term loans, subordinated debt and own bonds issue.

The level of deposit concentration is regularly monitored and did not have any negative impact on the stability of the deposit base in 3Q 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.

In 3Q 2014 the Bank continued to explore the possibility of raising additional funding from bond issue in order to diversify the source of funding and managed to issue PLN 565 million of the 3-month term bonds in September.

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 terms of counterparties and maturity dates. For the majority of counterparties the Bank has signed a Credit Support Annex to the master agreements. As a result, in case of unfavourable changes of FX rates (PLN depreciation), the Bank is obliged to place deposits as collateral with counterparties in order to secure the settlement of derivative instruments in the future, and in case of favourable FX rates changes (PLN appreciation) receives deposits as collateral from the counterparty.

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 III 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 the 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 III 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 resulting in reduction of the frequency of incidents, as well as actions taken to reduce the financial impact of losses.

Capital management

Capital management in the Group consists of the following sub processes:

- Capital adequacy management,
- Capital allocation.

The purpose of capital adequacy management is to ensure solvency of the Group in the normal and stressed conditions (economic capital adequacy) and to meet the requirements specified in external regulations (regulatory capital adequacy).

Capital Adequacy Management is based on:

- ✓ measuring and monitoring of capital requirement for different risks and economic capital - both measures are monitored also in stressed conditions;
- ✓ measuring and monitoring of CAR, Tier 1 Ratio and Core Equity Tier 1 Ratio;
- ✓ measuring and monitoring of economic capital buffer and economic capital buffer in stressed conditions;
- ✓ monitoring the amount, structure and quality of own funds, to support business development, meet the recommendations of Supervisors and the expectations of other bodies (shareholders, depositors, rating agencies);
- ✓ initiating management actions aimed at increasing an amount and / or improve the quality of own funds and / or changes in the level of risk in the activity (control of capital adequacy).

Capital allocation purpose is to create value for shareholders by maximizing the return on risk in business activity, taking into account established risk appetite.

The Group is not subject of any externally imposed capital requirements under the second Pillar given by Supervisory Authorities.

The Group meets on regular basis its objectives for managing capital. Solvency is ensured in the normal and stressed conditions, both in terms of economic capital and regulatory capital requirements.

As what regards own funds, they consists mostly of high quality Core Tier 1 Capital. Concerning capital requirements, the Group uses internal ratings based method (IRB) of credit risk capital requirements calculation for retail residential real estate exposures and qualified revolving exposures, while for most of remaining portfolios corporate and other retail the Group is waiting for the consent from Supervisory Authorities for the use of IRB. Market and operational risk capital requirements are calculated along with standard methods.

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 products are mortgage loans, retail credit products, credit card revolving credit as well 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 - 30.09.2014

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Net interest income	868 988	242 802	(6 345)	1 105 445
Net fee and commission income	365 533	99 974	3 967	469 474
Dividends, other income from financial operations and foreign exchange profit	71 801	38 095	36 445	146 341
Other operating income and cost	(4 739)	(2 141)	(39 610)	(46 490)
Operating income	1 301 583	378 730	(5 543)	1 674 770
Staff costs	(282 037)	(105 099)	(22 513)	(409 649)
Administrative costs	(311 221)	(48 080)	(23 537)	(382 838)
Depreciation and amortization	(34 787)	(4 381)	(650)	(39 818)
Operating expenses	(628 045)	(157 560)	(46 700)	(832 305)
Impairment losses on assets	(68 484)	(132 684)	(320)	(201 488)
Operating Profit	605 054	88 486	(52 563)	640 977
Share in net profit of associated companies	0	0	0	0
Profit / (loss) before taxes	605 054	88 486	(52 563)	640 977
Income taxes				(147 729)
Profit / (loss) after taxes				493 248

Balance sheet items as at 30.09.2014

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Liabilities to customers	30 806 173	16 506 871	121 784	47 434 828
Loans and advances to customers	31 985 506	11 861 610	0	43 847 116

Income statement 1.01.2013 - 30.09.2013

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	684 685	238 803	(48 052)	875 436
Net fee and commission income	344 958	95 674	748	441 380
Dividends, other income from financial operations and foreign exchange profit	74 760	35 953	56 395	167 108
Other operating income and cost	(3 330)	(8 345)	10 855	(820)
Operating income	1 101 073	362 085	19 946	1 483 104
Staff costs	(293 468)	(96 216)	(21 642)	(411 326)
Administrative costs	(288 940)	(45 619)	(28 104)	(362 663)
Depreciation and amortization	(37 087)	(4 055)	(633)	(41 775)
Operating expenses	(619 495)	(145 890)	(50 379)	(815 764)
Impairment losses on assets	(97 741)	(72 604)	(550)	(170 895)
Operating Profit	383 837	143 591	(30 983)	496 445
Share in net profit of associated companies	0	0	(1 741)	(1 741)
Profit / (loss) before taxes	383 837	143 591	(32 724)	494 704
Income taxes				(101 942)
Profit / (loss) after taxes				392 762

Balance sheet items as at 31.12.2013

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Liabilities to customers	29 382 594	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 during III quarters 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 (the ultimate parent entity) - Banco Comercial Portugues (these transactions are mainly of banking nature).

	With parent entity		With other entities of parent Group	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
ASSETS				
Loans and advances to banks - accounts and deposits	5 314	4 027	2 275	31
Financial assets valued at fair value through profit and loss (held for trading)	0	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	12	38
LIABILITIES				
Deposits from banks	70 897	71 246	123 943	152 178
Debt securities	0	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	0	0	0	0
Hedging derivatives	70 216	127 058	0	0
Other liabilities	0	167	485	0

	With parent entity		With other entities of parent Group	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
INCOME FROM:				
Interest	10 060	14 503	0	0
Commissions	192	111	0	0
Other net operating income	0	0	168	350
EXPENSE FROM:				
Interest	2 005	2 180	140	960
Commissions	174	1 845	0	0
Financial instruments valued at fair value	153	249	3	4
General and administrative expenses	115	114	2 497	2 864

	With parent entity		With other entities of parent Group	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Conditional commitments	104 130	933 909	0	0
- granted	100 345	100 345	0	0
- obtained	3 785	833 564	0	0
Derivatives (par value)	620 600	1 225 020	0	0

7.2. Transactions with associated entities

The Company of the Group entered into a leasing agreement with an associated entity. Below are presented the book value of the contract and income associated with it.

	30.09.2014	31.12.2013
Loans and advances to customers	1 415	0
Interest income	113	0

7.3. Balance of the Bank's shares held by the Bank's Supervisory and Management Board Members

Name and surname	Function	Number of shares as of delivery date of quarterly report prepared as at 30.09.2014	Number of shares as presented in annual report for 2013
Joao Bras Jorge	Chairman of the Management Board	51 000	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 is 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 IFRS 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 not 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 (bonds (BM) and bank's securities (BPW)) 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.

The fair value of other liabilities arising from debt securities issued by the Bank (bonds (BKMO)) was estimated based on the expected cash flows using current interest rates taking into account the margin for credit risk. The current level of margins was appointed on the basis of recent transactions of similar credit risk.

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 30.09.2014 (data in PLN thousand):

ASSETS

	Note	Balance sheet value	Fair value
Loans and advances to banks	9	1 710 686	1 743 536
Loans and advances to customers *	12	43 847 116	42 309 684
LIABILITIES			
	Note	Balance sheet value	Fair value
Amounts due to banks	16	2 086 795	2 115 494
Amounts due to customers	19	47 434 828	47 445 651
Debt securities	20	1 749 009	1 762 071
Subordinated debt		630 534	624 582

* 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 30.09.2014

	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			315 057	96 481
- debt securities		962 051		
- shares and interests		1 685		
Hedging derivatives	11		45 399	
Financial assets available for sale	13			
- debt securities		5 490 503	5 179 090	99 764
- shares and other financial instruments		265	200	3 080
LIABILITIES				
Financial liabilities valued at fair value through profit and loss (held for trading)	17			
- derivatives and short sale of securities		282 569	317 767	97 442
Hedging derivatives	18		1 061 741	

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 III quarters 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	9 676	(9 983)	0	(5 955)	2 271
Change of valuation recognized in P&L account (including interests)	17 111	(18 116)	0	(159)	1
Balance on 30 September 2014	87 565	(88 536)	0	99 764	3 080

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 as 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 30 September 2014, in which Group companies acted as claimants or defendants before courts and arbitration bodies, was PLN 686.8 million. The total value of lawsuits, in which Group companies acted as defendants, was PLN 363.3 million and the total value of lawsuits, in which Group companies acted as claimants was PLN 323.5 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 loss of dispute as at 30 September 2014. 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	0.0
outflow of resources is possible	345.6
outflow of resources is probable	32.7
TOTAL	378.3

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 30 September 2014 the volume of claims in the court proceedings for which outflow of resource is considered to be possible amounted to PLN 345.6 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 category in this group are proceedings connected with derivatives with value in dispute amounted to PLN 271.6 million.

In terms of lawsuits connected with derivatives, the Group, as a defendant, was present together in 26 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.

On 21 October 2014 a group action was delivered to the Bank in which a group of the Bank's borrowers represented by the Municipal Consumer Ombudsman in Olsztyn seeks the ascertainment that the Bank is liable towards the same for unjust enrichment in connection with the CHF-indexed mortgage agreements. The members of the group claim that the Bank unduly collected excessive amounts from them for the repayment of loans. According to the statement of claim, the overstatement of such amounts was to result from the application of abusive contractual provisions concerning the CHF-indexation of credits. According to the statement of claim there are approx. 2,300 group members and the value of the subject matter of the dispute is defined at PLN 45.2 million. The Bank does not agree with the claims of the group members and will submit a response to the statement of claim in due time.

OFF-BALANCE ITEMS

Amount '000 PLN	30.09.2014	31.12.2013
Off-balance conditional commitments granted and received	7 379 414	8 710 455
Commitments granted:	7 355 795	7 815 492
- financial	6 253 376	6 692 280
- guarantee	1 102 419	1 123 212
Commitments received:	23 619	894 963
- financial	0	850 558
- guarantee	23 619	44 405

10. ADDITIONAL INFORMATION

10.1. Data on assets securing liabilities

As at 30 September 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	130 653
2.	Treasury bonds WZ0118	available for sale	Initial security deposit for bond futures	500	503
3.	Treasury bonds WZ0117	available for sale	Loan agreement	579 000	582 630
4.	Treasury bonds WZ0118	available for sale	Security of Guaranteed Deposit Protection Fund under the Bank Guarantee Fund	200 000	201 004
5.	Treasury bonds WZ0117	available for sale	Security of Guaranteed Deposit Protection Fund under the Bank Guarantee Fund	71 000	71 445
6.	Cash		Payment to the Futures Settlement Guarantee Fund	100	100
7.	Deposits	Deposits in banks	Settlement on transactions concluded	919 125	919 125
TOTAL				1 899 725	1 905 460

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 Deposit Protection Fund under the Bank Guarantee Fund	15 000	15 177
6.	Treasury bonds WZ0118	available for sale	Security of Guaranteed Deposit Protection Fund under the Bank Guarantee Fund	200 000	201 060
7.	Treasury bonds WZ0117	available for sale	Security of Guaranteed Deposit 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 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 Shareholders Meeting held on 10 April 2014, the Bank on 21 May 2014 paid out the dividend from the profit for the year ended 31 December 2013 amounting to PLN 0.22 per share (paying a total of PLN 266,886 ths).

10.3. Earnings per share

Profit per share calculated for III quarters 2014 (and diluted profit per share) on the basis of the consolidated data amounted to PLN 0.41.

10.4. Shareholders holding no less than 5% of the total number of votes at the General Shareholders 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 September 30, 2014. Information on the shareholders: Banco Comercial Portugues S.A. and ING OFE 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 3 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

Shareholders structure 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

During III 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 30 September 2014 to exceed 10% of the Group's equity as at the balance sheet date.

10.6. Seasonality and business cycles

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

10.7. Description of non-standard factors and events

During Group's activity in the III quarters of 2014 (and in the comparative period. i.e. III quarters of 2013) there were no significant unusual events.

10.8. Other additional information

As at 30 September 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,
- change the method of determining the estimated values, which would exert a significant influence on the current interim period.

Moreover, between the date on which this report is drawn up and the date of its publication, in the opinion of the Group 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 NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 2014.

Condensed interim 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 nine months period ended 30 September 2014. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the nine months period ended 30 September 2014 contain all important information, which also serves as explanatory data to these standalone statements of the Bank.

The Board of Directors approved this condensed standalone interim financial statement on 23 October 2014.

2. STANDALONE FINANCIAL DATA (BANK)

INCOME STATEMENT

Amount '000 PLN	1.01.2014 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
Interest income	1 884 511	648 192	1 945 786	607 961
Interest expense	(858 461)	(299 974)	(1 149 979)	(322 454)
Net interest income	1 026 050	348 218	795 807	285 507
Fee and commission income	484 140	156 385	477 130	154 777
Fee and commission expense	(46 169)	(15 867)	(65 595)	(22 409)
Net fee and commission income	437 971	140 518	411 535	132 368
Dividend income	28 605	0	29 015	467
Result on investment financial assets	14 905	14	20 084	3 741
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	131 497	49 400	144 926	44 726
Other operating income	17 117	5 355	30 955	5 714
Operating income	1 656 145	543 505	1 432 322	472 523
General and administrative expenses	(751 850)	(251 020)	(732 289)	(236 465)
Impairment losses on financial assets	(188 162)	(58 227)	(157 846)	(51 920)
Impairment losses on non financial assets	(345)	7	(490)	(49)
Depreciation and amortization	(38 588)	(12 652)	(40 449)	(12 475)
Other operating expenses	(68 853)	(17 541)	(34 845)	(15 493)
Operating expenses	(1 047 798)	(339 433)	(965 919)	(316 402)
Operating profit	608 347	204 072	466 403	156 121
Profit / (loss) before taxes	608 347	204 072	466 403	156 121
Corporate income tax	(134 819)	(46 150)	(89 689)	(32 997)
Profit / (loss) after taxes	473 528	157 922	376 714	123 124
Weighted average number of ordinary shares	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Earnings (losses) per ordinary share (in PLN)	0.39	0.13	0.31	0.10

TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2014 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
Profit / (loss) after taxes	473 528	157 922	376 714	123 124
Other elements of total comprehensive income. including:				
Effect of valuation of available for sale debt securities	64 497	42 170	(60 299)	4 930
Effect of valuation of available for sale shares	0	0	0	0
Hedge accounting	17 633	16 922	36 037	67 429
Other elements of total comprehensive income before taxes	82 130	59 092	(24 262)	72 359
Corporate income tax on other elements of total comprehensive income	(15 605)	(11 227)	4 609	(13 748)
Other elements of total comprehensive income after taxes	66 525	47 865	(19 653)	58 611
Total comprehensive income of the period	540 053	205 787	357 061	181 735

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

<i>Amount '000 PLN</i>	30.09.2014	31.12.2013
Cash, balances with the Central Bank	1 704 999	3 411 940
Deposits, loans and advances to banks and other monetary institutions	1 710 686	1 519 595
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	1 401 183	853 058
Hedging derivatives	45 399	211 395
Loans and advances to customers	43 386 285	41 087 590
Investment financial assets	10 772 437	8 241 226
- available for sale	10 772 437	8 241 226
- held to maturity	0	0
Investments in associates	227 999	298 007
Receivables from securities bought with sell-back clause (loans and advances)	381 830	242 061
Property, plant and equipment	143 653	158 943
Intangible assets	37 234	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	126 752	113 131
Other assets	257 031	291 680
Total Assets	60 255 703	56 529 066

LIABILITIES AND EQUITY

Amount '000 PLN	30.09.2014	31.12.2013
LIABILITIES		
Liabilities to banks and other monetary institutions	2 012 476	2 202 585
Financial liabilities valued at fair value through profit and loss (held for trading)	715 971	575 189
Hedging derivatives	1 061 741	930 346
Liabilities to customers	47 526 647	45 448 660
Liabilities from securities sold with buy-back clause	321 324	116 803
Debt securities	1 749 909	701 352
Provisions	93 869	63 066
Deferred income tax liabilities	0	8 217
Current tax liabilities	26 110	0
Other liabilities	868 159	884 467
Subordinated debt	630 534	622 585
Total Liabilities	55 006 740	51 553 270
EQUITY		
Share capital	1 213 117	1 213 117
Share premium	1 147 241	1 147 241
Revaluation reserve	(64 926)	(131 451)
Retained earnings	2 953 531	2 746 889
Total Equity	5 248 963	4 975 796
Total Liabilities and Equity	60 255 703	56 529 066
Book value	5 248 963	4 975 796
Number of shares	1 213 116 777	1 213 116 777
Book value per share (in PLN)	4.33	4.10

STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	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 III quarters 2014	540 053	0	0	66 525	473 528
- dividend payment	(266 886)	0	0	0	(266 886)
Equity at the end of the period 30.09.2014	5 248 963	1 213 117	1 147 241	(64 926)	2 953 531

Amount '000 PLN	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

Amount '000 PLN	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 III quarters 2013	357 061	0	0	(19 653)	376 714
Equity at the end of the period 30.09.2013	4 832 929	1 213 117	1 147 241	(154 257)	2 626 828

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2014 - 30.09.2014	1.01.2013 - 30.09.2013
Profit (loss) after taxes	473 528	376 714
Total adjustments:	(743 310)	2 691 162
Interests in net income (loss) of associated companies	0	0
Depreciation and amortization	38 588	40 449
Foreign exchange (gains) losses	10 483	49 019
Dividends	(28 605)	(29 015)
Changes in provisions	30 803	10 814
Result on sale and liquidation of investing activity assets	(15 949)	(21 810)
Change in financial assets valued at fair value through profit and loss (held for trading)	(366 308)	(54 949)
Change in loans and advances to banks	(237 274)	(131 413)
Change in loans and advances to customers	(2 294 534)	(1 859 403)
Change in receivables from securities bought with sell-back clause (loans and advances)	(139 769)	(496 944)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	272 177	416 412
Change in deposits from banks	(305 999)	118 829
Change in deposits from customers	2 077 987	3 799 894
Change in liabilities from securities sold with buy-back clause	204 521	574 538
Change in debt securities	(12 077)	(48 349)
Change in income tax settlements	134 660	88 920
Income tax paid	(142 637)	(131 474)
Change in other assets and liabilities	18 341	354 307
Other	12 282	11 337
Net cash flows from operating activities	(269 782)	3 067 876

B. CASH FLOWS FROM INVESTING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2014 - 30.09.2014	1.01.2013 - 30.09.2013
Inflows from investing activities:	105 099	36 749
Proceeds from sale of property, plant and equipment and intangible assets	6 494	7 734
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	0	0
Other investing inflows	98 605	29 015
Outflows from investing activities:	(304 918)	(2 315 592)
Acquisition of property, plant and equipment and intangible assets	(29 988)	(19 968)
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	(274 930)	(2 295 624)
Other investing outflows	0	0
Net cash flows from investing activities	(199 819)	(2 278 843)

C. CASH FLOWS FROM FINANCING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2014 - 30.09.2014	1.01.2013 - 30.09.2013
Inflows from financial activities:	1 689 137	60 000
Long-term bank loans	211 328	60 000
Issue of debt securities	1 477 809	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other financial inflows	0	0
Outflows from financial activities:	(793 432)	(113 473)
Repayment of long-term bank loans	(93 070)	(96 269)
Redemption of debt securities	(417 175)	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	(266 886)	0
Other financial outflows	(16 301)	(17 204)
Net cash flows from financing activities	895 705	(53 473)

D. NET CASH FLOWS. TOTAL (A + B + C)	426 104	735 560
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)	7 178 644	7 029 681

3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

As at 30 September 2014, the Bank has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed statement, Bank 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,
- change the method of determining the estimated values, which would exert a significant influence on the current interim period.

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

During Bank's activity in the III quarters of 2014 (and in the comparative period. i.e. in the III quarters of 2013) there were no significant unusual events and in Bank's activity there are no significant phenomena, which are cyclical or subject to seasonal variations.

Disclosures concerning the fair value of financial instruments recognized in the balance sheet at fair value (IFRS 13) and financial instruments not recognized in the balance sheet at fair value (IFRS 7) are presented on pages 44-47. The values presented are included on a consolidated basis and because of the negligible impact of consolidated companies on the presented values, these data are not disclosed separately for the Bank.

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

	01.01.2014 - 30.09.2014	01.01.2013 - 31.12.2013
Balance at the beginning of the period	1 190 184	1 093 170
Change in value of provisions:	37 824	97 014
Write-offs in the period	410 367	532 658
Amounts written off	(108 263)	(98 445)
Reversal of write-offs in the period	(204 972)	(316 525)
Write-offs decrease due to sale of receivables	(63 881)	(20 691)
Changes resulting from FX rates differences	4 000	(201)
Other	573	218
Balance at the end of the period	1 228 008	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	27	0	233	0	670
- Write-offs released	(54)	0	0	0	(325)
- Utilisation	0	0	0	0	(142)
- Sale of assets	(14 946)	0	(1 850)	0	0
Balance as at 30.09.2014	1 632	4 593	17 931	0	17 775

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 - 30.09.2014	01.01.2013 - 30.09.2013
Impairment losses on loans and advances to customers	(195 222)	(150 515)
- Impairment charges on loans and advances to customers	(410 377)	(450 020)
- Reversal of impairment charges on loans and advances to customers	204 988	290 902
- Amounts recovered from loans written off	2 238	1 055
- Result from sale of receivables portfolio	7 929	7 548
Impairment losses on investment securities	27	89
- Impairment write-offs for investment securities	(27)	89
- Reversal of impairment write-offs for investment securities	54	0
Impairment losses on investments in associates	0	(1 741)
- Impairment write-offs for investments in associates	0	(3 059)
- Reversal of impairment write-offs for investments in associates	0	1 318
Impairment losses on off-balance sheet liabilities	7 033	(5 679)
- Impairment write-offs for off-balance sheet liabilities	(20 681)	(13 695)
- Reversal of impairment write-offs for off-balance sheet liabilities	27 714	8 016
Total	(188 162)	(157 846)

Creation, charge, utilisation and release of provisions

	01.01.2014- 30.09.2014	01.01.2013 - 30.09.2013
Provision for off-balance sheet commitments		
Balance at the beginning of the period	33 738	22 463
Charge of provision	20 681	13 695
Release of provision	(27 714)	(8 016)
FX rates differences	20	12
Balance at the end of the period	26 725	28 154
Provision for contentious claims		
Balance at the beginning of the period	29 327	18 242
Charge of provision	38 623	6 380
Release of provision	(470)	(1 185)
Utilisation of provision	(336)	(72)
Balance at the end of the period	67 144	23 365
Total	93 869	51 519

Assets and provision from deferred income tax

	30.09.2014			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 and amortisation	5 026	0	5 026	5 401	0	5 401
Balance sheet valuation of financial instruments	260 210	(259 506)	704	246 914	(244 472)	2 442
Unrealised receivables/ liabilities on account of derivatives	35 314	(39 566)	(4 252)	61 138	(69 120)	(7 982)
Interest on deposits and securities to be paid/ received	34 819	(90 946)	(56 127)	42 563	(96 674)	(54 111)
Interest and discount on loans and receivables	0	(28 022)	(28 022)	0	(26 588)	(26 588)
Income and cost settled at effective interest rate	51 084	(120)	50 964	23 592	(173)	23 419
Provisions for loans presented as temporary differences	99 583	0	99 583	102 916	0	102 916
Employee benefits	14 837	0	14 837	14 003	0	14 003
Provisions for future costs	28 187	0	28 187	19 640	0	19 640
Valuation of investment assets and the valuation of cash flow hedge recognized in the revaluation reserve	27 130	(11 900)	15 230	30 834	0	30 834
Other	2 794	(2 172)	622	6 100	(2 943)	3 157
Net deferred income tax asset	558 984	(432 232)	126 752	553 101	(439 970)	113 131

4. STATEMENT OF RELATED PARTY TRANSACTIONS

All the transactions concluded between the Group entities in the period from 1 January 2014 to 30 September 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 MAKLEPSKI 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 30.09.2014

	With subsidiaries	With parent entity	With other entities of parent Group
ASSETS			
Loans and advances to banks - accounts and deposits	0	5 314	2 275
Loans and advances to customers	3 500 134	0	0
Investments in associates	224 992	0	0
Financial assets valued at fair value through profit and loss (held for trading)	2 687	0	0
Hedging derivatives	0	0	0
Other assets	124 446	0	12
LIABILITIES			
Deposits from banks	0	70 897	123 943
Deposits from customers	213 763	0	0
Liabilities from securities sold with buy-back clause	7 014	0	0
Liabilities from debt securities	900	0	0
Hedging derivatives	0	70 216	0
Financial liabilities valued at fair value through profit and loss (held for trading)	3	0	0
Subordinated debt	630 534	0	0
Other liabilities	86 837	0	485
- including liabilities from financial leasing	70 037	0	0

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

	With subsidiaries	With parent entity	With other entities of parent Group
ASSETS			
Loans and advances to banks - accounts and deposits	0	4 027	31
Loans and advances to customers	2 770 629	0	0
Investments in associates	295 000	0	0
Financial assets valued at fair value through profit and loss (held for trading)	2 678	0	0
Hedging derivatives	0	0	0
Other assets	159 147	0	38
LIABILITIES			
Deposits from banks	0	71 246	152 178
Deposits from customers	275 123	0	0
Liabilities from securities sold with buy-back clause	2 002	0	0
Hedging derivatives	0	127 058	0
Financial liabilities valued at fair value through profit and loss (held for trading)	91	0	0
Subordinated debt	622 585	0	0
Other liabilities	87 452	167	0
- including liabilities from financial leasing	69 044	0	0

Profit and loss on transactions with related parties (data in '000 PLN) for the period of 1.01-30.09.2014

	With subsidiaries	With parent entity	With other entities of parent Group
INCOME FROM:			
Interest	62 434	10 060	0
Commissions	41 649	192	0
Financial instruments valued at fair value	283	0	0
Dividends	26 763	0	0
Other net operating income	529	0	168
EXPENSE FROM:			
Interest	15 062	2 005	140
Commissions	42	174	0
Financial instruments valued at fair value	0	153	3
General and administrative expenses	71 663	0	2 497

Profit and loss on transactions with related parties (data in '000 PLN) for the period of 1.01-30.09.2013

	With subsidiaries	With parent entity	With other entities of parent Group
INCOME FROM:			
Interest	63 837	14 503	0
Commissions	41 091	111	0
Financial instruments valued at fair value	145	0	0
Dividends	27 383	0	0
Other net operating income	1 452	0	350
EXPENSE FROM:			
Interest	16 540	2 180	960
Commissions	16	1 845	0
Financial instruments valued at fair value	0	249	4
General and administrative expenses	71 711	0	2 864

Off-balance transactions with related parties (data in '000 PLN) as at 30.09.2014

	With subsidiaries	With parent entity	With other entities of parent Group
Conditional commitments	36 671	104 130	0
- granted	34 820	100 345	0
- received	1 850	3 785	0
Derivatives (par value)	99 882	620 600	0

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

	With subsidiaries	With parent entity	With other entities of parent Group
Conditional commitments	37 041	933 909	0
- granted	35 571	100 345	0
- received	1 470	833 564	0
Derivatives (par value)	57 225	1 225 020	0

5. ADDITIONAL INFORMATION

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

During the nine months ended September 30, 2014 the Bank's liabilities from debt securities grew by PLN 1,048.6 million, which was caused mainly by the fact that the Bank continued to issue bonds floating (unsecured) as part of an ongoing 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).

5.2. Off-balance sheet liabilities

As at 30 September 2014 and 31 December 2013, the structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	30.09.2014	31.12.2013
Off-balance conditional commitments granted and received	7 416 084	8 747 496
Commitments granted:	7 390 615	7 851 063
- financial	6 253 426	6 693 043
- guarantee	1 137 189	1 158 020
Commitments received:	25 469	896 433
- financial	0	850 558
- guarantee	25 469	45 875