

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



MAIN CONSOLIDATED FINANCIAL DATA

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

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

Exchange rates accepted to convert selected financial data into EURO

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

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

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

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I. GENERAL INFORMATION ON THE ISSUER

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

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

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

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

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

Composition of the Supervisory Board is as follows:

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

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

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

Composition of the Management Board is as follows:

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

Bank Millennium S.A. Capital Group

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

Company	Activity domain	Head office	% of the Group's capital share	% of the Group's voting share	Recognition in financial statements
MILLENNIUM LEASING Sp. z o.o.	leasing services	Warsaw	100	100	consolidated
MILLENNIUM DOM 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).

II. INTRODUCTION AND ACCOUNTING PRINCIPLES

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

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

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

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

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

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

III. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

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

CONSOLIDATED TOTAL COMPREHENSIVE INCOME STATEMENT

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

CONSOLIDATED BALANCE SHEET

ASSETS

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

LIABILITIES AND EQUITY

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

A. CASH FLOWS FROM OPERATING ACTIVITIES

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

B. CASH FLOWS FROM INVESTING ACTIVITIES

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

C. CASH FLOWS FROM FINANCING ACTIVITIES

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

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

IV. NOTES TO CONSOLIDATED FINANCIAL DATA

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

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

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

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

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

Note (3) Fee and commission income

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

Note (4) Fee and commission expense

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

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

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

Note (6) General and administrative expenses

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

Note (7) Impairment losses on financial assets

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

Note (8a) Income tax reported in income statement

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

Note (8b) Effective tax rate

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

Note (8c) Deferred tax reported directly in equity

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

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

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

Tax Inspection Office control procedures

Millennium Leasing Sp. z o.o. tax control

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

Bank Millennium S.A. tax control procedures

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

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

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

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

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

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

Note (9) Loans and advances to banks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(*) Adjustment is presented for active hedge relationships

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

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

Note (12a) Loans and advances to customers

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

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

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

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

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

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

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

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

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

Note (13) Investment financial assets available for sale

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

Note (14) Impairment write-offs for selected assets

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

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

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

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

Note (16) Deposits from banks

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

Note (19) Deposits from customers by type structure

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

Note (20) Change of debt securities

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

Note (21) Provisions

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

V. CHANGES IN RISK MANAGEMENT PROCESS

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

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

Credit risk

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

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

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

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

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

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

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

Market risk

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

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

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

VaR measures for market risk

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

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

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

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

Liquidity risk

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

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

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

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

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

Operational risk

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

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

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

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

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

VI. OPERATIONAL SEGMENTS

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

Retail Customer Segment

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

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

Corporate Customer Segment

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

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

Treasury and investment activity

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

Unallocated (Other) assets and liabilities and revenues and expenses

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

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

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

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

Income statement 1.01.2013 - 30.06.2013

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

Balance sheet 30.06.2013

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

Income statement 1.01.2012 - 30.06.2012

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

Balance sheet 31.12.2012

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

VII. DESCRIPTION OF RELATED PARTY TRANSACTIONS

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

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

VII.1. Description of transactions with the Parent Group

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

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

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

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

VII.2. Transactions with the managing and supervising persons

Data as at 30.06.2013

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VIII. FAIR VALUE

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

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

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

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

Receivables and liabilities with respect to banks (structured contract)

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

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

Other receivables and liabilities with respect to banks

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

Loans and advances granted to customers

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

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

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

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

Liabilities to customers

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

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

Liabilities from the issuance of structured debt securities

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

Subordinated liabilities and mid-term loans

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

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

ASSETS

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

LIABILITIES

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

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

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

ASSETS

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

LIABILITIES

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

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

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

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

Data in '000PLN, as at 30.06.2013

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

Data in '000PLN, as at 31.12.2012

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

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

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

IX. CONTINGENT ASSETS AND LIABILITIES

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

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

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

A. Proceedings connected with derivatives

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

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

Plaintiff: legal person

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

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

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

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

B. Proceedings with participation of the Chairman of UOKiK

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

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

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

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

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

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

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

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

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

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

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

Plaintiff: Limited Liability Company

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

Object: the plaintiff seeks annulment of legal action

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

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

OFF-BALANCE ITEMS

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

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

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

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

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

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

X.2. Dividend for 2012

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

X.3. Earnings per share

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

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

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

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

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

Data accordingly consolidated annual report for 2012

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

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

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

X.6. Other additional information

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

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

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

SIGNATURES:

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

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

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I. INTRODUCTION AND ACCOUNTING PRINCIPLES

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

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

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

Condensed financial statements of the Bank:

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

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

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

II. SEPARATE FINANCIAL DATA (BANK)

INCOME STATEMENT

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

TOTAL COMPREHENSIVE INCOME STATEMENT

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

BALANCE SHEET

ASSETS

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

LIABILITIES AND EQUITY

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

STATEMENT OF CHANGES IN EQUITY

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

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

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

STATEMENT OF CASH FLOWS

A. CASH FLOWS FROM OPERATING ACTIVITIES

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

B. CASH FLOWS FROM INVESTING ACTIVITIES

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

C. CASH FLOWS FROM FINANCING ACTIVITIES

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

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

III. SUPPLEMENTARY INFORMATION FOR SEPARATE FINANCIAL DATA

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

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

Impairment write-offs for selected assets

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

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

Impairment losses on financial assets

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

Creation, charge, utilisation and release of provisions

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

Assets and provision from deferred income tax

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

IV. STATEMENT OF RELATED PARTY TRANSACTIONS

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

- MILLENNIUM LEASING Sp. z o.o.,
- MILLENNIUM DOM 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 30.06.2013

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

V.4. Off-balance sheet liabilities

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

OFF-BALANCE ITEMS

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

SIGNATURES:

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