

Report of the Bank Millennium S.A. Capital Group for 3 quarter 2012



MAIN CONSOLIDATED FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	Period from 1.01.2012 - 30.09.2012	Period from 1.01.2011 - 30.09.2011*	Period from 1.01.2012 - 30.09.2012	Period from 1.01.2011 - 30.09.2011*
Interest income	2 319 176	1 979 947	552 869	489 928
Fee and commission income	493 352	492 645	117 610	121 903
Operating income	1 482 712	1 448 587	353 464	358 446
Operating profit	430 193	432 979	102 554	107 139
Profit (loss) before taxes	433 991	433 859	103 459	107 356
Profit (loss) after taxes	346 316	341 395	82 558	84 477
Total comprehensive income of the period	88 463	464 829	21 089	115 020
Net cash flows from operating activities	2 790 937	(1 021 801)	665 333	(252 840)
Net cash flows from investing activities	(1 072 730)	2 090 234	(255 729)	517 218
Net cash flows from financing activities	2 821	(1 219 193)	672	(301 683)
Net cash flows, total	1 721 028	(150 760)	410 277	(37 305)
Total Assets	52 256 672	50 838 099	12 702 774	11 510 166
Deposits from banks	2 229 179	1 831 577	541 878	414 684
Deposits from customers	41 293 339	37 427 835	10 037 760	8 473 971
Equity	4 674 708	4 586 245	1 136 348	1 038 364
Share capital	1 213 117	1 213 117	294 890	274 660
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)	3.85	3.78	0.94	0.86
Diluted book value per share (in PLN/EUR)	3.85	3.78	0.94	0.86
Capital adequacy ratio	12.96%	13.23%	12.96%	13.23%
Earnings (losses) per ordinary share (in PLN/EUR)	0.29	0.28	0.07	0.07
Diluted earnings (losses) per ordinary share (in PLN/EUR)	0.29	0.28	0.07	0.07
Pledged or paid dividend per share (in PLN/EUR)	-	0.10	-	0.03

* Comparative balance sheet data were presented, in compliance with IFRS requirements, as at 31.12.2011. Other comparative data are presented for the period from 1.01.2011 to 30.09.2011.

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: 4.1138 PLN/EURO - the exchange rate of 30 September 2012 (for comparative data as at 31 December 2011: 4.4168 PLN/EURO),
- for profit and loss account items for the period from 1 January - 30 September 2012: 4.1948 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 2011: 4.0413 PLN/EURO).

INFORMATION ABOUT THE ACTIVITY OF BANK MILLENNIUM CAPITAL GROUP DURING 3 QUARTER OF 2012

Bank Millennium Group (the "Group") consolidated net profit amounted to PLN 346,3 million during three quarters of 2012, which is a 1.4% increase when compared to corresponding period of 2011.

This growth was driven by an increase of net revenue (+2.6% y/y) accompanied by a strict cost management (-0.6% y/y). This positive evolution allowed to reach a historical best level of cost-to-income ratio of 56.4% during third quarter 2012. Positive surplus generated by the main operating items more than compensated the growth of risk provisions, which happened mainly in the corporate portfolio. Despite that, average asset quality ratio was relatively stable at 5.0-5.2% level during three quarters of 2012. Coverage by provisions of impaired loans reached at the end of September 61% level.

Third quarter of 2012 brought continuation of deposits growth (+3.5% q/q), now driven mainly by retail segment. On the loans side there was a moderate growth (0.6% q/q) when adjusted by FX rates changes, whereas without such adjustment there was a decrease of loan portfolio (-1.7% q/q). This evolution of main balance sheet items during 3Q caused a remarkable improvement of liquidity position of the Group: Loans-to-deposits ratio reached 96%, which is the lowest level since 3Q 2008.

Bank Millennium performed recently a strategic review of its business in order to update the strategic priorities for the medium term. This review took into consideration the macroeconomic background and future prospects, the Bank's achievements in recent years, the trends of the banking industry and also the level of Bank's ambition to achieve superior performance and generate value for shareholders, clients and employees. Main assumptions, priorities and targets of this new strategy update are presented in today's current report published together with this quarterly report.

Macroeconomic situation

The third quarter of 2012 showed deterioration in the Polish economy. Already in the second quarter, the GDP growth slowed to 2.3% year-on-year from 3.6% year-on-year in the first three months of this year. Growth of investments in fixed assets went down markedly to 1.3% year-on-year in Q2 from 6.0% year-on-year in the Q1 2012 mainly because of diminishing investments in infrastructure and dwellings. However it's worth to mention that Polish companies continued investments in fixed assets to modernize their capacity. In the same time individual consumption remained weak and its pace of growth slowed to 1.2% year-on-year from 1.7% year-on-year in Q1 2012 on the back of deteriorating situation in the Polish labour market, higher inflation and low growth of households' real disposable income. Expected slowdown in inflation and interest rate cuts might support consumption in next quarters.

On the supply side of the GDP, there was a strong deceleration of the value added in construction. The expected improvement in the sector ahead of the EURO 2012 tournament turned out to be tiny. The preliminary results for Q3 suggest that contraction in construction output continued driven by diminishing investments in infrastructure and deteriorating situation in residential construction. Value added in industry sector slowed down as well, driven by slower external demand and reduction in export orders because of worse prospects for the Eurozone. However, it is worth to note that Polish companies increased sales to non-European markets which makes them less vulnerable to the recession in Eurozone.

Polish companies refrained from increasing employment because of uncertainty about global economic growth. The registered unemployment rate reached in September 12.4% and was by 0.6 p.p. higher than in the comparing periods of the previous year, which points to deterioration in the Polish labour market. In the same time growth of average earnings remained moderate, which coupled with elevated inflation reduced purchasing power of households' income.

CPI inflation declined slightly in Q3 2012 to 3.8% year-on-year, however it remained clearly above the central bank's inflation target. The headline inflation was mainly influenced by supply factors, especially food and fuel prices. Demand pressure remained subdued, and core inflation excluding food and energy went down to 1.9% year-on-year. In next months the headline inflation is expected to go down following diminishing statistical base effects and slower economic growth.

After a 25 basis points hike of interest rates in May 2012, the Monetary Policy Council kept the reference rate unchanged during the third quarter 2012. However, signs of decelerating economic growth and prospects of slowdown in inflation intensified expectations for rates cuts. In October the MPC send a strong signal that it will cut interest rates if coming data, especially projection of inflation and GDP, confirm weakness of an economic growth and low inflationary pressure. Currently, interest rate market is pricing in rate cuts by 100 bps in a one year's horizon, which is in line with Bank's expectations.

In the third quarter the upward trend in households' deposits continued, supported by higher nominal interest rates and growing risk aversion. However, the rate of its growth was gradually falling on the back of slower incomes growth. The nominal value of households' deposits in September was 6.3 billion zlotys higher than in June and by 21.4 billion zlotys as compared to December 2011. Significant deceleration was also observed in deposits of corporate sector, which nominal value was by 10.6 billion zlotys lower compared to December 2011. The decline was also observed in a loan portfolio dynamics, partly because of zloty's appreciation. Annual dynamics of total loans slowed down to 4.0% year-on-year in September from 13.7% year-on-year in December 2011. In the same time there was a stabilization in quality of assets portfolio, both in households' and corporate sector.

Group profit and loss account in 1-3 quarters 2012

Operating Income (PLN million)	1-3Q 2012	1-3Q 2011	Change y/y	3Q 2012	2Q 2012	Change q/q
Net Interest Income *	919.7	890.4	3.3%	310.7	313.6	-0.9%
Net Commissions Income	413.3	433.0	-4.5%	134.6	146.1	-7.9%
CORE INCOME**	1 333.0	1 323.3	0.7%	445.4	459.7	-3.1%
Other Non-Interest Income ***	103.4	77.4	33.7%	43.9	30.1	46.0%
Total Operating Income	1 436.5	1 400.7	2.6%	489.3	489.8	-0.1%

(*) Pro-forma data: Net Interest Income includes margin from all derivatives. From 1st January 2006 the Bank started to treat under hedge accounting principles the combination of mortgage floating rate foreign currency loans, floating rate PLN deposits and related cross currency interest rate swaps (and from 1st of April 2009 also FX swaps). 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 40.7 million in 1-3Q 2012 and PLN 46.0 million in 1-3Q 2011) is presented in Other Non-Interest Income. In the Bank's opinion, such approach allows better understanding of the real evolution of this item from economic point of view.

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

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

Net Interest Income (pro-forma) reached PLN 919.7 million in 1-3 quarters 2012 growing by 3.3% versus corresponding period of 2011. In quarterly terms net interest decreased slightly by 0.9% in 3Q'12 versus 2Q reaching PLN 310.7 million. The decrease resulted from lower Net Interest Margin in 3Q 2012 (2.4%, calculated on interest earnings assets) due to competitive deposit market and dropping market rates. Net Interest Margin in 1-3 quarters 2012 stood almost at the same level of 2.5% as in 1-3 quarters 2011.

Net Commissions Income for 1-3 quarters 2012 reached PLN 413.3 million which means 4.5 % less in annual terms. Lending and bancassurance fees showed positive trend, which partly offset the lower other commissions. The value of Net Commissions Income in 3Q'12 alone was lower by 7.9% compared to 2Q'12 due to exceptionally high level of commissions in this particular quarter.

Core income, defined as a combination of net interest and commission income, grew by 0.7% compared to 1-3 quarters 2011 to the amount of PLN 1,333.0 million.

Other non-interest income visibly grew by 33.7% versus 1-3 quarters 2011 mostly thanks to better FX income and also better result on fixed income instruments in 3Q'12.

Total operating income of the Group reached PLN 1,436.5 million in 1-3 quarters 2012 and increased by 2.6% yearly. The quarterly value of operating income in 3Q'12 was on similar level as in the previous quarter.

Operating Costs (PLN million)	1-3Q 2012	1-3Q 2011	Change y/y	3Q 2012	2Q 2012	Change q/q
Personnel Costs	(421.2)	(404.9)	4.0%	(140.1)	(138.7)	0.9%
Other Administrative Costs*	(414.2)	(435.4)	-4.9%	(135.7)	(138.4)	-1.9%
Total Operating Costs	(835.4)	(840.4)	-0.6%	(275.8)	(277.1)	-0.5%
Cost/Income Ratio	58.2%	60.0%	-1.8 p.p.	56.4%	56.6%	-0.2 p.p.

(*) including depreciation

Total costs in 1-3 quarters 2012 amounted to PLN 835.4 million, which means a decrease by 0.6% compared to the corresponding period of 2011. Total costs fell for the fourth consecutive quarter and reached PLN 275.8 million in 3Q 2012 and were 0.5% lower than the level of 2Q 2012. The main driver of the cost decrease in both annual and quarterly terms, were lower other administrative costs (including depreciation).

Personnel costs grew by 4.0% yearly, partially due to new social security charges introduced in 2012 year. In quarterly terms personnel costs increased by 0.9% in 3Q 2012 versus 2Q 2012. Total number of employees in the Group decreased slightly by 3.1% compared to the end of September 2011 to 6,059 persons (in Full Time Equivalents).

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

Employment structure (in FTEs)	30.09.2012	30.06.2012	30.09.2011	Change 2012/2011
Bank Millennium S.A.	5 682	5 770	5 856	-3.0%
Subsidiaries	377	389	395	-4.6%
Total Bank Millennium Group	6 059	6 159	6 251	-3.1%

Other administrative costs (including depreciation) in 1-3 quarters 2012 fell by 4.9% compared to 1-3 quarters 2011, caused mainly by lower marketing spendings, IT and telecom costs as well as depreciation. In quarterly terms other administrative costs (including depreciation) decreased in 3Q'12 by 1.9% q/q to the level of PLN 135.7 million.

Cost-to-Income ratio improved both yearly and quarterly and reached 58.2% in 1-3 quarters 2012, i.e. by 1.8 p.p. less than in corresponding period of 2011. The ratio for 3Q 2012 reached the historical lowest level of 56.4% (lower by 0.2 p.p. than in 2Q 2012).

Total net impairment provisions created by the Group during 1-3 quarters 2012 amounted to PLN 170.9 million and were higher by 34.2% than the value for corresponding period, due to higher provisions in corporate portfolio (especially during 2Q 2012 in the construction sector). In 3Q 2012 the level of provisions was visibly lower (by 19.8%) than in 2Q 2012. In relative terms (i.e. compared to the average net loans) total provisions created in 1-3 quarters 2012 stood at 56 bps level i.e. similar as the level for 1 half 2012 (55 bps).

Pre-tax Income for 1-3 quarters 2012 amounted to PLN 434.0 million, which very similar figure compared to the gross income for 1-3 quarters 2011. **Net Income** for the analysed period increased to PLN 346.3 million i.e. by 1.4% compared to the value of 1-3 quarters 2011. The growth, although supported by operating income increase by 2.6% y/y and cost reduction by 0.6% y/y, was adversely affected by higher provisions. In quarterly terms net profit grew by 12.7% from PLN 111.1 million in 2Q 2012 to PLN 125.1 million in 3Q 2012.

Pre-tax Income and Net Income (PLN million)	1-3Q 2012	1-3Q 2011	Change y/y	3Q 2012	2Q 2012	Change q/q
Operating Income	1 436.5	1 400.7	2.6%	489.3	489.8	-0.1%
Operating Costs *	(835.4)	(840.4)	-0.6%	(275.8)	(277.1)	-0.5%
Impairment provisions	(170.9)	(127.4)	34.2%	(59.3)	(73.9)	-19.8%
Pre-tax Income	434.0	433.9	0.0%	154.5	139.1	11.1%
Income tax	(87.7)	(92.5)	-	(29.4)	(28.1)	-
Net Income	346.3	341.4	1.4%	125.1	111.1	12.7%

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

Business results after 3Q 2012

Total assets of the Group reached PLN 52,257 million as at 30 September 2012, which means an increase by 4.5% compared to 30 September 2011.

Total customer funds of Bank Millennium Group reached PLN 46,279 million which means a 13.6% growth year-on-year and 2.9% growth quarter-on-quarter. The strong annual growth of customer funds resulted from both: strong growth of deposits by 12.6% and growth of investment products by 23.9%. In 3Q 2012 we could observe high increase of retail deposits by 6.1% quarter-on-quarter (and 14% year-on-year), whereas companies deposits were stable quarterly (-0.2%) but kept high yearly growth of 10.6%.

Bank Millennium is continuing the “Dobre Konto” account campaign. Total number of this new current accounts reached 335 ths. at the end of September and was the main driver of visible growth of total current accounts and payment cards of individuals (which reached the levels of 1,755 ths. and 1,591 ths. respectively). Cross-selling ratio for retail customers also increased to 3.82 products per customer as at the end of September 2012.

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

Customer Funds (PLN million)	30.09.2012	30.06.2012	30.09.2011	Change y/y	Change q/q
Deposits of individuals *	25 097.0	23 644.6	22 021.4	14.0%	6.1%
Deposits of Companies and public sector	16 636.2	16 677.4	15 042.9	10.6%	-0.2%
Total Deposits	41 733.2	40 322.0	37 064.3	12.6%	3.5%
Investment products **	4 546.3	4 634.2	3 668.3	23.9%	-1.9%
Total Customer Funds	46 279.5	44 956.1	40 732.6	13.6%	2.9%

(*) including retail bonds issued by the Bank

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

Total loans of Bank Millennium Group reached PLN 40,548 million (in net terms) as at the end of September 2012, which means slight decrease by 1.3% versus corresponding date of last year. However, if not Polish currency appreciation, the loan portfolio would have grown by 2.2%. In quarterly terms the portfolio decreased by 1.7% and also in this case the only reason of the decrease was PLN appreciation (+0.6% growth without FX effect).

Loans to households amounted to PLN 30,156 million as at 30 September 2012 and decreased by 2.6% year-on-year due to mortgage portfolio contraction by 3.0% whereas other retail loans grew by 1.7% year-on-year. The decrease of mortgage loans resulted from FX rates effect - without this effect the portfolio would have grown by 1.8% year-on-year. In the mortgage portfolio FX loans has been decreasing whereas PLN loans show strong growth: +23.6% year-on-year. In quarterly terms the loans to households decreased by 2.3%, also as an effect of FX rates changes, but non-mortgage consumer loans alone increased by 2.4% quarterly.

According to the new sales priorities, Bank Millennium is increasing sale of consumer loans. During 3Q 2012 cash loans quarterly sale reached PLN 264 million level, 19.5% higher than in the previous quarter. In yearly terms sale of new cash loans increased by 37% and reached PLN 694 million level since the beginning of this year. Disbursement of new mortgage loans in 3Q 2012 reached PLN 467 million, and accumulated disbursement of mortgage loans for 1-3 quarters 2012 amounted to PLN 1,519 million i.e. 4.5% lower level than in corresponding period of 2011.

Loans to companies (including leasing) amounted to PLN 10,391 million as at 30 September 2012 and increased by 2.6% year-on-year. Some contraction in leasing exposure by 0.7% year-on-year (also affected by PLN appreciation) was offset by other loans to companies, which grew by 4.2% year-on-year. In quarterly terms loans to companies resulted minor decrease by 0.1%, also due to contraction in leasing.

Lower leasing quarterly sales (PLN 362 million) is driven by overall market trend, where 3Q 2012 brought visible slowdown in a new leasing financing. However, yearly sales in 9 months of 2012 is still 8% higher than in the previous year. Factoring sales in 3Q was on similar level than quarter ago and reached PLN 1575 million quarterly turnover. In yearly comparison (year-to-date) factoring turnover increased by 21%. In market share terms Bank Millennium Group keeps its high position: fourth in leasing (6.9% market share) and sixth in factoring (6.5% market share).

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)	30.09.2012	30.06.2012	30.09.2011	Change y/y	Change q/q
Loans to households	30 156.3	30 859.1	30 957.1	-2.6%	-2.3%
- mortgage loans	27 267.0	28 036.8	28 114.7	-3.0%	-2.7%
- other loans to households	2 889.3	2 822.2	2 842.4	1.7%	2.4%
Loans to companies	10 391.4	10 397.4	10 127.6	2.6%	-0.1%
- leasing	3 284.8	3 361.0	3 308.3	-0.7%	-2.3%
- other loans to businesses	7 106.5	7 036.3	6 819.3	4.2%	1.0%
Total Loans & Advances to Clients	40 547.7	41 256.4	41 084.7	-1.3%	-1.7%

Asset quality, solvency and liquidity

After third quarter 2012 the Group maintained high asset quality of its loan portfolio. Share of impaired loans in the consolidated portfolio stood at 5.1% and share of past-due more than 90 days loans was at 3.1% as at the end of September 2012. The quality of mortgage portfolio remains very good with impaired loans ratio at 1.15% and past due over 90 days at 0.57%. The quality of other retail improved slightly - the impaired loans ratio decreased by 0.2 p.p. compared to June 2012 and reached 16.6%. The impaired loans ratio in companies portfolio improved from 12.1% in June 2012 to 11.4% in September 2012, however the 90 day past-due ratio deteriorated from 5.4% in June 2012 to 6.5% in September 2012 driven by construction sector (exposures which were already impaired in June 2012). The coverage ratio, defined as the share of total provisions in total impaired loans, stood at 61% and coverage of loans past-due over 90 days was at 101%.

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

Total portfolio quality indicators	30.09.2012	30.06.2012	30.09.2011
Total impaired loans (PLN million)*	2 140	2 210	2 108
Loans past-due over 90 days (PLN million)	1 282	1 124	1 176
Total provisions (PLN million)*	1 299	1 282	1 260
Impaired over total loans ratio (%)	5.1%	5.2%	5.0%
Past-due >90d over total loans ratio (%)	3.1%	2.6%	2.8%
Total provisions/impaired loans (%)	61%	58%	60%
Total provisions/Past-due 90 d loans (%)	101%	114%	107%

(*) The Group made write-off of impaired loans in charge of provisions in the amount of PLN 78 million in 1-3Q 2012.

Capital adequacy ratio of the Group improved in 3Q 2012 to 13.0% (CAR) and to 11.4% in Core Tier 1 ratio. Such level of capital gives the Group significant capital buffer above the minimal regulatory requirements.

Strong increase of deposits as well as FX impact on FX denominated part of loan portfolio caused that **Loans-to-deposits ratio** moved back below 100% in 3Q 2012 to 96.0% level. Regular amortization of FX portfolio strengthened by FX impact during 3Q 2012 allowed for a stronger decrease of the share of FX loans in the Group's total loan portfolio from 57.1% year ago to 51.6% currently.

Main solvency and liquidity indicators	30.09.2012	30.06.2012	30.09.2011
Consolidated equity (PLN million)	4 674.7	4 655.7	4 434.5
Regulatory capital (PLN million)	5 200.3	5 225.3	4 846.1
Capital requirement (PLN million):	3 209.1	3 294.5	2 878.1
- Credit risk	2 953.2	3 035.2	2 606.0
- Market risk	29.5	32.9	46.7
- Operating risk	226.5	226.5	225.5
Risk Weighted Assets (PLN million)	40 113.9	41 181.3	35 976.6
Capital Adequacy Ratio (% , consolidated)	13.0%	12.7%	13.5%
Core Tier 1 ratio (% , consolidated)	11.4%	11.2%	11.4%
Loans to Deposits ratio (%)*	96.0%	101.3%	108.2%

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

Share price main indicators and ratings

In 3rd quarter of 2012 the main WIG index grew by 7.2%, banking index WIG-Banks by 4.3% and mWIG 40, which comprises the shares of Bank Millennium, increased by 2.3%. In the same time Bank Millennium shares gained 5.2%. In yearly horizon Bank's shares recorded decrease by 15.6%.

	28.09.2012	29.06.2012	Change (%) In 3Q	30.09.2011	Change (%) Yearly
Number of shares of the Bank (in ths.)	1 213 117	1 213 117	0.00%	1 213 117	0.00%
Daily trading (PLN ths, avg. ytd)	2 982	-	-	6 330	-52.89%
Price of the Bank shares (PLN)	3.88	3.69	5.15%	4.60	-15.65%
Market cap. (PLN million)	4 707	4 476	5.15%	5 580	-15.65%
WIG - main index	43 740	40 811	7.18%	38 269	14.30%
WIG Banks	6 280	6 021	4.30%	5 456	15.10%
mWIG 40	2 353	2 300	2.30%	2 169	8.48%

The turnover of instruments traded on the Warsaw Stock Exchange recorded a decrease in 2012 compared to last year. In the case of the Bank's shares the turnover fell by 53% compared with 9 months of 2011.

In 3rd quarter 2012 there have been no changes in the two basic ratings of Bank Millennium shares. Current Bank Millennium ratings were confirmed in relevant reports published by Moody's on 29 March 2012 and by Fitch on 20 April 2012.

Type of rating	FITCH	MOODY'S
Long-term deposit rating/IDR	BBB- (stable outlook)	Baa3 (negative outlook)
National Long-term IDR	A-(pol) (stable outlook)	-
Short-term deposit rating	F-3	Prime-3
Individual rating / financial strength	bbb- (*) (without outlook)	D (negative outlook)
Support	3	

(*) Viability rating - new rating introduced by Fitch in July 2011.

Main factors that could affect the situation of the Bank in 4th quarter 2012.

The most important external factors that could influence financial standing of Bank Millennium Group in 4th quarter include:

- Financial situation of Polish companies might deteriorate slightly, however it should stay pretty healthy, except of construction sector. Uncertainty regarding economic situation in Poland and Eurozone is expected to reduce corporates' willingness to invest in fixed assets. However, companies might continue investment to renew and modernize their capacity. Diminishing infrastructure investments will reduce demand for loans from the local governments.
- Possible deceleration in private consumption might reduce demand for consumer loans, however expected interest rate cuts might support consumer lending.
- Market interest rates are likely to go down in coming months, following interest rates cuts by the Polish central bank, which might reduce cost of financing in domestic markets but also to reduce interest rate margin.
- Uncertainty connected with fiscal problems of some euro area countries might translate into higher volatility in the financial markets. Risk aversion in the global markets may lead to some depreciation of Polish Zloty, which in turn may increase liquidity needs and costs of external financing.

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I. CONDENSED INTERIM FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

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I. GENERAL INFORMATION ON THE ISSUER

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

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

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

The Bank is parent company of a Capital Group (the Group) with over 6,000 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 2012

Annual General Meeting of the Bank (parent company of the Group) on 20 of April 2012 has chosen the following persons to the Supervisory Board of the Bank (in alphabetical order):

1. Nuno Manuel da Silva Amado,
2. Maciej Bednarkiewicz,
3. Miguel de Campos Pereira de Bragança,
4. Luís Maria França da Castro Pereira Coutinho,
5. Maria da Conceição Mota Soares de Oliveira Callé Lucas,
6. Marek Furtek,
7. Bogusław Kott,
8. Krzysztof Kwiatkowski,
9. Andrzej Koźmiński,
10. Marek Rocki,
11. Dariusz Rosati,
12. Rui Manuel da Silva Teixeira.

Mr Bogusław Kott has been appointed, conditional on his resignation from the position of Chairman of the Management Board of the Bank, however not earlier than 1 July 2013.

On 20 April 2012 a meeting was held of the Supervisory Board of the Bank, convened on the same day by the General Shareholders' Meeting for a new term, at which the Supervisory Board constituted itself, appointing Mr Maciej Bednarkiewicz as the Chairman of the Supervisory Board, Mr Nuno Manuel da Silva Amado as the Deputy Chairman of the Supervisory Board, Mr Marek Furtek as the Secretary of the Supervisory Board.

The Supervisory Board decided that the Management Board of the Bank shall have 8 members appointed as of 20 April 2012:

1. Bogusław Kott for Chairman of the Management Board,
2. Joao Bras Jorge for First Deputy Chairman of the Management Board,
3. Fernando Bicho and Artur Klimczak for Deputy Chairmen of the Management Board,
4. and Julianna Boniuk-Gorzelańczyk, Wojciech Haase, Andrzej Gliński and Maria Jose Campos as remaining Members of the Management Board.

Bank Millennium S.A. Capital Group

Bank Millennium S.A. is the parent company of the Group Millennium S.A. The companies comprising the Group as at 30 September 2012 are presented in table below:

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

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

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

As a result of the liquidation of the company on 29 June 2012, Chamber of Commerce in Rotterdam, deregistered from the Commercial Register ("Commercial Register") BBG Finance BV. Until the liquidation of the company BBG Finance BV was a subsidiary of the Group and used to be included in the consolidated financial statements using full consolidation method.

II. INTRODUCTION AND ACCOUNTING PRINCIPLES

This condensed consolidated interim financial statement has been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statement does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

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 2011.

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 2012.

Condensed consolidated financial statements of the Group prepared for the period from 1 January 2012 to 30 September 2012:

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

The Board of Directors approved this condensed consolidated interim financial statement on 26 October 2012.

III. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2012 - 30.09.2012	1.07.2012 - 30.09.2012	1.01.2011 - 30.09.2011	1.07.2011 - 30.09.2011
Interest income	1	2 319 176	794 814	1 979 947	707 980
Interest expense	2	(1 440 154)	(504 915)	(1 135 581)	(407 416)
Net interest income		879 022	289 899	844 366	300 564
Fee and commission income	3	493 352	163 500	492 645	161 052
Fee and commission expense	4	(80 027)	(28 854)	(59 689)	(22 114)
Net fee and commission income		413 325	134 646	432 956	138 938
Dividend income		4 013	622	1 934	763
Result on investment financial assets		8 908	3 695	2 439	409
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	5	132 788	59 531	133 163	52 145
Other operating income		44 656	15 235	33 729	9 361
Operating income		1 482 712	503 628	1 448 587	502 180
General and administrative expenses	6	(793 682)	(262 243)	(790 510)	(269 751)
Impairment losses on financial assets	7	(170 900)	(59 333)	(127 742)	(46 557)
Impairment losses on non-financial assets		(22)	62	386	(281)
Depreciation and amortization		(41 668)	(13 562)	(49 861)	(15 698)
Other operating expenses		(46 247)	(14 324)	(47 881)	(13 849)
Operating expenses		(1 052 519)	(349 400)	(1 015 608)	(346 136)
Operating profit		430 193	154 228	432 979	156 044
Share of profit of associates		3 798	315	880	1 090
Profit / (loss) before taxes		433 991	154 543	433 859	157 134
Corporate income tax	8	(87 675)	(29 405)	(92 464)	(32 161)
Profit / (loss) after taxes		346 316	125 138	341 395	124 973
Attributable to:					
Owners of the parent		346 316	125 138	341 395	124 973
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)		0.29	0.10	0.28	0.10

CONSOLIDATED TOTAL COMPREHENSIVE INCOME STATEMENT

<i>Amount '000 PLN</i>	1.01.2012 - 30.09.2012	1.07.2012 - 30.09.2012	1.01.2011 - 30.09.2011	1.07.2011 - 30.09.2011
Profit / (loss) after taxes	346 316	125 138	341 395	124 973
Other elements of total comprehensive income, including:				
Effect of valuation of available for sale debt securities	3 730	(1 080)	(10 514)	(1 769)
Effect of valuation of available for sale shares	247	(11)	2 601	986
Hedge accounting	(322 314)	(129 876)	160 301	216 558
Other elements of total comprehensive income before taxes	(318 337)	(130 967)	152 388	215 775
Corporate income tax on other elements of total comprehensive income	60 484	24 884	(28 954)	(40 997)
Other elements of total comprehensive income after taxes	(257 853)	(106 083)	123 434	174 778
Total comprehensive income of the period	88 463	19 055	464 829	299 751
Attributable to:				
Owners of the parent	88 463	19 055	464 829	299 751
Non-controlling interests	0	0	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	30.09.2012	31.12.2011
Cash, balances with the Central Bank		2 002 798	2 017 798
Loans and advances to banks	9	1 465 057	2 660 374
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	10	824 177	729 825
Hedging derivatives	11	293 869	130 636
Loans and advances to customers	12	40 547 657	41 332 337
Investment financial assets	13	6 237 176	3 133 595
- available for sale		6 237 176	3 133 595
- held to maturity		0	0
Investments in associates		14 953	11 155
Receivables from securities bought with sell-back clause (loans and advances)		140 508	2 209
Property, plant and equipment		178 900	212 347
Intangible assets		30 604	32 267
Non-current assets held for sale		22 938	32 713
Receivables from Tax Office resulting from current tax		11 101	101 985
Deferred tax assets	15	173 677	113 816
Other assets		313 257	327 042
Total Assets		52 256 672	50 838 099

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.09.2012	31.12.2011
LIABILITIES			
Deposits from banks	16	2 229 179	1 831 577
Financial liabilities valued at fair value through profit and loss (held for trading)	17	430 348	574 215
Hedging derivatives	18	1 150 472	2 298 099
Deposits from customers	19	41 293 339	37 427 835
Liabilities from securities sold with buy-back clause		389 834	1 606 628
Debt securities	20	621 678	1 071 193
Provisions	21	31 708	35 427
Deferred income tax liabilities	22	0	0
Current tax liabilities		3 201	1 320
Other liabilities		810 767	742 332
Subordinated debt		621 438	663 228
LIABILITIES		47 581 964	46 251 854
EQUITY			
Share capital		1 213 117	1 213 117
Share premium		1 147 502	1 147 502
Revaluation reserve		(157 988)	99 865
Retained earnings		2 472 077	2 125 761
Total equity attributable to owners of the parent		4 674 708	4 586 245
Non-controlling interests		0	0
Total Equity		4 674 708	4 586 245
Total Liabilities and Equity		52 256 672	50 838 099
Book value		4 674 708	4 586 245
Number of shares		1 213 116 777	1 213 116 777
Book value per share (in PLN)		3.85	3.78

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 01.01.2012	4 586 245	1 213 117	1 147 502	99 865	2 125 761
- total comprehensive income for III quarters 2012	88 463	0	0	(257 853)	346 316
Equity at the end of the period 30.09.2012	4 674 708	1 213 117	1 147 502	(157 988)	2 472 077

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2011	4 090 972	1 213 117	1 147 502	(50 256)	1 780 609
- dividend for 2010	(121 312)	0	0	0	(121 312)
- total comprehensive income of 2011	616 585	0	0	150 121	466 464
Equity at the end of the period 31.12.2011	4 586 245	1 213 117	1 147 502	99 865	2 125 761

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2011	4 090 972	1 213 117	1 147 502	(50 256)	1 780 609
- dividend for 2010	(121 312)	0	0	0	(121 312)
- total comprehensive income for III quarters 2011	464 829	0	0	123 434	341 395
Equity at the end of the period 30.09.2011	4 434 489	1 213 117	1 147 502	73 178	2 000 692

CONSOLIDATED CASH FLOW

A. CASH FLOWS FROM OPERATING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2012 - 30.09.2012	1.01.2011 - 30.09.2011
Profit (loss) after taxes	346 316	341 395
Adjustments for:	2 444 621	(1 363 196)
Non-controlling interests profit (loss)	0	0
Interests in net income (loss) of associated companies	(3 798)	(880)
Depreciation and amortization	41 668	49 861
Foreign exchange (gains)/ losses	(134 186)	182 983
Dividends	(1 307)	(1 934)
Changes in provisions	(3 719)	1 427
Result on sale and liquidation of investing activity assets	(22 805)	(2 439)
Change in financial assets valued at fair value through profit and loss (held for trading)	(624 718)	612 880
Change in loans and advances to banks	967 690	(1 052 739)
Change in loans and advances to customers	783 476	(4 360 464)
Change in receivables from securities bought with sell-back clause (loans and advances)	(138 299)	(188 092)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(1 291 494)	1 341 768
Change in deposits from banks	278 279	359 976
Change in deposits from customers	3 865 504	1 287 062
Change in liabilities from securities sold with buy-back clause	(1 216 794)	(190 120)
Change in debt securities	(254 723)	498 196
Change in income tax settlements	176 759	88 782
Income tax paid	(83 371)	(99 980)
Change in other assets and liabilities	91 995	84 003
Other	14 464	26 514
Net cash flows from operating activities	2 790 937	(1 021 801)

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2012 - 30.09.2012	1.01.2011 - 30.09.2011
Inflows:	17 925	2 103 198
Proceeds from sale of property, plant and equipment and intangible assets	14 534	529
Proceeds from sale of shares in associates	2 084	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	2 100 735
Other	1 307	1 934
Outflows:	(1 090 655)	(12 964)
Acquisition of property, plant and equipment and intangible assets	(9 637)	(12 964)
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	(1 081 018)	0
Other	0	0
Net cash flows from investing activities	(1 072 730)	2 090 234

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2012 - 30.09.2012	1.01.2011 - 30.09.2011
Inflows:	298 750	0
Long-term bank loans	298 750	0
Issue of debt securities	0	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other	0	0
Outflows:	(295 929)	(1 219 193)
Repayment of long-term bank loans	(72 372)	(787 520)
Redemption of debt securities	(194 792)	(275 373)
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	(121 312)
Other	(28 765)	(34 988)
Net cash flows from financing activities	2 821	(1 219 193)

D. NET CASH FLOWS, TOTAL (A + B + C)	1 721 028	(150 760)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	3 643 000	3 259 049
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	5 364 028	3 108 289

IV. NOTES TO CONSOLIDATED FINANCIAL DATA

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

	1.01.2012 - 30.09.2012	1.07.2012 - 30.09.2012	1.01.2011 - 30.09.2011	1.07.2011 - 30.09.2011
Balances with the Central Bank	45 385	15 893	37 421	13 893
Deposits, loans and advances to banks	8 212	1 545	13 808	6 200
Loans and advances to customers	1 515 862	518 534	1 342 383	486 922
Transactions with repurchase agreement	9 430	3 924	8 554	3 723
Hedging derivatives	534 677	168 482	401 818	159 845
Financial assets held for trading (debt securities)	15 578	1 803	21 333	3 445
Investment securities	190 032	84 633	154 630	33 952
Total	2 319 176	794 814	1 979 947	707 980

Interest income for III quarters 2012 includes interest accrued on loans with recognized impairment of PLN 71,196 thousand (for the comparative data for III quarters 2011, such interest was PLN 77,267 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:

	1.01.2012 - 30.09.2012	1.07.2012 - 30.09.2012	1.01.2011 - 30.09.2011	1.07.2011 - 30.09.2011
Banking deposits	(7 113)	(3 110)	(6 424)	(288)
Loans and advances	(45 919)	(14 440)	(57 337)	(20 574)
Transactions with repurchase agreement	(44 043)	(9 739)	(44 175)	(12 684)
Deposits from customers	(1 300 713)	(466 521)	(973 455)	(352 596)
Subordinated debt	(14 105)	(3 924)	(22 393)	(8 512)
Debt securities	(27 056)	(6 727)	(30 669)	(12 439)
Other	(1 205)	(454)	(1 128)	(323)
Total	(1 440 154)	(504 915)	(1 135 581)	(407 416)

Note (3) Fee and commission income

	1.01.2012 - 30.09.2012	1.07.2012 - 30.09.2012	1.01.2011 - 30.09.2011	1.07.2011 - 30.09.2011
Resulting from accounts service	69 909	23 417	84 374	30 452
Resulting from money transfers, cash payments and withdrawals and other payment transactions	29 306	10 196	32 166	10 423
Resulting from loans granted	52 586	16 275	47 338	15 879
Resulting from guarantees and sureties granted	13 321	3 822	14 125	4 430
Resulting from payment and credit cards	155 532	54 875	137 454	48 330
Resulting from sale of insurance products	61 929	15 405	55 636	15 736
Resulting from distribution of investment funds units and other savings products	33 116	14 459	33 070	7 749
Resulting from brokerage and custody service	14 193	4 266	25 381	8 210
Resulting from investment funds managed by the Group	52 221	17 574	54 436	16 914
Other	11 239	3 211	8 665	2 929
Total	493 352	163 500	492 645	161 052

Note (4) Fee and commission expense

	1.01.2012 - 30.09.2012	1.07.2012 - 30.09.2012	1.01.2011 - 30.09.2011	1.07.2011 - 30.09.2011
Resulting from accounts service	(1 347)	(448)	(1 158)	(464)
Resulting from money transfers, cash payments and withdrawals and other payment transactions	(1 134)	(366)	(2 233)	(699)
Resulting from loans granted	(13 195)	(4 433)	(13 549)	(5 207)
Resulting from payment and credit cards	(53 945)	(20 647)	(28 255)	(11 376)
Resulting from brokerage and custody service	(2 929)	(903)	(4 698)	(1 721)
Resulting from investment funds managed by the Group	(2 975)	(933)	(2 291)	(925)
Other	(4 502)	(1 124)	(7 505)	(1 722)
Total	(80 027)	(28 854)	(59 689)	(22 114)

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

	1.01.2012 - 30.09.2012	1.07.2012 - 30.09.2012	1.01.2011 - 30.09.2011	1.07.2011 - 30.09.2011
Operations on securities	627	4 072	(12 978)	(6 233)
Operations on derivatives	15 637	15 556	74 540	48 042
Fair value hedge accounting operations including:	2 349	(294)	(1 002)	(764)
- result from hedging derivatives	(3 657)	(7 450)	(6 913)	(9 853)
- result from items subjected to hedging	6 006	7 156	5 912	9 090
Foreign exchange result	115 926	41 071	73 982	11 580
Costs of financial operations	(1 751)	(874)	(1 379)	(480)
Total	132 788	59 531	133 163	52 145

Note (6) General and administrative expenses

	1.01.2012 - 30.09.2012	1.07.2012 - 30.09.2012	1.01.2011 - 30.09.2011	1.07.2011 - 30.09.2011
Staff costs:	(421 191)	(140 055)	(404 946)	(136 046)
Salaries	(353 116)	(118 417)	(345 153)	(118 040)
Surcharges on pay	(57 321)	(18 084)	(49 625)	(14 698)
Employee benefits, including:	(10 755)	(3 555)	(10 168)	(3 308)
- provisions for unused employee holiday	(29)	(14)	(25)	(7)
- other	(10 726)	(3 541)	(10 143)	(3 301)
General administrative costs	(372 491)	(122 188)	(385 564)	(133 705)
Costs of advertising, promotion and representation	(22 972)	(8 976)	(36 868)	(15 649)
Costs of software maintenance and IT services	(16 650)	(5 528)	(15 639)	(5 330)
Costs of renting	(141 365)	(46 169)	(138 541)	(46 725)
Costs of buildings maintenance, equipment and materials	(18 830)	(6 129)	(19 748)	(6 369)
ATM and cash maintenance costs	(15 907)	(5 507)	(14 821)	(5 208)
Costs of communications and IT	(45 991)	(15 383)	(51 213)	(17 120)
Costs of consultancy, audit and legal advisory and translation	(12 630)	(5 668)	(14 202)	(6 676)
Taxes and fees	(14 781)	(5 095)	(13 778)	(4 705)
KIR clearing charges	(2 447)	(853)	(2 194)	(755)
PFRON costs	(4 460)	(1 469)	(4 489)	(1 553)
Banking Guarantee Fund costs	(25 838)	(8 613)	(23 075)	(7 692)
Financial Supervision costs	(4 458)	765	(4 753)	31
Other	(46 163)	(13 564)	(46 243)	(15 954)
Total	(793 682)	(262 243)	(790 510)	(269 751)

Note (7) Impairment losses on financial assets

	1.01.2012 - 30.09.2012	1.07.2012 - 30.09.2012	1.01.2011 - 30.09.2011	1.07.2011 - 30.09.2011
Impairment losses on loans and advances to customers	(183 011)	(59 397)	(131 904)	(46 227)
Impairment write-offs created in the period	(526 464)	(143 382)	(439 768)	(136 092)
Impairment write-offs released in the period	337 227	83 317	307 052	89 449
Amounts recovered from loans written off	1 491	348	812	416
Sale of receivables	4 735	320	0	0
Impairment losses on securities	0	0	0	0
Impairment write-offs created in the period	0	0	0	0
Impairment write-offs released in the period	0	0	0	0
Impairment losses on off-balance sheet liabilities	12 111	64	4 162	(330)
Impairment write-offs for off-balance sheet liabilities	(4 489)	(341)	(4 586)	(685)
Reversal of impairment write-offs for off-balance sheet liabilities	16 600	405	8 748	355
Total	(170 900)	(59 333)	(127 742)	(46 557)

Note (8a) Income tax reported in income statement

	1.01.2012 - 30.09.2012	1.07.2012 - 30.09.2012	1.01.2011 - 30.09.2011	1.07.2011 - 30.09.2011
Current tax	(111 588)	(25 486)	(110 764)	(38 383)
Current year	(114 478)	(28 376)	(110 764)	(38 383)
Adjustment of CIT-8 declaration	2 890	2 890	0	0
Deferred tax:	23 915	(3 919)	18 300	6 222
Recognition and reversal of temporary differences	(1 386)	(28 751)	21 267	6 221
Recognition / (Utilisation) of tax loss	765	296	(2 967)	1
Adjustment of CIT-8 declaration	24 536	24 536	0	0
Adjustment resulted from Article 38a of CIT	(2)	0	0	0
Total income tax reported in income statement	(87 675)	(29 405)	(92 464)	(32 161)

Note (8b) Effective tax rate

	1.01.2012 - 30.09.2012	1.07.2012 - 30.09.2012	1.01.2011 - 30.09.2011	1.07.2011 - 30.09.2011
Gross profit / (loss)	433 991	154 543	433 859	157 134
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	(82 458)	(29 363)	(82 433)	(29 855)
Impact of permanent differences on tax charges:	(8 105)	(2 932)	(10 031)	(2 306)
Non taxable income	1 154	514	1 202	275
Dividend income	362	118	479	145
Release of other provisions	380	0	0	0
Other	412	396	723	130
Non tax-deductible costs	(9 259)	(3 446)	(11 233)	(2 581)
Loss realised on the sale of receivables portfolio	(1 711)	(300)	0	0
PFRON fee	(848)	(274)	(853)	(296)
Other	(6 700)	(2 872)	(10 380)	(2 285)
Adjustment of CIT-8 declaration	2 890	2 890	0	0
Adjustment resulted from Article 38a of CIT	(2)	0	0	0
Total income tax reported in income statement	(87 675)	(29 405)	(92 464)	(32 161)

Note (8c) Deferred tax reported directly in equity

	30.09.2012	31.12.2011
Valuation of available for sale securities	(104)	652
Valuation of cash flow hedging instruments	37 163	(24 077)
Deferred tax reported directly in equity	37 059	(23 425)

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 negative findings of the tax inspection carried out in 2011 concerning income tax settlements for 2006, the Company paid the tax arrears of PLN 16.7 million. Of that amount the Tax Office returned PLN 9.8 million to the Company until completion of proceedings. The Company did not agree with the decision and appealed to the Regional Administrative Court, the appeal is under processing. In Q2'2012 the management has changed the risk assessment related to one of the issues raised by the Tax Control Inspectorate and recorded a provision of PLN 2.7 million. The management continues to support its view that the inspection findings by the Tax Inspection Office are not substantiated and the probability of resolving the matter in the company's favour is high.

Bank Millennium S.A. tax control procedures

As a result of negative findings of the tax inspection carried out in 2011 concerning income tax settlements for 2005, the Bank paid in November 2011 the tax arrears in the amount of PLN 69 million. Of that amount on 30 January 2012 the Tax Office returned PLN 66 million to the Bank until completion of proceedings by Tax Control Inspectorate. At the end of March 2012 the Bank received a letter from Tax Control Inspectorate that they had resumed the proceedings concerning CIT calculation for 2005. On 24 July 2012, the Director of the Tax Control Office issued a decision determining the amount of loss that should be included in Bank's CIT declaration for 2005. The Bank filed an appeal against aforementioned decision to the Director of the Tax Chamber and currently awaits further action by the tax authorities. External Advisor recommends suspension of payment of arrears until the final decision of the Tax Chamber Director is available. No provision was recorded as at 30 September 2012, as the management continues to support its position on the correctness of the tax settlement for 2005.

Note (9) Loans and advances to banks

	30.09.2012	31.12.2011
Current accounts	83 557	141 933
Deposits in other banks	946 888	2 112 220
Loans	426 954	402 152
Interest	7 658	4 069
Total (gross) loans and advances to banks	1 465 057	2 660 374
Impairment write-offs	0	0
Net loans and advances to banks	1 465 057	2 660 374

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

	30.09.2012	31.12.2011
Debt securities	381 970	316 250
Issued by State Treasury	381 970	316 250
a) bills	431	0
b) bonds	381 539	316 250
Equity instruments	135	1 996
Quoted on the active market	135	1 996
a) financial institutions	0	0
b) non-financial institutions	135	1 996
Adjustment from fair value hedge	17 751	12 325
Positive valuation of derivatives	424 321	399 254
Total	824 177	729 825

Note (10)/Note (17) Valuation of derivatives, Adjustment from fair value hedge, and Liabilities from short sale of securities as at 30.09.2012

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	40 863	266 680	225 817
Forward Rate Agreements (FRA)	(655)	1 653	2 308
Interest rate swaps (IRS)	44 823	264 000	219 177
Other interest rate contracts: volatility swap, swap with FX option	(3 305)	1 027	4 332
2. FX derivatives	22 662	60 574	37 912
FX contracts	2 900	11 990	9 090
FX swaps	8 232	27 851	19 619
Other FX contracts (CIRS)	11 530	20 731	9 201
FX options	0	2	2
3. Embedded instruments	(85 850)	0	85 850
Options embedded in deposits	(57 472)	0	57 472
Options embedded in securities issued	(28 378)	0	28 378
4. Indexes options	84 562	97 067	12 505
Valuation of derivatives	62 237	424 321	362 084
Valuation of hedged position in fair value hedge accounting		17 751	
Liabilities from short sale of securities			68 264

Note (10)/Note (17) Valuation of derivatives, Adjustment from fair value hedge, and Liabilities from short sale of securities as at 31.12.2011

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	2 039	256 334	254 295
Forward Rate Agreements (FRA)	658	780	122
Interest rate swaps (IRS)	7 725	255 073	247 347
Other interest rate contracts: volatility swap, swap with FX option	(6 345)	481	6 826
2. FX derivatives	(172 581)	82 086	254 666
FX contracts	(759)	12 474	13 234
FX swaps	(151 902)	65 426	217 329
Other FX contracts (CIRS)	(19 919)	4 133	24 052
FX options	0	52	52
3. Embedded instruments	(43 108)	0	43 108
Options embedded in deposits	(24 163)	0	24 163
Options embedded in securities issued	(18 945)	0	18 945
4. Indexes options	47 939	60 834	12 896
Valuation of derivatives	(165 711)	399 254	564 965
Valuation of hedged position in fair value hedge accounting		12 325	
Liabilities from short sale of securities			9 250

In 2012 the Group started to apply hedge accounting for following transactions:

	Hedging fair value of the fixed rate portfolio of FX liabilities and floating rate portfolio of FX receivables	Hedging fair value of the portfolio of fixed rate deposits denominated in PLN
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 risk of alterations in fair value of fixed rate liabilities resulting from interest rate fluctuations
Hedged items	Fixed rate portfolio of FX liabilities and floating rate portfolio of FX receivables	Portfolio of fixed rate deposits denominated in PLN
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	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

Other types of hedge accounting the Group applies are:

	Cash flow volatility hedge for the flow generated by FX mortgage portfolio and its underlying PLN deposits	Cash flow volatility hedge for the flow generated by future revenues and expenditures denominated in foreign currency
Description of hedge transactions	The Group hedges the risk of the volatility of cash flows generated by FX mortgages and by PLN deposits financially underlying such loans. The volatility of cash flows results from the currency risk and interest rate risk.	The Group hedges FX risk resulting from future revenues and expenditures denominated in foreign currency by exchange of aforementioned flows into PLN ones.
Hedged items	Cash flows resulting from the mortgage loan portfolio and PLN deposits funding them.	Cash flows resulting from future revenues and expenditures denominated in foreign currency.
Hedging instruments	CIRS transactions	FX Forward transactions
Presentation of the result on the hedged and hedging transactions	effective part of the valuation of hedging instruments is recognised in revaluation capital; interest on both the hedged and the hedging instruments is 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;

As at 30.09.2012 the Group ceased the use of two of hedging relationships:

- Fair value hedge portfolio of long-term consumer loans,
- Hedging the variability of cash flows generated by the portfolio of floating rate mortgages denominated in foreign currencies.

Note (11)/Note (18) Hedge accounting 30.09.2012

	Fair values			Adjustment to fair value of hedged items for hedged risk(*)
	Total	Assets	Liabilities	
Fair value hedging derivatives connected with interest rate risk				
IRS contracts	38	38	0	18
CIRS contracts	(81 873)	0	81 873	4 482
Cash flows hedging derivatives connected with interest rate and/or FX rate				
CIRS contracts	(738 516)	290 770	1 029 286	x
FX Forward contracts	(36 252)	3 061	39 313	x
Total	(856 603)	293 869	1 150 472	x

(*) Adjustment is presented for active hedge relationships

Note (11)/Note (18) Hedge accounting 31.12.2011

	Fair values			Adjustment to fair value of hedged items for hedged risk
	Total	Assets	Liabilities	
Fair value hedging derivatives connected with interest rate risk				
IRS contracts	(19 841)	195	20 036	12 325
Cash flows hedging derivatives connected with interest rate and/or FX rate				
CIRS contracts	(1 986 978)	89 391	2 076 369	x
FX SWAP contracts	(88 359)	41 050	129 409	x
FX Forward contracts	(72 285)	0	72 285	x
Total	(2 167 463)	130 636	2 298 099	x

Note (12) Loans and advances to customers

	30.09.2012	31.12.2011
Loans and advances	37 202 815	37 984 890
- to companies	6 487 893	6 438 670
- to private individuals	29 815 100	30 699 165
- to public sector	899 822	847 055
Receivables on account of payment cards	778 718	822 652
- due from companies	37 788	29 066
- due from private individuals	740 930	793 586
Purchased receivables	85 999	69 426
- from companies	71 885	7 055
- from public sector	14 114	62 371
Guarantees and sureties realised	33 684	234
Debt securities eligible for rediscount at Central Bank	16 369	17 573
Financial leasing receivables	3 429 693	3 397 143
Other	2 225	1 509
Interest	297 318	256 279
Total gross	41 846 821	42 549 706
Impairment write-offs	(1 299 164)	(1 217 369)
Total net	40 547 657	41 332 337

In 2012 the Bank changed the presentation of financial data in the area of receivables from credit cards extracting from this item interest and presenting them together with interest accrued from the other exposures in a separate line. These change concerns the grouping of financial data and in view of the financial statements affects only the presentation of information in above note. In order to maintain comparability of financial information appropriate changes in the presentation of financial data for 2011 have been made in relation to previously published data in financial statements for year 2011.

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

	30.09.2012	31.12.2011
Loans and advances to customers (gross)	41 846 821	42 549 706
- impaired	2 140 263	2 104 134
- not impaired	39 706 558	40 445 572
Impairment write-offs	(1 299 164)	(1 217 369)
- for impaired exposures	(1 122 587)	(1 028 290)
- for incurred but not reported losses (IBNR)	(176 577)	(189 079)
Loans and advances to customers (net)	40 547 657	41 332 337

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

	30.09.2012	31.12.2011
Loans and advances to customers (gross)	41 846 821	42 549 706
- case by case analysis	1 123 297	1 134 557
- collective analysis	40 723 524	41 415 149
Impairment write-offs	(1 299 164)	(1 217 369)
- on the basis of case by case analysis	(517 044)	(440 667)
- on the basis of collective analysis	(782 120)	(776 702)
Loans and advances to customers (net)	40 547 657	41 332 337

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

	30.09.2012	31.12.2011
Loans and advances to customers (gross)	41 846 821	42 549 706
- corporate customers	11 092 043	10 892 513
- individuals	30 754 778	31 657 193
Impairment write-offs	(1 299 164)	(1 217 369)
- for receivables from corporate customers	(700 659)	(628 028)
- for receivables from private individuals	(598 505)	(589 341)
Loans and advances to customers (net)	40 547 657	41 332 337

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

	01.01.2012 - 30.09.2012	01.01.2011 - 31.12.2011
Balance at the beginning of the period	1 217 369	1 187 286
Change in value of provisions:	81 795	30 083
Impairment write-offs created in the period	526 464	599 103
Amounts written off	(83 125)	(114 239)
Impairment write-offs released in the period	(337 227)	(419 043)
Changes resulting from FX rates differences	(13 011)	25 638
Sale of receivables	(11 784)	(61 657)
Other	478	280
Balance at the end of the period	1 299 164	1 217 369

Note (13) Investment financial assets available for sale

	30.09.2012	31.12.2011
Debt securities	6 235 847	3 132 507
Issued by State Treasury	3 001 677	1 927 780
a) bills	0	0
b) bonds	3 001 677	1 927 780
Issued by Central Bank	3 128 417	1 099 887
a) bills	3 128 417	1 099 887
b) bonds	0	0
Other securities	105 753	104 840
a) listed	0	0
b) not listed	105 753	104 840
Shares and interests in other entities	1 329	1 088
Total financial assets available for sale	6 237 176	3 133 595

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 01.01.2012	16 637	24 870	3 988	1 913	9 588
- Write-offs created	0	0	0	32	375
- Write-offs released	0	(4 325)	0	(77)	(307)
- Utilisation	0	0	0	(1 681)	(1 342)
- Other changes	0	0	0	0	0
Balance as at 30.09.2012	16 637	20 545	3 988	187	8 314

Impairment write-offs:	Investment securities	Property, plant and equipment	Intangibles	Non-current assets held for sale	Other assets
Balance as at 01.01.2011	16 637	27 017	3 988	607	10 368
- Write-offs created	0	0	0	447	1 032
- Write-offs released	0	0	0	(385)	(1 630)
- Utilisation	0	(911)	0	0	(182)
- Other changes	0	(1 236)	0	1 244	0
Balance as at 31.12.2011	16 637	24 870	3 988	1 913	9 588

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

	30.09.2012			31.12.2011		
	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	64 018	(17 051)	46 967	36 303	(43 468)	(7 165)
Balance sheet valuation of financial instruments	416 624	(405 297)	11 327	704 399	(674 714)	29 685
Unrealised receivables/ liabilities on account of derivatives	72 049	(97 228)	(25 179)	86 083	(112 753)	(26 670)
Interest on deposits and securities to be paid/received	63 356	(84 880)	(21 524)	52 288	(78 780)	(26 492)
Interest and discount on loans and receivables	104	(29 121)	(29 017)	1 266	(21 230)	(19 964)
Income and cost settled at effective interest rate	3 123	(2 392)	731	5 682	(4 228)	1 454
Provisions for loans presented as temporary differences	112 964	0	112 964	131 992	0	131 992
Employee benefits	11 395	0	11 395	11 688	0	11 688
Provisions for future costs	23 629	0	23 629	15 709	0	15 709
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	37 163	(104)	37 059	652	(24 077)	(23 425)
Tax loss deductible in the future	894	0	894	129	0	129
Other	7 563	(3 132)	4 431	31 873	(4 998)	26 875
Net deferred income tax asset	812 882	(639 205)	173 677	1 078 064	(964 248)	113 816

Note (16) Deposits from banks

	30.09.2012	31.12.2011
In current account	186 890	146 393
Term deposits	378 516	163 485
Loans and advances received	1 658 808	1 520 012
Interest	4 965	1 687
Total	2 229 179	1 831 577

Note (19) Deposits from customers by type structure

	30.09.2012	31.12.2011
Amounts due to private individuals	24 657 112	23 013 040
Balances on current accounts	7 428 625	7 341 102
Term deposits	16 871 974	15 354 993
Other	143 600	124 686
Accrued interest	212 913	192 259
Amounts due to companies	13 241 359	12 893 058
Balances on current accounts	2 509 818	3 069 164
Term deposits	10 465 198	9 549 544
Other	198 538	215 016
Accrued interest	67 805	59 334
Amounts due to public sector	3 394 868	1 521 737
Balances on current accounts	723 990	714 708
Term deposits	2 610 576	770 357
Other	48 145	34 093
Accrued interest	12 157	2 579
Total	41 293 339	37 427 835

Note (20) Change of debt securities

	01.01.2012 - 30.09.2012	01.01.2011 - 31.12.2011
Balance at the beginning of the period	1 071 193	1 141 007
- change of bonds issued in leasing portfolio securitization transaction	(194 792)	(359 814)
- change of bonds issued by subsidiary company	(299 795)	279 763
- change of bonds issued by the Bank	(70 917)	(142 562)
- change of bank's securities issued	115 989	152 799
Balance at the end of the period	621 678	1 071 193

Note (21) Provisions

	01.01.2012 - 30.09.2012	01.01.2011 - 31.12.2011
Provision for off-balance sheet commitments		
Balance at the beginning of the period	22 271	14 273
Charge of provision	4 489	17 226
Release of provision	(16 600)	(9 228)
FX rates differences	(31)	0
Balance at the end of the period	10 129	22 271
Provision for contentious claims		
Balance at the beginning of the period	13 156	7 172
Charge of provision	10 468	11 468
Release of provision	(2 005)	(4 646)
Utilisation of provision	(40)	(837)
Balance at the end of the period	21 579	13 156
Total	31 708	35 427

V. CHANGES IN RISK MANAGEMENT PROCESS

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

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

Credit risk

In the retail segment in the third quarter of 2012 the Group's credit policy changes were focused on expanding credit product offer for the individual consumers. Changes in the offer are addressed mainly to new customers (who do not have yet the history of cooperation with the Bank). As part of this initiative, a special offer was introduced for selected groups of professionals, in addition, in order to adjust the offer to market standards, modification of cash loan parameters was executed.

During the IIIQ 2012 in corporate segment the Group:

- revised rules on the adoption and acceptance of collaterals received from surety funds,
- verified approach to risk assessment for a selected group of newly acquired customers.

Changes also took place in Retail Recovery Department. The new segmentation has been implemented to increase the efficiency of operations and customer's ability to repay during early recovery stage. It identifies the customer, depending on the products history of cooperation, and the demographic characteristics.

There were also changes and streamlining the process for late-stage recovery, particularly in terms of enforcement, including among others the use of electronic judicial proceedings paths (EPU).

Changes in the loan portfolio of the Group in III Q 2012 are summarized below:

In '000 PLN	30.09.2012		31.12.2011	
	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	37 234 969	1 465 057	38 361 813	2 660 374
Overdue, but without impairment	2 471 589	0	2 083 759	0
With impairment	2 140 263	0	2 104 134	0
Gross	41 846 821	1 465 057	42 549 706	2 660 374
Impairment write-offs together with IBNR	(1 299 164)	0	(1 217 369)	0
Net	40 547 657	1 465 057	41 332 337	2 660 374

Market risk

In the third quarter of 2012, the Bank continued its conservative approach to market risk management that has been adopted since 2009. In effect, the VaR indicators in the period under consideration for the Global Bank, that is jointly Trading Book and Banking Book, remained at relatively low levels with total average exposure to market risk of approx. PLN 19,8 m (21% of the limit) and approx. PLN 22,2 m (23% of the limit) as of the end of September 2012. The market risk exposure in the Bank, together with risk type division, is presented in the table below (thb PLN).

VaR measures for market risk ('000 PLN)

	30.09.2012		VaR (from 30 June 2012 till 30 September 2012 r.)			30.06.2012	
	Exposure	Average use of limit in period	Average	Maximum	Minimum	Exposure	Average use of limit in period
Total risk	22 186	23%	19 830	27 592	14 172	16 233	17%
Generic risk	19 402	21%	17 017	24 790	11 349	13 408	14%
Interest Rate VaR	19 457	21%	17 012	24 765	11 345	13 479	15%
FX Risk	197	2%	198	2 367	31	223	2%
Equity risk	0	n.a.	0	0	0	0	n.a.
Diversification Effect	1%					2%	
Non-linear risk	0	0%	0	0	0	0	0%
Commodities risk	0	0%	0	0	0	0	0%
Specific risk	2 784	7%	2 813	2 826	2 784	2 826	7%

In third quarter of 2012 there were no excesses of the Value at Risk total limits neither in the Banking Book nor in the Trading Book. Therefore, no excess was detected in the Global Bank. There were also no excesses in any of risk management area defined in the Bank.

Open positions contain mainly interest rate and FX risk instruments. According to the Risk Strategy approved in the Bank, the FX open position is allowed, however should be kept at low levels. For this purpose, the Bank has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows to keep FX open positions only in Trading Book, specifically in the areas of Trading and Market Risk Strategy Portfolio (Positioning Portfolio). In third quarter of 2012, the only risk management area which generated FX risk was Trading area in the Trading Book. Both FX Total and Effective FX Position (Intraday as well Overnight) remained well below the limits in place.

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

Liquidity risk

In third quarter of 2012, all the internal liquidity indicators as well as regulatory quantitative liquidity measures remained within the limits. In third quarter of 2012, the buffer of the Supervisory Liquidity Measures M1 and M4 were maintained above internally defined minimum safety buffer. It resulted from series of action taken in order to strengthen the Bank's liquidity position, mainly growth of the deposits base.

The main source of financing of the Bank is the large and well-diversified deposits base. Deposit base concentration, measured by share of 5 and 20 highest depositors at the end of September 2012 was maintained at levels that have been maintained for years - approximately 5% and 10% respectively. This level of concentration does not have any negative impact on the stability of the deposit base. 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 the liquidity position of the Bank resulted from deposit base high fluctuations, the Bank maintains the reserves of liquid assets in the form of securities portfolio. Additionally, in February 2012 the Bank prolonged for one additional year the agreement with Millennium BCP for the unconditional and irrevocable off-balance sheet commitment which gives the Bank right for drawing of 200 million EUR. This Stand-by Facility is treated as an additional liquidity buffer which can be used in case of need and has never been utilized by the Bank yet.

The Bank manages FX liquidity through the use of FX-denominated bilateral loans as well as subordinated debt, Cross Currency Swap and FX Swap transactions. The swaps portfolio is diversified in term of counterparties and maturity dates. For the majority of counterparties the Bank has signed a Credit Support Annex to the master agreements. As a result, in case of unfavourable changes of FX rates (PLN depreciation), the Bank is obliged to place deposits as collateral with counterparties in order to secure the settlement of derivative instruments in the future, and in case of favourable FX rates changes (PLN appreciation) receives deposits as collateral from the counterparty.

The Bank 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.

All the structural liquidity gaps were maintained far away from the defined limits even under stress scenarios. Stress tests as regards structural liquidity are carried out every month to understand the Bank's liquidity risk profile, to make sure that the Bank 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

According to accepted methodology, risk management is a process of continuous improvement in identification, assessment, monitoring, control / mitigation and reporting through mutually complementing activities:

- collecting information on losses, both internal and external;
- monitoring key risk indicators; and
- performing periodical self-assessment of risk level in processes.

In 3rd quarter 2012, the Group continued performance of activities focusing on continuous improvement and increase of threat awareness among its work force including, in particular, employees having impact upon implementation of processes within organization, through the adoption of new solution covering all aspects of business and supportive processes management.

VI. OPERATIONAL SEGMENTS

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

Retail Customer Segment

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

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

Corporate Customer Segment

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

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

Treasury and investment activity

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

Unallocated (Other) assets and liabilities and revenues and expenses

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

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

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

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

Income statement 1.01.2012 - 30.09.2012

In '000 PLN	Retail Banking	Corporate Banking	Treasury and Investment Banking	Total consolidated
Net interest income	769 259	201 413	(91 649)	879 022
external income	1 110 808	507 714	700 655	2 319 176
external cost	(798 159)	(499 311)	(142 684)	(1 440 154)
External income less cost	312 649	8 403	557 970	879 022
internal income	874 127	479 147	(1 353 274)	0
internal cost	(417 517)	(286 138)	703 655	0
Internal income less cost	456 610	193 010	(649 620)	0
Net fee and commission income	312 130	95 254	5 941	413 325
Dividends, other income from financial operations and foreign exchange profit	66 863	37 848	40 998	145 709
Other operating income and cost	5 783	(10 156)	2 783	(1 590)
Operating income	1 154 035	324 358	(41 926)	1 436 467
Staff costs	(303 395)	(95 270)	(22 527)	(421 191)
Administrative costs	(293 574)	(54 382)	(24 534)	(372 491)
Impairment losses on assets	(66 403)	(108 267)	3 748	(170 922)
Depreciation and amortization	(36 422)	(4 672)	(574)	(41 668)
Operating expenses	(699 795)	(262 591)	(43 887)	(1 006 273)
Share in net profit of associated companies	0	0	3 798	3 798
Profit / (loss) before taxes	454 240	61 767	(82 016)	433 991
Income taxes				(87 675)
Profit / (loss) after taxes				346 316

Balance sheet 30.09.2012

In '000 PLN	Retail Banking	Corporate Banking	Treasury and Investment Banking	Total consolidated
ASSETS				
Segment assets	31 686 091	15 283 504	5 287 077	52 256 672
Assets allocated to segment	2 849 326	576 906	(3 426 232)	0
Total	34 535 416	15 860 410	1 860 846	52 256 672
LIABILITIES				
Segment liabilities	28 528 124	14 589 106	4 464 734	47 581 964
Liabilities allocated to segment	2 672 419	148 733	(2 821 152)	0
Equity allocated to segment	3 334 874	1 122 571	217 263	4 674 708
Total	34 535 416	15 860 410	1 860 846	52 256 672

Income statement 1.01.2011 - 30.09.2011

In '000 PLN	Retail Banking	Corporate Banking	Treasury and Investment Banking	Total consolidated
Net interest income	756 920	207 155	(119 709)	844 366
external income	996 402	422 377	561 167	1 979 947
external cost	(621 428)	(356 764)	(157 389)	(1 135 581)
External income less cost	374 974	65 613	403 778	844 366
internal income	716 568	349 456	(1 066 024)	0
internal cost	(334 622)	(207 915)	542 537	0
Internal income less cost	381 946	141 542	(523 487)	0
Net fee and commission income	327 226	91 410	14 320	432 956
Dividends, other income from financial operations and foreign exchange profit	67 037	37 993	32 505	137 535
Other operating income and cost	(5 095)	(12 039)	2 982	(14 152)
Operating income	1 146 087	324 519	(69 902)	1 400 705
Staff costs	(285 958)	(94 054)	(24 935)	(404 947)
Administrative costs	(305 852)	(56 851)	(22 860)	(385 563)
Impairment losses on assets	(73 097)	(54 694)	435	(127 356)
Depreciation and amortization	(42 073)	(6 232)	(1 556)	(49 861)
Operating expenses	(706 981)	(211 830)	(48 916)	(967 726)
Share in net profit of associated companies	0	0	880	880
Profit / (loss) before taxes	439 107	112 689	(117 937)	433 859
Income taxes				(92 464)
Profit / (loss) after taxes				341 395

Balance sheet 31.12.2011

In '000 PLN	Retail Banking	Corporate Banking	Treasury and Investment Banking	Total consolidated
ASSETS				
Segment assets	29 727 878	13 538 125	7 572 096	50 838 099
Assets allocated to segment	3 403 840	1 180 685	(4 584 525)	0
Total	33 131 718	14 718 810	2 987 571	50 838 099
LIABILITIES				
Segment liabilities	27 971 468	13 447 209	4 833 177	46 251 854
Liabilities allocated to segment	2 287 224	173 654	(2 460 878)	0
Equity allocated to segment	2 873 026	1 097 947	615 272	4 586 245
Total	33 131 718	14 718 810	2 987 571	50 838 099

VII. DESCRIPTION OF RELATED PARTY TRANSACTIONS

VII.1. Description of related party transactions

All the transactions concluded between Group entities in the period from 1 January 2012 to 30 September 2012 resulted from their ongoing activity. Below, we are presenting amounts of the most important intra-group transactions concluded between the following entities, which were eliminated in the data consolidation process:

- BANK MILLENNIUM S.A.,
- 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 Sp. z o.o.,
- TBM Sp. z o.o.

and with the Capital Group of Bank parent company - Banco Comercial Portugues (these transactions are mainly of banking nature). Apart from transactions described herein, in the indicated period neither Bank Millennium S.A., nor subsidiaries of Bank Millennium S.A. made any other transactions with related entities, which individually or jointly may have been significant and concluded under terms and conditions other than market-based.

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 30.09.2012

	With subsidiaries	With parent Group
ASSETS		
Loans and advances to banks - accounts and deposits	251 238	28 099
Loans and advances to customers	2 576 738	0
Receivables from securities bought with sell-back clause	3 005	0
Investments in associates	306 146	0
Investment financial assets	823 115	0
Financial assets valued at fair value through profit and loss (held for trading)	2 829	0
Hedging derivatives	0	20 768
Other assets	250 208	37

LIABILITIES

Deposits from banks	2 327 852	240 330
Deposits from customers	451 538	0
Liabilities from securities sold with buy-back clause	3 005	0
Debt securities	185 952	0
Hedging derivatives	0	149 154
Financial liabilities valued at fair value through profit and loss (held for trading)	307	171
Subordinated debt	621 438	0
Other liabilities	323 071	615
- including liabilities from financial leasing	71 160	0

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2011

	With subsidiaries	With parent Group
ASSETS		
Loans and advances to banks - accounts and deposits	221 963	248 655
Loans and advances to customers	2 219 694	0
Receivables from securities bought with sell-back clause	15 707	0
Investments in associates	311 287	0
Investment financial assets	878 844	0
Financial assets valued at fair value through profit and loss (held for trading)	3 618	0
Hedging derivatives	0	0
Other assets	297 105	105
LIABILITIES		
Deposits from banks	1 761 654	74 971
Deposits from customers	622 226	0
Liabilities from securities sold with buy-back clause	15 707	00
Debt securities	199 864	299 795
Financial liabilities valued at fair value through profit and loss (held for trading)	1 096	91
Hedging derivatives	0	304 263
Subordinated debt	663 228	0
Other liabilities	379 964	469
- including liabilities from financial leasing	72 634	0

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.09.2012

	With subsidiaries	With parent Group
Income from:		
Interest	102 852	87 840
Commissions	33 732	110
Derivatives net	0	0
Dividends	48 650	0
Other net operating income	81 020	709
Expense from:		
Interest	105 733	23 133
Commissions	36 525	2 113
Derivatives net	0	232
General and administrative expenses	79 840	3 387

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.09.2011

	With subsidiaries	With parent Group
Income from:		
Interest	110 773	73 694
Commissions	37 563	0
Derivatives net	0	3 546
Dividends	24 734	0
Other net operating income	63 663	1 613
Expense from:		
Interest	112 758	38 809
Commissions	37 292	5 144
Derivatives net	312	0
General and administrative expenses	57 737	3 196

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 30.09.2012

	With subsidiaries	With parent Group
Conditional commitments	67 760	938 817
Derivatives (par value)	61 079	4 637 777

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2011

	With subsidiaries	With parent Group
Conditional commitments	123 238	986 570
Derivatives (par value)	154 177	5 361 126

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

Name and surname	Function	Number of shares as of delivery date of quarterly report prepared as at 30.09.2012	Number of shares as of delivery date of quarterly report prepared as at 30.06.2012
Bogusław Kott	Chairman of the Management Board	4 465 791	4 465 791
Joao Bras Jorge	First Deputy Chairman of the Management Board	0	0
Fernando Bicho	Deputy Chairman of the Management Board	0	0
Artur Klimczak	Deputy Chairman of the Management Board	0	0
Julianna Boniuk-Gorzelańczyk	Member of the Management Board	492 248	492 248
Andrzej Gliński	Member of the Management Board	0	0
Wojciech Haase	Member of the Management Board	7 494	7 494
Maria Jose Campos	Member of the Management Board	0	0
Jerzy Andrzejewicz	Proxy	6 260	6 260
Maciej Bednarkiewicz	Chairman of the Supervisory Board	134	134
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Marek Furtek	Secretary of the Supervisory Board	1	1
Miguel de Campos Pereira de Bragança	Member of the Supervisory Board	0	0
Luís Maria França de Castro Pereira Coutinho	Member of the Supervisory Board	0	0
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Krzysztof Kwiatkowski	Member of the Supervisory Board	0	0
Maria da Conceição Mota Soares de Oliveira Callé Lucas	Member of the Supervisory Board	0	0
Marek Rocki	Member of the Supervisory Board	0	0
Dariusz Rosati	Member of the Supervisory Board	0	0
Rui Manuel da Silva Teixeira	Member of the Supervisory Board	0	0

VIII. CONTINGENT ASSETS AND LIABILITIES

The total value of the largest lawsuits as at 30 September 2012, in which Group companies acted as claimants or defendants before courts and arbitration bodies, was PLN 544.6 million. The total value of the largest lawsuits, in which Group companies acted as defendants was PLN 323.1 million and the total value of the largest lawsuits, in which Group companies acted as claimants was PLN 221.5 million.

Descriptions of the important, accordingly opinion of the issuer, ongoing lawsuits involving the Group's entities, broken down into three categories are following:

Proceedings connected with derivatives

As of 30 September 2012 the Bank was party to 45 lawsuits connected with derivatives, where in 34 cases the Bank was the defendant, while in 11 as the plaintiff. Accordingly to the Bank's best knowledge the total disputed value in these lawsuits was PLN 385.1 million. The highest unit value of the dispute was PLN 71.1 million.

The largest lawsuits connected with derivatives in which Group companies are defendants:

Lawsuit 1

Plaintiff: legal person

Value of the object of the dispute: PLN 71,065,495

Object: Claim for return of amounts due on account of settlement of FX options.

Case status: On 10 January 2011 the lawsuit was formally received by an attorney of the Bank, who in cooperation with the Bank prepared and delivered on 24 January 2011 to the court a reply to the lawsuit. The first hearing on November 23, 2011, was of the preparation nature. The Court obliged representatives of parties to make some actions to be completed within 14 days, under the threat of suspension of the proceedings. During hearings that took place 16.03.2012, 30.03.2012 and 25.05.2012 witnesses were questioned. Due to the change of lecturer judge dates of further hearing have not been set yet.. Case in progress.

Expectations: the Bank's attorney has a positive view of the chances of the Bank getting a positive ruling.

Lawsuit 2

Plaintiff: legal person

Value of the object of the dispute: PLN 31,049,160

Object: The plaintiff claims that the disputed transaction was not concluded effectively owing to failure to agree on essentials components. Additionally the plaintiff claims that he has evaded the legal effects of his statements of will, which were made in error.

Case status: The first hearing was held on 26 October 2010. During this hearing witnesses were questioned. Other witnesses were heard and recorded phone calls investigated during hearings, which took place April 12, and 8 November 2011, 28 February and 12 June 2012. During another hearing which was held on 14 September 2012, the Chairman of the plaintiff was interviewed. The court did not set the next hearing date.

Expectations: the Bank's attorney has a positive view of the chances of the Bank getting a positive ruling.

In addition to court proceedings, the Bank was called to come to terms by client's initiative. There are four such cases, two of them concern the same circumstances, but the calls were made by two different customer representatives. Therefore, the total amount of the aforementioned calls is PLN 116.4 million whereas the highest unit value of the call is PLN 77.4 million.

The other largest lawsuits in which Group companies are defendants except Proceedings with participation of the Chairman of UOKiK:

Lawsuit 1

Plaintiff: joint stock company in bankruptcy

Value of the subject matter of the dispute: PLN 49,075,504

Object: Ruling ineffectiveness of:

- conditional real estate sale agreement in Świnoujście between a joint stock company seated in Świnoujście and a joint stock company seated in Sopot;
- real estate sale agreement in Świnoujście;
- three operating sale and leaseback agreements dated 18 June 2002.

Case status: On 29 April 2011 the District Court in Gdańsk dismissed all complaints of plaintiff, adjudging the amount of PLN 18,015 to the Millennium Leasing as return of incurred court fees. On 27 June 2011 the Court received the appeal of the plaintiff, which the attorney of company received on 9 September. Then, on 26 September 2011, was sent a reply, which sought to dismiss the appeal in its entirety. On 11 October 2011 Regional Court at the request of the Millennium Leasing amended obvious clerical error found in the judgment of 29 April (instead of defining the subject matter of the dispute as a matter "for recognition of the legal acts for the unsuccessful" indicated "payment"). The Court of Appeal in Gdansk at the first meeting, held on 28 March 2012, decided to postpone the trial until 17 April 2012. On 17 April 2012 the case was postponed once again (no date was set), additionally the Court decided to question an expert using video conference formula. Another hearing was held on 18 May. Millennium Leasing Sp. of o.o. received judgment with justification on 2 July 2012 - Court of Appeal dismissed the appeal of trustee against the judgment of the District Court in Gdansk on 29 April 2011, and ordered the plaintiff to reimburse process costs for the second instance in the amount of PLN 5,400. The claimant lodged a cassation complaint, at the moment the Group does not have any information about the Supreme Court decision on the acceptance or refusal of the complaint.

According to the Group's estimations, regardless of the verdict issued by the court, there is no need to establish any reserves; the only financial consequences for the Group are limited to incurred court fees.

Proceedings with participation of the Chairman of UOKiK:

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

The Bank is a party in proceedings instituted by the Chairman of UOKiK against operators of the Visa and Europay systems as well as banks - issuers of Visa and Europay/Eurocard/Mastercard cards. The proceedings concern practices restricting competition on the card payments market in Poland, whereby interchange fees were said to be agreed jointly for transactions done with Visa and Europay/Eurocard/Mastercard cards and also access was restricted for entrepreneurs who did not belong to the association of card issuers against whom the proceedings were instituted. On 29 December 2006 the Chairman of UOKiK deemed the practices consisting in jointly agreeing on interchange fees as restricting competition and ordered desisting from their use, at the same time imposing i.a. on the Bank a cash penalty of PLN 12.158.370. On 19 January 2007 the Bank appealed against the decision of the Chairman of UOKiK to SOKiK. On 25 August 2008 SOKiK gave a ruling, in which it decided to suspend enforcement of the appealed decision in the item concerning the order to desist from jointly agreeing on the interchange fees.

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

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

On 22/04/2010, the appeals hearing was held, after which the Court of Appeal overturned the positive for banks verdict entirely, sending the case back to the court of first instance. At the meeting held on 9 February 2012, the Court took into account the request of the representative of the Bank and set the date of the next hearing on April 24, and then on May 8. On May 8, 2012, the Court issued an order suspending the proceedings; the Bank filed a complaint against that ruling on May 29, 2012. The complaint has not yet been examined by the court. Case in progress.

OFF-BALANCE ITEMS

Amount '000 PLN	30.09.2012	31.12.2011
Off-balance conditional commitments granted and received	7 642 845	10 036 027
Commitments granted:	6 718 523	8 695 495
- financial	5 314 913	6 641 320
- guarantee	1 403 610	2 054 175
Commitments received:	924 322	1 340 532
- financial	834 836	883 360
- guarantee	89 486	457 172

IX. ADDITIONAL INFORMATION

IX.1. Data on assets securing liabilities

As at 30 September 2012, 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 WZ0115	available for sale	Lombard credit granted to the Bank by the NBP	130 000	131 485
2.	Treasury bonds OK0114	available for sale	Initial security deposit for bond futures	500	474
3.	Treasury bonds WZ0115	available for sale	Loan agreement	182 000	184 078
4.	Treasury bonds WZ0117	available for sale	Loan agreement	400 000	402 488
5.	Treasury bonds WZ0117	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	26 000	26 162
6.	Treasury bonds WZ0118	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	160 000	160 323
7.	Treasury bonds OK0114	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	28 320	26 282
8.	Cash		Payment to the Futures Settlement Guarantee Fund	100	100
9.	Deposits	Deposits on other banks	Settlement on transactions entered	815 931	815 931
TOTAL				1 742 851	1 747 903

As at 31 December 2011, 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 WZ0115	available for sale	Lombard credit granted to the Bank by the NBP	280 000	284 301
2.	Treasury bonds OK0114	available for sale	Lombard credit granted to the Bank by the NBP	500	453
3.	Treasury bonds WZ0115	available for sale	Initial security deposit for bond futures	37 545	38 122
4.	Treasury bonds OK1012	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	16 374	15 788
5.	Treasury bonds PS0416	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	25 548	26 204
6.	Treasury bonds OK0114	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	133 000	120 624
7.	Cash		Payment to the Futures Settlement Guarantee Fund	100	100
8.	Deposits	Deposits on other banks	Settlement on transactions entered	1 801 044	1 801 044
9.	Loans and advances to customers	Loans and advances	Loan agreement	127 009	125 793
TOTAL				2 421 120	2 412 429

IX.2. Dividend for 2011

According to the decision of the General Meeting held on 20 April 2012, the Bank will not pay the dividend from the profit for the year ended 31 December 2011 (this whole profit was dedicated for reserve capital).

The dividend amounted to PLN 0.1 gross per share, was paid on 30 May 2011 from the profit for the year ended 31 December 2010.

IX.3. Earnings per share

Profit per share calculated for III quarters 2012 (and diluted profit per share) on the basis of the consolidated data amounted to PLN 0.29.

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

The data relating to number of shares, percentage share in equity, number of votes and their percentage share in total number of votes at the Shareholder Meeting were prepared based on: information included in the shareholders' announcements sent to the Bank in accordance with art 69 of the "Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies", or based on information provided by shareholders when registering at the Bank's Shareholder Meeting (the number of shares registered at the Shareholder Meeting may be lower than the number of shares actually held) as well as information published otherwise as stipulated by legal regulations.

Data as at the delivery date of the report for III quarter 2012

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	794 751 136	65.51	794 751 136	65.51
ING Otworthy Fundusz Emerytalny	61 645 799	5.08	61 645 799	5.08

Data as at the delivery date of the report for I half 2012

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	794 751 136	65.51	794 751 136	65.51
ING Otworthy Fundusz Emerytalny	61 645 799	5.08	61 645 799	5.08

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

In III quarter 2012, 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 2012 to exceed 10% of the Group's equity as at the balance sheet date.

IX.6. Other additional information

As at 30 September 2012, the Group has no material obligations under the purchase of property, plant and equipment, and during the period covered by the condensed consolidated statement, Group did not:

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

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

II. CONDENSED INTERIM FINANCIAL STATEMENTS OF BANK MILLENNIUM S.A. FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

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I. INTRODUCTION AND ACCOUNTING PRINCIPLES

This condensed interim financial statement has been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. The condensed interim financial statement does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2011.

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 2011.

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 2012.

Condensed financial statements of the Bank:

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

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank's economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the nine months period ended 30 September 2012. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the nine months period ended 30 September 2012 contain all important information, which also serves as explanatory data to these unconsolidated statements of the Bank.

The Board of Directors approved this condensed unconsolidated interim financial statement on 26 October 2012.

II. UNCONSOLIDATED FINANCIAL DATA (BANK)

INCOME STATEMENT

Amount '000 PLN	1.01.2012 - 30.09.2012	1.07.2012 - 30.09.2012	1.01.2011 - 30.09.2011	1.07.2011 - 30.09.2011
Interest income	2 210 594	761 505	1 875 069	674 262
Interest expense	(1 423 573)	(502 090)	(1 118 847)	(400 322)
Net interest income	787 021	259 415	756 222	273 940
Fee and commission income	448 672	149 511	440 440	144 835
Fee and commission expense	(64 815)	(23 289)	(44 317)	(16 502)
Net fee and commission income	383 857	126 222	396 123	128 333
Dividend income	41 467	611	13 526	736
Result on investment financial assets	8 908	3 695	2 439	409
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	130 647	59 455	131 158	51 323
Other operating income	23 367	8 760	20 562	6 113
Operating income	1 375 267	458 158	1 320 030	460 854
General and administrative expenses	(751 842)	(248 932)	(743 576)	(252 130)
Impairment losses on financial assets	(144 319)	(50 673)	(113 411)	(37 309)
Impairment losses on non financial assets	(71)	42	920	211
Depreciation and amortization	(40 203)	(13 112)	(47 882)	(15 265)
Other operating expenses	(26 318)	(8 463)	(29 709)	(10 486)
Operating expenses	(962 753)	(321 138)	(933 658)	(314 979)
Operating profit	412 514	137 020	386 372	145 875
Profit / (loss) before taxes	412 514	137 020	386 372	145 875
Corporate income tax	(75 017)	(25 187)	(80 143)	(29 689)
Profit / (loss) after taxes	337 497	111 833	306 229	116 186
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)	0.28	0.09	0.25	0.10

TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2012 - 30.09.2012	1.07.2012 - 30.09.2012	1.01.2011 - 30.09.2011	1.07.2011 - 30.09.2011
Profit / (loss) after taxes	337 497	111 833	306 229	116 186
Other elements of total comprehensive income, including:				
Effect of valuation of available for sale debt securities	3 730	(1 080)	(10 514)	(1 769)
Effect of valuation of available for sale shares	0	0	2 601	986
Hedge accounting	(322 314)	(129 876)	160 301	216 558
Other elements of total comprehensive income before taxes	(318 584)	(130 956)	152 388	215 775
Corporate income tax on other elements of total comprehensive income	60 531	24 882	(28 954)	(40 997)
Other elements of total comprehensive income after taxes	(258 053)	(106 074)	123 434	174 778
Total comprehensive income of the period	79 444	5 759	429 663	290 964

BALANCE SHEET

ASSETS

<i>Amount '000 PLN</i>	30.09.2012	31.12.2011
Cash, balances with the Central Bank	2 002 553	2 017 550
Loans and advances to banks	1 465 044	2 660 366
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	826 385	729 029
Hedging derivatives	293 869	130 636
Loans and advances to customers	39 583 809	39 832 055
Investment financial assets	6 236 919	3 133 585
- available for sale	6 236 919	3 133 585
- held to maturity	0	0
Investments in associates	309 960	311 303
Receivables from securities bought with sell-back clause (loans and advances)	140 508	2 209
Property, plant and equipment	175 920	206 525
Intangible assets	28 392	31 895
Non-current assets held for sale	0	0
Receivables from Tax Office resulting from current tax	3 411	86 342
Deferred tax assets	117 888	66 750
Other assets	339 253	405 032
Total Assets	51 523 911	49 613 277

LIABILITIES AND EQUITY

Amount '000 PLN	30.09.2012	31.12.2011
LIABILITIES		
Deposits from banks	1 965 078	1 522 406
Financial liabilities valued at fair value through profit and loss (held for trading)	430 398	574 418
Hedging derivatives	1 150 472	2 298 099
Deposits from customers	41 429 659	37 549 802
Liabilities from securities sold with buy-back clause	392 839	1 622 335
Debt securities	439 847	394 775
Provisions	27 598	34 970
Deferred income tax liabilities	0	0
Current tax liabilities	3 201	0
Other liabilities	723 741	693 048
Subordinated debt	621 438	663 228
Total Liabilities	47 184 271	45 353 081
EQUITY		
Share capital	1 213 117	1 213 117
Share premium	1 147 241	1 147 241
Revaluation reserve	(158 188)	99 865
Retained earnings	2 137 470	1 799 973
Total Equity	4 339 640	4 260 196
Total Liabilities and Equity	51 523 911	49 613 277
Book value	4 339 640	4 260 196
Number of shares	1 213 116 777	1 213 116 777
Book value per share (in PLN)	3.58	3.51

STATEMENT OF CHANGES IN EQUITY

<i>Amount '000 PLN</i>	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2012	4 260 196	1 213 117	1 147 241	99 865	1 799 973
- total comprehensive income for III quarters 2012	79 444	0	0	(258 053)	337 497
Equity at the end of the period 30.09.2012	4 339 640	1 213 117	1 147 241	(158 188)	2 137 470

<i>Amount '000 PLN</i>	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2011	3 816 045	1 213 117	1 147 241	(50 256)	1 505 943
- dividend for 2010	(121 312)	0	0	0	(121 312)
- total comprehensive income of 2011	565 463	0	0	150 121	415 342
Equity at the end of the period 31.12.2011	4 260 196	1 213 117	1 147 241	99 865	1 799 973

<i>Amount '000 PLN</i>	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2011	3 816 045	1 213 117	1 147 241	(50 256)	1 505 943
- dividend for 2010	(121 312)	0	0	0	(121 312)
- total comprehensive income for III quarters 2011	429 663	0	0	123 434	306 229
Equity at the end of the period 30.09.2011	4 124 396	1 213 117	1 147 241	73 178	1 690 860

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2012 - 30.09.2012	1.01.2011 - 30.09.2011
Profit (loss) after taxes	337 497	306 229
Adjustments for:	2 216 817	(1 617 224)
Interests in net income (loss) of associated companies	0	0
Depreciation and amortization	40 203	47 882
Foreign exchange (gains) losses	(112 784)	182 417
Dividends	(39 583)	(13 526)
Changes in provisions	(7 372)	2 246
Result on sale and liquidation of investing activity assets	(19 812)	(2 316)
Change in financial assets valued at fair value through profit and loss (held for trading)	(627 722)	612 048
Change in loans and advances to banks	967 695	(1 052 735)
Change in loans and advances to customers	247 042	(3 938 348)
Change in receivables from securities bought with sell-back clause (loans and advances)	(138 299)	(188 092)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(1 291 647)	1 341 462
Change in deposits from banks	297 327	51 197
Change in deposits from customers	3 879 857	1 657 826
Change in liabilities from securities sold with buy-back clause	(1 229 496)	(177 457)
Change in debt securities	45 072	(2 429)
Change in income tax settlements	167 557	76 195
Income tax paid	(72 032)	(82 348)
Change in other assets and liabilities	96 472	(153 450)
Other	14 339	22 204
Net cash flows from operating activities	2 554 314	(1 310 995)

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2012 - 30.09.2012	1.01.2011 - 30.09.2011
Inflows:	54 161	2 114 136
Proceeds from sale of property, plant and equipment and intangible assets	7 304	447
Proceeds from sale of shares in associates	7 274	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	2 100 163
Other	39 583	13 526
Outflows:	(1 089 870)	(10 098)
Acquisition of property, plant and equipment and intangible assets	(8 852)	(10 098)
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	(1 081 018)	0
Other	0	0
Net cash flows from investing activities	(1 035 709)	2 104 038

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2012 - 30.09.2012	1.01.2011 - 30.09.2011
Inflows:	298 750	0
Long-term bank loans	298 750	0
Issue of debt securities	0	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other	0	0
Outflows:	(96 324)	(943 820)
Repayment of long-term bank loans	(72 372)	(787 520)
Redemption of debt securities	0	0
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	(121 312)
Other	(23 952)	(34 988)
Net cash flows from financing activities	202 426	(943 820)
D. NET CASH FLOWS, TOTAL (A + B + C)	1 721 031	(150 777)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	3 642 752	3 258 828
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	5 363 783	3 108 051

III. SUPPLEMENTARY INFORMATION FOR UNCONSOLIDATED FINANCIAL DATA

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

	01.01.2012 - 30.09.2012	01.01.2011 - 31.12.2011
Balance at the beginning of the period	1 078 603	1 028 761
Change in value of provisions:	76 773	49 842
Write-offs in the period	407 937	432 714
Amounts written off	(67 386)	(65 910)
Reversal of write-offs in the period	(241 241)	(278 074)
Write-offs decrease due to sale of receivables	(11 784)	(61 657)
Changes resulting from FX rates differences	(10 933)	22 563
Other	180	206
Balance at the end of the period	1 155 376	1 078 603

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Investments in associates	Property, plant and equipment	Intangibles	Other assets
Balance as at 01.01.2012	16 637	5 184	24 849	0	9 103
- Write-offs created	0	0	0	0	375
- Write-offs released	0	(4 040)	(4 325)	0	(304)
- Utilisation	0	0	0	0	(1 342)
- Other changes	0	0	0	0	0
Balance as at 30.09.2012	16 637	1 144	20 524	0	7 832

Impairment write-offs:	Investment securities	Investments in associates	Property, plant and equipment	Intangibles	Other assets
Balance as at 01.01.2011	16 637	3 800	25 760	0	9 798
- Write-offs created	0	3 084	0	0	1 026
- Write-offs released	0	(1 700)	0	0	(1 588)
- Utilisation	0	0	(911)	0	(133)
- Other changes	0	0	0	0	0
Balance as at 31.12.2011	16 637	5 184	24 849	0	9 103

Impairment losses on financial assets

	01.01.2012 - 30.09.2012	01.01.2011 - 31.12.2011
Impairment losses on loans and advances to customers	(160 470)	(140 895)
- Impairment charges on loans and advances to customers	(407 937)	(432 714)
- Reversal of impairment charges on loans and advances to customers	241 241	278 074
- Amounts recovered from loans written off	1 491	4 053
- Result from sale of receivables portfolio	4 735	9 692
Impairment losses on investment securities	0	0
- Impairment write-offs for investment securities	0	0
Impairment losses on investments in associates	4 040	(1 384)
- Impairment write-offs for investments in associates	0	(3 084)
- Reversal of impairment write-offs for investments in associates	4 040	1 700
Impairment losses on off-balance sheet liabilities	12 111	(7 998)
- Impairment write-offs for off-balance sheet liabilities	(4 489)	(17 226)
- Reversal of impairment write-offs for off-balance sheet liabilities	16 600	9 228
Total	(144 319)	(150 277)

Creation, charge, utilisation and release of provisions

	01.01.2012 - 30.09.2012	01.01.2011 - 31.12.2011
Provision for off-balance sheet commitments		
Balance at the beginning of the period	22 271	14 273
Charge of provision	4 489	17 226
Release of provision	(16 600)	(9 228)
FX rates differences	(31)	0
Balance at the end of the period	10 129	22 271
Provision for contentious claims		
Balance at the beginning of the period	12 699	6 230
Charge of provision	6 815	11 134
Release of provision	(2 005)	(4 138)
Utilisation of provision	(40)	(527)
Balance at the end of the period	17 469	12 699
Total	27 598	34 970

Assets and provision from deferred income tax

	30.09.2012			31.12.2011		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	5 993	0	5 993	7 243	0	7 243
Balance sheet valuation of financial instruments	404 749	(405 289)	(540)	668 692	(674 712)	(6 020)
Unrealised receivables/ liabilities on account of derivatives	72 049	(97 228)	(25 179)	86 083	(112 753)	(26 670)
Interest on deposits and securities to be paid/ received	62 288	(84 578)	(22 290)	52 288	(78 615)	(26 327)
Interest and discount on loans and receivables	0	(28 129)	(28 129)	0	(19 975)	(19 975)
Income and cost settled at effective interest rate	2 938	(1 335)	1 603	5 510	(4 224)	1 286
Provisions for loans presented as temporary differences	112 964	0	112 964	131 992	0	131 992
Employee benefits	10 366	0	10 366	10 507	0	10 507
Provisions for future costs	22 058	0	22 058	14 261	0	14 261
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	37 163	(57)	37 106	652	(24 077)	(23 425)
Other	4 872	(936)	3 936	5 005	(1 127)	3 878
Net deferred income tax asset	735 440	(617 552)	117 888	982 233	(915 483)	66 750

IV. STATEMENT OF RELATED PARTY TRANSACTIONS

All the transactions concluded between Group entities in the period from 1 January 2012 to 30 September 2012 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 MAKLECKI 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 30.09.2012

	With subsidiaries	With parent Group
ASSETS		
Loans and advances to banks - accounts and deposits	0	28 099
Loans and advances to customers	2 322 702	0
Investments in associates	295 304	0
Financial assets valued at fair value through profit and loss (held for trading)	2 779	0
Hedging derivatives	0	20 768
Other assets	219 896	37
LIABILITIES		
Deposits from banks	0	240 330
Deposits from customers	253 122	0
Liabilities from securities sold with buy-back clause	3 005	0
Hedging derivatives	0	149 154
Financial liabilities valued at fair value through profit and loss (held for trading)	50	171
Subordinated debt	621 438	0
Other liabilities	102 285	615
- including liabilities from financial leasing	70 119	0

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2011

	With subsidiaries	With parent Group
ASSETS		
Loans and advances to banks - accounts and deposits	0	248 655
Loans and advances to customers	1 757 548	0
Investments in associates	300 687	0
Financial assets valued at fair value through profit and loss (held for trading)	3 021	0
Hedging derivatives	0	0
Other assets	261 857	105

LIABILITIES

Deposits from banks	0	74 971
Deposits from customers	228 926	0
Liabilities from securities sold with buy-back clause	15 707	0
Hedging derivatives	0	304 263
Financial liabilities valued at fair value through profit and loss (held for trading)	203	91
Subordinated debt	663 228	0
Other liabilities	118 599	469
- including liabilities from financial leasing	72 469	0

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.09.2012

	With subsidiaries	With parent Group
Income from:		
Interest	67 868	87 840
Commissions	36 480	110
Derivatives net	89	0
Dividends	37 465	0
Other net operating income	0	709
Expense from:		
Interest	20 825	17 946
Commissions	30	2 113
Derivatives net	0	232
Other net operating income	977	0
General and administrative expenses	72 339	3 273

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.09.2011

	With subsidiaries	With parent Group
Income from:		
Interest	59 094	73 694
Commissions	37 761	0
Derivatives net	203	3 546
Dividends	11 619	0
Other net operating income	2 452	1 613
Expense from:		
Interest	36 227	34 609
Commissions	43	5 144
Derivatives net	52 652	3 110

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 30.09.2012

	With subsidiaries	With parent Group
Conditional commitments	67 760	938 817
Derivatives (par value)	61 079	4 637 777

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2011

	With subsidiaries	With parent Group
Conditional commitments	123 238	986 570
Derivatives (par value)	154 177	5 361 126

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

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

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

The Bank's unconsolidated profit and loss account includes dividends received from subsidiaries, which, for the purposes of the Group's consolidated statements are eliminated as intra-group transactions. The value of such dividends for III quarters 2012 and III quarters 2011 (comparative data) was PLN 37,465 thousand and PLN 11,619 thousand, respectively.

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

During the 9 months ended 30 September 2012, the Bank's liabilities on account of a debt securities issues increased by PLN 45.1 million. The bonds were issued under the Banks' Bond Issue Scheme, under which the Bank may issue multiple bond series (private placement issues) in the total nominal value not exceeding PLN 2,000,000,000 or its equivalent in EUR, USD, CHF. Additionally Bank offers new structured products in the form of Bank Securities, which are issued under Banking Law and are restricted to banks only.

V.4. Off-balance sheet liabilities

As at 30 September 2012 and 31 December 2011, the structure of off-balance sheet liabilities was as follows:

OFF-BALANCE ITEMS

Amount '000 PLN	30.09.2012	31.12.2011
Off-balance conditional commitments granted and received	7 710 605	10 159 264
Commitments granted:	6 784 994	8 817 765
- financial	5 316 426	6 691 362
- guarantee	1 468 568	2 126 403
Commitments received:	925 611	1 341 499
- financial	834 836	883 360
- guarantee	90 775	458 139