



Independent Registered Auditor's Opinion

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

We have audited the accompanying financial statements of Bank Millennium S.A. (hereinafter called "the Bank"), with its registered office at Stanisława Żaryna 2a Street, in Warsaw, which comprise the balance sheet as at 31 December 2014, showing total assets and total equity and liabilities of PLN 60,484,050 thousand, the income statement for the year from 1 January to 31 December 2014, showing profit after taxes of PLN 619,511 thousand, the total comprehensive income statement for the period from 1 January to 31 December 2014, showing a total comprehensive income of PLN 637,799 thousand, the statement of changes in equity, the statement of cash flows for the financial year and additional information on adopted accounting policies and other explanatory notes.

The Bank's Management Board is responsible for preparing the financial statements and Directors' Report in accordance with the applicable regulations, and for the correctness of the accounting records. Members of the Management Board and Members of the Supervisory Board of the Bank are obliged to ensure that the financial statements and the Directors' Report comply with the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

Our responsibility was to perform an audit of the accompanying financial statements and to express an opinion on whether the financial statements comply in all material respects with the applicable accounting policies and whether they present, in all material respects, a true and clear view of the Bank's financial position and its financial results, and whether the accounting records constituting the basis for their preparation are properly maintained.

We conducted our audit in accordance with:

- a. the provisions of Chapter 7 of the Accounting Act;
- b. national standards of auditing issued by the National Council of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance that the financial statements were free of material misstatements and omissions. The audit included among others examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting policies applied by the Bank and significant estimates made in the preparation of the financial statements, as well as overall assessment of their presentation. We believe that our audit provides a reasonable basis for our opinion.

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.

PricewaterhouseCoopers Sp. z o.o., al. Armii Ludowej 14, 00-638 Warszawa
+48 22 523 40 00, F: +48 22 508 40 40, www.pwc.pl



Independent Registered Auditor's Opinion

To the General Shareholders' Meeting and the Supervisory Board of Bank Millennium S.A. (cont.)

In our opinion, and in all material respects, the accompanying financial statements:

- a. give a fair and clear view of the Bank's financial position as at 31 December 2014 and of the financial results for the year from 1 January to 31 December 2014, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;
- b. comply in terms of form and content with the applicable laws and the Bank's Memorandum of Association;
- c. have been prepared on the basis of properly maintained books of account, in accordance with the applicable accounting policies.

The information contained in the Directors' Report for the year from 1 January to 31 December 2014 has been presented 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 ("the Decree" – Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited financial statements.

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

Adam Celiński

Key Registered Auditor
No. 90033

Warsaw, 13 February 2015

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 2014**

**Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2014**

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

This report contains 15 consecutively numbered pages and consists of:

| | Page |
|---|------|
| I. General information about the Bank | 2 |
| II. Information about the audit..... | 4 |
| III. The Bank's results, financial position and significant items of financial statements | 5 |
| IV. The independent registered auditor's statement | 14 |
| V. Final information | 16 |

Bank Millennium S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2014

I. General information about the Bank

- a. Bank Millennium S.A. ("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 No. 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 2014 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 5,346,709 thousand.
- e. As at 31 December 2014, 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. | 794,751,136 | 794,751,136 | ordinary | 65.5 |
| ING Otworthy Fundusz Emerytalny | 95,521,053 | 95,521,053 | ordinary | 7.5 |
| Other shareholders | 322,778,188 | 322,778,188 | ordinary | 26.6 |
| Other shareholders | 66,400 | 66,400 | preference | - |
| | 1,213,116,777 | 1,213,116,777 | | 100.0 |

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

- banking activity,
- factoring activity,
- investment activity.

Bank Millennium S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2014

I. General information about the Bank (cont.)

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

| | |
|---|--|
| • Joao Nuno Lima Bras Jorge | President of the Management Board |
| • Fernando Maria Cardoso Rodrigues Bicho | Vice President of the Management Board |
| • Artur Klimczak | Vice President of the Management Board |
| • Julianna Boniuk-Gorzelańczyk | Member 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 |

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 |
| MB Finance AB | - subsidiary |
| Millennium Service Sp. z o.o. | - subsidiary |
| Millennium Telecommunication Services Sp. z o.o. | - subsidiary |
| Lubuskie Fabryki Mebli S.A. | - subsidiary |
| BG Leasing S.A. in liquidation | - subsidiary |
| TBM Sp. z o.o. | - associate |

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 2005.

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 2014. 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.

Bank Millennium S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2014

II. Information about the audit

- a. The audit of the financial statements for the year from 1 January to 31 December 2014 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor Adam Celiński (no. 90033).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Bank by Resolution No. 14/2013 of the Supervisory Board dated 24 October 2013 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 No. 77, item 649, as amended).
- d. The audit was conducted in accordance with an agreement dated 22 January 2014, in the following periods:
 - interim audit from 3 November 2014 to 23 December 2014;
 - final audit from 4 January 2015 to 13 February 2015.



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 2014

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

BALANCE SHEET as at 31 December 2014 (selected lines)

| | | | Change | | Structure | |
|---|------------------------|------------------------|------------------|------------|-------------------|-------------------|
| | 31.12.2014 PLN '000 | 31.12.2013 PLN '000 | PLN '000 | (%) | 31.12.2014 (%) | 31.12.2013 (%) |
| ASSETS | | | | | | |
| Cash, balances with the Central Bank | 2,612,015 | 3,411,940 | (799,925) | (23.4) | 4.3 | 6.0 |
| Deposits, loans and advances to banks and other monetary institutions | 2,384,744 | 1,519,595 | 865,149 | 56.9 | 3.9 | 2.7 |
| Financial assets valued at fair value through profit and loss (held for trading) and adjustment due to fair value hedge | 1,419,234 | 853,058 | 566,176 | 66.4 | 2.3 | 1.5 |
| Hedging derivatives | 18,999 | 211,395 | (192,396) | (91.0) | 0.1 | 0.4 |
| Loans and advances to customers | 43,634,324 | 41,087,590 | 2,546,734 | 6.2 | 72.1 | 72.7 |
| Investment financial assets | 9,249,216 | 8,241,226 | 1,007,990 | 12.2 | 15.3 | 14.6 |
| Investments in associates | 227,752 | 298,007 | (70,255) | (23.6) | 0.4 | 0.5 |
| Receivables from securities bought with sell-back clause | 155,642 | 242,061 | (86,419) | (35.7) | 0.3 | 0.4 |
| Property, plant and equipment | 147,629 | 158,943 | (11,314) | (7.1) | 0.2 | 0.3 |
| Intangible assets | 48,110 | 36,869 | 11,241 | 30.5 | 0.1 | 0.1 |
| Non-current assets held for sale | - | - | - | - | - | - |
| Receivables from Tax Office resulting from current tax | 60,215 | 63,571 | (3,356) | (5.3) | 0.1 | 0.1 |
| Deferred income tax assets | 128,613 | 113,131 | 15,482 | 13.7 | 0.2 | 0.2 |
| Other assets | 397,557 | 291,680 | 105,877 | 36.3 | 0.7 | 0.5 |
| TOTAL ASSETS | 60,484,050 | 56,529,066 | 3,954,984 | 7.0 | 100.0 | 100.0 |

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 2014

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

BALANCE SHEET as at 31 December 2014 (selected lines) (cont.)

| | | | Change | | Structure | |
|---|------------------------|------------------------|------------------|------------|-------------------|-------------------|
| | 31.12.2014 PLN '000 | 31.12.2013 PLN '000 | PLN '000 | (%) | 31.12.2014 (%) | 31.12.2013 (%) |
| LIABILITIES | | | | | | |
| Liabilities to banks and other monetary institutions | 1,986,125 | 2,202,585 | (216,460) | (9.8) | 3.3 | 3.9 |
| Financial liabilities valued at fair value through profit and loss and adjustment due to fair value hedge | 629,870 | 575,189 | 54,681 | 9.5 | 1.0 | 1.0 |
| Hedging derivatives | 1,390,225 | 930,346 | 459,879 | 49.4 | 2.3 | 1.6 |
| Liabilities to customers | 47,807,862 | 45,448,660 | 2,359,202 | 5.2 | 79.0 | 80.4 |
| Liabilities from securities sold with buy-back clause | 66,774 | 116,803 | (50,029) | (42.8) | 0.1 | 0.2 |
| Debt securities | 1,740,633 | 701,352 | 1,039,281 | 148.2 | 2.9 | 1.2 |
| Provisions | 95,023 | 63,066 | 31,957 | 50.7 | 0.2 | 0.1 |
| Liabilities to Tax Office resulting from current tax | 5,976 | 8,217 | (2,241) | (27.3) | - | 0.1 |
| Deferred income tax liabilities | - | - | - | - | - | - |
| Other liabilities | 775,114 | 884,467 | (109,353) | (12.4) | 1.3 | 1.6 |
| Subordinated debt | 639,739 | 622,585 | 17,154 | 2.8 | 1.1 | 1.1 |
| TOTAL LIABILITIES | 55,137,341 | 51,553,270 | 3,584,071 | 7.0 | 91.2 | 91.2 |
| EQUITY | 5,346,709 | 4,975,796 | 370,913 | 7.5 | 8.8 | 8.8 |
| TOTAL LIABILITIES AND EQUITY | 60,484,050 | 56,529,066 | 3,954,984 | 7.0 | 100.0 | 100.0 |

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 2014

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 2014

| | | | Change | | Structure | |
|--|--------------------|--------------------|-----------------|-------------|-----------|-------|
| | 2014 | 2013 | | | 2014 | 2013 |
| | PLN '000 | PLN '000 | PLN '000 | (%) | (%) | (%) |
| Interest income | 2,479,852 | 2,564,341 | (84,489) | (3.3) | 73.6 | 73.7 |
| Interest expense | (1,131,005) | (1,450,486) | 319,481 | (22.0) | 43.9 | 50.8 |
| Net interest income | 1,348,847 | 1,113,855 | 234,992 | 21.1 | | |
| Fee and commission income | 633,314 | 634,934 | (1,620) | (0.3) | 18.8 | 18.2 |
| Fee and commission expense | (62,446) | (88,043) | 25,597 | (29.1) | 2.4 | 3.1 |
| Net fee and commission income | 570,868 | 546,891 | 23,977 | 4.4 | | |
| Dividend income | 28,605 | 29,015 | (410) | (1.4) | 0.9 | 0.9 |
| Result on investment financial assets | 18,447 | 20,721 | (2,274) | (11.0) | 0.5 | 0.6 |
| Result on financial instruments valued at fair value through profit and loss and foreign exchange result | 185,294 | 184,898 | 396 | 0.2 | 5.5 | 5.3 |
| Other operating income | 23,726 | 46,057 | (22,331) | (48.5) | 0.7 | 1.3 |
| Operating income | 2,175,787 | 1,941,437 | 234,350 | 12.1 | | |
| General and administrative expenses | (1,001,930) | (979,395) | (22,535) | 2.3 | 38.9 | 34.3 |
| Impairment losses on financial assets | (248,021) | (220,674) | (27,347) | 12.4 | 9.6 | 7.7 |
| Impairment losses on non-financial assets | (425) | (1,559) | 1,134 | (72.7) | - | 0.1 |
| Depreciation and amortization | (53,548) | (52,618) | (930) | 1.8 | 2.1 | 1.8 |
| Other operating expenses | (81,055) | (64,281) | (16,774) | 26.1 | 3.1 | 2.2 |
| Operating expenses | (1,384,979) | (1,318,527) | (66,452) | 5.0 | | |
| Profit / (loss) before taxes | 790,808 | 622,910 | 167,898 | 27.0 | | |
| Corporate income tax | (171,297) | (126,135) | (45,162) | 35.8 | | |
| Profit / (loss) after taxes | 619,511 | 496,775 | 122,736 | 24.7 | | |
| Total income | 3,369,238 | 3,479,966 | (110,728) | (3.2) | 100.0 | 100.0 |
| Total expense | (2,578,430) | (2,857,056) | 278,626 | (9.8) | 100.0 | 100.0 |
| Profit / (loss) before taxes | 790,808 | 622,910 | 167,898 | 27.0 | | |

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 2014

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 2014

| | | | Change | |
|---|----------------|----------------|----------------|--------------|
| | 2014 | 2013 | PLN '000 | (%) |
| | PLN '000 | PLN '000 | | |
| Profit / (loss) after taxes | 619,511 | 496,775 | 122,736 | 24.7 |
| Other elements of total comprehensive income that will be subsequently reclassified to profit or loss: | 25,221 | 3,893 | 21,328 | 547.9 |
| Effect of valuation of available for sale debt securities | 69,491 | (44,482) | 113,973 | (256.2) |
| Hedge accounting | (44,270) | 48,375 | (92,645) | (191.5) |
| Other elements of total comprehensive income that will not be subsequently reclassified to profit or loss: | (2,643) | - | (2,643) | - |
| Actuarial gains (losses) | (2,643) | - | (2,643) | - |
| Other elements of total comprehensive income before taxes | 22,578 | 3,893 | 18,685 | 480.0 |
| Corporate income tax on other elements of total comprehensive income that will be subsequently reclassified to profit or loss | (4,792) | (740) | (4,052) | 547.6 |
| Corporate income tax on other elements of total comprehensive income that will not be subsequently reclassified to profit or loss | 502 | - | 502 | - |
| Other elements of total comprehensive income after taxes | 18,288 | 3,153 | 15,135 | 480.0 |
| Total comprehensive income of the period | 637,799 | 499,928 | 137,871 | 27.6 |

Bank Millennium S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2014

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:

| | 2014 | 2013 |
|--|-------------------|-------------------|
| Profitability ratios | | |
| Return on equity (Profit / (loss) after taxes / average net assets) (1) | 12.0% | 10.5% |
| Return on assets (Profit / (loss) after taxes / average assets) (1) | 1.1% | 0.9% |
| Interest margin (interest income / average working assets) – (interest expense / average interest-bearing liabilities) (1) (2) (3) | 2.2% | 1.9% |
| Cost of risk (4) | 5.5 | 5.2 |
| C/I ratio (general and administrative expenses and depreciation and amortisation expense / net operating profit / (loss)) (5) | 50.4% | 55.0% |
| Earnings per share (in PLN) | 0.5 | 0.4 |
| | 31.12.2014 | 31.12.2013 |
| Asset quality ratios | | |
| Impaired loans and advances to customers to gross loans and advances to customers | 3.7% | 3.9% |
| Provision coverage of not impaired loans and advances | 0.3% | 0.4% |
| Provision coverage of impaired loans and advances | 66.0% | 61.5% |
| Other ratios | | |
| Total Capital Ratio (TCR) | 14.4% | 13.6% |
| Common Equity Tier 1 Capital ratio (CET1 ratio) | 13.7% | 12.7% |
| Effective tax rate | 21.66% | 20.25% |

- (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 (without cash), loans and advances to customers and banks, debt securities and hedging derivatives.
- (3) Interest liabilities defined as liabilities to customers and banks, debt securities, subordinated debt and hedging 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 (loss) except other operating expenses

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

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

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.

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

The financial statements do not take into account the effects of deflation. The consumer price index (on a December to December basis) amounted to -1.0% in the audited year (inflation 0.7% in 2013).

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 60,484,050 thousand. During the year total assets increased by PLN 3,954,984 thousand, i.e. by 7.0%.
- As at 31 December 2014, the net balance of loans and advances to customers amounted to PLN 43,634,324 thousand and represented 72.1% of total assets (an increase by PLN 2,546,734 thousand, i.e. by 6.2% compared to the previous year). The gross value of loans and advances to customers portfolio amounted to PLN 44,859,961 thousand at the end of 2014 years and comprised mainly loans and advances to private individuals in the gross amount of PLN 31,135,265 thousand, loans and advances to companies in the gross amount of PLN 8,547,052 thousand and purchased receivables in the gross amount of PLN 3,629,578 thousand. An 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 companies by PLN 1,083,670 thousand and the increase in the gross balance of loans and advances to private individuals by PLN 950,881 thousand, as a result of both valuation growth rate of loans denominated in CHF and as well as the increase in the volume of loans.
- As at the end of 2014 the balance of investment financial assets amounted to PLN 9,249,216 thousand and comprised mainly bonds issued by State Treasury in the amount of PLN 6,749,204 thousand. The balance of investment financial assets increased by PLN 1,007,990 thousand, i.e. 12.2% compared to the previous year, which resulted mainly from an increase in the bonds issued by State Treasury portfolio by PLN 1,614,456 thousand. At the same time, the bills issued by Central Bank portfolio decreased by PLN 599,792 thousand.
- As at the end of 2014 the assets were primarily financed by liabilities to customers. As at 31 December 2014 the liabilities to customers amounted to PLN 47,807,862 thousand and represented 79.0% of total equity and liabilities (an increase compared to the previous year by PLN 2,359,202 thousand, i.e. by 5.2%). An increase of liabilities to customers was mainly driven by increase of term deposits from private individuals by PLN 2,526,712 thousand and increase of balances on current accounts from private individuals by PLN 857,346 thousand. At the same time, term deposits from public sector decreased by PLN 664,616 thousand and term deposits from companies decreased by PLN 478,883 thousand.

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

- The second financing source for the balance sheet growth was the issue of debt securities. The balance of debt securities as at 31 December 2014 amounted to PLN 1,740,633 thousand and comprised mainly outstanding bonds and bills in the amount of PLN 1,400,665 thousand.
- As at the balance sheet date the value of derivative and hedging instruments presented in the liabilities of the Bank amounted to PLN 1,390,225 thousand and increased by PLN 459,879 thousand, i.e. 49.4% compared to the previous year. This increase was mainly due to the increase in the portfolio of CIRS contracts which are a cash flows hedging derivatives connected with interest rate and/or FX rate by PLN 459,512 thousand.
- Net interest income amounted to PLN 1,348,847 thousand and increased by PLN 234,992 thousand, i.e. by 21.1% compared to the previous year. An increase of the net interest income was due to a decrease of interest expense by PLN 319,481 thousand. At the same time, interest income decreased by PLN 84,489 thousand compared to the previous year. The most significant change in the interest expenses structure resulted from the debt security issue. Debt security issue expenses amounted to PLN 46.2 million in 2014 in comparison to 2013 (i.e. 41.7% change). The interest income decline was mainly driven by drop of average WIBOR 3M interest rates from 3.1% in 2013 to 2.7% in 2014.
- Net fee and commission income amounted to PLN 570,868 thousand in the audited year and was higher by PLN 23,977 thousand, i.e. by 4.4% compared to the previous year. This increase was due to a decrease of fee and commission expense by PLN 25,597 thousand. At the same time, fee and commission income decreased by PLN 1,620 thousand. A decrease of fee and commission expense and fee and commission income resulted mainly from a decrease in expense and income resulting from payment and credit cards. The decline of fee and commission income resulting from payment and credit cards was largely compensated by higher income from distribution of investment funds units and other savings products which increased by PLN 13 960 thousand compared to the previous year.
- Operating expenses amounted to PLN 1,384,979 thousand in the audited year and increased by PLN 66,452 thousand, i.e. by 5.0% compared to the previous year. General and administrative expenses were the largest item of operating expenses and amounted to PLN 1,001,930 thousand in 2014, which constituted 72.3% of operating expenses. General and administrative expenses comprised of staff costs in the amount of PLN 507,605 thousand and general administrative costs in the amount of PLN 494,325 thousand. General and administrative expenses increased by PLN 22,535 thousand, i.e. by 2.3% compared to the previous year, mainly due to the increase of costs of advertising, promotion and representation by PLN 14,422 thousand. Operating profit was also charged, higher by PLN 16.774 thousand, other operating expenses due to created provisions for legal claims.

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

- Impairment losses on financial assets in 2014 amounted to PLN 248,021 thousand and comprised mainly impairment losses on loans and advances to customers. Impairment losses on financial assets increased by PLN 27,37 thousand, i.e. by 12.4% compared to the previous year, which resulted mainly from the increase of impairment losses on loans and advances to customers.
- Effective tax rate, calculated as corporate income tax to profit/(loss) before taxes, amounted to 21.7% in the audited year and was 1.41 pp. higher than in prior year as a result of not contain a part of impairment write-offs in non-tax deductible expenses.

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

Bank Millennium S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2014

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 Bank has up-to-date documentation of its accounting policies, approved by the Management Board. The Bank's accounting policies were tailored to its needs and ensured the recognition of all events having a material effect on the assessment of its financial position and results, taking into consideration the prudence principle. There were no changes to the accounting policies compared with the previous year.
- d. The closing balances as at the end of the previous year were correctly brought forward as the opening balances of the current financial year in all material respects.
- e. The stocktaking of assets and liabilities were carried out and reconciled in accordance with the Accounting Act, and the results were included in the accounting records for the audited year.
- f. The financial statements of the Bank for the year from 1 January to 31 December 2013 were approved by Resolution No. 1 passed by the General Shareholders' Meeting on 10 April 2014 and filed with the National Court Register in Warsaw on 17 April 2014.
- g. In accordance with the Resolution No. 23 of the General Shareholders' Meeting on 10 April 2014 the net profit for the prior year of PLN 496,775 thousand was appropriated for a dividend payment to the Bank's shareholders in the amount of PLN 226,886 thousand and for an increase of reserve capital in the amount of PLN 229,889 thousand and retained earnings in amount of PLN 40,000 thousand.
- h. The financial statements for the previous financial year were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. The registered auditor issued an unqualified opinion.
- i. 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.



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.

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

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.

- j. We determined the materiality levels at the planning stage. Materiality levels specify the limits up to which identified irregularities may be left unadjusted without any detriment to the quality of the financial statements and to the correctness of the underlying books of account, since failing to make such adjustments will not be misleading for the readers of the financial statements. Materiality measures both the quantity and quality of audited items and that is why it varies for different statement of financial position and income statement items. Due to the complexity and quantity of the materiality levels adopted for audit purposes, they are included in the audit documentation.
- k. The total capital requirement, together with the requirement concerning the risk of excessive capital exposure, amounted to PLN 2,770.8 million as at the balance sheet date. The capital adequacy ratio as at 31 December 2014 was 14,4%. As at the balance sheet date, the Bank complied with prudence principle in all material respects.
- l. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.
- m. The information in the Directors' Report for the year ended 31 December 2014 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.

Bank Millennium S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2014

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 13 February 2015.

This report should be read in conjunction with the Independent Registered Auditor's unqualified opinion to the General Shareholders' Meeting and the Supervisory Board of Bank Millennium S.A. dated 13 February 2015, concerning 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:

Adam Celiński

Key Registered Auditor
No. 90033

Warsaw, 13 February 2015



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.