

# **REPORT OF THE BANK MILLENNIUM S.A.**

## **CAPITAL GROUP**

**FOR 1ST HALF 2016**





## MAIN CONSOLIDATED FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	Period from 1.01.2016 - 30.06.2016	Period from 1.01.2015 - 30.06.2015*	Period from 1.01.2016 - 30.06.2016	Period from 1.01.2015 - 30.06.2015*
Interest income	1 131 300	1 149 955	258 258	278 163
Fee and commission income	330 323	350 983	75 408	84 899
Operating income	1 417 547	1 129 643	323 604	273 250
Operating profit	661 155	416 355	150 931	100 712
Profit (loss) before income tax	580 619	414 970	132 546	100 377
Profit (loss) after taxes	430 949	327 807	98 379	79 293
Total comprehensive income of the period	279 485	257 829	63 802	62 366
Net cash flows from operating activities	184 368	758 326	42 088	183 432
Net cash flows from investing activities	(2 321 754)	433 923	(530 020)	104 962
Net cash flows from financing activities	160 890	112 678	36 729	27 256
Net cash flows, total	(1 976 496)	1 304 927	(451 203)	315 650
Total Assets	66 695 698	66 235 256	15 070 771	15 542 709
Liabilities to banks and other monetary institutions	1 538 246	1 443 921	347 587	338 829
Liabilities to customers	53 360 177	52 810 389	12 057 435	12 392 441
Equity	6 722 650	6 443 165	1 519 071	1 511 948
Share capital	1 213 117	1 213 117	274 120	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)	5.54	5.31	1.25	1.25
Diluted book value per share (in PLN/EUR)	5.54	5.31	1.25	1.25
Capital adequacy ratio	17.25%	16.72%	17.25%	16.72%
Earnings (losses) per ordinary share (in PLN/EUR)	0.36	0.27	0.08	0.07
Diluted earnings (losses) per ordinary share (in PLN/EUR)	0.36	0.27	0.08	0.07
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 30.06.2015.

## 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: 4.4255 PLN/EURO - the exchange rate of 30 June 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 June 2016: 4.3805 PLN/EURO, the exchange rate was calculated as the average of the rates at the end of the months covered by the financial statements (for comparative data: 1 January - 30 June 2015: 4.1341 PLN/EURO).

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

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## 1. GENERAL INFORMATION ON THE ISSUER

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

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

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

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

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

Composition of the Supervisory Board as at 30 June 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 Jędryś - 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 June 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 June 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 - equity markets, advisory 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 enterprises.

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 three months ended 30 June 2016.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2016 to 30 June 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 41 388 thousand recognized as cost of the period ended 30 June 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 25 July 2016.

### 3. CONSOLIDATED FINANCIAL DATA (GROUP)

#### CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2016 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Interest income	1	1 131 300	574 633	1 149 955	567 015
Interest expense	2	(397 607)	(192 076)	(483 214)	(233 583)
Net interest income		733 693	382 557	666 741	333 432
Fee and commission income	3	330 323	168 941	350 983	173 169
Fee and commission expense	4	(56 187)	(29 157)	(46 844)	(25 780)
Net fee and commission income		274 136	139 784	304 139	147 389
Dividend income		1 775	1 775	1 378	1 377
Result on investment financial assets	5	302 469	285 372	26 495	12 177
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	5	82 009	37 794	92 413	45 332
Other operating income		23 465	12 419	38 477	31 157
<b>Operating income</b>		<b>1 417 547</b>	<b>859 701</b>	<b>1 129 643</b>	<b>570 864</b>
General and administrative expenses	6	(524 441)	(266 081)	(521 230)	(258 716)
Impairment losses on financial assets	7	(104 759)	(61 402)	(127 183)	(59 339)
Impairment losses on non-financial assets		(1 313)	(342)	6	0
Depreciation and amortization		(28 345)	(14 878)	(24 437)	(12 525)
Other operating expenses		(97 534)	(78 819)	(40 444)	(27 200)
<b>Operating expenses</b>		<b>(756 392)</b>	<b>(421 522)</b>	<b>(713 288)</b>	<b>(357 780)</b>
<b>Operating profit</b>		<b>661 155</b>	<b>438 179</b>	<b>416 355</b>	<b>213 084</b>
Share of profit of associates		0	0	(1 385)	41
Banking tax		(80 536)	(48 247)	0	0
<b>Profit / (loss) before income tax</b>		<b>580 619</b>	<b>389 932</b>	<b>414 970</b>	<b>213 125</b>
Corporate income tax	8	(149 670)	(96 168)	(87 163)	(47 887)
<b>Profit / (loss) after taxes</b>		<b>430 949</b>	<b>293 764</b>	<b>327 807</b>	<b>165 238</b>
Attributable to:					
Owners of the parent		430 949	293 764	327 807	165 238
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)		0.36	0.24	0.27	0.14

## CONSOLIDATED TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2016 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Profit / (loss) after taxes	430 949	293 764	327 807	165 238
Other elements of total comprehensive income that will be subsequently reclassified to profit or loss	(186 992)	(272 609)	(86 393)	19 333
Effect of valuation of available for sale debt securities	(1 002)	(23 857)	(52 082)	(70 251)
Effect of valuation of available for sale shares	(213 216)	(213 584)	11	(9)
Hedge accounting	27 226	(35 168)	(34 322)	89 593
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	(186 992)	(272 609)	(86 393)	19 333
Corporate income tax on other elements of total comprehensive income that will be subsequently reclassified to profit or loss	35 528	51 796	16 415	(3 673)
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	(151 464)	(220 813)	(69 978)	15 660
Total comprehensive income for the period	279 485	72 951	257 829	180 898
Attributable to:				
Owners of the parent	279 485	72 951	257 829	180 898
Non-controlling interests	0	0	0	0

## CONSOLIDATED BALANCE SHEET

## ASSETS

<i>Amount '000 PLN</i>	Note	30.06.2016	31.12.2015
Cash, balances with the Central Bank		2 937 399	1 946 384
Deposits, loans and advances to banks and other monetary institutions	9	2 298 550	2 348 754
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	10	461 529	768 650
Hedging derivatives	11	16 756	70 833
Loans and advances to customers	12	46 964 628	46 369 381
Investment financial assets	13	13 110 183	13 874 320
- available for sale		13 110 183	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)		46 852	0
Property, plant and equipment		154 583	156 341
Intangible assets		54 367	61 858
Non-current assets held for sale		10 871	15 682
Receivables from Tax Office resulting from current tax		2 514	41 880
Deferred tax assets	15	275 489	237 612
Other assets		360 599	342 183
<b>Total Assets</b>		<b>66 695 698</b>	<b>66 235 256</b>

## LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.06.2016	31.12.2015
<b>LIABILITIES</b>			
Liabilities to banks and other monetary institutions	16	1 538 246	1 443 921
Financial liabilities valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	10	325 946	344 689
Hedging derivatives	11	1 608 139	2 132 053
Liabilities to customers	17	53 360 177	52 810 389
Liabilities from securities sold with buy-back clause		0	0
Debt securities	18	1 358 137	1 134 250
Provisions	19	53 994	30 848
Deferred income tax liabilities	15	0	0
Current tax liabilities		62 239	270
Other liabilities		1 001 964	1 256 040
Subordinated debt		664 206	639 631
<b>LIABILITIES</b>		<b>59 973 048</b>	<b>59 792 091</b>
<b>EQUITY</b>			
Share capital		1 213 117	1 213 117
Share premium		1 147 502	1 147 502
Revaluation reserve		(133 214)	18 250
Retained earnings		4 495 245	4 064 296
<b>Total Equity</b>		<b>6 722 650</b>	<b>6 443 165</b>
Total equity attributable to owners of the parent		6 722 650	6 443 165
Non-controlling interests		0	0
<b>Total Liabilities and Equity</b>		<b>66 695 698</b>	<b>66 235 256</b>
Book value		6 722 650	6 443 165
Number of shares		1 213 116 777	1 213 116 777
Book value per share (in PLN)		5.54	5.31

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

01.01.2016 - 30.06.2016 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 I half 2016 (net)	279 485	0	0	(151 464)	430 949	0
net profit/ (loss) of the period	430 949	0	0	0	430 949	0
valuation of available for sale debt securities	(812)	0	0	(812)	0	0
valuation of available for sale shares	(172 705)	0	0	(172 705)	0	0
hedge accounting	22 053	0	0	22 053	0	0
Transfer between items of reserves	0	0	0	0	(529 411)	529 411
Equity at the end of the period	6 722 650	1 213 117	1 147 502	(133 214)	581 467	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 - 30.06.2015 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 I half 2015 (net)	257 829	0	0	(69 978)	327 807	0
net profit/ (loss) of the period	327 807	0	0	0	327 807	0
valuation of available for sale debt securities	(42 186)	0	0	(42 186)	0	0
valuation of available for sale shares	9	0	0	9	0	0
hedge accounting	(27 801)	0	0	(27 801)	0	0
Transfer between items of reserves	0	0	0	0	(646 299)	646 299
Equity at the end of the period	6 023 308	1 213 117	1 147 502	(182 889)	461 211	3 384 367

## CONSOLIDATED CASH FLOWS

## A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
Profit (loss) after taxes	430 949	327 807
Total adjustments:	(246 581)	430 519
Non-controlling interests profit (loss)	0	0
Interests in net income (loss) of associated companies	0	1 385
Depreciation and amortization	28 345	24 437
Foreign exchange (gains)/ losses	51 811	2 612
Dividends	(1 775)	(1 378)
Changes in provisions	23 146	(25 189)
Result on sale and liquidation of investing activity assets	(307 614)	(28 916)
Change in financial assets valued at fair value through profit and loss (held for trading)	388 424	(2 806 494)
Change in loans and advances to banks	252 839	(1 461 098)
Change in loans and advances to customers	(590 226)	(2 872 197)
Change in receivables from securities bought with sell-back clause (loans and advances)	(46 852)	24 575
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(542 657)	1 517 375
Change in deposits from banks	(100 069)	83 187
Change in deposits from customers	549 788	2 642 372
Change in liabilities from securities sold with buy-back clause	0	3 304 311
Change in debt securities	223 581	(25 852)
Change in income tax settlements	183 140	91 474
Income tax paid	(78 319)	(74 938)
Change in other assets and liabilities	(277 942)	27 454
Other	(2 201)	7 399
<b>Net cash flows from operating activities</b>	<b>184 368</b>	<b>758 326</b>

## B. CASH FLOWS FROM INVESTING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
Inflows from investing activities:	56 462 131	82 388 773
Proceeds from sale of property, plant and equipment and intangible assets	6 726	3 615
Proceeds from sale of shares in associates	0	0
Proceeds from sale of investment financial assets	56 453 630	82 383 780
Other inflows from investing activities	1 775	1 378
Outflows from investing activities:	(58 783 885)	(81 954 850)
Acquisition of property, plant and equipment and intangible assets	(12 286)	(15 148)
Acquisition of shares in associates	0	0
Acquisition of investment financial assets	(58 771 599)	(81 939 702)
Other outflows from investing activities	0	0
<b>Net cash flows from investing activities</b>	<b>(2 321 754)</b>	<b>433 923</b>

## C. CASH FLOWS FROM FINANCING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
Inflows from financing activities:	220 826	1 040 406
Long-term bank loans	220 520	108 488
Issue of debt securities	306	931 918
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:	(59 936)	(927 728)
Repayment of long-term bank loans	(48 102)	(83 281)
Redemption of debt securities	0	(831 489)
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	(11 834)	(12 958)
<b>Net cash flows from financing activities</b>	<b>160 890</b>	<b>112 678</b>

D. NET CASH FLOWS. TOTAL (A + B + C)	(1 976 496)	1 304 927
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	6 851 154	5 398 464
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	4 874 658	6 703 391

#### 4. NOTES TO CONSOLIDATED FINANCIAL DATA

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

	1.01.2016 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Balances with the Central Bank	12 683	6 346	12 947	5 930
Deposits, loans and advances to banks	293	180	582	249
Loans and advances to customers	817 922	417 888	822 789	393 922
Transactions with repurchase agreement	5 546	3 785	9 968	6 992
Hedging derivatives	168 800	83 049	165 118	90 989
Financial assets held for trading (debt securities)	3 000	1 432	16 616	11 190
Investment securities	123 056	61 953	121 935	57 743
<b>Total</b>	<b>1 131 300</b>	<b>574 633</b>	<b>1 149 955</b>	<b>567 015</b>

Interest income for 1 half 2016 includes interest accrued on loans with recognized impairment of PLN 27,013 thousand (for the comparative data for 1 half 2015, such interest was PLN 29,465 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 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Banking deposits	(6 189)	(1 944)	(8 882)	(3 530)
Loans and advances	(5 587)	(2 880)	(26 946)	(13 601)
Transactions with repurchase agreement	(5 684)	(2 551)	(26 001)	(15 414)
Deposits from customers	(357 063)	(172 910)	(391 067)	(186 632)
Subordinated debt	(6 574)	(3 133)	(6 903)	(3 416)
Debt securities	(16 247)	(8 526)	(23 086)	(10 826)
Other	(262)	(131)	(329)	(164)
<b>Total</b>	<b>(397 607)</b>	<b>(192 076)</b>	<b>(483 214)</b>	<b>(233 583)</b>

## Note (3) Fee and commission income

	1.01.2016 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Resulting from accounts service	40 653	20 680	43 535	21 597
Resulting from money transfers, cash payments and withdrawals and other payment transactions	26 077	13 519	24 050	12 389
Resulting from loans granted	71 138	35 718	57 770	29 372
Resulting from guarantees and sureties granted	6 669	2 921	6 595	3 019
Resulting from payment and credit cards	70 867	36 490	65 871	33 420
Resulting from sale of insurance products	25 700	14 034	41 028	13 956
Resulting from distribution of investment funds units and other savings products	31 298	17 032	50 609	28 392
Resulting from brokerage and custody service	9 390	5 003	10 864	4 320
Resulting from investment funds managed by the Group	39 364	19 777	43 365	22 878
Other	9 167	3 767	7 296	3 826
<b>Total</b>	<b>330 323</b>	<b>168 941</b>	<b>350 983</b>	<b>173 169</b>

## Note (4) Fee and commission expense

	1.01.2016 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Resulting from accounts service	(634)	(365)	(594)	(341)
Resulting from money transfers, cash payments and withdrawals and other payment transactions	(1 052)	(557)	(917)	(486)
Resulting from loans granted	(10 612)	(6 218)	(9 092)	(5 927)
Resulting from payment and credit cards	(32 966)	(17 191)	(28 725)	(14 844)
Resulting from brokerage and custody service	(1 669)	(855)	(1 550)	(762)
Resulting from investment funds managed by the Group	(4 387)	(2 234)	(3 382)	(1 920)
Other	(4 867)	(1 737)	(2 584)	(1 500)
<b>Total</b>	<b>(56 187)</b>	<b>(29 157)</b>	<b>(46 844)</b>	<b>(25 780)</b>

## Note (5a) Result on investment financial assets

	1.01.2016 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Operations on debt instruments	19 431	2 334	26 495	12 177
Operations on equity instruments	283 038	283 038	0	0
<b>Total</b>	<b>302 469</b>	<b>285 372</b>	<b>26 495</b>	<b>12 177</b>

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 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Operations on securities	1 744	(1 620)	(8 223)	(7 503)
Operations on derivatives	19 209	10 863	71 735	29 089
Fair value hedge accounting operations including:	(181)	(137)	137	29
- result from hedging derivatives	613	(137)	334	(1 030)
- result from items subjected to hedging	(794)	0	(197)	1 059
Foreign exchange result	62 104	29 241	29 859	24 301
Costs of financial operations	(867)	(553)	(1 095)	(584)
<b>Total</b>	<b>82 009</b>	<b>37 794</b>	<b>92 413</b>	<b>45 332</b>

Note (6) General and administrative expenses

	1.01.2016 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Staff costs:	(277 914)	(139 078)	(275 163)	(136 908)
Salaries	(229 337)	(115 004)	(226 526)	(113 137)
Surcharges on pay	(40 185)	(19 761)	(40 421)	(19 845)
Employee benefits, including:	(8 392)	(4 313)	(8 216)	(3 926)
- provisions for retirement benefits	68	0	(125)	6
- provisions for unused employee holiday	(7)	(7)	(9)	(0)
- other	(8 453)	(4 306)	(8 082)	(3 932)
General administrative costs:	(246 527)	(127 003)	(246 067)	(121 808)
Costs of advertising, promotion and representation	(21 031)	(12 703)	(25 147)	(9 533)
IT and communications costs	(36 331)	(18 114)	(34 723)	(17 320)
Costs of renting	(90 924)	(46 431)	(86 591)	(42 936)
Costs of buildings maintenance, equipment and materials	(12 995)	(6 518)	(13 647)	(6 944)
ATM and cash maintenance costs	(8 242)	(4 220)	(8 092)	(4 022)
Costs of consultancy, audit and legal advisory and translation	(8 493)	(4 742)	(5 095)	(3 291)
Taxes and fees	(8 406)	(4 288)	(8 031)	(4 047)
KIR clearing charges	(2 141)	(1 108)	(1 983)	(1 014)
PFRON costs	(2 437)	(1 194)	(2 506)	(1 320)
Banking Guarantee Fund costs	(30 560)	(15 214)	(32 730)	(16 365)
Financial Supervision costs	(2 679)	(1 339)	(1 678)	(837)
Other	(22 288)	(11 132)	(25 844)	(14 179)
<b>Total</b>	<b>(524 441)</b>	<b>(266 081)</b>	<b>(521 230)</b>	<b>(258 716)</b>

## Note (7) Impairment losses on financial assets

	1.01.2016 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Impairment losses on loans and advances to customers	(99 830)	(55 546)	(133 142)	(64 272)
Impairment charges on loans and advances to customers	(342 366)	(152 657)	(386 162)	(181 163)
Reversal of impairment charges on loans and advances to customers	225 167	96 935	252 148	116 537
Amounts recovered from loans written off	11 614	203	1 120	643
Sale of receivables	5 755	(27)	(248)	(289)
Impairment losses on securities	23	16	(33)	(26)
Impairment charges on securities	0	0	(33)	(26)
Reversal of impairment charges on securities	23	16	0	0
Impairment losses on off-balance sheet liabilities	(4 952)	(5 872)	5 992	4 959
Impairment charges on off-balance sheet liabilities	(8 423)	(6 021)	(4 869)	(1 839)
Reversal of impairment charges on off-balance sheet liabilities	3 471	149	10 861	6 798
<b>Total</b>	<b>(104 759)</b>	<b>(61 402)</b>	<b>(127 183)</b>	<b>(59 339)</b>

## Note (8a) Income tax reported in income statement

	1.01.2016 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Current tax	(164 913)	(99 064)	(80 455)	(31 598)
Deferred tax:	15 243	2 896	(6 708)	(16 289)
Recognition and reversal of temporary differences	17 098	3 390	(6 770)	(16 525)
Recognition / (Utilisation) of tax loss	(1 855)	(494)	62	236
<b>Total income tax reported in income statement</b>	<b>(149 670)</b>	<b>(96 168)</b>	<b>(87 163)</b>	<b>(47 887)</b>

## Note (8b) Effective tax rate

	1.01.2016 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Gross profit / (loss)	580 619	389 932	414 970	213 125
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	(110 318)	(74 087)	(78 844)	(40 493)
<b>Impact of permanent differences on tax charges:</b>	<b>(40 177)</b>	<b>(22 081)</b>	<b>(6 945)</b>	<b>(6 020)</b>
Non taxable income	513	425	871	(292)
Dividend income	337	337	261	261
Release of other provisions	138	51	361	(554)
Other	38	37	249	1
Non tax-deductible costs	(40 690)	(22 506)	(7 816)	(5 728)
Loss on sale of receivables	(2 913)	(7)	(3)	(3)
PFRON fee	(464)	(228)	(475)	(250)
Prudential fee for Banking Guarantee Fund	(2 747)	(1 368)	(1 645)	(822)
Banking tax	(15 302)	(9 167)	0	0
Cost of provisions for factoring receivables	(2 438)	(720)	(1 077)	(880)
Receivables written off	(1 203)	(122)	(385)	(214)
Costs of litigations and contentious claims	(7 840)	(7 549)	(3 252)	(2 901)
Depreciation and insurance costs of cars (in excess of EUR 20.000)	(1 356)	(840)	(577)	(479)
Other	(6 427)	(2 505)	(402)	(179)
The amount of deductible temporary differences for which deferred income tax asset has not been recognized in the balance sheet	825	0	0	0
Adjustment resulted from Article 38a of CIT	0	0	(1 374)	(1 374)
<b>Total income tax reported in income statement</b>	<b>(149 670)</b>	<b>(96 168)</b>	<b>(87 163)</b>	<b>(47 887)</b>

## Note (8c) Deferred tax reported directly in equity

	30.06.2016	31.12.2015
Valuation of available for sale securities	(6 666)	(47 370)
Valuation of cash flow hedging instruments	37 559	42 732
Actuarial gains (losses)	356	356
Deferred tax reported directly in equity	31 249	(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**

	30.06.2016	31.12.2015
Current accounts	304 914	284 706
Deposits granted	1 991 401	2 061 664
Loans	4	0
Interest	2 231	2 393
<b>Total (gross) deposits, loans and advances</b>	<b>2 298 550</b>	<b>2 348 763</b>
Impairment write-offs	0	(9)
<b>Total (net) deposits, loans and advances</b>	<b>2 298 550</b>	<b>2 348 754</b>

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

	30.06.2016	31.12.2015
<b>Debt securities</b>	<b>164 128</b>	<b>408 572</b>
Issued by State Treasury	164 097	408 572
a) bills	0	0
b) bonds	164 097	408 572
<b>Other securities</b>	<b>31</b>	<b>0</b>
a) bills	31	0
b) bonds	0	0
<b>Equity instruments</b>	<b>904</b>	<b>1 682</b>
Quoted on the active market	904	1 682
a) financial institutions	0	0
b) non-financial institutions	904	1 682
Adjustment from fair value hedge	14 564	22 152
Positive valuation of derivatives	281 933	336 244
<b>Total</b>	<b>461 529</b>	<b>768 650</b>

Note (10b) Valuation of derivatives. Adjustment from fair value hedge and Liabilities from short sale of securities as at 30.06.2016

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	(13 985)	188 525	202 510
Forward Rate Agreements (FRA)	0	0	0
Interest rate swaps (IRS)	(13 985)	188 525	202 510
Other interest rate contracts: options	0	0	0
2. FX derivatives	(14 817)	66 191	81 008
FX contracts	3 732	18 407	14 675
FX swaps	11 701	41 173	29 472
Other FX contracts (CIRS)	(30 250)	6 611	36 861
FX options	0	0	0
3. Embedded instruments	(24 894)	8	24 902
Options embedded in deposits	(18 320)	0	18 320
Options embedded in securities issued	(6 574)	8	6 582
4. Indexes options	24 494	27 209	2 715
<b>Valuation of derivatives</b>	<b>(29 202)</b>	<b>281 933</b>	<b>311 135</b>
Valuation of hedged position in fair value hedge accounting		14 564	12 596
Liabilities from short sale of securities			2 215

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
<b>Valuation of derivatives</b>	<b>9 968</b>	<b>336 244</b>	<b>326 276</b>
Valuation of hedged position in fair value hedge accounting		22 152	18 413
Liabilities from short sale of securities			0

During the first half 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 30.06.2016 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 30.06.2016

	Fair values		
	Total	Assets	Liabilities
Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate			
CIRS contracts	(1 603 155)	4 330	1 607 486
IRS contracts	11 772	12 426	653
FX Forward contracts	0	0	0
Total	(1 591 383)	16 756	1 608 139

As of 30.06.2016 r., 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	
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

	30.06.2016	31.12.2015
Loans and advances	42 188 357	41 852 945
- to companies	8 578 232	8 705 526
- to private individuals	33 237 456	32 729 850
- to public sector	372 669	417 569
Receivables on account of payment cards	687 709	684 841
- due from companies	25 551	27 481
- due from private individuals	662 158	657 360
Purchased receivables	152 995	212 369
- from companies	152 995	212 369
- from public sector	0	0
Guarantees and sureties realised	11 699	12 551
Debt securities eligible for rediscount at Central Bank	5 427	5 217
Financial leasing receivables	5 060 363	4 777 112
Other	3 120	4 509
Interest	274 719	280 765
<b>Total gross</b>	<b>48 384 389</b>	<b>47 830 309</b>
Impairment write-offs	(1 419 761)	(1 460 928)
<b>Total net</b>	<b>46 964 628</b>	<b>46 369 381</b>

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

	30.06.2016	31.12.2015
Loans and advances to customers (gross)	48 384 389	47 830 309
- impaired	2 210 446	2 204 196
- not impaired	46 173 943	45 626 113
Impairment write-offs	(1 419 761)	(1 460 928)
- for impaired exposures	(1 270 525)	(1 305 327)
- for incurred but not reported losses (IBNR)	(149 236)	(155 601)
<b>Loans and advances to customers (net)</b>	<b>46 964 628</b>	<b>46 369 381</b>

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

	30.06.2016	31.12.2015
Loans and advances to customers (gross)	48 384 389	47 830 309
- case by case analysis	951 349	940 590
- collective analysis	47 433 040	46 889 719
Impairment write-offs	(1 419 761)	(1 460 928)
- on the basis of case by case analysis	(535 456)	(561 994)
- on the basis of collective analysis	(884 305)	(898 934)
<b>Loans and advances to customers (net)</b>	<b>46 964 628</b>	<b>46 369 381</b>

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

	30.06.2016	31.12.2015
Loans and advances to customers (gross)	48 384 389	47 830 309
- corporate customers	14 260 738	14 215 133
- individuals	34 123 651	33 615 176
Impairment write-offs	(1 419 761)	(1 460 928)
- for receivables from corporate customers	(694 090)	(751 705)
- for receivables from private individuals	(725 671)	(709 223)
Loans and advances to customers (net)	46 964 628	46 369 381

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

	01.01.2016 - 30.06.2016	01.01.2015 - 31.12.2015
Balance at the beginning of the period	1 460 928	1 358 255
Change in value of provisions:	(41 166)	102 673
Impairment write-offs created in the period	342 365	724 872
Amounts written off	(17 098)	(73 430)
Impairment write-offs released in the period	(225 158)	(440 062)
Sale of receivables	(143 352)	(118 773)
Changes resulting from FX rates differences	4 414	10 466
Other	(2 337)	(400)
Balance at the end of the period	1 419 761	1 460 928

## Note (13) Investment financial assets available for sale

	30.06.2016	31.12.2015
<b>Debt securities</b>	<b>13 071 325</b>	<b>13 647 734</b>
Issued by State Treasury	11 924 237	9 375 707
a) bills	0	0
b) bonds	11 924 237	9 375 707
Issued by Central Bank	1 000 000	4 198 776
a) bills	1 000 000	4 198 776
b) bonds	0	0
Other securities	147 088	73 251
a) listed	79 843	0
b) not listed	67 245	73 251
Shares and interests in other entities	38 838	226 586
Other financial instruments	20	0
<b>Total financial assets available for sale</b>	<b>13 110 183</b>	<b>13 874 320</b>

## 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	1 227	0	0	1 745
- Write-offs released	(23)	(8 300)	0	0	(432)
- Utilisation	0	0	0	0	(940)
- Sale of assets	0	(665)	0	0	0
- Other	(2)	0	0	0	0
Balance as at 30.06.2016	19	9 981	3 988	136	5 216

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

	30.06.2016			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	78 947	(21 216)	57 731	78 207	(11 957)	66 250
Balance sheet valuation of financial instruments	400 425	(409 861)	(9 436)	470 859	(487 732)	(16 873)
Unrealised receivables/ liabilities on account of derivatives	22 971	(33 958)	(10 987)	27 570	(41 924)	(14 354)
Interest on deposits and securities to be paid/received	31 357	(33 625)	(2 268)	39 353	(33 307)	6 046
Interest and discount on loans and receivables	14	(22 955)	(22 941)	14	(8 283)	(8 269)
Income and cost settled at effective interest rate	83 687	(1 217)	82 470	73 086	(1 385)	71 701
Provisions for loans presented as temporary differences	114 668	0	114 668	105 466	0	105 466
Employee benefits	13 522	0	13 522	14 768	0	14 768
Provisions for costs	18 840	0	18 840	13 103	0	13 103
Valuation of investment assets, the valuation of cash flow hedge and actuarial gains (losses) recognized in the revaluation reserve	37 915	(6 666)	31 249	43 088	(47 370)	(4 282)
Tax loss deductible in the future	1 053	0	1 053	2 910	0	2 910
Other	5 349	(3 760)	1 589	5 069	(3 924)	1 145
Net deferred income tax asset	808 748	(533 258)	275 490	873 493	(635 882)	237 612

## Note (16) Liabilities to banks and other monetary institutions

	30.06.2016	31.12.2015
In current account	166 356	114 518
Term deposits	338 434	498 235
Loans and advances received	1 032 366	829 770
Interest	1 090	1 398
<b>Total</b>	<b>1 538 246</b>	<b>1 443 921</b>

## Note (17) Structure of liabilities to customers by type

	30.06.2016	31.12.2015
Amounts due to private individuals	37 545 974	35 616 412
Balances on current accounts	19 451 210	17 014 894
Term deposits	17 929 092	18 396 274
Other	78 301	83 380
Accrued interest	87 371	121 864
Amounts due to companies	13 332 287	15 991 260
Balances on current accounts	5 340 661	4 799 248
Term deposits	7 729 348	10 938 440
Other	246 501	222 601
Accrued interest	15 777	30 971
Amounts due to public sector	2 481 916	1 202 717
Balances on current accounts	807 807	741 988
Term deposits	1 634 112	427 940
Other	38 295	31 761
Accrued interest	1 702	1 028
<b>Total</b>	<b>53 360 177</b>	<b>52 810 389</b>

## Note (18) Change of debt securities

	01.01.2016 - 30.06.2016	01.01.2015 - 31.12.2015
Balance at the beginning of the period	1 134 250	1 739 460
Increases, on account of:	385 868	1 114 847
- issue of bonds by the Bank	306	961 499
- issue of bonds by Millennium Leasing	282 800	0
- issue of Banking Securities	87 316	109 790
- interest accrual	15 446	43 558
Reductions, on account of:	(161 981)	(1 720 057)
- repurchase of Banking Securities	(57 418)	(140 708)
- repurchase of bonds by Millennium Leasing	(89 300)	
- repurchase of bonds by the Bank	0	(1 532 681)
- interest payment	(15 263)	(46 668)
<b>Balance at the end of the period</b>	<b>1 358 137</b>	<b>1 134 250</b>

## Note (19) Provisions

	01.01.2016 - 30.06.2016	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	8 423	5 052
Release of provision	(3 471)	(18 506)
FX rates differences	(85)	1
Balance at the end of the period	19 106	14 239
Provision for contentious claims		
Balance at the beginning of the period	16 609	70 882
Charge of provision	30 548	28 748
Release of provision	(922)	(2 516)
Utilisation of provision	(11 348)	(77 534)
Other/reclassification	0	(2 971)
Balance at the end of the period	34 888	16 609
<b>Total</b>	<b>53 994</b>	<b>30 848</b>

## 5. CHANGES IN RISK MANAGEMENT PROCESS

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

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

### Credit risk

In the first half of 2016 the Group both in the corporate and retail segments focused on further improving of the credit policy as well as the tools and processes of credit risk management.

In particular, in corporate segment applied credit policy was updated, including its adapting to the changed external regulations. Also applied industrial policy and risk appetite in the individual sectors have been updated. As in previous periods, work on the improvement of credit processes, tools supporting the credit process and the expansion of the credit offer was continued.

In retail segment the Group continued activities relating to optimization of methodology, tools and processes of credit risk management. Particular attention was paid to the implementation of changes in area of mortgage loans and 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 given after the verification of the implementation of the rules of Recommendation S and Recommendation T.

Additionally the Group has reviewed and modified rules of the credit campaigns, loans consolidation and extent of the usage of external information in the process of retail customers credit risk assessment. The Group also made changes to the methodology and processes relating to consumer loans resulting from the extension of the credit offer to new groups of customers and reviewed and modified process of renewals of overdraft facilities in the small business segment.

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

Changes in the loan portfolio of the Group in 1 half 2016 are summarized below:

Gross exposure in '000 PLN

	30.06.2016		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	44 664 952	2 298 550	44 189 366	2 348 763
Overdue(*), but without impairment	1 508 991	0	1 436 747	0
<b>Total without impairment (IBNR)</b>	<b>46 173 943</b>	<b>2 298 550</b>	<b>45 626 113</b>	<b>2 348 763</b>
With impairment	2 210 446	0	2 204 196	0
<b>Loans and advances, gross</b>	<b>48 384 389</b>	<b>2 298 550</b>	<b>47 830 309</b>	<b>2 348 763</b>
Impairment write-offs together with IBNR	(1 419 761)	(0)	(1 460 928)	(9)
<b>Loans and advances, net</b>	<b>46 964 628</b>	<b>2 298 550</b>	<b>46 369 381</b>	<b>2 348 754</b>
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 is carried out daily, both on an individual basis for each of the areas responsible for risk taking and risk management, and also in consolidated terms considering the effect of the diversification that exists between the particular portfolios. All eventual excesses of market risk limits are reported, documented and ratified at the proper competence level.

In II quarter 2016, the market risk limits were kept unchanged.

The VaR indicators in the the first half of 2016 for the Group, that is jointly Trading Book and Banking Book, remained on average at the level of approx. PLN 44.9 million (16% of the limit) and approx. PLN 59.2 million (21% of the limit) as of the end of June 2016. The market risk exposure in terms of value at risk in the Group, together with risk type division, is presented in the table below (thousand PLN).

## VaR measures for market risk ('000 PLN)

	30.06.2016		VaR (1H2016)			31.12.2015	
	Exposure	limit usage	Average	Maximum	Minimum	Exposure	limit usage
Total risk	59 150	21%	44 899	60 779	37 340	35 818	13%
Generic risk	56 928	20%	42 740	58 556	35 386	33 864	12%
Interest Rate VaR	56 806	20%	42 738	58 510	35 392	33 861	12%
FX Risk	179	1%	128	1 466	7	41	0%
Diversification Effect	0.1%					0.1%	
Specific risk	2 222	1%	2 159	3 334	1 921	1 954	1%

In the first half of 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).

In addition to above mention market risk limits, the stop loss limits are introduced for the financial markets portfolios. The aim is to limit the maximum losses of the trading activity of the Group. In case of the limit is reached, a review of the management strategy and assumptions for the positions in question must be undertaken. In the first half of 2016, the stop loss limits were not reached.

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 Group 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 adjusted its calculation to new formula). 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 June 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 within 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 the first half of 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 Parliament and Council no 575/2013 on prudential requirements for credit institutions 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 first half of 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 87% at the end of June 2016 (similarly as at the end of December 2015). The Group continues 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 June 2016. During 1H2016 this portfolio slightly decreased from PLN 14.0 billion at the end of December 2015 (21% of total assets) to approx. PLN 13.2 billion at the end of June 2016 (20% 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 institutions 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 regularly monitored and did not have any negative impact on the stability of the deposit base in first half of 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 first half 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.

In the first half of 2016 the registered level of operational risk losses was higher than the level of losses recorded in the same period last year and is at the acceptable level.

## 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). That buffer was to be created by the end of June 2016.

Also 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 17.25% (for the Group) and 17.13% (the Bank), while Tier1 capital ratio 1 respectively amounted to 16.92% and 16.80%. Group solvency is assessed as satisfactory, both in the economic and regulatory capital adequacy.

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 (PLN mn)	30.06.2016	31.12.2015
	IRB with regulatory floor <sup>1)</sup>	IRB with regulatory floor <sup>1)</sup>
Risk-weighted assets (RWA)	37 244.8	37 129.6
Own funds requirements, including:	2 979.6	2 970.4
- Credit risk and counterparty credit risk	2 661.7	2 650.4
- Market risk	21.3	29.1
- Operational risk	279.0	271.1
- Credit Valuation Adjustment CVA	17.6	19.8
Own Funds including:	6 426.4	6 208.9
Common Equity Tier 1 Capital, including:	6 303.2	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 <sup>2)</sup>	220.1	451.9
- other retained earnings	4 064.3	3 517.8
- recognised part of revaluation reserve	14.2	78.2
- regulatory adjustments	(362.6)	(337.5)
Tier II Capital, including:	123.2	137.9
- subordinated debt	195.7	252.1
- regulatory adjustments	(72.5)	(114.2)
Total Capital Ratio (TCR)	17.25%	16.72%
Common Equity Tier 1 Capital ratio (CET1 ratio) <sup>3)</sup>	16.92%	16.35%

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

2) As at 30.06.2016 current profit for five months of 2016 has been included (in connection with the approval of the Financial Supervision Authority dated 28.06.2016).

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 - 30.06.2016

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	515 042	130 118	88 533	733 693
<i>Net interest income - excluding liquidity premium</i>	578 359	132 543	22 791	733 693
<i>Impact of liquidity premium</i>	(63 317)	(2 425)	65 742	0
Net fee and commission income	197 470	74 331	2 335	274 136
Dividends, other income from financial operations and foreign exchange profit	32 654	33 510	320 089	386 253
Other operating income and cost	(11 482)	(3 582)	(59 005)	(74 069)
<b>Operating income</b>	<b>733 684</b>	<b>234 377</b>	<b>351 952</b>	<b>1 320 013</b>
Staff costs	(200 080)	(64 501)	(13 333)	(277 914)
Administrative costs	(192 630)	(40 786)	(13 111)	(246 527)
Depreciation and amortization	(23 727)	(4 118)	(500)	(28 345)
<b>Operating expenses</b>	<b>(416 437)</b>	<b>(109 405)</b>	<b>(26 944)</b>	<b>(552 786)</b>
Impairment losses on assets	(95 526)	(9 267)	(1 279)	(106 072)
<b>Operating Profit</b>	<b>221 721</b>	<b>115 705</b>	<b>323 729</b>	<b>661 155</b>
Share in net profit of associated companies	0	0	0	0
Banking tax				(80 536)
<b>Profit / (loss) before income tax</b>				<b>580 619</b>
Income taxes				(149 670)
<b>Profit / (loss) after taxes</b>				<b>430 949</b>

#### Balance sheet items as at 30.06.2016

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Loans and advances to customers	34 653 591	12 311 037	0	46 964 628
Liabilities to customers	39 212 028	14 043 895	104 254	53 360 177

## Income statement 1.01.2015 - 30.06.2015

<i>In '000 PLN</i>	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	530 422	130 722	5 597	666 741
Net fee and commission income	229 065	69 836	5 238	304 139
Dividends, other income from financial operations and foreign exchange profit	31 776	29 927	58 583	120 286
Other operating income and cost	(7 475)	(3 841)	9 349	(1 967)
<b>Operating income</b>	<b>783 788</b>	<b>226 644</b>	<b>78 767</b>	<b>1 089 199</b>
Staff costs	(201 600)	(60 216)	(13 347)	(275 163)
Administrative costs	(194 500)	(38 902)	(12 665)	(246 067)
Depreciation and amortization	(19 767)	(4 030)	(640)	(24 437)
<b>Operating expenses</b>	<b>(415 867)</b>	<b>(103 148)</b>	<b>(26 652)</b>	<b>(545 667)</b>
Impairment losses on assets	(89 674)	(37 476)	(27)	(127 177)
<b>Operating Profit</b>	<b>278 247</b>	<b>86 020</b>	<b>52 088</b>	<b>416 355</b>
Share in net profit of associated companies	0	0	(1 385)	(1 385)
<b>Profit / (loss) before taxes</b>	<b>278 247</b>	<b>86 020</b>	<b>50 703</b>	<b>414 970</b>
Income taxes				(87 163)
<b>Profit / (loss) after taxes</b>				<b>327 807</b>

## Balance sheet items as at 31.12.2015

<i>In '000 PLN</i>	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 I half 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	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
<b>ASSETS</b>				
Loans and advances to banks - accounts and deposits	1 203	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
<b>LIABILITIES</b>				
Loans and deposits from banks	75 107	73 227	121 978	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	165	0

	With parent entity		With other entities of parent Group	
	1H 2016	1H 2015	1H 2016	1H 2015
<b>INCOME FROM:</b>				
Interest	(10)	16	0	0
Commissions	68	1 365	0	0
Other net operating income	0	0	0	51
<b>EXPENSE FROM:</b>				
Interest	420	55	(154)	(51)
Commissions	0	0	0	0
Financial instruments valued at fair value	1	7	0	0
Other net operating costs	31	73	0	0
General and administrative expenses	81	471	907	394

	With parent entity		With other entities of parent Group	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Conditional commitments	102 183	102 175	0	0
- granted	100 345	100 345	0	0
- obtained	1 838	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.

	30.06.2016	31.12.2015
Loans and advances to customers	0	0
Interest income	0	12

## 7.3. Transactions with the managing and supervising persons

Data as at 30.06.2016

	Members of the Management Board	Members of the Supervisory Board
Total debt limit (in '000 PLN).	181.0	208.0
- including an unutilized limit (in '000 PLN).	133.1	203.3
Mortgage loans and credits	-	-
Active guarantees	-	-

The Group provides standard banking services to Members of the Management Board, Members of the Supervisory Board, persons related to Members of the Management Board and Members of the Supervisory Board, which services comprise i.a.: keeping bank accounts, accepting deposits or sale of financial instruments. These transactions are concluded on market terms and conditions. In accordance with the credit lending policy adopted in the Bank, term credits described in this section have appropriate collateral to mitigate its credit risk exposure.

Information on total exposure towards companies and groups personally related as at 30.06.2016:

Entity	Loans granted	Guarantees provided	Open credit lines	Relationship
Client 1	7	2 000	160	Personal with a supervising person

Information on total exposure towards the members of the Management and Supervisory Boards as at 31.12.2015:

	Members of the Management Board	Members of the Supervisory Board
Total debt limit (in '000 PLN).	181.0	188.0
- including an unutilized limit (in '000 PLN).	128.0	160.1
Mortgage loans and credits	-	-
Active guarantees	-	-

Information on total exposure towards companies and groups personally related as at 31.12.2015:

Entity	Loans granted	Guarantees provided	Open credit lines	Relationship
Client 1	27	2 000	110	Personal with a supervising person

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

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

Period	Short term salaries	Benefits	TOTAL
1.01-30.06.2016	6 796	666	7 462
1.01-30.06.2015	9 711	728	10 439

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

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

Period	Short term salaries and benefits
1.01-30.06.2016	1 096
1.01-30.06.2015	1 173

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

Name and surname	Function	Number of shares as of delivery date of quarterly report prepared as at 30.06.2016	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 Jędrus	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 30.06.2016 (data in PLN thousand):

ASSETS	Note	Balance sheet value	Fair value
Loans and advances to banks	9	2 298 550	2 298 154
Loans and advances to customers (*)	12	46 964 628	45 170 725

  

LIABILITIES	Note	Balance sheet value	Fair value
Amounts due to banks	16	1 538 246	1 540 578
Amounts due to customers	17	53 360 177	53 364 378
Debt securities	18	1 358 137	1 365 926
Subordinated debt		664 206	658 194

(\*) 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.

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 30.06.2016

	note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
<b>ASSETS</b>				
Financial assets valued at fair value through profit and loss (held for trading)	10			
- derivatives			254 716	27 217
- debt securities		164 128		
- shares and interests		904		
Hedging derivatives	11		16 756	
Financial assets available for sale	13			
- debt securities		12 004 080	1 000 000	67 245
- shares and other financial instruments		231	20	22 842
<b>LIABILITIES</b>				
Financial liabilities valued at fair value through profit and loss (held for trading)	10			
- derivatives and short sale of securities		2 215	283 518	27 617
Hedging derivatives	11		1 608 139	

Data in '000 PLN, as at 31.12.2015

	note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
<b>ASSETS</b>				
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
<b>LIABILITIES</b>				
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 pcs., 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 I half 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	(1 977)	2 170	(6 100)	(190 578)
Change of valuation recognized in equity	0	0	0	345
Change of valuation recognized in P&L account (including interests)	(11 802)	11 578	94	0
Balance on 30 June 2016	24 494	(24 894)	67 245	22 842

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 30.06.2016, in which the companies of the Group were a plaintiff, totalled 264.3 million PLN.

### Court cases against the Group

As at 30.06.2016, 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 failed 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.

In both cases, the Bank is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claims. Favourable forecasts for the Bank, as regards dismissal of both suits, have been confirmed by a renowned law firm representing the Bank in both proceedings.

As at 30.06.2016, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at 291.0 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 274.5 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 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.

#### OFF-BALANCE ITEMS

Amount '000 PLN	30.06.2016	31.12.2015
<b>Off-balance conditional commitments granted and received</b>	<b>8 096 253</b>	<b>7 883 958</b>
Commitments granted:	8 024 040	7 823 370
- financial	6 938 736	6 712 920
- guarantee	1 085 304	1 110 450
Commitments received:	72 213	60 588
- financial	51 575	3 963
- guarantee	20 638	56 625

## 10. ADDITIONAL INFORMATION

### 10.1. Data on assets securing liabilities

As at 30 June 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	131 164
2.	Treasury bonds WZ0118	available for sale	Initial security deposit for bond futures	500	504
3.	Treasury bonds WZ0118	available for sale	Loan agreement	623 000	628 576
4.	Treasury bonds WZ0118	available for sale	Security of Guaranteed Deposit Protection Fund under the Bank Guarantee Fund	310 000	312 775
5.	Cash	receivables	Payment to the Futures Settlement Guarantee Fund	100	100
6.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	1 828	1 828
7.	Deposits	Deposits in banks	Settlement on transactions concluded	1 738 978	1 738 978
TOTAL				2 804 406	2 813 924

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 I half 2016 (and diluted profit per share) on the basis of the consolidated data amounts to PLN 0.36.

## 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 1<sup>st</sup> half 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 first half 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 June 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 January 15th 2016 a presidential proposal of legislation aimed at supporting FX mortgage borrowers was put forward, however without an assessment of impact for the banking sector. According to estimations later announced by Polish Financial Supervision Authority, the overall direct costs for the Polish banking sector could reach PLN 66.9 billion. Currently there are ongoing works aimed at preparation of the new version of the Act. In these circumstances it is not possible to estimate the impact of this regulation on the banking sector, however announced legislative intentions on FX loans conversion, 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 June 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.

Date	Name and surname	Position/Function	Signature
25.07.2016	Joao Bras Jorge	Chairman of the Management Board	
25.07.2016	Fernando Bicho	Deputy Chairman of the Management Board	
25.07.2016	Wojciech Haase	Member of the Management Board	
25.07.2016	Andrzej Gliński	Member of the Management Board	
25.07.2016	Maria Jose Campos	Member of the Management Board	
25.07.2016	Wojciech Rybak	Member of the Management Board	

## II. CONDENSED INTERIM STANDALONE FINANCIAL STATEMENTS OF BANK MILLENNIUM S.A. FOR THE SIX MONTHS ENDED 30 JUNE 2016

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## 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 six months ended 30 June 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 six months period ended 30 June 2016. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the six months period ended 30 June 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 25 July 2016.

## 2. STANDALONE FINANCIAL DATA (BANK)

## INCOME STATEMENT

Amount '000 PLN	1.01.2016 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Interest income	1 081 996	549 096	1 106 552	544 533
Interest expense	(401 060)	(195 090)	(484 491)	(234 158)
Net interest income	680 936	354 006	622 061	310 375
Fee and commission income	278 889	134 740	315 923	155 065
Fee and commission expense	(41 673)	(21 156)	(34 408)	(18 185)
Net fee and commission income	237 216	113 584	281 515	136 880
Dividend income	45 957	34 241	33 176	33 176
Result on investment financial assets	302 469	285 372	26 495	12 177
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	84 640	40 973	89 526	43 872
Other operating income	11 338	5 031	32 102	25 631
<b>Operating income</b>	<b>1 362 556</b>	<b>833 207</b>	<b>1 084 875</b>	<b>562 111</b>
General and administrative expenses	(496 373)	(251 923)	(493 998)	(245 061)
Impairment losses on financial assets	(94 405)	(56 315)	(117 329)	(52 286)
Impairment losses on non financial assets	(1 313)	(343)	0	(7)
Depreciation and amortization	(26 989)	(14 203)	(22 837)	(11 562)
Other operating expenses	(91 813)	(74 474)	(39 504)	(27 202)
<b>Operating expenses</b>	<b>(710 893)</b>	<b>(397 258)</b>	<b>(673 668)</b>	<b>(336 118)</b>
<b>Operating profit</b>	<b>651 663</b>	<b>435 949</b>	<b>411 207</b>	<b>225 993</b>
Banking tax	(80 536)	(48 247)	0	0
<b>Profit / (loss) before income tax</b>	<b>571 127</b>	<b>387 702</b>	<b>411 207</b>	<b>225 993</b>
Corporate income tax	(136 491)	(88 535)	(80 202)	(43 429)
<b>Profit / (loss) after taxes</b>	<b>434 636</b>	<b>299 167</b>	<b>331 005</b>	<b>182 564</b>
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)	0.36	0.25	0.27	0.15

## TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2016 - 30.06.2016	1.04.2016 - 30.06.2016	1.01.2015 - 30.06.2015	1.04.2015 - 30.06.2015
Profit / (loss) after taxes	434 636	299 167	331 005	182 564
Other elements of total comprehensive income that will be subsequently reclassified to profit or loss	(186 851)	(272 445)	(86 404)	19 342
Effect of valuation of available for sale debt securities	(1 002)	(23 857)	(52 082)	(70 251)
Effect of valuation of available for sale shares	(213 075)	(213 420)	0	0
Hedge accounting	27 226	(35 168)	(34 322)	89 593
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	(186 851)	(272 445)	(86 404)	19 342
Corporate income tax on other elements of total comprehensive income that will be subsequently reclassified to profit or loss	35 502	51 765	16 417	(3 675)
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	(151 349)	(220 680)	(69 987)	15 667
Total comprehensive income for the period	283 287	78 487	261 018	198 231

## BALANCE SHEET

## ASSETS

<i>Amount '000 PLN</i>	30.06.2016	31.12.2015
Cash, balances with the Central Bank	2 937 399	1 946 384
Deposits, loans and advances to banks and other monetary institutions	2 298 522	2 348 735
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	460 874	767 062
Hedging derivatives	16 756	70 833
Loans and advances to customers	46 602 352	46 070 719
Investment financial assets	13 093 918	13 862 060
- available for sale	13 093 918	13 862 060
- held to maturity	0	0
Investments in associates	226 376	226 373
Receivables from securities bought with sell-back clause (loans and advances)	46 852	0
Property, plant and equipment	151 429	152 207
Intangible assets	44 769	51 987
Non-current assets held for sale	0	0
Receivables from Tax Office resulting from current tax	0	32 562
Deferred tax assets	199 090	163 249
Other assets	288 995	373 079
<b>Total Assets</b>	<b>66 367 332</b>	<b>66 065 250</b>

## LIABILITIES AND EQUITY

Amount '000 PLN	30.06.2016	31.12.2015
<b>LIABILITIES</b>		
Liabilities to banks and other monetary institutions	1 538 246	1 443 921
Financial liabilities valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	325 946	344 792
Hedging derivatives	1 608 139	2 132 053
Liabilities to customers	53 465 590	52 920 583
Liabilities from securities sold with buy-back clause	0	0
Debt securities	1 165 600	1 135 501
Provisions	53 173	30 267
Deferred income tax liabilities	0	0
Current tax liabilities	61 952	0
Other liabilities	909 113	1 126 421
Subordinated debt	664 206	639 631
<b>Total Liabilities</b>	<b>59 791 965</b>	<b>59 773 169</b>
<b>EQUITY</b>		
Share capital	1 213 117	1 213 117
Share premium	1 147 241	1 147 241
Revaluation reserve	(133 298)	18 052
Retained earnings	4 348 307	3 913 671
<b>Total Equity</b>	<b>6 575 367</b>	<b>6 292 081</b>
<b>Total Liabilities and Equity</b>	<b>66 367 332</b>	<b>66 065 250</b>
Book value	6 575 367	6 292 081
Number of shares	1 213 116 777	1 213 116 777
Book value per share (in PLN)	5.42	5.19

## STATEMENT OF CHANGES IN EQUITY

01.01.2016 - 30.06.2016, 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 I half of 2016 (net)	283 287	0	0	(151 349)	434 636	0
net profit/ (loss) of the period	434 636	0	0	0	434 636	0
valuation of available for sale debt securities	(812)	0	0	(812)	0	0
valuation of available for sale shares	(172 591)	0	0	(172 591)	0	0
hedge accounting	22 053	0	0	22 053	0	0
Transfer between items of reserves	0	0	0	0	(814 157)	814 157
<b>Equity at the end of the period</b>	<b>6 575 367</b>	<b>1 213 117</b>	<b>1 147 241</b>	<b>(133 298)</b>	<b>434 636</b>	<b>3 913 671</b>

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
<b>Equity at the end of the period</b>	<b>6 292 081</b>	<b>1 213 117</b>	<b>1 147 241</b>	<b>18 052</b>	<b>814 157</b>	<b>3 099 514</b>

01.01.2015 - 30.06.2015, 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 I quarter of 2015 (net)	261 018	0	0	(69 987)	331 005	0
net profit/ (loss) of the period	331 005	0	0	0	331 005	0
valuation of available for sale debt securities	(42 186)	0	0	(42 186)	0	0
hedge accounting	(27 801)	0	0	(27 801)	0	0
Transfer between items of reserves	0	0	0	0	(619 511)	619 511
<b>Equity at the end of the period</b>	<b>5 607 727</b>	<b>1 213 117</b>	<b>1 147 241</b>	<b>(183 150)</b>	<b>331 005</b>	<b>3 099 514</b>

## A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2016 - 30.06.2016	1.01.2015 - 31.03.2015
Profit (loss) after taxes	434 636	331 005
Total adjustments:	(295 404)	349 216
Interests in net income (loss) of associated companies	0	0
Depreciation and amortization	26 989	22 837
Foreign exchange (gains) losses	51 808	4 574
Dividends	(45 957)	(33 176)
Changes in provisions	22 906	(25 189)
Result on sale and liquidation of investing activity assets	(304 318)	(25 187)
Change in financial assets valued at fair value through profit and loss (held for trading)	387 491	(2 804 299)
Change in loans and advances to banks	252 848	(1 461 098)
Change in loans and advances to customers	(531 423)	(2 975 459)
Change in receivables from securities bought with sell-back clause (loans and advances)	(46 852)	24 575
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(542 760)	1 517 302
Change in deposits from banks	(100 069)	85 181
Change in deposits from customers	545 007	2 560 774
Change in liabilities from securities sold with buy-back clause	0	3 309 312
Change in debt securities	29 793	(25 759)
Change in income tax settlements	171 815	83 564
Income tax paid	(71 806)	(66 429)
Change in other assets and liabilities	(138 674)	150 424
Other	(2 202)	7 269
<b>Net cash flows from operating activities</b>	<b>139 232</b>	<b>680 221</b>

## B. CASH FLOWS FROM INVESTING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2016 - 30.06.2016	1.01.2015 - 31.03.2015
Inflows from investing activities:	56 502 992	82 418 151
Proceeds from sale of property, plant and equipment and intangible assets	3 405	1 195
Proceeds from sale of shares in associates	0	0
Proceeds from sale of investment financial assets	56 453 630	82 383 780
Other investing inflows	45 957	33 176
Outflows from investing activities:	(58 779 610)	(81 953 552)
Acquisition of property, plant and equipment and intangible assets	(12 158)	(13 850)
Acquisition of shares in associates	0	0
Acquisition of investment financial assets	(58 767 452)	(81 939 702)
Other investing outflows	0	0
<b>Net cash flows from investing activities</b>	<b>(2 276 618)</b>	<b>464 599</b>

## C. CASH FLOWS FROM FINANCING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2016 - 30.06.2016	1.01.2015 - 31.03.2015
Inflows from financial activities:	220 826	1 040 406
Long-term bank loans	220 520	108 488
Issue of debt securities	306	931 918
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:	(59 936)	(880 300)
Repayment of long-term bank loans	(48 102)	(36 096)
Redemption of debt securities	0	(831 489)
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	(11 834)	(12 715)
<b>Net cash flows from financing activities</b>	<b>160 890</b>	<b>160 106</b>

D. NET CASH FLOWS. TOTAL (A + B + C)	(1 976 496)	1 304 926
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)	4 874 658	6 703 162

### 3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

As at 30 June 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 January 15th 2016 a presidential proposal of legislation aimed at supporting FX mortgage borrowers was put forward, however without an assessment of impact for the banking sector. According to estimations later announced by Polish Financial Supervision Authority, the overall direct costs for the Polish banking sector could reach PLN 66.9 billion. Currently there are ongoing works aimed at preparation of the new version of the Act. In these circumstances it is not possible to estimate the impact of this regulation on the banking sector, however announced legislative intentions on FX loans conversion, 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 - 30.06.2016	01.01.2015 - 31.12.2015
Balance at the beginning of the period	1 325 089	1 225 637
Change in value of provisions:	(45 407)	99 452
Write-offs in the period	283 373	592 269
Amounts written off	(12 907)	(63 899)
Reversal of write-offs in the period	(176 504)	(320 816)
Write-offs decrease due to sale of receivables	(143 352)	(118 773)
Changes resulting from FX rates differences	3 983	10 394
Other	0	277
<b>Balance at the end of the period</b>	<b>1 279 682</b>	<b>1 325 089</b>

## 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	1 227	0	1 745
- Write-offs released	(23)	0	(8 300)	0	(432)
- Utilisation	0	0	0	0	(925)
- Sale	0	0	(665)	0	0
- Other changes	(2)	0	0	0	0
Balance as at 30.06.2016	19	6 224	9 960	0	5 176

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 - 30.06.2016	01.01.2015 - 30.06.2015
Impairment losses on loans and advances to customers	(89 476)	(121 903)
- Impairment charges on loans and advances to customers	(283 373)	(312 073)
- Reversal of impairment charges on loans and advances to customers	176 513	189 298
- Amounts recovered from loans written off	11 629	1 120
- Result from sale of receivables portfolio	5 755	(248)
Impairment losses on investment securities	23	(33)
- Impairment write-offs for investment securities		(33)
- Reversal of impairment write-offs for investment securities	23	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	(4 952)	5 992
- Impairment write-offs for off-balance sheet liabilities	(8 423)	(4 869)
- Reversal of impairment write-offs for off-balance sheet liabilities	3 471	10 861
<b>Total</b>	<b>(94 405)</b>	<b>(117 329)</b>

## Creation, charge, utilisation and release of provisions

	01.01.2016 - 30.06.2016	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	8 423	5 052
Release of provision	(3 471)	(18 506)
FX rates differences	(85)	1
Balance at the end of the period	19 106	14 239
Provision for contentious claims		
Balance at the beginning of the period	16 028	67 331
Charge of provision	30 308	28 748
Release of provision	(922)	(2 516)
Utilisation of provision	(11 347)	(77 535)
Balance at the end of the period	34 067	16 028
<b>Total</b>	<b>53 173</b>	<b>30 267</b>

## Assets and provision from deferred income tax

	30.06.2016			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	3 261	0	3 261	4 802	0	4 802
Balance sheet valuation of financial instruments	382 013	(409 859)	(27 846)	461 964	(487 718)	(25 754)
Unrealised receivables/ liabilities on account of derivatives	22 971	(33 958)	(10 987)	27 570	(41 924)	(14 354)
Interest on deposits and securities to be paid/ received	30 101	(33 022)	(2 921)	38 468	(33 022)	5 446
Interest and discount on loans and receivables	0	(22 546)	(22 546)	0	(7 874)	(7 874)
Income and cost settled at effective interest rate	83 638	(10)	83 628	73 009	(34)	72 975
Provisions for loans presented as temporary differences	114 668	0	114 668	105 466	0	105 466
Employee benefits	12 638	0	12 638	13 723	0	13 723
Provisions for future costs	16 590	0	16 590	11 653	0	11 653
Valuation of investment assets, the valuation of cash flow hedge and actuarial gains (losses) recognized in the revaluation reserve	37 915	(6 647)	31 268	43 087	(47 322)	(4 235)
Other	2 858	(1 521)	1 336	2 968	(1 567)	1 401
<b>Net deferred income tax asset</b>	<b>706 653</b>	<b>(507 563)</b>	<b>199 090</b>	<b>782 710</b>	<b>(619 461)</b>	<b>163 249</b>

#### 4. STATEMENT OF RELATED PARTY TRANSACTIONS

All the transactions concluded between the Group entities in the period from 1 January to 30 June 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 MAKLESKI 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 30.06.2016

	With subsidiaries	With parent entity	With other entities of parent Group
<b>ASSETS</b>			
Loans and advances to banks - accounts and deposits	0	1 203	0
Loans and advances to customers	4 558 625	0	0
Investments in associates	225 000	0	0
Financial assets valued at fair value through profit and loss (held for trading)	283	0	0
Hedging derivatives	0	0	0
Other assets	173 710	0	0
<b>LIABILITIES</b>			
Deposits from banks	0	75 107	121 978
Deposits from customers	209 667	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities from debt securities	1 250	0	0
Hedging derivatives	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	0	0	0
Subordinated debt	664 206	0	0
Other liabilities	87 547	0	165
- including liabilities from financial leasing	75 553	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
<b>ASSETS</b>			
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
<b>LIABILITIES</b>			
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 1.01-30.06.2016

	With subsidiaries	With parent entity	With other entities of parent Group
<b>INCOME FROM:</b>			
Interest	41 766	(10)	0
Commissions	24 426	68	0
Financial instruments valued at fair value	281	0	0
Dividends	44 182	0	0
Other net operating income	1 656	0	0
<b>EXPENSE FROM:</b>			
Interest	11 284	420	(154)
Commissions	42	0	0
Financial instruments valued at fair value	0	1	0
Other net operating costs	0	31	0
General and administrative expenses	47 880	0	907

Profit and loss on transactions with related parties (data in '000 PLN) for the period of 1.01-30.06.2015

	With subsidiaries	With parent entity	With other entities of parent Group
<b>INCOME FROM:</b>			
Interest	38 367	16	0
Commissions	27 751	122	0
Financial instruments valued at fair value	962	0	0
Dividends	31 799	0	0
Other operating net	1 289	0	51
<b>EXPENSE FROM:</b>			
Interest	8 724	55	(51)
Commissions	35	0	0
Financial instruments valued at fair value	0	7	0
Other operating net	0	73	0
General and administrative expenses	47 381	0	394

Off-balance transactions with related parties (data in '000 PLN) as at 30.06.2016

	With subsidiaries	With parent entity	With other entities of parent Group
Conditional commitments	40 061	102 183	0
- granted	37 700	100 345	0
- received	2 361	1 838	0
Derivatives (par value)	84 086	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 6 months ended 30 June 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

30.06.2016	Balance sheet value	Fair value
Loans and advances to banks	2 298 522	2 298 126
Loans and advances to customers *	46 602 352	44 805 497

#### LIABILITIES

30.06.2016	Balance sheet value	Fair value
Amounts due to banks	1 538 246	1 540 578
Amounts due to customers	53 465 590	53 469 791
Debt securities	1 165 600	1 172 472
Subordinated debt	664 206	658 194

\* 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 30.06.2016

	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
<b>ASSETS</b>			
Financial assets valued at fair value through profit and loss (held for trading)			
- derivatives		254 996	27 217
- debt securities	164 128		
Hedging derivatives		16 756	
Financial assets available for sale			
- debt securities	12 004 080	1 000 000	67 245
- shares and other financial instruments			22 842
<b>LIABILITIES</b>			
Financial liabilities valued at fair value through profit and loss (held for trading)			
- derivatives and short sale of securities	2 215	283 518	27 617
Hedging derivatives		1 608 139	

Data in '000 PLN, as at 31.12.2015

	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
<b>ASSETS</b>			
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
<b>LIABILITIES</b>			
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 I half 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	(1 977)	2 170	(6 100)	(190 578)
Change of valuation recognized in equity	0	0	0	345
Change of valuation recognized in P&L account (including interests)	(11 802)	11 578	94	0
Balance on 30 June 2016	24 494	(24 894)	67 245	22 842

## 6. ADDITIONAL INFORMATION

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

During the six months ended 30 June 2016 the Bank's liabilities arising from debt securities grew by approx. PLN 30 million, which was caused mainly by the fact that during the reporting period the Bank issued 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 June 2016 and 31 December 2015, the structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	30.06.2016	31.12.2015
<b>Off-balance conditional commitments granted and received</b>	<b>8 136 314</b>	<b>7 923 821</b>
Commitments granted:	8 061 740	7 860 979
- financial	6 938 792	6 712 976
- guarantee	1 122 948	1 148 003
Commitments received:	74 574	62 842
- financial	51 575	3 963
- guarantee	22 999	58 879

Date	Name and surname	Position/Function	Signature
25.07.2016	Joao Bras Jorge	Chairman of the Management Board	
25.07.2016	Fernando Bicho	Deputy Chairman of the Management Board	
25.07.2016	Wojciech Haase	Member of the Management Board	
25.07.2016	Andrzej Gliński	Member of the Management Board	
25.07.2016	Maria Jose Campos	Member of the Management Board	
25.07.2016	Wojciech Rybak	Member of the Management Board	