REPORT OF THE BANK MILLENNIUM S.A. CAPITAL GROUP

FOR 3RD QUARTER 2017

MAIN CONSOLIDATED FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	Period from 1.01.2017 - 30.09.2017	Period from 1.01.2016 - 30.09.2016*	Period from 1.01.2017 - 30.09.2017	Period from 1.01.2016 - 30.09.2016*
Interest income	1 783 024	1 702 569	418 885	389 711
Fee and commission income	593 326	509 562	139 390	116 637
Operating income	1 964 003	2 007 583	461 402	459 527
Operating profit	824 821	900 790	193 775	206 187
Profit (loss) before income tax	684 765	772 848	160 871	176 902
Profit (loss) after taxes	501 580	569 761	117 836	130 416
Total comprehensive income of the period	652 849	408 729	153 373	93 556
Net cash flows from operating activities	1 079 411	1 609 572	253 585	368 424
Net cash flows from investing activities	(1 912 401)	(5 029 994)	(449 279)	(1 151 345)
Net cash flows from financing activities	84 162	86 697	19 772	19 845
Net cash flows, total	(748 828)	(3 333 725)	(175 922)	(763 076)
Total Assets	70 467 876	68 792 787	16 353 270	15 549 907
Liabilities to banks and other monetary institutions	2 173 068	1 270 745	504 297	287 239
Liabilities to customers	56 678 526	55 875 609	13 153 217	12 630 111
Equity	7 594 054	6 941 205	1 762 329	1 568 988
Share capital	1 213 117	1 213 117	281 524	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)	6.26	5.72	1.45	1.29
Diluted book value per share (in PLN/EUR)	6.26	5.72	1.45	1.29
Total Capital Ratio (TCR)	20.51%	17.40%	20.51%	17.40%
Earnings (losses) per ordinary share (in PLN/EUR)	0.41	0.47	0.10	0.11
Diluted earnings (losses) per ordinary share (in PLN/EUR)	0.41	0.47	0.10	0.11
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 30.09.2016.

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: 4.3091 PLN/EUR – the exchange rate of 30 September 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 – 30 September 2017: 4.2566 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 – 30 September 2016: 4.3688 PLN/EUR).

INFORMATION ABOUT THE ACTIVITY OF BANK MILLENNIUM CAPITAL GROUP DURING 3 QUARTERS OF 2017

Bank Millennium Group (the "Group") consolidated net profit in 1-3Q 2017 amounted to PLN 501.6 million. 9 months profit was nominally lower by 12% y/y versus net profit of the corresponding period in 2016, in which there was a significant one-off income from VISA Europe transaction of PLN 283 million. When adjusting net profit for this and other one-off effects, comparable net profit for 9 months grew by 31.8% yearly. Core income was the main driver of the growth, which more than compensated slightly higher costs and provisions.

Net profit for 3Q 2017 amounted to PLN 187.5 million and was 8% higher than net profit of the previous quarter and 35% higher than in 3Q 2016. Net operating income was higher by 4% q/q, cost were flat and provisions grew by 11%.

Main financial and business highlights of 1-3Q 2017 are as follows:

Continued gradual improvement of profitability and cost efficiency

- High quarterly Net profit of PLN 187.5 million (+8% vs. 2Q'17; +35% vs.3Q'16).
- 1-3Q Net profit reached PLN 502 million which is 32% y/y higher when adjusting for one-offs
- Improvement of ROE to 9.3% and Cost to Income to 45.6%

Core income as main driver of the improvement

- Core income grew 13.2% y/y
- Net interest income up by 12.1% y/y
- Net commission strong growth of 16.5% y/y

Low cost of risk and strong liquidity

- Impaired loans ratio at stable 4.6%
- Cost of risk at 54 b.p. year-to-date (per annum)
- Loan to deposits slightly up to 83% after 5 quarters of fall

High capital ratios

- Group's TCR and CET1 at 20.5% (without profit from current year), which comfortably exceed the minimum capital ratio thresholds [1]

Retail business

- Strategic goal of over 300k active customers net growth in 3 years delivered
- Retail customer funds grew 7.8% yearly despite deceleration of deposits (4.9% y/y)
- 19% yearly growth of current and saving accounts balance
- Investment products grew 24% y/y
- PLN mortgage sale at PLN 725 million Cash loans sale at PLN 599 million in 3Q

Companies business

- Acceleration of all loans segments growth to over 10% yearly
- Record factoring sale of PLN 4.3 billion in 3Q
- Faster current accounts growth of 12% y/y

Quality and Innovations

- Bank Millennium achieved again the highest positon in the ranking „Newsweek Friendly Bank 2017"
- "Breakthrough Collaboration in Financial Services" award from BAI Global Innovation for solutions enabling access to e-administration

[1] Current minimum capital thresholds are 16.6% (TCR) and 12.8% (T1), changes to them are likely to occur in 4Q as a consequence of SREP/BION conclusion and full equivalence of Polish capital rules with EU CRR

In the 16th round of "Newsweek Friendly Bank 2017" competition, Bank Millennium reached the podium in three categories out of four. The Bank was ranked first in the most important category „Bank for M Kowalski", first in „Mobile banking" and second in „Internet Banking" For seven years now, the Bank has been ranked among the top three banks.

Bank Millennium won the category "Breakthrough Collaboration in Financial Services" a prestigious BAI Global Innovation Awards competition. The jury appreciated innovative solutions, prepared in collaboration with the Government administration, whereby Clients had been provided access to a broad range of public services via the internet banking service. Nearly 50 thousand unique trusted profiles have been opened through Bank Millennium.

Macroeconomic situation and factors influencing results in the next quarters

In 2Q 2017 business sentiment in the Polish economy remained positive. Gross Domestic Product grew, in real terms, by 3.9% between April and June of 2017 after growing by 4.0% in 1Q 2017. The main engine of the growth was private consumption, which was supported by growing households' income, including social benefits, favourable labour market conditions and optimistic sentiment in the households' sector. After a sharp plunge of investments in fixed assets in 2016, investment dynamics turned into positive territory and stood at 0.8% y/y in 2Q. Conducive to improved investments' activity was higher utilization of the EU funds, that translated into higher investments in infrastructure. The Bank assesses that macroeconomic data show no sign of the build-up of macroeconomic imbalances.

Data on industrial production, construction output as well as retail sales confirmed that economic growth improved in 3Q and might reach 4.7% y/y according to Bank's estimate. Private consumption was the main driver of the economic growth, coupled with increase of investments in fixed assets and growing exports.

Situation in the labour market remained positive in 3Q 2017. RA registered unemployment rate fell to its record low value and in September 2017 it reached 6.8%. Unemployment rate based on the Labour Force Study (BAEL) has also reached a new record low at 5.0% in the second quarter of 2017. Falling number of unemployed coupled with growing demand for labour, bears growing problems with finding suitable employees. It may translate into intensifying wage pressure. The wage growth accelerates, but remains moderate and in September average earnings in the enterprise sector increased in nominal terms by 6.0% y/y.

Inflation accelerated slightly during 3Q and in September the headline CPI equalled 2.2% y/y compared to 1.5% y/y in June. Higher inflation was a result of growing energy and food prices. However, core inflation, that excludes food and energy prices, also accelerated reaching 1.1% y/y in September, although it remains below the central bank target. This is why the MPC kept loose monetary policy stance, despite of accelerating economic growth. 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 the positive sentiment in the economy to remain. Manufacturing PMI at 53.7 in September highlighted an improvement in the health of the Polish manufacturing sector. Consumer confidence is currently the highest on record. The Bank assesses that in 2017 the economic growth might reach 4.3%. The structure of the growth may improve as a build-up of public investment is expected. Private consumption will still be the main engine of the growth.

In 3Q 2017 growth of deposits in the banking sector slowed down and reached 4.9% y/y in September compared to 4.4% y/y in June and 8.9% y/y in December of the previous year. Dynamics of households' deposits decelerated to 5.2% y/y in September from 5.6% y/y in June, which might relate to growing consumption and negative real interest rates. Growth of corporate deposits rebounded to 4.3% y/y from 2.2% y/y in June, that might reflect still solid financial condition of the corporate sector.

Total credit in September was by 5.0% higher than in the corresponding period of last year. Dynamics of credit to households accelerated modestly to 3.3% y/y in September from 3.0% year on year in June. Stronger rebound was recorded in corporate loans that grew 7.7% y/y in September compared to 6.7% y/y in June, which might reflect oncoming rebound of corporates' demand for external financing.

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

- On 1st Aug 2017 a new draft Act on amending the Act on supporting distressed borrowers who have taken out a mortgage loan was published by the Office of the President. The draft was sent to the Parliament for further proceeding as Presidential proposal. The draft amends the law, which was adopted by the Parliament on Oct 9th 2015 and entered into force on 19th Feb 2016. The amendment introduces number of changes in current rules set for Mortgage Support Fund and creates a new Restructuring Fund designated to support conversions of FX loans into PLN. Conversions are expected to be implemented on the basis of agreement reached between a bank and a client. According to the current draft, the Act shall come into force as of 1st Jan 2018.

Quarterly contributions to the new Restructuring Fund made by lenders shall not exceed the equivalent of the FX mortgage portfolio and the rate of 0.5%. Maximum costs for the whole sector estimated by the Polish Financial Supervision Authority (KNF) are at PLN 2.8 bn in the first year. According to the draft law, KNF may issue a recommendation to lenders to specify the rules of voluntary conversions of receivables undergoing restructuring, having regard for the stability of the financial system and the efficient usage of the Restructuring Fund's financial resources.

Currently there are in the Parliament 4 legislative initiatives concerning FX mortgage loans:

1. Presidential draft relative to refund of a part of FX spread collected by banks until the so-called „Anti-spread Act" entry into force;
2. Draft submitted by Parliamentary Club "Kukiz'15" assuming treatment, from the beginning, of FX loans as if they were PLN loans;
3. Draft submitted by the PO Parliamentary Club assuming elimination of FX risk by currency conversion and division of costs between banks and borrowers;
4. New draft amending the Act on supporting distressed borrowers who have taken out a mortgage loan (above described).

As a consequence of the unfinished legislative work, it is not possible to estimate precisely the impact of these potential new regulations on the Bank, but potential costs of the new draft may have relevant impact on net profits of the Bank.

- On 13th Jan 2017 Financial Stability Committee (KSF) in Poland released set of recommendations regarding restructuring of FX mortgage loans. The proposed supervisory instruments aimed at supporting decision taking by banks and borrowers concerning restructuring include, among others: to increase risk weight for FX mortgage exposures, to increase the minimum value of LGD parameter for FX mortgages, 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. In June 2017 KSF summarized status of preparation of these recommendations indicating, that most of them should be implemented before year-end or at the beginning of 2018. It is not possible with the available information to analyse the combined impact 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.

- Expected recovery in corporate investments, thanks to increased utilization of the EU funds, might support growth of investment loans.

- Prolonged period of negative real interest rates in Poland might result in possible outflow or slower growth of banks' deposits, especially from households' sector. Possible further reallocation of households' savings toward assets with potentially higher profitability (e.g. mutual funds, real estates).

- Good situation 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.

Bank Millennium Group Profit and Loss Account after 3rd quarter 2017

Operating Income *(PLN million)*	1-3Q 2017	1-3Q 2016	Change y/y	3Q 2017	2Q 2017	Change q/q
Net Interest Income *	1 287.7	1 149.1	*12.1%*	446.6	429.9	*3.9%*
Net Commission Income	494.2	424.3	*16.5%*	165.5	162.5	*1.9%*
Core Income **	**1 781.9**	**1 573.5**	***13.2%***	**612.2**	**592.4**	***3.3%***
Other Non-Interest Income ***	87.1	317.5	*-72.6%*	45.5	40.0	*13.8%*
*of which extraordinary incomes and charges *****	*(11.6)*	*231.5*	-	-	-	-
Total Operating Income	**1 869.0**	**1 890.9**	***-1.2%***	**657.6**	**632.4**	***4.0%***
*Total Operating Income (without one-offs)*****	*1 880.6*	*1 659.4*	*13.3%*	-	-	-

(*) 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 35.2 million in 1-3Q 2017 and PLN 32.5 million in 1-3Q 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.

(****) VISA transaction and extraordinary costs in 2Q16 and adjustment for BFG resolution yearly fee (PLN 46.4 million) - proportional part (i.e. 1/4) treated as one-off.

Net Interest Income (pro-forma) for 1-3Q 2017 reached PLN 1,287.7 million and increased by 12.1% versus the corresponding period of the previous year. This considerable increase was driven by improving Net Interest Margin and growth of loans, especially consumer, corporate and PLN mortgage loans, which altogether grew by 11.7% y/y and increased their share in total portfolio to more than 67%. Moreover, the improvement in Net Interest Margin was also driven by high dynamics of current and saving account deposits, which increased by 17.3% year-on-year and the share of which in total deposits increased to almost 56% in September 2017 (about 53% one year ago). As a consequence, total Net Interest Margin (over average interest earning assets) for 1-3Q 2017 improved visibly to 2.54% from 2.37% in 1-3Q 2016.

In 3Q 2017 Net Interest Income increased substantially by 3.9% vs 2Q 2017 confirming strong upward quarterly trend.

Net Commission Income in 1-3Q 2017 amounted to PLN 494.2 million, which means strong increase by 16.5% year-on-year. Insurance and investment products related fees were the main drivers of the growth, but also transactional and loans commissions presented visible increase.

Core Income, defined as a combination of net interest and commission income, reached the amount of PLN 1,781.9 million for 1-3Q 2017 which means a remarkable increase of 13.2% yearly.

Other Non-interest Income, which comprise FX Result, Results on Financial Operations and net other operating income and costs, amounted to PLN 87.1 million in 1-3Q 2017 and decreased strongly by PLN 230.4 million due to the impact of one-off incomes and charges, which had altogether positive impact in the corresponding period of 2016 and negative impact in 1-3Q 2017. The one-off items (pre-tax) in 1-3Q 2016 included mainly income from the transaction on Visa Europe shares of PLN 283 million and other one-off charges of PLN 51.5 million booked in 2nd quarter of the year. In 1Q 2017 the Bank made full payment of annual resolution fund fee to Bank Guarantee Fund in the amount of PLN 46.4 million, which was presented in other operating cost. As 1/4 of this payment refers to 4Q 2017, it may be considered as an extraordinary cost for homologous comparison purposes.

Total operating income of the Group reached PLN 1,869 million in 1-3Q 2017 and decreased by 1.2% year-on-year. Without taking into consideration one-off incomes and charges mentioned above, the total operating income for 1-3Q 2017 would present a substantial annual growth of 13.3%.

Total costs in 1-3Q 2017 amounted to PLN 851.7 million, which means a small increase by 2.5% when compared to the corresponding period of 2016. Some increase in personnel costs was partly offset by lower other administrative costs.

Operating Costs *(PLN million)*	1-3Q 2017	1-3Q 2016	Change y/y	3Q 2017	2Q 2017	Change q/q
Personnel Costs	(444,0)	(417,2)	*6,4%*	(149,0)	(149,9)	*-0,6%*
Other Administrative Costs*	(407,8)	(413,4)	*-1,4%*	(141,5)	(140,8)	*0,5%*
Total Operating Costs	**(851,7)**	**(830,6)**	***2,5%***	**(290,5)**	**(290,7)**	***-0,1%***
Cost/Income - reported	**45,6%**	**43,9%**	***1,6 p.p.***	**44,2%**	**46,0%**	***-1,8 p.p.***
*Cost/Income - ex. one-offs ** *	*45,3%*	*50,1%*	*-4,8 p.p.*	-	-	-

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

Personnel costs for 1-3Q 2017 amounted to PLN 444 million and grew by 6.4% compared to the corresponding period of the previous year as a result of increase of average salary and bonuses. The total number of employees in the Group increased by 13 employees compared to the end of September 2016, to the level of 5,852 persons (in Full Time Equivalents).

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

Employment structure (in FTEs)	30.09.2017	30.06.2017	Change q/q	30.09.2016	Change y/y
Bank Millennium S.A.	5 506	5 517	-0,2%	5 498	0,1%
Subsidiaries	346	348	-0,6%	341	1,5%
Total Bank Millennium Group	**5 852**	**5 865**	**-0,2%**	**5 839**	**0,2%**

Other administrative costs (including depreciation) in 1-3Q 2017 reached PLN 407.8 million and decreased by 1.4% year-on-year. The decrease was driven mainly by lower rental costs. Total number of branches fell during last 12 months from 381 to 359.

Cost-to-Income ratio for 1-3Q 2017 reached low level of 45.6%. If excluding one-off incomes and charges, the ratio would be a little lower, i.e. 45.3% presenting strong improvement by 4.8 p.p. compared to the level for 1-3Q 2016 (i.e. 50.1%).

Net Profit *(PLN million)*	1-3Q 2017	1-3Q 2016	Change y/y	3Q 2017	2Q 2017	Change q/q
Operating Income	1 869,0	1 890,9	*-1,2%*	657,6	632,4	*4,0%*
Operating Costs *	(851,7)	(830,6)	*2,5%*	(290,5)	(290,7)	*-0,1%*
Impairment provisions	(192,4)	(159,5)	*20,6%*	(69,7)	(63,0)	*10,7%*
Banking tax	(140,1)	(127,9)	*9,5%*	(46,4)	(46,5)	*-0,2%*
Pre-income tax Profit**	684,8	772,8	*-11,4%*	251,0	232,3	*8,1%*
Income tax	(183,2)	(203,1)	*-9,8%*	(63,6)	(58,7)	*8,3%*
Net Profit	**501,6**	**569,8**	***-12,0%***	**187,5**	**173,6**	***8,0%***
Net Profit (without one-offs)	***513,2***	***389,5***	***31,8%***	-	-	-

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

Total net impairment provisions created by the Group in 1-3Q 2017 amounted to PLN 192.4 million and were 20.6% higher than provisions created in 1-3Q 2016. The provisions for corporate segment increased visibly by PLN 65.3 million year-on-year, which resulted from the very low level impairment provisions registered in corporate segment and other booked in 1-3Q 2016 (only PLN 2.5 million) influenced by sale of impaired loans and extraordinary recoveries. On the other hand the provisions for retail segment decreased by PLN 32.5 million in the same period.

In relative terms, cost of risk (i.e. net provisions created to the average net loans) in 1-3Q 2017 reached 54 bps level (i.e. 9 bps higher compared to 1-3Q 2016), which is within expected range for entire 2017 year.

Pre-income tax profit in 1-3Q 2017 amounted to PLN 684.8 million, and decreased by 11.4% compared to the corresponding period of the previous year, mainly due to full payment of yearly BFG resolution fund fee in 1st half 2017 and gain on Visa transaction in 2Q 2016. **Net Profit** for 1-3Q 2017 amounted to PLN 501.6 million and was 12% lower than an year ago. When excluding abovementioned one-off incomes and charges, net profit of the Group would have grown by 31.8% year-on-year.

Business results after 3rd quarter 2017

Growth of the number of active retail customers by 300 thousand was one of the main **strategic goals** of the Group for the period ending in 2017. As at the end of September 2017 this number grew by 313 thousand since September 2014 with visibly accelerating trend (+39 thousand net growth of active customers during 3Q'17). Total number of active individual clients reached 1,596 thousands as at the end of September 2017.

At the same date the Bank had 2,360 thousand retail current accounts, of which 833 thousand of Konto 360° current account, which was the main type of account opened since May 2014 (the start of the campaign). **Total assets** of the Group reached PLN 70,468 million as at 30 September 2017, which means an increase by 5% compared to the end of September 2016.

Total **customer funds** of Bank Millennium Group reached PLN 65,633 million as at 30 September 2017 showing the growth of 6.6% vs. the end of September 2016 and by 0.3% vs. the end of June 2017. The growth of **deposits** decelerated to 4.4% yearly, after slight fall during 3Q 2017 of -0.5%. Total balance of Group's deposits reached PLN 56,679 million as at 30 September 2017.

Customer funds of retail customers reached PLN 49,035 million as at 30 September 2017, after growing by 7.8% yearly. Deposits from individual Customers amounted to PLN 40,082 million (yearly growth of 4.9%) whereas non-deposit investment products reached PLN 8,954 million level (solid growth of 23.6% yearly). Within this assets balance, PLN 4,872 million was under management of Millennium TFI, PLN 3,629 million was managed by third party providers and PLN 453 million was an outstanding balance of own bank's securities placed to retail customers (mainly as structured instruments).

Strong growth in number of customers and accounts together with promotions of savings accounts allowed for visible increase of current and saving accounts volume share in total deposits of individuals: from 55% year ago to 63% now.

Continuous improvement of customer service quality has been proven again during the 16th edition of the ranking "Newsweek Friendly Bank 2017": Bank Millennium was ranked as the best in „Traditional Banking" and „Mobile Banking" categories plus the 2nd best in the „Internet Bank" category. Superb quality and satisfaction of customers is the basis of the program "Like it ? Share it", which brought already 21 thousand new customers since its launch in March 2017.

Deposits of companies and public sector amounted to PLN 16,597 million as at 30 September 2017 and increased by 3.3% year-on-year. Like in retail segment, current accounts remain as the main driver of growth: +11.9% versus the end of September 2016.

Customer Funds *(PLN million)*	30.09.2017	30.06.2017	Change q/q	30.09.2016	Change y/y
Deposits of individuals	40 081,5	40 414,3	-0,8%	38 227,2	4,9%
Deposits of Companies and public sector	16 597,1	16 573,6	0,1%	16 070,5	3,3%
Total Deposits	**56 678,5**	**56 988,0**	**-0,5%**	**54 297,7**	**4,4%**
Investment products *	8 953,9	8 447,6	6,0%	7 244,9	23,6%
Total Customer Funds	**65 632,5**	**65 435,5**	**0,3%**	**61 542,6**	**6,6%**

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

Total net **loans** of Bank Millennium Group reached PLN 47,593 million as at the end of September 2017, which means 2.6% growth year-on-year.

This modest growth was a combination of faster reduction of foreign currency mortgage portfolio (-12% year-on-year, partially driven by FX rate change) and accelerated growth of all other segments, which in total grew by solid 11.7% yearly (in net terms).

The net value of loans granted to households as at the end of 30 September 2017 totalled PLN 32,463 million and was slightly lower compared to the balance one year ago (-1.1%). But apart from lower FX mortgage loans, all other segments, like PLN mortgages (+14% y/y) and consumer loans (+9% y/y) grew with solid pace. Especially sale of new PLN mortgages accelerated during last year (by 158% year-to-date) to a quarterly level of PLN 725 million achieved in 3Q'17. In the same quarter cash loans sales amounted to PLN 599 million.

Loans to companies amounted to PLN 15,130 million as at the end of September 2017 and grew by 12% yearly. The growth was very balanced, double-digit growth pace has been achieved in all main products: factoring (+15%), leasing (+10%) and other loans (+10% y/y).

Loans and advances to Clients *(PLN million)*	30.09.2017	30.06.2017	Change q/q	30.09.2016	Change y/y
Loans to households	32 462,8	32 490,9	-0,1%	32 829,6	-1,1%
- PLN mortgage loans	10 618,7	10 065,5	5,5%	9 327,9	13,8%
- FX mortgage loans	15 679,1	16 425,1	-4,5%	17 827,3	-12,1%
- consumer loans	6 165,0	6 000,2	2,7%	5 674,4	8,6%
Loans to companies	15 130,4	14 825,5	2,1%	13 561,5	11,6%
- leasing	5 487,6	5 328,0	3,0%	4 975,8	10,3%
- other loans to companies and factoring	9 642,8	9 497,5	1,5%	8 585,6	12,3%
Net Loans & Advances to Clients	**47 593,2**	**47 316,3**	**0,6%**	**46 391,0**	**2,6%**
Net Loans and Advances to Clients excluding FX mortgage loans	***31 914,2***	***30 891,2***	***3,3%***	***28 563,7***	***11,7%***
Impairment write-offs	1 505,3	1 453,0	3,6%	1 393,4	8,0%
Gross loans and advances to Clients	**49 098,5**	**48 769,4**	**0,7%**	**47 784,4**	**2,8%**

Digital innovations for retail and corporate clients

Bank Millennium, as one of the first banks on the Polish market, supported tokenisation of all MasterCard and Visa payment cards. It allows to create a virtual counterpart of plastic debit, credit or prepaid card in the bank's mobile application. Tokenisation enables payment card holders to perform contactless payments with their mobiles in HCE (Host Card Emulation) technology. Bank Millennium has been the first bank in Europe to use Visa tokenisation in its proprietary payment solutions. In 3Q 2017, the number of HCE cards in Bank Millennium increased up to 78 thousand, with 653 thousand transactions performed (the second result on the market).

Millenet online banking system and mobile application offered the possibility to purchase travel insurance products with innovative „Travel assistance" ("Pomoc w podróży") service that allows quick and direct communication with the Insurer. Also, the remote cash loan application process was improved and enriched with new functionalities. Thanks to consistent optimisation and development of credit processes in the mobile application and Millenet, in 3Q 2017, the share of the loans initiated in electronic channels increased up to the record-high 44%.

In an effort to support e-administration, the Bank enabled re-submission of applications for family benefit within the government „Family 500+" programme. Since August 2017, more than 46 thousand Clients-parents have filed their applications via the online banking system.

Bank Millennium, as the first bank on the market, launched an innovative "Invoices and bills" service that offers invoice issuer a functionality to communicate payment information directly to the payer's electronic banking system. This service enables the invoice issuers to easily and securely submit information about the regular payments and the payers – to collect and present in a single point the payables information and to perform the payments. The project was executed in cooperation with the National Clearing Chamber (KIR) and the Polish Bank Association (ZBP).

Liquidity, asset quality and solvency

3Q 2017 brought change of trend in Group's loan-to-deposit ratio evolution. After 5 quarters of faster growth of deposits than loans, the ratio dropped from 88% to 82% until June 2017. At the end of September the ratio is still on very comfortable level (83.4%) and share of liquid securities (treasury bonds and NBP bills) in Group's total assets remains at 23.9% level.

The Group still enjoys one of the best asset quality among Polish banks. Share of impaired loans in total loan portfolio remains on a stable level of 4.6% - both now and in September 2016. Share of loans past-due more than 90 days in total portfolio grew slightly during last year from 2.73% level in September 2016 to 2.87% in September 2017.

Coverage ratio of impaired loans improved during the year from 64% in September 2016 to 67% now. Coverage by provisions of loans past-due more than 90 days remains at 107% as at the end of September 2017.

Impaired loans ratios in particular product segments showed strong reduction in companies portfolio (from 5.5% to 4.3%), whereas the ratio for retail portfolio grew slightly during the year from 4.2% to 4.7% (of which mortgage at 2.57%).

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

Group loans quality indicators	30.09.2017	30.06.2017	30.09.2016
Total impaired loans (PLN million)	2 262	2 213	2 182
Total provisions (PLN million)	1 313	1 387	1 393
Impaired over total loans ratio (%)	**4.61%**	**4.54%**	**4.57%**
Loans past-due over 90 days /total loans (%)	2.87%	2.84%	2.73%
Total provisions/impaired loans (%)	**66.5%**	**65.7%**	**63.9%**
Total provisions/loans past-due (>90d) (%)	106.7%	104.8%	106.8%

Capital position of the Group improved remarkably as at 30 September 2017. Consolidated equity increased by 10.8% yearly to the level of PLN 7,594 million. Regulatory Own Funds amounted to PLN 6,552 million and it did not include the net profit generated in 1-3Q 2017.

As the Bank reported in its 1H 2017 Report, it received in July the decision of Competent Authorities (ECB and KNF) on approval the material changes to IRB LGD models and revoking „Supervisory Floor". As a result of this decision, the Group's and Bank's capital ratios increased by ca. 250 bps.to the level of 20.51% (Group's both TCR and Tier 1) and 20.31% (Bank's both TCR and Tier 1 ratio).

As at 30th September 2017, in capital adequacy management, the Group considers as necessary complying with recommendations and expectations of Competent Authorities regarding capital levels:

- KNF recommendation for Polish banks (Total Capital Ratio of 12% and Tier 1 Capital Ratio of 9% as the expected minimum base in Poland),
- Capital conservation buffer – of 1.25% of risk-weighted assets, similarly to other banks in Poland, valid from the beginning of 2016,
- Pillar II RRE FX Buffer - additional capital buffer in order to cover the risk resulting from FX mortgage loans granted to households - at the level of 3.09 p.p. (Bank) and 3.05 p.p. (Group), 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). These recommendations were issued in October and December 2016 and replaced the previous ones from 2015,
- Other systematically important institution buffer (OSII Buffer) – of 0.25 p.p. of risk-weighted assets, as a consequence of identification of the Bank as other systematically important institution. The decision was issued in October 2016.

As a result of the above decisions and recommendations, the Group has to comply with the following minimum capital ratios:

- Tier 1 Capital Ratio (T1) = 9+1.25+2.29+0.25 = 12.79% (for the Bank 12.82%)
- Total Capital Ratio (TCR) = 12+1.25+3.05+0.25 = 16.55 % (for the Bank 16.59%).

On the other hand, the Bank expects that the Pilar II FX mortgage buffer will be adjusted by KNF in the 4th quarter 2017, which may increase the minimum required capital ratios.

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

Main capital and liquidity indicators	30.09.2017	30.06.2017	30.09.2016
(PLN million)	IRB	IRB with regulatory floor*)	IRB with regulatory floor*)
Risk-weighted assets (RWA) for Group	31 944.4	36 978.8	36 472.2
Risk-weighted assets (RWA) for Bank	31 321.1	36 382.9	35 967.0
Own funds requirements for Group	2 555,6	2 958.3	2 917.8
Own funds requirements for Bank	2 507.7	2 910.6	2 877.4
Own Funds for Group	6 552.1	6 674.4	6 575.5
Own Funds for Bank	6 362.5	6 484.9	6 437.7
Total Capital Ratio (TCR) for Group	**20.51%**	**18.05%**	**18.03%**
Total Capital Ratio (TCR) for Bank	20.31%	17.82%	17.90%
Common Equity Tier 1 (CET1) ratio for Group)**	**20.51%**	**18.01%**	**17.80%**
Common Equity Tier 1 (CET1) ratio for Bank**)	20.31%	17.78%	17.67%
Loans to Deposits ratio *)**	**83.4%**	**82.4%**	**84.9%**

(*) RWAs and own funds requirements calculated with 70% „Regulatory floor" set in the 2nd IRB decision in 2014
(**) Common Equity Tier 1 Capital ratio is equal to Tier 1 Capital ratio
(***) Deposits include Bank's debt securities sold to individuals and repo transactions with customers

Bank Millennium is considering an issue of subordinated bonds still in 2017 year and therefore is going to consider the market demand for such type of bonds. Potential issue will be conducted provided that market conditions meet the Bank's expectations.

Share price main indicators and ratings

During nine months of 2017 Bank Millennium shares grew strongly by 35%, while WIG banking index grew 19% and main WIG index by 24%. In yearly comparison Bank Millennium shares grew 25% - in line with banking index.

Average daily turnover of Bank Millennium shares fell slightly by 4% comparted to full 2016 year.

Market ratios	30.09.2017	30.12.2016*	Change (%) YTD	30.09.2016	Change (%) Yearly
Number of shares of the Bank (in ths.)	1 213 117	1 213 117	0.00%	1 213 117	0.00%
Daily trading (PLN ths. avg. ytd)	5 501	5 716	-3.8%	6 145	-10.5%
Bank's share price (PLN)	**7.01**	**5.19**	**35.1%**	**5.61**	**25.0%**
Market cap. (PLN million)	8 504	6 296	35.1%	6 806	25.0%
WIG Banks	7 451	6 263	19.0%	5 993	24.3%
WIG20	2 453	1 948	26.0%	1 710	43.5%
WIG30	2 849	2 243	27.0%	1 977	44.1%
WIG - main index	64 290	51 754	24.2%	47 085	36.5%

(*) last day of quotation in 2016

During the 3rd quarter of 2017 there were no changes in Bank Millennium ratings.

Ratings	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)

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I. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

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1. GENERAL INFORMATION ON THE ISSUER

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

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

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

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

Supervisory Board and Management Board of Bank Millennium S.A. as at 30 September 2017

Composition of the Supervisory Board as at 30 September 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 30 September 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 30 September 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 S.A.	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 enterprises.

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.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with later amendments) the Bank is required to publish the financial results for the nine months ended 30 September 2017.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2017 to 30 September 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 27th October 2017.

2.1. Fees for Banking Guarantee Fund

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, at the moment of recognition obligation to pay the contribution i.e. at the 1st January 2017 (with a minor adjustment in April to the final communicated amount).

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

	III quarters 2017	III quarters 2016
Contribution for guarantee fund	39.7	46.0
Contribution for resolution fund (former prudential fee)	46.4	21.7
TOTAL	86.1	67.7

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.

2.2. 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 testing and implementing necessary solutions regarding the implementation of IFRS 9, based on the gap analysis and defined key methodological assumptions.

Potential impact of IFRS 9 on the Group's financial situation and own funds

As of 30 September 2017, it is not possible (at this stage of implementation) to correctly and reliable estimate the complete impact of IFRS 9 implementation on the Group's financial situation and own funds. Therefore, the Group has chosen to disclose solely qualitative information on the Group's approach to the IFRS 9 implementation, which in the Group's opinion will enable the users of the financial statement to understand the impact of IFRS 9 on the financial situation and capital management of the Group.

Qualitative data enabling the users of the financial statement to understand the impact of IFRS9 on the Group's financial situation

Financial assets

In accordance with IFRS 9, on initial recognition a financial asset may be classified as subsequently measured at:

- amortised cost,
- fair value through other comprehensive income,
- fair value through profit or loss.

A financial asset shall be classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- the Group's business model for managing the financial assets which is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective; and
- the contractual cash flow characteristics of the financial asset by verifying if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (so called SPPI criterion).

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through profit or loss if:

- the financial asset does not meet the conditions of being classified as subsequently measured at amortised cost or at fair value through other comprehensive income (the business model the asset is held in is managed on a fair value basis or the contractual terms of the financial asset give rise on specified dates to cash flows that are not solely payments of principal and interest on the principal amount outstanding);
- at initial recognition, the Group has irrevocably designated the financial asset as measured at fair value through profit or loss because doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

A financial asset shall be reclassified if, and only if, the Group changes its business model for managing financial assets. In such a case, all financial assets affected by the business model change are subject to reclassification.

In order to be able to classify the financial assets in accordance with IFRS 9 on 1st January 2018, the Group, in the course of the ongoing IFRS 9 implementation project, has reviewed the financial assets in the Group's portfolio, which are going to a part of the portfolio after 31st December 2017. The objectives of the review were:

- determining and allocating groups of financial assets to the appropriate business model on the basis of the assessment of the applied way of managing the financial asset portfolios by:
  - reviewing and assessing relevant and objective qualitative data which may have an impact on allocating financial asset portfolios to the appropriate business model (such as, e.g.: how the particular financial assets are managed including the justification of the sales of the financial assets from certain portfolios that occurred in the past);
  - reviewing and assessing relevant and objective quantitative data which may have an impact on allocating financial asset portfolios to the appropriate business model (e.g. the value of sales of the financial assets from certain portfolios that occurred in previous reporting periods and the frequency of those sales);
  - analysis of expectations regarding the value and frequency of future sales from certain portfolios.
- identifying and analysing the contractual terms of financial assets that may cause the financial assets to fail the SPPI criterion.

As a result of the IFRS 9 implementation, the Bank assumes possibility of changes in classification of certain loans granted to clients, measured at amortised cost under IAS 39, which will have to be measured at fair value through profit or loss because the contractual terms of the loan give rise on specified dates to cash flows that are not solely payments of principal and interest on the principal amount outstanding. Based on the current stage of analysis, the Bank expects that these changes could affect a small percentage of the loan portfolio estimated at approx. 2% of value of total loan portfolio as at 30.09.2017.

Regarding the portfolio of debt securities the Group does not expect significant changes in the applied method of the classification and measurement of financial assets that could have a significant impact on the balance sheet and / or the Group's financial result.

As of 30 September 2017 the Group holds equity instruments (stocks and shares) which, in accordance with IAS 39, are categorized as financial assets "available for sale". In accordance with IFRS 9, the Group will be able to classify them as financial assets measured at fair value through profit or loss (provided that they do not constitute a strategic investment in the view of the entities which manage them) or irrevocably choose to measure them at fair value through other comprehensive income. If the Group chooses to measure the equity instruments at fair value through other comprehensive income, the fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognised in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. At the moment of preparation of these financial statement the Group has not yet made a decision in this regard.

Financial liabilities

IFRS 9 does not introduce significant changes with regard to classification and measurement of financial liabilities requirements existing in IAS 39 – on initial recognition a financial liability shall be classified as:

- a financial liability measured at fair value through profit loss, or
- other financial liability (measured at amortised cost).

Additionally in accordance with IFRS 9, financial liabilities shall not be reclassified subsequent to their initial recognition.

Impairment

IFRS 9 replaces the „incurred loss" model in IAS 39 with a forward-looking „expected credit loss" (ECL) model. Because of the aforementioned change the Bank will be obliged to calculated loss allowances based on the expected credit loss, taking into consideration forecasts of future economic conditions with regard to the measurement of the credit risk of an exposure. The implemented impairment model will be applied to financial instruments measured, in accordance with IFRS 9, at amortised cost or at fair value through other comprehensive income, except for equity instruments.

Accordingly the Group, replacing the concept of „incurred loss" with the concept of „expected credit loss" will influence significantly the way of modelling credit risk parameters and the final amount of loss allowance. The currently applied loss identification period will not be used anymore, therefore the IBNR (incurred but not reported) category of loss allowance will be eliminated. In accordance with IFRS 9, the loss allowance will be calculated in the following categories (instead of the IBNR loss allowance and the loss allowance for exposures with impairment triggers):

- Stage 1 – 12-month expected credit losses – the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date;

- Stage 2 and 3 – lifetime expected credit losses – The expected credit losses that result from all possible default events over the expected life of a financial instrument.

The measurement of lifetime expected credit losses will be applied to all exposures for which during the period between the initial recognition and the reporting date the Bank has identified a significant increase in credit risk (Stage 2) or has identified impairment (Stage 3). The measurement of 12-month expected credit losses (Stage 1) will be applied to all exposures for which the Bank has not identified a significant increase in credit risk or impairment during the period between the initial recognition and the reporting date.

The new approach to calculating the impairment of the financial assets will also have an impact on the interest income recognition. In particular, interest income on financial assets allocated to Stages 1 and 2 will be calculated based on the gross carrying amount of the exposure, whereas interest income on financial assets allocated to Stage 3 will be calculated based on the net carrying amount of the exposure (similarly to impaired financial assets under the requirements of IAS 39).

The implementation of the new impairment model based on the concept of ECL will have a significant impact on the level of the Group's loss allowance, particularly with regard to exposures allocated to Stage 2. Contrary to IAS 39, IFRS 9 does not require the entities to identify the impairment events in order to estimate lifetime credit losses, which will have place in Stage 2. Additionally, the Group is obliged to constantly estimate the level of credit losses since the initial recognition of a given asset until its derecognition. In the event of significant increase of credit risk since the initial recognition of the asset, the Group will be obliged to calculate life-time expected credit losses – Stage 2. Such an approach will result in the earlier recognition of credit losses which will cause an increase in loss allowance and therefore it will also affect P&L. It needs to be emphasized that as of the date of implementation of IFRS 9, this specific change in the level of loss allowance stemming from the adoption of new impairment model will be recognized in retained earnings, not in P&L.

Within the scope of the IFRS 9 implementation project, the Group is finalising works on implementing a new methodology of calculation of provisions as well as on implementing appropriate modifications in IT systems and processes used by the Group. In particular the works concerned the process and tools and performing a detailed estimation of the impact of IFRS 9 on the level of provisions. Methodological tasks focused on both redevelopment of currently applied solutions as well as implementation of the brand new solutions. In terms of the redevelopment of existing solutions, efforts were taken to adjust the current PD, LGD (retail), EAD and CCF models so that they may be used to estimate expected life-time credit losses. In terms of brand new solutions, the works were focused mainly on development of a new (corporate) LGD and the stage allocation criteria, as well as inclusion of the forward looking information in the estimation of provisions levels (various scenarios will be taken into account). At the same time, works regarding implementation of IFRS 9 for Millennium Leasing Sp. z o.o. are being finalised.

The implementation of the new standard significantly increases requirements as regards the implemented credit risk models - more complex and with greater predictive abilities. For each model, proper documents (methodologies and technical descriptions) have been developed and currently, there is a validation process of the models (LtPD, TL, LGD, EaD, ECL, FLI) under way in accordance with the requirements of Recommendation W.

At the current stage, the assessment of the impact of the new standard on the financial and capital position of the Group is not available. The ultimate impact may be recognised only after application of the final methodological solutions that have been worked out recently and after completion of the validation process. Additionally, the limitations as regards the ultimate impact stem from the lack of unambiguous interpretations of the new Standard and uniform market practice. From the legislative standpoint, the supervisory and regulatory authorities are working on updating prudential requirements which will be binding for the Bank. The efforts are still under way and may have an essential impact on the final shape of the implementation of the new standard.

It should also be noted that in terms of capital impact, the potential increase of impairment loss allowances at the moment of implementation of IFRS9 may be partially offset by improvement of own funds through reduction of deductions connected with the difference between expected credit loss and incurred loss (this situation applies to IRB banks such as Bank Millennium).

Hedge accounting

Based on the paragraph 7.2.21 of IFRS 9, on the 1st January 2018 the Group is going to choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9, the decision will constitute an element of the Group's accounting policy. The decision will be applied to every hedging relationship that the Group applies and is going to apply in the future. Changing the decision is possible solely by introducing appropriate changes to the accounting policy which will be associated with all the consequences resulting from IAS 8.

In view of the above, as regards hedge accounting, the adoption of IFRS 9 will have no impact on the financial position of the Group.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2017 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Interest income	1	1 783 024	613 252	1 702 569	571 269
Interest expense	2	(530 486)	(174 971)	(585 905)	(188 298)
Net interest income		1 252 538	438 281	1 116 664	382 971
Fee and commission income	3	593 326	201 064	509 562	179 239
Fee and commission expense	4	(99 153)	(35 526)	(85 234)	(29 047)
Net fee and commission income		494 173	165 538	424 328	150 192
Dividend income		2 465	139	1 907	132
Result on investment financial assets	5	9 219	5 038	305 014	2 545
Result on financial instruments valued at fair value through profit and loss and foreign exchange result	5	148 246	47 796	124 885	42 876
Other operating income		57 362	20 924	34 785	11 320
Operating income		**1 964 003**	**677 716**	**2 007 583**	**590 036**
General and administrative expenses	6	(811 889)	(277 520)	(789 217)	(264 776)
Impairment losses on financial assets	7	(191 456)	(69 176)	(156 897)	(52 138)
Impairment losses on non-financial assets		(943)	(522)	(2 646)	(1 333)
Depreciation and amortization		(39 854)	(12 995)	(41 394)	(13 049)
Other operating expenses		(95 040)	(20 092)	(116 639)	(19 105)
Operating expenses		**(1 139 182)**	**(380 305)**	**(1 106 793)**	**(350 401)**
Operating profit		**824 821**	**297 411**	**900 790**	**239 635**
Share of profit of associates		0	0	0	0
Banking tax		(140 056)	(46 376)	(127 942)	(47 406)
Profit / (loss) before income tax		**684 765**	**251 035**	**772 848**	**192 229**
Corporate income tax	8	(183 185)	(63 551)	(203 087)	(53 417)
Profit / (loss) after taxes		**501 580**	**187 484**	**569 761**	**138 812**
Attributable to:					
Owners of the parent		501 580	187 484	569 761	138 812
Non-controlling interests		0	0	0	0
Weighted average number of ordinary shares		1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Earnings (losses) per ordinary share (in PLN)		0.41	0.15	0.47	0.11

CONSOLIDATED TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2017 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Profit / (loss) after taxes	501 580	187 484	569 761	138 812
Other elements of total comprehensive income that will be subsequently reclassified to profit or loss	186 751	82 471	(198 805)	(11 813)
Effect of valuation of available for sale debt securities	102 274	29 233	(20 025)	(19 023)
Effect of valuation of available for sale shares	4 392	2 726	(211 716)	1 500
Hedge accounting	80 085	50 512	32 936	5 710
Other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	0	0	0	0
Actuarial gains (losses)	0	0	0	0
Other elements of total comprehensive income before taxes	**186 751**	**82 471**	(198 805)	(11 813)
Corporate income tax on other elements of total comprehensive income that will be subsequently reclassified to profit or loss	(35 482)	(15 669)	37 773	2 244
Corporate income tax on other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	0	0	0	0
Other elements of total comprehensive income after taxes	**151 269**	**66 802**	(161 032)	(9 569)
Total comprehensive income for the period	**652 849**	**254 286**	408 729	129 243
Attributable to:				
Owners of the parent	652 849	254 286	408 729	129 243
Non-controlling interests	0	0	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	30.09.2017	31.12.2016
Cash, balances with the Central Bank		3 672 323	1 778 768
Deposits, loans and advances to banks and other monetary institutions	9	355 619	1 267 811
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	10	598 544	564 574
Hedging derivatives	11	576 930	17 934
Loans and advances to customers	12	47 593 226	47 020 043
Investment financial assets	13	16 485 662	17 135 347
- available for sale		16 485 662	17 135 347
- held to maturity		0	0
Investments in associates		0	0
Receivables from securities bought with sell-back clause (loans and advances)		305 451	90 520
Property, plant and equipment		173 097	164 070
Intangible assets		62 392	62 315
Non-current assets held for sale		16 995	10 937
Receivables resulting from income tax		11	5 381
Deferred income tax assets	15	286 712	273 767
Other assets		340 914	401 320
Total Assets		**70 467 876**	**68 792 787**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.09.2017	31.12.2016
LIABILITIES			
Liabilities to banks and other monetary institutions	16	2 173 068	1 270 745
Financial liabilities valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	10	397 288	339 015
Hedging derivatives	11	317 135	1 149 654
Liabilities to customers	17	56 678 526	55 875 609
Liabilities from securities sold with buy-back clause		172 345	0
Debt securities	18	1 191 578	1 313 836
Provisions	19	54 768	49 415
Deferred income tax liabilities	15	0	0
Liabilities resulting from income tax		32 072	20 642
Other liabilities		1 207 406	1 168 662
Subordinated debt		649 636	664 004
LIABILITIES		62 873 822	61 851 582
EQUITY			
Share capital		1 213 117	1 213 117
Share premium		1 147 502	1 147 502
Revaluation reserve		(33 693)	(184 962)
Retained earnings		5 267 128	4 765 548
Total Equity		7 594 054	6 941 205
Total equity attributable to owners of the parent		7 594 054	6 941 205
Non-controlling interests		0	0
Total Liabilities and Equity		**70 467 876**	**68 792 787**
Book value		7 594 054	6 941 205
Number of shares		1 213 116 777	1 213 116 777
Book value per share (in PLN)		6.26	5.72

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

01.01.2017 - 30.09.2017 *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 3 quarters 2017 (net)	652 849	0	0	151 269	501 580	0
net profit/ (loss) of the period	501 580	0	0	0	501 580	0
valuation of available for sale debt securities	82 842	0	0	82 842	0	0
valuation of available for sale shares	3 558	0	0	3 558	0	0
hedge accounting	64 869	0	0	64 869	0	0
Transfer between items of reserves	0	0	0	0	(669 786)	669 786
Equity at the end of the period	**7 594 054**	**1 213 117**	**1 147 502**	**(33 693)**	**683 564**	**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 - 30.09.2016 *Amount '000 PLN*	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings	
					Unappropriated result	Other reserves
Equity at the beginning of the period	6 443 165	1 213 117	1 147 502	18 250	679 929	3 384 367
Total comprehensive income for 3 quarters 2016 (net)	408 729	0	0	(161 032)	569 761	0
net profit/ (loss) of the period	569 761	0	0	0	569 761	0
valuation of available for sale debt securities	(16 220)	0	0	(16 220)	0	0
valuation of available for sale shares	(171 490)	0	0	(171 490)	0	0
hedge accounting	26 678	0	0	26 678	0	0
Transfer between items of reserves	0	0	0	0	(529 411)	529 411
Equity at the end of the period	**6 851 894**	**1 213 117**	**1 147 502**	**(142 782)**	**720 279**	**3 913 778**

CONSOLIDATED CASH FLOWS

A. Cash flows from operating activities

Amount '000 PLN	1.01.2017 - 30.09.2017	1.01.2016 - 30.09.2016
Profit (loss) after taxes	**501 580**	569 761
Total adjustments:	**577 831**	1 039 811
Non-controlling interests profit (loss)	0	0
Interests in net income (loss) of associated companies	0	0
Depreciation and amortization	39 854	41 394
Foreign exchange (gains)/ losses	(53 357)	13 181
Dividends	(2 465)	(1 907)
Changes in provisions	5 353	7 487
Result on sale and liquidation of investing activity assets	(20 681)	(312 437)
Change in financial assets valued at fair value through profit and loss (held for trading)	(489 959)	144 279
Change in loans and advances to banks	889 758	1 007 798
Change in loans and advances to customers	(579 106)	(19 134)
Change in receivables from securities bought with sell-back clause (loans and advances)	(214 931)	(86 311)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(774 246)	(950 062)
Change in deposits from banks	648 630	(93 755)
Change in deposits from customers	802 917	1 487 343
Change in liabilities from securities sold with buy-back clause	77 511	0
Change in debt securities	172 345	193 567
Change in income tax settlements	193 531	236 642
Income tax paid	(219 789)	(181 830)
Change in other assets and liabilities	93 780	(447 413)
Other	8 686	969
Net cash flows from operating activities	**1 079 411**	**1 609 572**

B. Cash flows from investing activities

Amount '000 PLN	1.01.2017 - 30.09.2017	1.01.2016 - 30.09.2016
Inflows from investing activities:	20 937	11 469
Proceeds from sale of property. plant and equipment and intangible assets	18 472	9 562
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	2 465	1 907
Outflows from investing activities:	(1 933 338)	(5 041 463)
Acquisition of property, plant and equipment and intangible assets	(55 903)	(23 862)
Acquisition of shares in associates	0	0
Change in value of investment financial assets due to purchase/sale	(1 877 435)	(5 017 601)
Other outflows from investing activities	0	0
Net cash flows from investing activities	**(1 912 401)**	**(5 029 994)**

C. Cash flows from financing activities

Amount '000 PLN	1.01.2017 - 30.09.2017	1.01.2016 - 30.09.2016
Inflows from financing activities:	**671 448**	220 636
Long-term bank loans	342 136	220 520
Issue of debt securities	329 312	116
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:	**(587 286)**	(133 939)
Repayment of long-term bank loans	(48 036)	(121 531)
Redemption of debt securities	(529 081)	0
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other outflows from financing activities	(10 169)	(12 408)
Net cash flows from financing activities	**84 162**	**86 697**

D. Net cash flows. Total (A + B + C)	**(748 828)**	**(3 333 725)**
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)	**4 633 154**	**3 517 429**

4. NOTES TO CONSOLIDATED FINANCIAL DATA

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

	1.01.2017 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Balances with the Central Bank	20 367	7 060	19 202	6 519
Deposits, loans and advances to banks	846	226	406	113
Loans and advances to customers	1 270 977	440 855	1 224 203	406 281
Transactions with repurchase agreement	5 751	1 778	7 710	2 164
Hedging derivatives	233 065	76 561	254 111	85 311
Financial assets held for trading (debt securities)	6 484	1 987	3 769	769
Investment securities	245 534	84 785	193 168	70 112
Total	1 783 024	613 252	1 702 569	571 269

Interest income for 3 quarters 2017 includes interest accrued on loans with recognized impairment of PLN 46,099 thousand (for the comparative data for 3 quarters 2016, such interest was PLN 44,259 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 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Banking deposits	(16 432)	(6 795)	(9 216)	(3 027)
Loans and advances from banks and other monetary institutions	(6 046)	(2 212)	(8 091)	(2 504)
Transactions with repurchase agreement	(10 925)	(3 740)	(8 438)	(2 754)
Deposits from customers	(465 691)	(151 913)	(524 919)	(167 856)
Subordinated debt	(8 751)	(2 887)	(9 703)	(3 129)
Debt securities	(22 364)	(7 331)	(25 146)	(8 899)
Other	(277)	(93)	(392)	(130)
Total	(530 486)	(174 971)	(585 905)	(188 298)

Note (3) Fee and commission income

	1.01.2017 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Resulting from accounts service	58 052	18 680	60 853	20 200
Resulting from money transfers, cash payments and withdrawals and other payment transactions	45 545	16 304	39 684	13 607
Resulting from loans granted	112 883	37 947	104 681	33 543
Resulting from guarantees and sureties granted	9 410	2 871	9 286	2 617
Resulting from payment and credit cards	120 657	41 998	109 628	38 761
Resulting from sale of insurance products	73 523	24 620	45 431	19 731
Resulting from distribution of investment funds units and other savings products	67 378	21 602	52 287	20 989
Resulting from brokerage and custody service	15 745	4 853	14 469	5 079
Resulting from investment funds managed by the Group	68 088	24 181	59 298	19 934
Other	22 045	8 008	13 945	4 778
Total	593 326	201 064	509 562	179 239

Note (4) Fee and commission expense

	1.01.2017 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Resulting from accounts service	(1 170)	(437)	(1 001)	(367)
Resulting from money transfers, cash payments and withdrawals and other payment transactions	(2 645)	(1 048)	(1 614)	(562)
Resulting from loans granted	(13 852)	(5 165)	(14 840)	(4 228)
Resulting from payment and credit cards	(57 226)	(20 127)	(51 321)	(18 355)
Resulting from brokerage and custody service	(2 715)	(790)	(2 509)	(840)
Resulting from investment funds managed by the Group	(7 550)	(2 699)	(6 491)	(2 104)
Other	(13 995)	(5 260)	(7 458)	(2 591)
Total	(99 153)	(35 526)	(85 234)	(29 047)

Note (5a) Result on investment financial assets

	1.01.2017 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Operations on debt instruments	6 787	2 602	21 976	2 545
Operations on equity instruments and participation units	2 432	2 436	283 038	0
Total	9 219	5 038	305 014	2 545

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

	1.01.2017 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Operations on securities	3 474	457	1 428	(316)
Operations on derivatives	21 166	4 521	23 458	4 502
Fair value hedge accounting operations including:	0	0	72	0
- result from hedging derivatives	0	0	866	0
- result from items subjected to hedging	0	0	(794)	0
Foreign exchange result	124 893	43 407	101 261	39 157
Costs of financial operations	(1 287)	(589)	(1 334)	(467)
Total	**148 246**	**47 796**	**124 885**	**42 876**

Note (6) General and administrative expenses

	1.01.2017 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Staff costs:	(443 966)	(149 012)	(417 237)	(139 323)
Salaries	(366 017)	(124 876)	(346 600)	(117 263)
Surcharges on pay	(61 650)	(19 216)	(58 357)	(18 172)
Employee benefits, including:	(16 299)	(4 920)	(12 280)	(3 888)
- provisions for retirement benefits	(2 130)	(720)	68	0
- provisions for unused employee holiday	(23)	(7)	(9)	(2)
- other	(14 146)	(4 193)	(12 339)	(3 886)
General administrative costs:	(367 923)	(128 508)	(371 980)	(125 453)
Costs of advertising, promotion and representation	(36 069)	(14 870)	(34 301)	(13 270)
IT and communications costs	(57 798)	(19 583)	(55 333)	(19 002)
Costs of renting	(118 437)	(39 714)	(132 259)	(41 335)
Costs of buildings maintenance, equipment and materials	(19 118)	(6 380)	(19 724)	(6 729)
ATM and cash maintenance costs	(13 010)	(4 465)	(12 528)	(4 286)
Costs of consultancy, audit and legal advisory and translation	(22 498)	(9 701)	(15 590)	(7 097)
Taxes and fees	(12 987)	(4 560)	(12 281)	(3 875)
KIR clearing charges	(3 546)	(1 211)	(3 285)	(1 144)
PFRON costs	(3 568)	(1 021)	(3 686)	(1 249)
Banking Guarantee Fund costs – contribution to guarantee fund	(39 737)	(13 237)	(45 905)	(15 345)
Financial Supervision costs	(1 756)	782	(3 940)	(1 261)
Other	(39 399)	(14 548)	(33 148)	(10 860)
Total	**(811 889)**	**(277 520)**	**(789 217)**	**(264 776)**

Note (7) Impairment losses on financial assets

	1.01.2017 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Impairment losses on loans and advances to customers	(192 749)	(67 937)	(153 374)	(53 544)
Impairment charges on loans and advances to customers	(498 583)	(141 061)	(476 078)	(133 712)
Reversal of impairment charges on loans and advances to customers	302 057	69 912	286 867	61 700
Amounts recovered from loans written off	1 547	982	11 686	72
Sale of receivables	2 230	2 230	24 151	18 396
Impairment losses on securities	662	0	27	4
Impairment charges on securities	0	0	0	0
Reversal of impairment charges on securities	662	0	27	4
Impairment losses on off-balance sheet liabilities	631	(1 239)	(3 550)	1 402
Impairment charges on off-balance sheet liabilities	(13 176)	(1 538)	(7 910)	513
Reversal of impairment charges on off-balance sheet liabilities	13 807	299	4 360	889
Total	**(191 456)**	**(69 176)**	**(156 897)**	**(52 138)**

Note (8a) Income tax reported in income statement

	1.01.2017 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Current tax	(231 613)	(82 005)	(220 054)	(55 141)
Deferred tax:	48 428	18 454	16 967	1 724
Recognition and reversal of temporary differences	48 112	18 306	18 698	1 600
Recognition / (Utilisation) of tax loss	316	148	(1 731)	124
Total income tax reported in income statement	**(183 185)**	**(63 551)**	**(203 087)**	**(53 417)**

Note (8b) Effective tax rate

	1.01.2017 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Gross profit / (loss)	684 765	251 035	772 848	192 229
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	(130 105)	(47 697)	(146 841)	(36 523)
Impact of permanent differences on tax charges:	**(53 080)**	**(15 854)**	**(56 121)**	**(15 944)**
Non taxable income	354	2	926	413
Dividend income	322	(7)	341	4
Release of other provisions	32	9	585	447
Other	0	0	0	(38)
Non tax-deductible costs	(53 434)	(15 856)	(57 047)	(16 357)
Loss on sale of receivables	(817)	(817)	(11 423)	(8 510)
PFRON fee	(678)	(194)	(700)	(236)
Banking Guarantee Fund costs	(16 374)	(2 516)	(4 126)	(1 379)
Banking tax	(26 611)	(8 812)	(24 309)	(9 007)
Cost of provisions for factoring receivables	(3 265)	(606)	(2 334)	104
Receivables written off	(1 115)	(241)	(1 335)	(132)
Costs of litigations and contentious claims	(1 495)	(1 395)	(8 213)	(373)
Depreciation and insurance costs of cars (in excess of EUR 20.000)	(2 006)	(807)	(1 421)	(65)
Other	(1 073)	(468)	(3 186)	3 241
The amount of deductible temporary differences for which deferred income tax asset has not been recognized in the balance sheet	0	0	(125)	(950)
Total income tax reported in income statement	**(183 185)**	**(63 551)**	**(203 087)**	**(53 417)**
Effective tax rate	27%	25%	26%	28%

Note (8c) Deferred tax reported directly in equity

	30.09.2017	31.12.2016
Valuation of available for sale securities	(11 279)	8 985
Valuation of cash flow hedging instruments	19 102	34 319
Actuarial gains (losses)	81	81
Deferred tax reported directly in equity	7 904	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.

Due to the termination of legal actions taken in respect of tax audits described in previous periodical reports, the current report does not include a description of completed proceedings. This information was presented for the last time in a report published for the first quarter of 2017.

By a decision of 19 November 2014, the Director of the Treasury Control Office (UKS) commenced the tax audit procedure for the accuracy of the declared tax basis and the correctness of calculation and payment of Corporate Income Tax (CIT) for 2010. As a result of the procedure issued the decision of 19 December 2016, in which he increased the CIT due by the amount of PLN 1,679,220. On 3 January 2017 an appeal has been lodged against this decision issued to the second instance. As a consequence of the appeal on 19 May 2017, the Director of the Tax Chamber Office in Warsaw revoked entirely the above decision of the first instance and referred back to this authority. Based on decision of 31 August 2017 the Head of Mazovian Customs&Tax Office (formerly UKS) prolonged the date of completing its proceeding until 3 November 2017.

Within the ongoing UKS audit procedure, in the decision of 24 November 2016 the Director of The Treasury Control Office indicated the possibility of submitting the CIT return self-correction during the proceeding. The bank took advantage of this opportunity and on 1 December 2016 submitted an adjustment of CIT-8 for 2010 together with explanations of the reasons for this adjustment, concluding the request for CIT overpayment. The adjustment showed a decrease in the amount of the CIT due after deductions up to PLN 13,818,268. By decision of 1 March 2017, Head of the Second Mazovian Tax Office rejected the Bank's reclaim, stating that the adjustment of the declaration was effective, but was displaced by the above mentioned UKS Director's decision of 19 December 2016. On 13 March 2017, Bank appealed from that decision to the second instance (the Director of the Tax Chamber Office in Warsaw), which on 19 June 2017 issued a decision remaining in force the contested decision. On 19 July 2017 Bank lodged a complaint on this decision to the Regional Administrative Court in Warsaw.

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

	30.09.2017	31.12.2016
Current accounts	86 030	194 464
Deposits granted	267 415	1 071 206
Loans	0	0
Interest	2 173	2 141
Total (gross) deposits, loans and advances	355 619	1 267 811
Impairment write-offs	0	0
Total (net) deposits, loans and advances	**355 619**	**1 267 811**

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

	30.09.2017	31.12.2016
Debt securities	**408 409**	**314 476**
Issued by State Treasury	408 401	314 466
a) bills	0	0
b) bonds	408 401	314 466
Other securities	8	10
a) quoted	8	10
b) non quoted	0	0
Equity instruments	**162**	**110**
Quoted on the active market	162	110
a) financial institutions	0	0
b) non-financial institutions	162	110
Adjustment from fair value hedge	8 663	11 889
Positive valuation of derivatives	181 310	238 099
Total	**598 544**	**564 574**

Note (10b) Valuation of derivatives. Adjustment from fair value hedge and Liabilities from short sale of securities as at 30.09.2017

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	(6 409)	70 235	76 644
Forward Rate Agreements (FRA)	0	0	0
Interest rate swaps (IRS)	(6 409)	70 235	76 644
Other interest rate contracts: options	0	0	0
2. FX derivatives	10 237	64 273	54 036
FX contracts	(5 496)	17 108	22 604
FX swaps	22 811	45 449	22 638
Other FX contracts (CIRS)	(7 078)	1 716	8 794
FX options	0	0	0
3. Embedded instruments	(44 667)	45	44 712
Options embedded in deposits	(39 427)	0	39 427
Options embedded in securities issued	(5 240)	45	5 285
4. Indexes options	44 443	46 757	2 314
Valuation of derivatives, total	**3 604**	**181 310**	**177 706**
Valuation of hedged position in fair value hedge accounting		8 663	8 373
Liabilities from short sale of securities			211 209

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, total	**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 30.09.2017 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 30.09.2017

	Fair values		
	Total	Assets	Liabilities
Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate			
CIRS contracts	195 299	512 404	317 105
IRS contracts	7 827	7 857	30
FXS contracts	56 669	56 669	0
Total	259 795	576 930	317 135

As of 30.09.2017 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

	30.09.2017	31.12.2016
Loans and advances	42 230 317	41 972 241
- to companies	9 470 749	8 494 801
- to private individuals	32 451 401	33 159 579
- to public sector	308 167	317 861
Receivables on account of payment cards	749 006	712 001
- due from companies	22 776	22 803
- due from private individuals	726 230	689 198
Purchased receivables	208 459	141 563
- from companies	207 611	141 563
- from public sector	848	0
Guarantees and sureties realised	10 983	11 506
Debt securities eligible for rediscount at Central Bank	4 559	4 424
Financial leasing receivables	5 619 619	5 261 332
Other	5 607	5 150
Interest	269 984	276 739
Total gross	**49 098 534**	**48 384 956**
Impairment write-offs	(1 505 308)	(1 364 913)
Total net	**47 593 226**	**47 020 043**

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

	30.09.2017	31.12.2016
Loans and advances to customers (gross)	49 098 534	48 384 956
- impaired	2 262 340	2 179 456
- not impaired	46 836 194	46 205 500
Impairment write-offs	(1 505 308)	(1 364 913)
- for impaired exposures	(1 312 545)	(1 179 173)
- for incurred but not reported losses (IBNR)	(192 763)	(185 740)
Loans and advances to customers (net)	**47 593 226**	**47 020 043**

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

	30.09.2017	31.12.2016
Loans and advances to customers (gross)	49 098 534	48 384 956
- case by case analysis	731 056	838 560
- collective analysis	48 367 478	47 546 396
Impairment write-offs	(1 505 308)	(1 364 913)
- on the basis of case by case analysis	(386 811)	(382 036)
- on the basis of collective analysis	(1 118 497)	(982 877)
Loans and advances to customers (net)	**47 593 226**	**47 020 043**

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

	30.09.2017	31.12.2016
Loans and advances to customers (gross)	49 098 534	48 384 956
- corporate customers	15 690 194	14 300 739
- individuals	33 408 340	34 084 217
Impairment write-offs	(1 505 308)	(1 364 913)
- for receivables from corporate customers	(559 746)	(522 324)
- for receivables from private individuals	(945 562)	(842 589)
Loans and advances to customers (net)	**47 593 226**	**47 020 043**

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

	01.01.2017 - 30.09.2017	01.01.2016 - 31.12.2016
Balance at the beginning of the period	1 364 913	1 460 928
Change in value of provisions:	140 395	(96 015)
Impairment write-offs created in the period	498 583	613 932
Amounts written off	(38 428)	(63 989)
Impairment write-offs released in the period	(302 057)	(358 671)
Sale of receivables	(5 897)	(283 375)
Changes resulting from FX rates differences	(11 806)	5 994
Other	0	(9 906)
Balance at the end of the period	**1 505 308**	**1 364 913**

Note (13) Investment financial assets available for sale

	30.09.2017	31.12.2016
Debt securities	**16 437 510**	**17 092 257**
Issued by State Treasury	15 610 160	14 289 633
a) bills	0	0
b) bonds	15 610 160	14 289 633
Issued by Central Bank	691 970	2 669 700
a) bills	691 970	2 669 700
b) bonds	0	0
Other securities	135 380	132 924
a) listed	80 081	79 236
b) not listed	55 299	53 688
Shares and interests in other entities	48 152	42 890
Other financial instruments	0	200
Total financial assets available for sale	**16 485 662**	**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	658	0	0	3 326
- Write-offs released	(662)	(1 412)	0	0	(2 383)
- Utilisation	0	0	0	0	(353)
- Sale of assets	(164)	0	0	0	0
- Other	0	0	0	0	0
Balance as at 30.09.2017	6 316	9 054	3 988	136	7 735

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

	30.09.2017			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	69 524	(11 231)	58 293	87 978	(20 674)	67 304
Balance sheet valuation of financial instruments	12 346	(30 391)	(18 045)	309 598	(320 898)	(11 300)
Unrealised receivables/ liabilities on account of derivatives	11 806	(23 125)	(11 319)	20 583	(33 779)	(13 196)
Interest on deposits and securities to be paid/received	29 059	(33 060)	(4 001)	21 491	(39 390)	(17 899)
Interest and discount on loans and receivables	13	(28 380)	(28 367)	17	(24 455)	(24 438)
Income and cost settled at effective interest rate	87 061	(1 473)	85 588	82 216	(1 271)	80 945
Provisions for loans presented as temporary differences	162 782	0	162 782	119 270	0	119 270
Employee benefits	13 999	0	13 999	13 774	8	13 782
Provisions for costs	21 240	0	21 240	13 078	0	13 078
Valuation of investment assets, the valuation of cash flow hedge and actuarial gains (losses) recognized in the revaluation reserve	19 197	(11 293)	7 904	43 440	(54)	43 385
Tax loss deductible in the future	437	0	437	121	0	121
Other	127	(1 926)	(1 799)	6 252	(3 538)	2 714
Net deferred income tax asset	427 591	(140 879)	286 712	717 818	(444 051)	273 767

Note (16) Liabilities to banks and other monetary institutions

	30.09.2017	31.12.2016
In current account	162 357	115 567
Term deposits	849 884	256 776
Loans and advances received	1 158 151	897 532
Interest	2 676	870
Total	2 173 068	1 270 745

Note (17) Structure of liabilities to customers by type

	30.09.2017	31.12.2016
Amounts due to private individuals	40 081 457	39 681 704
Balances on current accounts	25 078 849	23 023 622
Term deposits	14 843 274	16 502 023
Other	95 537	84 811
Accrued interest	63 797	71 248
Amounts due to companies	13 797 853	13 873 616
Balances on current accounts	5 641 056	5 766 433
Term deposits	7 921 279	7 839 361
Other	221 619	253 522
Accrued interest	13 899	14 300
Amounts due to public sector	2 799 216	2 320 289
Balances on current accounts	929 414	979 696
Term deposits	1 824 395	1 311 250
Other	41 198	27 348
Accrued interest	4 209	1 995
Total	**56 678 526**	**55 875 609**

Note (18) Change of debt securities

	01.01.2017 - 30.09.2017	01.01.2016 - 31.12.2016
Balance at the beginning of the period	1 313 836	1 134 250
Increases, on account of:	664 012	628 525
- issue of bonds by the Bank	329 312	29 726
- issue of bonds by Millennium Leasing	275 500	452 600
- issue of Banking Securities	36 519	112 324
- interest accrual	22 681	33 875
Reductions, on account of:	(786 271)	(448 939)
- repurchase of bonds by the Bank	(529 081)	(29 450)
- repurchase of bonds by Millennium Leasing	(163 900)	(251 200)
- repurchase of Banking Securities	(72 722)	(134 750)
- interest payment	(20 568)	(33 539)
Balance at the end of the period	**1 191 578**	**1 313 836**

Note (19) Provisions

	01.01.2017 - 30.09.2017	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	13 176	15 279
Release of provision	(13 807)	(4 804)
FX rates differences	(63)	(81)
Balance at the end of the period	23 939	24 633
Provision for contentious claims		
Balance at the beginning of the period	24 782	16 609
Charge of provision	18 295	37 287
Release of provision	(169)	(5 579)
Utilisation of provision	(12 079)	(25 973)
Other/reclassification	0	2 438
Balance at the end of the period	30 829	24 782
Total	**54 768**	**49 415**

5. CHANGES IN RISK MANAGEMENT PROCESS

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

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

Credit risk

In 3Q of 2017 the Group both in the corporate and retail segments focused on further improving of the credit policy as well as the tools and processes of credit risk management.

In the corporate segment the Group has focused on adapting its lending policies and regulations to changing legal conditions (particularly restructuring and bankruptcy law) and on measures to streamline and accelerate credit processes. Also applied industrial policy and risk appetite in the individual sectors have been updated. As in previous periods, work was continued on the improvement of IT tools supporting processes, particularly the monitoring process and the extension of credit offer.

In retail segment Bank Millennium Group continued activities relating to optimization of methodology, tools and processes of credit risk management. The Group were conducting changes to credit methodology and processes resulting mainly from the extension of the credit offer to new groups of customers in the case of consumer loans and the adjustment of credit regulations to changing market and legal conditions in mortgage loans.

The particular attention was paid to the implementation of changes in the policy of granting consumer loans and mortgages, as well as actions aimed at streamlining and speeding up credit processes. New solutions regarding, among others expanding the list of income sources accepted by the Bank, optimizing the processing of applications by a credit analyst, especially in the case of a negative decision, automating the process of granting credit products to Bank's employees and other persons related with the Bank, introducing changes to the mortgage process in the field of acceptance of: income documents and collateral , subject of credit and collateral. In the mortgage process, the retirement age has also been upgraded due to change in the "Acts on retirement pensions and disability pensions from the Fund of the social insurance" and has also been adapted to the requirements of the "Act about the mortgage credit and about the supervision of credit mortgage intermediary and the agent" (the introduction of a new loan application, extending the validity of the credit decision).

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.

The structure of loans granted to customers and to banks as well as key loans portfolio ratios on end 3Q of 2017 are as follows:

Gross exposure in '000 PLN	30.09.2017		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	45 321 689	355 619	44 779 120	1 267 811
Overdue(*), but without impairment	1 514 505	0	1 426 379	0
Total without impairment (IBNR)	46 836 194	355 619	46 205 499	1 267 811
With impairment	2 262 340	0	2 179 457	0
Loans and advances, gross	**49 098 534**	**355 619**	**48 384 956**	**1 267 811**
Impairment write-offs together with IBNR	(1 505 308)	0	(1 364 913)	0
Loans and advances, net	**47 593 226**	**355 619**	**47 020 043**	**1 267 811**
Loans with impairment / total loans	4.61%	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 3rd Q 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 18.4 m (6 % of the limit) and approx. PLN 18.7 m (6% of the limit) as of the end of September 2017. The market risk exposure in 3Q 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)

	30.09.2017		VaR (3Q2017)			30.06.2017	
	Exposure	limit usage	Average	Maximum	Minimum	Exposure	limit usage
Total risk	18 656	6%	18 407	20 854	13 088	19 987	6%
Generic risk	16 598	5%	16 320	18 878	11 058	18 012	6%
Interest Rate VaR	16 595	5%	16 332	18 883	11 063	18 024	6%
FX Risk	15	0%	138	2 008	10	59	0%
Diversification Effect	0.1%					0.4%	
Specific risk	2 059	1%	2 087	2 633	1 974	1 975	1%

In 3rd Q 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 3Q 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, in particular:

- the impact on net interest income over a time horizon of next 12 months resulting from one-off interest rate shock of upward/downward shift by 100 basis points,

- the economic value of equity that measures the theoretical change in the net present value of all Group's positions resulting from different upward/downward parallel basis points shocks applied to market interest rates curves. Therefore, the results shows the impact on the Group's economic value resulting from the interest rate change.

In 3Q 2017, the results of the above mentioned analysis for Banking Book stayed witing 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 3Q 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 154% at the end of September 2017 (147% at the end of June 2017). 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 3rd Q 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 September 2017 (82% at the end of June 2017). 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 September 2017. During 2017 this portfolio slightly decreased from PLN 17.3 billion at the end of December 2016 (25% of total assets) to approx. PLN 16.7 billion at the end of September 2017 (24% of total assets). Those assets are characterized with high liquidity and can be easily used as a collateral or sold without material loss on its value. The portfolio, supplemented by the cash and exposures to the National Bank of Poland, is treated as the Group's liquidity reserve, which can overcome crisis situations.

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

The level of deposit concentration is regulary monitored and did not have any negative impact on the stability of the deposit base in 3rd Q 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.

In 3rd Q 2017 the Bank continued to explore the possibility of raising additional funding from loans from financial institutions and bond issue in order to diversify the source of funding. In August 2017, as part of the continuation of activities related to the diversification of sources of medium-term funding in foreign currencies, the Bank entered into an agreement with Industrial and Commercial Bank of China (Europe) S.A., Branch in Poland (ICBC Europe), concerning a 3 year, senior unsecured loan of 80 million EUR. The interest rate on the loan is based on EURIBOR 6M and the margin, and the funds are allocated to the general financing of the borrower's activity. The loan will be repaid by the Bank in a single instalment (bullet) in August 2020.

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 3rd Q 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 3rd Q 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.

As at 30th September 2017, in capital adequacy management, the Group considers as necessary complying with a reccomendations and expectations of Competent Authorities regarding capital levels:

- KNF recommendation for Polish banks (Total Capital Ratio of 12% and Tier 1 Capital Ratio of 9% as the expected minimum base in Poland),
- Capital conservation buffer – of 1.25% of risk-weighted assets, similarly to other banks in Poland, valid from the beginning of 2016;
- Pillar II RRE FX Buffer - additional capital buffer in order to cover the risk resulting from FX mortgage loans granted to households - at the level of 3.09 p.p. (Bank) and 3.05 p.p. (Group), 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). These recommendations were issued in October and December 2016 and replaced the previous ones from 2015;
- Other systematically important institution buffer (OSII Buffer) – of 0.25 p.p. of risk-weighted assets, as a consequence of identification of the Bank as other systematically important institution. The decision was issued in October 2016.

As a result of the above decisions and recommendations, the Group has to comply with the following minimum capital ratios:

- Tier 1 Capital Ratio (T1) = 9+1.25+2.29+0.25 = 12.79% (for the Bank 12.82%)
- Total Capital Ratio (TCR) = 12+1.25+3.05+0.25 =16.55 % (for the Bank 16.59%).

Both Group and Bank are compliant with the regulatory capital limits. As at 30th September, 2017 the total capital ratio and Tier 1 capital ratio stood at 20.51% (for the Group) and 20.31% (the Bank). Group solvency is assessed as satisfactory, both in the economic and regulatory capital adequacy.

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

In July 2017 Bank received the decision of Competent Authorities (ECB cooperating with KNF) on approval the material changes to IRB LGD models and revoking "Supervisory Floor"[2]. That decision influenced positively capital adequacy – capital ratios increased by ca. 2.8 p.p.in July 2017.

On the other hand, the Bank expects that the SREP Buffer will be adjusted by KNF in the 4th quarter 2017, what may increase the minimum required capital ratios.

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

Bank Millennium Group - capital adequacy (PLN mn)	30.09.2017	31.12.2016 IRB with regulatory floor[1)]
Risk-weighted assets (RWA)	31 944.4	36 730.6
Own funds requirements, including:	2 555.6	2 938.4
- Credit risk and counterparty credit risk	2 236.3	2 621.8
- Market risk	19.6	23.4
- Operational risk	293.4	279.0
- Credit Valuation Adjustment CVA	6.3	14.3
Own Funds including:	6 552.1	6 390.7
Common Equity Tier 1 Capital, including:	6 552.1	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	430.9
- other retained earnings	4 765.5	4 064.4
- recognised part of revaluation reserve	38.0	(41.4)
- regulatory adjustments	(612.1)	(457.7)
Tier II Capital, including:	0.0	33.9
- subordinated debt	28.7	128.7
- regulatory adjustments	(28.7)	(94.8)
Total Capital Ratio (TCR)	20.51%	17.40%
Common Equity Tier 1 Capital ratio (CET1 ratio)[2)]	20.51%	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.

[2] Requirement that own funds requirements for portfolios covered by IRB decision (RRE and QRRE) must be maintained at no less than 70% of the respective capital requirements calculated using the Standardized method.

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 debt securities (BPW) 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 and amortisation 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 – 30.09.2017

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	835 625	196 939	219 974	1 252 538
Net fee and commission income	374 676	116 419	3 078	494 173
Dividends other income from financial operations and foreign exchange profit	51 472	49 296	59 162	159 930
Other operating income and cost	(36 544)	(18 196)	17 062	(37 678)
Operating income	1 225 229	344 458	299 276	1 868 963
Staff costs	(321 792)	(100 554)	(21 620)	(443 966)
Administrative costs	(301 688)	(46 702)	(19 533)	(367 923)
Depreciation and amortization	(32 916)	(6 037)	(901)	(39 854)
Operating expenses	(656 396)	(153 293)	(42 054)	(851 743)
Impairment losses on assets	(124 619)	(66 837)	(943)	(192 399)
Operating Profit	**444 214**	**124 328**	**256 279**	**824 821**
Share in net profit of associated companies	0	0	0	0
Banking tax				(140 056)
Profit / (loss) before income tax				**684 765**
Income taxes				(183 185)
Profit / (loss) after taxes				**501 580**

Balance sheet items as at 30.09.2017

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Loans and advances to customers	33 765 540	13 827 686	0	47 593 226
Liabilities to customers	41 920 760	14 605 666	152 100	56 678 526

Income statement 1.01.2016 – 30.09.2016

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	741 629	177 526	197 509	1 116 664
Net fee and commission income	311 329	109 445	3 554	424 328
Dividends other income from financial operations and foreign exchange profit	50 532	49 380	331 894	431 806
Other operating income and cost	(17 442)	(4 560)	(59 852)	(81 854)
Operating income	1 086 048	331 791	473 105	1 890 944
Staff costs	(300 605)	(96 671)	(19 961)	(417 237)
Administrative costs	(288 603)	(63 610)	(19 767)	(371 980)
Depreciation and amortization	(34 344)	(6 291)	(759)	(41 394)
Operating expenses	(623 552)	(166 572)	(40 487)	(830 611)
Impairment losses on assets	(157 065)	127	(2 605)	(159 543)
Operating Profit	**305 431**	**165 346**	**430 013**	**900 790**
Share in net profit of associated companies	0	0	0	0
Banking tax				(127 942)
Profit / (loss) before income tax				**772 848**
Income taxes				(203 087)
Profit / (loss) after taxes				**569 761**

Balance sheet items as at 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 III quarters 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	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
ASSETS				
Loans and advances to banks – accounts and deposits	707	625	0	0
Financial assets valued at fair value through profit and loss (held for trading)	0	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	0	0
LIABILITIES				
Loans and deposits from banks	157	913	112 808	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	37	0

	With parent entity		With other entities of parent Group	
	1.01.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.01.2017 - 30.09.2017	1.01.2016 - 30.09.2016
INCOME FROM:				
Interest	5	(10)	0	0
Commissions	113	98	0	0
Other net operating income	0	0	0	0
EXPENSE FROM:				
Interest	4	612	(214)	(227)
Commissions	0	0	0	0
Financial instruments valued at fair value	0	2	0	0
Other net operating costs	13	39	0	0
General and administrative expenses	105	121	299	1 172

	With parent entity		With other entities of parent Group	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
Conditional commitments	102 177	102 183	0	0
- granted	100 345	100 345	0	0
- obtained	1 832	1 838	0	0
Derivatives (par value)	0	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 I half report prepared as at 30.09.2017	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	937 118	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 date (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 date (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. The applied method of mortgage loan valuation does not take into account the regulatory risks associated with possible currency conversion or other legislative solutions, which are described in Section 10.7. "The proposed regulations relating to foreign currency loans ".

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 debt security.

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

Subordinated liabilities and medium term loans

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

The table below presents results of the above-described analyses as at 30.09.2017 (data in PLN thousand):

ASSETS	Note	Balance sheet value	Fair value
Loans and advances to banks	9	355 619	355 525
Loans and advances to customers (*)	12	47 593 226	45 711 615

LIABILITIES	Note	Balance sheet value	Fair value
Amounts due to banks	16	2 173 068	2 174 514
Amounts due to customers	17	56 678 526	56 677 248
Debt securities	18	1 191 578	1 197 107
Subordinated debt		649 636	643 164

(*) 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 30.09.2017

	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			134 508	46 802
- debt securities		408 409		
- shares and interests		162		
Hedging derivatives	11		576 930	
Financial assets available for sale	13			
- debt securities		15 690 241	691 970	55 299
- shares and other financial instruments		313		28 804
LIABILITIES				
Financial liabilities valued at fair value through profit and loss (held for trading)	10			
- derivatives and short sale of securities		211 209	130 680	47 026
Hedging derivatives	11		317 135	

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 the 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 III quarters 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	8 416	(8 585)	0	1 600	0
Change of valuation recognized in equity	0	0	0	0	4 359
Change of valuation recognized in P&L account (including interests)	9 828	(9 966)	0	11	0
Balance on 30 September 2017	44 443	(44 667)	0	55 299	28 804

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

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

9. CONTINGENT ASSETS AND LIABILITIES

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

Court cases brought up by the Group

Value of the court litigations, as at 30 September 2017, in which the companies of the Group were a plaintiff, totalled 207.2 million PLN.

Court cases against the Group

As at 30 September 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 December 2015 until the day of payment, and 521.9 million PLN with statutory interest from 5 April 2016 until the day of payment.

The lawsuit in the first case, dated 9 July 2015, was filed to the Regional Court in Wrocław and served personally to the Bank on 28 December 2015. In the second case, the plaintiff filed the suit dated 23 October 2015 to the Regional Court in Warsaw; the suit was served to the Bank on 4 April 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 concluded between the Bank and PCZ S.A., 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 September 2016 with legal validity by the Appellate Court. The Bank is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. After prior exchange of pleadings, the Court on the first hearing on 10 October 2017 has started the evidentiary hearings.

As regards the lawsuit filed by PCZ the Regional Court in Wrocław (1st Instance) on 7 April 2017 has issued a verdict favourable to the Bank by dismissing the suit. The judgement is not final. The plaintiff has lodged an appeal. On 18 September 2017 the Bank's counsel has responded to the appeal.

Favourable forecasts for the Bank, as regards dismissal of the suit in both proceedings, have been confirmed by a renowned law firm representing the Bank in the proceedings.

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. On 13 July 2017 the court dismissed the suit, and then on 21 September 2017 rejected the plaintiff's appeal. The judgement is not final. In the Bank's opinion the plaintiff chances to win the case are marginal.

As at 30 September 2017, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at PLN 233.5 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 171.1 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. On 18 April 2017 the Bank filed an appeal against the above decision. On 30 June 2017 the Claimant filed a submission with the Regional Court in Warsaw, extending the claim again by further 676 group members. The new value of the subject matter of the dispute was indicated as approx. PLN 132.7 million (including the values provided in the statement of claim and the previous submissions concerning extension of the claim dated 4 March 2015 and 17 February 2016).

The submission dated 30 June 2017 extending the claim has not yet been served on the Bank's counsel. On 28 September 2017 the Court of Appeal in Warsaw issued a decision dismissing the Bank's appeal against the decision the Regional Court in Warsaw dated 15 March 2017; thus, the decision for the case to be heard in group action proceedings became 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 February 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. On 30 March 2017 the Regional Court in Warsaw dismissed Bank's motion to oblige the plaintiff to provide security for costs of proceedings. On 10 April 2017 Bank filed a complaint to the Court of Appeal in Warsaw against the decision dismissing the motion to provide security. On 13 September 2017 the Court of Appeal in Warsaw dismissed the complaint against the decision of the Regional Court in Warsaw of 30 March 2017 on dismissal of the motion to provide security. The decision is final.

OFF-BALANCE ITEMS

Amount '000 PLN	30.09.2017	31.12.2016
Off-balance conditional commitments granted and received	**8 604 810**	**8 202 308**
Commitments granted:	8 563 586	8 097 700
- financial	7 450 167	7 014 009
- guarantee	1 113 419	1 083 691
Commitments received:	41 225	104 608
- financial	1 207	0
- guarantee	40 018	104 608

10. ADDITIONAL INFORMATION

10.1. Data on assets securing liabilities

As at 30 September 2017, the Bank's following assets secured its 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	130 642
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	626 078
4.	Treasury bonds WZ0119	available for sale	Security of Guaranteed Deposit Protection Fund under the Bank Guarantee Fund	325 000	327 142
5.	Central Bank bills NBP_061017	available for sale	Seciurity of payment obligation to BFG contribution - guarantee fund	13 500	13 498
6.	Central Bank bills NBP_061017	available for sale	Seciurity of payment obligation to BFG contribution - compulsory resolution fund	15 500	15 497
7.	Cash	receivables	Payment to the Futures Settlement Guarantee Fund	100	100
8.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	4 149	4 149
9.	Deposits	Deposits in banks	Settlement on transactions concluded	220 415	220 415
		TOTAL		1 332 164	1 338 023

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 3 quarters 2017 (and diluted profit per share) on the basis of the consolidated data amounts to PLN 0.41.

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 3rd 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 nine 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 30 September 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. The proposed regulations relating to foreign currency loans

On 1st of Aug 2017 a new draft Act on amending the Act on supporting distressed borrowers who have taken out a mortgage loan was published by the Office of the President. The draft was sent to the Parliament for further proceeding as Presidential proposal. The draft amends the law, which was adopted by the Parliament on Oct 9th 2015 and entered into force on 19th of Feb 2016. The amendment introduces number of changes in current rules set for Mortgage Support Fund and creates a new Restructuring Fund designated to support conversions of FX loans into PLN. Conversions are expected to be implemented on the basis of agreement reached between a bank and a client. According to the current draft, the Act shall come into force as of 1 Jan 2018.

Quarterly contributions to the new Restructuring Fund made by lenders shall not exceed the equivalent of the FX mortgage portfolio and the rate of 0.5%. Maximum costs for the whole sector estimated by the Polish Financial Supervision Authority (KNF) are at PLN 2.8 bn in the first year. According to the draft law, KNF may issue a recommendation to lenders to specify the rules of voluntary conversions of receivables undergoing restructuring, having regard for the stability of the financial system and the efficient usage of the Restructuring Fund's financial resources.

Currently there are in the Parliament 4 legislative initiatives concerning FX mortgage loans:

1. Presidential draft relative to refund of a part of FX spread collected by banks until the so-called „Anti-spread Act" entry into force;
2. Draft submitted by Parliamentary Club "Kukiz'15" assuming treatment, from the beginning, of FX loans as if they were PLN loans;
3. Draft submitted by the PO Parliamentary Club assuming elimination of FX risk by currency conversion and division of costs between banks and borrowers;
4. New draft amending the Act on supporting distressed borrowers who have taken out a mortgage loan (above described).

As a consequence of the unfinished legislative work, it is not possible to estimate precisely the impact of these potential new regulations on the Bank, but potential costs of the new draft may have relevant impact on net profits of the Bank.

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 at supporting decision taking by banks and borrowers concerning restructuring include, among others: to increase risk weight for FX mortgage exposures, to increase the minimum value of LGD parameter for FX mortgages, 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. In June 2017 KSF summarized status of preparation of these recommendations indicating, that most of them should be implemented before year-end or at the beginning of 2018. It is not possible with the available information to analyse the combined impact 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.

10.8. Subordinated debt

Bank Millennium is considering an issue of subordinated bonds still in 2017 year and therefore is going to consider the market demand for such type of bonds. Potential issue will be conducted provided that market conditions meet Bank's expectations.

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

As at 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2017

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1. INTRODUCTION AND ACCOUNTING PRINCIPLES

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 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, at the moment of recognition obligation to pay the contribution i.e. at the 1st January 2017 (with a minor adjustment in April to the final communicated amount).

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

	III quarters 2017	III quarters 2016
Contribution for guarantee fund	39.7	46.0
Contribution for resolution fund (former prudential fee)	46.4	21.7
TOTAL	86.1	67.7

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 nine months ended 30 September 2017.

Condensed interim financial statements of the Bank:

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

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank's economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the nine months period ended 30 September 2017. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the nine months period ended 30 September 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 27th October 2017.

Information about IFRS9 implementation is presented in the interim consolidated statements of the Group.

2. STANDALONE FINANCIAL DATA (BANK)

INCOME STATEMENT

Amount '000 PLN	1.01.2017 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Interest income	1 704 814	587 179	1 627 963	545 967
Interest expense	(526 513)	(173 152)	(588 624)	(187 564)
Net interest income	1 178 301	414 027	1 039 339	358 403
Fee and commission income	488 288	165 184	425 593	146 704
Fee and commission expense	(76 824)	(27 971)	(64 639)	(22 966)
Net fee and commission income	411 464	137 213	360 954	123 738
Dividend income	74 447	123	46 070	113
Result on investment financial assets	9 219	5 038	305 014	2 545
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	146 626	47 098	126 763	42 123
Other operating income	43 402	18 621	17 734	6 396
Operating income	**1 863 459**	**622 120**	**1 895 874**	**533 318**
General and administrative expenses	(767 532)	(262 475)	(746 973)	(250 600)
Impairment losses on financial assets	(174 053)	(63 290)	(139 475)	(45 070)
Impairment losses on non financial assets	(943)	(522)	(2 642)	(1 329)
Depreciation and amortization	(37 889)	(12 360)	(39 368)	(12 379)
Other operating expenses	(82 481)	(18 316)	(109 455)	(17 642)
Operating expenses	**(1 062 898)**	**(356 963)**	**(1 037 913)**	**(327 020)**
Operating profit	**800 561**	**265 157**	**857 961**	**206 298**
Banking tax	(140 056)	(46 376)	(127 942)	(47 406)
Profit / (loss) before income tax	**660 505**	**218 781**	**730 019**	**158 892**
Corporate income tax	(162 768)	(56 564)	(184 226)	(47 735)
Profit / (loss) after taxes	**497 737**	**162 217**	**545 793**	**111 157**
Weighted average number of ordinary shares	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Earnings (losses) per ordinary share (in PLN)	0.41	0.13	0.45	0.09

TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2017 - 30.09.2017	1.07.2017 - 30.09.2017	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016
Profit / (loss) after taxes	497 737	162 217	545 793	111 157
Other elements of total comprehensive income that will be subsequently reclassified to profit or loss	186 703	82 483	(198 575)	(11 724)
Effect of valuation of available for sale debt securities	102 259	29 216	(19 785)	(18 783)
Effect of valuation of available for sale shares	4 359	2 755	(211 726)	1 349
Hedge accounting	80 085	50 512	32 936	5 710
Other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	0	0	0	0
Actuarial gains (losses)	0	0	0	0
Other elements of total comprehensive income before taxes	**186 703**	**82 483**	**(198 575)**	**(11 724)**
Corporate income tax on other elements of total comprehensive income that will be subsequently reclassified to profit or loss	(35 473)	(15 672)	37 729	2 228
Corporate income tax on other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	0	0	0	0
Other elements of total comprehensive income after taxes	**151 230**	**66 811**	**(160 846)**	**(9 496)**
Total comprehensive income for the period	**648 967**	**229 028**	**384 947**	**101 661**

BALANCE SHEET

ASSETS

Amount ‘000 PLN	30.09.2017	31.12.2016
Cash, balances with the Central Bank	3 672 323	1 778 768
Deposits, loans and advances to banks and other monetary institutions	355 540	1 267 805
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	598 632	564 585
Hedging derivatives	576 930	17 934
Loans and advances to customers	47 244 476	46 593 429
Investment financial assets	16 471 879	17 118 811
- available for sale	16 471 879	17 118 811
- held to maturity	0	0
Investments in associates	84 362	212 368
Receivables from securities bought with sell-back clause (loans and advances)	305 451	90 520
Property, plant and equipment	161 895	159 742
Intangible assets	52 229	53 195
Non-current assets held for sale	0	0
Receivables resulting from income tax	0	5 370
Deferred tax assets	194 288	190 641
Other assets	235 175	341 433
Total Assets	**69 953 180**	**68 394 601**

LIABILITIES AND EQUITY

Amount '000 PLN	30.09.2017	31.12.2016
LIABILITIES		
Liabilities to banks and other monetary institutions	2 173 068	1 270 745
Financial liabilities valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	397 288	339 018
Hedging derivatives	317 135	1 149 654
Liabilities to customers	56 808 218	55 988 198
Liabilities from securities sold with buy-back clause	172 345	0
Debt securities	878 883	1 113 223
Provisions	53 874	48 621
Deferred income tax liabilities	0	0
Liabilities resulting from income tax	21 028	9 964
Other liabilities	1 091 234	1 069 670
Subordinated debt	649 636	664 004
Total Liabilities	62 562 709	61 653 097
EQUITY		
Share capital	1 213 117	1 213 117
Share premium	1 147 241	1 147 241
Revaluation reserve	(33 946)	(185 176)
Retained earnings	5 064 059	4 566 322
Total Equity	7 390 471	6 741 504
Total Liabilities and Equity	**69 953 180**	**68 394 601**

Book value	7 390 471	6 741 504
Number of shares	1 213 116 777	1 213 116 777
Book value per share (in PLN)	6.09	5.56

STATEMENT OF CHANGES IN EQUITY

01.01.2017 - 30.09.2017, *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 3 quarters of 2017 (net)	648 967	0	0	151 230	497 737	0
net profit/ (loss) of the period	497 737	0	0	0	497 737	0
valuation of available for sale debt securities	82 830	0	0	82 830	0	0
valuation of available for sale shares	3 531	0	0	3 531	0	0
hedge accounting	64 869	0	0	64 869	0	0
Transfer between items of reserves	0	0	0	0	(652 651)	652 651
Equity at the end of the period	**7 390 471**	**1 213 117**	**1 147 241**	**(33 946)**	**497 737**	**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 - 30.09.2016, *Amount '000 PLN*	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings	
					Unappropriated result	Other reserves
Equity at the beginning of the period	6 292 081	1 213 117	1 147 241	18 052	814 157	3 099 514
Total comprehensive income for 3 quarters of 2016 (net)	384 947	0	0	(160 846)	545 793	0
net profit/ (loss) of the period	545 793	0	0	0	545 793	0
valuation of available for sale debt securities	(16 026)	0	0	(16 026)	0	0
valuation of available for sale shares	(171 498)	0	0	(171 498)	0	0
hedge accounting	26 678	0	0	26 678	0	0
Transfer between items of reserves	0	0	0	0	(814 157)	814 157
Equity at the end of the period	**6 677 028**	**1 213 117**	**1 147 241**	**(142 794)**	**545 793**	**3 913 671**

CASH FLOWS

A. Cash flows from operating activities

Amount '000 PLN	1.01.2017 - 30.09.2017	1.01.2016 - 30.09.2016
Profit (loss) after taxes	**497 737**	545 793
Total adjustments:	**378 516**	1 021 050
Interests in net income (loss) of associated companies	0	0
Depreciation and amortization	37 889	39 368
Foreign exchange (gains) losses	(53 351)	13 188
Dividends	(74 447)	(46 070)
Changes in provisions	5 253	7 274
Result on sale and liquidation of investing activity assets	(17 076)	(306 862)
Change in financial assets valued at fair value through profit and loss (held for trading)	(490 036)	143 537
Change in loans and advances to banks	889 831	1 007 800
Change in loans and advances to customers	(650 912)	60 281
Change in receivables from securities bought with sell-back clause (loans and advances)	(214 931)	(86 311)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(774 249)	(950 153)
Change in deposits from banks	648 630	(93 755)
Change in deposits from customers	820 020	1 500 436
Change in liabilities from securities sold with buy-back clause	172 345	0
Change in debt securities	(34 336)	2 729
Change in income tax settlements	182 058	222 666
Income tax paid	(199 375)	(174 456)
Change in other assets and liabilities	122 452	(319 593)
Other	8 751	971
Net cash flows from operating activities	**876 253**	**1 566 843**

B. Cash flows from investing activities

Amount '000 PLN	1.01.2017 - 30.09.2017	1.01.2016 - 30.09.2016
Inflows from investing activities:	218 494	50 016
Proceeds from sale of property. plant and equipment and intangible assets	14 047	3 946
Proceeds from sale of shares in associates	130 000	0
Change in value of investment financial assets due to purchase/sale	0	0
Other investing inflows	74 447	46 070
Outflows from investing activities:	(1 927 502)	(5 037 281)
Acquisition of property, plant and equipment and intangible assets	(45 266)	(23 643)
Acquisition of shares in associates	(2 000)	(372)
Change in value of investment financial assets due to purchase/sale	(1 880 236)	(5 013 266)
Other investing outflows	0	0
Net cash flows from investing activities	**(1 709 008)**	**(4 987 265)**

C. Cash flows from financing activities

Amount '000 PLN	1.01.2017 - 30.09.2017	1.01.2016 - 30.09.2016
Inflows from financial activities:	**671 858**	220 636
Long-term bank loans	342 136	220 520
Issue of debt securities	329 722	116
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:	**(587 931)**	(133 939)
Repayment of long-term bank loans	(48 036)	(121 531)
Redemption of debt securities	(529 726)	0
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other financial outflows	(10 169)	(12 408)
Net cash flows from financing activities	**83 927**	**86 697**

D. Net cash flows. Total (A + B + C)	**(748 828)**	**(3 333 725)**
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)	**4 633 154**	**3 517 429**

3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

As at 30 September 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 - 30.09.2017	01.01.2016 - 31.12.2016
Balance at the beginning of the period	1 235 790	1 325 089
Change in value of provisions:	137 385	(89 299)
Write-offs in the period	394 934	486 922
Amounts written off	(23 224)	(35 029)
Reversal of write-offs in the period	(217 017)	(256 188)
Write-offs decrease due to sale of receivables	(5 897)	(283 375)
Changes resulting from FX rates differences	(11 411)	5 540
Other	0	(7 169)
Balance at the end of the period	**1 373 175**	**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	658	0	3 326
- Write-offs released	(662)	0	(1 412)	0	(2 383)
- Utilisation	0	0	0	0	(353)
- Sale	(164)	0	0	0	0
- Other changes	0	0	0	0	0
Balance as at 30.09.2017	6 316	7 600	9 033	0	7 695

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 - 30.09.2017	01.01.2016 - 30.09.2016
Impairment losses on loans and advances to customers	(175 346)	(135 952)
- Impairment charges on loans and advances to customers	(394 934)	(388 402)
- Reversal of impairment charges on loans and advances to customers	217 017	216 504
- Amounts recovered from loans written off	341	11 795
- Result from sale of receivables portfolio	2 230	24 151
Impairment losses on investment securities	662	27
- Impairment write-offs for investment securities	0	0
- Reversal of impairment write-offs for investment securities	662	27
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	631	(3 550)
- Impairment write-offs for off-balance sheet liabilities	(13 176)	(7 910)
- Reversal of impairment write-offs for off-balance sheet liabilities	13 807	4 360
Total	**(174 053)**	**(139 475)**

Creation, charge, utilisation and release of provisions

	01.01.2017 - 30.09.2017	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	13 176	15 279
Release of provision	(13 807)	(4 804)
FX rates differences	(63)	(81)
Balance at the end of the period	23 939	24 633
Provision for contentious claims		
Balance at the beginning of the period	23 988	16 028
Charge of provision	18 195	37 073
Release of provision	(169)	(5 579)
Utilisation of provision	(12 079)	(25 973)
Other/reclassification	0	2 439
Balance at the end of the period	29 935	23 988
Total	**53 874**	**48 621**

Assets and provision from deferred income tax

	30.09.2017			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	3 810	0	3 810	3 365	0	3 365
Balance sheet valuation of financial instruments	5 711	(30 385)	(24 674)	293 434	(320 892)	(27 458)
Unrealised receivables/ liabilities on account of derivatives	11 806	(23 125)	(11 319)	20 583	(33 779)	(13 196)
Interest on deposits and securities to be paid/ received	28 141	(33 022)	(4 881)	20 249	(38 863)	(18 614)
Interest and discount on loans and receivables	0	(27 970)	(27 970)	0	(24 046)	(24 046)
Income and cost settled at effective interest rate	87 061	0	87 061	82 195	(1)	82 194
Provisions for loans presented as temporary differences	131 685	0	131 685	119 270	0	119 270
Employee benefits	13 091	0	13 091	12 787	0	12 787
Provisions for future costs	18 921	0	18 921	10 802	0	10 802
Valuation of investment assets, the valuation of cash flow hedge and actuarial gains (losses) recognized in the revaluation reserve	19 181	(11 219)	7 962	43 436	0	43 436
Other	1 743	(1 141)	602	3 360	(1 259)	2 101
Net deferred income tax asset	321 150	(126 862)	194 288	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 30 September 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 30.09.2017

	With subsidiaries	With parent entity	With other entities of parent Group
ASSETS			
Loans and advances to banks – accounts and deposits	0	707	0
Loans and advances to customers	5 139 863	0	0
Investments in associates	83 356	0	0
Financial assets valued at fair value through profit and loss (held for trading)	260	0	0
Hedging derivatives	0	0	0
Other assets	89 083	0	0
LIABILITIES			
Deposits from banks	0	157	112 808
Deposits from customers	281 792	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities from debt securities	896	0	0
Hedging derivatives	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	0	0	0
Subordinated debt	649 636	0	0
Other liabilities	91 864	0	37
- including liabilities from financial leasing	84 186	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 1.01-30.09.2017

	With subsidiaries	With parent entity	With other entities of parent Group
INCOME FROM:			
Interest	68 809	5	0
Commissions	42 352	113	0
Financial instruments valued at fair value	130	0	0
Dividends	72 001	0	0
Other net operating income	3 306	0	0
EXPENSE FROM:			
Interest	10 729	4	(214)
Commissions	17	0	0
Financial instruments valued at fair value	0	0	0
Other net operating costs	0	13	0
General and administrative expenses	64 217	0	299

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

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

Off-balance transactions with related parties (data in '000 PLN) as at 30.09.2017

	With subsidiaries	With parent entity	With other entities of parent Group
Conditional commitments	37 186	102 177	0
- granted	34 515	100 345	0
- received	2 671	1 832	0
Derivatives (par value)	50 361	0	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 S.A. for the 9 months ended 30 September 2017.

The following tables show the figures for Bank Millennium S.A.

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

ASSETS

30.09.2017	Balance sheet value	Fair value
Loans and advances to banks	355 540	355 446
Loans and advances to customers *	47 244 476	45 362 973

LIABILITIES

30.09.2017	Balance sheet value	Fair value
Amounts due to banks	2 173 068	2 174 514
Amounts due to customers	56 808 218	56 806 940
Debt securities	878 883	882 915
Subordinated debt	649 636	643 164

* 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 30.09.2017

	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		134 766	46 802
- debt securities	408 401		
Hedging derivatives		576 930	
Financial assets available for sale			
- debt securities	15 676 771	691 970	55 299
- shares and other financial instruments			28 804
LIABILITIES			
Financial liabilities valued at fair value through profit and loss (held for trading)			
- derivatives and short sale of securities	211 209	130 680	47 026
Hedging derivatives		317 135	

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 3 quarters 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	8 416	(8 585)	0	1 600	0
Change of valuation recognized in equity	0	0	0	0	4 359
Change of valuation recognized in P&L account (including interests)	9 828	(9 966)	0	11	0
Balance on 30 September 2017	44 443	(44 667)	0	55 299	28 804

6. ADDITIONAL INFORMATION

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

During the nine months ended 30 September 2017 the Bank's liabilities arising from debt securities decreased by approx. PLN 234.3 million. The variation in the analyzed period resulted mainly from the following: the Bank repurchased (in line with the maturity date) BKMO C- and S-series bonds with a nominal value of PLN 530 million, issued BKMO bonds T- and U-series in the nominal value of PLN 330 million and recorded a variation in the value of bank securities (BPW). The Bank maintained during this period, practically constant level of other bonds (N-series) issued in June 2015.

6.2. Off-balance sheet liabilities

As at 30 September 2017 and 31 December 2016, the structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	30.09.2017	31.12.2016
Off-balance conditional commitments granted and received	**8 642 746**	**8 241 371**
Commitments granted:	8 598 851	8 134 323
- financial	7 451 592	7 014 153
- guarantee	1 147 259	1 120 170
Commitments received:	43 896	107 048
- financial	1 207	0
- guarantee	42 689	107 048