REPORT OF THE BANK MILLENNIUM S.A. CAPITAL GROUP

FOR 1ST QUARTER 2017

MAIN CONSOLIDATED FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	Period from 1.01.2017 - 31.03.2017	Period from 1.01.2016 - 31.03.2016*	Period from 1.01.2017 - 31.03.2017	Period from 1.01.2016 - 31.03.2016*
Interest income	576 350	556 667	134 376	127 796
Fee and commission income	196 098	161 382	45 720	37 049
Operating income	638 331	557 846	148 826	128 067
Operating profit	248 684	222 976	57 980	51 189
Profit (loss) before income tax	201 454	190 687	46 969	43 777
Profit (loss) after taxes	140 498	137 185	32 757	31 494
Total comprehensive income of the period	202 325	206 535	47 172	47 415
Net cash flows from operating activities	299 045	(599 026)	69 722	(137 521)
Net cash flows from investing activities	(1 858 555)	(2 226 994)	(433 321)	(511 259)
Net cash flows from financing activities	(500 331)	219 649	(116 652)	50 426
Net cash flows, total	(2 059 841)	(2 606 371)	(480 250)	(598 354)
Total Assets	68 305 919	68 792 787	16 187 004	15 549 907
Liabilities to banks and other monetary institutions	1 405 179	1 270 745	332 997	287 239
Liabilities to customers	56 375 553	55 875 609	13 359 769	12 630 111
Equity	7 143 530	6 941 205	1 692 860	1 568 988
Share capital	1 213 117	1 213 117	287 482	274 213
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)	5.89	5.72	1.40	1.29
Diluted book value per share (in PLN/EUR)	5.89	5.72	1.40	1.29
Total Capital Ratio (TCR)	18.02%	17.40%	18.02%	17.40%
Earnings (losses) per ordinary share (in PLN/EUR)	0.12	0.11	0.03	0.03
Diluted earnings (losses) per ordinary share (in PLN/EUR)	0.12	0.11	0.03	0.03
Pledged or paid dividend per share (in PLN/EUR)	-	-	-	-

* - Comparative balance sheet data was presented, in compliance with IFRS requirements, as at 31.12.2016. Other comparative data is presented for the period from 1.01.2016 to 31.03.2016.

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: 4.2198 PLN/EUR - the exchange rate of 31 March 2017 (for comparative data as at 31 December 2016: 4.4240 PLN/EUR),
- for profit and loss account items for the period from 1 January – 31 March 2017: 4.2891 PLN/EUR, 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 – 31 March 2016: 4.3559 PLN/EUR).

INFORMATION ABOUT THE ACTIVITY OF BANK MILLENNIUM CAPITAL GROUP IN 1 QUARTER OF 2017

Summary of main financial and business highlights of 1Q 2017 results of Bank Millennium Group:

Net profit improved and cost efficiency within the target

- Net profit in 1Q 2017 at PLN 140.5 million (+6.9% q/q and 2.4% y/y)
- Net profit on like for like basis (*) grew by 30% y/y
- ROE at 8.1%
- Cost to Income at 46.7% - within 2017 strategic target

Excellent core income improvement

- Excellent core income growth: +15.7% y/y
- Net interest income up by 12.7% y/y
- Net commission remarkable growth of 23.6% y/y

Higher regulatory charges

- PLN 44 million yearly resolution fund fee booked in full in 1Q on top of PLN 13 million guarantee fund quarterly fee (both non tax-deductible)
- One month longer period of bank assets tax compared to 1Q 2016 (+ PLN 15 million cost)
- Negative combined impact on P&L of these items was PLN 53 million y/y

Stronger capital, comfortable liquidity and asset quality

- Consolidated TCR back at 18.0% and CET1 at 17.9% (**)
- Very strong liquidity kept: loan to deposits at low 83% level (***)
- Impaired loans ratio at low 4.5%; Cost of risk at 51 b.p. (****)

Retail business

- 1 523 ths. active customers with 136 ths. net growth during last 12 months
- Retail deposits crossed PLN 41 billion with strong growth (+13% y/y)
- Further acceleration of PLN mortgage quarterly sale: to PLN 427 million
- Cash loans quarterly sale rebound to PLN 558 million

Companies business

- Strong rebound in corporate lending: +5% q/q to PLN 14.5 billion
- Factoring quarterly turnover the best since 2015: PLN 3,757 million
- Strong leasing quarterly sale: PLN 690 million

Digitalization/Quality

- One million active users of electronic banking, of which over 600 thousand using mobile applications
- Best current account and 3rd highest quality of service by "Golden Banker" survey
- Bank Millennium leading in Net Promoter Score surveys

(*) Adjusted for ¾ of banking resolution fund payment and net off banking tax
(**) under CRR/CRD4 rules and partial IRB approach (with regulatory constraint)
(***) deposits include Bank's debt securities sold to individuals and repo transactions with customers
(****) total provisions created (net) to average net loans, per annum

Macroeconomic situation and factors influencing results in the next quarters

In 2016 Polish economy remained on the growth path, but the pace of growth has decelerated. Gross Domestic Product grew, in real terms, by 2.7% after growing by 3.8% in 2015, much slower as compared to the expectations from the beginning of 2016. Investment slump pushed GDP growth down while consumption accelerated fuelled by social spending as well as favourable labour market conditions. Investment decline was caused by delays in the utilization of the EU funds from new financial perspective and growing uncertainty regarding business environment (including taxes and regulatory environment). The Bank assesses that macroeconomic data show no sign of the build-up of macroeconomic imbalances.

It seems that the economy has passed the turning point at the end of 2016 and the growth is likely to accelerate. In 4Q 2016 GDP growth equalled to 2.5% y/y as compared with 2.4% y/y in 3Q. The growth totalled 1.6% quarter-on-quarter and was the highest since 2007. In 1Q 2017 growth has probably accelerated further and the Bank estimates it at 3.3% y/y as investment decline eased and the consumption accelerated further.

In March 2017 registered unemployment rate aligned its record low value from October 2016 and was equal 8.2%. The annual unemployment rate decline unexpectedly accelerated at the beginning of this year and the registered rate was by 1.7 percentage points lower than in the corresponding period of last year. Seasonally adjusted unemployment rate estimated at 7.7% in March was the lowest on record. Unemployment rate based on the Labour Force Study (BAEL) has also reached a new record low at 5.5% in the fourth quarter of 2016. The number of job offers registered in the labour offices keeps growing (by 19.2% y/y in March), while the record low number of unemployed per one job offer bears growing problems with finding suitable employees. It may translate into intensifying wage pressure, especially in some specific industries. The wage growth accelerates, but remains moderate and in March average earnings in the enterprise sector increased by 5.2% y/y.

After a 28-month long deflation period, that ended in November 2016, the CPI inflation has accelerated significantly reaching 2.2% y/y in February and declined to 2.0% y/y in March. The acceleration of inflation observed at the turn of the year was a consequence of growing commodities prices and statistical base effects as well as temporary increase of the price of imported vegetables caused by the harsh winter in the Mediterranean.

As the current and expected inflation was running below the NBP target (2.5%), the MPC kept loose monetary policy stance. The reference rate is record-low and currently stands at 1.50%. In the Bank's assessment the NBP official interest rates will remain at current levels in the nearest future.

Leading indicators suggest future improvement of business sentiment. Manufacturing PMI at 53.5 highlighted a solid improvement in the health of the Polish manufacturing sector. The latest reading rounded off the best quarter of growth (average: 54.2) in two years. Consumer confidence is currently the highest on record. The Bank assesses that in 2017 the economic growth might accelerate to 3.4%. The structure of the growth may improve as an build-up of public investment is expected. Private consumption will still be the main engine of the growth, with additional support in the first half of the year from the social programme Rodzina 500+. After a solid acceleration at the beginning of the year, the CPI inflation is expected to stabilize below the NBP target of 2.5% suggesting no need to adjust NBP interest rates.

According to estimates based on NBP data, total deposits in the banking sector declined by PLN 11 billion during the first quarter, as households' deposits increased by 8.5 billion PLN and corporate deposits recorded a significant, but partially seasonal decrease of 19.5 billion PLN. Corporate deposits in March were by 5.2% higher than in the corresponding period of the previous year. Households' deposits increased by 7.9% y/y, despite record low interest rates, confirming improved income situation of households.

Total credit in March was by 5.2% higher than in the corresponding period of last year. Credit to households grew at the stable pace that equalled to 4.4% y/y in March. Corporate credit dynamics improved during the quarter, when it grew by PLN 10 billion, and reached yearly dynamics of 6.4% y/y in March.

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

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

- On January 13th 2017 Financial Stability Committee (KSF) in Poland released set of recommendations regarding restructuring of FX mortgage loans. The proposed supervisory instruments aimed to support banks and borrowers in the direction of taking decisions on restructuring include, among other: to increase risk weight for FX mortgage exposures, to increase the minimum value of LGD parameter for FX mortgages, to allow utilize Mortgage Borrowers Support Fund for supporting voluntary restructuring of loans, to update BION/SREP methodology in order to assign appropriate level of capital surcharge to further risk factors connected with FX mortgage loans (operational, market and risk of a collective default of the borrowers) and to supplement currently used Pillar 2 additional capital buffers with these risk factors. KSF suggested also that KNF should issue a recommendation regarding good practices of restructuring FX mortgage loans. Finally KSF suggests, that BFG should take risks connected with FX mortgage loans into consideration in the method of determining fees for the Banking Guarantee Fund. It is not possible with the available information to analyse the impacts of these recommendations, but implementation of part or all recommendations may have influence on the results and capital ratios of the banks, including Bank Millennium, although it is possible that there will be some offsetting effects.

- Possible recovery in corporate investments, especially in the second half of the year, thanks to expected increase in utilization of the EU funds, might support growth of investment loans. However, because of good financial results and high liquidity of Polish companies, demand for financing from corporate sector might remain moderate.

- Further improvement in labour market and growing households' income, partially because of programme Rodzina 500+ (Family 500+), should support demand for households credit and quality of loans portfolio.

- Increased uncertainty over consequences of Brexit, policy of the new U.S. President D. Trump and elections in Europe might undermine outlook for the global economy, triggering volatility in the financial markets and reducing scope for economic recovery in Poland.

- Potential increase of yields of Polish bonds driven by higher borrowing needs, global sentiment and possible rate hikes in interest rates in Poland in 2018 year.

Bank Millennium Group profit and loss account after 1st quarter 2017

Bank Millennium Group consolidated net profit in 1Q 2017 amounted to PLN 140.5 million and was higher by 2.4% than in 1Q 2016 (and 6.9% higher than net profit of 4Q 2016). The result would be even better if not higher regulatory charges: PLN 44 million yearly resolution fund fee booked in full in 1Q (tax not-deductible) and PLN 15 million higher new banking tax charge (in 1Q 2016 it was charged for 2 months only). Despite that, strong core income, both from interest and commission, with stable operating costs and provisions, more than off-set negative impact of obligatory charges and allowed cost-to-income ratio to go below 47%, as was targeted in the mid-term strategy of the Bank.

Detailed evolution of main Profit and Loss items is presented below.

Operating Income (PLN million)	1Q 2017	1Q 2016	Change y/y
Net Interest Income *	411.2	364.8	12.7%
Net Commission Income	166.1	134.4	23.6%
Core Income**	577.3	499.1	15.7%
Other Non-Interest Income*, ***	1.7	40.0	-95.8%
Total Operating Income	**579.0**	**539.1**	**7.4%**

(*) *Pro-forma data: Net Interest Income includes margin from all derivatives. From 1st January 2006 the Bank started to apply hedge accounting principles. Starting from that date the margin from these operations is reflected in Net Interest Income since afore-mentioned change. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides pro-forma data, which presents all margin from derivatives in Net Interest Income caption, whereas in accounting terms part of this margin (PLN 17.7 million in 1Q 2017 and PLN 13.6 million in 1Q 2016) is presented in Other Non-Interest Income. In the Bank's opinion, such approach allows better understanding of the real evolution of this item from economic point of view.*

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

(***) *Includes FX results, Results on Financial Operations and net other operating income and costs (including BFG resolution fund fee).*

Net Interest Income (pro-forma) in 1 quarter 2017 reached PLN 411.2 million and increased by 12.7% versus the corresponding period of the previous year. This continues a stable quarterly growth since 2Q 2015, when interest income reached the bottom after previous interest rate cuts in Poland. Net Interest Margin (over average interest earning assets) in 1Q'17 was at 2.47% versus 2.28% a year ago. Average cost of deposits fell by 26 bps during one year to reach 1.15% in 1Q'17.

Net Commission Income in 1 quarter 2017 amounted to PLN 166.1 million, which means a strong increase of 23.6% year-on-year. Insurance and investment products related fees were the main drivers of the growth, as they came back to the levels registered in 2015 year.

Core Income, defined as a combination of net interest and commission income, reached the amount of PLN 577.3 million in 1 quarter 2017, which means a remarkable increase of 15.7% yearly. **Other non-interest income** (pro-forma) amounted to PLN 1.7 million in 1 quarter 2017 and was much lower than year ago due to PLN 43.9 million full yearly BFG resolution fund fee (value booked based on estimation; information on final value will be provided by BFG in 2Q).

Total operating income of the Group reached PLN 579.0 million in 1 quarter 2017 and increased by 7.4% year-on-year.

Operating Costs *(PLN million)*	1Q 2017	1Q 2016	Change y/y
Personnel Costs	(145.1)	(138.8)	*4.5%*
Other Administrative Costs*	(125.5)	(133.0)	*-5.6%*
Total Operating Costs	(270.5)	(271.8)	*-0.5%*
Cost/Income Ratio	46.7%	50.4%	*-3.7 p.p.*

(*) including depreciation

Total costs in 1 quarter 2017 fell by 0.5% yearly and amounted to PLN 270.5 million. **Personnel costs** in 1 quarter 2017 amounted to PLN 145.1 million and increased by 4.5% compared to the corresponding period of the previous year, indicating growing wage inflation in Poland. Total number of employees was slightly lower, by 23 employees, compared to the end of March 2016, and reached for the Group the level of 5,854 persons (in Full Time Equivalents).

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

Employment structure (in FTEs)	31.03.2017	31.12.2016	Change q/q	31.03.2016	Change y/y
Bank Millennium S.A.	5 506	5 497	0,2%	5 534	-0,5%
Subsidiaries	348	347	0,4%	344	1,1%
Total Bank Millennium Group	**5 854**	**5 844**	0,2%	**5 877**	-0,4%

Other administrative costs (including depreciation) in 1 quarter 2017 amounted to PLN 125.5 million and presented the decrease by 5.6% year-on-year. The decrease was driven mainly by lower property related costs (number of branches fell by 41 to 365 at the end of March 2017).

Cost-to-Income ratio improved strongly during 12 months from 50.4% to 46.7% in 1 quarter 2017. It is already within 45-47% range targeted for 2017, as presented in the Bank’s medium term strategy.

Net Profit *(PLN million)*	1Q 2017	1Q 2016	Change y/y
Operating Income	579.0	539.1	*7.4%*
Operating Costs	(270.5)	(271.8)	*-0.5%*
Impairment provisions	(59.7)	(44.3)	*34.7%*
Banking tax	(47.2)	(32.3)	*46.3%*
Pre-tax Profit *	201.5	190.7	*5.6%*
Income tax	(61.0)	(53.5)	*13.9%*
Net Profit	**140.5**	**137.2**	***2.4%***
Comparable net income	*220.7*	*169.5*	*30.2%*

(*) includes share in profits of associates
(**) adjusted in 1Q’17 for ¾ of banking resolution fund payment and net off banking tax

Total net impairment provisions created by the Group in 1 quarter 2017 amounted to PLN 59.7 million and were higher compared to 1Q 2016 but lower than the level of 4Q 2016. Variation of impairment provisions registered in corporate segment and other (from PLN 3.4 million to PLN 20.6 million) was due to the very low level booked in 1Q'16 influenced by sale of NPLs and extraordinary recoveries, while level of provisions in retail was similar as year ago (PLN 39.1 million versus 40.9 million). In relative terms, cost of risk (i.e. net provisions created to the average net loans) reached 51 bps. which is within expected range for entire 2017 year.

Pre-income tax profit in 1 quarter 2017 amounted to PLN 201.5 million, which was 5.6% higher compared to the level of the corresponding period of the previous year. Income tax charge grew by 13.9% yearly, as new items became non tax-deductible (e.g. BFG deposit guarantee fund fee). **Net Profit** for 1Q 2017 amounted to PLN 140.5 million and was 2.4% higher than an year ago. Excluding negative impact of the banking tax, net profit of the Group would have grown by 10.8% year-on-year and if adjusting also for 75% of yearly BFG resolution fund fee, the profit would have grown by 30% yearly.

Business results after 1st quarter 2017

Total assets of the Group reached PLN 68,306 million as at 31 March 2017, which means an increase by 4.6% compared to the end of March 2016.

Total **customer funds** of Bank Millennium Group reached PLN 64,126 million showing the growth of 9.1% vs. the end of March 2016. Customer deposits grew by 8.4% yearly and non-deposit investment products grew by 15% yearly (of which 7.4% in 1Q'17).

Customer Funds *(PLN million)*	31.03.2017	31.12.2016	Change q/q	31.03.2016	Change y/y
Deposits of individuals	41 008.9	39 681.7	3.3%	36 229.4	13.2%
Deposits of Companies and public sector	15 366.6	16 193.9	-5.1%	15 780.5	-2.6%
Total Deposits	56 375.6	55 875.6	0.9%	52 010.0	8.4%
Investment products *	7 750.3	7 216.9	7.4%	6 741.3	15.0%
Total Customer Funds	64 125.9	63 092.5	1.6%	58 751.3	9.1%

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

As indicated in the strategy, households deposits remain the main driver of overall deposits' growth. They increased strongly by 13.2% yearly to the level of over PLN 41 billion. The internal structure of retail deposits change towards higher share of saving and current accounts. Significant growth of retail deposits was supported by continued increase of new customers: total number of active retail customers grew by 136 ths in the last 12 months to over 1.5 million. Strong growth of retail deposits allowed for decrease of companies and public sector deposits. They fell by 2.6% yearly to the level of PLN 15.4 billion at the end of March 2017. This move was positive from deposit margin evolution point of view.

Non-deposit savings and other investment products sold to Group's retail customers reached PLN 7,750 million as at the end of March 2017 and grew by 15% yearly reflecting strong rebound of capital markets, especially in Poland, after weak performance in the first half of 2016 year.

Loans and advances to Clients *(PLN million, net values)*	31.03.2017	31.12.2016	Change q/q	31.03.2016	Change y/y
Loans to households	32 523.9	33 241.6	*-2.2%*	32 647.7	*-0.4%*
- mortgage loans	26 688.2	27 492.0	*-2.9%*	27 290.1	*-2.2%*
- other loans to households	5 835.7	5 749.6	*1.5%*	5 357.7	*8.9%*
Loans to companies and public sector	14 468.6	13 778.4	*5.0%*	13 437.5	*7.7%*
- leasing	5 181.7	5 132.4	*1.0%*	4 733.5	*9.5%*
- other loans to businesses	9 286.8	8 646.0	*7.4%*	8 704.0	*6.7%*
Total Loans & Advances to Clients	46 992.4	47 020.0	*-0.1%*	46 085.2	*2.0%*

Total net **loans** of Bank Millennium Group reached PLN 46,992 million as at the end of March 2017, which means an increase of 2% yearly.

Loans for individuals amounted to PLN 32,524 million (net) falling by 0.4% yearly. Mortgage loans dropped by 2.2% yearly to the net balance of PLN 26,688 million, of which PLN mortgage loans increased by 4.7% while FX mortgages fell 5.4% (in gross terms). As a consequence, share of FX mortgage loans in entire portfolio fell again to the level of 35.5% (in gross loans terms) as at the end of March 2017. New mortgage loans sale accelerated strongly in 1Q and reached PLN 427 million (+86% versus 1Q 2016 and more than double versus 4Q 2016).

Non-mortgage retail loans continued growing trend and increased by 8.9% year-on-year to the level of PLN 5,836 million as at the end of March 2017. Cash loan is the main product among non-mortgage loans and its total balance reached PLN 4,563 million with yearly growth of 10.4% (in gross terms). Sale of cash loans during 1 quarter 2017 reached PLN 558 million, which was 10% lower versus 1Q'16 but already higher by 15% versus the previous quarter.

Loans to companies (including leasing) amounted to PLN 14,469 million as at 31 March 2017, growing by 7.7% yearly. Growth by 5% in the last quarter may be the first sign of an expected acceleration of companies loans in entire 2017 year. Leasing exposure grew by 9.5% year-on-year reaching PLN 5,182 million. Also new sale of leasing during 1Q'17 reached remarkable amount of PLN 690 million, while factoring quarterly turnover was the best since 2015 year and reached PLN 3,757 million.

Liquidity, asset quality and solvency

Bank Millennium Group continues to improve its strong liquidity position: loan-to-deposit ratio fell from 88% year ago to 83% level at the end of March 2017. Liquid treasury bonds and NBP bills portfolio constituted 25% of total assets of the Group.

The Group keeps one of the best asset quality among Polish banks with stable impaired loans ratio at 4.5% and loans past-due more than 90 days in total portfolio at 2.7% level in March 2017. Coverage ratio of impaired loans by total provisions increased slightly during the year from 64% to 65% and the coverage of loans past-due more than 90 days stood at 107% as at the end of March 2017.

Mortgage loans impaired ratio reached 2.55% level while loans past-due more than 90 days ratio stood at 1.18% level as at the end of March 2017.

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

Total portfolio quality indicators	31.03.2017	31.12.2016	31.03.2016
Total impaired loans (PLN million)	2 180	2 179	2 123
Total provisions (PLN million)	1 410	1 365	1 363
Impaired over total loans ratio (%)	4.5%	4.5%	4.5%
Loans past-due over 90 days /total loans (%)	2.7%	2.6%	2.6%
Total provisions/impaired loans (%)	65%	63%	64%
Total provisions/loans past-due (>90d) (%)	107%	107%	111%

Capital position of the Bank and the Group strengthened remarkably both in yearly and quarterly horizon. One of the reasons was a decision of keeping entire 2016 net profit in equity, as decided by the Annual General Meeting on March 31st. Consolidated equity increased by 7.4% yearly to the level of PLN 7,144 million.

Capital ratios on consolidated level grew to the level of 18.0% (TCR) and 17.9% (CET1), while capital ratios on unconsolidated level grew to 17.8% (TCR) and 17.6% (CET1).

Thus, capital ratios remain comfortably above the minimum levels, expected by a local regulator (KNF), which are at the level of 16.6% for TCR and 12.8% for CET1 ratio.

Main solvency and liquidity indicators	31.03.2017	31.12.2016	31.03.2016
Consolidated equity (PLN million)	7 144	6 941	6 650
Consolidated regulatory capital (PLN million)	6 704	6 391	6 340
Consolidated capital requirement (PLN million):	2 976	2 938	2 951
- Credit risk	2 649	2 636	2 642
- Market risk	34	23	30
- Operating risk	293	279	279
Risk Weighted Assets for the Group (PLN million)	37 197	36 731	36 889
Total Capital Ratio* (%, the Group)	18.0%	17.4%	17.2%
Total Capital Ratio* (%, the Bank)	17.8%	17.3%	17.0%
Common Equity Tier 1 ratio* (%, the Group)	17.9%	17.3%	16.8%
Common Equity Tier 1 ratio* (%, the Bank)	17.7%	17.2%	16.6%
Liquidity coverage ratio – the Group (LCR)	152%	124%	97%
Loans to Deposits ratio – the Group (%)**	82.8%	83.7%	88.4%

(*) Calculated according to CRR/CRD4, with partial IRB approach (on mortgage and revolving retail loans) but under regulatory constraint (70% of standard method)
(**) Deposits include Group's debt securities sold to individuals and repo transactions with customers

Share price main indicators and ratings

During 1st quarter of 2017 Bank Millennium shares grew strongly by 24%, while banking index and main index WIG increased only by 12%. In yearly comparison Bank Millennium shares grew by 11%, banking index by 8% and main WIG index by 18%.

Average daily turnover of Bank Millennium shares grew by 4% in 1Q 2017 compared to the corresponding period one year ago.

Market ratios	31.03.2017	30.12.2016*	Change (%) YTD	31.03.2016	Change (%) Yearly
Number of shares of the Bank (in ths.)	1 213 117	1 213 117	0.0%	1 213 117	0.0%
Daily trading (PLN ths. avg. ytd)	6 374	-	-	6 150	3,6%
The Bank's share price (PLN)	6,45	5,19	24,3%	5,83	10,6%
Market cap. (PLN million)	7 825	6 296	24,3%	7 072	10,6%
WIG - main index	57 911	51 754	11,9%	49 017	18,1%
WIG Banks	6 992	6 263	11,6%	6 499	7,6%
WIG30	2 516	2 243	12,2%	2 219	13,4%

(*) last day of quotation in 2016

During the 1st quarter of 2017 there were no changes in Bank Millennium ratings.

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

(*) Baseline Credit Assessment (BCA) - Moody's indicator of issuers' standalone intrinsic strength (no outlook assigned).

CONTENTS

I. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2017

CONTENTS

1. GENERAL INFORMATION ON THE ISSUER

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

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

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

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

Supervisory Board and Management Board of Bank Millennium S.A. as at 31 March 2017

Composition of the Supervisory Board as at 31 March 2017 was as follows:

- Bogusław Kott - Chairman of the Supervisory Board,
- Nuno Manuel da Silva Amado – Deputy Chairman of the Supervisory Board,
- Dariusz Rosati – Deputy Chairman and Secretary of the Supervisory Board,
- Julianna Boniuk-Gorzelańczyk – Member of the Supervisory Board,
- Miguel de Campos Pereira de Bragança – Member of the Supervisory Board,
- Agnieszka Hryniewicz-Bieniek – Member of the Supervisory Board,
- Anna Jakubowski – Member of the Supervisory Board,
- Grzegorz Jędrys – Member of the Supervisory Board,
- 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.

On March 31, 2017, Mr. David Harris Klingensmith tendered his resignation from the function of Member of the Supervisory Board of the Bank, effective as of above date.

Composition of the Management Board as at 31 March 2017 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.

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 31 March 2017 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.	rental and management of real estate, insurance and brokers activity	Warsaw	100	100	full consolidation
MILLENNIUM GOODIE Sp. z o.o.	web portals activity	Warsaw	100	100	full consolidation
MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o.	financial operations - equity markets, advisory services	Warsaw	100	100	full consolidation
LUBUSKIE FABRYKI MEBLI S.A. in liquidation	furniture manufacturer	Świebodzin	50 (+1 share)	50 (+1 share)	equity method valuation (*)
BG LEASING S.A. in bankruptcy	leasing services	Gdańsk	74	74	historical cost (*)

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

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 2016.

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 2016, with consideration of the specific requirements of IAS 34.

The amendment to the Banking Guarantee Fund (BFG) Act introduced in 2016 changed the cycle of calculation and payment of BFG contributions to resolution fund (former prudential fee) from quarterly to yearly (as regards contribution to guarantee fund quarterly cycle of calculation has been maintained). In addition, the methodology for calculating of both contributions has been altered, the final amounts of fees in 2017 are calculated and reported to each bank by BFG. As a consequence, according to requirements of IFRIC 21, the Bank recognized on a one-off basis costs of the resolution fee (based on estimations), at the moment of recognition obligation to pay the contribution i.e. at the 1st January 2017 (the final value of the contribution should be provided by the BFG to the Bank until 1st May and then a possible adjustment of the costs recognized so far on estimation basis will be made).

Table below presents BFG costs recorded in IQ 2017 and comparative period (data in PLN million)

	I quarter 2017	I quarter 2016
Contribution for guarantee fund	13.2	15.3
Contribution for resolution fund (former prudential fee)	43.9	7.3

It should be added that from tax calculations point of view both contributions in 2017 are not tax-deductible whereas in previous year contribution for guarantee fund used to be tax-deductible.

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 31 March 2017.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2017 to 31 March 2017:

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

The Management Board approved these condensed consolidated interim financial statements on 24th April 2017.

IFRS 9: „Financial instruments"

On 24th July 2014 the International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard – IFRS 9: „Financial instruments" effective for annual periods beginning on or after 1st January 2018, which replaces the existing International Accounting Standard 39 „Financial instruments: recognition and measurement". The European Commission adopted the Standard as published by the IASB on 24th July 2014 in the Resolution No. 2016/2067 issued on 22nd November 2016.

IFRS 9 introduces a new standard in the impairment process. New model is based on the concept of „expected credit losses", estimated with the use of predictions and introduces modifications regarding the rules of classification and measurement of financial instruments (particularly of financial assets) as well as a new approach towards hedge accounting.

In March 2016 the Group launched an IFRS 9 implementation project which actively engages various the Group's organizational units responsible for accounting, financial reporting and risk management as well as business and IT departments and external consultants.

Work on the project has been planned in two stages:

- gap analysis - Phase I
- Implementation of the concept of IFRS 9 Group - Phase II.

The Group is currently designing and testing necessary solutions regarding the implementation of IFRS 9, based on the gap analysis and defined key methodological assumptions. The Group intends to complete design works in the II quarter 2017.

For more details regarding IFRS9 implementation process please refer to information enclosed in 2016 Annual Financial Statements.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Interest income	1	576 350	556 667
Interest expense	2	(182 862)	(205 531)
Net interest income		393 488	**351 136**
Fee and commission income	3	196 098	161 382
Fee and commission expense	4	(29 981)	(27 030)
Net fee and commission income		166 117	**134 352**
Dividend income		285	0
Result on investment financial assets	5	332	17 097
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	5	52 651	44 215
Other operating income		25 458	11 046
Operating income		**638 331**	**557 846**
General and administrative expenses	6	(257 422)	(258 360)
Impairment losses on financial assets	7	(59 501)	(43 357)
Impairment losses on non-financial assets		(230)	(971)
Depreciation and amortization		(13 119)	(13 467)
Other operating expenses		(59 375)	(18 715)
Operating expenses		**(389 647)**	**(334 870)**
Operating profit		**248 684**	**222 976**
Share of profit of associates		0	0
Banking tax		(47 230)	(32 289)
Profit / (loss) before income tax		**201 454**	**190 687**
Corporate income tax	8	(60 956)	(53 502)
Profit / (loss) after taxes		**140 498**	**137 185**
Attributable to:			
Owners of the parent		140 498	137 185
Non-controlling interests		0	0
Weighted average number of ordinary shares		1 213 116 777	1 213 116 777
Earnings (losses) per ordinary share (in PLN)		0.12	0.11

CONSOLIDATED TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Profit / (loss) after taxes	140 498	137 185
Other elements of total comprehensive income that will be subsequently reclassified to profit or loss	76 330	85 617
Effect of valuation of available for sale debt securities	39 323	22 855
Effect of valuation of available for sale shares	1 864	368
Hedge accounting	35 143	62 394
Other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	0	0
Actuarial gains (losses)	0	0
Other elements of total comprehensive income before taxes	**76 330**	85 617
Corporate income tax on other elements of total comprehensive income that will be subsequently reclassified to profit or loss	(14 503)	(16 267)
Corporate income tax on other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	0	0
Other elements of total comprehensive income after taxes	**61 827**	69 350
Total comprehensive income for the period	**202 325**	206 535
Attributable to:		
Owners of the parent	202 325	206 535
Non-controlling interests	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	31.03.2017	31.12.2016
Cash, balances with the Central Bank		1 828 486	1 778 768
Deposits, loans and advances to banks and other monetary institutions	9	968 741	1 267 811
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	10	664 478	564 574
Hedging derivatives	11	201 111	17 934
Loans and advances to customers	12	46 992 403	47 020 043
Investment financial assets	13	16 594 550	17 135 347
- available for sale		16 594 550	17 135 347
- held to maturity		0	0
Investments in associates		0	0
Receivables from securities bought with sell-back clause (loans and advances)		128 263	90 520
Property, plant and equipment		160 449	164 070
Intangible assets		60 267	62 315
Non-current assets held for sale		11 059	10 937
Receivables from Tax Office resulting from current tax		4 104	5 381
Deferred tax assets	15	276 066	273 767
Other assets		415 942	401 320
Total Assets		**68 305 919**	**68 792 787**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	31.03.2017	31.12.2016
LIABILITIES			
Liabilities to banks and other monetary institutions	16	1 405 179	1 270 745
Financial liabilities valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	10	250 869	339 015
Hedging derivatives	11	518 866	1 149 654
Liabilities to customers	17	56 375 553	55 875 609
Liabilities from securities sold with buy-back clause		0	0
Debt securities	18	821 786	1 313 836
Provisions	19	46 574	49 415
Deferred income tax liabilities	15	0	0
Current tax liabilities		28 773	20 642
Other liabilities		1 078 548	1 168 662
Subordinated debt		636 241	664 004
LIABILITIES		61 162 389	61 851 582
EQUITY			
Share capital		1 213 117	1 213 117
Share premium		1 147 502	1 147 502
Revaluation reserve		(123 135)	(184 962)
Retained earnings		4 906 046	4 765 548
Total Equity		7 143 530	6 941 205
Total equity attributable to owners of the parent		7 143 530	6 941 205
Non-controlling interests		0	0
Total Liabilities and Equity		**68 305 919**	**68 792 787**
Book value		7 143 530	6 941 205
Number of shares		1 213 116 777	1 213 116 777
Book value per share (in PLN)		5.89	5.72

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

01.01.2017 - 31.03.2017 *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	6 941 205	1 213 117	1 147 502	(184 962)	851 770	3 913 778
Total comprehensive income for 1quarter 2017 (net)	202 325	0	0	61 827	140 498	0
net profit/ (loss) of the period	140 498	0	0	0	140 498	0
valuation of available for sale debt securities	31 851	0	0	31 851	0	0
valuation of available for sale shares	1 510	0	0	1 510	0	0
hedge accounting	28 466	0	0	28 466	0	0
Transfer between items of reserves	0	0	0	0	(669 786)	669 786
Equity at the end of the period	**7 143 530**	**1 213 117**	**1 147 502**	**(123 135)**	**322 482**	**4 583 564**

01.01.2016 - 31.12.2016 *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 2016 (net)	498 040	0	0	(203 212)	701 252	0
net profit/ (loss) of the period	701 252	0	0	0	701 252	0
valuation of available for sale debt securities	(68 982)	0	0	(68 982)	0	0
valuation of available for sale shares	(171 270)	0	0	(171 270)	0	0
hedge accounting	35 866	0	0	35 866	0	0
actuarial gains (losses)	1 174	0	0	1 174	0	0
Transfer between items of reserves	0	0	0	0	(529 411)	529 411
Equity at the end of the period	**6 941 205**	**1 213 117**	**1 147 502**	**(184 962)**	**851 770**	**3 913 778**

01.01.2016 - 31.03.2016 *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 1quarter 2016 (net)	206 535	0	0	69 350	137 185	0
net profit/ (loss) of the period	137 185	0	0	0	137 185	0
valuation of available for sale debt securities	18 513	0	0	18 513	0	0
valuation of available for sale shares	298	0	0	298	0	0
hedge accounting	50 539	0	0	50 539	0	0
Transfer between items of reserves	0	0	0	0	(814 411)	814 411
Equity at the end of the period	**6 649 700**	**1 213 117**	**1 147 502**	**87 600**	**2 703**	**4 198 778**

CONSOLIDATED CASH FLOWS

A. Cash flows from operating activities

Amount '000 PLN	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Profit (loss) after taxes	140 498	137 185
Total adjustments:	158 547	(736 211)
Non-controlling interests profit (loss)	0	0
Interests in net income (loss) of associated companies	0	0
Depreciation and amortization	13 119	13 467
Foreign exchange (gains)/ losses	(71 120)	(8 117)
Dividends	(285)	0
Changes in provisions	(2 841)	10 357
Result on sale and liquidation of investing activity assets	(8 104)	(18 749)
Change in financial assets valued at fair value through profit and loss (held for trading)	(228 191)	70 632
Change in loans and advances to banks	612 122	456 740
Change in loans and advances to customers	27 522	286 452
Change in receivables from securities bought with sell-back clause (loans and advances)	(37 743)	(216 140)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(718 934)	(327 927)
Change in deposits from banks	175 311	(166 464)
Change in deposits from customers	499 944	(800 404)
Change in liabilities from securities sold with buy-back clause	0	0
Change in debt securities	7 803	144 987
Change in income tax settlements	65 869	58 916
Income tax paid	(67 893)	(48 107)
Change in other assets and liabilities	(111 576)	(186 383)
Other	3 544	(5 471)
Net cash flows from operating activities	**299 045**	**(599 026)**

B. Cash flows from investing activities

Amount '000 PLN	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Inflows from investing activities:	9 361	2 386
Proceeds from sale of property. plant and equipment and intangible assets	9 076	2 386
Proceeds from sale of shares in associates	0	0
Change in value of investment financial assets due to purchase/sale	0	0
Other inflows from investing activities	285	0
Outflows from investing activities:	(1 867 916)	(2 229 380)
Acquisition of property, plant and equipment and intangible assets	(7 873)	(2 780)
Acquisition of shares in associates	0	0
Change in value of investment financial assets due to purchase/sale	(1 860 043)	(2 226 600)
Other outflows from investing activities	0	0
Net cash flows from investing activities	**(1 858 555)**	**(2 226 994)**

C. Cash flows from financing activities

Amount '000 PLN	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Inflows from financing activities:	0	220 520
Long-term bank loans	0	220 520
Issue of debt securities	0	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(500 331)	(871)
Repayment of long-term bank loans	0	0
Redemption of debt securities	(499 853)	(147)
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	(478)	(724)
Net cash flows from financing activities	**(500 331)**	**219 649**

D. Net cash flows. Total (A + B + C)	**(2 059 841)**	**(2 606 371)**
E. Cash and cash equivalents at the beginning of the reporting period	**5 381 982**	**6 851 154**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**3 322 141**	**4 244 783**

4. NOTES TO CONSOLIDATED FINANCIAL DATA

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

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Balances with the Central Bank	6 492	6 337
Deposits, loans and advances to banks	151	113
Loans and advances to customers	406 659	400 034
Transactions with repurchase agreement	1 895	1 761
Hedging derivatives	77 787	85 751
Financial assets held for trading (debt securities)	2 077	1 568
Investment securities	81 289	61 103
Total	576 350	556 667

Interest income for 1 quarter 2017 includes interest accrued on loans with recognized impairment of PLN 12,926 thousand (for the comparative data for 1 quarters 2016, such interest was PLN 12,365 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:

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Banking deposits	(4 440)	(4 245)
Loans and advances from banks and other monetary institutions	(1 953)	(2 707)
Transactions with repurchase agreement	(4 225)	(3 133)
Deposits from customers	(160 720)	(184 153)
Subordinated debt	(2 958)	(3 441)
Debt securities	(8 467)	(7 721)
Other	(99)	(131)
Total	(182 862)	(205 531)

Note (3) Fee and commission income

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Resulting from accounts service	19 682	19 973
Resulting from money transfers. cash payments and withdrawals and other payment transactions	13 952	12 558
Resulting from loans granted	38 715	35 420
Resulting from guarantees and sureties granted	3 640	3 748
Resulting from payment and credit cards	38 042	34 377
Resulting from sale of insurance products	24 736	11 666
Resulting from distribution of investment funds units and other savings products	23 562	14 266
Resulting from brokerage and custody service	5 847	4 387
Resulting from investment funds managed by the Group	21 030	19 587
Other	6 892	5 400
Total	196 098	161 382

Note (4) Fee and commission expense

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Resulting from accounts service	(328)	(269)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(680)	(495)
Resulting from loans granted	(4 081)	(4 394)
Resulting from payment and credit cards	(17 380)	(15 775)
Resulting from brokerage and custody service	(1 054)	(814)
Resulting from investment funds managed by the Group	(2 238)	(2 153)
Other	(4 220)	(3 130)
Total	(29 981)	(27 030)

Note (5a) Result on investment financial assets

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Operations on debt instruments	331	17 097
Operations on equity instruments	1	0
Total	332	17 097

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

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Operations on securities	159	3 364
Operations on derivatives	12 669	8 346
Fair value hedge accounting operations including:	0	(44)
- result from hedging derivatives	0	750
- result from items subjected to hedging	0	(794)
Foreign exchange result	40 068	32 863
Costs of financial operations	(245)	(314)
Total	**52 651**	**44 215**

Note (6) General and administrative expenses

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Staff costs:	(145 054)	(138 836)
Salaries	(118 542)	(114 333)
Surcharges on pay	(21 343)	(20 424)
Employee benefits, including:	(5 169)	(4 079)
- provisions for retirement benefits	(480)	68
- provisions for unused employee holiday	(6)	0
- other	(4 683)	(4 147)
General administrative costs:	(112 368)	(119 524)
Costs of advertising, promotion and representation	(6 089)	(8 328)
IT and communications costs	(18 972)	(18 217)
Costs of renting	(40 960)	(44 493)
Costs of buildings maintenance, equipment and materials	(6 213)	(6 477)
ATM and cash maintenance costs	(4 360)	(4 022)
Costs of consultancy, audit and legal advisory and translation	(5 139)	(3 751)
Taxes and fees	(4 098)	(4 118)
KIR clearing charges	(1 155)	(1 033)
PFRON costs	(1 393)	(1 243)
Banking Guarantee Fund costs – contribution to guarantee fund	(13 160)	(15 346)
Financial Supervision costs	(1 257)	(1 340)
Other	(9 572)	(11 156)
Total	**(257 422)**	**(258 360)**

Note (7) Impairment losses on financial assets

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Impairment losses on loans and advances to customers	(61 521)	(44 284)
Impairment charges on loans and advances to customers	(211 578)	(189 709)
Reversal of impairment charges on loans and advances to customers	149 764	128 232
Amounts recovered from loans written off	293	11 411
Sale of receivables	0	5 782
Impairment losses on securities	30	7
Impairment charges on securities	0	0
Reversal of impairment charges on securities	30	7
Impairment losses on off-balance sheet liabilities	1 990	920
Impairment charges on off-balance sheet liabilities	(9 215)	(2 402)
Reversal of impairment charges on off-balance sheet liabilities	11 205	3 322
Total	**(59 501)**	**(43 357)**

Note (8a) Income tax reported in income statement

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Current tax	(80 268)	(65 849)
Deferred tax:	19 312	12 347
Recognition and reversal of temporary differences	19 289	13 708
Recognition / (Utilisation) of tax loss	23	(1 361)
Total income tax reported in income statement	**(60 956)**	**(53 502)**

Note (8b) Effective tax rate

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Gross profit / (loss)	201 454	190 687
Statutory tax rate	19%	19%
Income tax according to obligatory income tax rate of 19%	(38 276)	(36 231)
Impact of permanent differences on tax charges:	**(22 680)**	**(18 096)**
Non taxable income	(16)	88
Dividend income	(23)	0
Release of other provisions	7	87
Other	0	1
Non tax-deductible costs	(22 664)	(18 184)
Loss on sale of receivables	0	(2 906)
PFRON fee	(266)	(236)
Banking Guarantee Fund costs	(10 843)	(1 379)
Banking tax	(8 974)	(6 135)
Cost of provisions for factoring receivables	(1 166)	(1 718)
Receivables written off	(701)	(1 081)
Costs of litigations and contentious claims	(96)	(291)
Depreciation and insurance costs of cars (in excess of EUR 20.000)	(326)	(516)
Other	(292)	(3 922)
The amount of deductible temporary differences for which deferred income tax asset has not been recognized in the balance sheet	0	825
Total income tax reported in income statement	**(60 956)**	**(53 502)**

Note (8c) Deferred tax reported directly in equity

	31.03.2017	31.12.2016
Valuation of available for sale securities	1 162	8 985
Valuation of cash flow hedging instruments	27 641	34 319
Actuarial gains (losses)	81	81
Deferred tax reported directly in equity	28 884	43 385

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

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

Commencing from January 1, 2017, a new TCG is constituted, consisting of: Bank Millennium S.A (parent company), Millennium Service Sp. Z o.o. and Millennium Goodie Sp. z o.o. This TCG was created for three years period: from 1 January 2017 to 31 December 2019.

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

	31.03.2017	31.12.2016
Current accounts	265 730	194 464
Deposits granted	700 894	1 071 206
Loans	0	0
Interest	2 117	2 141
Total (gross) deposits, loans and advances	968 741	1 267 811
Impairment write-offs	0	0
Total (net) deposits, loans and advances	**968 741**	**1 267 811**

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

	31.03.2017	31.12.2016
Debt securities	**407 033**	**314 476**
Issued by State Treasury	407 027	314 466
a) bills	0	0
b) bonds	407 027	314 466
Other securities	6	10
a) quoted	6	10
b) non quoted	0	0
Equity instruments	**206**	**110**
Quoted on the active market	206	110
a) financial institutions	0	0
b) non-financial institutions	206	110
Adjustment from fair value hedge	10 681	11 889
Positive valuation of derivatives	246 558	238 099
Total	**664 478**	**564 574**

Note (10b) Valuation of derivatives. Adjustment from fair value hedge and Liabilities from short sale of securities as at 31.03.2017

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	(11 578)	106 939	118 517
Forward Rate Agreements (FRA)	0	0	0
Interest rate swaps (IRS)	(11 578)	106 939	118 517
Other interest rate contracts: options	0	0	0
2. FX derivatives	43 767	101 063	57 296
FX contracts	(14 619)	16 535	31 154
FX swaps	42 858	59 068	16 210
Other FX contracts (CIRS)	15 528	24 836	9 308
FX options	0	624	624
3. Embedded instruments	(37 028)	10	37 038
Options embedded in deposits	(32 333)	0	32 333
Options embedded in securities issued	(4 695)	10	4 705
4. Indexes options	36 841	38 546	1 705
Valuation of derivatives	**32 002**	**246 558**	**214 556**
Valuation of hedged position in fair value hedge accounting		10 681	10 064
Liabilities from short sale of securities			26 249

Note (10c) Valuation of derivatives. Adjustment from fair value hedge and Liabilities from short sale of securities as at 31.12.2016

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	(5 481)	134 128	139 609
Forward Rate Agreements (FRA)	0	0	0
Interest rate swaps (IRS)	(5 481)	134 128	139 609
Other interest rate contracts: options	0	0	0
2. FX derivatives	22 231	76 503	54 272
FX contracts	(4 542)	12 502	17 044
FX swaps	53 113	58 023	4 910
Other FX contracts (CIRS)	(26 340)	5 813	32 153
FX options	0	165	165
3. Embedded instruments	(26 116)	237	26 353
Options embedded in deposits	(22 128)	0	22 128
Options embedded in securities issued	(3 988)	237	4 225
4. Indexes options	26 199	27 231	1 032
Valuation of derivatives	**16 833**	**238 099**	**221 266**
Valuation of hedged position in fair value hedge accounting		11 889	10 896
Liabilities from short sale of securities			106 853

As at 31.03.2017 the Group applied hedge accounting to the following relationship:

	Hedge of the volatility of cash flows generated by the portfolio of floating FX mortgage loans	Hedge of volatility of the cash flows generated by the portfolio of PLN mortgage loans
Description of hedge transactions	The Group hedges currency risk and interest rate risk of the cash flows - during the time horizon of the transaction – linked to floating FX loans exchanging interest cash flows in foreign currency into flows in PLN.	The Group hedges the risk of the volatility of cash flows generated by PLN mortgages. The volatility of cash flows results from interest rate risk.
Hedged items	Cash flows resulting from portfolio of floating FX mortgage loans.	Cash flows resulting from the PLN mortgage loan portfolio
Hedging instruments	FX SWAP transactions	IRS 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 hedging instruments (settled swap points) are recognised in net interest income.	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; interest on both the hedged and the hedging instruments are recognised in net interest income.

	Cash flow volatility hedge for the 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 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 FX mortgage loan portfolio and PLN deposits together with issued debt PLN securities funding them.
Hedging instruments	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; valuation of hedging and hedged instruments on FX differences is recognised in result on financial instruments valued at fair value through profit and loss and foreign exchange result.

Note (11a) Hedge accounting as at 31.03.2017

	Fair values		
	Total	Assets	Liabilities
Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate			
CIRS contracts	(364 983)	153 455	518 438
IRS contracts	6 172	6 601	428
FXS contracts	41 055	41 055	0
Total	(317 755)	201 111	518 866

As of 31.03.2017 there were no active fair value hedges.

Note (11b) Hedge accounting as at 31.12.2016

	Fair values		
	Total	Assets	Liabilities
Cash flows hedging derivatives connected with interest rate and/or FX rate			
CIRS contracts	(1 139 740)	391	1 140 131
IRS contracts	6 063	7 070	1 007
FXS contracts	1 957	10 473	8 516
Total	(1 131 720)	17 934	1 149 654

As of 31.12.2016 there were no active fair value hedges.

Note (12a) Loans and advances to customers

	31.03.2017	31.12.2016
Loans and advances	41 901 071	41 972 241
- to companies	9 122 714	8 494 801
- to private individuals	32 471 886	33 159 579
- to public sector	306 471	317 861
Receivables on account of payment cards	704 778	712 001
- due from companies	22 307	22 803
- due from private individuals	682 471	689 198
Purchased receivables	178 934	141 563
- from companies	178 934	141 563
- from public sector	0	0
Guarantees and sureties realised	11 898	11 506
Debt securities eligible for rediscount at Central Bank	4 373	4 424
Financial leasing receivables	5 311 147	5 261 332
Other	5 501	5 150
Interest	284 817	276 739
Total gross	**48 402 519**	**48 384 956**
Impairment write-offs	(1 410 116)	(1 364 913)
Total net	**46 992 403**	**47 020 043**

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

	31.03.2017	31.12.2016
Loans and advances to customers (gross)	48 402 519	48 384 956
- impaired	2 179 989	2 179 456
- not impaired	46 222 530	46 205 500
Impairment write-offs	(1 410 116)	(1 364 913)
- for impaired exposures	(1 217 189)	(1 179 173)
- for incurred but not reported losses (IBNR)	(192 927)	(185 740)
Loans and advances to customers (net)	**46 992 403**	**47 020 043**

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

	31.03.2017	31.12.2016
Loans and advances to customers (gross)	48 402 519	48 384 956
- case by case analysis	774 407	838 560
- collective analysis	47 628 112	47 546 396
Impairment write-offs	(1 410 116)	(1 364 913)
- on the basis of case by case analysis	(380 653)	(382 036)
- on the basis of collective analysis	(1 029 463)	(982 877)
Loans and advances to customers (net)	**46 992 403**	**47 020 043**

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

	31.03.2017	31.12.2016
Loans and advances to customers (gross)	48 402 519	48 384 956
- corporate customers	15 005 798	14 300 739
- individuals	33 396 721	34 084 217
Impairment write-offs	(1 410 116)	(1 364 913)
- for receivables from corporate customers	(537 248)	(522 324)
- for receivables from private individuals	(872 868)	(842 589)
Loans and advances to customers (net)	**46 992 403**	**47 020 043**

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

	01.01.2017 - 31.03.2017	01.01.2016 - 31.12.2016
Balance at the beginning of the period	1 364 913	1 460 928
Change in value of provisions:	45 203	(96 015)
Impairment write-offs created in the period	211 578	613 932
Amounts written off	(9 853)	(63 989)
Impairment write-offs released in the period	(149 764)	(358 671)
Sale of receivables	0	(283 375)
Changes resulting from FX rates differences	(6 758)	5 994
Other	0	(9 906)
Balance at the end of the period	**1 410 116**	**1 364 913**

Note (13) Investment financial assets available for sale

	31.03.2017	31.12.2016
Debt securities	**16 549 803**	**17 092 257**
Issued by State Treasury	15 416 656	14 289 633
a) bills	264 348	0
b) bonds	15 152 308	14 289 633
Issued by Central Bank	999 833	2 669 700
a) bills	999 833	2 669 700
b) bonds	0	0
Other securities	133 314	132 924
a) listed	80 338	79 236
b) not listed	52 976	53 688
Shares and interests in other entities	44 747	42 890
Other financial instruments	0	200
Total financial assets available for sale	**16 594 550**	**17 135 347**

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 01.01.2017	7 142	9 808	3 988	136	7 145
- Write-offs created	0	358	0	0	967
- Write-offs released	(29)	(710)	0	0	(737)
- Utilisation	0	0	0	0	(197)
- Sale of assets	0	0	0	0	0
- Other	0	0	0	0	0
Balance as at 31.03.2017	7 113	9 456	3 988	136	7 178

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	1 054	0	0	4 511
- Write-offs released	(62)	(8 300)	0	0	(1 121)
- Utilisation	(10)	0	0	0	(1 088)
- Sale of assets	0	(665)	0	0	0
- Other changes	7 169	0	0	0	0
Balance as at 31.12.2016	7 142	9 808	3 988	136	7 145

Note (15) Assets / Provision from deferred income tax

	31.03.2017			31.12.2016		
	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	91 926	(5 650)	86 276	87 978	(20 674)	67 304
Balance sheet valuation of financial instruments	142 533	(168 521)	(25 988)	309 598	(320 898)	(11 300)
Unrealised receivables/ liabilities on account of derivatives	15 984	(26 148)	(10 164)	20 583	(33 779)	(13 196)
Interest on deposits and securities to be paid/received	21 640	(38 817)	(17 177)	21 491	(39 390)	(17 899)
Interest and discount on loans and receivables	17	(25 002)	(24 985)	17	(24 455)	(24 438)
Income and cost settled at effective interest rate	84 303	(1 362)	82 941	82 216	(1 271)	80 945
Provisions for loans presented as temporary differences	123 478	0	123 478	119 270	0	119 270
Employee benefits	13 813	60	13 873	13 774	8	13 782
Provisions for costs	17 735	0	17 735	13 078	0	13 078
Valuation of investment assets, the valuation of cash flow hedge and actuarial gains (losses) recognized in the revaluation reserve	28 940	(49)	28 891	43 440	(54)	43 385
Tax loss deductible in the future	144	0	144	121	0	121
Other	4 576	(3 534)	1 042	6 252	(3 538)	2 714
Net deferred income tax asset	545 089	(269 023)	276 066	717 818	(444 051)	273 767

Note (16) Liabilities to banks and other monetary institutions

	31.03.2017	31.12.2016
In current account	116 426	115 567
Term deposits	429 453	256 776
Loans and advances received	857 175	897 532
Interest	2 125	870
Total	1 405 179	1 270 745

Note (17) Structure of liabilities to customers by type

	31.03.2017	31.12.2016
Amounts due to private individuals	41 008 953	39 681 704
Balances on current accounts	24 502 200	23 023 622
Term deposits	16 350 467	16 502 023
Other	88 716	84 811
Accrued interest	67 570	71 248
Amounts due to companies	13 313 743	13 873 616
Balances on current accounts	5 394 798	5 766 433
Term deposits	7 662 303	7 839 361
Other	240 588	253 522
Accrued interest	16 054	14 300
Amounts due to public sector	2 052 857	2 320 289
Balances on current accounts	934 538	979 696
Term deposits	1 082 205	1 311 250
Other	34 695	27 348
Accrued interest	1 419	1 995
Total	**56 375 553**	**55 875 609**

Note (18) Change of debt securities

	01.01.2017 - 31.03.2017	01.01.2016 - 31.12.2016
Balance at the beginning of the period	1 313 836	1 134 250
Increases, on account of:	97 641	628 525
- issue of bonds by the Bank	147	29 726
- issue of bonds by Millennium Leasing	72 500	452 600
- issue of Banking Securities	16 512	112 324
- interest accrual	8 482	33 875
Reductions, on account of:	(589 691)	(448 939)
- repurchase of bonds by the Bank	(499 350)	(29 450)
- repurchase of bonds by Millennium Leasing	(40 900)	(251 200)
- repurchase of Banking Securities	(39 170)	(134 750)
- interest payment	(10 271)	(33 539)
Balance at the end of the period	**821 786**	**1 313 836**

Note (19) Provisions

	01.01.2017 - 31.03.2017	01.01.2016 - 31.12.2016
Provision for off-balance sheet commitments		
Balance at the beginning of the period	24 633	14 239
Charge of provision	9 215	15 279
Release of provision	(11 205)	(4 804)
FX rates differences	(50)	(81)
Balance at the end of the period	22 593	24 633
Provision for contentious claims		
Balance at the beginning of the period	24 782	16 609
Charge of provision	2 094	37 287
Release of provision	(35)	(5 579)
Utilisation of provision	(2 860)	(25 973)
Other/reclassification	0	2 438
Balance at the end of the period	23 981	24 782
Total	**46 574**	**49 415**

5. CHANGES IN RISK MANAGEMENT PROCESS

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

Credit risk

In I Q of 2017, in retail segment, Bank Millennium 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 consumer loans relating to credit capacity methodology as well as tools and credit processes. The changes were a result of implementation of the recommendations of the Financial Supervision Authority on the implementation of the rules of Recommendation T.

Bank was conducting changes to credit methodology and processes relating to consumer loans and mortgage loans resulting from the extension of the credit offer to new groups of customers.

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. In I Q of 2017 in corporate segment, as a result of the previously undertaken work, a new rating model of assessment of the credit risk of corporate clients has been implemented in the Bank. At the same time, the Group continued the work on the development of IT tools supporting credit processes and risk monitoring. Also, the limits for selected industries have been verified.

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

Gross exposure in '000 PLN	31.03.2017		31.12.2016	
	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	44 720 025	968 741	44 779 120	1 267 811
Overdue(*), but without impairment	1 502 505	0	1 426 379	0
Total without impairment (IBNR)	46 222 530	968 741	46 205 499	1 267 811
With impairment	2 179 989	0	2 179 457	0
Loans and advances, gross	**48 402 519**	**968 741**	**48 384 956**	**1 267 811**
Impairment write-offs together with IBNR	(1 410 116)	(0)	(1 364 913)	0
Loans and advances, net	**46 992 403**	**968 741**	**47 020 043**	**1 267 811**
Loans with impairment / total loans	4.50%	0.00%	4.50%	0.00%

(*) Loans overdue not more than 4 days are treated as technical and are not shown in this category.

Market risk

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

In I quarter 2017, the market risk limits were kept unchanged.

The VaR indicators in the period under consideration for the Group, that is jointly Trading Book and Banking Book, remained on average at the level of approx. PLN 30.0 m (9 % of the limit) and approx. PLN 14.9 m (5% of the limit) as of the end of March 2017. The market risk exposure in 1Q 2017 in terms of value at risk in the Group, together with risk type division, is presented in the table below (ths PLN).

VaR measures for market risk ('000 PLN)

	31.03.2017		VaR (1Q 2017)			31.12.2016	
	Exposure	limit usage	Average	Maximum	Minimum	Exposure	limit usage
Total risk	14 940	5%	30 022	48 262	14 249	38 738	12%
Generic risk	12 929	4%	27 934	46 229	12 238	36 702	12%
Interest Rate VaR	12 946	4%	27 928	46 222	12 251	36 692	12%
FX Risk	53	0%	215	2 881	12	32	0%
Diversification Effect	0.5%					0.1%	
Specific risk	2 010	1%	2 087	2 795	2 008	2 036	1%

In I quarter 2017, total market risk limits in terms of VaR were not breached - neither for the total Group nor for the Banking Book and Trading Book, separately.

Open positions contain mainly interest rate and FX risk instruments. According to the Risk Strategy approved in the Group, the FX open position is allowed, however should be kept at low levels. For this purpose, the Group has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows to keep FX open positions only in Trading Book. In the 1Q 2017, the FX Total open position (Intraday as well as Overnight) remained well below the maximum limits in place.

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

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

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

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

The variations in market interest rate have an influence on the Group's net interest income, both under a short and medium-term perspective, affecting its economic value in the long term. The measurement of both is complementary in understanding the complete scope of interest rate risk in Banking Book. For this reason, apart from daily market risk measurement in terms of value at risk, the scope of the additional measurement of interest rate risk on monthly basis covers both earnings-based and on quarterly basis economic value measures. Due to specificity of the polish legal system, the interest rate of consumer credits is limited by a cap and from January 2016 cannot exceed two times the Reference Rate of the National Bank of Poland increased by 7 percentage points. The Bank is subject to asymmetrical impacts on its Net Interest Income in case of interest rates change. In situation of decreasing interest rates (including NBP reference interest rate), the impact is negative and depends on the percentage of the loan portfolio that is affected by the new maximum rate. At the end of March 2017, the results of the impact on the net interest income in the next 12 months for position in Polish Zloty in Banking Book in a scenario of immediate parallel yield curve decrease by 100 bps was negative but stayed witinin internally defined limits.

Liquidity risk

The liquidity risk measurement, monitoring and reporting is carried out daily with the use of both measures defined by the supervisory authorities and internally, for which limits were established. In I quarter 2017, the Group was characterized by good liquidity position. All the supervisory and internal liquidity indicators remained significantly above minimum limits in place.

According to the Regulation of European Parlament and Council no 575/2013 on prudential requirements for credit insitutions and investment firms (CRR), the Group is calculating the liquidity coverage requirement (LCR). The regulator minimum of 80% for LCR valid in 2017 was complied by the Group. The LCR Group reached the level of 152% at the end of March 2017 (124% at the end of December 2016). The increase of LCR in I quarter 2017 was mainly connected with the specific rules of calculation of additional outflows corresponding to collateral needs that would result from the impact of an adverse market scenario on the institution's derivatives transactions. 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 I quarter 2017, the Group has consistently maintained Loan-to-Deposit ratio well below 100%. This ratio, including own issues sold to individuals and sell-buy back transactions with customers, was equalled 83% at the end of March 2017 (84% at the end of December 2016). The Group continue 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 March 2017. In I quarter 2017this portfolio slightly decreased from PLN 17.3 billion at the end of December 2016 (25% of total assets) to approx. PLN 16.8 billion at the end of March 2017 (25% of total assets). Those assets are characterized with high liquidity and can be easily used as a collateral or sold without material loss on its value. The portfolio, supplemented by the cash and exposures to the National Bank of Poland, is treated as the Group's liquidity reserve, which can overcome crisis situations.

The main source of financing remains deposits base, the large, diversified and stable funding from retail, corporate and public sectors. The deposit base is supplemented by the deposits from financial institiutions and other money market operations. The source of medium-term funding remain also medium-term loans, subordinated debt and own bonds issue. In April 2017, the Bank issued with its bond program a 3-year PLN 300 million floating rate bonds, placed with institutional investors.

The level of deposit concentration is regulary monitored and did not have any negative impact on the stability of the deposit base in I quarter 2017. 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 quarter of 2017 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with the best practice of national and international financial institutions.

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

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

In the first quarter of 2017 the Group continued efforts to continuously improve business processes in the context of optimizing the exposure to operational risk through preventive measures to reduce the frequency, as well as actions taken to reduce the financial impact of losses.

Capital management

Capital management in the Group consists of the following 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.

Bank, similarly to other banks in Poland, is obliged to maintain the capital conservation buffer of 1.25% from 2016.

Bank received in October 2016 the decision of Polish Financial Supervision Authority (PFSA), regarding identification of the Bank as other systematically important institution and imposing on the Bank and on the Group the other systematically important institution buffer in the equivalent of 0.25% of total amount of the risk exposure.

In October and December 2016, Bank and Group received from PFSA a recommendation to maintain own funds for the coverage of additional capital requirements at the level of 3.09 p.p. (Bank) and 3.05 p.p. (Group) in order to secure the risk resulting from FX mortgage loans granted to households, which should consists of at least 75% of Tier 1 capital (which corresponds to 2.32 p.p. in Bank and 2.29 p.p. in Group), and should consists of at least 56% of common equity Tier 1 capital (which corresponds to 1.73 p.p. in Bank and 1.71 p.p. in Group)[1][1].

As a result of the above decisions and recommendations, and another requirements defined in CRR, as well as PFSA recommendation for Polish banks (TCR of 12% and Tier 1 Capital Ratio of 9% as the expected minimum base in Poland), and further letter from PFSA received by Bank in March 2017 with interpretation of ratios to be observed, Group has to comply with the following minimum capital ratios:

Tier 1 Capital Ratio (T1) = 9%+1.25%+0.25%+2.29% = 12.79%

Total Capital Ratio (TCR) = 12%+1.25%+0.25%+3.05% = 16.55%

It need to be emphasized that presented above expected by PFSA levels of capital ratios are significantly higher than these required by CRR (European regulation).

[1] That recommendation replaces the previous one from October 2015, to maintain own funds for the coverage of additional capital requirements at the level of 3.83 p.p., which should have consisted of at least 75% of Tier 1 capital (which corresponded to 2.87 p.p.).

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

Bank Millennium Group - capital adequacy **(PLN mn)**	31.03.2017 IRB with regulatory floor[1)]	31.12.2016 IRB with regulatory floor[1)]
Risk-weighted assets (RWA)	37 197.0	36 730.6
Own funds requirements, including:	2 975.8	2 938.4
- Credit risk and counterparty credit risk	2 648.5	2 621.8
- Market risk	20.2	23.4
- Operational risk	293.4	279.0
- Credit Valuation Adjustment CVA	13.7	14.3
Own Funds including:	6 704.1	6 390.7
Common Equity Tier 1 Capital, including:	6 655.4	6 356.8
- paid up capital instruments	1 213.1	1 213.1
- share premium	1 147.5	1 147.5
- recognised part of current profit	0.0	430.9
- other retained earnings	4 765.5	4 064.4
- recognised part of revaluation reserve	(8.7)	(41.4)
- regulatory adjustments	(462.0)	(457.7)
Tier II Capital, including:	48.7	33.9
- subordinated debt	91.6	128.7
- regulatory adjustments	(42.9)	(94.8)
Total Capital Ratio (TCR)	18.02%	17.40%
Common Equity Tier 1 Capital ratio (CET1 ratio)[2)]	17.89%	17.31%

1) Risk-weighted assets and own funds requirements are calculated with „Regulatory floor" of 70%.

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.

In 2017, the adjustment of methodology of interest result allocation to particular segments was introduced. Segment results for 2016 were recalculated to maintain comparability.

Income statement 1.01.2017 – 31.03.2017

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Net interest income	263 969	63 857	65 662	393 488
Net fee and commission income	123 727	40 221	2 169	166 117
Dividends other income from financial operations and foreign exchange profit	16 223	16 512	20 533	53 268
Other operating income and cost	(30 130)	(16 698)	12 911	(33 917)
Operating income	373 789	103 892	101 275	578 956
Staff costs	(104 617)	(33 081)	(7 356)	(145 054)
Administrative costs	(91 228)	(14 575)	(6 565)	(112 368)
Depreciation and amortization	(10 794)	(2 028)	(297)	(13 119)
Operating expenses	(206 639)	(49 684)	(14 218)	(270 541)
Impairment losses on assets	(39 101)	(20 432)	(198)	(59 731)
Operating Profit	**128 049**	**33 776**	**86 859**	**248 684**
Share in net profit of associated companies	0	0	0	0
Banking tax				(47 230)
Profit / (loss) before income tax				**201 454**
Income taxes				(60 956)
Profit / (loss) after taxes				**140 498**

Balance sheet items as at 31.03.2017

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Loans and advances to customers	33 775 593	13 216 810	0	46 992 403
Liabilities to customers	43 105 430	13 153 080	117 043	56 375 553

Income statement 1.01.2016 – 31.03.2016

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Net interest income	233 324	55 861	61 951	351 136
Net fee and commission income	96 466	38 231	(345)	134 352
Dividends other income from financial operations and foreign exchange profit	16 881	16 090	28 341	61 312
Other operating income and cost	(5 290)	(800)	(1 579)	(7 669)
Operating income	341 381	109 382	88 368	539 131
Staff costs	(99 507)	(32 550)	(6 779)	(138 836)
Administrative costs	(93 418)	(19 606)	(6 500)	(119 524)
Depreciation and amortization	(11 169)	(2 046)	(252)	(13 467)
Operating expenses	(204 094)	(54 202)	(13 531)	(271 827)
Impairment losses on assets	(40 876)	(2 493)	(959)	(44 328)
Operating Profit	**96 411**	**52 687**	**73 878**	**222 976**
Share in net profit of associated companies	0	0	0	0
Banking tax				(32 289)
Profit / (loss) before income tax				**190 687**
Income taxes				(53 502)
Profit / (loss) after taxes				**137 185**

Balance sheet items as at 31.12.2016

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Loans and advances to customers	34 432 196	12 587 847	0	47 020 043
Liabilities to customers	41 858 722	13 899 932	116 955	55 875 609

7. DESCRIPTION OF RELATED PARTY TRANSACTIONS

All and any transactions between entities of the Group during I quarter 2017 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	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
ASSETS				
Loans and advances to banks – accounts and deposits	742	625	0	0
Financial assets valued at fair value through profit and loss (held for trading)	12	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	0	0
LIABILITIES				
Loans and deposits from banks	121	913	118 334	123 466
Debt securities	0	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	0	109	0	0
Hedging derivatives	0	0	0	0
Other liabilities	0	0	32	0

	With parent entity		With other entities of parent Group	
	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
INCOME FROM:				
Interest	3	1	0	0
Commissions	33	34	0	0
Other net operating income	13	0	0	0
EXPENSE FROM:				
Interest	0	202	(74)	(74)
Commissions	0	0	0	0
Financial instruments valued at fair value	0	2	0	0
Other net operating costs	5	18	0	0
General and administrative expenses	40	40	98	408

	With parent entity		With other entities of parent Group	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Conditional commitments	102 173	102 183	0	0
- granted	100 345	100 345	0	0
- obtained	1 828	1 838	0	0
Derivatives (par value)	11 388	99 891	0	0

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

Name and surname	Function	Number of shares as of delivery date of quarterly report prepared as at 31.03.2017	Number of shares as presented in annual report for 2016
Joao Nuno Lima Bras Jorge	Chairman of the Management Board	111 000	111 000
Fernando Maria Cardoso Rodrigues Bicho	Deputy Chairman of the Management Board	0	0
Wojciech Haase	Member of the Management Board	7 494	7 494
Andrzej Gliński	Member of the Management Board	0	0
Maria Jose Henriques Barreto De Matos De Campos	Member of the Management Board	0	0
Wojciech Rybak	Member of the Management Board	0	0
Bogusław Kott	Chairman of the Supervisory Board	4 465 791	4 465 791
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Dariusz Rosati	Deputy Chairman and Secretary of the Supervisory Board	0	0
Julianna Boniuk-Gorzelańczyk	Member of the Supervisory Board	492 248	492 248
Miguel de Campos Pereira de Bragança	Member of the Supervisory Board	0	0
Agnieszka Hryniewicz-Bieniek	Member of the Supervisory Board	0	0
Anna Jakubowski	Member of the Supervisory Board	0	0
Grzegorz Jędrys	Member of the Supervisory Board	0	0
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 31.03.2017 (data in PLN thousand):

ASSETS	Note	Balance sheet value	Fair value
Loans and advances to banks	9	968 741	968 506
Loans and advances to customers (*)	12	46 992 403	45 437 048

LIABILITIES	Note	Balance sheet value	Fair value
Amounts due to banks	16	1 405 179	1 405 824
Amounts due to customers	17	56 375 553	56 377 918
Debt securities	18	821 786	822 956
Subordinated debt		636 241	630 033

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

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

The table below presents data as at 31.12.2016 (data in PLN thousand):

ASSETS	Note	Balance sheet value	Fair value
Loans and advances to banks	9	1 267 811	1 267 563
Loans and advances to customers	12	47 020 043	45 238 237

LIABILITIES	Note	Balance sheet value	Fair value
Amounts due to banks	16	1 270 745	1 271 762
Amounts due to customers	17	55 875 609	55 876 129
Debt securities	18	1 313 836	1 319 294
Subordinated debt		664 004	657 787

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 31.03.2017

	note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
ASSETS				
Financial assets valued at fair value through profit and loss (held for trading)	10			
- derivatives			207 378	39 180
- debt securities		407 033		
- shares and interests		206		
Hedging derivatives	11		201 111	
Financial assets available for sale	13			
- debt securities		15 496 994	999 833	52 976
- shares and other financial instruments		311		26 279
LIABILITIES				
Financial liabilities valued at fair value through profit and loss (held for trading)	10			
- derivatives and short sale of securities		26 249	175 189	39 367
Hedging derivatives	11		518 866	

Data in '000 PLN, as at 31.12.2016

	note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
ASSETS				
Financial assets valued at fair value through profit and loss (held for trading)	10			
- derivatives			210 466	27 633
- debt securities		314 476		
- shares and interests		110		
Hedging derivatives	11		17 934	
Financial assets available for sale	13			
- debt securities		14 368 869	2 669 700	53 688
- shares and interests		280	200	24 445
LIABILITIES				
Financial liabilities valued at fair value through profit and loss (held for trading)	10			
- derivatives and short sale of securities		106 853	193 716	27 550
Hedging derivatives	11		1 149 653	

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

- index options and FX options, option transactions are measured at fair value with use of option measurement models, the model measurement is supplemented with impact on fair value of the estimated credit risk parameter;
- municipal bonds, the fair value is calculated based on discounted cash flows with consideration of the impact of credit risk parameter;
- VISA Inc. preferred shares in an amount of 21,493; the method of fair value calculation of these shares considers 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.

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 1 quarter 2017 are presented in the table below (in '000 PLN):

	Indexes options	Options embedded in securities issued and deposits	FX options	Municipal bonds	Shares and interests
Balance on 1 January 2017	26 199	(26 116)	0	53 688	24 445
Settlement/sell/purchase	4 609	(4 788)	0	(1 000)	0
Change of valuation recognized in equity	0	0	0	0	1 834
Change of valuation recognized in P&L account (including interests)	6 033	(6 124)	0	288	0
Balance on 31 March 2017	36 841	(37 028)	0	52 976	26 279

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 31.03.2017, in which the companies of the Group were a plaintiff, totalled 246.1 million PLN.

Court cases against the Group

As at 31.03.2017, the most important proceedings, in the group of the court cases where the Group's companies were defendant, were two cases brought up by PCZ S.A. and Europejska Fundacja Współpracy Polsko – Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium S.A., worth of the dispute 150.0 million PLN with statutory interest from 29.12.2015 until the day of payment, and 521.9 million PLN with statutory interest from 05.04.2016 until the day of payment.

The lawsuit in the first case, dated 09.07.2015, was filed to the Regional Court in Wrocław and served personally to the Bank on 28.12.2015. In the second case, the plaintiff filed the suit dated 23.10.2015 to the Regional Court in Warsaw; the suit was served to the Bank on 04.04.2016. According to the plaintiffs, the basis for both claims is damage to their assets, due to the actions taken by the Bank and consisting in the wrong interpretation of the Agreement for working capital loan, which resulted in placing the loan on demand. In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of 250.0 million PLN. The petition was dismissed on 5.09.2016 with legal validity by the Appellate Court. An exchange of pleadings is under way; the case is before the first hearing. The Bank is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Favourable forecasts for the Bank, as regards dismissal of the suit, have been confirmed by a renowned law firm representing the Bank in the proceeding.

As regards the lawsuit filed by PCZ the Regional Court in Wrocław (1^{st} Instance) on 07.04.2017 has issued a verdict favourable to the Bank by dismissing the suit. The judgement is not final.

Another important proceeding under way against the Group is the case of the value of item under dispute of PLN 200.0 million filed by a natural person. In effect of consumer bankruptcy of a Client, the Bank blocked the person's account with the balance of PLN 1,355.83. The Client, in the lawsuit, demands payment of damages and compensation for groundless, as the Client believes, blockage of account. After conclusion of bankruptcy proceedings the Bank made the account available to the Client. The lawsuit was received by the Bank on 21 March 2017, and the case remains, currently, at an initial stage of consideration. In the Bank's opinion the plaintiff chances to win the case are marginal.

As at 31.03.2017, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at PLN 224.4 million (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 PLN 194.5 million.

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.

Class actions

On 21 October 2014 a group action was delivered to the Bank in which a group of the Bank's borrowers represented by the Municipal Consumer Ombudsman in Olsztyn seeks the ascertainment that the Bank is liable towards the same for unjust enrichment in connection with the CHF-indexed mortgage agreements. The members of the group claim that the Bank unduly collected excessive amounts from them for the repayment of loans. According to the statement of claim, the overstatement of such amounts was to result from the application of abusive contractual provisions concerning the CHF-indexation of credits. According to the statement of claim there are approx. 2,300 group members and the value of the subject matter of the dispute is defined at PLN 45.2 million. The Bank does not agree with the claims of the group members. On 31 December 2014 the Bank submitted a response to the statement of claim. On 4 March 2015 new members joined the group action and the Claimant extended the statement of claim accordingly. According to the Claimant after the extension there are approx. 3,400 group members (including the group members included in the statement of claim) and the value of the subject matter of the dispute is approx. PLN 81.5 million (including the value provided in the statement of claim).

On 14 May 2015 the Regional Court in Warsaw held a hearing concerning the admissibility of the group action proceedings. On 28 May 2015 the Regional Court in Warsaw issued a decision rejecting the group action on the grounds that the case cannot be heard in group action proceedings. On 3 July 2015 the Claimant filed an appeal against this decision, and the Court of Appeal upheld the appeal by refusing rejection of the claim. On 31 March 2016 the Regional Court in Warsaw issued a decision dismissing Bank's motion for a security deposit to secure litigation costs. On 6 April 2016 the Bank filed an appeal against this decision; on 13 July 2016 Bank's appeal in this regard was dismissed by the Court of Appeal. On 17 February 2016 the Claimant filed a submission with the Regional Court in Warsaw, extending the claim again by a further 1,041 group members. The new value of the subject matter of the dispute was indicated as approx. PLN 109.8 million (including the values provided in the statement of claim and the submission dated 4 March 2015). On 2 August 2016 the Regional Court in Warsaw issued a decision ordering the publication of an announcement in the press concerning the commencement of group action proceedings. Following the Bank's motion to rescind this decision, the Court suspended its execution, but, on 8 August 2016, it issued another decision for the case to be heard in group action proceedings. On 31 August 2016 the Bank appealed against this decision. On 16 December 2016 the Court of Appeal in Warsaw overruled decision of the Regional Court for the case to be heard in group action proceedings and referred the request for the case to be heard in group action proceedings to the Regional Court for re-examination. At a hearing on 15 March 2017 the Regional Court issued decision for the case to be heard in group action proceedings. This decision is not final.

On 3 December 2015 the Bank received a class action lawsuit lodged by a group of 454 borrowers represented by the Municipal Consumer Ombudsman in Olsztyn pertaining to low down payment insurance used with CHF-indexed mortgage loans. The plaintiffs demand the payment of the amount of PLN 3.5 million PLN claiming that the clauses of the agreements pertaining to low down payment insurance are prohibited and thus null and void. On 3 March 2016 the Bank filed the response to the lawsuit demanding its dismissal. The first court hearing took place on 13 September 2016 and the court issued the decision on the admissibility of the class action in this case. On 16/02/2017 the Court of Appeal dismissed the appeal against the decision on the admissibility of the class action in this case. This decision is final.

OFF-BALANCE ITEMS

Amount '000 PLN	31.03.2017	31.12.2016
Off-balance conditional commitments granted and received	**8 209 398**	**8 202 308**
Commitments granted:	8 113 749	8 097 700
- financial	7 072 176	7 014 009
- guarantee	1 041 573	1 083 691
Commitments received:	95 649	104 608
- financial	14 499	0
- guarantee	81 150	104 608

10. ADDITIONAL INFORMATION

10.1. Data on assets securing liabilities

As at 31 March 2017, the Bank's following assets secured its liabilities (in '000 PLN):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds WZ0118	available for sale	Lombard credit granted to the Bank by the NBP	130 000	130 618
2.	Treasury bonds WZ0118	available for sale	Initial security deposit for bond futures	500	502
3.	Treasury bonds WZ0118	available for sale	Loan agreement	623 000	625 959
4.	Treasury bonds WZ0118	available for sale	Security of Guaranteed Deposit Protection Fund under the Bank Guarantee Fund	310 000	311 473
5.	Bony skarbowe TB300817	available for sale	Seciurity of payment obligation to BFG contribution	4 500	4 472
6.	Cash	receivables	Payment to the Futures Settlement Guarantee Fund	100	100
7.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	4 613	4 613
8.	Deposits	Deposits in banks	Settlement on transactions concluded	489 903	489 903
		TOTAL		1 562 616	1 567 639

As at 31 December 2016 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	131 180
2.	Treasury bonds WZ0118	available for sale	Initial security deposit for bond futures	500	505
3.	Treasury bonds WZ0118	available for sale	Loan agreement	623 000	628 657
4.	Treasury bonds WZ0118	available for sale	Security of Guaranteed Deposit Protection Fund under the Bank Guarantee Fund	310 000	312 815
5.	Cash	receivables	Payment to the Futures Settlement Guarantee Fund	100	100
6.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	4 117	4 117
7.	Deposits	Deposits in banks	Settlement on transactions concluded	1 071 202	1 071 202
		TOTAL		2 138 919	2 148 576

10.2. Dividend for 2016

On 6th December 2016, KNF issued its position in the matter of the dividend policy of banks (among other entities) in 2017. Based on this recommendations, the Management Board of the Bank submitted to the General shareholders meeting a proposal to retain in own funds the full net profit of 2016, and the Annual General Meeting held on 31st March 2017 decided to retain the net profit for 2016 in the Bank by allocating it in full to reserve capital.

10.3. Earnings per share

Profit per share calculated for I quarter 2017 (and diluted profit per share) on the basis of the consolidated data amounts to PLN 0.12.

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 2017.

Data as at the delivery date of the report for 1st quarter 2017

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	115 000 000	9,48	115 000 000	9,48
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	65 984 000	5,44	65 984 000	5,44

Shareholders structure according to consolidated annual report for 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	120 634 080	9.94	120 634 080	9.94
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	66 136 567	5.45	66 136 567	5.45

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

In the three months 2017, 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 31 march 2017 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. Other additional information and events after the balance sheet date

As at 31 March 2017, the Group has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed consolidated statements, Group did not:

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

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

II. CONDENSED INTERIM STANDALONE FINANCIAL STATEMENTS OF BANK MILLENNIUM S.A. FOR THE THREE MONTHS ENDED 31 MARCH 2017

CONTENTS

1. INTRODUCTION AND ACCOUNTING PRINCIPLES

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2016.

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 2016 with consideration of the specific requirements of IAS 34.

The amendment to the Banking Guarantee Fund (BFG) Act introduced in 2016 changed the cycle of calculation and payment of BFG contributions to resolution fund (former prudential fee) from quarterly to yearly (as regards contribution to guarantee fund quarterly cycle of calculation has been maintained). In addition, the methodology for calculating of both contributions has been altered, the final amounts of fees in 2017 are calculated and reported to each bank by BFG. As a consequence, according to requirements of IFRIC 21, the Bank recognized on a one-off basis costs of the resolution fee (based on estimations), at the moment of recognition obligation to pay the contribution i.e. at the 1st January 2017 (the final value of the contribution should be provided by the BFG to the Bank until 1st May and then a possible adjustment of the costs recognized so far on estimation basis will be made).

Table below presents BFG costs recorded in IQ 2017 and comparative period (data in PLN million).

	I quarter 2017	I quarter 2016
Contribution for guarantee fund	13.2	15.3
Contribution for resolution fund (former prudential fee)	43.9	7.3

It should be added that from tax calculations point of view both contributions in 2017 are not tax-deductible whereas in previous year contribution for guarantee fund used to be tax-deductible.

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 31 March 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 three months period ended 31 March 2017. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the three months period ended 31 March 2017 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 24th April 2017.

IFRS 9: „Financial instruments"

On 24th July 2014 the International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard – IFRS 9: „Financial instruments" effective for annual periods beginning on or after 1st January 2018, which replaces the existing International Accounting Standard 39 „Financial instruments: recognition and measurement". The European Commission adopted the Standard as published by the IASB on 24th July 2014 in the Resolution No. 2016/2067 issued on 22nd November 2016.

IFRS 9 introduces a new standard in the impairment process. New model is based on the concept of „expected credit losses", estimated with the use of predictions and introduces modifications regarding the rules of classification and measurement of financial instruments (particularly of financial assets) as well as a new approach towards hedge accounting.

In March 2016 the Bank launched an IFRS 9 implementation project which actively engages various the Bank's organizational units responsible for accounting, financial reporting and risk management as well as business and IT departments and external consultants.

Work on the project has been planned in two stages:

- gap analysis - Phase I
- Implementation of the concept of IFRS 9 Bank - Phase II.

The Group is currently designing and testing necessary solutions regarding the implementation of IFRS 9, based on the gap analysis and defined key methodological assumptions. The Bank intends to complete design works in the II quarter 2017.

For more details regarding IFRS9 implementation process please refer to information enclosed in 2016 Annual Financial Statements.

2. STANDALONE FINANCIAL DATA (BANK)

INCOME STATEMENT

Amount '000 PLN	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Interest income	550 400	532 900
Interest expense	(181 897)	(205 970)
Net interest income	368 503	326 930
Fee and commission income	161 810	144 149
Fee and commission expense	(22 891)	(20 517)
Net fee and commission income	138 919	123 632
Dividend income	72 286	11 716
Result on investment financial assets	332	17 097
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	52 294	43 667
Other operating income	18 828	6 307
Operating income	**651 162**	**529 349**
General and administrative expenses	(242 824)	(244 450)
Impairment losses on financial assets	(53 578)	(38 090)
Impairment losses on non financial assets	(230)	(970)
Depreciation and amortization	(12 441)	(12 786)
Other operating expenses	(53 044)	(17 339)
Operating expenses	**(362 117)**	**(313 635)**
Operating profit	**289 045**	**215 714**
Banking tax	(47 230)	(32 289)
Profit / (loss) before income tax	**241 815**	**183 425**
Corporate income tax	(54 608)	(47 956)
Profit / (loss) after taxes	**187 207**	**135 469**
Weighted average number of ordinary shares	1 213 116 777	1 213 116 777
Earnings (losses) per ordinary share (in PLN)	0.15	0.11

TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Profit / (loss) after taxes	187 207	135 469
Other elements of total comprehensive income that will be subsequently reclassified to profit or loss	76 295	85 594
Effect of valuation of available for sale debt securities	39 318	22 855
Effect of valuation of available for sale shares	1 834	345
Hedge accounting	35 143	62 394
Other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	0	0
Actuarial gains (losses)	0	0
Other elements of total comprehensive income before taxes	**76 295**	**85 594**
Corporate income tax on other elements of total comprehensive income that will be subsequently reclassified to profit or loss	(14 496)	(16 263)
Corporate income tax on other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	0	0
Other elements of total comprehensive income after taxes	**61 799**	**69 331**
Total comprehensive income for the period	**249 006**	**204 800**

BALANCE SHEET

ASSETS

Amount '000 PLN	31.03.2017	31.12.2016
Cash, balances with the Central Bank	1 828 486	1 778 768
Deposits, loans and advances to banks and other monetary institutions	968 707	1 267 805
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	664 264	564 585
Hedging derivatives	201 111	17 934
Loans and advances to customers	46 558 045	46 593 429
Investment financial assets	16 578 125	17 118 811
- available for sale	16 578 125	17 118 811
- held to maturity	0	0
Investments in associates	83 358	212 368
Receivables from securities bought with sell-back clause (loans and advances)	128 263	90 520
Property, plant and equipment	152 325	159 742
Intangible assets	49 788	53 195
Non-current assets held for sale	0	0
Receivables from Tax Office resulting from current tax	0	5 370
Deferred tax assets	189 988	190 641
Other assets	569 928	341 433
Total Assets	**67 972 388**	**68 394 601**

LIABILITIES AND EQUITY

Amount '000 PLN	31.03.2017	31.12.2016
LIABILITIES		
Liabilities to banks and other monetary institutions	1 405 179	1 270 745
Financial liabilities valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	251 237	339 018
Hedging derivatives	518 866	1 149 654
Liabilities to customers	56 491 159	55 988 198
Liabilities from securities sold with buy-back clause	0	0
Debt securities	588 792	1 113 223
Provisions	45 740	48 621
Deferred income tax liabilities	0	0
Current tax liabilities	23 377	9 964
Other liabilities	1 021 287	1 069 670
Subordinated debt	636 241	664 004
Total Liabilities	60 981 878	61 653 097
EQUITY		
Share capital	1 213 117	1 213 117
Share premium	1 147 241	1 147 241
Revaluation reserve	(123 377)	(185 176)
Retained earnings	4 753 529	4 566 322
Total Equity	6 990 510	6 741 504
Total Liabilities and Equity	**67 972 388**	**68 394 601**

Book value	6 990 510	6 741 504
Number of shares	1 213 116 777	1 213 116 777
Book value per share (in PLN)	5.76	5.56

STATEMENT OF CHANGES IN EQUITY

01.01.2017 - 31.03.2017, *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	6 741 504	1 213 117	1 147 241	(185 176)	652 651	3 913 671
Total comprehensive income for 1 quarter of 2017 (net)	249 006	0	0	61 799	187 207	0
net profit/ (loss) of the period	187 207	0	0	0	187 207	0
valuation of available for sale debt securities	31 847	0	0	31 847	0	0
valuation of available for sale shares	1 486	0	0	1 486	0	0
hedge accounting	28 466	0	0	28 466	0	0
Transfer between items of reserves	0	0	0	0	(652 651)	652 651
Equity at the end of the period	**6 990 510**	**1 213 117**	**1 147 241**	**(123 377)**	**187 207**	**4 566 322**

01.01.2016 - 31.12.2016, *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 2016 (net)	449 423	0	0	(203 228)	652 651	0
net profit/ (loss) of the period	652 651	0	0	0	652 651	0
valuation of available for sale debt securities	(68 981)	0	0	(68 981)	0	0
valuation of available for sale shares	(171 292)	0	0	(171 292)	0	0
hedge accounting	35 866	0	0	35 866	0	0
actuarial gains (losses)	1 179	0	0	1 179	0	0
Transfer between items of reserves	0	0	0	0	(814 157)	814 157
Equity at the end of the period	**6 741 504**	**1 213 117**	**1 147 241**	**(185 176)**	**652 651**	**3 913 671**

01.01.2016 - 31.03.2016, *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 1 quarter of 2016 (net)	204 800	0	0	69 331	135 469	0
net profit/ (loss) of the period	135 469	0	0	0	135 469	0
valuation of available for sale debt securities	18 513	0	0	18 513	0	0
valuation of available for sale shares	279	0	0	279	0	0
hedge accounting	50 539	0	0	50 539	0	0
Transfer between items of reserves	0	0	0	0	(814 157)	814 157
Equity at the end of the period	**6 496 881**	**1 213 117**	**1 147 241**	**87 383**	**135 469**	**3 913 671**

CASH FLOWS

A. Cash flows from operating activities

Amount '000 PLN	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Profit (loss) after taxes	187 207	135 469
Total adjustments:	30 555	(734 057)
Interests in net income (loss) of associated companies	0	0
Depreciation and amortization	12 441	12 786
Foreign exchange (gains) losses	(71 110)	(8 116)
Dividends	(72 286)	(11 716)
Changes in provisions	(2 881)	10 357
Result on sale and liquidation of investing activity assets	(7 264)	(18 413)
Change in financial assets valued at fair value through profit and loss (held for trading)	(227 966)	70 064
Change in loans and advances to banks	612 150	456 734
Change in loans and advances to customers	35 384	364 872
Change in receivables from securities bought with sell-back clause (loans and advances)	(37 743)	(216 140)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(718 569)	(327 975)
Change in deposits from banks	175 311	(166 465)
Change in deposits from customers	502 961	(765 489)
Change in liabilities from securities sold with buy-back clause	0	0
Change in debt securities	(24 578)	12 894
Change in income tax settlements	62 605	42 680
Income tax paid	(52 295)	(42 454)
Change in other assets and liabilities	(159 248)	(142 205)
Other	3 643	(5 471)
Net cash flows from operating activities	**217 762**	**(598 588)**

B. Cash flows from investing activities

Amount '000 PLN	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Inflows from investing activities:	87 441	13 768
Proceeds from sale of property. plant and equipment and intangible assets	8 155	2 052
Proceeds from sale of shares in associates	7 000	0
Change in value of investment financial assets due to purchase/sale	0	0
Other investing inflows	72 286	11 716
Outflows from investing activities:	(1 864 713)	(2 241 200)
Acquisition of property, plant and equipment and intangible assets	(3 525)	(2 612)
Acquisition of shares in associates	(1 000)	0
Change in value of investment financial assets due to purchase/sale	(1 860 188)	(2 238 588)
Other investing outflows	0	0
Net cash flows from investing activities	**(1 777 272)**	**(2 227 432)**

C. Cash flows from financing activities

Amount '000 PLN	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
Inflows from financial activities:	0	220 520
Long-term bank loans	0	220 520
Issue of debt securities	0	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other financial inflows	0	0
Outflows from financial activities:	(500 331)	(871)
Repayment of long-term bank loans	0	0
Redemption of debt securities	(499 853)	(147)
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	(478)	(724)
Net cash flows from financing activities	**(500 331)**	**219 649**

D. Net cash flows. Total (A + B + C)	**(2 059 841)**	**(2 606 371)**
E. Cash and cash equivalents at the beginning of the reporting period	**5 381 982**	**6 851 154**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**3 322 141**	**4 244 783**

3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

As at 31 March 2017, 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.

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

	01.01.2017 - 31.03.2017	01.01.2016 - 31.12.2016
Balance at the beginning of the period	1 235 790	1 325 089
Change in value of provisions:	44 679	(89 299)
Write-offs in the period	176 145	486 922
Amounts written off	(5 008)	(35 029)
Reversal of write-offs in the period	(120 439)	(256 188)
Write-offs decrease due to sale of receivables	0	(283 375)
Changes resulting from FX rates differences	(6 019)	5 540
Other	0	(7 169)
Balance at the end of the period	**1 280 469**	**1 235 790**

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Investments in associates	Property. plant and equipment	Intangibles	Other assets
Balance as at 01.01.2017	7 142	7 600	9 787	0	7 105
- Write-offs created	0	0	358	0	967
- Write-offs released	(29)	0	(710)	0	(737)
- Utilisation	0	0	0	0	(197)
- Sale	0	0	0	0	0
- Other changes	0	0	0	0	0
Balance as at 31.03.2017	7 113	7 600	9 435	0	7 138

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	1 376	1 054	0	4 511
- Write-offs released	(62)	0	(8 300)	0	(1 121)
- Utilisation	(9)	0	0	0	(1 073)
- Sale of assets	0	0	(665)	0	0
- Other changes	7 169	0	0	0	0
Balance as at 31.12.2016	7 142	7 600	9 787	0	7 105

Impairment losses on financial assets

	01.01.2017 - 31.03.2017	01.01.2016 - 31.03.2016
Impairment losses on loans and advances to customers	(55 598)	(39 017)
- Impairment charges on loans and advances to customers	(176 145)	(161 710)
- Reversal of impairment charges on loans and advances to customers	120 439	105 400
- Amounts recovered from loans written off	108	11 511
- Result from sale of receivables portfolio	0	5 782
Impairment losses on investment securities	30	7
- Impairment write-offs for investment securities	0	0
- Reversal of impairment write-offs for investment securities	30	7
Impairment losses on investments in associates	0	0
- Impairment write-offs for investments in associates	0	0
- Reversal of impairment write-offs for investments in associates	0	0
Impairment losses on off-balance sheet liabilities	1 990	920
- Impairment write-offs for off-balance sheet liabilities	(9 215)	(2 402)
- Reversal of impairment write-offs for off-balance sheet liabilities	11 205	3 322
Total	**(53 578)**	**(38 090)**

Creation, charge, utilisation and release of provisions

	01.01.2017 - 31.03.2017	01.01.2016 - 31.12.2016
Provision for off-balance sheet commitments		
Balance at the beginning of the period	24 633	14 239
Charge of provision	9 215	15 279
Release of provision	(11 205)	(4 804)
FX rates differences	(50)	(81)
Balance at the end of the period	22 593	24 633
Provision for contentious claims		
Balance at the beginning of the period	23 988	16 028
Charge of provision	2 054	37 073
Release of provision	(35)	(5 579)
Utilisation of provision	(2 860)	(25 973)
Other/reclassification	0	2 439
Balance at the end of the period	23 147	23 988
Total	**45 740**	**48 621**

Assets and provision from deferred income tax

	31.03.2017			31.12.2016		
	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	3 445	0	3 445	3 365	0	3 365
Balance sheet valuation of financial instruments	142 026	(168 514)	(26 488)	293 434	(320 892)	(27 458)
Unrealised receivables/ liabilities on account of derivatives	15 984	(26 148)	(10 164)	20 583	(33 779)	(13 196)
Interest on deposits and securities to be paid/ received	20 210	(38 146)	(17 936)	20 249	(38 863)	(18 614)
Interest and discount on loans and receivables	0	(24 593)	(24 593)	0	(24 046)	(24 046)
Income and cost settled at effective interest rate	84 296	0	84 296	82 195	(1)	82 194
Provisions for loans presented as temporary differences	123 478	0	123 478	119 270	0	119 270
Employee benefits	12 881	0	12 881	12 787	0	12 787
Provisions for future costs	15 505	0	15 505	10 802	0	10 802
Valuation of investment assets, the valuation of cash flow hedge and actuarial gains (losses) recognized in the revaluation reserve	28 940	0	28 940	43 436	0	43 436
Other	1 861	(1 237)	624	3 360	(1 259)	2 101
Net deferred income tax asset	448 626	(258 638)	189 988	609 481	(418 840)	190 641

4. STATEMENT OF RELATED PARTY TRANSACTIONS

All the transactions concluded between the Group entities in the period from 1 January to 31 March 2017 resulted from their ongoing activity. Below, we are presenting amounts of the most important intra-group transactions concluded between the following entities:

- MILLENNIUM LEASING Sp. z o.o.,
- MILLENNIUM DOM MAKLERSKI S.A.,
- MILLENNIUM TFI S.A.,
- MB FINANCE A.B.,
- MILLENNIUM SERVICE Sp. z o.o.,
- MILLENNIUM TELECOMMUNICATION SERVICES.,
- MILLENNIUM GOODIE 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 31.03.2017

	With subsidiaries	With parent entity	With other entities of parent Group
ASSETS			
Loans and advances to banks – accounts and deposits	0	742	0
Loans and advances to customers	4 747 712	0	0
Investments in associates	83 358	0	0
Financial assets valued at fair value through profit and loss (held for trading)	2	0	0
Hedging derivatives	0	0	0
Other assets	299 459	0	0
LIABILITIES			
Deposits from banks	0	121	118 334
Deposits from customers	232 649	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities from debt securities	480	0	0
Hedging derivatives	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	368	0	0
Subordinated debt	636 241	0	0
Other liabilities	83 319	0	32
- including liabilities from financial leasing	75 353	0	0

Assets and liabilities from transactions with related parties (data in '000 PLN) as at 31.12.2016

	With subsidiaries	With parent entity	With other entities of parent Group
ASSETS			
Loans and advances to banks - accounts and deposits	0	625	0
Loans and advances to customers	4 706 329	0	0
Investments in associates	223 130	0	0
Financial assets valued at fair value through profit and loss (held for trading)	133	0	0
Hedging derivatives	0	0	0
Other assets	138 531	0	0
LIABILITIES			
Deposits from banks	0	913	123 466
Deposits from customers	229 544	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities from debt securities	1 132	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	3	109	0
Subordinated debt	664 004	0	0
Other liabilities	89 544	0	0
- including liabilities from financial leasing	78 910	0	0

Profit and loss on transactions with related parties (data in '000 PLN) for the period of 1.01-31.03.2017

	With subsidiaries	With parent entity	With other entities of parent Group
INCOME FROM:			
Interest	21 747	3	0
Commissions	13 358	33	0
Financial instruments valued at fair value	0	13	0
Dividends	72 001	0	0
Other net operating income	1 063	0	0
EXPENSE FROM:			
Interest	3 572	0	(74)
Commissions	7	0	0
Financial instruments valued at fair value	496	0	0
Other net operating costs	0	5	0
General and administrative expenses	21 432	0	98

Profit and loss on transactions with related parties (data in '000 PLN) for the period of 1.01-31.03.2016

	With subsidiaries	With parent entity	With other entities of parent Group
INCOME FROM:			
Interest	21 191	1	0
Commissions	11 850	34	0
Financial instruments valued at fair value	105	0	0
Dividends	11 716	0	0
Other operating net	734	0	0
EXPENSE FROM:			
Interest	3 982	202	(74)
Commissions	25	0	0
Financial instruments valued at fair value	0	2	0
Other operating net	0	18	0
General and administrative expenses	23 465	0	408

Off-balance transactions with related parties (data in '000 PLN) as at 31.03.2017

	With subsidiaries	With parent entity	With other entities of parent Group
Conditional commitments	36 524	102 173	0
- granted	34 058	100 345	0
- received	2 466	1 828	0
Derivatives (par value)	52 857	11 388	0

Off-balance transactions with related parties (data in '000 PLN) as at 31.12.2016

	With subsidiaries	With parent entity	With other entities of parent Group
Conditional commitments	39 062	102 183	0
- granted	36 622	100 345	0
- received	2 440	1 838	0
Derivatives (par value)	54 066	99 891	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 3 months ended 31 March 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

31.03.2017	Balance sheet value	Fair value
Loans and advances to banks	968 707	968 472
Loans and advances to customers *	46 558 045	45 001 404

LIABILITIES

31.03.2017	Balance sheet value	Fair value
Amounts due to banks	1 405 179	1 405 824
Amounts due to customers	56 491 159	56 493 524
Debt securities	588 792	588 568
Subordinated debt	636 241	630 033

* 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

31.12.2016	Balance sheet value	Fair value
Loans and advances to banks	1 267 805	1 267 557
Loans and advances to customers	46 593 429	44 810 792

LIABILITIES

31.12.2016	Balance sheet value	Fair value
Amounts due to banks	1 270 745	1 271 762
Amounts due to customers	55 988 198	55 988 718
Debt securities	1 113 223	1 117 989
Subordinated debt	664 004	657 787

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 31.03.2017

	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
ASSETS			
Financial assets valued at fair value through profit and loss (held for trading)			
- derivatives		207 376	39 180
- debt securities	407 027		
Hedging derivatives		201 111	
Financial assets available for sale			
- debt securities	15 480 880	999 833	52 976
- shares and other financial instruments			26 279
LIABILITIES			
Financial liabilities valued at fair value through profit and loss (held for trading)			
- derivatives and short sale of securities	26 249	175 557	39 367
Hedging derivatives		518 866	

Data in '000 PLN, as at 31.12.2016

	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
ASSETS			
Financial assets valued at fair value through profit and loss (held for trading)			
- derivatives		210 597	27 633
- debt securities	314 466		
Hedging derivatives		17 934	
Financial assets available for sale			
- debt securities	14 352 812	2 669 700	53 689
- shares and interests			24 445
LIABILITIES			
Financial liabilities valued at fair value through profit and loss (held for trading)			
- derivatives and short sale of securities	106 853	193 720	27 550
Hedging derivatives		1 149 653	

Changes of fair values of instruments measured on the basis of valuation techniques with use of significant parameters not derived from the market in the 1 quarter 2017 are presented in the table below (in '000 PLN):

	Indexes options	Options embedded in securities issued and deposits	FX options	Municipal bonds	Shares and interests
Balance on 1 January 2017	26 199	(26 116)	0	53 688	24 445
Settlement/sell/purchase	4 609	(4 788)	0	(1 000)	0
Change of valuation recognized in equity	0	0	0	0	1 834
Change of valuation recognized in P&L account (including interests)	6 033	(6 124)	0	288	0
Balance on 31 March 2017	36 841	(37 028)	0	52 976	26 279

6. ADDITIONAL INFORMATION

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

During the three months ended 31 March 2017 the Bank's liabilities arising from debt securities decreased by approx. PLN 524,4 million, mainly due to the fact that in the analyzed period, the Bank repurchased (in line with the maturity date) BKMO C-series bonds with a nominal value of PLN 500 million, and a varition in the value of bank securities (BPW). The Bank maintained during this period, practically constant level of other floating bonds (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 31 March 2017 and 31 December 2016, the structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	31.03.2017	31.12.2016
Off-balance conditional commitments granted and received	**8 245 921**	**8 241 371**
Commitments granted:	8 147 807	8 134 323
- financial	7 083 248	7 014 153
- guarantee	1 064 559	1 120 170
Commitments received:	98 114	107 048
- financial	14 499	0
- guarantee	83 615	107 048