REPORT OF THE BANK MILLENNIUM S.A. CAPITAL GROUP

FOR 3RD QUARTER 2016

MAIN CONSOLIDATED FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	Period from 1.01.2016 - 30.09.2016	Period from 1.01.2015 - 30.09.2015*	Period from 1.01.2016 - 30.09.2016	Period from 1.01.2015 - 30.09.2015*
Interest income	1 702 569	1 736 434	389 711	417 563
Fee and commission income	509 562	527 368	116 637	126 817
Operating income	2 007 583	1 689 412	459 527	406 255
Operating profit	900 790	622 220	206 187	149 626
Profit (loss) before income tax	772 848	620 835	176 902	149 293
Profit (loss) after taxes	569 761	493 482	130 416	118 668
Total comprehensive income of the period	408 729	381 210	93 556	91 670
Net cash flows from operating activities	1 609 572	1 984 563	368 424	477 230
Net cash flows from investing activities	(5 029 994)	205 419	(1 151 345)	49 397
Net cash flows from financing activities	86 697	(89 380)	19 845	(21 493)
Net cash flows, total	(3 333 725)	2 100 602	(763 076)	505 135
Total Assets	67 138 056	66 235 256	15 570 050	15 542 709
Liabilities to banks and other monetary institutions	1 448 983	1 443 921	336 035	338 829
Liabilities to customers	54 297 732	52 810 389	12 592 238	12 392 441
Equity	6 851 894	6 443 165	1 589 029	1 511 948
Share capital	1 213 117	1 213 117	281 335	284 669
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)	5.65	5.31	1.31	1.25
Diluted book value per share (in PLN/EUR)	5.65	5.31	1.31	1.25
Capital adequacy ratio	18.03%	16.72%	18.03%	16.72%
Earnings (losses) per ordinary share (in PLN/EUR)	0.47	0.41	0.11	0.10
Diluted earnings (losses) per ordinary share (in PLN/EUR)	0.47	0.41	0.11	0.10
Pledged or paid dividend per share (in PLN/EUR)	-	-	-	-

* - Comparative balance sheet data was presented, in compliance with IFRS requirements, as at 31.12.2015. Other comparative data is presented for the period from 1.01.2015 to 30.09.2015.

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: 4.3120 PLN/EURO – the exchange rate of 30 September 2016 (for comparative data as at 31 December 2015: 4.2615 PLN/EURO),
- for profit and loss account items for the period from 1 January – 30 September 2016: 4.3688 PLN/EURO, the exchange rate was calculated as the average of the rates at the end of the months covered by the financial statements (for comparative data: 1 January – 30 September 2015: 4.1585 PLN/EURO).

INFORMATION ABOUT THE ACTIVITY OF BANK MILLENNIUM CAPITAL GROUP DURING 3 QUARTERS OF 2016

Bank Millennium Group (the "Group") consolidated net profit in 1-3Q 2016 amounted to PLN 569.8 million i.e. 15.5% higher than in the corresponding period of 2015. Such high dynamics resulted mainly from one-off income from VISA Europe transaction of PLN 283 million, booked in 2Q 2016, which more than offset the negative impact of new banking tax and other one-off cost provisions. Comparable net profit for 1-3Q 2016, without one-off income or cost and banking tax, would amount to PLN 517.4 million and would be 4.8% higher year-on-year.

Net profit for 3Q 2016 amounted to PLN 138.8 million. Without banking tax, net profit for 3Q 2016 would amount to PLN 186.2 million, 12.4% higher than PLN 165.7 million net profit achieved in 3Q 2015. Yearly comparable profit growth was supported by growing core income (especially net interest income) accompanied by modest cost growth and lower created provision – thanks to very solid quality of assets.

ROE for 1-3Q 2016 period reached 11.4% i.e. 0.3 p.p. higher compared to the level for the corresponding period of 2015. ROE growth is limited by very significant growth of equity (+11.5% yearly).

Main financial and business highlights of 1-3Q 2016 are as follows:

Solid net profit

- Net profit in Jan-Sep. 2016 at PLN 570 million (+15.5% y/y)
- 3rd quarter net profit: PLN 139 million (after PLN 47 million of new banking tax)
- ROE at 11.4% (7.9% without one-off items booked in 2Q'16)

Consistent growth of operating income

- Core income grew by 4% y/y and 2.3% q/q, mainly thanks to better net interest income (+8.7 y/y and +0.5% q/q)
- Second consecutive quarterly growth of net commission income : +7.4% q/q

Good and stable asset quality and cost of risk

- Impaired loans ratio at low 4.6% level; the ratio for mortgage loans at 2.4%
- Cost of risk at 45 p.b. year-to-date (over net loans)

Further improvement of capital and liquidity ratios

- Group TCR [1] grew to 18% and CET1 to 17.8%
- Comfortable fulfilment of regulatory capital thresholds
- Very strong liquidity: Loans-to-deposits ratio [2] at low 85%

Deposits/accounts/customers

- Net growth of active customers by 107 thousand during last 12 months (+37 ths.in 3Q'16).
- Higher than market speed of retail deposits growth maintained: +16% y/y and +2% q/q
- Growing number of transactions in corporate segment: +13% of domestic payments and +33% of FX transactions (volume)

Loans

- Acceleration of PLN mortgage sale: +44% yearly YTD (to PLN 691 million)
- Seasonally lower sale of consumer loans: PLN 512 million in 3Q, -8% yearly YTD
- Strong sale of leasing and factoring: +11% and +13% yearly YTD

Quality and Innovations

- Bank Millennium on podium in all categories of Newsweek quality ranking: 2nd in the best Internet and mortgage bank and 3rd in the traditional and mobile banking category
- Branch optimization process continued: net reduction of 13 branches during 3Q
- More than half million active users of mobile solutions (almost 50% growth yearly)

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[1] Calculated in accordance with CRR/CRD4 and partial IRB approach (with regulatory constraint).
[2] Deposits include Bank's debt securities sold to individuals and repo transactions with customers.

Macroeconomic situation and factors influencing results in the next quarters

Poland remains on the path of economic expansion, but the pace of growth has decelerated in 2016. The economic growth also seems to be less balanced that in the previous year, but in the Bank's assessment macroeconomic data show no sign of the build-up of macroeconomic imbalances. After growing by 3.9% in 2015, GDP increased, according to preliminary data, by 3.1% y/y in the first half of 2016. Growth deceleration at the beginning of the year was a consequence of weak investments that declined by 3.6% y/y, as companies, mainly public-owned ones, supressed investment at the wake of new EU financial perspective. Another reason for the decline is growing uncertainty, mainly regarding institutional surroundings. In this environment, consumption is the main engine of economic growth. Private consumption in the second quarter increased by 3.3% y/y after growing by 3.2% y/y in the first quarter.

In the third quarter economic growth has probably stabilized at the level from the second quarter, thus the expected growth acceleration has not occurred. Consumption, additionally supported by new child benefit, probably remained the main pillar of growth and accelerated substantially. The investment probably deteriorated further. It is pointed by the collapse of the construction and assembly production, the average annual dynamics of which in the third quarter of the year was equal to -18.1%, mainly as a consequence of the reduction of public investment outlays pending new financial perspective from EU.

Labour market conditions are currently the best since the economic transition. Registered unemployment rate stood at 8.3% in September and was by 1.4 p.p. lower than a year ago. Corporate sector employment keeps growing at the annual pace of 3.2%. At the same time, the wage growth is somehow muted, but accelerating. In the third quarter median growth of average wage in the enterprise sector was equal to 4.5%, the wage dynamics accelerated in April, when major retail chains increased wages. It is however worth noting that the mismatch between labour supply and demand is growing, and companies are having increasing problem with finding suitable workers. The numen of unemployed per job offer is the lowest on record. This might, with time, translate into growing wage pressure. Labour market continues to support consumption.

The consumer price index in year-on-year terms has been negative since June 2014 and the period of deflation has been longer than forecasted. In September 2016 CPI index decreased by 0.5% y/y after decreasing by 0.8% y/y in June. The persistence of negative inflation is the consequence of supply-side shocks on fuel markets, but the demand pressure in the economy is also low. Net inflation, excluding food and energy, has been negative since the beginning of the year and in September was equal to -0.4% y/y. The statistical base effects on commodities markets will soon start to lift annual inflation. That effect has been visible in sold production prices that increased in September for the first time in almost four years and PPI inflation was equal to 0.2%. The Bank expects the return of positive inflation at the end of 2016.

In the environment of lack of inflation pressures, monetary authority kept loose monetary policy stance. The MPC has stabilized the reference rate at the record low level of 1.50%. The MPC under new NBP governor Adam Glapiński does not differ significantly in its attitude from the previous one and sees the need of precautious actions. In the Bank's assessment, the NBP rates will remain at current level in the nearest future.

Leading indicators suggest that business climate will stabilize in months to come. PMI index, that describes sentiment in manufacturing sector, increased to 52.2 points in September from 51.5 points in August and exceeds no-change level of 50 points. Consumer confidence is on the other hand close to the highest levels since 2008. The Bank expects that in 2016 consumer demand will remain strong and the economic growth will reach 3.0%. In the Bank's assessment high consumption dynamics will be sustained and its acceleration in the second half of the year will result from the launch of social programme Rodzina 500+. The expected investment acceleration may however not occur, as the implementation of the new financial perspective is delayed an uncertainty persist.

According to the NBP data, total deposits decelerated in September 2016 its annual pace of growth to 8.9% y/y. Households deposits kept growing at the solid pace of almost 10% y/y, despite the record low interest rates, confirming improved income situation of households. But dynamics of corporate deposits decelerated to 6.9% year on year. Total credit in September was by 3.7% higher than in the corresponding period of last year. Credit to households grew at the stable pace that equalled to 4.8% in September, whereas Corporate credit dynamics decelerated to 1.9% y/y, showing low demand for new financing from Polish companies.

In coming quarters the activity of banking sector, including Bank Millennium, can be influenced by the following external factors:

- On August 2nd 2016 a presidential proposal of legislation aimed at supporting FX mortgage borrowers was put forward. The draft Act covers all foreign currency loans concluded from 1st July 2000 to 26th August 2011 (date of entry into force so called anti-spread Act). Aforementioned draft Act envisages reimbursement of part of FX spread applied by banks. It was also announced that further capital requirements may be imposed for the banks in order to restructure FX mortgage loans. Including the above mentioned draft Act, there are currently three different draft acts submitted to the polish parliament and as a consequence it is not possible to estimate the impact of this potential regulation on the banking sector. However, announced legislative intentions, if implemented and made mandatory for banks, could significantly deteriorate the Bank's profitability and capital position.

- Declining investments of Polish companies because of lagging utilization of EU funds and uncertainty about economic outlook and institutional environment might curb economic growth in coming quarters and reduce demand for investment loans.

- Good situation in labour market and record low interest rates in Poland might support demand for households credit and underpin quality of loans portfolio.

- Potential increase of financial markets volatility, including a risk of PLN depreciation because of increased uncertainty over prospects in public finances, especially in the context of planned lowering of retirement age.

Bank Millennium Group profit and loss account after 3rd quarter 2016

Operating Income *(PLN million)*	1-3Q 2016	1-3Q 2015	Change y/y	3Q 2016	2Q 2016	Change q/q
Net Interest Income *	1 149.1	1 056.9	*8.7%*	393.2	391.2	*0.5%*
Net Commission Income	424.3	455.7	*-6.9%*	150.2	139.8	*7.4%*
Core Income**	1 573.5	1 512.7	*4.0%*	543.3	531.0	*2.3%*
Other Non-Interest Income ***	317.5	117.2	*170.8%*	27.6	249.9	*-89.0%*
Total Operating Income	**1 890.9**	**1 629.9**	***16.0%***	**570.9**	**780.9**	***-26.9%***

(*) Pro-forma data: Net Interest Income includes margin from all derivatives. From 1st January 2006 the Bank started to apply hedge accounting principles. Starting from that date the margin from these operations is reflected in Net Interest Income since afore-mentioned change. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides pro-forma data, which presents all margin from derivatives in Net Interest Income caption, whereas in accounting terms part of this margin (PLN 32.5 million in 1-3Q 2016 and PLN 41.2 million in 1-3Q 2015) is presented in Other Non-Interest Income. In the Bank's opinion, such approach allows better understanding of the real evolution of this item from economic point of view.

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

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

Net Interest Income (pro-forma) for 1-3 quarters 2016 reached PLN 1,149.1 million and increased by 8.7% versus the corresponding period of the previous year – a visible rebound after the period of margin compression resulting from significant central bank rates cuts.

In 3 quarter 2016 Net Interest Income increased by 0.5% vs 2 quarter 2016 – continuing the growing quarterly trend started one year ago.

Net Interest Margin (over average interest earning assets) for 1-3 quarters 2016 improved visibly to 2.37% from 2.19% in 1-3 quarters 2015. The improvement was first of all driven by gradual reduction of quarterly deposits cost to 1.22% in 3 quarter 2016 (from 1.46% in 3 quarter 2015).

Net Commission Income in 1-3 quarters 2016 amounted to PLN 424.3 million, which means a 6.9% decrease year-on-year due to weaker capital markets related commissions (e.g. lower fees from investment products) as well as lower insurance fees. However, from the quarterly perspective, those fees and commissions groups started to increase and the cards commissions, suppressed by legally regulated interchange fees, have rebounded as well. As a result of the above factors, the quarterly growth of fees and commissions accelerated in 3 quarter 2016 to 7.4% from 4% growth rate recorded in the previous quarter.

Core Income, defined as a combination of net interest and commission income, amounted to PLN 1,573.5 million for 1-3 quarters 2016 and increased by 4.0% compared to the corresponding period of the previous year. This indicates growing income from key Bank's business. In quarterly terms the continuation of core income growth can be seen: by 2.3% vs. 2 quarter 2016.

Other non-interest income for 1-3 quarters 2016 amounted to PLN 317.5 million and comprises a significant income recognised from the transaction on Visa Europe shares in 2 quarter 2016 (and about which the Bank reported in its Quarterly Report for 1 half 2016). The gross impact on revenues from this transaction totalled PLN 283 million. Thanks to this extraordinary gain, other non-interest income for 1-3 quarters 2016 grew strongly by 171%. Other main elements of other non-interest income are: FX gains and results on financial operations, altogether being rather stable in recent quarters (on the level of PLN 30-50 million quarterly) and net balance of other operating income and costs (including provisions for contentious claims).

Total operating income of the Group reached PLN 1,890.9 million in 1-3 quarters 2016 and increased by 16.0% year-on-year. Total operating income for 3 quarter 2016 reached PLN 570.9 million.

Total costs in 1-3 quarters 2016 amounted to PLN 830.6 million, which means a small increase by 2.3% when compared to the corresponding period of 2015. In quarterly terms, costs for 3rd quarter 2016 decreased by 1.1% compared to the previous quarter.

Operating Costs *(PLN million)*	1-3Q 2016	1-3Q 2015	Change y/y	3Q 2016	2Q 2016	Change q/q
Personnel Costs	(417.2)	(411.1)	*1.5%*	(139.3)	(139.1)	*0.2%*
Other Administrative Costs*	(413.4)	(400.6)	*3.2%*	(138.5)	(141.9)	*-2.4%*
Total Operating Costs	**(830.6)**	**(811.7)**	***2.3%***	**(277.8)**	**(281.0)**	***-1.1%***
Cost/Income Ratio	43.9%	49.8%	*-5.9 p.p.*	48.7%	36.0%	*12.7 p.p.*
Cost/Income Ratio **	50.1%	49.8%	*0.3 p.p.*	48.7%	51.1%	*-2.5 p.p*

(*) including depreciation
(**) without VISA transaction and other one-offs

Personnel costs for 1-3 quarters 2016 amounted to PLN 417.2 million and presented a small increase by 1.5% compared to the corresponding period of the previous year. In quarterly terms this cost item was relatively stable (minor increase by 0.2% vs. 2 quarter 2016). The total number of employees in the Group decreased by 1.3% compared to the end of September 2015, to the level of 5,839 persons (in Full Time Equivalents) in line with gradual network optimisation process.

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

Employment structure (in FTEs)	30.09.2016	30.06.2015	Change q/q	30.09.2015	Change y/y
Bank Millennium S.A.	5 498	5 554	-1.0%	5 577	-1.4%
Subsidiaries	341	343	-0.6%	340	0.3%
Total Bank Millennium Group	5 839	5 897	-1.0%	5 917	-1.3%

Other administrative costs (including depreciation) in 1-3 quarters 2016 increased by 3.2% year-on-year, mainly in IT, depreciation, rental fees and external services. In quarterly terms other administrative costs were lower by 2.4% vs. 2 quarter 2016.

Cost-to-Income ratio for 1-3 quarters 2016 decreased to 43.9% (i.e. by 5.9 p.p.) compared to the level for 1-3 quarters 2015. Excluding abovementioned extraordinary VISA gain and one-off provisions of 2 quarter 2016, the ratio stood at 50.1%, that is the level similar to the level of 49.8% recorded in the corresponding period of 2015.

Total net impairment provisions created by the Group in 1-3 quarters 2016 amounted to PLN 159.5 million and were 18.6% lower than provisions created in the previous year. The provisions were much lower for corporate segment (only PLN 2.5 million), supported by positive recovery effect and only slightly higher in retail segment (an increase by 4.2% to PLN 157.1 million from PLN 150.7 million an year ago).

In relative terms, cost of risk (i.e. net provisions created to the average net loans) in 1-3 quarters 2016 went down to 45 bps level (i.e. 12 bps lower yearly).

Net Profit *(PLN million)*	1-3Q 2016	1-3Q 2015	Change y/y	3Q 2016	2Q 2016	Change q/q
Operating Income	1 890.9	1 629.9	*16.0%*	570.9	780.9	*-26.9%*
Operating Costs *	(830.6)	(811.7)	*2.3%*	(277.8)	(281.0)	*-1.1%*
Impairment provisions	(159.5)	(196.0)	*-18.6%*	(53.5)	(61.7)	*-13.4%*
Banking tax	(127.9)	0.0	-	(47.4)	(48.2)	*-1.7%*
Pre-income tax Profit**	772.8	620.8	*24.5%*	192.2	389.9	*-50.7%*
Income tax	(203.1)	(127.4)	*59.5%*	(53.4)	(96.2)	*-44.5%*
Net Profit	**569.8**	**493.5**	***15.5%***	138.8	293.8	*-52.7%*

(*) without impairment provisions for financial and non-financial assets
(**) includes share in profits of associates

Commencing from February 2016 a new special banking tax was introduced, with 0.44% annual rate on the balance of total assets less own funds, Treasury bonds and PLN 4 billion tax-exempt amount. Bank Millennium was charged in 1-3 quarters 2016 with PLN 127.9 million of this tax. After this charge, Pre-income tax Profit in 1-3 quarters 2016 amounted to PLN 772.8 million, which was higher by 24.5% than Pre-tax profit for the corresponding period of 2015. **Net Profit** for the analysed period amounted to PLN 569.8 million i.e. was higher by 15.5% year-on-year.

Business results after 3rd quarter 2016

Total assets of the Group reached PLN 67,138 million as at 30 September 2016, which means an increase by 3.1% compared to the end of September 2015.

Total **customer funds** of Bank Millennium Group reached PLN 61,339 million as at 30 September 2016 showing the growth of 5.2% vs. the end of September 2015 and by 2.0% vs. the end of June 2016. The growth of **deposits** reached 6.1% yearly and 1.8% quarterly with the total balance of PLN 54,298 million as at 30 September 2016.

As at 30 September 2016 deposits from individual Customers amounted to PLN 38,227 million and accounted for 70.4% of the total balance of deposits from Customers. This group of deposits increased very strongly by PLN 5,281 million or by 16.0% year-on-year supported by growing number of current accounts and customers. Current and saving accounts were the main driver of this growth (by 32.4% year-on-year) and constituted 55.2% of total deposits from individuals. During 9 months of 2016 the Bank sold during its promotional campaign almost 185 thousands of Konto 360° current account for individuals, i.e. 1/3 of the total number of these accounts (564 thousands) sold since May 2014 (the start of the campaign). Number of active individual clients reached 1,451 thousands after the growth by 107 thousands during last 12 months.

Continuous improvement of customer service quality has been proven by top position in the 15th edition of the ranking "Newsweek Friendly Bank 2016" in September 2016. Bank Millennium was the only bank awarded in all categories of this ranking: 2nd in the „Internet Bank" category, 2nd in the „Mortgage Banking" category, 3rd in the „Traditional Banking" category and 3rd in the „Mobile Banking" category.

Deposits of companies and public sector amounted to PLN 16,071 million as at 30 September 2016 and decreased by 11.9% year-on-year, which is in line with Bank's ALM and pricing policy and correlated with high growth of deposits of individuals mentioned above. Deposits of companies grew by 1.6% vs. the end of June 2016.

Non-deposit savings and investment products sold to Group's retail customers reached PLN 7,042 million as at the end of September 2016 and decreased slightly by 1.0% year-on-year, affected by bearish capital market in Poland (WIG 20 index fell by 17.3%). On quarterly basis there was a rebound of this item by 3.7% q/q.

Customer Funds *(PLN million)*	30.09.2016	30.06.2016	Change q/q	30.09.2015	Change y/y
Deposits of individuals	38 227,2	37 546,0	*1,8%*	32 946,0	*16,0%*
Deposits of Companies and public sector	16 070,5	15 814,2	*1,6%*	18 242,1	*-11,9%*
Total Deposits	54 297,7	53 360,2	*1,8%*	51 188,1	*6,1%*
Investment products*	7 041,8	6 789,4	3,7%	7 111,3	-1,0%
Total Customer Funds	**61 339,5**	**60 149,6**	**2,0%**	**58 299,4**	**5,2%**

(*) This category includes bonds to retail customers issued by the Bank, Millennium TFI mutual funds and other investment products of third parties sold to Group's clients

Total net **loans** of Bank Millennium Group reached PLN 46,391 million as at the end of September 2016, which means a small increase by 0.4% year-on-year.

The value of loans granted to households as at the end of 30 September 2016 totalled PLN 32,830 million and increased slightly by 0.2% during one year period. The weak growth resulted mainly from lower value of foreign currency mortgage loans (-3.8% year-on-year) whereas PLN mortgage loans grew by 2.3% year-on-year driven by higher disbursements of new loans in 1-3 quarters 2016 (PLN 691 million).

Non-mortgage retail loans (cash loans, credit cards, overdrafts etc.) grew strongly by 10.8%, or PLN 554 million year-on-year. As at the end of September 2016 the net balance of non-mortgage loans to households amounted to PLN 5,674 million. The increase was mainly driven by robust new cash loans sales, which amounted to PLN 1.8 billion in 1-3 quarters 2016.

Loans to companies amounted to PLN 13,562 million as at the end of September 2016 and grew by 1.1% yearly. The growth was mainly driven by leasing receivables: a strong increase by 14.1% year-on-year. The net value of the leasing portfolio reached nearly PLN 5 billion as at the end of September 2016.

Loans and advances to Clients *(PLN million, net values)*	30.09.2016	30.06.2016	Change q/q	30.09.2015	Change y/y
Loans to households	32 829,6	33 398,0	*-1,7%*	32 776,6	*0,2%*
- *PLN mortgage loans*	9 327,9	9 287,1	*0,4%*	9 121,8	2,3%
- *FX mortgage loans*	17 827,3	18 526,9	*-3,8%*	18 534,5	-3,8%
- *other loans to households*	5 674,4	5 584,0	*1,6%*	5 120,4	*10,8%*
Loans to companies	13 561,5	13 566,6	*0,0%*	13 414,6	*1,1%*
- *leasing*	4 975,8	4 920,0	*1,1%*	4 359,4	*14,1%*
- *other loans to companies*	8 585,6	8 646,6	*-0,7%*	9 055,2	*-5,2%*
Net Loans & Advances to Clients	**46 391,0**	**46 964,6**	***-1,2%***	**46 191,2**	***0,4%***
Impairment write-offs	1 393,4	1 419,8	*-1,9%*	1 440,1	***-3,2%***
Gross loans and advances to Clients	**47 784,4**	**48 384,4**	***-1,2%***	**47 631,3**	***0,3%***

Liquidity, asset quality and solvency

Faster growth of deposits than loans experienced during last quarters caused, that the Group's loan-to-deposit ratio improved significantly, from 89.7% level on September 2015 to 84.9% in September 2016. As a consequence, share of liquid securities (treasury bonds and NBP bills) in Group's total assets grew visibly from 19.8% year ago to 23.2% now.

The Group enjoys one of the best asset quality among Polish banks. Share of impaired loans in total loan portfolio remains on a stable level of 4.6% - both now and in September 2015. Share of loans past-due more than 90 days in total portfolio improved during last year from 2.95% level in September 2015 to 2.73% in September 2016.

Coverage ratio of impaired loans remains relatively stable (64% now) and coverage by provisions of loans past-due more than 90 days even increased to 107% as at the end of September 2016.

Impaired loans ratios in particular product segments also keep low levels and stable trend: for mortgage loans stood at 2.4%, other retail loans at 11.5% and for companies improved visibly during last year to 5.5%.

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

Group portfolio quality indicators	30.09.2016	30.06.2016	30.09.2015
Total impaired loans (PLN million)	2 182	2 210	2 173
Total provisions (PLN million)	1 393	1 420	1 440
Impaired over total loans ratio (%)	4.57%	4.57%	4.56%
Loans past-due over 90 days /total loans (%)	2.73%	2.61%	2.95%
Total provisions/impaired loans (%)	63.9%	64.2%	66.3%
Total provisions/loans past-due (>90d) (%)	106.8%	112.3%	102.6%

Capital position of the Group remains very solid. Consolidated equity increased by 11.5% yearly to the level of PLN 6,852 million and regulatory capital by 11.4% to PLN 6 576 million. Consequently, all the capital ratios increased strongly during last year to very solid levels: consolidated Total Capital Ratio to 18.0% and Common Equity Tier 1 ratio to 17.8%.

Increase of capital ratio goes parallel to the introduction of new capital requirements by the Polish regulator.

In October 2015, Polish Financial Supervisory Authority (KNF) required the Bank to have an additional capital buffer connected with specific risk of FX mortgage portfolio loans granted to households of 3.83 p.p. for Total Capital Ratio, of which 2.87 p.p. as Tier 1 Capital (for the Group: 3.75 p.p. for TCR, of which 2.81 p.p. as Tier 1 Capital). In October 2016 the Bank received from KNF updated requirement: the buffer was reduced to 3.09 p.p. for TCR (-0.74 p.p.), of which 2.32 p.p. as Tier 1 Capital and 1.73 p.p. as Core Tier 1 Capital.

Also in October 2015, KNF announced an additional capital conservation buffer of 1.25 p.p. for all Polish banks to be valid from 1st January 2016.

In October 2016, KNF identified Bank Millennium as other systemically important financial institution and imposed the Other systemically important institutions buffer of 0.25 p.p. (only over Tier 1 capital).

As a result of the combination of the above mentioned regulator's decisions and other EU CRR regulation and KNF capital recommendations for the Polish banks (TCR of 12% and Tier 1 Capital of 9% as the base in Poland), Bank Millennium has to comply with the following minimum capital ratios:

Minimum Capital Ratios:	
Common Equity Tier 1 ratio	10.73%
Tier 1 ratio	12.82%
Total Capital Ratio	16.34%

Capital ratios of the Bank and the Group are comfortably above all the required regulatory thresholds, which can be seen in the table below, presenting main solvency and liquidity ratio of Bank Millennium Group:

Main solvency and liquidity indicators	30.09.2016	30.06.2016	30.09.2015
Consolidated equity (PLN million)	6 852	6 723	6 147
Consolidated regulatory capital (PLN million)	6 576	6 426	5 901
Consolidated capital requirement (PLN million):	2 918	2 980	2 956
- Credit risk	2 603	2 664	2 662
- Market risk	36	39	43
- Operating risk	279	279	271
Consolidated Risk Weighted Assets (PLN million)	36 472	37 245	36 955
Total Capital Ratio* (consolidated)	18.0%	17.3%	16.0%
TCR* for the Bank	17.9%	17,1%	15.1%
Common Equity Tier 1 ratio* (consolidated)	17.8%	16.9%	15.5%
CET 1 ratio* for the Bank	17.7%	16.8%	14.6%
Loans to Deposits ratio (%)**	84.9%	87.4%	89.7%

(*) Calculated according to CRR/CRD4, with partial IRB approach (on mortgage and revolving retail loans) but under regulatory constraint; Common Equity Tier 1 Ratio equals the Tier 1 ratio for the Bank and the Group
(**) Deposits include Bank's debt securities sold to individuals, repo transactions with customers

Share price main indicators and ratings

During the analysed period of 9 months ended on 30th September 2016, Polish market main WIG index grew by 1.3% and WIG banks index fell by 1.5%. A the same time Bank Millennium shares grew by 0.9%.

In the yearly horizon, WIG index fell by 5.5% and WIG banks by 8.9%. In the same period Bank Millennium shares fell by 4.6%.

The average daily turnover in 9 month in 2016 in comparison of average daily turnover in 2015 was lower by 7.6%.

Market ratios	30.09.2016	30.12.2015*	Change (%) YTD	30.09.2015	Change (%) Yearly
Number of shares of the Bank (in ths.)	1 213 117	1 213 117	0.00%	1 213 117	0.00%
Daily trading (PLN ths, avg. ytd)	8 193	8 865	-7.6%	10 962	-25.3%
The Bank's share price (PLN)	5.61	5.56	0.9%	5.88	-4.6%
Bank's market cap. (PLN million)	6 806	6 745	0.9%	7 133	-4.6%
WIG - main index	47 085	46 467	1.3%	49 825	-5.5%
WIG Banks	5 993	6 087	-1.5%	6 581	-8.9%
WIG 30	1 977	2 076	-4.8%	2 286	-13.5%

(*) last day of quotation in 2015

During the 3rd quarter of 2016 there was only one change in Bank Millennium rating. On 4th of August 2016 Fitch rating agency increased that Bank's National Long-Term Rating from 'A-' to 'A'.

Rating	FITCH	MOODY'S
Long-term deposit rating/IDR	BBB- (stable outlook)	Ba1 (stable outlook)
National Long-term IDR	A(pol) (stable outlook)	-
Short-term deposit rating	F-3	NP
Individual (Viability rating / standalone BCA)	bbb-	ba3
Counterparty Risk Assessment (CR)		Baa3/Prime-3
Support	4	

CONTENTS

I. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

CONTENTS

1. GENERAL INFORMATION ON THE ISSUER

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

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

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

The Bank is parent company of the Bank Millennium S.A. Capital Group (the Group) with over 5,800 employees with core business comprising banking, leasing, factoring, brokerage, capital operations, and investment fund management.

Supervisory Board and Management Board of Bank Millennium S.A. as at 30 September 2016

Composition of the Supervisory Board as at 30 September 2016 was as follows:
- Bogusław Kott - Chairman of the Supervisory Board,
- Nuno Manuel da Silva Amado – Deputy Chairman of the Supervisory Board,
- Dariusz Rosati – Deputy Chairman and Secretary of the Supervisory Board,
- Julianna Boniuk-Gorzelańczyk – Member of the Supervisory Board,
- Miguel de Campos Pereira de Bragança – Member of the Supervisory Board,
- Agnieszka Hryniewicz-Bieniek – Member of the Supervisory Board,
- Anna Jakubowski – Member of the Supervisory Board,
- Grzegorz Jędrys – Member of the Supervisory Board,
- David Harris Klingensmith – Member of the Supervisory Board,
- Andrzej Koźmiński – Member of the Supervisory Board,
- Miguel Maya Dias Pinheiro – Member of the Supervisory Board,
- Rui Manuel da Silva Teixeira – Member of the Supervisory Board.

Composition of the Management Board as at 30 September 2016 was as follows:
- Joao Nuno Lima Bras Jorge – Chairman of the Management Board,
- Fernando Maria Cardoso Rodrigues Bicho – Deputy Chairman 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.
- Wojciech Rybak – Member of the Management Board.

On May 13, 2016, Mr. Michał Gajewski tendered his resignation from the function of Member of the Management Board of the Bank, effective as of above date.

On June 6, 2016, the Supervisory Board of Bank Millennium appointed Mr. Wojciech Rybak to the position of Member of the Management Board.

Bank Millennium S.A. Capital Group

Bank Millennium S.A. is the parent company of the Bank Millennium Group. The companies comprising the Group as at 30 September 2016 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 MAKLERSKI 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.	leasing and property management	Warsaw	100	100	full consolidation
TBM Sp. z o.o.	financial operations, advisory, marketing and advertising services	Warsaw	100	100	full consolidation
MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o.	services connected with concluding FX transactions	Warsaw	100	100	full consolidation
LUBUSKIE FABRYKI MEBLI S.A. in liquidation	furniture manufacturer	Świebodzin	50 (+1 share)	50 (+1 share)	equity method valuation (*)
BG LEASING S.A. in bankruptcy	leasing services	Gdańsk	74	74	historical cost (*)

(*) Despite having a control over the companies Lubuskie Fabryki Mebli S.A. and BG Leasing S.A., due to insignificant nature of these companies from the realization of the primary goal of the consolidated financial statements point of view, which is the correct presentation of Group's financial situation, the Group does not consolidate capital involvement in aforementioned enterpises.

As a result of the completion of securitization transactions and the related financial instruments in the second quarter 2015, the Group ceased to consolidate the special purpose vehicle Orchis Sp. z o.o., which was created for the needs of a securitisation transaction conducted by the Group in 2007. In accordance with the provisions of IFRS 10 the Company used to be consolidated, even though the Group had no capital commitment.

2. INTRODUCTION AND ACCOUNTING PRINCIPLES

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. 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 2015.

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 2015, with consideration of the specific requirements of IAS 34.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with later amendments) the Bank is required to publish the financial results for the nine months ended 30 September 2016.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2016 to 30 September 2016:

- 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.

As a result of introduction, commencing from 1 January 2015, of Interpretation 21 issued by the IFRS Interpretations Committee (IFRIC 21) doubts appeared regarding the use of requirements of IFRIC 21 in the Bank's financial reporting in relation to fees paid to the Banking Guarantee Fund (BFG).

After obtaining the position of the Ministry of Finance dated 11 February 2015 and the position of the Polish Financial Supervision Authority dated 12 February 2015 the Bank decided to amortise the charges paid to the Bank Guarantee Fund over the whole year of 2015, i.e. it employed an analogous approach as in previous years.

Total fees paid to the BFG in 2015 amounted to PLN 82 776 thousand, including PLN 62 082 thousand recognized as cost of the period ended 30 September 2015. As those positions were not withdrawn, the Bank sustained its presentation of comparative data.

The amendment to the BFG Act introduced in March 2016 changed the cycle of calculation and payment of BFG contributions from yearly to quarterly. As a consequence, according to requirements of Interpretation 21, the moment of recognizing liabilities relating to amended act occurs on a quarterly basis which was reflected in the accounting policy of the Bank for 2016 financial data.

The Board of Directors approved these condensed consolidated interim financial statements on 27th October 2016.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Interest income	1	1 702 569	571 269	1 736 434	586 479
Interest expense	2	(585 905)	(188 298)	(720 699)	(237 485)
Net interest income		1 116 664	382 971	1 015 735	348 994
Fee and commission income	3	509 562	179 239	527 368	176 385
Fee and commission expense	4	(85 234)	(29 047)	(71 642)	(24 798)
Net fee and commission income		424 328	150 192	455 726	151 587
Dividend income		1 907	132	2 270	892
Result on investment financial assets	5	305 014	2 545	39 137	12 642
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	5	124 885	42 876	125 297	32 884
Other operating income		34 785	11 320	51 247	12 770
Operating income		**2 007 583**	**590 036**	**1 689 412**	**559 769**
General and administrative expenses	6	(789 217)	(264 776)	(774 629)	(253 399)
Impairment losses on financial assets	7	(156 897)	(52 138)	(195 403)	(68 220)
Impairment losses on non-financial assets		(2 646)	(1 333)	(610)	(616)
Depreciation and amortization		(41 394)	(13 049)	(37 040)	(12 603)
Other operating expenses		(116 639)	(19 105)	(59 510)	(19 066)
Operating expenses		**(1 106 793)**	**(350 401)**	**(1 067 192)**	**(353 904)**
Operating profit		**900 790**	**239 635**	**622 220**	**205 865**
Share of profit of associates		0	0	(1 385)	0
Banking tax		(127 942)	(47 406)	0	0
Profit / (loss) before income tax		**772 848**	**192 229**	**620 835**	**205 865**
Corporate income tax	8	(203 087)	(53 417)	(127 353)	(40 190)
Profit / (loss) after taxes		**569 761**	**138 812**	**493 482**	**165 675**
Attributable to:					
Owners of the parent		569 761	138 812	493 482	165 675
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)		0.47	0.11	0.41	0.14

CONSOLIDATED TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Profit / (loss) after taxes	569 761	138 812	493 482	165 675
Other elements of total comprehensive income that will be subsequently reclassified to profit or loss	(198 805)	(11 813)	(138 607)	(52 214)
Effect of valuation of available for sale debt securities	(20 025)	(19 023)	(46 383)	5 699
Effect of valuation of available for sale shares	(211 716)	1 500	(53)	(64)
Hedge accounting	32 936	5 710	(92 171)	(57 849)
Other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	0	0	0	0
Actuarial gains (losses)	0	0	0	0
Other elements of total comprehensive income before taxes	(198 805)	(11 813)	(138 607)	(52 214)
Corporate income tax on other elements of total comprehensive income that will be subsequently reclassified to profit or loss	37 773	2 244	26 335	9 921
Corporate income tax on other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	0	0	0	0
Other elements of total comprehensive income after taxes	(161 032)	(9 569)	(112 272)	(42 293)
Total comprehensive income for the period	408 729	129 243	381 210	123 382
Attributable to:				
Owners of the parent	408 729	129 243	381 210	123 382
Non-controlling interests	0	0	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	30.09.2016	31.12.2015
Cash, balances with the Central Bank		2 366 287	1 946 384
Deposits, loans and advances to banks and other monetary institutions	9	1 368 503	2 348 754
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	10	659 132	768 650
Hedging derivatives	11	69 039	70 833
Loans and advances to customers	12	46 391 040	46 369 381
Investment financial assets	13	15 184 081	13 874 320
- available for sale		15 184 081	13 874 320
- held to maturity		0	0
Investments in associates		1 378	1 378
Receivables from securities bought with sell-back clause (loans and advances)		86 311	0
Property, plant and equipment		152 325	156 341
Intangible assets		54 379	61 858
Non-current assets held for sale		13 064	15 682
Receivables from Tax Office resulting from current tax		11	41 880
Deferred tax assets	15	279 459	237 612
Other assets		513 047	342 183
Total Assets		**67 138 056**	**66 235 256**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.09.2016	31.12.2015
LIABILITIES			
Liabilities to banks and other monetary institutions	16	1 448 983	1 443 921
Financial liabilities valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	10	364 515	344 689
Hedging derivatives	11	1 162 165	2 132 053
Liabilities to customers	17	54 297 732	52 810 389
Liabilities from securities sold with buy-back clause		0	0
Debt securities	18	1 327 933	1 134 250
Provisions	19	38 335	30 848
Deferred income tax liabilities	15	0	0
Current tax liabilities		11 453	270
Other liabilities		984 767	1 256 040
Subordinated debt		650 279	639 631
LIABILITIES		60 286 162	59 792 091
EQUITY			
Share capital		1 213 117	1 213 117
Share premium		1 147 502	1 147 502
Revaluation reserve		(142 782)	18 250
Retained earnings		4 634 057	4 064 296
Total Equity		6 851 894	6 443 165
Total equity attributable to owners of the parent		6 851 894	6 443 165
Non-controlling interests		0	0
Total Liabilities and Equity		**67 138 056**	**66 235 256**
Book value		6 851 894	6 443 165
Number of shares		1 213 116 777	1 213 116 777
Book value per share (in PLN)		5.65	5.31

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

01.01.2016 - 30.09.2016 *Amount '000 PLN*	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings	
					Unappropriated result	Other reserves
Equity at the beginning of the period	6 443 165	1 213 117	1 147 502	18 250	679 929	3 384 367
Total comprehensive income for 3quarters 2016 (net)	408 729	0	0	(161 032)	569 761	0
net profit/ (loss) of the period	569 761	0	0	0	569 761	0
valuation of available for sale debt securities	(16 220)	0	0	(16 220)	0	0
valuation of available for sale shares	(171 490)	0	0	(171 490)	0	0
hedge accounting	26 678	0	0	26 678	0	0
Transfer between items of reserves	0	0	0	0	(529 411)	529 411
Equity at the end of the period	**6 851 894**	**1 213 117**	**1 147 502**	**(142 782)**	**720 279**	**3 913 778**

01.01.2015 - 31.12.2015 *Amount '000 PLN*	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings	
					Unappropriated result	Other reserves
Equity at the beginning of the period	5 765 479	1 213 117	1 147 502	(112 911)	779 703	2 738 068
Total comprehensive income for 2015 (net)	677 686	0	0	131 161	546 525	0
net profit/ (loss) of the period	546 525	0	0	0	546 525	0
valuation of available for sale debt securities	(25 626)	0	0	(25 626)	0	0
valuation of available for sale shares	172 536	0	0	172 536	0	0
hedge accounting	(16 373)	0	0	(16 373)	0	0
actuarial gains (losses)	623	0	0	623	0	0
Transfer between items of reserves	0	0	0	0	(646 299)	646 299
Equity at the end of the period	**6 443 165**	**1 213 117**	**1 147 502**	**18 250**	**679 929**	**3 384 367**

01.01.2015 - 30.09.2015 *Amount '000 PLN*	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings	
					Unappropriated result	Other reserves
Equity at the beginning of the period	5 765 479	1 213 117	1 147 502	(112 911)	779 703	2 738 068
Total comprehensive income for 3quarters 2015 (net)	381 211	0	0	(112 271)	493 482	0
net profit/ (loss) of the period	493 482	0	0	0	493 482	0
valuation of available for sale debt securities	(37 570)	0	0	(37 570)	0	0
valuation of available for sale shares	(43)	0	0	(43)	0	0
hedge accounting	(74 658)	0	0	(74 658)	0	0
Transfer between items of reserves	0	0	0	0	(646 299)	646 299
Equity at the end of the period	**6 146 690**	**1 213 117**	**1 147 502**	**(225 182)**	**626 886**	**3 384 367**

CONSOLIDATED CASH FLOWS

A.CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2016 - 30.09.2016	1.01.2015 - 30.09.2015
Profit (loss) after taxes	569 761	493 482
Total adjustments:	1 039 811	1 491 081
Non-controlling interests profit (loss)	0	0
Interests in net income (loss) of associated companies	0	1 385
Depreciation and amortization	41 394	37 040
Foreign exchange (gains)/ losses	13 181	570
Dividends	(1 907)	(2 270)
Changes in provisions	7 487	(25 840)
Result on sale and liquidation of investing activity assets	(312 437)	(40 913)
Change in financial assets valued at fair value through profit and loss (held for trading)	144 279	185 234
Change in loans and advances to banks	1 007 798	(611 729)
Change in loans and advances to customers	(19 134)	(2 065 242)
Change in receivables from securities bought with sell-back clause (loans and advances)	(86 311)	110 880
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(950 062)	539 742
Change in deposits from banks	(93 755)	(107 233)
Change in deposits from customers	1 487 343	3 596 872
Change in liabilities from securities sold with buy-back clause	0	(59 765)
Change in debt securities	193 567	(16 960)
Change in income tax settlements	236 642	130 059
Income tax paid	(181 830)	(114 216)
Change in other assets and liabilities	(447 413)	(80 221)
Other	969	13 688
Net cash flows from operating activities	**1 609 572**	**1 984 563**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2016 - 30.09.2016	1.01.2015 - 30.09.2015
Inflows from investing activities:	11 469	233 303
Proceeds from sale of property. plant and equipment and intangible assets	9 562	3 245
Proceeds from sale of shares in associates	0	0
Change in value of investment financial assets due to purchase/sale	0	227 788
Other inflows from investing activities	1 907	2 270
Outflows from investing activities:	(5 041 463)	(27 884)
Acquisition of property, plant and equipment and intangible assets	(23 862)	(27 884)
Acquisition of shares in associates	0	0
Change in value of investment financial assets due to purchase/sale	(5 017 601)	0
Other outflows from investing activities	0	0
Net cash flows from investing activities	**(5 029 994)**	**205 419**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2016 - 30.09.2016	1.01.2015 - 30.09.2015
Inflows from financing activities:	220 636	1 040 912
Long-term bank loans	220 520	108 488
Issue of debt securities	116	932 424
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:	(133 939)	(1 130 292)
Repayment of long-term bank loans	(121 531)	(83 281)
Redemption of debt securities	0	(1 033 215)
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other outflows from financing activities	(12 408)	(13 796)
Net cash flows from financing activities	**86 697**	**(89 380)**

D. NET CASH FLOWS. TOTAL (A + B + C)	(3 333 725)	2 100 602
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	6 851 154	5 398 463
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	3 517 429	7 499 065

4. NOTES TO CONSOLIDATED FINANCIAL DATA

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

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Balances with the Central Bank	19 202	6 519	18 978	6 031
Deposits, loans and advances to banks	406	113	788	206
Loans and advances to customers	1 224 203	406 281	1 228 642	405 853
Transactions with repurchase agreement	7 710	2 164	19 366	9 398
Hedging derivatives	254 111	85 311	254 405	89 287
Financial assets held for trading (debt securities)	3 769	769	30 591	13 975
Investment securities	193 168	70 112	183 664	61 729
Total	1 702 569	571 269	1 736 434	586 479

Interest income for 3 quarters 2016 includes interest accrued on loans with recognized impairment of PLN 44,259 thousand (for the comparative data for 3 quarters 2015, such interest was PLN 57,690 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:

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Banking deposits	(9 216)	(3 027)	(15 999)	(7 117)
Loans and advances from banks and other monetary institutions	(8 091)	(2 504)	(40 402)	(13 456)
Transactions with repurchase agreement	(8 438)	(2 754)	(43 170)	(17 169)
Deposits from customers	(524 919)	(167 856)	(575 715)	(184 648)
Subordinated debt	(9 703)	(3 129)	(10 256)	(3 353)
Debt securities	(25 146)	(8 899)	(34 663)	(11 577)
Other	(392)	(130)	(494)	(165)
Total	(585 905)	(188 298)	(720 699)	(237 485)

Note (3) Fee and commission income

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Resulting from accounts service	60 853	20 200	66 021	22 486
Resulting from money transfers. cash payments and withdrawals and other payment transactions	39 684	13 607	36 523	12 473
Resulting from loans granted	104 681	33 543	87 939	30 169
Resulting from guarantees and sureties granted	9 286	2 617	9 497	2 902
Resulting from payment and credit cards	109 628	38 761	100 395	34 524
Resulting from sale of insurance products	45 431	19 731	62 364	21 336
Resulting from distribution of investment funds units and other savings products	52 287	20 989	72 836	22 227
Resulting from brokerage and custody service	14 469	5 079	15 462	4 598
Resulting from investment funds managed by the Group	59 298	19 934	65 610	22 245
Other	13 945	4 778	10 721	3 425
Total	509 562	179 239	527 368	176 385

Note (4) Fee and commission expense

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Resulting from accounts service	(1 001)	(367)	(922)	(328)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(1 614)	(562)	(1 442)	(525)
Resulting from loans granted	(14 840)	(4 228)	(13 074)	(3 982)
Resulting from payment and credit cards	(51 321)	(18 355)	(44 520)	(15 795)
Resulting from brokerage and custody service	(2 509)	(840)	(2 400)	(850)
Resulting from investment funds managed by the Group	(6 491)	(2 104)	(5 466)	(2 084)
Other	(7 458)	(2 591)	(3 818)	(1 234)
Total	(85 234)	(29 047)	(71 642)	(24 798)

Note (5a) Result on investment financial assets

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Operations on debt instruments	21 976	2 545	39 137	12 642
Operations on equity instruments	283 038	0	0	0
Total	305 014	2 545	39 137	12 642

As previously reported, as member of Visa Europe Ltd the Bank is among the beneficiaries of the transaction concluded on 2 November 2015 between Visa Inc. and Visa Europe Ltd. In result of the conversion the Bank received EUR 59.2 million in cash, 21 493 preference shares and is entitled to a deferred payment of approx. EUR 5 million minus adjustments.

The closing of the Visa transaction took place on 21st June 2016, and had a significant positive influence on the results of the Bank in the 1st half 2016: the gross impact on revenues totalled PLN 283 million. In order to determine the fair value of deferred payments and preferred shares, the time value of money, the time line for conversion of preferred stock in common stock of VISA and adjustments resulting from litigations (on-going or potential) against VISA and the Bank were considered.

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

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Operations on securities	1 428	(316)	(10 117)	(1 894)
Operations on derivatives	23 458	4 502	62 566	(9 169)
Fair value hedge accounting operations including:	72	0	27	(110)
- result from hedging derivatives	866	0	193	(141)
- result from items subjected to hedging	(794)	0	(166)	31
Foreign exchange result	101 261	39 157	74 449	44 590
Costs of financial operations	(1 334)	(467)	(1 628)	(533)
Total	**124 885**	**42 876**	**125 297**	**32 884**

Note (6) General and administrative expenses

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Staff costs:	(417 237)	(139 323)	(411 062)	(135 899)
Salaries	(346 600)	(117 263)	(340 801)	(114 275)
Surcharges on pay	(58 357)	(18 172)	(58 043)	(17 622)
Employee benefits, including:	(12 280)	(3 888)	(12 218)	(4 002)
- provisions for retirement benefits	68	0	(299)	(174)
- provisions for unused employee holiday	(9)	(2)	(13)	(4)
- other	(12 339)	(3 886)	(11 906)	(3 824)
General administrative costs:	(371 980)	(125 453)	(363 567)	(117 500)
Costs of advertising, promotion and representation	(34 301)	(13 270)	(33 020)	(7 873)
IT and communications costs	(55 333)	(19 002)	(52 393)	(17 670)
Costs of renting	(132 259)	(41 335)	(129 715)	(43 124)
Costs of buildings maintenance, equipment and materials	(19 724)	(6 729)	(20 223)	(6 576)
ATM and cash maintenance costs	(12 528)	(4 286)	(12 442)	(4 350)
Costs of consultancy, audit and legal advisory and translation	(15 590)	(7 097)	(8 676)	(3 581)
Taxes and fees	(12 281)	(3 875)	(11 152)	(3 121)
KIR clearing charges	(3 285)	(1 144)	(3 006)	(1 023)
PFRON costs	(3 686)	(1 249)	(3 737)	(1 231)
Banking Guarantee Fund costs	(45 905)	(15 345)	(49 094)	(16 364)
Financial Supervision costs	(3 940)	(1 261)	(2 883)	(1 205)
Other	(33 148)	(10 860)	(37 226)	(11 382)
Total	**(789 217)**	**(264 776)**	**(774 629)**	**(253 399)**

Note (7) Impairment losses on financial assets

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Impairment losses on loans and advances to customers	(153 374)	(53 544)	(201 885)	(68 743)
Impairment charges on loans and advances to customers	(476 078)	(133 712)	(563 904)	(177 742)
Reversal of impairment charges on loans and advances to customers	286 867	61 700	331 336	79 188
Amounts recovered from loans written off	11 686	72	1 339	219
Sale of receivables	24 151	18 396	29 344	29 592
Impairment losses on securities	27	4	(27)	6
Impairment charges on securities	0	0	(27)	6
Reversal of impairment charges on securities	27	4	0	0
Impairment losses on off-balance sheet liabilities	(3 550)	1 402	6 509	517
Impairment charges on off-balance sheet liabilities	(7 910)	513	(4 994)	(125)
Reversal of impairment charges on off-balance sheet liabilities	4 360	889	11 503	642
Total	**(156 897)**	**(52 138)**	**(195 403)**	**(68 220)**

Note (8a) Income tax reported in income statement

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Current tax	(220 054)	(55 141)	(129 390)	(48 935)
Deferred tax:	16 967	1 724	2 037	8 745
Recognition and reversal of temporary differences	18 698	1 600	1 920	8 690
Recognition / (Utilisation) of tax loss	(1 731)	124	117	55
Total income tax reported in income statement	**(203 087)**	**(53 417)**	**(127 353)**	**(40 190)**

Note (8b) Effective tax rate

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Gross profit / (loss)	772 848	192 229	620 835	205 865
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	(146 841)	(36 523)	(117 959)	(39 115)
Impact of permanent differences on tax charges:	**(56 121)**	**(15 944)**	**(10 927)**	**(3 982)**
Non taxable income	926	413	1 093	222
Dividend income	341	4	429	168
Release of other provisions	585	447	415	54
Other	0	(38)	249	0
Non tax-deductible costs	(57 047)	(16 357)	(12 020)	(4 204)
Loss on sale of receivables	(11 423)	(8 510)	(1 625)	(1 622)
PFRON fee	(700)	(236)	(710)	(235)
Prudential fee for Banking Guarantee Fund	(4 126)	(1 379)	(2 468)	(823)
Banking tax	(24 309)	(9 007)	0	0
Cost of provisions for factoring receivables	(2 334)	104	(1 624)	(547)
Receivables written off	(1 335)	(132)	(566)	(181)
Costs of litigations and contentious claims	(8 213)	(373)	(3 337)	(85)
Depreciation and insurance costs of cars (in excess of EUR 20.000)	(1 421)	(65)	(864)	(287)
Other	(3 186)	3 241	(826)	(424)
The amount of deductible temporary differences for which deferred income tax asset has not been recognized in the balance sheet	(125)	(950)	2 907	2 907
Adjustment resulted from Article 38a of CIT	0	0	(1 374)	0
Total income tax reported in income statement	**(203 087)**	**(53 417)**	**(127 353)**	**(40 190)**

Note (8c) Deferred tax reported directly in equity

	30.09.2016	31.12.2015
Valuation of available for sale securities	(3 339)	(47 370)
Valuation of cash flow hedging instruments	36 474	42 732
Actuarial gains (losses)	356	356
Deferred tax reported directly in equity	33 491	(4 282)

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.

Tax Inspection Office control procedures carried out in Bank Millennium S.A.

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 supported 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.

On 26 January 2016 the Supreme Administrative Court issued six judgments on the cassations proceedings filed by the Bank regarding the determination of the loss or income tax in the corporate income tax. In five judgments the Court dismissed the Bank's claims. In one, regarding 2006 tax year, it annulled the judgments of Regional Administrative Court (RAC) and passed the case back to RAC for reconsideration. On the 10th of May 2016 RAC issued the judgement in which it cancelled the decision of the Tax Chamber and preceding it decision of the II Mazowian Tax Office and dismissed the case regarding CIT for 2006 tax year. The written justification of the verdict mentioned above was received on 19 July 2016.

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

	30.09.2016	31.12.2015
Current accounts	339 154	284 706
Deposits granted	1 027 196	2 061 664
Loans	2	0
Interest	2 151	2 393
Total (gross) deposits, loans and advances	1 368 503	2 348 763
Impairment write-offs	0	(9)
Total (net) deposits, loans and advances	**1 368 503**	**2 348 754**

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

	30.09.2016	31.12.2015
Debt securities	**415 012**	**408 572**
Issued by State Treasury	414 998	408 572
a) bills	0	0
b) bonds	414 998	408 572
Other securities	14	0
a) bills	0	0
b) bonds	14	0
Equity instruments	**896**	**1 682**
Quoted on the active market	896	1 682
a) financial institutions	0	0
b) non-financial institutions	896	1 682
Adjustment from fair value hedge	13 195	22 152
Positive valuation of derivatives	230 029	336 244
Total	**659 132**	**768 650**

Note (10b) Valuation of derivatives. Adjustment from fair value hedge and Liabilities from short sale of securities as at 30.09.2016

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	(18 566)	143 138	161 704
Forward Rate Agreements (FRA)	0	0	0
Interest rate swaps (IRS)	(18 566)	143 138	161 704
Other interest rate contracts: options	0	0	0
2. FX derivatives	23 777	57 841	34 064
FX contracts	(8 879)	4 031	12 910
FX swaps	31 771	37 744	5 973
Other FX contracts (CIRS)	885	16 066	15 181
FX options	0	0	0
3. Embedded instruments	(26 790)	7	26 797
Options embedded in deposits	(20 102)	0	20 102
Options embedded in securities issued	(6 688)	7	6 695
4. Indexes options	26 644	29 043	2 399
Valuation of derivatives	**5 065**	**230 029**	**224 964**
Valuation of hedged position in fair value hedge accounting		13 195	11 746
Liabilities from short sale of securities		0	127 805

Note (10c) Valuation of derivatives. Adjustment from fair value hedge and Liabilities from short sale of securities as at 31.12.2015

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	17 828	254 288	236 460
Forward Rate Agreements (FRA)	417	452	35
Interest rate swaps (IRS)	17 411	253 835	236 424
Other interest rate contracts: options	0	1	1
2. FX derivatives	(7 491)	39 667	47 158
FX contracts	(5 358)	6 628	11 986
FX swaps	8 442	30 997	22 555
Other FX contracts (CIRS)	(10 575)	2 042	12 617
FX options	0	0	0
3. Embedded instruments	(38 642)	0	38 642
Options embedded in deposits	(31 623)	0	31 623
Options embedded in securities issued	(7 019)	0	7 019
4. Indexes options	38 273	42 289	4 016
Valuation of derivatives	**9 968**	**336 244**	**326 276**
Valuation of hedged position in fair value hedge accounting		22 152	18 413
Liabilities from short sale of securities			0

During the nine months of 2016, there were following changes in the applied hedging relationships:

- expired hedging transactions that had been concluded in order to hedge the fair value of the portfolio of fixed-currency liabilities and portfolio of floating exchange rates receivables,

- during first quarter of 2016 a new relationship hedging the variability of cash flows from future revenues denominated in foreign currencies was established, which was completed in June 2016 in result of receiving cash flows from hedged item.

Finally as at 30.09.2016 the Group applied hedge accounting to the following relationship:

	Hedge of volatility of the cash flows generated by the portfolio of PLN mortgage loans	Cash flow volatility hedge for the flows generated by FX mortgage portfolio and its underlying PLN liabilities
Description of hedge transactions	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.	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.
Hedged items	Cash flows resulting from the PLN mortgage loan portfolio	Cash flows resulting from the mortgage loan portfolio and PLN deposits together with issued debt PLN securities funding them.
Hedging instruments	IRS transactions	CIRS transactions
Presentation of the result on the hedged and hedging transactions	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.	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.

Note (11a) Hedge accounting as at 30.09.2016

	Fair values		
	Total	Assets	Liabilities
Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate			
CIRS contracts	(1 103 260)	58 250	1 161 510
IRS contracts	10 134	10 789	655
FX Forward contracts	0	0	0
Total	(1 093 126)	69 039	1 162 165

As of 30.09.2016 there were no active fair value hedges

Note (11b) Hedge accounting as at 31.12.2015

	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	(140 909)	0	140 909	794
Cash flows hedging derivatives connected with interest rate and/or FX rate				
CIRS contracts	(1 930 002)	60 538	1 990 540	x
IRS contracts	9 691	10 295	604	x
FX Forward contracts	0	0	0	x
Total	(2 061 220)	70 833	2 132 053	x

(*) - Adjustment to fair value of hedged items due to hedged risk for active hedging relationships, for the year 2015 amounted to PLN 794 thousand, of which PLN 5,782 thousand related to hedged assets, and PLN 4,988 thousand related to hedged liabilities.

Note (12a) Loans and advances to customers

	30.09.2016	31.12.2015
Loans and advances	41 533 434	41 852 945
- to companies	8 437 895	8 705 526
- to private individuals	32 711 438	32 729 850
- to public sector	384 101	417 569
Receivables on account of payment cards	693 261	684 841
- due from companies	24 191	27 481
- due from private individuals	669 070	657 360
Purchased receivables	162 377	212 369
- from companies	162 377	212 369
- from public sector	0	0
Guarantees and sureties realised	13 706	12 551
Debt securities eligible for rediscount at Central Bank	5 124	5 217
Financial leasing receivables	5 100 120	4 777 112
Other	1 935	4 509
Interest	274 461	280 765
Total gross	**47 784 418**	**47 830 309**
Impairment write-offs	(1 393 378)	(1 460 928)
Total net	**46 391 040**	**46 369 381**

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

	30.09.2016	31.12.2015
Loans and advances to customers (gross)	47 784 418	47 830 309
- impaired	2 181 785	2 204 196
- not impaired	45 602 633	45 626 113
Impairment write-offs	(1 393 378)	(1 460 928)
- for impaired exposures	(1 230 138)	(1 305 327)
- for incurred but not reported losses (IBNR)	(163 240)	(155 601)
Loans and advances to customers (net)	**46 391 040**	**46 369 381**

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

	30.09.2016	31.12.2015
Loans and advances to customers (gross)	47 784 418	47 830 309
- case by case analysis	882 855	940 590
- collective analysis	46 901 563	46 889 719
Impairment write-offs	(1 393 378)	(1 460 928)
- on the basis of case by case analysis	(463 479)	(561 994)
- on the basis of collective analysis	(929 899)	(898 934)
Loans and advances to customers (net)	**46 391 040**	**46 369 381**

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

	30.09.2016	31.12.2015
Loans and advances to customers (gross)	47 784 418	47 830 309
- corporate customers	14 174 075	14 215 133
- individuals	33 610 343	33 615 176
Impairment write-offs	(1 393 378)	(1 460 928)
- for receivables from corporate customers	(612 604)	(751 705)
- for receivables from private individuals	(780 774)	(709 223)
Loans and advances to customers (net)	**46 391 040**	**46 369 381**

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

	01.01.2016 - 30.09.2016	01.01.2015 - 31.12.2015
Balance at the beginning of the period	1 460 928	1 358 255
Change in value of provisions:	(67 550)	102 673
Impairment write-offs created in the period	476 078	724 872
Amounts written off	(44 618)	(73 430)
Impairment write-offs released in the period	(286 858)	(440 062)
Sale of receivables	(210 482)	(118 773)
Changes resulting from FX rates differences	1 068	10 466
Other	(2 738)	(400)
Balance at the end of the period	**1 393 378**	**1 460 928**

Note (13) Investment financial assets available for sale

	30.09.2016	31.12.2015
Debt securities	**15 141 446**	**13 647 734**
Issued by State Treasury	14 236 794	9 375 707
a) bills	0	0
b) bonds	14 236 794	9 375 707
Issued by Central Bank	763 737	4 198 776
a) bills	763 737	4 198 776
b) bonds	0	0
Other securities	140 915	73 251
a) listed	80 864	0
b) not listed	60 051	73 251
Shares and interests in other entities	42 615	226 586
Other financial instruments	20	0
Total financial assets available for sale	**15 184 081**	**13 874 320**

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 01.01.2016	44	17 719	3 988	136	4 843
- Write-offs created	0	1 387	0	0	3 548
- Write-offs released	(27)	(8 300)	0	0	(902)
- Utilisation	0	(691)	0	0	(999)
- Sale of assets	0	(665)	0	0	0
- Other	(2)	0	0	0	0
Balance as at 30.09.2016	15	9 450	3 988	136	6 490

Impairment write-offs:	Investment securities	Property, plant and equipment	Intangibles	Non-current assets held for sale	Other assets
Balance as at 01.01.2015	29	19 519	3 988	142	4 803
- Write-offs created	33	0	0	0	2 424
- Write-offs released	(18)	0	0	(6)	(3 668)
- Utilisation	0	0	0	0	(1 366)
- Sale of assets	0	0	0	0	0
- Other changes	0	(1 800)	0	0	2 650
Balance as at 31.12.2015	44	17 719	3 988	136	4 843

Note (15) Assets / Provision from deferred income tax

	30.09.2016			31.12.2015		
	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	80 088	(13 129)	66 959	78 207	(11 957)	66 250
Balance sheet valuation of financial instruments	295 816	(313 439)	(17 623)	470 859	(487 732)	(16 873)
Unrealised receivables/ liabilities on account of derivatives	17 705	(27 555)	(9 850)	27 570	(41 924)	(14 354)
Interest on deposits and securities to be paid/received	31 513	(33 355)	(1 842)	39 353	(33 307)	6 046
Interest and discount on loans and receivables	14	(23 590)	(23 576)	14	(8 283)	(8 269)
Income and cost settled at effective interest rate	84 287	(1 228)	83 059	73 086	(1 385)	71 701
Provisions for loans presented as temporary differences	111 953	0	111 953	105 466	0	105 466
Employee benefits	13 051	0	13 051	14 768	0	14 768
Provisions for costs	19 949	0	19 949	13 103	0	13 103
Valuation of investment assets, the valuation of cash flow hedge and actuarial gains (losses) recognized in the revaluation reserve	36 830	(3 339)	33 491	43 088	(47 370)	(4 282)
Tax loss deductible in the future	1 178	0	1 178	2 910	0	2 910
Other	6 350	(3 640)	2 710	5 069	(3 924)	1 145
Net deferred income tax asset	698 734	(419 275)	279 459	873 493	(635 882)	237 612

Note (16) Liabilities to banks and other monetary institutions

	30.09.2016	31.12.2015
In current account	126 133	114 518
Term deposits	385 709	498 235
Loans and advances received	934 330	829 770
Interest	2 811	1 398
Total	1 448 983	1 443 921

Note (17) Structure of liabilities to customers by type

	30.09.2016	31.12.2015
Amounts due to private individuals	38 227 192	35 616 412
Balances on current accounts	21 106 939	17 014 894
Term deposits	16 962 350	18 396 274
Other	79 580	83 380
Accrued interest	78 323	121 864
Amounts due to companies	13 434 694	15 991 260
Balances on current accounts	5 011 205	4 799 248
Term deposits	8 149 782	10 938 440
Other	257 298	222 601
Accrued interest	16 409	30 971
Amounts due to public sector	2 635 846	1 202 717
Balances on current accounts	859 280	741 988
Term deposits	1 732 298	427 940
Other	42 146	31 761
Accrued interest	2 122	1 028
Total	**54 297 732**	**52 810 389**

Note (18) Change of debt securities

	01.01.2016 - 30.09.2016	01.01.2015 - 31.12.2015
Balance at the beginning of the period	1 134 250	1 739 460
Increases, on account of:	555 512	1 114 847
- issue of bonds by the Bank	29 577	961 499
- issue of bonds by Millennium Leasing	375 200	0
- issue of Banking Securities	125 589	109 790
- interest accrual	25 146	43 558
Reductions, on account of:	(361 829)	(1 720 057)
- repurchase of bonds by the Bank	(29 461)	(1 532 681)
- repurchase of bonds by Millennium Leasing	(184 800)	0
- repurchase of Banking Securities	(120 943)	(140 708)
- interest payment	(26 625)	(46 668)
Balance at the end of the period	**1 327 933**	**1 134 250**

Note (19) Provisions

	01.01.2016 - 30.09.2016	01.01.2015 - 31.12.2015
Provision for off-balance sheet commitments		
Balance at the beginning of the period	14 239	27 692
Charge of provision	7 910	5 052
Release of provision	(4 360)	(18 506)
FX rates differences	(108)	1
Balance at the end of the period	17 681	14 239
Provision for contentious claims		
Balance at the beginning of the period	16 609	70 882
Charge of provision	35 318	28 748
Release of provision	(3 193)	(2 516)
Utilisation of provision	(30 518)	(77 534)
Other/reclassification	2 438	(2 971)
Balance at the end of the period	20 654	16 609
Total	**38 335**	**30 848**

5. CHANGES IN RISK MANAGEMENT PROCESS

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

Credit risk

In III Q of 2016, in retail segment Bank Millennium Group continued activities relating to optimization of methodology, tools and processes of credit risk management.

Bank was conducting changes to credit methodology and processes relating to consumer loans resulting from the extension of the credit offer to new groups of customers. Particular attention was paid to the implementation of changes in area of consumer loans relating to credit capacity methodology as well as tools and credit processes. The changes were a result of implementation of the recommendations of the Financial Supervision Authority on the implementation of the rules of Recommendation T. Additionally in the retail segment, the Group has reviewed and modified rules for the application of risk filters and scope of the use of external information to assess the credit capacity of customers, according to the current risk assessment.

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

In the corporate segment the Group focused on development of credit risk models. Verification of selected industry limits was performed. As in previous periods, work on the improvement of credit and monitoring processes and their supporting tools was continued.

The structure of loans granted to customers and to banks as well as key loans portfolio ratios are as follows:

Gross exposure in '000 PLN	30.09.2016		31.12.2015	
	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	44 194 409	1 368 503	44 189 366	2 348 763
Overdue(*), but without impairment	1 408 224	0	1 436 747	0
Total without impairment (IBNR)	45 602 633	1 368 503	45 626 113	2 348 763
With impairment	2 181 785	0	2 204 196	0
Loans and advances, gross	**47 784 418**	**1 368 503**	**47 830 309**	**2 348 763**
Impairment write-offs together with IBNR	(1 393 378)	0	(1 460 928)	(9)
Loans and advances, net	**46 391 040**	**1 368 503**	**46 369 381**	**2 348 754**
Loans with impairment / total loans	4.57%	0.00%	4.61%	0.00%

(*) Loans overdue not more than 4 days are treated as technical and are not shown 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, monitoring and reporting 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 III quarter 2016, the market risk limits were kept unchanged.

The VaR indicators in the period under consideration for the Group, that is jointly Trading Book and Banking Book, remained on average at the level of approx. PLN 45.4 m (16 % of the limit) and approx. PLN 43.1 m (15% of the limit) as of the end of September 2016. The market risk exposure in 3Q 2016 in terms of value at risk in the Group, together with risk type division, is presented in the table below (ths PLN).

VaR measures for market risk ('000 PLN)

	30.09.2016		VaR (3Q 2016)			30.06.2016	
	Exposure	limit usage	Average	Maximum	Minimum	Exposure	limit usage
Total risk	43 072	15%	45 421	58 040	41 258	59 150	21%
Generic risk	41 050	15%	43 234	55 818	39 102	56 928	20%
Interest Rate VaR	41 057	15%	43 227	55 818	39 073	56 806	20%
FX Risk	98	1%	121	1 237	13	179	1%
Diversification Effect	0.3%					0.1%	
Specific risk	2 022	1%	2 188	2 629	2 022	2 222	1%

In III quarter 2016, total market risk limits in terms of VaR were not breached - neither for the total Group nor for the Banking Book and Trading Book, separately.

Open positions contain mainly interest rate and FX risk instruments. According to the Risk Strategy approved in the Group, the FX open position is allowed, however should be kept at low levels. For this purpose, the Group has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows to keep FX open positions only in Trading Book. In the 3Q 2016, the FX Total open position (Intraday as well as Overnight) remained well below the maximum limits in place.

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

In case of the Banking Book, the main component of the market risk is interest rate risk. In order to manage this risk, the following principles are in place:

- The market risk that results from the commercial banking activity is hedged or transferred on the monthly basis to areas that actively manage market risk and that are measured in terms of risk and profit and loss,

- The Bank uses natural hedging between loans and deposits as well as fixed rate bonds and derivatives to manage interest rate risk with the main purpose of protecting the Net Interest Income.

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. The measurement of both is complementary in understanding the complete scope of interest rate risk in Banking Book. For this reason, apart from daily market risk measurement in terms of value at risk, the scope of the additional measurement of interest rate risk on monthly basis covers both earnings-based and economic value measures. Due to specificity of the polish legal system, the interest rate of consumer credits is limited by a cap and from January 2016 cannot exceed two times the Reference Rate of the National Bank of Poland increased by 7 percentage points. The Bank is subject to asymmetrical impacts on its Net Interest Income in case of interest rates change. In situation of decreasing interest rates (including NBP reference interest rate), the impact is negative and depends on the percentage of the loan portfolio that is affected by the new maximum rate. At the end of September 2016, the results of the impact on the net interest income in the next 12 months for position in Polish Zloty in Banking Book in a scenario of immediate parallel yield curve decrease by 100 bps was negative but stayed witinin internally defined limits.

Liquidity risk

The liquidity risk measurement, monitoring and reporting is carried out daily with the use of both measures defined by the supervisory authorities and internally, for which limits were established. In III quarter 2016, the Group was characterized by good liquidity position. All the supervisory and internal liquidity indicators remained significantly above minimum limits in place.

According to the Regulation of European Parlament and Council no 575/2013 on prudential requirements for credit insitutions and investment firms (CRR), the Group is calculating the liquidity coverage requirement (LCR). The regulator minimum of 70% for LCR valid in 2016 was complied by the Group. The measure is calculated daily and has been reported on the monthly basis to NBP since March 2014. Internally, the LCR is estimated daily and reported together with other internal liquidity measures to the areas responsible for the management and control of the liquidity risk in the Group on the daily basis.

In III quarter 2016, the Group has consistently maintained Loan-to-Deposit ratio below 100%. This ratio, including own issues sold to individuals and sell-buy back transactions with customers, was equalled 85% at the end of September 2016 (87% at the end of December 2015). The Group continued the policy of investing the liquidity surplus in the portfolio of liquid assets, especially in the debt securities with low specific risk (Polish Government Bonds, Treasury and NBP Bills) of which the share in total debt securities amounted to 99% at the end of September 2016. During 2016 this portfolio increased from PLN 14.0 billion at the end of December 2015 (21% of total assets) to approx. PLN 15.4 billion at the end of September 2016 (23% of total assets). Those assets are characterized with high liquidity and can be easily used as a collateral or sold without material loss on its value. The portfolio, supplemented by the cash and exposures to the National Bank of Poland, is treated as the Group's liquidity reserve, which can overcome crisis situations.

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

The level of deposit concentration is regulary monitored and did not have any negative impact on the stability of the deposit base in III quarter 2016. 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 as described above.

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 at least quarterly to understand the Group's liquidity risk profile, to make sure that the Group is able to meet its commitments in the event of a liquidity crisis and to contribute to preparing a contingency plan regarding liquidity and management decisions. The Group has also contingency procedures for an increased liquidity risk situation – the Liquidity Contingency Plan, which is revised and tested at least once a year in order to ensure that it is operationally robust.

Operational risk

In the third quarter of 2016 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with legal provisions in force and the best practice of national and international financial institutions.

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

In keeping with the adopted solution, risk management is a process of continuous improvement as regards identification, assessment, monitoring, control/mitigating and reporting by complementary activities, which effectively translates into a real reduction in the level of operational risk in the business tasks.

Capital management

Capital management in the Group consists of the following subprocesses:

- 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.

In October 2015, Polish Financial Supervisory Authority (KNF) required the Bank to have an additional capital buffer connected with specific risk of FX mortgage portfolio loans granted to households of 3.83 p.p. for Total Capital Ratio, of which 2.87 p.p. as Tier 1 Capital (for the Group: 3.75 p.p. for TCR, of which 2.81 p.p. as Tier 1 Capital).

In October 2016 the Bank received from KNF updated requirement: the buffer was reduced to 3.09 p.p. for TCR (-0.74 p.p.), of which 2.32 p.p. as Tier 1 Capital and 1.73 p.p. as Core Tier 1 Capital.

In October 2015, Polish Banking Supervision (KNF) announced an additional capital conservation buffer of 1.25 p.p. for all banks from 1st January 2016. The new required levels of capital ratios that include the above mentioned new capital buffers are applicable on top of previous recommended by KNF base of 12% TCR and 9% Tier 1 Capital minimum ratios valid in Poland.

Both Group and Bank are compliant with the new regulatory capital limits. The total capital ratio stood at 18.03% (for the Group) and 17.90% (the Bank), while Tier1 capital ratio respectively amounted to 17.80% and 17.67%. Group solvency is assessed as satisfactory, both in the economic and regulatory capital adequacy.

On 10th of October 2016 the Bank received the decision of the Polish Financial Supervision Authority, taken on a meeting on 4th of October 2016, regarding identification of the Bank as other systemically important institution and imposing on the Bank (on solo and consolidated basis) other systemically important institutions buffer in the equivalent of 0.25% of total amount of the risk exposure. The decision is immediately enforceable. That buffer is an amount of Core Tier 1 Capital.

As a result of the combination of the above mentioned regulator's decisions and other CRR and KNF capital recommendations for the Polish banks (TCR of 12% and Tier 1 Capital of 9% as the base in Poland), Bank Millennium has to comply with the following minimum capital ratios:

Minimum Capital Ratios:	
Common Equity Tier 1 ratio	10.73%
Tier 1 ratio	12.82%
Total Capital Ratio	16.34%

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.

Data on regulatory capital adequacy (own funds requirements and capital ratios) are shown in the below table.

Bank Millennium Group - capital adequacy	30.09.2016	31.12.2015
(PLN mn)	IRB with regulatory floor[1]	IRB with regulatory floor[1]
Risk-weighted assets (RWA)	36 472.2	37 129.6
Own funds requirements, including:	2 917.8	2 970.4
- Credit risk and counterparty credit risk	2 603.1	2 650.4
- Market risk	19.7	29.1
- Operational risk	279.0	271.1
- Credit Valuation Adjustment CVA	16.0	19.8
Own Funds including:	6 575.5	6 208.9
Common Equity Tier 1 Capital, including:	6 492.7	6 071.0
- paid up capital instruments	1 213.1	1 213.1
- share premium	1 147.5	1 147.5
- recognised part of current profit[2]	431.0	451.9
- other retained earnings	4 064.3	3 517.8
- recognised part of revaluation reserve	5.4	78.2
- regulatory adjustments	(368.6)	(337.5)
Tier II Capital, including:	82.8	137.9
- subordinated debt	158.0	252.1
- regulatory adjustments	(75.2)	(114.2)
Total Capital Ratio (TCR)	18.03%	16.72%
Common Equity Tier 1 Capital ratio (CET1 ratio)[3]	17.80%	16.35%

1) Risk-weighted assets and own funds requirements are calculated with „Regulatory floor" of 80%.

2) As at 30.09.2016 current profit for six months of 2016 has been included (in connection with the approval of the Financial Supervision Authority).

2) Common Equity Tier 1 Capital ratio is equal to Tier 1 Capital ratio.

6. OPERATIONAL SEGMENTS

Information about operating segments has been prepared based on the reporting structure which is used by the Management Board of the Bank for evaluating the results and managing resources of operating segments. Group does not apply additional breakdown of activity by geographical areas because of the insignificant scale of operations performed outside the Poland, in result such complementary division is not presented.

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

Retail Customer Segment

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

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

Corporate Customer Segment

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

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

Treasury, ALM (assets and liabilities management) and Other

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

This segment includes other assets and other liabilities, assets and liabilities connected with hedging derivatives, liabilities connected with external funding of the Group and deferred income tax assets not assigned to any of the segments.

Income tax and banking tax charges have been presented on Group level only.

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

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

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

In accordance with Recommendation P, the Group commencing from January 2016 allocates a liquidity premium to particular operating segments.

Income statement 1.01.2016 – 30.09.2016

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Net interest income	781 983	196 937	137 744	1 116 664
Net interest income - excluding liquidity premium	*876 903*	*200 785*	*38 976*	*1 116 664*
Impact of liquidity premium	*(94 920)*	*(3 848)*	*98 768*	*0*
Net fee and commission income	311 329	109 445	3 554	424 328
Dividends. other income from financial operations and foreign exchange profit	50 532	49 380	331 894	431 806
Other operating income and cost	(17 442)	(4 560)	(59 852)	(81 854)
Operating income	1 126 402	351 202	413 340	1 890 944
Staff costs	(300 605)	(96 671)	(19 961)	(417 237)
Administrative costs	(288 603)	(63 610)	(19 767)	(371 980)
Depreciation and amortization	(34 344)	(6 291)	(759)	(41 394)
Operating expenses	(623 552)	(166 572)	(40 487)	(830 611)
Impairment losses on assets	(157 065)	127	(2 605)	(159 543)
Operating Profit	**345 785**	**184 757**	**370 248**	**900 790**
Share in net profit of associated companies	0	0	0	0
Banking tax				(127 942)
Profit / (loss) before income tax				**772 848**
Income taxes				(203 087)
Profit / (loss) after taxes				**569 761**

Balance sheet items as at 30.09.2016

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Loans and advances to customers	34 100 770	12 290 270	0	46 391 040
Liabilities to customers	40 100 070	14 086 285	111 377	54 297 732

Income statement 1.01.2015 – 30.09.2015

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Net interest income	800 448	195 810	19 477	1 015 735
Net fee and commission income	344 396	104 540	6 790	455 726
Dividends. other income from financial operations and foreign exchange profit	48 378	43 950	74 376	166 704
Other operating income and cost	(12 362)	(7 201)	11 300	(8 263)
Operating income	1 180 860	337 099	111 943	1 629 902
Staff costs	(299 381)	(91 502)	(20 179)	(411 062)
Administrative costs	(284 624)	(59 878)	(19 065)	(363 567)
Depreciation and amortization	(30 042)	(6 021)	(978)	(37 040)
Operating expenses	(614 047)	(157 401)	(40 222)	(811 669)
Impairment losses on assets	(150 745)	(44 635)	(633)	(196 013)
Operating Profit	**416 068**	**135 063**	**71 088**	**622 220**
Share in net profit of associated companies	0	0	(1 385)	(1 385)
Profit / (loss) before taxes	**416 068**	**135 063**	**69 703**	**620 835**
Income taxes				(127 353)
Profit / (loss) after taxes				**493 482**

Balance sheet items as at 31.12.2015

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Loans and advances to customers	34 069 756	12 299 625	0	46 369 381
Liabilities to customers	37 804 872	14 907 750	97 767	52 810 389

7. DESCRIPTION OF RELATED PARTY TRANSACTIONS

All and any transactions between entities of the Group during 3 quarters 2016 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 were concluded under terms significantly different than market conditions.

7.1. Description of transactions with the Parent Group

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

	With parent entity		With other entities of parent Group	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
ASSETS				
Loans and advances to banks – accounts and deposits	1 470	2 615	0	0
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	0	0
LIABILITIES				
Loans and deposits from banks	122	73 227	119 353	118 130
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	0	0	0	0
Other liabilities	0	0	84	0

	With parent entity		With other entities of parent Group	
	1.01.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.01.2016 - 30.09.2016	1.01.2015 - 30.09.2015
INCOME FROM:				
Interest	(10)	18	0	0
Commissions	98	1 408	0	0
Other net operating income	0	0	0	72
EXPENSE FROM:				
Interest	612	622	(227)	(123)
Commissions	0	0	0	0
Financial instruments valued at fair value	2	8	0	0
Other net operating costs	39	94	0	0
General and administrative expenses	121	115	1 172	996

	With parent entity		With other entities of parent Group	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
Conditional commitments	102 178	102 175	0	0
- granted	100 345	100 345	0	0
- obtained	1 833	1 830	0	0
Derivatives (par value)	0	0	0	0

7.2. Transactions with subordinated, not consolidated entities

A leasing agreement concluded by consolidated company with subordinated, not consolidated entity expired in 2015. The table below presents revenues resulting from this contract recognised in the year 2015.

	30.09.2016	31.12.2015
Loans and advances to customers	0	0
Interest income	0	12

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

Name and surname	Function	Number of shares as of delivery date of quarterly report prepared as at 30.09.2016	Number of shares as presented in annual report for 2015
Joao Nuno Lima Bras Jorge	Chairman of the Management Board	111 000	111 000
Fernando Maria Cardoso Rodrigues Bicho	Deputy Chairman of the Management Board	0	0
Wojciech Haase	Member of the Management Board	7 494	7 494
Andrzej Gliński	Member of the Management Board	0	0
Maria Jose Henriques Barreto De Matos De Campos	Member of the Management Board	0	0
Wojciech Rybak	Member of the Management Board	0	0
Bogusław Kott	Chairman of the Supervisory Board	4 465 791	4 465 791
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Dariusz Rosati	Deputy Chairman and Secretary of the Supervisory Board	0	0
Julianna Boniuk-Gorzelańczyk	Member of the Supervisory Board	492 248	492 248
Miguel de Campos Pereira de Bragança	Member of the Supervisory Board	0	0
Agnieszka Hryniewicz-Bieniek	Member of the Supervisory Board	0	0
Anna Jakubowski	Member of the Supervisory Board	0	0
Grzegorz Jędrys	Member of the Supervisory Board	0	0
David Harris Klingensmith	Member of the Supervisory Board	0	0
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Miguel Maya Dias Pinheiro	Member of the Supervisory Board	0	0
Rui Manuel da Silva Teixeira	Member of the Supervisory Board	0	0

8. FAIR VALUE

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

Accordingly 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. Fair value of these instruments is determined solely in order to meet the requirements of the presentation defined by IFRS 13.

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

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 till 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 original 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 - bank's securities (BPW) are stated/priced at fair value in accordance with Bank's model. In this model, zero coupon bond price is calculated, which afterwards is increased by the option price, which was basis for a strategy built in a given structured bond.

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

Subordinated liabilities and medium term loans

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

The table below presents results of the above-described analyses as at 30.09.2016 (data in PLN thousand):

ASSETS	Note	Balance sheet value	Fair value
Loans and advances to banks	9	1 368 503	1 368 282
Loans and advances to customers (*)	12	46 391 040	44 585 583

LIABILITIES	Note	Balance sheet value	Fair value
Amounts due to banks	16	1 448 983	1 449 577
Amounts due to customers	17	54 297 732	54 299 224
Debt securities	18	1 327 933	1 334 378
Subordinated debt		650 279	644 007

(*) The negative impact of fair value valuation of the loans portfolio is largely attributable to growth of loan spreads. 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 widely applied for valuation of debt securities, which are not quoted on active markets. In result, paradoxically, whenever the spreads of new loans increase, 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 31.12.2015 (data in PLN thousand):

ASSETS	Note	Balance sheet value	Fair value
Loans and advances to banks	9	2 348 754	2 349 004
Loans and advances to customers	12	46 369 381	44 424 947

LIABILITIES	Note	Balance sheet value	Fair value
Amounts due to banks	16	1 443 921	1 445 700
Amounts due to customers	17	52 810 389	52 811 390
Debt securities	18	1 134 250	1 142 718
Subordinated debt		639 631	633 781

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

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

Data in PLN'000, as at 30.09.2016

	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			200 979	29 050
- debt securities		415 012		
- shares and interests		896		
Hedging derivatives	11		69 039	
Financial assets available for sale	13			
- debt securities		14 317 658	763 737	60 051
- shares and other financial instruments		262	20	24 192
LIABILITIES				
Financial liabilities valued at fair value through profit and loss (held for trading)	10			
- derivatives and short sale of securities		127 805	195 768	29 196
Hedging derivatives	11		1 162 165	

Data in '000 PLN, as at 31.12.2015

	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			293 955	42 289
- debt securities		408 572		
- shares and interests		1 682		
Hedging derivatives	11		70 833	
Financial assets available for sale	13			
- debt securities		9 375 707	4 198 776	73 251
- shares and interests		252		213 075
LIABILITIES				
Financial liabilities valued at fair value through profit and loss (held for trading)	10			
- derivatives and short sale of securities		0	283 618	42 658
Hedging derivatives	11		2 132 053	

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;
- VISA Inc. preferred shares in an amount of 21,493; the method of fair value calculation of these shares is described below the **Note 5 (a)**.

In the reporting period, the Group did not make transfers of financial instruments between the techniques of fair value measurement.

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 3 quarters 2016 are presented in the table below (in '000 PLN):

	Indexes options	Options embedded in securities issued and deposits	Municipal bonds	Shares and interests
Balance on 1 January 2016	38 273	(38 642)	73 251	213 075
Settlement/sell/purchase	(5 035)	5 144	(13 600)	(190 233)
Change of valuation recognized in equity	0	0	0	1 350
Change of valuation recognized in P&L account (including interests)	(6 594)	6 708	400	0
Balance on 30 September 2016	26 644	(26 790)	60 051	24 192

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

9. CONTINGENT ASSETS AND LIABILITIES

Below please find the data on the court cases pending, brought up by and against entities of the Group. A separate category are the proceedings related to the activities of the Tax Control Authority described in **Chapter 4, Note (8)**.

Court cases brought up by the Group

Value of the court litigations, as at 30.09.2016, in which the companies of the Group were a plaintiff, totalled 282.1 million PLN.

Court cases against the Group

As at 30.09.2016, the most important proceedings, in the group of the court cases where the Group's companies were defendant, were two cases brought up by PCZ S.A. and Europejska Fundacja Współpracy Polsko – Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium S.A., worth of the dispute 150.0 million PLN with statutory interest from 29.12.2015 until the day of payment, and 521.9 million PLN with statutory interest from 05.04.2016 until the day of payment.

The lawsuit in the first case, dated 09.07.2015, was filed to the Regional Court in Wrocław and served personally to the Bank on 28.12.2015. In the second case, the plaintiff filed the suit dated 23.10.2015 to the Regional Court in Warsaw; the suit was served to the Bank on 04.04.2016. According to the plaintiffs, the basis for both claims is damage to their assets, due to the actions taken by the Bank and consisting in the wrong interpretation of the Agreement for working capital loan, which resulted in placing the loan on demand. In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of 250.0 million PLN. By the decision dated 14.03.2016 the Court dismissed the motion in question. By his letter of 4.05.2016 the plaintiff filed an appeal. On 05.09.2016 the Court of Appeal dismissed the appeal Foundation, cassation is not entitled.

As at 30.09.2016, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at 221.6 million PLN (excluding the class actions described below). In this group the most important category are cases related to forward transactions (option cases) with total value in dispute of 205.2 million PLN.

The Group evaluates that the risk of negative financial effects in case of a lost litigation has been fully covered by the value of the provisions established for the pending litigations.

On 21 October 2014 a group action was delivered to the Bank in which a group of the Bank's borrowers represented by the Municipal Consumer Ombudsman in Olsztyn seeks the ascertainment that the Bank is liable towards the same for unjust enrichment in connection with the CHF-indexed mortgage agreements. The members of the group claim that the Bank unduly collected excessive amounts from them for the repayment of loans. According to the statement of claim, the overstatement of such amounts was to result from the application of abusive contractual provisions concerning the CHF-indexation of credits. According to the statement of claim there are approx. 2,300 group members and the value of the subject matter of the dispute is defined at PLN 45.2 million. The Bank does not agree with the claims of the group members. On 31 December 2014 the Bank submitted a response to the statement of claim. On 4 March 2015 new members joined the group action and the Claimant extended the statement of claim accordingly. According to the Claimant after the extension there are approx. 3,400 group members (including the group members included in the statement of claim) and the value of the subject matter of the dispute is approx. PLN 81.5 million (including the value provided in the statement of claim). On 14 May 2015 the Regional Court in Warsaw held a hearing concerning the admissibility of the group action proceedings. On 28 May 2015 the Regional Court in Warsaw issued a decision rejecting the group action on the grounds that the case cannot be heard in group action proceedings. On 3 July 2015 the Claimant filed an appeal against this decision, and the Court of Appeal upheld the appeal by refusing rejection of the claim. On 31 March 2016 the Regional Court in Warsaw issued a decision dismissing Bank's motion for a security deposit to secure litigation costs. On 6 April 2016 the Bank filed an appeal against this decision; on 13 July 2016 Bank's appeal in this regard was dismissed by the Court of Appeal. On 17 February 2016 the Claimant filed a submission with the Regional Court in Warsaw, extending the claim again by a further 1,041 group members. The new value of the subject matter of the dispute was indicated as approx. PLN 109.8 million (including the values provided in the statement of claim and the submission dated 4 March 2015). The submission dated 17 February 2016 extending the claim has not yet been served on the Bank's counsel. On 2 August 2016 the Regional Court in Warsaw issued a decision ordering the publication of an announcement in the press concerning the commencement of group action proceedings. Following the Bank's motion to repeal this decision, the Court suspended its execution, but, on 8 August 2016, it issued another decision for the case to be heard in group action proceedings. On 31 August 2016 the Bank appealed against this decision. Currently the issue of whether the case may be heard in group action proceedings is awaiting resolution by the Court of Appeal.

On 3 December 2015 the Bank received a class action lawsuit lodged by a group of 454 borrowers represented by the Municipal Consumer Ombudsman in Olsztyn pertaining to low down payment insurance used with CHF-indexed mortgage loans. The plaintiffs demand the payment of the amount of PLN 3.5 million PLN claiming that the clauses of the agreements pertaining to low down payment insurance are prohibited and thus null and void. On 3 March 2016 the Bank filed the response to the lawsuit demanding its dismissal. The first court hearing took place on 13 September 2016 and the court issued the decision on the admissibility of the class action in this case. This decision is not final. The Bank will appeal after delivery of the written justification of this decision. The written justification has not been delivered yet.

OFF-BALANCE ITEMS

Amount '000 PLN	30.09.2016	31.12.2015
Off-balance conditional commitments granted and received	**8 062 501**	**7 883 958**
Commitments granted:	7 986 350	7 823 370
- financial	6 925 445	6 712 920
- guarantee	1 060 905	1 110 450
Commitments received:	76 151	60 588
- financial	0	3 963
- guarantee	76 151	56 625

10. ADDITIONAL INFORMATION

10.1. Data on assets securing liabilities

As at 30 September 2016, the Bank's following assets secured its liabilities (in '000 PLN):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds WZ0118	available for sale	Lombard credit granted to the Bank by the NBP	130 000	130 586
2.	Treasury bonds WZ0118	available for sale	Initial security deposit for bond futures	500	502
3.	Treasury bonds WZ0118	available for sale	Loan agreement	623 000	625 810
4.	Treasury bonds WZ0118	available for sale	Security of Guaranteed Deposit Protection Fund under the Bank Guarantee Fund	310 000	311 398
5.	Cash	receivables	Payment to the Futures Settlement Guarantee Fund	100	100
6.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	1 000	1 000
7.	Deposits	Deposits in banks	Settlement on transactions concluded	984 076	984 076
		TOTAL		2 048 676	2 053 472

As at 31 December 2015 following assets of the Bank constituted collateral of liabilities (PLN'000):

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	131 063
2.	Treasury bonds WZ0118	available for sale	Initial security deposit for bond futures	500	504
3.	Treasury bonds WZ0117	available for sale	Loan agreement	554 000	558 920
4.	Treasury bonds WZ0118	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	210 000	211 718
5.	Treasury bonds WZ0117	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	89 000	89 790
6.	Cash	receivables	Payment to the Futures Settlement Guarantee Fund	100	100
7.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	3 752	3 752
8.	Deposits	deposits in other banks	Settlement on transactions concluded	1 981 663	1 981 663
		Total		2 969 015	2 977 510

10.2. Dividend for 2015

Following received by the Bank recommendation issued by Financial Supervision Commission regarding banks' dividend policy in 2016, and taking into account the additional capital requirement in order to secure the risk resulting from FX mortgage loans for households, and the need to maintain capital conservation buffer for the Bank, the Annual General Meeting held on 31st March 2016 decided to retain the net profit for 2015 in the Bank by allocating it in full to reserve capital.

10.3. Earnings per share

Profit per share calculated for nine months 2016 (and diluted profit per share) on the basis of the consolidated data amounts to PLN 0.47.

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.

Information on the shareholders presented in the table below, is provided on the basis of data collected in connection with the registration of shareholders entitled to attend the General Meeting of the Bank on 31 March 2016.

Data as at the delivery date of the report for 3rd quarter 2016

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	105 000 000	8.66	105 000 000	8.65
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	78 680 000	6.49	78 680 000	6.49

Shareholders structure according to consolidated annual report for 2015

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	115 615 810	9.53	115 615 810	9.53
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	78 310 605	6.46	78 310 605	6.46

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

In the nine months 2016, the Group did not grant any sureties or guarantees for a loan or bank loan to a single entity, which would cause the Group's exposure on this account to the Client as at 30 September 2016 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

Commencing from February 2016 a new special banking tax was introduced, with 0.44% annual rate on the balance of total assets less own funds, Treasury bonds and PLN 4 billion tax-exempt amount.

10.8. The proposed regulations relating to foreign currency loans

On August 2nd 2016 a presidential proposal of legislation aimed at supporting FX mortgage borrowers was put forward. The draft Act covers all foreign currency loans concluded from 1st July 2000 to 26th August 2011 (date of entry into force so called anti-spread Act). Aforementioned draft Act envisages reimbursement of part of fx spread applied by banks. It was also announced that further capital requirements may be imposed for the banks in order to restructure fx mortgage loans.

Including the above mentioned draft Act, there are currently three different draft acts submitted to the polish parliament and as a consequence it is not possible to estimate the impact of this potential regulation on the banking sector. However, announced legislative intentions if implemented and made mandatory for banks, could significantly deteriorate the Bank’s profitability and capital position.

10.9. Other additional information and events after the balance sheet date

As at 30 September 2016, the Group has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed consolidated statements, 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.

Between the date on which this report is drawn up and the date of its publication, there were no other events that could affect Group’s future financial results.

II. CONDENSED INTERIM STANDALONE FINANCIAL STATEMENTS OF BANK MILLENNIUM S.A. FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

CONTENTS

1. INTRODUCTION AND ACCOUNTING PRINCIPLES

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed interim financial statements do 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 2015.

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 2015 with consideration of the specific requirements of IAS 34.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with later amendments) the Bank is required to publish the financial results for the nine months ended 30 September 2016.

Condensed interim financial statements of the Bank:

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

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank’s economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the nine months period ended 30 September 2016. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the nine months period ended 30 September 2016 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 statements on 27th October 2016.

2. STANDALONE FINANCIAL DATA (BANK)

INCOME STATEMENT

Amount '000 PLN	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Interest income	1 627 963	545 967	1 668 660	562 108
Interest expense	(588 624)	(187 564)	(722 634)	(238 143)
Net interest income	1 039 339	358 403	946 026	323 965
Fee and commission income	425 593	146 704	473 725	157 802
Fee and commission expense	(64 639)	(22 966)	(52 874)	(18 466)
Net fee and commission income	360 954	123 738	420 851	139 336
Dividend income	46 070	113	34 049	873
Result on investment financial assets	305 014	2 545	39 137	12 642
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	126 763	42 123	125 418	35 892
Other operating income	17 734	6 396	37 455	5 353
Operating income	**1 895 874**	**533 318**	**1 602 936**	**518 061**
General and administrative expenses	(746 973)	(250 600)	(734 288)	(240 290)
Impairment losses on financial assets	(139 475)	(45 070)	(184 991)	(67 662)
Impairment losses on non financial assets	(2 642)	(1 329)	(616)	(616)
Depreciation and amortization	(39 368)	(12 379)	(34 759)	(11 922)
Other operating expenses	(109 455)	(17 642)	(50 808)	(11 304)
Operating expenses	**(1 037 913)**	**(327 020)**	**(1 005 462)**	**(331 794)**
Operating profit	**857 961**	**206 298**	**597 474**	**186 267**
Banking tax	(127 942)	(47 406)	0	0
Profit / (loss) before income tax	**730 019**	**158 892**	**597 474**	**186 267**
Corporate income tax	(184 226)	(47 735)	(116 255)	(36 053)
Profit / (loss) after taxes	**545 793**	**111 157**	**481 219**	**150 214**
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)	0.45	0.09	0.40	0.12

TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
Profit / (loss) after taxes	545 793	111 157	481 219	150 214
Other elements of total comprehensive income that will be subsequently reclassified to profit or loss	(198 575)	(11 724)	(138 554)	(52 150)
Effect of valuation of available for sale debt securities	(19 785)	(18 783)	(46 383)	5 699
Effect of valuation of available for sale shares	(211 726)	1 349	0	0
Hedge accounting	32 936	5 710	(92 171)	(57 849)
Other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	0	0	0	0
Actuarial gains (losses)	0	0	0	0
Other elements of total comprehensive income before taxes	(198 575)	(11 724)	(138 554)	(52 150)
Corporate income tax on other elements of total comprehensive income that will be subsequently reclassified to profit or loss	37 729	2 228	26 325	9 909
Corporate income tax on other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	0	0	0	0
Other elements of total comprehensive income after taxes	(160 846)	(9 496)	(112 229)	(42 242)
Total comprehensive income for the period	384 947	101 661	368 990	107 973

BALANCE SHEET

ASSETS

Amount '000 PLN	30.09.2016	31.12.2015
Cash, balances with the Central Bank	2 366 287	1 946 384
Deposits, loans and advances to banks and other monetary institutions	1 368 482	2 348 735
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	658 286	767 062
Hedging derivatives	69 039	70 833
Loans and advances to customers	46 010 345	46 070 719
Investment financial assets	15 167 716	13 862 060
- available for sale	15 167 716	13 862 060
- held to maturity	0	0
Investments in associates	226 738	226 373
Receivables from securities bought with sell-back clause (loans and advances)	86 311	0
Property, plant and equipment	149 492	152 207
Intangible assets	45 013	51 987
Non-current assets held for sale	0	0
Receivables from Tax Office resulting from current tax	0	32 562
Deferred tax assets	201 929	163 249
Other assets	432 017	373 079
Total Assets	**66 781 655**	**66 065 250**

LIABILITIES AND EQUITY

Amount '000 PLN	30.09.2016	31.12.2015
LIABILITIES		
Liabilities to banks and other monetary institutions	1 448 983	1 443 921
Financial liabilities valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	364 527	344 792
Hedging derivatives	1 162 165	2 132 053
Liabilities to customers	54 421 019	52 920 583
Liabilities from securities sold with buy-back clause	0	0
Debt securities	1 138 346	1 135 501
Provisions	37 541	30 267
Deferred income tax liabilities	0	0
Current tax liabilities	10 765	0
Other liabilities	871 002	1 126 421
Subordinated debt	650 279	639 631
Total Liabilities	60 104 627	59 773 169
EQUITY		
Share capital	1 213 117	1 213 117
Share premium	1 147 241	1 147 241
Revaluation reserve	(142 794)	18 052
Retained earnings	4 459 464	3 913 671
Total Equity	6 677 028	6 292 081
Total Liabilities and Equity	**66 781 655**	**66 065 250**
Book value	6 677 028	6 292 081
Number of shares	1 213 116 777	1 213 116 777
Book value per share (in PLN)	5.50	5.19

STATEMENT OF CHANGES IN EQUITY

01.01.2016 - 30.09.2016, *Amount '000 PLN*	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings	
					Unappropriated result	Other reserves
Equity at the beginning of the period	6 292 081	1 213 117	1 147 241	18 052	814 157	3 099 514
Total comprehensive income for 3 quarters of 2016 (net)	384 947	0	0	(160 846)	545 793	0
net profit/ (loss) of the period	545 793	0	0	0	545 793	0
valuation of available for sale debt securities	(16 026)	0	0	(16 026)	0	0
valuation of available for sale shares	(171 498)	0	0	(171 498)	0	0
hedge accounting	26 678	0	0	26 678	0	0
Transfer between items of reserves	0	0	0	0	(814 157)	814 157
Equity at the end of the period	**6 677 028**	**1 213 117**	**1 147 241**	**(142 794)**	**545 793**	**3 913 671**

01.01.2015 - 31.12.2015, *Amount '000 PLN*	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings	
					Unappropriated result	Other reserves
Equity at the beginning of the period	5 346 709	1 213 117	1 147 241	(113 163)	619 511	2 480 003
Total comprehensive income for 2015 (net)	945 372	0	0	131 215	814 157	0
net profit/ (loss) of the period	814 157	0	0	0	814 157	0
valuation of available for sale debt securities	(25 625)	0	0	(25 625)	0	0
valuation of available for sale shares	172 590	0	0	172 590	0	0
hedge accounting	(16 373)	0	0	(16 373)	0	0
actuarial gains (losses)	623	0	0	623	0	0
Transfer between items of reserves	0	0	0	0	(619 511)	619 511
Equity at the end of the period	**6 292 081**	**1 213 117**	**1 147 241**	**18 052**	**814 157**	**3 099 514**

01.01.2015 - 30.09.2015, *Amount '000 PLN*	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings	
					Unappropriated result	Other reserves
Equity at the beginning of the period	5 346 709	1 213 117	1 147 241	(113 163)	619 511	2 480 003
Total comprehensive income for 3 quarters of 2015 (net)	368 991	0	0	(112 228)	481 219	0
net profit/ (loss) of the period	481 219	0	0	0	481 219	0
valuation of available for sale debt securities	(37 570)	0	0	(37 570)	0	0
hedge accounting	(74 658)	0	0	(74 658)	0	0
Transfer between items of reserves	0	0	0	0	(619 511)	619 511
Equity at the end of the period	**5 715 700**	**1 213 117**	**1 147 241**	**(225 391)**	**481 219**	**3 099 514**

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2016 - 30.09.2016	1.01.2015 - 30.09.2015
Profit (loss) after taxes	545 793	481 219
Total adjustments:	1 021 050	1 424 356
Interests in net income (loss) of associated companies	0	0
Depreciation and amortization	39 368	34 759
Foreign exchange (gains) losses	13 188	2 535
Dividends	(46 070)	(34 049)
Changes in provisions	7 274	(25 840)
Result on sale and liquidation of investing activity assets	(306 862)	(37 848)
Change in financial assets valued at fair value through profit and loss (held for trading)	143 537	187 006
Change in loans and advances to banks	1 007 800	(611 729)
Change in loans and advances to customers	60 281	(2 127 168)
Change in receivables from securities bought with sell-back clause (loans and advances)	(86 311)	110 880
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(950 153)	539 662
Change in deposits from banks	(93 755)	(105 239)
Change in deposits from customers	1 500 436	3 537 165
Change in liabilities from securities sold with buy-back clause	0	(54 738)
Change in debt securities	2 729	(16 887)
Change in income tax settlements	222 666	119 607
Income tax paid	(174 456)	(104 898)
Change in other assets and liabilities	(319 593)	472
Other	971	10 666
Net cash flows from operating activities	**1 566 843**	**1 905 575**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2016 - 30.09.2016	1.01.2015 - 30.09.2015
Inflows from investing activities:	50 016	263 314
Proceeds from sale of property. plant and equipment and intangible assets	3 946	1 477
Proceeds from sale of shares in associates	0	0
Change in value of investment financial assets due to purchase/sale	0	227 788
Other investing inflows	46 070	34 049
Outflows from investing activities:	(5 037 281)	(26 334)
Acquisition of property, plant and equipment and intangible assets	(23 643)	(26 334)
Acquisition of shares in associates	(372)	0
Change in value of investment financial assets due to purchase/sale	(5 013 266)	0
Other investing outflows	0	0
Net cash flows from investing activities	**(4 987 265)**	**236 980**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2016 - 30.09.2016	1.01.2015 - 30.09.2015
Inflows from financial activities:	220 636	1 040 912
Long-term bank loans	220 520	108 488
Issue of debt securities	116	932 424
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:	(133 939)	(1 082 864)
Repayment of long-term bank loans	(121 531)	(36 096)
Redemption of debt securities	0	(1 033 215)
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other financial outflows	(12 408)	(13 553)
Net cash flows from financing activities	**86 697**	**(41 952)**

D. NET CASH FLOWS. TOTAL (A + B + C)	(3 333 725)	2 100 603
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	6 851 154	5 398 236
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	3 517 429	7 498 839

3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

As at 30 September 2016, the Bank has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed statements, 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.

The proposed regulations relating to foreign currency loans

On August 2nd 2016 a presidential proposal of legislation aimed at supporting FX mortgage borrowers was put forward. The draft Act covers all foreign currency loans concluded from 1st July 2000 to 26th August 2011 (date of entry into force so called anti-spread Act). Aforementioned draft Act envisages reimbursement of part of fx spread applied by banks. It was also announced that further capital requirements may be imposed for the banks in order to restructure fx mortgage loans.

Including the above mentioned draft Act, there are currently three different draft acts submitted to the polish parliament and as a consequence it is not possible to estimate the impact of this potential regulation on the banking sector. However, announced legislative intentions if implemented and made mandatory for banks, could significantly deteriorate the Bank’s profitability and capital position.

Commencing from February 2016 a new special banking tax was introduced, with 0.44% annual rate on the balance of total assets less own funds, Treasury bonds and PLN 4 billion tax-exempt amount.

As previously reported, as member of Visa Europe Ltd the Bank is among the beneficiaries of the transaction concluded on 2 November 2015 between Visa Inc. and Visa Europe Ltd. In result of the conversion the Bank received EUR 59.2 million in cash, 21 493 preference shares and is entitled to a deferred payment of approx. EUR 5 million minus adjustments.

The closing of the Visa transaction took place on 21st June 2016, and had a significant positive influence on the results of the Bank in the 1st half 2016: the gross impact on revenues totalled PLN 283 million. In order to determine the fair value of deferred payments and preferred shares, the time value of money, the time line for conversion of preferred stock in common stock of VISA and adjustments resulting from litigations (on-going or potential) against VISA and the Bank were considered.

There are no significant phenomena, in Bank’s activity which are cyclical or subject to seasonal variations.

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

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

	01.01.2016 - 30.09.2016	01.01.2015 - 31.12.2015
Balance at the beginning of the period	1 325 089	1 225 637
Change in value of provisions:	(55 923)	99 452
Write-offs in the period	388 402	592 269
Amounts written off	(18 298)	(63 899)
Reversal of write-offs in the period	(216 495)	(320 816)
Write-offs decrease due to sale of receivables	(210 482)	(118 773)
Changes resulting from FX rates differences	950	10 394
Other	0	277
Balance at the end of the period	**1 269 166**	**1 325 089**

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Investments in associates	Property. plant and equipment	Intangibles	Other assets
Balance as at 01.01.2016	44	6 224	17 698	0	4 788
- Write-offs created	0	0	1 387	0	3 544
- Write-offs released	(27)	0	(8 300)	0	(902)
- Utilisation	0	0	(691)	0	(981)
- Sale	0	0	(665)	0	0
- Other changes	(2)	0	0	0	0
Balance as at 30.09.2016	15	6 224	9 429	0	6 449

Impairment write-offs:	Investment securities	Investments in associates	Property. plant and equipment	Intangibles	Other assets
Balance as at 01.01.2015	29	4 839	19 498	0	4 551
- Write-offs created	33	1 385	0	0	2 424
- Write-offs released	(18)	0	0	0	(1 018)
- Utilisation	0	0	0	0	(1 169)
- Sale of assets	0	0	0	0	0
- Other changes	0	0	(1 800)	0	0
Balance as at 31.12.2015	44	6 224	17 698	0	4 788

Impairment losses on financial assets

	01.01.2016 - 30.09.2016	01.01.2015 - 30.09.2015
Impairment losses on loans and advances to customers	(135 952)	(190 088)
- Impairment charges on loans and advances to customers	(388 402)	(460 278)
- Reversal of impairment charges on loans and advances to customers	216 504	239 507
- Amounts recovered from loans written off	11 795	1 339
- Result from sale of receivables portfolio	24 151	29 344
Impairment losses on investment securities	27	(27)
- Impairment write-offs for investment securities	0	(27)
- Reversal of impairment write-offs for investment securities	27	0
Impairment losses on investments in associates	0	(1 385)
- Impairment write-offs for investments in associates	0	(1 385)
- Reversal of impairment write-offs for investments in associates	0	0
Impairment losses on off-balance sheet liabilities	(3 550)	6 509
- Impairment write-offs for off-balance sheet liabilities	(7 910)	(4 994)
- Reversal of impairment write-offs for off-balance sheet liabilities	4 360	11 503

Total	**(139 475)**	**(184 991)**

Creation, charge, utilisation and release of provisions

	01.01.2016 - 30.09.2016	01.01.2015 - 31.12.2015
Provision for off-balance sheet commitments		
Balance at the beginning of the period	14 239	27 692
Charge of provision	7 910	5 052
Release of provision	(4 360)	(18 506)
FX rates differences	(108)	1
Balance at the end of the period	17 681	14 239
Provision for contentious claims		
Balance at the beginning of the period	16 028	67 331
Charge of provision	34 987	28 748
Release of provision	(3 075)	(2 516)
Utilisation of provision	(30 518)	(77 535)
Other/reclassification	2 438	0
Balance at the end of the period	19 860	16 028
Total	**37 541**	**30 267**

Assets and provision from deferred income tax

	30.09.2016			31.12.2015		
	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	3 272	0	3 272	4 802	0	4 802
Balance sheet valuation of financial instruments	286 483	(313 428)	(26 945)	461 964	(487 718)	(25 754)
Unrealised receivables/ liabilities on account of derivatives	17 705	(27 555)	(9 850)	27 570	(41 924)	(14 354)
Interest on deposits and securities to be paid/ received	30 516	(33 022)	(2 506)	38 468	(33 022)	5 446
Interest and discount on loans and receivables	0	(23 181)	(23 181)	0	(7 874)	(7 874)
Income and cost settled at effective interest rate	84 252	(4)	84 248	73 009	(34)	72 975
Provisions for loans presented as temporary differences	111 953	0	111 953	105 466	0	105 466
Employee benefits	12 195	0	12 195	13 723	0	13 723
Provisions for future costs	17 575	0	17 575	11 653	0	11 653
Valuation of investment assets, the valuation of cash flow hedge and actuarial gains (losses) recognized in the revaluation reserve	36 830	(3 335)	33 495	43 087	(47 322)	(4 235)
Other	3 017	(1 344)	1 673	2 968	(1 567)	1 401
Net deferred income tax asset	603 798	(401 869)	201 929	782 710	(619 461)	163 249

4. STATEMENT OF RELATED PARTY TRANSACTIONS

All the transactions concluded between the Group entities in the period from 1 January to 30 September 2016 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 MAKLERSKI S.A.,
- MILLENNIUM TFI S.A.,
- MB FINANCE A.B.,
- MILLENNIUM SERVICE Sp. z o.o.,
- MILLENNIUM TELECOMMUNICATION SERVICES.,
- TBM Sp. z o.o.

and with the Capital Group of the 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 were concluded under terms significantly different than market conditions.

Assets and liabilities from transactions with related parties (data in '000 PLN) as at 30.09.2016

	With subsidiaries	With parent entity	With other entities of parent Group
ASSETS			
Loans and advances to banks – accounts and deposits	0	1 470	0
Loans and advances to customers	4 595 690	0	0
Investments in associates	225 361	0	0
Financial assets valued at fair value through profit and loss (held for trading)	68	0	0
Hedging derivatives	0	0	0
Other assets	157 199	0	0
LIABILITIES			
Deposits from banks	0	122	119 353
Deposits from customers	234 664	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities from debt securities	1 140	0	0
Hedging derivatives	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	12	0	0
Subordinated debt	650 279	0	0
Other liabilities	87 823	0	84
- including liabilities from financial leasing	75 637	0	0

Assets and liabilities from transactions with related parties (data in '000 PLN) as at 31.12.2015

	With subsidiaries	With parent entity	With other entities of parent Group
ASSETS			
Loans and advances to banks - accounts and deposits	0	2 615	0
Loans and advances to customers	4 341 250	0	0
Investments in associates	224 997	0	0
Financial assets valued at fair value through profit and loss (held for trading)	107	0	0
Hedging derivatives	0	0	0
Other assets	226 949	0	0
LIABILITIES			
Deposits from banks	0	73 227	118 130
Deposits from customers	208 116	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities from debt securities	1 251	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	103	0	0
Subordinated debt	639 631	0	0
Other liabilities	86 632	0	0
- including liabilities from financial leasing	75 502	0	0

Profit and loss on transactions with related parties (data in '000 PLN) for the period of 1.01-30.09.2016

	With subsidiaries	With parent entity	With other entities of parent Group
INCOME FROM:			
Interest	63 142	(10)	0
Commissions	36 676	98	0
Financial instruments valued at fair value	54	0	0
Dividends	44 182	0	0
Other net operating income	2 203	0	0
EXPENSE FROM:			
Interest	11 944	612	(227)
Commissions	58	0	0
Financial instruments valued at fair value	0	2	0
Other net operating costs	0	39	0
General and administrative expenses	70 188	0	1 172

Profit and loss on transactions with related parties (data in ‘000 PLN) for the period of 1.01-30.09.2015

	With subsidiaries	With parent entity	With other entities of parent Group
INCOME FROM:			
Interest	56 954	18	0
Commissions	41 661	165	0
Financial instruments valued at fair value	605	0	0
Dividends	31 799	0	0
Other operating net	2 163	0	72
EXPENSE FROM:			
Interest	12 835	622	(123)
Commissions	37	0	0
Financial instruments valued at fair value	0	8	0
Other operating net	0	94	0
General and administrative expenses	70 196	0	996

Off-balance transactions with related parties (data in ‘000 PLN) as at 30.09.2016

	With subsidiaries	With parent entity	With other entities of parent Group
Conditional commitments	38 878	102 178	0
- granted	36 497	100 345	0
- received	2 381	1 833	0
Derivatives (par value)	37 821	0	0

Off-balance transactions with related parties (data in ‘000 PLN) as at 31.12.2015

	With subsidiaries	With parent entity	With other entities of parent Group
Conditional commitments	39 863	102 175	0
- granted	37 609	100 345	0
- received	2 254	1 830	0
Derivatives (par value)	112 944	0	0

5. FAIR VALUE

The methodology used by the Bank for valuation of assets and liabilities at fair value is described in detail in Chapter 8. Condensed interim consolidated financial statements of Bank Millennium SA for the 9 months ended 30 September 2016.

The following tables show the figures for Bank Millennium SA.

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

ASSETS

30.09.2016	Balance sheet value	Fair value
Loans and advances to banks	1 368 482	1 368 261
Loans and advances to customers *	46 010 345	44 203 631

LIABILITIES

30.09.2016	Balance sheet value	Fair value
Amounts due to banks	1 448 983	1 449 577
Amounts due to customers	54 421 019	54 422 511
Debt securities	1 138 346	1 143 769
Subordinated debt	650 279	644 007

* The negative impact of fair value valuation of the loans portfolio is largely attributable to growth of loan spreads. 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 widely 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.

ASSETS

31.12.2015	Balance sheet value	Fair value
Loans and advances to banks	2 348 735	2 348 985
Loans and advances to customers	46 070 719	44 120 233

LIABILITIES

31.12.2015	Balance sheet value	Fair value
Amounts due to banks	1 443 921	1 445 700
Amounts due to customers	52 920 583	52 921 584
Debt securities	1 135 501	1 143 969
Subordinated debt	639 631	633 781

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

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

Data in PLN'000, as at 30.09.2016

	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)			
- derivatives		201 043	29 050
- debt securities	414 998		
Hedging derivatives		69 039	
Financial assets available for sale			
- debt securities	14 301 576	763 737	60 051
- shares and other financial instruments			24 192
LIABILITIES			
Financial liabilities valued at fair value through profit and loss (held for trading)			
- derivatives and short sale of securities	127 805	195 780	29 196
Hedging derivatives		1 162 165	

Data in '000 PLN, as at 31.12.2015

	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)			
- derivatives		294 048	42 289
- debt securities	408 572		
Hedging derivatives		70 833	
Financial assets available for sale			
- debt securities	9 363 699	4 198 776	73 251
- shares and interests			213 075
LIABILITIES			
Financial liabilities valued at fair value through profit and loss (held for trading)			
- derivatives and short sale of securities		283 721	42 658
Hedging derivatives		2 132 053	

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 3 quarters 2016 are presented in the table below (in '000 PLN):

	Indexes options	Options embedded in securities issued and deposits	Municipal bonds	Shares and interests
Balance on 1 January 2016	38 273	(38 642)	73 251	213 075
Settlement/sell/purchase	(5 035)	5 144	(13 600)	(190 233)
Change of valuation recognized in equity	0	0	0	1 350
Change of valuation recognized in P&L account (including interests)	(6 594)	6 708	400	0
Balance on 30 September 2016	26 644	(26 790)	60 051	24 192

6. ADDITIONAL INFORMATION

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

During the nine months ended 30 September 2016 the Bank's liabilities arising from debt securities grew by approx. PLN 3 million, which was caused mainly by the fact that during the reporting period the Bank issued slightly larger amount of bank securities than redeemed. The Bank also maintained during this period, practically constant level of bond floating, (unprotected) issued 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).

6.2. Off-balance sheet liabilities

As at 30 September 2016 and 31 December 2015, the structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	30.09.2016	31.12.2015
Off-balance conditional commitments granted and received	**8 101 379**	**7 923 821**
Commitments granted:	8 022 847	7 860 979
- financial	6 926 020	6 712 976
- guarantee	1 096 827	1 148 003
Commitments received:	78 532	62 842
- financial	0	3 963
- guarantee	78 532	58 879