

REPORT OF THE BANK MILLENNIUM S.A. CAPITAL GROUP

FOR 1 HALF 2014



MAIN CONSOLIDATED FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	Period from 1.01.2014 - 30.06.2014	Period from 1.01.2013 - 30.06.2013*	Period from 1.01.2014 - 30.06.2014	Period from 1.01.2013 - 30.06.2013*
Interest income	1 289 346	1 392 723	308 574	330 499
Fee and commission income	359 426	352 874	86 020	83 738
Operating income	1 169 045	1 014 120	279 783	240 655
Operating profit	417 287	320 546	99 868	76 067
Profit (loss) before taxes	417 287	318 805	99 868	75 654
Profit (loss) after taxes	320 064	254 227	76 600	60 329
Total comprehensive income of the period	338 711	175 959	81 062	41 756
Net cash flows from operating activities	(468 465)	896 893	(112 116)	212 836
Net cash flows from investing activities	954 554	(2 568 685)	228 450	(609 560)
Net cash flows from financing activities	705 660	(170 387)	168 883	(40 434)
Net cash flows, total	1 191 749	(1 842 179)	285 217	(437 158)
Total Assets	59 230 923	57 016 715	14 235 123	13 748 243
Liabilities to banks and other monetary institutions	2 169 331	2 348 562	521 361	566 301
Liabilities to customers	45 970 077	45 305 121	11 048 109	10 924 267
Equity	5 434 958	5 363 133	1 306 198	1 293 194
Share capital	1 213 117	1 213 117	291 552	292 515
Number of shares	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN/EUR)	4.48	4.42	1.08	1.07
Diluted book value per share (in PLN/EUR)	4.48	4.42	1.08	1.07
Capital adequacy ratio**	13.83%	14.54%	13.83%	14.54%
Earnings (losses) per ordinary share (in PLN/EUR)	0.26	0.21	0.06	0.05
Diluted earnings (losses) per ordinary share (in PLN/EUR)	0.26	0.21	0.06	0.05
Pledged or paid dividend per share (in PLN/EUR)	0.22	-	0.05	-

* - Comparative balance sheet data was presented, in compliance with IFRS requirements, as at 31.12.2013. Other comparative data is presented for the period from 1.01.2013 to 30.06.2013.

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

Exchange rates accepted to convert selected financial data into EURO

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

- for balance sheet items: 4.1609 PLN/EURO - the exchange rate of 30 June 2014 (for comparative data as at 31 December 2013: 4.1472 PLN/EURO),
- for profit and loss account items for the period from 1 January - 30 June 2014: 4.1784 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 2013: 4.2140 PLN/EURO).

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1. GENERAL INFORMATION ON THE ISSUER

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

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

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

The Bank is parent company of the Bank Millennium S.A. Capital Group (the Group) with 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 2014

Composition of the Supervisory Board as at 30 June 2014 was as follows:

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

Composition of the Management Board as at 30 June 2014 was as follows:

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

Bank Millennium S.A. Capital Group

Bank Millennium S.A. is the parent company of the Bank Millennium Group. The companies comprising the Group as at 30 June 2014 are presented in table below:

Company	Activity domain	Head office	% of the Group's capital share	% of the Group's voting share	Recognition in financial statements
MILLENNIUM LEASING Sp. z o.o.	leasing services	Warsaw	100	100	full consolidation
MILLENNIUM DOM MAKLESKI S.A.	brokerage services	Warsaw	100	100	full consolidation
MILLENNIUM TFI SA	investment funds management	Warsaw	100	100	full consolidation
MB FINANCE AB	funding companies from the Group	Stockholm	100	100	full consolidation
MILLENNIUM SERVICE Sp. z o.o.	general construction and engineering	Warsaw	100	100	full consolidation
TBM Sp. z o.o.	financial operations - equity markets, advisory services	Warsaw	100	100	full consolidation
MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o.	financial operations - equity markets, advisory services	Warsaw	100	100	full consolidation
LUBUSKIE FABRYKI MEBLI S.A.	furniture manufacturer	Świebodzin	50 (+1 share)	50	equity method valuation (*)
BG LEASING S.A. under bankructcy	leasing services	Gdańsk	74	74	historical cost (*)

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

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

2. INTRODUCTION AND ACCOUNTING PRINCIPLES

This condensed consolidated interim financial statement has been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statement do not include all of the information which is presented in full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in the consolidated financial statements of Bank Millennium S.A. Capital Group for the year ended 31 December 2013, with consideration of the specific requirements of IAS 34.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with later amendments) the Bank is required to publish the financial results for the six months ended 30 June 2014.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2014 to 30 June 2014:

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

The Board of Directors approved these condensed consolidated interim financial statements on 25 July 2014.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2014 - 30.06.2014	1.04.2014 - 30.06.2014	1.01.2013 - 30.06.2013	1.04.2013 - 30.06.2013
Interest income	1	1 289 346	658 396	1 392 723	680 582
Interest expense	2	(558 155)	(282 552)	(829 092)	(383 756)
Net interest income		731 191	375 844	563 631	296 826
Fee and commission income	3	359 426	184 587	352 874	185 879
Fee and commission expense	4	(40 842)	(21 498)	(53 436)	(28 284)
Net fee and commission income		318 584	163 089	299 438	157 595
Dividend income		1 842	1 842	1 166	1 166
Result on investment financial assets		14 891	(296)	16 343	10 048
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	5	80 879	41 712	101 516	39 769
Other operating income		21 658	11 904	32 026	16 398
Operating income		1 169 045	594 095	1 014 120	521 802
General and administrative expenses	6	(527 554)	(266 393)	(524 193)	(265 784)
Impairment losses on financial assets	7	(139 442)	(73 816)	(113 700)	(61 484)
Impairment losses on non-financial assets		(349)	(276)	(575)	(26)
Depreciation and amortization		(26 736)	(13 136)	(28 893)	(14 495)
Other operating expenses		(57 677)	(26 584)	(26 213)	(11 733)
Operating expenses		(751 758)	(380 205)	(693 574)	(353 522)
Operating profit		417 287	213 890	320 546	168 280
Share of profit of associates		0	0	(1 741)	(194)
Profit / (loss) before taxes		417 287	213 890	318 805	168 086
Corporate income tax	8	(97 223)	(50 274)	(64 578)	(33 883)
Profit / (loss) after taxes		320 064	163 616	254 227	134 203
Attributable to:					
Owners of the parent		320 064	163 616	254 227	134 203
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)		0.26	0.13	0.21	0.11

CONSOLIDATED TOTAL COMPREHENSIVE INCOME STATEMENT

<i>Amount '000 PLN</i>	1.01.2014 - 30.06.2014	1.04.2014 - 30.06.2014	1.01.2013 - 30.06.2013	1.04.2013 - 30.06.2013
Profit / (loss) after taxes	320 064	163 616	254 227	134 203
Other elements of total comprehensive income. including:				
Effect of valuation of available for sale debt securities	22 327	29 416	(65 229)	(50 112)
Effect of valuation of available for sale shares	(18)	(3)	(6)	(7)
Hedge accounting	711	69	(31 392)	(58 086)
Other elements of total comprehensive income before taxes	23 020	29 482	(96 627)	(108 205)
Corporate income tax on other elements of total comprehensive income	(4 374)	(5 602)	18 359	20 559
Other elements of total comprehensive income after taxes	18 647	23 881	(78 268)	(87 646)
Total comprehensive income of the period	338 711	187 497	175 959	46 557
Attributable to:				
Owners of the parent	338 711	187 497	175 959	46 557
Non-controlling interests	0	0	0	0

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

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	30.06.2014	31.12.2013
Cash, balances with the Central Bank		2 607 158	3 412 175
Deposits, loans and advances to banks and other monetary institutions	9	2 137 332	1 519 614
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	10	1 077 603	850 732
Hedging derivatives	11	74 739	211 395
Loans and advances to customers	12	43 374 424	41 765 680
Investment financial assets	13	8 758 361	8 241 517
- available for sale		8 758 361	8 241 517
- held to maturity		0	0
Investments in associates		3 009	3 009
Receivables from securities bought with sell-back clause (loans and advances)		319 027	242 061
Property, plant and equipment		154 203	163 158
Intangible assets		43 306	41 006
Non-current assets held for sale		5 875	3 466
Receivables from Tax Office resulting from current tax		62 190	63 949
Deferred tax assets	15	185 636	185 456
Other assets		428 060	313 497
Total Assets		59 230 923	57 016 715

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.06.2014	31.12.2013
LIABILITIES			
Liabilities to banks and other monetary institutions	16	2 169 331	2 348 562
Financial liabilities valued at fair value through profit and loss (held for trading)	10	552 515	575 098
Hedging derivatives	11	1 024 290	930 345
Liabilities to customers	17	45 970 077	45 305 121
Liabilities from securities sold with buy-back clause		678 826	114 801
Debt securities	18	1 622 932	701 352
Provisions	19	93 727	66 616
Deferred income tax liabilities	15	0	0
Current tax liabilities		19 574	11 269
Other liabilities		1 040 110	977 833
Subordinated debt		624 583	622 585
LIABILITIES		53 795 965	51 653 582
EQUITY			
Share capital		1 213 117	1 213 117
Share premium		1 147 502	1 147 502
Revaluation reserve		(112 576)	(131 223)
Retained earnings		3 186 915	3 133 737
Total Equity		5 434 958	5 363 133
Total equity attributable to owners of the parent		5 434 958	5 363 133
Non-controlling interests		0	0
Total Liabilities and Equity		59 230 923	57 016 715
Book value			
Book value		5 434 958	5 363 133
Number of shares			
Number of shares		1 213 116 777	1 213 116 777
Book value per share (in PLN)			
Book value per share (in PLN)		4.48	4.42

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2014	5 363 133	1 213 117	1 147 502	(131 223)	3 133 737
- total comprehensive income for 1 half 2014	338 711	0	0	18 647	320 064
- dividend payment	(266 886)	0	0	0	(266 886)
Equity at the end of the period 30.06.2014	5 434 958	1 213 117	1 147 502	(112 576)	3 186 915

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2013	4 824 170	1 213 117	1 147 502	(134 391)	2 597 942
- total comprehensive income of 2013	538 963	0	0	3 168	535 795
Equity at the end of the period 31.12.2013	5 363 133	1 213 117	1 147 502	(131 223)	3 133 737

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2013	4 824 170	1 213 117	1 147 502	(134 391)	2 597 942
- total comprehensive income for 1 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

CONSOLIDATED CASH FLOWS

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2014 - 30.06.2014	1.01.2013 - 30.06.2013
Profit (loss) after taxes	320 064	254 227
Total adjustments:	(788 529)	642 666
Non-controlling interests profit (loss)	0	0
Interests in net income (loss) of associated companies	0	1 741
Depreciation and amortization	26 736	28 893
Foreign exchange (gains)/ losses	1 703	97 644
Dividends	(1 842)	(1 166)
Changes in provisions	27 111	20 310
Result on sale and liquidation of investing activity assets	(21 046)	(23 777)
Change in financial assets valued at fair value through profit and loss (held for trading)	(89 288)	(797 824)
Change in loans and advances to banks	(64 515)	(636 869)
Change in loans and advances to customers	(1 612 258)	(1 781 044)
Change in receivables from securities bought with sell-back clause (loans and advances)	(76 966)	(520 140)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	71 362	641 630
Change in deposits from banks	(244 094)	(112 113)
Change in deposits from customers	664 956	2 774 469
Change in liabilities from securities sold with buy-back clause	564 025	923 389
Change in debt securities	5 305	(62 382)
Change in income tax settlements	95 290	64 476
Income tax paid	(91 719)	(58 931)
Change in other assets and liabilities	(52 756)	76 165
Other	9 467	8 195
Net cash flows from operating activities	(468 465)	896 893

B. CASH FLOWS FROM INVESTING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2014 - 30.06.2014	1.01.2013 - 30.06.2013
Inflows from investing activities:	146 814 597	151 444 849
Proceeds from sale of property, plant and equipment and intangible assets	11 251	11 737
Proceeds from sale of shares in associates	0	0
Proceeds from sale of financial assets valued at fair value through profit and loss	0	0
Proceeds from sale of investment financial assets	146 801 504	151 431 946
Other inflows from investing activities	1 842	1 166
Outflows from investing activities:	(145 860 043)	(154 013 534)
Acquisition of property, plant and equipment and intangible assets	(25 757)	(15 077)
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	(145 834 286)	(153 998 457)
Other outflows from investing activities	0	0
Net cash flows from investing activities	954 554	(2 568 685)

C. CASH FLOWS FROM FINANCING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2014 - 30.06.2014	1.01.2013 - 30.06.2013
Inflows from financing activities:	1 127 603	60 000
Long-term bank loans	211 328	60 000
Issue of debt securities	916 275	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(421 943)	(230 387)
Repayment of long-term bank loans	(138 686)	(141 884)
Redemption of debt securities	0	(70 334)
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	(266 886)	0
Other outflows from financing activities	(16 371)	(18 169)
Net cash flows from financing activities	705 660	(170 387)

D. NET CASH FLOWS. TOTAL (A + B + C)	1 191 749	(1 842 179)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	6 752 775	6 294 360
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	7 944 524	4 452 181

4. NOTES TO CONSOLIDATED FINANCIAL DATA

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

	1.01.2014 - 30.06.2014	1.04.2014 - 30.06.2014	1.01.2013 - 30.06.2013	1.04.2013 - 30.06.2013
Balances with the Central Bank	19 646	9 892	25 428	11 541
Deposits, loans and advances to banks	1 164	600	2 331	810
Loans and advances to customers	933 941	479 731	930 880	456 880
Transactions with repurchase agreement	11 281	6 529	4 065	2 563
Hedging derivatives	174 388	87 043	233 002	109 270
Financial assets held for trading (debt securities)	2 835	1 482	13 356	10 024
Investment securities	146 091	73 119	183 661	89 494
Total	1 289 346	658 396	1 392 723	680 582

Interest income for 1 half 2014 includes interest accrued on loans with recognized impairment of PLN 35,439 thousand (for the comparative data for 1 half 2013, such interest was PLN 38,892 thousand). This interest income is calculated based on net exposure amounts, which take into account the impairment charges made.

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

	1.01.2014 - 30.06.2014	1.04.2014 - 30.06.2014	1.01.2013 - 30.06.2013	1.04.2013 - 30.06.2013
Banking deposits	(10 730)	(4 807)	(15 536)	(6 245)
Loans and advances	(28 175)	(14 240)	(28 122)	(14 199)
Transactions with repurchase agreement	(22 399)	(11 333)	(32 924)	(20 877)
Deposits from customers	(470 875)	(236 607)	(726 015)	(329 978)
Subordinated debt	(7 647)	(3 828)	(7 534)	(3 756)
Debt securities	(17 908)	(11 609)	(18 496)	(8 470)
Other	(421)	(128)	(465)	(231)
Total	(558 155)	(282 552)	(829 092)	(383 756)

Note (3) Fee and commission income

	1.01.2014 - 30.06.2014	1.04.2014 - 30.06.2014	1.01.2013 - 30.06.2013	1.04.2013 - 30.06.2013
Resulting from accounts service	46 493	23 542	43 488	21 561
Resulting from money transfers, cash payments and withdrawals and other payment transactions	22 586	11 635	19 846	9 982
Resulting from loans granted	39 014	21 809	35 722	19 588
Resulting from guarantees and sureties granted	6 708	3 120	7 379	3 939
Resulting from payment and credit cards	103 991	53 692	99 002	47 927
Resulting from sale of insurance products	40 804	22 588	56 382	33 966
Resulting from distribution of investment funds units and other savings products	41 838	20 269	35 710	19 412
Resulting from brokerage and custody service	10 199	4 482	9 786	4 946
Resulting from investment funds managed by the Group	41 434	20 611	38 705	21 070
Other	6 359	2 839	6 854	3 488
Total	359 426	184 587	352 874	185 879

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

Note (4) Fee and commission expense

	1.01.2014 - 30.06.2014	1.04.2014 - 30.06.2014	1.01.2013 - 30.06.2013	1.04.2013 - 30.06.2013
Resulting from accounts service	(651)	(355)	(942)	(518)
Resulting from money transfers, cash payments and withdrawals and other payment transactions	(742)	(284)	(703)	(332)
Resulting from loans granted	(7 432)	(3 851)	(7 523)	(4 471)
Resulting from payment and credit cards	(26 764)	(14 313)	(38 269)	(20 024)
Resulting from brokerage and custody service	(1 728)	(776)	(1 808)	(878)
Resulting from investment funds managed by the Group	(2 142)	(1 311)	(1 938)	(974)
Other	(1 383)	(608)	(2 253)	(1 087)
Total	(40 842)	(21 498)	(53 436)	(28 284)

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

	1.01.2014 - 30.06.2014	1.04.2014 - 30.06.2014	1.01.2013 - 30.06.2013	1.04.2013 - 30.06.2013
Operations on securities	(23)	2 960	(3 484)	(6 961)
Operations on derivatives	4 831	159	40 111	13 210
Fair value hedge accounting operations including:	(63)	(281)	1 936	1 495
- result from hedging derivatives	1 130	817	2 575	444
- result from items subjected to hedging	(1 193)	(1 098)	(639)	1 051
Foreign exchange result	76 743	39 256	63 800	32 593
Costs of financial operations	(609)	(382)	(847)	(568)
Total	80 879	41 712	101 516	39 769

Note (6) General and administrative expenses

	1.01.2014 - 30.06.2014	1.04.2014 - 30.06.2014	1.01.2013 - 30.06.2013	1.04.2013 - 30.06.2013
Staff costs:	(270 021)	(134 915)	(277 351)	(138 117)
Salaries	(223 453)	(112 054)	(230 693)	(115 303)
Surcharges on pay	(38 704)	(18 988)	(39 560)	(19 379)
Employee benefits, including:	(7 864)	(3 873)	(7 098)	(3 435)
- provisions for unused employee holiday	(23)	(14)	(11)	(4)
- other	(7 841)	(3 859)	(7 087)	(3 431)
General administrative costs:	(257 533)	(131 478)	(246 842)	(127 667)
Costs of advertising, promotion and representation	(34 418)	(18 967)	(22 057)	(13 826)
IT and communications costs	(36 959)	(18 244)	(37 306)	(18 322)
Costs of renting	(90 007)	(44 579)	(93 123)	(45 765)
Costs of buildings maintenance, equipment and materials	(12 708)	(6 654)	(13 092)	(6 860)
ATM and cash maintenance costs	(8 331)	(4 328)	(8 873)	(4 368)
Costs of consultancy, audit and legal advisory and translation	(11 657)	(5 425)	(6 257)	(3 780)
Taxes and fees	(8 234)	(4 158)	(7 892)	(4 282)
KIR clearing charges	(2 027)	(1 067)	(1 839)	(926)
PFRON costs	(2 796)	(1 424)	(1 517)	(600)
Banking Guarantee Fund costs	(17 802)	(8 901)	(16 936)	(8 468)
Financial Supervision costs	(2 672)	(1 098)	(5 676)	(2 940)
Other	(29 922)	(16 633)	(32 274)	(17 530)
Total	(527 554)	(266 393)	(524 193)	(265 784)

Note (7) Impairment losses on financial assets

	1.01.2014 - 30.06.2014	1.04.2014 - 30.06.2014	1.01.2013 - 30.06.2013	1.04.2013 - 30.06.2013
Impairment losses on loans and advances to customers	(143 309)	(74 657)	(96 436)	(56 694)
Impairment charges on loans and advances to customers	(345 536)	(149 622)	(361 234)	(172 682)
Reversal of impairment charges on loans and advances to customers	198 856	73 406	263 006	115 651
Amounts recovered from loans written off	3 371	1 559	1 630	256
Sale of receivables	0	0	162	81
Impairment losses on securities	28	(9)	89	89
Impairment charges on securities	(9)	(9)	0	0
Reversal of impairment charges on securities	37	0	89	89
Impairment losses on off-balance sheet liabilities	3 839	850	(17 353)	(4 879)
Impairment charges on off-balance sheet liabilities	(19 971)	(14 418)	(20 926)	(5 669)
Reversal of impairment charges on off-balance sheet liabilities	23 810	15 268	3 573	790
Total	(139 442)	(73 816)	(113 700)	(61 484)

Note (8a) Income tax reported in income statement

	1.01.2014 - 30.06.2014	1.04.2014 - 30.06.2014	1.01.2013 - 30.06.2013	1.04.2013 - 30.06.2013
Current tax	(101 781)	(59 723)	(64 884)	(29 522)
Deferred tax:	4 558	9 449	306	(4 361)
Recognition and reversal of temporary differences	4 030	9 129	(290)	(4 743)
Recognition / (Utilisation) of tax loss	528	320	596	382
Total income tax reported in income statement	(97 223)	(50 274)	(64 578)	(33 883)

Note (8b) Effective tax rate

	1.01.2014 - 30.06.2014	1.04.2014 - 30.06.2014	1.01.2013 - 30.06.2013	1.04.2013 - 30.06.2013
Gross profit / (loss)	417 287	213 890	318 805	168 086
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	(79 284)	(40 639)	(60 573)	(31 936)
Impact of permanent differences on tax charges:	(13 493)	(7 925)	(4 005)	(1 946)
Non taxable income	421	379	389	261
Dividend income	350	350	221	221
Release of other provisions	68	28	154	34
Other	3	1	14	6
Non tax-deductible costs	(13 914)	(8 304)	(4 394)	(2 207)
Loss on sale of receivables	0	0	(7)	(7)
PFRON fee	(532)	(271)	(288)	(114)
Prudential fee for Banking Guarantee Fund	(1 251)	(625)	0	0
Cost of provisions for factoring receivables	(4 307)	(3 671)	(1 182)	(649)
Receivables written off	(219)	(72)	(459)	(126)
Costs of litigations and contentious claims	(5 949)	(2 990)	(831)	(522)
Depreciation and insurance costs of cars (in excess of EUR 20.000)	(658)	(297)	(628)	(331)
Other	(998)	(378)	(999)	(458)
Cost of provisions for receivables considered as permanent differences	(4 446)	(1 710)	0	0
Total income tax reported in income statement	(97 223)	(50 274)	(64 578)	(33 883)

Note (8c) Deferred tax reported directly in equity

	30.06.2014	31.12.2013
Valuation of available for sale securities	(3 938)	300
Valuation of cash flow hedging instruments	30 345	30 480
Deferred tax reported directly in equity	26 407	30 780

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

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

Tax Inspection Office control procedures

Millennium Leasing Sp. z o.o. tax control

As a result of findings of the Tax Inspection carried out in 2011 in Millennium Leasing Sp. z o.o. the correctness of income tax settlements for 2006 has been challenged in the total amount of PLN 11.4 million, including namely; PLN 4.8 million due to underestimation of tax liability for the period 01.01 - 31.08.2006 and PLN 6.6 million due to an overestimation of tax loss for the period 01.09 - 31.12.2006. Company paid the tax arrears of PLN 16.7 million to the Tax Office. Of that amount the Tax Office returned PLN 9.8 million to the Company until completion of proceedings. The Company did not agree with the decision and appealed to the Administrative Court. In Q2'2012 the Company created a provision of PLN 2.97 million to cover potential tax liabilities. On 13 November 2012, the Regional Administrative Court ruling upheld the application of the company and annulled the contested decisions about tax period 01.01 - 31.08.2006. On 15 March 2013, the Regional Administrative Court ruling upheld the application of the company and annulled the contested decisions about tax period 01.09 - 31.12.2006. At 4 October 2013 the Company received a letter from the Director of the Tax Chamber in Warsaw of the repeal the contested decision (in connection with the judgment of the Regional Administrative Court of 13 November 2012 mentioned above) and returning the case to the Tax Inspection Office for reconsideration. 19.11.2013 the Tax Office returned PLN 8.97 million (tax paid with interest). Date of completion of control proceedings was scheduled for 28.08.2014. As of June 30, 2014, the Board of Millennium Leasing continues to support its evaluation of the income tax settlement for 2006 as correct, while maintaining the balance of the provision at the same level.

Bank Millennium S.A. tax control procedures

As a result of the tax inspection carried out in the Bank in 2011 the Tax Inspection Office questioned the correctness of income tax calculation for 2005, having its consequences for subsequent tax years. The Bank fully supports the correctness of its tax calculation, nonetheless several procedural steps have been undertaken, such as: (i) adjusting tax settlements for the period 2005-2010; (ii) paying (in November 2011) the tax arrears of PLN 69 million (to avoid the risk of penalty interest burden); and (iii) raising a claim against the Tax Office for the above mentioned amount. As a result of these proceedings on 30 January 2012 the Tax Office returned to the Bank a substantial part of the amount paid (PLN 66 million). At the same time the tax authority sustained a negative opinion in the proceedings. In 2013, the Bank re-paid to the account of the Tax Office an amount of PLN 58.6 million (based on the decision of the Tax Chamber in Warsaw, on which see below), and part of that amount has been paid to the Bank in the amount of PLN 1.8 million.

As a result of the different positions of the Bank and tax authorities, there are currently ongoing appeals against the decision, in particular:

- 1) Proceedings in front of the Tax Chamber in Warsaw resulting from the Bank's appealing against the decision of the Director of the Tax Control Office (first instance) determining a tax loss in the CIT for 2005. On 27.06.2013 the Director of the Tax Chamber in Warsaw issued a decision upholding the decision of the first instance. On 22 July 2013 the Bank submitted a complaint to the Regional Administrative Court in Warsaw. Originally the court ordered a hearing on February 6, 2014 and then postponed it to 8th April, 2014. A hearing was held on the scheduled date. The court delivered judgment on 28 April 2014 dismissing the complaint of the Bank. On 23 July 2014 the Bank filed a cassation complaint to the Supreme Administrative Court.
- 2) Appeal proceedings against the decision of the Head of Second Mazovian Tax Office determining CIT for the year 2006. On the 22nd of August 2013 the appellate authority - the Director of the Tax Chamber in Warsaw issued the decision which upheld the decision of the tax office and determined the Bank's income which did not cause the obligation to pay additional tax burden from CIT 2006 to the tax office. On the 25th of September 2013 Bank lodged the complaint to the Regional Administrative Court in Warsaw. The hearing was held on 14th of April 2014. The court dismissed the Bank's complaint. On 1 July 2014, the Bank filed a cassation complaint to the Supreme Administrative Court.
- 3) Appeal proceedings against the decisions of the Head of Second Mazovian Tax Office - determining tax liabilities for 2007 and 2008, and refusing confirmation of tax overpayment for 2007 and 2008.
 - a. Year 2007
On the 27th of August 2013 the Director of Tax Chamber in Warsaw issued the decision which upheld the decision of the tax office and determined the Bank's CIT liability for 2007. On the 30th of September 2013 the Bank lodged the complaint to the Regional Administrative Court in Warsaw. Court set the trial date 19 March 2014. A hearing was held on the scheduled date but the judgment was delivered on 21 March 2014. The court dismissed the Bank's complaint. On 25 June 2014, the Bank filed a cassation complaint to the Supreme Administrative Court.
On the 29th of August 2013 Director of the Tax Chamber in Warsaw issued a decision setting new deadline for examining an appeal regarding refusing the statement of overpayment in CIT for the year 2007 for 31st of October 2013. On the 18th of September 2013 the Director of the Tax Chamber in Warsaw issued the decision which upheld the decision of The Head of Second Mazovian Tax Office refusing the statement of overpayment in CIT for 2007. On 23 October 2013 the Bank submitted a complaint to the Regional Administrative Court in Warsaw. The hearing was held on 14th of April 2014. The court dismissed the Bank's complaint. On 1 July 2014, the Bank filed a cassation complaint to the Supreme Administrative Court.

b. Year 2008

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

In summary, the Bank paid all of the claimed obligations and interest in the amount of PLN 60 million (not reflected in the Profit and Loss Account), at the same time the Management Board continues to fully support the correctness of originally made tax calculation. In the opinion of the Bank the control proceedings of the Tax Inspection Office are unfounded and the Bank expects the positive outcome of the proceedings. The positive final outcome is supported by the Bank's external tax advisor. The final outcome of the case depends of results of the ongoing proceedings.

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

	30.06.2014	31.12.2013
Current accounts	876 854	283 703
Deposits granted	766 333	760 622
Loans	491 029	471 976
Interest	3 116	3 329
Total (gross) deposits, loans and advances	2 137 332	1 519 630
Impairment write-offs	0	(16)
Total (net) deposits, loans and advances	2 137 332	1 519 614

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

	30.06.2014	31.12.2013
Debt securities	664 152	432 822
Issued by State Treasury	664 152	432 822
a) bills	0	0
b) bonds	664 152	432 822
Equity instruments	1 899	227
Quoted on the active market	1 899	227
a) financial institutions	0	55
b) non-financial institutions	1 899	172
Adjustment from fair value hedge	9 333	11 321
Positive valuation of derivatives	402 219	406 362
Total	1 077 603	850 732

Note (10b) Valuation of derivatives. Adjustment from fair value hedge and Liabilities from short sale of securities as at 30.06.2014

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	(761)	285 151	285 912
Forward Rate Agreements (FRA)	0	0	0
Interest rate swaps (IRS)	(761)	284 056	284 817
Other interest rate contracts: options	0	1 095	1 095
2. FX derivatives	(17 618)	9 428	27 046
FX contracts	(9 695)	1 260	10 955
FX swaps	153	8 162	8 009
Other FX contracts (CIRS)	(8 076)	0	8 076
FX options	0	6	6
3. Embedded instruments	(97 029)	0	97 029
Options embedded in deposits	(77 610)	0	77 610
Options embedded in securities issued	(19 419)	0	19 419
4. Indexes options	96 896	107 640	10 744
Valuation of derivatives	(18 512)	402 219	420 731
Valuation of hedged position in fair value hedge accounting		9 333	959
Liabilities from short sale of securities			130 825

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

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

In first half 2014 the Group applied hedge accounting for following transactions:

	Hedging fair value of the fixed rate portfolio of FX liabilities and floating rate portfolio of FX receivables	Hedge of volatility of the cash flows generated by the portfolio of PLN mortgage loans
Description of hedge transactions	The Group hedges the risk related to changes in fair value of the fixed rate portfolio of FX liabilities and floating rate portfolio of FX receivables resulting from variation in interest rate component (margin).	The Group hedges the risk of the volatility of cash flows generated by PLN mortgages. The volatility of cash flows results from interest rate risk.
Hedged items	Fixed rate portfolio of FX liabilities and floating rate portfolio of FX receivables.	Cash flows resulting from the PLN mortgage loan portfolio
Hedging instruments	CIRS transactions	IRS transactions
Presentation of the result on the hedged and hedging transactions	Adjustment to fair value of hedged and hedging instruments are recognised in profit and loss as result on financial instruments valued at fair value through profit and loss and FX result; interest on hedging and hedged instruments are recognised in net interest income.	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; interest on both the hedged and the hedging instruments are recognised in net interest income;
	Cash flow volatility hedge for the flow generated by FX mortgage portfolio and its underlying PLN liabilities	Cash flow volatility hedge for the flow generated by future revenues and expenditures denominated in foreign currency
Description of hedge transactions	The Group hedges the risk of the volatility of cash flows generated by FX mortgages and by PLN liabilities financially underlying such loans. The volatility of cash flows results from the currency risk and interest rate risk.	The Group hedges FX risk resulting from future revenues and expenditures denominated in foreign currency by exchange of aforementioned flows into PLN ones.
Hedged items	Cash flows resulting from the mortgage loan portfolio and PLN deposits together with issued debt PLN securities funding them.	Cash flows resulting from future revenues and expenditures denominated in foreign currency.
Hedging instruments	CIRS transactions	FX Forward transactions
Presentation of the result on the hedged and hedging transactions	Effective part of the valuation of hedging instruments is recognised in revaluation capital; interest on both the hedged and the hedging instruments are recognised in net interest income; valuation of hedging and hedged instruments on FX differences is recognised in financial instruments valued at fair value through profit and loss and foreign exchange result	Effective part of spot revaluation of hedging instruments is recognised in revaluation reserve;

Note (11a) Hedge accounting 30.06.2014

	Fair values			Adjustment to fair value of hedged items for hedged risk(*)
	Total	Assets	Liabilities	
Fair value hedging derivatives connected with interest rate risk				
CIRS contracts	(78 053)	0	78 053	(959)
Cash flows hedging derivatives connected with interest rate and/or FX rate				
CIRS contracts	(868 986)	67 595	936 581	x
IRS contracts	5 625	5 625	0	x
FX Forward contracts	(8 137)	1 519	9 656	x
Total	(949 551)	74 739	1 024 290	x

(*) Adjustment is presented for active hedge relationships

Note (11b) Hedge accounting 31.12.2013

	Fair values			Adjustment to fair value of hedged items for hedged risk(*)
	Total	Assets	Liabilities	
Fair value hedging derivatives connected with interest rate risk				
CIRS contracts	(74 363)	0	74 363	2 432
Cash flows hedging derivatives connected with interest rate and/or FX rate				
CIRS contracts	(639 133)	201 964	841 097	x
IRS contracts	7 095	7 095	0	x
FX Forward contracts	(12 549)	2 336	14 885	x
Total	(718 950)	211 395	930 345	x

(*) Adjustment is presented for active hedge relationships

Note (12a) Loans and advances to customers

	30.06.2014	31.12.2013
Loans and advances	39 710 772	38 258 194
- to companies	8 631 360	7 463 382
- to private individuals	30 524 757	30 184 384
- to public sector	554 655	610 428
Receivables on account of payment cards	690 882	725 564
- due from companies	37 436	37 581
- due from private individuals	653 446	687 983
Purchased receivables	132 358	154 703
- from companies	132 358	150 687
- from public sector	0	4 016
Guarantees and sureties realised	11 861	36 373
Debt securities eligible for rediscount at Central Bank	9 360	12 874
Financial leasing receivables	3 839 178	3 571 325
Other	1 748	1 276
Interest	335 050	317 702
Total gross	44 731 209	43 078 011
Impairment write-offs	(1 356 785)	(1 312 331)
Total net	43 374 424	41 765 680

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

	30.06.2014	31.12.2013
Loans and advances to customers (gross)	44 731 209	43 078 011
- impaired	1 906 931	1 903 046
- not impaired	42 824 278	41 174 965
Impairment write-offs	(1 356 785)	(1 312 331)
- for impaired exposures	(1 146 917)	(1 113 454)
- for incurred but not reported losses (IBNR)	(209 868)	(198 877)
Loans and advances to customers (net)	43 374 424	41 765 680

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

	30.06.2014	31.12.2013
Loans and advances to customers (gross)	44 731 209	43 078 011
- case by case analysis	884 420	886 068
- collective analysis	43 846 789	42 191 943
Impairment write-offs	(1 356 785)	(1 312 331)
- on the basis of case by case analysis	(538 945)	(519 289)
- on the basis of collective analysis	(817 840)	(793 042)
Loans and advances to customers (net)	43 374 424	41 765 680

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

	30.06.2014	31.12.2013
Loans and advances to customers (gross)	44 731 209	43 078 011
- corporate customers	13 315 488	11 984 859
- individuals	31 415 721	31 093 152
Impairment write-offs	(1 356 785)	(1 312 331)
- for receivables from corporate customers	(771 991)	(730 886)
- for receivables from private individuals	(584 794)	(581 445)
Loans and advances to customers (net)	43 374 424	41 765 680

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

	01.01.2014 - 30.06.2014	01.01.2013 - 31.12.2013
Balance at the beginning of the period	1 312 331	1 237 586
Change in value of provisions:	44 454	74 745
Impairment write-offs created in the period	345 536	668 922
Amounts written off	(104 214)	(136 213)
Impairment write-offs released in the period	(198 840)	(437 189)
Sale of receivables	0	(20 691)
Changes resulting from FX rates differences	1 397	(302)
Other	575	218
Balance at the end of the period	1 356 785	1 312 331

Note (13) Investment financial assets available for sale

	30.06.2014	31.12.2013
Debt securities	8 757 260	8 240 418
Issued by State Treasury	4 203 279	5 134 748
a) bills	0	0
b) bonds	4 203 279	5 134 748
Issued by Central Bank	4 449 073	2 999 792
a) bills	4 449 073	2 999 792
b) bonds	0	0
Other securities	104 908	105 878
a) listed	0	0
b) not listed	104 908	105 878
Shares and interests in other entities	1 081	1 099
Other financial instruments	20	0
Total financial assets available for sale	8 758 361	8 241 517

Note (14) Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Property, plant and equipment	Intangibles	Non-current assets held for sale	Other assets
Balance as at 01.01.2014	16 605	19 569	3 988	136	18 062
- Write-offs created	9	0	0	0	552
- Write-offs released	(37)	0	0	0	(203)
- Utilisation	0	0	0	0	(281)
- Sale of assets	(14 946)	(1 850)	0	0	0
Balance as at 30.06.2014	1 631	17 719	3 988	136	18 130

Impairment write-offs:	Investment securities	Property, plant and equipment	Intangibles	Non-current assets held for sale	Other assets
Balance as at 01.01.2013	16 637	20 545	3 988	187	7 374
- Write-offs created	57	0	0	0	15 535
- Write-offs released	(89)	(976)	0	(51)	(680)
- Utilisation	0	0	0	0	(4 167)
- Other changes	0	0	0	0	0
Balance as at 31.12.2013	16 605	19 569	3 988	136	18 062

Note (15) Assets / Provision from deferred income tax

	30.06.2014			31.12.2013		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation and amortisation	80 952	(5 947)	75 005	78 772	(6 830)	71 942
Balance sheet valuation of financial instruments	294 649	(289 801)	4 848	250 040	(244 473)	5 567
Unrealised receivables/ liabilities on account of derivatives	49 179	(54 807)	(5 628)	61 138	(69 120)	(7 982)
Interest on deposits and securities to be paid/received	30 461	(96 948)	(66 487)	43 182	(96 791)	(53 609)
Interest and discount on loans and receivables	68	(28 664)	(28 596)	99	(27 370)	(27 271)
Income and cost settled at effective interest rate	40 841	(1 392)	39 449	23 800	(1 481)	22 319
Provisions for loans presented as temporary differences	94 436	0	94 436	102 916	0	102 916
Employee benefits	15 784	0	15 784	15 080	0	15 080
Provisions for costs	29 419	0	29 419	21 663	0	21 663
Valuation of investment assets and the valuation of cash flow hedge recognized in the revaluation reserve	30 345	(3 938)	26 407	30 834	(54)	30 780
Tax loss deductible in the future	2 236	0	2 236	1 708	0	1 708
Other	3 785	(5 022)	(1 237)	7 413	(5 070)	2 343
Net deferred income tax asset	672 155	(486 519)	185 636	636 645	(451 189)	185 456

Note (16) Liabilities to banks and other monetary institutions

	30.06.2014	31.12.2013
In current account	261 874	232 679
Term deposits	416 924	716 014
Loans and advances received	1 489 249	1 397 789
Interest	1 284	2 080
Total	2 169 331	2 348 562

Note (17) Structure of liabilities to customers by type

	30.06.2014	31.12.2013
Amounts due to private individuals	28 550 570	26 433 646
Balances on current accounts	13 672 522	13 181 014
Term deposits	14 696 660	13 012 235
Other	95 678	108 104
Accrued interest	85 710	132 293
Amounts due to companies	14 449 257	16 054 269
Balances on current accounts	3 984 378	3 721 816
Term deposits	10 184 003	12 034 345
Other	241 639	223 245
Accrued interest	39 237	74 863
Amounts due to public sector	2 970 250	2 817 206
Balances on current accounts	1 357 902	873 511
Term deposits	1 560 780	1 912 101
Other	46 591	28 164
Accrued interest	4 977	3 430
Total	45 970 077	45 305 121

Note (18) Change of debt securities

	01.01.2014 - 30.06.2014	01.01.2013 - 31.12.2013
Balance at the beginning of the period	701 352	900 016
Increases, on account of:	992 919	230 219
- issue of bonds by the Bank (BKMO)	916 275	0
- issue of Banking Securities (BPW)	63 265	211 182
- interest accrual	13 379	19 037
Reductions, on account of:	(71 339)	(428 883)
- repurchase of Banking Securities (BPW)	(54 749)	(216 205)
- repurchase of bonds by the Bank (BM)	(9 114)	(59 852)
- repurchase of bonds in leasing portfolio securitization transaction	0	(132 430)
- interest payment	(7 476)	(20 396)
Stan na koniec okresu	1 622 932	701 352

Note (19) Provisions

	01.01.2014 - 30.06.2014	01.01.2013 - 31.12.2013
Provision for off-balance sheet commitments		
Balance at the beginning of the period	33 738	22 463
Charge of provision	19 971	23 655
Release of provision	(23 810)	(12 387)
FX rates differences	3	7
Balance at the end of the period	29 902	33 738
Provision for contentious claims		
Balance at the beginning of the period	32 878	22 342
Charge of provision	31 904	15 992
Release of provision	(520)	(4 811)
Utilisation of provision	(437)	(645)
Balance at the end of the period	63 825	32 878
Total	93 727	66 616

5. CHANGES IN RISK MANAGEMENT PROCESS

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

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 first half of 2014 Bank Millennium Group in the corporate and retail segments focused on further improving of the credit policy as well as the tools and processes of credit risk management.

In particular in corporate segment, applied sector policy was updated and the appetite for risk in individual sectors was revised, the new finance-behavioural model to monitor customers was implemented and further improvements in the rules for the assessment of specialised financing were made. Bank also continued to work on improving risk models, tools supporting credit process and expanding the credit offer.

In the retail segment particular attention was paid to the implementation of changes in area of mortgage loans relating to credit capacity methodology, tools used in credit capacity assessment and further improvement of credit processes in this segment. Bank also continued initiatives relating to enhancement of the credit methodology and streamlining of processes in the field of consumer loans (mainly cash loan and overdrafts).

Additionally in the retail segment, the Group reviewed and modified rules for the application of risk filters including the use of external information to assess the credit capacity and creditworthiness of customers, taking into account results of the ongoing monitoring of credit portfolio quality and economic environment. Additionally review of monitoring rules for retail segment was conducted and relevant conclusions were implemented.

All above changes were aimed at streamlining of credit process as well as unification of the rules concerning identification of risks presenting the process of granting loans to retail segment customers.

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

	30.06.2014		31.12.2013	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Not overdue and without impairment	41 443 644	2 137 332	39 904 157	1 519 630
Overdue(*), but without impairment	1 380 634	0	1 270 808	0
Total without impairment (IBNR)	42 824 278	2 137 332	41 174 965	1 519 630
With impairment	1 906 931	0	1 903 046	0
Loans and advances, gross	44 731 209	2 137 332	43 078 011	1 519 630
Impairment write-offs together with IBNR	(1 356 785)	0	(1 312 331)	(16)
Loans and advances, net	43 374 424	2 137 332	41 765 680	1 519 614
Loans with impairment / Total loans	4.26%	0.00%	4.42%	0.00%
Total impairment provision / Loans with impairment	71.15%		68.96%	

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

Market risk

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

In II quarter 2014, the market risk limits were revised. Limit revision took into account amount of the consolidated Own Funds, current and projected balance sheet structure as well as the current market environment. The new VaR limits have been valid since 2nd June 2014.

Within the current market environment, the Group continued to act very prudently. The VaR indicators in the period under consideration for the Group, that is jointly Trading Book and Banking Book, remained at relatively low levels with total average exposure to market risk of approx. PLN 18.5 m and approx. PLN 21.1 m as of the end of June 2014. The market risk exposure in terms of value at risk in the Group, together with risk type division, is presented in the table below (thb PLN).

VaR measures for market risk

	30.06.2014		VaR (from 31 December 2013 till 30 June 2014 r.)			31.12.2013	
	Exposure	Average use of limit in period	Average	Maximum	Minimum	Exposure	Average use of limit in period
Total risk	21 104	7%	18 505	23 985	13 215	17 316	10%
Generic risk	18 317	6%	15 704	21 186	10 416	14 506	8%
Interest Rate VaR	18 350	6%	15 710	21 220	10 404	14 503	8%
FX Risk	140	1%	162	1471	12	132	1%
Share price risk	0	0%	0	0	0	0	n.a.
Diversification Effect	1%					1%	
Non-linear risk	0	0%	0	0	0	0	0%
Commodities risk	0	0%	0	0	0	0	0%
Specific risk	2 787	1%	2 801	2 814	2 787	2 810	3%

Open positions contain mainly interest rate and FX risk instruments. According to the Risk Strategy approved in the Group, the FX open position is allowed, however should be kept at low levels. For this purpose, the Group has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows keeping FX open positions only in Trading Book, specifically in the areas of Trading and Market Risk Strategy Portfolio. In the first half of 2014, the only risk management area which generated FX risk was Trading area in the Trading Book. The FX Total open position (Intraday as well as Overnight) remained well below the maximum limits in place.

In addition to above mention market risk limits, the stop loss limits are introduced for the financial markets portfolios. The aim is to limit the maximum losses of the trading activity of the Group. In case of the limit is reached, a review of the management strategy and assumptions for the positions in question must be undertaken. In the first half of 2014, the stop loss limits were not reached.

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

The variations in market interest rate have an influence on the Group's net interest income, both under a short and medium-term perspective, affecting its economic value in the long term. Apart from regular gap analysis of repricing gaps and interest rate sensitivity in terms of BPV for Group's assets and liabilities, in 1H 2014 the Group has continued to run the additional analysis of which the one of the most important objectives was to ensure the maximisation and protection of Net Interest Income against the changes of market interest rates. In 1H2014, none of the internal limits for the interest rate risk in Banking Book were breached.

Liquidity risk

In 1H 2014, the Group was characterized by strong liquidity position. All the internal liquidity indicators remained well above minimum limits in place. Additionally, in 2Q 2014, all the internal liquidity limits were revised. New limits have been valid since 2nd June 2014.

In 1H 2014 the Group maintained Loan-to-Deposit ratio below 100% (as of end of June 2014 the ratio equalled to 94%) The liquidity surplus was still invested into the portfolio of liquid assets, especially the securities with low specific risk (Polish Government Bonds, Treasury and NBP Bills) that are characterized with high liquidity. Those assets can be easily collateralized or sold without material loss on its value.

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

The level of deposit concentration is regularly monitored and did not have any negative impact on the stability of the deposit base in 1H 2014. However, in case of significant increase of the share of the largest depositors, the additional funds from the depositors are not treated as stable. Despite of that, in order to prevent deposit base fluctuations, the Group maintains the reserves of liquid assets in the form of securities portfolio.

In 2Q 2014 the Bank continued to explore the possibility of raising additional funding from bond issue in order to diversify the source of funding. Apart from 3-year floating rate bonds issued in private placement at the end of March 2014 (the total amount of PLN 500 m), the Bank also managed to issue PLN 420 m of the short term bonds in June 2014, partially as a replacement of deposits from financial institution. The new issue had a positive impact on the Group's liquidity.

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

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

Stress tests as regards structural liquidity are carried out every month to understand the Group's liquidity risk profile, to make sure that the Group is able to meet its commitments in the event of a liquidity crisis and to contribute to preparation of a contingency plan regarding liquidity and management decisions. The Group 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 2014 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with the best practice of national and international financial institutions.

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

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

In the first half of 2014 the Group continued efforts to continuously improve business processes in the context of optimizing the exposure to operational risk through preventive measures to reduce the frequency, as well as actions taken to reduce the financial impact of losses.

Capital management

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

- Capital adequacy management,
- Capital allocation.

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

Capital Adequacy Management is based on:

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

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

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

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

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

6. OPERATIONAL SEGMENTS

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

Retail Customer Segment

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

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

Corporate Customer Segment

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

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

Treasury, ALM (assets and liabilities management) and Other

This segment covers the Group's activity as regards investments by the Treasury Department, brokerage, inter-bank market transactions and taking positions in debt securities, which are not assigned to other segments.

The profit, assets and liabilities of the segments

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

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

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

The assets and liabilities of commercial segments are the operating assets and liabilities used by the segment in its operations, allocated on business grounds.

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

Income statement 1.01.2014 - 30.06.2014

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Net interest income	572 487	162 369	(3 665)	731 191
Net fee and commission income	246 869	69 164	2 551	318 584
Dividends, other income from financial operations and foreign exchange profit	47 301	24 356	25 955	97 612
Other operating income and cost	(3 881)	(888)	(31 250)	(36 019)
Operating income	862 776	255 001	(6 409)	1 111 368
Staff costs	(184 539)	(70 562)	(14 920)	(270 021)
Administrative costs	(210 763)	(31 015)	(15 755)	(257 533)
Depreciation and amortization	(23 411)	(2 892)	(433)	(26 736)
Operating expenses	(418 713)	(104 469)	(31 108)	(554 290)
Impairment losses on assets	(53 433)	(86 048)	(310)	(139 791)
Operating Profit	390 630	64 484	(37 827)	417 287
Share in net profit of associated companies	0	0	0	0
Profit / (loss) before taxes	390 630	64 484	(37 827)	417 287
Income taxes				(97 223)
Profit / (loss) after taxes				320 064

Balance sheet items as at 30.06.2014

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Liabilities to customers	29 982 841	15 880 500	106 736	45 970 077
Loans and advances to customers	31 732 947	11 641 477	0	43 374 424

Income statement 1.01.2013 - 30.06.2013

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Net interest income	443 398	157 874	(37 641)	563 631
Net fee and commission income	233 617	65 136	685	299 438
Dividends, other income from financial operations and foreign exchange profit	47 013	23 787	48 225	119 025
Other operating income and cost	(2 374)	(2 493)	10 680	5 813
Operating income	721 654	244 304	21 949	987 907
Staff costs	(197 180)	(65 173)	(14 998)	(277 351)
Administrative costs	(196 964)	(30 468)	(19 410)	(246 842)
Depreciation and amortization	(25 811)	(2 671)	(411)	(28 893)
Operating expenses	(419 955)	(98 312)	(34 819)	(553 086)
Impairment losses on assets	(73 759)	(40 036)	(480)	(114 275)
Operating Profit	227 940	105 956	(13 350)	320 546
Share in net profit of associated companies	0	0	(1 741)	(1 741)
Profit / (loss) before taxes	227 940	105 956	(15 091)	318 805
Income taxes				(64 578)
Profit / (loss) after taxes				254 227

Balance sheet items as at 31.12.2013

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Liabilities to customers	29 382 594	15 791 242	131 285	45 305 121
Loans and advances to customers	31 386 599	10 379 081	0	41 765 680

7. DESCRIPTION OF RELATED PARTY TRANSACTIONS

All and any transactions between entities of the Group in 1 half 2014 resulted from the current operations.

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

7.1. Description of transactions with the Parent Group

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

	With parent entity		With other entities of parent Group	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
ASSETS				
Loans and advances to banks - accounts and deposits	1 852	4 027	247	31
Financial assets valued at fair value through profit and loss (held for trading)	0	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	23	38
LIABILITIES				
Deposits from banks	70 586	71 246	154 109	152 178
Debt securities	0	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	0	0	0	0
Hedging derivatives	134 650	127 058	0	0
Other liabilities	0	167	406	0

	With parent entity		With other entities of parent Group	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
INCOME FROM:				
Interest	7 359	10 547	0	0
Commissions	125	72	0	0
Other net operating income	0	0	151	259
EXPENSE FROM:				
Interest	1 448	1 477	107	845
Commissions	173	1 088	0	0
Financial instruments valued at fair value	101	144	3	1
General and administrative expenses	77	78	1 629	1 867

	With parent entity		With other entities of parent Group	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Conditional commitments	104 124	933 909	0	0
- granted	100 345	100 345	0	0
- obtained	3 779	833 564	0	0
Derivatives (par value)	1 258 220	1 225 020	0	0

7.2. Transactions with associated entities

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

	30.06.2014	31.12.2013
Loans and advances to customers	1 494	0
Interest income	74	0

7.3. Transactions with the managing and supervising persons

Data as at 30.06.2014

	Members of the Management Board	Members of the Supervisory Board
Total debt limit (in '000 PLN).	345.0	158.0
- including an unutilized limit (in '000 PLN).	274.1	148.0
Mortgage loans and credits	2 814.9	-
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 30.06.2014:

Entity	Amount (PLN'000)	Relation
Company No 1	2 137	Personal with a supervising person
Company No 2	20	Personal with a supervising person
Company No 3	4 112	Personal with a supervising person
Group No 1	83 159	Personal with a supervising person

Information on total exposure towards the members of the Management and Supervisory Boards as at 31.12.2013:

	Members of the Management Board	Members of the Supervisory Board
Total debt limit (in '000 PLN).	345.0	158.0
- including an unutilized limit (in '000 PLN).	265.9	110.4
Mortgage loans and credits	2 890.7	-
Active guarantees	-	-

Information on total exposure towards companies and groups personally related as at 31.12.2013:

Entity	Amount (PLN'000)	Relation
Company No 1	2 513	Personal with a supervising person
Company No 2	419	Personal with a supervising person
Company No 3	4 323	Personal with a supervising person
Group No 1	83 502	Personal with a supervising person

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

Remuneration (including provisions charged) and benefits incurred by the Bank in favour of the Members of the Management Board (data in thousand PLN):

Period	Short term salaries	Benefits	TOTAL
1.01-30.06.2014	9 082	756	9 838
1.01-30.06.2013	10 791	699	11 490

The benefits are mainly the costs of accommodation of the foreign Members of the Management Board.

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

Period	Short term salaries and benefits
1.01-30.06.2014	1 117
1.01-30.06.2013	822

7.5. 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 30.06.2014	Number of shares as presented in annual report for 2013
Joao Bras Jorge	Chairman of the Management Board	51 000	0
Fernando Bicho	Deputy Chairman of the Management Board	0	0
Artur Klimczak	Deputy Chairman of the Management Board	0	0
Julianna Boniuk-Gorzelańczyk	Member of the Management Board	492 248	492 248
Wojciech Haase	Member of the Management Board	7 494	7 494
Andrzej Gliński	Member of the Management Board	0	0
Maria Jose Campos	Member of the Management Board	0	0
Jerzy Andrzejewicz	Proxy	6 260	6 260
Bogusław Kott	Chairman of the Supervisory Board	4 465 791	4 465 791
Maciej Bednarkiewicz	Deputy Chairman of the Supervisory Board	134	134
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Marek Furtek	Secretary of the Supervisory Board	1	1
Miguel de Campos Pereira de Braganca	Member of the Supervisory Board	0	0
Luis Maria Pereira Coutinho	Member of the Supervisory Board	0	0
Grzegorz Jędrzej	Member of the Supervisory Board	0	0
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Maria da Conceicao Mota Soares de Oliveira Calle Lucas	Member of the Supervisory Board	0	0
Marek Rocki	Member of the Supervisory Board	0	0
Dariusz Rosati	Member of the Supervisory Board	0	0
Rui Manuel da Silva Teixeira	Member of the Supervisory Board	0	0

8. FAIR VALUE

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

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

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

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

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

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

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

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

Receivables and liabilities with respect to banks (structured contract)

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

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

Other receivables and liabilities with respect to banks

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

Loans and advances granted to customers

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

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

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

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

Liabilities to customers

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

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

Liabilities from the issuance of structured debt securities

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

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

Subordinated liabilities and medium term loans

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

The table below presents results of the above-described analyses as at 30.06.2014 (data in PLN thousand):

ASSETS

	Note	Balance sheet value	Fair value
Loans and advances to banks	9	2 137 332	2 173 437
Loans and advances to customers *	12	43 374 424	41 654 259

LIABILITIES

	Note	Balance sheet value	Fair value
Amounts due to banks	16	2 169 331	2 209 095
Amounts due to customers	19	45 970 077	45 970 075
Debt securities	20	1 622 932	1 634 325
Subordinated debt		624 583	619 042

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

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

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

ASSETS

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

LIABILITIES

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

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

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

Data in PLN'000, as at 30.06.2014

	note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
ASSETS				
Financial assets valued at fair value through profit and loss (held for trading)	10			
- derivatives			294 573	107 646
- debt securities		664 152		
- shares and interests		1 899		
Hedging derivatives	11		74 739	
Financial assets available for sale	13			
- debt securities		4 203 279	4 449 073	104 908
- shares and other financial instruments		272	20	809
LIABILITIES				
Financial liabilities valued at fair value through profit and loss (held for trading)	17			
- derivatives and short sale of securities		130 825	312 952	107 779
Hedging derivatives	18		1 024 290	

Data in '000 PLN, as at 31.12.2013

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

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

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

Changes of fair values of instruments measured on the basis of valuation techniques with use of significant parameters not derived from the market in the first half of 2014 are presented in the table below (in '000 PLN):

	Indexes options	Options embedded in securities issued and deposits	FX options	Municipal bonds	Shares and interests
Balance on 1 January 2014	60 778	(60 437)	0	105 878	808
Settlement/sell/purchase	23 252	(22 952)	0	(1 001)	0
Change of valuation recognized in P&L account (including interests)	12 866	(13 640)	0	31	1
Balance on 30 June 2014	96 896	(97 029)	0	104 908	809

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

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

9. CONTINGENT ASSETS AND LIABILITIES

The total value of lawsuits as at 30 June 2014, in which Group companies acted as claimants or defendants before courts and arbitration bodies, was PLN 665.3 million. The total value of lawsuits, in which Group companies acted as defendants, was PLN 340.7 million and the total value of lawsuits, in which Group companies acted as claimants was PLN 324.7 million.

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

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

The amount of claims for which:	PLN million
probability of resources outflow is negligible	0.0
outflow of resources is possible	323.1
outflow of resources is probable	32.6
TOTAL	355.7

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

As at 30 June 2014 the volume of claims in the court proceedings for which outflow of resource is considered to be possible amounted to PLN 323.1 million. In the Group's opinion probability of winning cases included in this category is high, in effect the Group has not created provisions for these proceedings. The most important category in this group are proceedings connected with derivatives with value in dispute amounted to PLN 248.4 million.

In terms of lawsuits connected with derivatives, the Group, as a defendant, was present together in 26 such proceedings. The highest unit value of the dispute considering this group of proceedings was PLN 71.1 million. Whereas in the group of proceedings not connected with derivatives in which the Group acted as the defendant, the highest unit value of the dispute was PLN 16.5 million.

The Bank learned from publicly available sources that a class action was filed against it. As of the day of preparation of the Report the lawsuit remained undelivered to the Bank. According to the aforementioned information the plaintiffs aim to ascertain that unlawful enrichment of the Bank occurred in connection with specific contractual clauses in agreements on mortgage loans indexed to foreign currencies.

For the purpose of protecting the Bank's interests an external legal advisor was selected who shall represent the Bank also in the court proceedings. In the Bank's opinion the aforementioned mortgage loan agreements are legally effective. The Bank rejects these claims and upon delivery of the lawsuit it shall present a reply to it, in which it shall demonstrate its groundlessness.

OFF-BALANCE ITEMS

Amount '000 PLN	30.06.2014	31.12.2013
Off-balance conditional commitments granted and received	7 316 375	8 710 455
Commitments granted:	7 286 487	7 815 492
- financial	6 222 875	6 692 280
- guarantee	1 063 612	1 123 212
Commitments received:	29 888	894 963
- financial	2 750	850 558
- guarantee	27 138	44 405

10. ADDITIONAL INFORMATION**10.1. Data on assets securing liabilities**

As at 30 June 2014, the Bank's following assets secured its liabilities (in '000 PLN):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds WZ0118	available for sale	Lombard credit granted to the Bank by the NBP	130 000	131 095
2.	Treasury bonds WZ0118	available for sale	Initial security deposit for bond futures	500	504
3.	Treasury bonds WZ0115	available for sale	Loan agreement	202 000	204 485
4.	Treasury bonds WZ0117	available for sale	Loan agreement	377 000	381 090
5.	Treasury bonds WZ0118	available for sale	Security of Guaranteed Deposit Protection Fund under the Bank Guarantee Fund	200 000	201 684
6.	Treasury bonds WZ0117	available for sale	Security of Guaranteed Deposit Protection Fund under the Bank Guarantee Fund	71 000	71 770
7.	Cash		Payment to the Futures Settlement Guarantee Fund	100	100
8.	Deposits	Deposits in banks	Settlement on transactions concluded	766 333	766 333
TOTAL				1 746 933	1 757 061

As at 31 December 2013, the Bank's following assets securing its liabilities (in '000 PLN):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds WZ0118	available for sale	Lombard credit granted to the Bank by the NBP	130 000	130 689
2.	Treasury bonds WZ0114	available for sale	Initial security deposit for bond futures	500	499
3.	Treasury bonds WZ0115	available for sale	Loan agreement	202 000	204 384
4.	Treasury bonds WZ0117	available for sale	Loan agreement	377 000	380 167
5.	Treasury bonds WZ0115	available for sale	Security of Guaranteed Deposit Protection Fund under the Bank Guarantee Fund	15 000	15 177
6.	Treasury bonds WZ0118	available for sale	Security of Guaranteed Deposit Protection Fund under the Bank Guarantee Fund	200 000	201 060
7.	Treasury bonds WZ0117	available for sale	Security of Guaranteed Deposit Protection Fund under the Bank Guarantee Fund	55 000	55 462
8.	Cash		Payment to the Futures Settlement Guarantee Fund	100	100
9.	Deposits	Deposits in banks	Settlement on transactions concluded	715 622	715 622
Razem				1 695 222	1 703 160

10.2. Dividend for 2013

According to the decision of the General Shareholders Meeting held on 10 April 2014, the Bank on 21 May 2014 paid out the dividend from the profit for the year ended 31 December 2013 amounting to PLN 0.22 per share.

10.3. Earnings per share

Profit per share calculated for 1 half 2014 (and diluted profit per share) on the basis of the consolidated data amounted to PLN 0.26.

10.4. Shareholders holding no less than 5% of the total number of votes at the General Shareholders Meeting of the Group's parent company - Bank Millennium S.A.

Because the Bank is a public company whose shares are traded on the WSE primary market, the Bank has no detailed information about the shareholding structure as of June 30, 2014. Information on the shareholders: Banco Comercial Portugues S.A. and ING OFE presented in the table below, is provided on the basis of data collected in connection with the registration of shareholders entitled to participate in the Bank's General Shareholders Meeting held on 10 April 2014.

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

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	794 751 136	65.51	794 751 136	65.51
ING Otworthy Fundusz Emerytalny	90 000 000	7.42	90 000 000	7.42

Shareholders structure according to consolidated annual report for 2013

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	794 751 136	65.51	794 751 136	65.51
ING Otworthy Fundusz Emerytalny	90 560 790	7.47	90 560 790	7.47
Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK	65 923 565	5.43	65 923 565	5.43

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

In 1 half 2014, the Group did not grant any sureties or guarantees for a loan or bank loan to a single entity, which would cause the Group's exposure on this account to the Client as at 30 June 2014 to exceed 10% of the Group's equity as at the balance sheet date.

10.6. Seasonality and business cycles

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

10.7. Description of non-standard factors and events

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

10.8. Other additional information

As at 30 June 2014, the Group has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed consolidated statement, Group did not:

- create substantial write-offs for inventories,
- conclude significant acquisitions and sales of property, plant and equipment,
- make correction of prior period errors,
- introduce significant changes in determining the fair value for financial instruments valued at fair value,
- make any reclassification of financial assets as a result of changes in purpose or use,
- change the method of determining the estimated values, which would exert a significant influence on the current interim period.

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

Date	Name and surname	Position/Function	Signature
25.07.2014	Joao Bras Jorge	Chairman of the Management Board	
25.07.2014	Fernando Bicho	Deputy Chairman of the Management Board	
25.07.2014	Artur Klimczak	Deputy Chairman of the Management Board	
25.07.2014	Julianna Boniuk-Gorzelańczyk	Member of the Management Board	
25.07.2014	Wojciech Haase	Member of the Management Board	
25.07.2014	Andrzej Gliński	Member of the Management Board	
25.07.2014	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 2014

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1. INTRODUCTION AND ACCOUNTING PRINCIPLES

This condensed interim financial statement has been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. The condensed interim financial statement does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2013.

The accounting policies applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in the financial statements of Bank Millennium S.A. for the year ended 31 December 2013.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with later amendments) the Bank is required to publish the financial results for the six months ended 30 June 2014.

Condensed interim financial statements of the Bank:

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

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank's economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the six months period ended 30 June 2014. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the six months period ended 30 June 2014 contain all important information, which also serves as explanatory data to these standalone statements of the Bank.

The Board of Directors approved this condensed standalone interim financial statement on 25 July 2014.

2. STANDALONE FINANCIAL DATA (BANK)

INCOME STATEMENT

Amount '000 PLN	1.01.2014 - 30.06.2014	1.04.2014 - 30.06.2014	1.01.2013 - 30.06.2013	1.04.2013 - 30.06.2013
Interest income	1 236 319	632 922	1 337 825	653 957
Interest expense	(558 487)	(282 837)	(827 525)	(383 234)
Net interest income	677 832	350 085	510 300	270 723
Fee and commission income	327 755	169 187	322 353	170 964
Fee and commission expense	(30 302)	(15 989)	(43 186)	(22 898)
Net fee and commission income	297 453	153 198	279 167	148 066
Dividend income	28 605	28 605	28 548	28 548
Result on investment financial assets	14 891	(296)	16 343	10 048
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	82 097	42 579	100 200	38 920
Other operating income	11 762	6 218	25 241	13 745
Operating income	1 112 640	580 389	959 799	510 050
General and administrative expenses	(500 830)	(252 806)	(495 824)	(251 330)
Impairment losses on financial assets	(129 935)	(70 098)	(105 926)	(58 394)
Impairment losses on non financial assets	(352)	(279)	(441)	(12)
Depreciation and amortization	(25 936)	(12 716)	(27 974)	(14 026)
Other operating expenses	(51 312)	(24 752)	(19 352)	(10 690)
Operating expenses	(708 365)	(360 651)	(649 517)	(334 452)
Operating profit	404 275	219 738	310 282	175 598
Profit / (loss) before taxes	404 275	219 738	310 282	175 598
Corporate income tax	(88 669)	(45 903)	(56 692)	(29 675)
Profit / (loss) after taxes	315 606	173 835	253 590	145 923
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)	0.26	0.14	0.21	0.12

TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2014 - 30.06.2014	1.04.2014 - 30.06.2014	1.01.2013 - 30.06.2013	1.04.2013 - 30.06.2013
Profit / (loss) after taxes	315 606	173 835	253 590	145 923
Other elements of total comprehensive income, including:				
Effect of valuation of available for sale debt securities	22 327	29 416	(65 229)	(50 112)
Effect of valuation of available for sale shares	0	0	0	0
Hedge accounting	711	69	(31 392)	(58 086)
Other elements of total comprehensive income before taxes	23 038	29 485	(96 621)	(108 198)
Corporate income tax on other elements of total comprehensive income	(4 377)	(5 602)	18 358	20 558
Other elements of total comprehensive income after taxes	18 661	23 883	(78 263)	(87 640)
Total comprehensive income of the period	334 267	197 718	175 327	58 283

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

BALANCE SHEET

ASSETS

Amount '000 PLN	30.06.2014	31.12.2013
Cash, balances with the Central Bank	2 606 931	3 411 940
Deposits, loans and advances to banks and other monetary institutions	2 137 332	1 519 595
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	1 078 481	853 058
Hedging derivatives	74 739	211 395
Loans and advances to customers	42 921 197	41 087 590
Investment financial assets	8 758 068	8 241 226
- available for sale	8 758 068	8 241 226
- held to maturity	0	0
Investments in associates	227 998	298 007
Receivables from securities bought with sell-back clause (loans and advances)	319 027	242 061
Property, plant and equipment	148 435	158 943
Intangible assets	38 309	36 869
Non-current assets held for sale	0	0
Receivables from Tax Office resulting from current tax	60 215	63 571
Deferred tax assets	110 473	113 131
Other assets	393 331	291 680
Total Assets	58 874 536	56 529 066

LIABILITIES AND EQUITY

Amount '000 PLN	30.06.2014	31.12.2013
LIABILITIES		
Liabilities to banks and other monetary institutions	2 071 137	2 202 585
Financial liabilities valued at fair value through profit and loss (held for trading)	552 515	575 189
Hedging derivatives	1 024 290	930 346
Liabilities to customers	46 121 945	45 448 660
Liabilities from securities sold with buy-back clause	685 842	116 803
Debt securities	1 623 842	701 352
Provisions	90 175	63 066
Deferred income tax liabilities	0	8 217
Current tax liabilities	17 470	0
Other liabilities	1 019 560	884 467
Subordinated debt	624 583	622 585
Total Liabilities	53 831 359	51 553 270
EQUITY		
Share capital	1 213 117	1 213 117
Share premium	1 147 241	1 147 241
Revaluation reserve	(112 790)	(131 451)
Retained earnings	2 795 609	2 746 889
Total Equity	5 043 177	4 975 796
Total Liabilities and Equity	58 874 536	56 529 066
Book value	5 043 177	4 975 796
Number of shares	1 213 116 777	1 213 116 777
Book value per share (in PLN)	4.16	4.10

STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2014	4 975 796	1 213 117	1 147 241	(131 451)	2 746 889
- total comprehensive income for I half 2014	334 267	0	0	18 661	315 606
- dividend payment	(266 886)	0	0	0	(266 886)
Equity at the end of the period 30.06.2014	5 043 177	1 213 117	1 147 241	(112 790)	2 795 609

Amount '000 PLN	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2013	4 475 868	1 213 117	1 147 241	(134 604)	2 250 114
- total comprehensive income of 2013	499 928	0	0	3 153	496 775
Equity at the end of the period 31.12.2013	4 975 796	1 213 117	1 147 241	(131 451)	2 746 889

Amount '000 PLN	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2013	4 475 868	1 213 117	1 147 241	(134 604)	2 250 114
- total comprehensive income for 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

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2014 - 30.06.2014	1.01.2013 - 30.06.2013
Profit (loss) after taxes	315 606	253 590
Total adjustments:	(926 500)	500 142
Interests in net income (loss) of associated companies	0	0
Depreciation and amortization	25 936	27 974
Foreign exchange (gains) losses	3 881	88 165
Dividends	(28 605)	(28 548)
Changes in provisions	27 109	20 859
Result on sale and liquidation of investing activity assets	(15 902)	(18 076)
Change in financial assets valued at fair value through profit and loss (held for trading)	(87 841)	(796 687)
Change in loans and advances to banks	(64 533)	(636 851)
Change in loans and advances to customers	(1 837 121)	(1 908 531)
Change in receivables from securities bought with sell-back clause (loans and advances)	(76 966)	(520 140)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	71 271	641 589
Change in deposits from banks	(244 094)	(114 179)
Change in deposits from customers	673 285	2 777 685
Change in liabilities from securities sold with buy-back clause	569 039	923 389
Change in debt securities	5 315	(62 382)
Change in income tax settlements	88 703	56 146
Income tax paid	(77 813)	(43 019)
Change in other assets and liabilities	33 440	84 948
Other	8 396	7 800
Net cash flows from operating activities	(610 894)	753 732

B. CASH FLOWS FROM INVESTING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2014 - 30.06.2014	1.01.2013 - 30.06.2013
Inflows from investing activities:	146 905 937	151 468 073
Proceeds from sale of property, plant and equipment and intangible assets	5 808	7 579
Proceeds from sale of shares in associates	0	0
Proceeds from sale of financial assets valued at fair value through profit and loss	0	0
Proceeds from sale of investment financial assets	146 801 524	151 431 946
Other investing inflows	98 605	28 548
Outflows from investing activities:	(145 856 700)	(154 011 619)
Acquisition of property, plant and equipment and intangible assets	(22 414)	(13 163)
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	(145 834 286)	(153 998 456)
Other investing outflows	0	0
Net cash flows from investing activities	1 049 237	(2 543 546)

C. CASH FLOWS FROM FINANCING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2014 - 30.06.2014	1.01.2013 - 30.06.2013
Inflows from financial activities:	1 128 503	60 000
Long-term bank loans	211 328	60 000
Issue of debt securities	917 175	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other financial inflows	0	0
Outflows from financial activities:	(375 089)	(112 373)
Repayment of long-term bank loans	(93 070)	(96 269)
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	(266 886)	0
Other financial outflows	(15 133)	(16 104)
Net cash flows from financing activities	753 414	(52 373)

D. NET CASH FLOWS. TOTAL (A + B + C)	1 191 757	(1 842 187)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	6 752 540	6 294 121
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	7 944 297	4 451 934

3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

As at 30 June 2014, the Bank has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed statement, Bank did not:

- create substantial write-offs for inventories,
- conclude significant acquisitions and sales of property, plant and equipment,
- make correction of prior period errors,
- introduce significant changes in determining the fair value for financial instruments valued at fair value,
- make any reclassification of financial assets as a result of changes in purpose or use,
- change the method of determining the estimated values, which would exert a significant influence on the current interim period.

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

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

Disclosures concerning the fair value of financial instruments recognized in the balance sheet at fair value (IFRS 13) and financial instruments not recognized in the balance sheet at fair value (IFRS 7) are presented on pages 39-43. The values presented are included on a consolidated basis and because of the negligible impact of consolidated companies on the presented values, these data are not disclosed separately for the Bank.

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

	01.01.2014 - 30.06.2014	01.01.2013 - 31.12.2013
Balance at the beginning of the period	1 190 184	1 093 170
Change in value of provisions:	38 217	97 014
Write-offs in the period	283 443	532 658
Amounts written off	(99 125)	(98 445)
Reversal of write-offs in the period	(147 905)	(316 525)
Write-offs decrease due to sale of receivables	0	(20 691)
Changes resulting from FX rates differences	1 231	(201)
Other	573	218
Balance at the end of the period	1 228 401	1 190 184

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Investments in associates	Property, plant and equipment	Intangibles	Other assets
Balance as at 01.01.2014	16 605	4 593	19 548	0	17 572
- Write-offs created	9	0	0	0	552
- Write-offs released	(37)	0	0	0	(203)
- Utilisation	0	0	0	0	(222)
- Sale of assets	(14 946)	0	(1 850)	0	0
Balance as at 30.06.2014	1 631	4 593	17 698	0	17 699
Balance as at 01.01.2013	16 637	2 449	20 524	0	6 894
- Write-offs created	57	3 462	0	0	15 519
- Write-offs released	(89)	(1 318)	(976)	0	(676)
- Utilisation	0	0	0	0	(4 165)
- Other changes	0	0	0	0	0
Balance as at 31.12.2013	16 605	4 593	19 548	0	17 572

Impairment losses on financial assets

	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013
Impairment losses on loans and advances to customers	(133 802)	(86 921)
- Impairment charges on loans and advances to customers	(283 443)	(284 600)
- Reversal of impairment charges on loans and advances to customers	147 921	196 840
- Amounts recovered from loans written off	1 720	677
- Result from sale of receivables portfolio	0	162
Impairment losses on investment securities	28	89
- Impairment write-offs for investment securities	(9)	89
- Reversal of impairment write-offs for investment securities	37	0
Impairment losses on investments in associates	0	(1 741)
- Impairment write-offs for investments in associates	0	(1 741)
- Reversal of impairment write-offs for investments in associates	0	0
Impairment losses on off-balance sheet liabilities	3 839	(17 353)
- Impairment write-offs for off-balance sheet liabilities	(19 971)	(20 926)
- Reversal of impairment write-offs for off-balance sheet liabilities	23 810	3 573
Total	(129 935)	(105 926)

Creation, charge, utilisation and release of provisions

	01.01.2014 - 30.06.2014	01.01.2013 - 31.12.2013
Provision for off-balance sheet commitments		
Balance at the beginning of the period	33 738	22 463
Charge of provision	19 971	23 655
Release of provision	(23 810)	(12 387)
FX rates differences	3	7
Balance at the end of the period	29 902	33 738
Provision for contentious claims		
Balance at the beginning of the period	29 327	18 242
Charge of provision	31 554	15 992
Release of provision	(270)	(4 811)
Utilisation of provision	(338)	(95)
Balance at the end of the period	60 273	29 328
Total	90 175	63 066

Assets and provision from deferred income tax

	30.06.2014			31.12.2013		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation and amortisation	5 033	0	5 033	5 401	0	5 401
Balance sheet valuation of financial instruments	291 904	(289 798)	2 106	246 914	(244 472)	2 442
Unrealised receivables/ liabilities on account of derivatives	49 179	(54 807)	(5 628)	61 138	(69 120)	(7 982)
Interest on deposits and securities to be paid/ received	29 818	(96 900)	(67 082)	42 563	(96 674)	(54 111)
Interest and discount on loans and receivables	0	(27 867)	(27 867)	0	(26 588)	(26 588)
Income and cost settled at effective interest rate	40 661	(138)	40 523	23 592	(173)	23 419
Provisions for loans presented as temporary differences	94 436	0	94 436	102 916	0	102 916
Employee benefits	14 753	0	14 753	14 003	0	14 003
Provisions for future costs	27 868	0	27 868	19 640	0	19 640
Valuation of investment assets and the valuation of cash flow hedge recognized in the revaluation reserve	30 345	(3 888)	26 457	30 834	0	30 834
Other	2 743	(2 869)	(126)	6 100	(2 943)	3 157
Net deferred income tax asset	586 740	(476 267)	110 473	553 101	(439 970)	113 131

4. STATEMENT OF RELATED PARTY TRANSACTIONS

All the transactions concluded between the Group entities in the period from 1 January 2014 to 30 June 2014 resulted from their ongoing activity. Below, we are presenting amounts of the most important intra-group transactions concluded between the following entities:

- MILLENNIUM LEASING Sp. z o.o.,
- MILLENNIUM DOM MAKLEPSKI S.A.,
- MILLENNIUM TFI S.A.,
- MB FINANCE A.B.,
- ORCHIS Sp. z o.o.,
- MILLENNIUM SERVICE Sp. z o.o.,
- MILLENNIUM TELECOMMUNICATION SERVICES.,
- TBM Sp. z o.o.

and with the Capital Group of Bank parent company - Banco Comercial Portugues (these transactions are mainly of banking nature).

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

Assets and liabilities from transactions with related parties (data in '000 PLN) as at 30.06.2014

	With subsidiaries	With parent entity	With other entities of parent Group
ASSETS			
Loans and advances to banks - accounts and deposits	0	1 852	247
Loans and advances to customers	3 258 718	0	0
Investments in associates	224 991	0	0
Financial assets valued at fair value through profit and loss (held for trading)	2 834	0	0
Hedging derivatives	0	0	0
Other assets	137 679	0	23
LIABILITIES			
Deposits from banks	0	70 586	154 109
Deposits from customers	258 800	0	0
Liabilities from securities sold with buy-back clause	7 016	0	0
Liabilities from debt securities	910	0	0
Hedging derivatives	0	134 650	0
Financial liabilities valued at fair value through profit and loss (held for trading)	1	0	0
Subordinated debt	624 583	0	0
Other liabilities	88 022	0	406
- including liabilities from financial leasing	72 576	0	0

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

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

Profit and loss on transactions with related parties (data in '000 PLN) for the period of 1.01-30.06.2014

	With subsidiaries	With parent entity	With other entities of parent Group
INCOME FROM:			
Interest	39 872	7 359	0
Commissions	27 910	125	0
Financial instruments valued at fair value	280	0	0
Dividends	26 763	0	0
Other net operating income	299	0	151
EXPENSE FROM:			
Interest	10 067	1 448	107
Commissions	31	173	0
Financial instruments valued at fair value	0	101	3
General and administrative expenses	48 050	0	1 629

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 entity	With other entities of parent Group
INCOME FROM:			
Interest	45 039	10 547	0
Commissions	26 500	72	0
Financial instruments valued at fair value	170	0	0
Dividends	27 383	0	0
Other net operating income	1 508	0	259
EXPENSE FROM:			
Interest	11 292	1 477	845
Commissions	12	1 088	0
Financial instruments valued at fair value	0	144	1
General and administrative expenses	48 519	0	1 867

Off-balance transactions with related parties (data in '000 PLN) as at 30.06.2014

	With subsidiaries	With parent entity	With other entities of parent Group
Conditional commitments	37 535	104 124	0
- granted	35 810	100 345	0
- received	1 725	3 779	0
Derivatives (par value)	72 330	1 258 220	0

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

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

5. ADDITIONAL INFORMATION

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

During the six months ended June 30, 2014 the Bank's liabilities from debt securities grew by PLN 922.5 million, which was caused mainly by the fact that the Bank continued to issue bonds floating (unsecured) as part of an ongoing Second Bonds' Issue Programme, initiated in 2012, with total nominal value not exceeding PLN 2 000 million (or the equivalent of this amount in EUR, USD, CHF).

5.2. Off-balance sheet liabilities

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

Amount '000 PLN	30.06.2014	31.12.2013
Off-balance conditional commitments granted and received	7 353 911	8 747 496
Commitments granted:	7 322 297	7 851 063
- financial	6 222 930	6 693 043
- guarantee	1 099 367	1 158 020
Commitments received:	31 614	896 433
- financial	2 750	850 558
- guarantee	28 864	45 875

Date	Name and surname	Position/Function	Signature
25.07.2014	Joao Bras Jorge	Chairman of the Management Board	
25.07.2014	Fernando Bicho	Deputy Chairman of the Management Board	
25.07.2014	Artur Klimczak	Deputy Chairman of the Management Board	
25.07.2014	Julianna Boniuk-Gorzelańczyk	Member of the Management Board	
25.07.2014	Wojciech Haase	Member of the Management Board	
25.07.2014	Andrzej Gliński	Member of the Management Board	
25.07.2014	Maria Jose Campos	Member of the Management Board	