

Bank Millennium S.A.

**Registered auditor's report on the audit of the financial
statements for the year from 1 January to 31 December 2016**

**Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2016**

**To the General Shareholders' Meeting and the Supervisory Board of
Bank Millennium S.A.**

This report contains 16 consecutively numbered pages and consists of:

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Bank Millennium S.A.
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I. General information about the Bank

- a. Bank Millennium Spółka Akcyjna ("the Bank") has its seat in Warsaw, Stanisława Żaryna 2a Street.
- b. The Bank was formed on the basis of a Notarial Deed drawn up on 7 June 1989 at the State Notary Public's Office in Warsaw and registered with Rep. A-V-9539/89. On 7 May 2001, the Bank was entered in the Register of Businesses maintained by the District Court in Warsaw, XIX Business Department of the National Court Register, under the name of BIG Bank Gdański Spółka Akcyjna w Warszawie, with the reference number KRS 0000010186.
- c. The Bank was assigned a tax identification number (NIP) 526-02-12-931 for the purpose of making tax settlements and a REGON number 001379728 for statistical purposes.
- d. As at 31 December 2016 the Bank's share capital amounted to PLN 1.213.116.777 and consisted of 1.213.116.777 shares, with a nominal value of PLN 1 each. Total equity as at that date amounted to PLN 6.741.504 thousand.
- e. As at 31 December 2016, the Bank's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
Banco Comercial Portugues S.A.	607.771.505	607.771.505	ordinary	50.1
Nationale-Nederlanden Otwarty Fundusz Emerytalny	120.634.080	120.634.080	ordinary	9.9
AVIVA Otwarty Fundusz Emerytalny	66.136.567	66.136.567	ordinary	5.5
Other shareholders	418.512.825	418.512.825	ordinary	34.5
Other shareholders	61.800	61.800	preference	-
	1.213.116.777	1.213.116.777		100.0

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I. General information about the Bank (cont.)

As at 31 December 2015, the Bank's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
Banco Comercial Portugues S.A.	607.771.505	607.771.505	ordinary	50.1
Nationale-Nederlanden Otworthy Fundusz Emerytalny	115.615.810	115.615.810	ordinary	9.5
AVIVA Otworthy Fundusz Emerytalny AVIVA BZ WBK	78.310.605	78.310.605	ordinary	6.5
Other shareholders	411.356.657	411.356.657	ordinary	33.9
Other shareholders	62.200	62.200	preference	-
	1.213.116.777	1.213.116.777		100.0

f. During the year the Bank's operations comprised:

- banking activity,
- factoring activity,
- capital activity.

g. During the year the Management Board of the Bank comprised:

Joa o Nuno Lima Bras Jorge	President of the Management Board
Fernando Maria Cardoso Rodriguez Bicho	Vice President of the Management Board
Wojciech Haase	Member of the Management Board
An drzej 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 from 06.06.2016
Michał Gajewski	Member of the Management Board to 13.05.2016

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I. General information about the Bank (cont.)

h. The Bank has the following related entities:

Banco Comercial Portugues S.A.	-	ultimate parent company
Millennium Leasing Sp. z o.o.	-	subsidiary
Millennium Dom Maklerski S.A.	-	subsidiary
Millennium TFI S.A.	-	subsidiary
MB Finance AB	-	subsidiary
Millennium Service Sp. z o.o.	-	subsidiary
Millennium Telecommunication Services Sp. z o.o.	-	subsidiary
Millennium Goodie Sp. z o.o.	-	subsidiary
Lubuskie Fabryki Mebli S.A. in liquidation	-	subsidiary
BG Leasing S.A. in liquidation	-	subsidiary

and companies belonging to the Bank's ultimate parent company's group. The Bank is the parent company of the Bank Millennium S.A. Capital Group.

i. The Bank is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Bank has decided to prepare its financial statements in accordance with IFRS as adopted by the European Union as of 2006.

The decision to prepare the Bank's financial statements in accordance with these standards was made by the General Shareholders' Meeting in their Resolution No. 7 passed on 6 April 2006.

j. As the Parent Company of the Group, the Bank has also prepared consolidated financial statements according to IFRS as adopted by the European Union as at 31 December 2016. To better understand the Bank's financial position and its results of operations as the Parent Company, the financial statements should be read in conjunction with the consolidated financial statements.

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II. Information about the audit

- a. The audit of the financial statements for the year from 1 January to 31 December 2016 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Armii Ludowej 14 Avenue, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor Agnieszka Accordi-Krawiec (no. 11665).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Bank by Resolution No. 29/2015 of the Supervisory Board dated 22 October 2015 in accordance with paragraph 17 clause 2 item 4 of the Bank's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws 2016, item 1000 as amended).
- d. The audit was conducted in accordance with an agreement dated 8 April 2016, in the following periods:
 - interim audit from 2 November 2016 to 23 December 2016;
 - final audit from 2 January 2017 to 3 March 2017.
- e. An audit was conducted in accordance with International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. The scope of an audit was influenced by an application of materiality. In accordance with these auditing standards, the concept of materiality is applied by the auditor at the planning stage and when conducting the audit as well as to evaluate the effect of misstatements identified and adjusted (if any) on the financial statements, and to form the opinion in the Independent Registered Auditor's Report.

An audit was designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. The misstatements are considered to be material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on a professional judgement, the certain quantitative thresholds for materiality were determined and documented, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped to determine the scope of the audit and the nature, timing and extent of the audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole. Therefore, all statements included in the Independent Registered Auditor's Report, including those related to the other legal and regulatory requirements, have been expressed considering the materiality determined in accordance with those auditing standards and the auditor's judgement.

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III. The Bank's results, financial position and significant items of financial statements

BALANCE SHEET as at 31 December 2016

	31.12.2016	31.12.2015	Change	Change	Structure (%)	Structure (%)
	PLN '000	PLN '000	PLN '000	(%)	31.12.2016	31.12.2015
ASSETS						
Cash, balances with the Central Bank	1,778,768	1,946,384	(167,616)	(8.6)	2.6	2.9
Deposits, loans and advances to banks and other monetary institutions	1,267,805	2,348,735	(1,080,930)	(46.0)	1.9	3.6
Financial assets valued at fair value through profit and loss (held for trading) and adjustment due to fair value hedge	564,585	767,062	(202,477)	(26.4)	0.8	1.2
Hedging derivatives	17,934	70,833	(52,899)	(74.7)	0.1	0.1
Loans and advances to customers	46,593,429	46,070,719	522,710	1.1	68.1	69.7
Investment financial assets	17,118,811	13,862,060	3,256,751	23.5	25.0	21.0
Investments in associates	212,368	226,373	(14,005)	(6.2)	0.3	0.3
Receivables from securities bought with sell-back clause	90,520	-	90,520	-	0.1	-
Property, plant and equipment	159,742	152,207	7,535	5.0	0.2	0.2
Intangible assets	53,195	51,987	1,208	2.3	0.1	0.1
Receivables from Tax Office resulting from current tax	5,370	32,562	(27,192)	(83.5)	-	-
Deferred income tax assets	190,641	163,249	27,392	16.8	0.3	0.3
Other assets	341,433	373,079	(31,646)	(8.5)	0.5	0.6
TOTAL ASSETS	68,394,601	66,065,250	2,329,351	3.5	100.0	100.0

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III. The Bank's results, financial position and significant items of financial statements (cont.)

BALANCE SHEET as at 31 December 2016 (cont.)

	31.12.2016	31.12.2015	Change	Change	Structure (%)	Structure (%)
	PLN '000	PLN '000	PLN '000	(%)	31.12.2016	31.12.2015
LIABILITIES						
Liabilities to banks and other monetary institutions	1,270,745	1,443,921	(173,176)	(12.0)	1.8	2.2
Financial liabilities valued at fair value through profit and loss and adjustment due to fair value hedge	339,018	344,792	(5,774)	(1.7)	0.5	0.5
Hedging derivatives	1,149,654	2,132,053	(982,399)	(46.1)	1.7	3.2
Liabilities to customers	55,988,198	52,920,583	3,067,615	5.8	81.8	80.1
Liabilities from securities sold with buy-back clause	-	-	-	-	-	-
Debt securities	1,113,223	1,135,501	(22,278)	(2.0)	1.6	1.7
Provisions	48,621	30,267	18,354	60.6	0.1	0.1
Liabilities to Tax Office resulting from current tax	-	-	-	-	-	-
Deferred income tax liabilities	9,964	-	9,964	-	-	-
Other liabilities	1,069,670	1,126,421	(56,751)	(5.0)	1.6	1.7
Subordinated debt	664,004	639,631	24,373	3.8	1.0	1.0
TOTAL LIABILITIES	61,653,097	59,773,169	1,879,928	3.1	90.1	90.5
EQUITY	6,741,504	6,292,081	449,423	7.1	9.9	9.5
TOTAL LIABILITIES AND EQUITY	68,394,601	66,065,250	2,329,351	3.5	100.0	100.0

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III. The Bank's results, financial position and significant items of financial statements (cont.)

INCOME STATEMENT
for the year from 1 January to 31 December 2016

	2016	2015	Change	Change	Structure (%)	Structure (%)
	PLN '000	PLN '000	PLN '000	(%)	2016	2015
Interest income	2,177,315	2,220,978	(43,663)	(2.0)	65.6	64.6
Interest expense	(773,453)	(950,570)	177,117	(18.6)	34.1	38.1
Net interest income	1,403,862	1,270,408	133,454	10.5		
Fee and commission income	580,226	622,325	(42,099)	(6.8)	17.5	18.1
Fee and commission expense	(89,963)	(74,682)	(15,281)	20.5	4.0	3.0
Net fee and commission income	490,263	547,643	(57,380)	(10.5)		
Dividend income	46,072	334,049	(287,977)	(86.2)	1.4	9.7
Result on investment financial assets	314,689	41,852	272,837	651.9	9.5	1.2
Result on financial instruments valued at fair value through profit and loss and foreign exchange result	175,748	174,863	885	0.5	5.3	5.1
Other operating income	25,738	43,008	(17,270)	(40.2)	0.8	1.3
Operating income	2,456,372	2,411,823	44,549	1.8		
General and administrative expenses	(999,598)	(982,111)	(17,487)	1.8	44.1	39.3
Impairment losses on financial assets	(206,093)	(228,479)	22,386	(9.8)	9.1	9.1
Impairment losses on non-financial assets	(3,390)	(1,406)	(1,984)	141.1	0.1	0.1
Depreciation and amortization	(52,204)	(47,432)	(4,772)	10.1	2.3	1.9
Other operating expenses	(142,902)	(213,251)	70,349	(33.0)	6.3	8.5
Operating expenses	(1,404,187)	(1,472,679)	68,492	(4.7)		
Operating profit / (loss)	1,052,185	939,144	113,041	12.0		
Banking tax	(174,069)	-	(174,069)	-		
Profit / (loss) before taxes	878,116	939,144	(61,028)	(6.5)		
Corporate income tax	(225,465)	(124,987)	(100,478)	80.4		
Profit / (loss) after taxes	652,651	814,157	(161,506)	(19.8)		
Total income	3,319,788	3,437,075	(117,287)	(3.4)	100.0	100.0
Total expense	(2,267,603)	(2,497,931)	230,328	(9.2)	100.0	100.0
Profit / (loss) before taxes	878,116	939,144	113,041	12.0		

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III. The Bank's results, financial position and significant items of financial statements (cont.)

TOTAL COMPREHENSIVE INCOME STATEMENT
for the year from 1 January to 31 December 2016

	2016	2015	Change	Change
	PLN '000	PLN '000	PLN '000	(%)
Profit / (loss) after taxes	652,651	814,157	(161,506)	(19.8)
Other elements of total comprehensive income that will be (were) subsequently reclassified to profit or loss:	(252,355)	161,225	(413,580)	(256.5)
Effect of valuation of available for sale shares	(85,162)	(31,637)	(53,525)	169.2
Effect of valuation of available for sale debt securities	(211,472)	213,075	(424,547)	(199.2)
Hedge accounting	44,279	(20,213)	64,492	(319.1)
Other elements of total comprehensive income that will not be subsequently reclassified to profit or loss:	1,456	769	687	89.3
Actuarial gains (losses)	1,456	769	687	89.3
Other elements of total comprehensive income before taxes	(250,899)	161,994	(412,893)	(254.9)
Corporate income tax on other elements of total comprehensive income that will be (were) subsequently reclassified to profit or loss	47,947	(30,633)	78,580	(256.5)
Corporate income tax on other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	(277)	(146)	(131)	89.7
Other elements of total comprehensive income after taxes	(203,228)	131,215	(334,443)	(254.9)
Total comprehensive income for the period	449,423	945,372	(495,949)	(52.5)

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III. The Bank's results, financial position and significant items of financial statements (cont.)

Selected ratios characterising the Bank's financial position and results

The following ratios characterise the Bank's operating activities, financial results during the year and its financial position as at the balance sheet date compared with previous years:

	2016	2015	2014
Profitability ratios			
Return on equity (Profit / (loss) after taxes / average net assets) (1)	10.0%	14.0%	12.0%
Return on assets (Profit / (loss) after taxes / average assets) (1)	1.0%	1.3%	1.1%
Interest margin (interest income / average working assets) – (interest expense / average interest-bearing liabilities) (1) (2) (3)	2.0%	1.9%	2.2%
Cost of risk (4)	0.4%	0.5%	0.6%
C/I ratio (general and administrative expenses and depreciation and amortization expense / net operating profit / (loss)) (5)	45.5%	46.8%	50.4%
Earnings per share (in PLN)	0.54	0.67	0.51
	31.12.2016	31.12.2015	31.12.2014
Asset quality ratios			
Impaired loans and advances to customers to gross loans and advances to customers	4.1%	4.2%	3.7%
Provision coverage of not impaired loans and advances	0.3%	0.3%	0.3%
Provision coverage of impaired loans and advances	55.4%	60.5%	66.0%
Other ratios			
Total Capital Ratio (TCR)	17.3%	16.4%	14.4%
Common Equity Tier 1 Capital ratio (CET1 ratio)	17.2%	16.0%	13.7%
Effective tax rate	25.7%	13.3%	21.7%

- (1) The average balances of balance sheet items were calculated on the basis of the balances of the individual items as at the beginning and the end of the current financial year and the previous financial year.
- (2) Working assets defined as balances with the Central Bank, loans and advances to customers and banks, securities and derivatives.
- (3) Interest liabilities defined as liabilities to customers and banks, debt securities, subordinated debt and derivatives.
- (4) Total impairment losses on financial assets to average loans and advances to customers in given period.
- (5) Net operating profit / (loss) defined as operating profit except other operating expenses.

The above ratios have been calculated on the basis of the financial statements.

It was not the purpose of the audit to present the Bank in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Bank's operations and its circumstances.

Our audit did not cover detailed comparative data constituting the basis for calculating the ratios for the previous years.

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III. The Bank's results, financial position and significant items of financial statements (cont.)

The following comments are based on information obtained during the audit of the financial statements.

The factors described below had a significant impact on the Bank's results of operations and on its financial position as at the balance sheet date:

- At the end of the financial year, the Bank's total assets amounted to PLN 68,394,601 thousand. During the year total assets increased by PLN 2,329,351 thousand, i.e. by 3.5%.
- As at 31 December 2016, the net balance of loans and advances to customers amounted to PLN 46,593,429 thousand and represented 68.1% of total assets (an increase by PLN 522,710 thousand, i.e. by 1.1% compared to the previous year). The gross value of loans and advances to customers portfolio amounted to PLN 47,829,219 thousand at the end of 2016 and comprised mainly loans and advances to private individuals in the gross amount of PLN 33,159,578 thousand, loans and advances to companies in the gross amount of PLN 8,494,802 thousand and purchased receivables in the gross amount of PLN 4,848,036 thousand. The increase in the balance of loans and advances to customers was mainly due to the increase in the gross balance of loans and advances to private individuals by PLN 429,728 thousand and the increase of purchased receivables by PLN 292,437 thousand. It resulted from the increase in the scale of Bank's activity and the increase in the value of mortgage loans denominated in foreign currencies due to the strengthening of foreign currencies against the zloty. The increase was partially offset due to the decrease in loans and advances to companies by PLN 210,725 thousand and loans and advances to public sector by PLN 99,708 thousand.
- The ratio of impaired loans and advances to customers to gross loans and advances to customers decreased from 4.2% as at the end of 2015 to 4.1% as at the balance sheet date. Provision coverage of impaired loans and advances went down by 5.1 p.p. and amounted to 55.4% as at 31 December 2016. Coverage of not impaired gross amounts due to customers with IBNR provisions amounted to 0.3% similarly to the prior year.
- Loans and advances to customers denominated in foreign currencies amounted to PLN 21,449,901 thousand as at 31 December 2016 and represented 44.8% of the whole portfolio. The largest balance of loans denominated in foreign currencies were CHF loans which at the end of financial year reached the level of PLN 18,250,188 thousand, i.e. 38.2% of loans and advances to customers portfolio. The balance of CHF loans diminished by PLN 375,920 thousand in comparison to the end of 2015 despite strengthening of the CHF/PLN exchange rate.
- As at the end of 2016 the balance of investment financial assets amounted to PLN 17,118,811 thousand and comprised mainly bonds issued by State Treasury in the amount of PLN 14,273,576 thousand and bills issued by the National Bank of Poland in the amount of PLN 2,669,700 thousand. The balance of investment financial assets increased by PLN 3,256,751 thousand, i.e. by 23.5% compared to the previous year, which resulted mainly from an increase in the bonds issued by State Treasury portfolio by PLN 4,909,877 thousand and a decrease in the bills issued by the Central Bank portfolio by PLN 1,529,076 thousand.

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- As at the end of 2016 the assets were primarily financed by liabilities to customers. As at 31 December 2016 the liabilities to customers amounted to PLN 55,988,198 thousand and represented 81.8% of total equity and liabilities (an increase compared to the previous year by PLN 3,067,615 thousand, i.e. by 5.8%). An increase of liabilities to customers was mainly driven by increase of balances on current accounts from private individuals by PLN 5,989,687 thousand and increase of balances on current accounts from companies by PLN 1,087,342 thousand. At the same time, term deposits from companies decreased by PLN 3,183,014 thousand and term deposits from private individuals decreased by PLN 1,894,251 thousand.
- As at the balance sheet date the value of hedging derivatives presented in the liabilities of the Bank amounted to PLN 1,149,654 thousand and decreased by PLN 982,399 thousand, i.e. by 46.1% compared to the previous year. This decrease was mainly due to the decrease in the portfolio of CIRS contracts which are a cash flows hedging derivatives connected with interest rate and/or FX rate by PLN 850,410 thousand and the decrease in the portfolio of CIRS contracts which are fair value hedging derivatives of interest rate risk by PLN 140,909 thousand.
- Net interest income amounted to PLN 1,403,862 thousand and increased by PLN 133,454 thousand, i.e. by 10.5% compared to the previous year. Interest income amounted to PLN 2,177,315 thousand in 2016 and decreased by PLN 43,663 thousand. The most significant change in interest income resulted from income from the financial assets held for trading, which amounted to PLN 5,675 thousand in 2016 and was 82.7% lower in comparison to the previous year. At the same time a decrease in interest expense was recorded from the level of PLN 950,570 thousand in 2015 to PLN 773,453 thousand in 2016, i.e. 18,6%. Interest expense from deposits from customers drop by PLN 78,897 thousand and amounted to PLN 695,590 thousand in total in the financial year. The decline was mainly due to the decrease in the interest rate of accounts from private individuals in 2016.
- Net fee and commission income amounted to PLN 490,263 thousand in the audited year and was lower by PLN 57,380 thousand, i.e. by 10.5% compared to the previous year. This decrease was due to the drop of fee and commission income by PLN 42,099 thousand. At the same time, fee and commission expense increased by PLN 15,281 thousand. Fee and commission income decreased mainly due to the lower income from insurance product by PLN 59,230 thousand and from from distribution of investment funds units and other savings products by PLN 19,235 thousand which was partly offset by the increase in loan activity fees by PLN 18,544 thousand comparing to the previous year. Increase in fee and commission expense was a result of higher expense from payment and credit cards by PLN 8,835 thousand.
- Dividend income amounted to PLN 46,072 thousand and decreased by PLN 287,977 thousand in comparison to previous period. The decrease was caused by lower dividend income from related parties by PLN 287,617 thousand.

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for the year from 1 January to 31 December 2016

III. The Bank's results, financial position and significant items of financial statements (cont.)

- Result on investment financial assets amounted to PLN 314,689 thousand in the financial year, which constituted an increase in comparison to previous period by PLN 272,837 thousand. The change was mainly driven by the settlement of transaction of VISA Europe takeover by VISA Inc. in 2016, which influenced positively the result on investment financial assets in the amount of PLN 305.641 thousand.
- General and administrative expenses were the largest item of operating expenses in 2016 and amounted to PLN 999,598 thousand in 2016, which constituted 71.2% of operating expenses. General and administrative expenses comprised staff costs in the amount of PLN 516,999 thousand and general administrative costs in the amount of PLN 482,599 thousand. General and administrative expenses decreased by PLN 17,487 thousand, i.e. by 1.8% compared to the previous year. Cost to income ratio reached the level of 45,5% in 2016 compared to 46,8% in 2015.
- Impairment losses on financial assets in 2016 amounted to PLN 206,093 thousand and comprised mainly impairment losses on loans and advances to customers. Impairment losses on financial assets decreased by PLN 22,386 thousand, i.e. by 9.8% compared to the previous year, which resulted mainly from the improvement of loan portfolio quality and sales of receivables in 2016 (decrease of total influence of write-offs and reversal of write-offs on loans and advances to customers by PLN 40,727 thousand year to year).
- In the audited financial year the Bank recorded a banking tax in amount of PLN 174,069 thousand. The banking tax was not levied in 2015.
- Effective tax rate, calculated as corporate income tax to profit/(loss) before taxes, amounted to 25.7% in the audited year and was 12.4 pp. higher than in prior year mainly as a result of the significant decrease in dividend income from subsidiaries which was not subject to income tax and introduced a banking tax which is not a tax cost, in comparison with the prior year.

The financial statements have been prepared on the assumption that the Bank will continue in operation as a going concern.

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original.

However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Bank Millennium S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2016

IV. The independent registered auditor's statement

- a. The Management Board of the Bank provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The financial statements of the Bank for the year from 1 January to 31 December 2015 were approved by Resolution No. 2 passed by the General Shareholders' Meeting on 31 March 2016 and filed with the National Court Register in Warsaw on 7 April 2016.
- d. We have assessed the operation of the accounting system. Our assessment covered in particular:
 - the accuracy of the documentation relating to business transactions;
 - the fairness, accuracy and verifiability of the books of account, including computerised books of account;
 - the methods used for controlling access to data and the computerised data processing system;
 - the safeguarding of the accounting documentation, books of account, and financial statements.

This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing an overall and comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

- e. During the audit performed we have not identified any significant instances of Bank's non-compliance with banking regulatory norms during the period from 1 January 2016 to the day of issuance of this report. As at 31 December 2016, the regulations of the Banking Law, the Resolutions of the Management Board of the National Bank of Poland, Resolutions of Polish Financial Supervisory Authority and the Regulation of the European Parliament and the Council (EU) No. 575/2013 from 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (CRR) and other regulations issued by the Commission (EU) pursuant to this Regulation, included banking regulatory norms in relation, among others, to the following:
 - concentration of credit risk,
 - concentration of investments in shares,
 - classification of loans and guarantees to risk groups and creation of provisions for the risk associated with activities of banks,
 - liquidity measures,
 - level of obligatory reserve,
 - capital adequacy.

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Bank Millennium S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2016

IV. The independent registered auditor's statement (cont.)

- f. As at 31 December 2016 the capital adequacy ratio of the Bank amounted to 17.27% and was correctly determined in accordance with CRR. This statement is based on recalculation of the quotient of own funds amounting to PLN 6,252.4 mln divided by risk weighted assets amounting to PLN 36,198.7 mln as per COREP reporting prepared by the Bank as at the balance sheet date.
- g. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.
- h. The information in the Directors' Report for the year from 1 January to 31 December 2016 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2014, item 133) and is consistent with that presented in the financial statements.

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Bank Millennium S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2016

V. Final information

This report has been prepared in connection with our audit of the financial statements of Bank Millennium S.A., Stanisława Żaryna 2a Street, Warsaw. The financial statements were signed by the Bank's Management Board on 2 March 2017.

This report should be read in conjunction with the Independent Registered Auditor's Report dated 3 March 2017 to the General Shareholders' Meeting and the Supervisory Board of Bank Millennium S.A., that includes the unqualified audit opinion on the said financial statements. The opinion on the financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Agnieszka Accordi-Krawiec

Key Registered Auditor
No. 11665

Warsaw, 3 March 2017

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