Financial Highlights
Quarterly financial information
Consolidated financial statement
General Information about Issuer
Accounting policy
Financial Risk Management
Group's Risk Management
Rules
Capital Management
Credit Risk
Market Risk
Liquidity Risk
Operational Risk
Operational Segments
Transactions with Related Entities
Fair Value
Conditional Liabilities and Assets
Notes to the Consolidated Financial Statements
Supplementary Information

Credit Risk

The credit risk is one of the most important risk types for the Group and therefore considerable attention is given to management of credit risk-bearing exposures. Credit risk is connected with balance-sheet credit exposures as well as off-balance sheet financial instruments, such as granted and unutilized credit lines, guarantees and letters of credit, as well as limits for transactions in financial instruments.

The credit policy is subject to periodic reviews and verification process taking into account the prevailing market conditions and changes in the group's regulatory environment.

The Group uses several rating systems to manage credit risk depending on the type of exposure and the

customer segment involved. A rating system is a set of methods (models), processes, controls, data collection procedures and IT systems that identify and measure credit risk, sort levels of exposure by grades or pools (granting of credit rating), and quantify probability of default and expected loss estimates for specific types of exposure.

(3a) Measurement of Credit Risk

Loans and advances

Measurement of credit risk, for the purpose of the credit portfolio management, on the level of individual customers, on account of granted loans is done with the consideration of three parameters:

(i) Probability of Default (PD) of a customer or counterparty as regards their liability;
(ii) amount of Exposure At Default (EAD) and
(iii) the ratio of Loss Given Default (LGD) regarding the customer's liability.

(i) The Group assesses the probability of default (PD) of individual counterparties, using internal rating models adapted to various categories of customers and transactions. Models were developed in-house or at the level of the BCP Group, or by external providers, and combine statistical analysis with assessment by a credit professional. The Group's customers are divided into 15 rating classes, which for the purposes of this Report have been grouped into 6 main brackets. The Group's Master Ratings Scale, presented below, also contains the scale of probabilities of non-compliance with the liabilities specified for a given class/rating group. Rating models are subject to regular reviews and – if necessary – to relevant modification. Modifications of models are confirmed by Validation Committee.

The Group regularly analyses and assesses rating results and their predictive power with respect to cases of default. The process of assigning client risk assessments is performed by Rating Department independently from credit decision process and transactions are supported by IT systems, obtaining and analyzing information from internal and external databases.

The Group's internal rating scale

Master scale	Description of rating
1-3	Highest quality
4-6	Good quality
7-9	Medium quality
10-12	Low quality
13-14	Watched
15	Default

(ii) EAD – amount of exposure at default – concerns amounts which according to the Group's

predictions will be the Group's receivables at the time of default against liabilities. Liabilities are understood by the Group to mean every amount disbursed plus further amounts, which may be disbursed until default, if such occurs.

(iii) LGD – loss given default is what the Group expects will be its losses resulting from actual cases of default, with the consideration of internal and external costs of recovery and the discount effect.

Debt Securities

The portfolio of debt securities, other than those issued by the State Treasury or the Central Bank, is relatively small (see point 3f).

Derivatives

The Group maintains strict control over the limits of net open derivative positions both with respect to amounts and transaction maturities. Credit risk exposures resulting from derivatives are managed as part of total credit limits defined for individual customers calculated on the basis of verification of natural exposure and analysis of customer's financial situation, and also as part of counterparties' limits.

The Group offers Treasury products for FX risk or interest rate risk only for hedging purposes and under Treasury limits assigned to clients or secured by specific collateral (deposit).

Most of the Group's agreements include the possibility of calling the client to replenish the margin deposit, (if the valuation of the client's open position exceeds treasury limit, the so-called margin call); and if the client does not supplement the deposit, the Group has the right to close the position.

Credit risk-based off-balance sheet liabilities

Credit risk-based off-balance sheet liabilities include guarantees, letters of credit as well as granted credit lines. The main purpose of these instruments is to enable the customer to use the funds granted by the Group in a specific way.

Guarantees and letters of credit of standby type (liability similar to guarantee) bears at least the same credit risk as loans (in the case of guarantees and stand-by letters of credit type when valid claim appears, the Group must make a payment).

Documentary and commercial letters of credit are a written, irrevocable and final obligation of the Group to accept payments based on compliant documents within the time limits specified in the letters of credit and are connected with a guarantee-like risk.

The available credit line balance is the non-utilised part of previously accepted amounts pertaining to credit liabilities, available for use in the form of loans, guarantees or letters of credit. Considering the credit risk of undertakings to grant credit, the Group is potentially exposed to a loss in an amount equal

to the sum of non-utilised liabilities. However the probable loss amount is usually lower than the total value of non-utilised liabilities, because most of the undertakings to disburse credit depend on customers' particular credit conditions.

The Group monitors the period remaining to maturity of off-balance liabilities because long-term liabilities usually involve a higher degree of credit risk than short-term liabilities.

(3b) Limits control and risk mitigation policy

The Group measures, monitors and controls large credit exposures and high credit risk concentrations, wherever they are identified. Concentration risk management process encompasses single-name exposures with respect to an individual borrower or group of connected borrowers (with material capital, organizational or economic relations) and sectoral concentration – to economic industries, geographical regions, countries, and the real estate financing portfolio including FX loans. Above types of sectoral exposures are subject to internal limits system. Information about the utilization of limits are presented at the Risk Committee, that may take decisions concerning reduction of exposure to particular borrowers or loan subportfolios or certain sectors of activities, etc.

Resulting from art. 71 of the Banking Act limits with respect to one borrower or group of connected borrowers are monitored monthly while the internal, sectoral limits are monitored quarterly. Limits are subject to annual or more frequent review, when deemed appropriate. The limits are approved by the Risk Committee.

Management of credit risk exposure is also performed through regular monitoring of customers' economic and financial situation and/or track record of their relationship with the Group from the point of view of punctual repayment of their principal and interest liabilities.

Collateral

The Group accepts collateral to mitigate its credit risk exposure; the main role of collateral is to minimize loss in the event of customers' default in repayment of credit transactions in contractual amounts and on contractual dates by ensuring an alternative source of repayment of due and payable amounts.

Collateral is accepted in accordance with the credit policy principles defined for each customer segment. The key principle is that collateral for credit transaction should correspond to the credit risk incurred by the Group, taking into account the specific nature of the transaction (i.e. its type, amount, repayment period and the customer's rating).

The credit policy defines the types, kinds and legal forms of collateral accepted in the Group as well as more detailed requirements that are to ensure the probability of selling collateral of respective types in the context of the Group's recovery experiences.

The Group pays special attention to the correct determination of collateral value. It defined the rules for preparing and verifying collateral valuation and does its utmost to ensure that such valuations are objective, conservative and reflect the true value of the collateral. In order to ensure effective establishment of collateral, the Group has developed appropriate forms of collateral agreements, applications, powers-of-attorney and representations.

In the retail segment, accepted collateral consists mainly of residential real property (mortgage loans) and financial assets. In the corporate segment, in addition to all types of real property (residential, commercial, land), physical collateral is also accepted (vehicles, construction equipment, technical equipment, machinery) as well as assignment of contractual receivables.

Temporary collateral is also accepted in the period before the final collateral is established. Additionally, the Group uses various forms of instruments supplementing the collateral, which facilitate enforcement or increase probability of effective repayment of debt from a specific collateral. Those instruments include: statement of submitting to enforcement, blank promissory note, power-of-attorney to a bank account, assignment of rights under an insurance agreement.

The Group monitors the collateral to ensure that it satisfies the terms of the agreement, i.e. that the final collateral of the transaction has been established in a legally effective manner or that the assigned insurance policies are renewed. The value of the collateral is also monitored during the term of the credit transaction.

In accordance with credit policy adopted in the Group it is also allowed to grant a transaction without collateral, but this takes place according to specific principles, which are different depending on the client's segment. But in the case of the deterioration of the debtor's economic and financial situation, in the most of documents signed with the client the Group stipulates the possibility of taking additional collateral for the transaction.

(3c) Policy with respect to impairment and creation of revaluation charges

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Organisation of the Process

The process of impairment identification and measurement with respect to loan exposures is regulated in the internal instruction introduced by a Management Note of the Bank's Management Board Member. Moreover, the principles of receivables classification and estimation of revaluation charges and provisions in the bank's management system are laid down in the document „Management System at Bank Millennium S.A." adopted by resolution of the Management Board and approved by the Supervisory Board.

Supervision over the process of estimating revaluation charges and provisions is exercised at the Bank by the Risk Department (DMR), which also has direct responsibility for individual analysis in the business portfolio, as well as collective analysis. In addition to DMR the process also involves recovery and restructuring units. These are the Corporate Recovery Department – DNG (individual analysis for the recovery-restructuring portfolio for corporate customers) and the Retail Liabilities Collection

Department - DDN (individual analysis of individually significant retail impairments, mainly mortgages). DMR is a unit not connected with the process of lending; it is supervised by the Management Board Member responsible for risk management. Similarly organised is the estimation of revaluation charges at Millennium Leasing.

The Management Board of the Bank plays an active part in the process of determining revaluation charges and provisions. The results of credit portfolio valuation are submitted to the Management Board for acceptance in a monthly cycle with a detailed explanation of the most important changes with an impact on the overall level of revaluation charges and provisions, in the period covered by the analysis. Methodological changes resulting from the validation process and methodological improvements are presented at the Validation Committee, and subsequently at the Risk Committee, which includes all the Management Board Members.

In monthly periods detailed reports are prepared presenting information about the Group's retail portfolio in various cross-sections, including the level of revaluation charges and provisions, their dynamics and structure. The recipients of these reports are Members of the Management Board supervising the activity of the Group in the area of finance, risk and management information.

The process of determining revaluation charges and provisions in the Group is formalised in described in the above-mentioned regulation, which defines in detail the mode and principles of individual and collective analysis, including algorithms for calculating particular parameters.

The Audit Department assesses the correctness of estimating the impairment and provisions at least twice a year.

The methodology and assumptions adopted for determining credit impairments are regularly reviewed in order to reduce discrepancies between the estimated and actual losses. In order to assess the adequacy of the impairment determined both in individual analysis and collective analysis a historical verification is conducted from time to time (at least once a year), whose results will be taken into account in order to improve the quality of the process.

Individual analysis of impairment for credit receivables

Credit exposures are selected for individual analysis on the basis of materiality criteria which ensure that case-by case analysis covers at least 55% of the Group's business corporate portfolio and 80% of the portfolio managed by entities responsible for the recovery and restructuring of corporate receivables.

Principal elements of the process of individual analysis:

(1) Identification of impairment triggers;

The Group defined impairment triggers for individual analysis and adjusted them to its operational profile. The catalogue of triggers incorporates in some more detail the triggers specified in IAS 39 and recommendation R, which pertain among others to:

- The economic and financial situation pointing to the Customer's considerable financial problems,
- Stating the customer's unreliability in communicating information about his economic and financial situation,
- Permanent lack of possibility of establishing contact with the customer in the case of violating the terms of the agreement,
- High probability of bankruptcy or a different type of reorganising the Customer's enterprise/business.
- Declaring bankruptcy or opening a rehabilitation plan with respect to the Customer.

The internal regulation contains a fine-tuning of the above-mentioned triggers by indicating specific cases and situations corresponding to them, in particular with respect to triggers resulting from the Customer's considerable financial problems, violating the critical terms of the agreement and high probability of a bankruptcy or a different enterprise reorganisation. Additionally, the Bank has an extended monitoring process which identifies in monthly periods various types of events subject to additional assessment by credit analysts.

(2) Estimating future flows;

One element of the impairment calculation process is the estimation of the probability of cash flows contained in the time-table pertaining to the following items: principal, interest and other receivables. The probability of realising cash flows contained in the time-table results from the conducted assessment of the customer's economic and financial situation (indication of the sources of potential repayments) must be justified and assessed on the basis of current documentation and knowledge (broadly understood) of his situation with the inclusion of financial projections. This information is gathered by an analyst prior to the actual analysis in accordance with the guidelines specified in appropriate Group regulations.

If at least one of impairment triggers has been identified in the individual analysis, we have the so-called base impairment, i.e. probability of full repayments of liabilities by the customer from his current activity is estimated at a level lower than 100%. Internal instructions define specific parameters determining the minimum value of base impairment for the business portfolio of corporate customers.

In the event of estimating the probability of cash flows for customers in the portfolio managed by restructuring-recovery departments analysts will take into account the individual nature of each transaction pointing among others to the following elements which may have an impact on the value of potential cash flows:

- Operational strategy with respect to the Customer adopted by the Group,
- Results of negotiations with the customer and his attitude, i.e. willingness to settle his arrears,
- Improvement/deterioration of his economic and financial situation,
- Possibility of settling liabilities from the borrower's own funds, or perhaps the necessity to seize the collateral, e.g. through its selling.

(3) Estimation of the fair value of collateral, specifying the expected date of sale and estimation of

expected revenues from the sale after deduction of the costs of the recovery process;

If base impairment has occurred with respect to a given credit exposure, then one should estimate the cash flows from realising collateral including the dates of its realisation. The inclusion of cash flows from realising collateral must be preceded by an analysis of how realistically it can be sold and estimation of its fair value after recovery costs.

In order to ensure the fairness of the principles of establishing collateral recoveries the Group prepared guidelines with respect to the recommended parameters of the recovery rate and recovery period for selected collateral groups. Depending on the place of the exposure in the Bank's structure (business portfolio, restructuring-recovery portfolio) and type of exposure (credit, leasing) separate principles have been specified for particular portfolio types: business, restructuring-recovery and leasing portfolio. The recommended recovery rates and period of collateral recovery are verified in annual periods.

If the total discounted value of the expected cash flows from the customer's current activity, collateral recoveries and other documented sources is lower than the on-balance value of the credit exposure, then an impairment is recognised and a revaluation charge posted. If an impairment has been recognised with respect to at least one of the customer's exposure in an individual analysis, then all the remaining exposures of the customer are estimated in the process of an individual analysis irrespective of the exposure level and are classified in the impaired portfolio (cross default).

Internal regulations define the principles of reversing impairment losses. In the case of a customer in an individual analysis after finding that the consequences of the triggers no longer occur and the exposures are being properly repaid in a defined period (which is different for corporate and retail customers), the Bank may decide that the trigger no longer exists/persists and reverse the loss.

Collective analysis of the credit portfolio

Subject to collective analysis shall be the following receivables from the group of credit exposures:

- Individually insignificant exposures;
- Individually significant exposures for which there has not been recognised impairment as a result of a individual analysis.

The former group includes exposures for which as a result of a collective analysis impairment triggers have been defined and for which there has been created a revaluation charge/ provision (the so-called collective impairment), as well as exposures for which no impairment triggers have been identified with respect to an individual exposure, but there has been created a group charge for an incurred but not reported loss (IBNR). The latter group includes exposures for which there have not been identified impairment triggers as a result of an individual analysis and, moreover, exposures for which there have been identified impairment triggers, but there has not been created an individual revaluation charge/ provision due to full coverage of the exposure with the discounted value of the expected flows from collateral or other documented sources. For this group an IBNR charge is created.

The Group has defined among others the following catalogue of impairment triggers used in collective analysis for individually insignificant exposures:

- Delay in the repayment of principal or interest in excess of 90 days,
- Inclusion of receivables in the recovery process,
- The Customer's having a product earlier written off and transferred to off-balance-sheet.

In its impairment estimation process the Group employs for many years the cross–default rule, which consists in a transfer to the impairment portfolio of the value of all exposures to the customer (irrespective of the segment) for whom there has been detected the occurrence of at least one of the impairment triggers with respect to at least one receivable.

For the purposes of collective analysis the Group has defined homogenous portfolios consisting of exposures with a similar credit risk profile. These portfolios have been created on the basis of segmentation into business lines, types of credit products, number of days of default, type of collateral (leasing), etc. The division into homogenous portfolios is verified from time to time for their uniformity.

The calculation of revaluation charges and provisions by the collective method employs model parameters determined on the basis of historical observations of credit losses for particular homogenous portfolios. The Group employs the following parameters:

- PI (probability of being impaired),
- LIP (loss identification period),
- LGI (loss given impairment),
- PU (probability of utilization), which is the probability of implementing an off-balance sheet commitment.

The parameters employed in collective analysis are determined in monthly periods based on historical statistical data. The period of observing historical data is defined in the Group's internal regulations, taking into account the tendency to adjusting revaluation charges to the market and internal situation of the Group with a simultaneous observance of the statistical correctness of the calculated parameters.

The PI parameter is determined on the basis of the historical impairment ratio, the so-called „impaired rate". For the purposes of PI calculation data samples are collected whose length corresponds to the loss identification period (LIP) adopted for a given homogenous portfolio. The samples are collected with monthly frequency. These samples are given weights, so that any observations coming from the most current period have the highest rate, and the least current ones – the lowest. The period of historical data observation for determining PI covers the last 36 months from the balance sheet day and takes into account the shift of the observation time window corresponding to the LIP length. Exposures covered by collective analysis for which at least one impairment trigger has been identified receive PI = 1.

The Loss Identification Period (LIP) is determined to each homogeneous portfolio by statistical analysis of historical events for the time that the Group took between the event that lead to the default and the

moment the Group recognized the impairment.

The Loss Identification Period (LIP) in the retail segment is specified and verified at least once a year based on data obtained from customers who have a problem with timely repayment.

At the end of 2014 there was performed first statistical verification of LIP value for the corporate portfolio which confirmed that the value used in the Bank in this segment is appropriate.

The LGI parameter is calculated as the average of the actual losses observed over 12 observation windows whose length is from 24 to 48 months depending on the homogenous portfolio. By the same token the period of historical data observation for determining the LGI covers losses from the last 36 to 60 months from the balance sheet day.

From 31.10.2014 the Bank uses for the purpose of impairment calculation a new LGI model for Mortgage. The new model is an adaptation of LGD model developed for the capital calculation based on the IRB approach.

The new LGI model for mortgage has a deeper and statistically driven segmentation based on LTV, currency, restructuring flag, amount of exposure and time in default.

The PU parameter denoting the probability of using an off-balance exposure after its obtaining the impaired status is calculated for credit cards, revolving loans, overdraft limits and for guarantees. This parameter is estimated separately for individuals and business entities. The period of observing historical data for PU determination covers the last 36 months from the balance sheet day. Data samples coming from the observation period are assigned appropriate weights whose levels are identical as in the case of the PI parameter. The PU parameter is updated every month.

Internal regulations provide a detailed definition of the principle of reversing impairment losses determined by the collective method. In principle, reversing a loss and elimination of a revaluation charge is possible in the case of cessation of the impairment triggers, including the repayment of arrears or exclusion from the recovery portfolio (reclassification to the Non-Impaired category) or in the case of selling receivables. Reclassification to the Non-Impaired category in the case of exposures subject to restructuring is possible only when the customer has successfully passed the „quarantine" period, during which he will not show delay in the repayment of principal or interest above 30 days. The quarantine period only starts counting after any eventual grace period that may be granted on the restructuring. The above does not pertain to the Corporate Recovery restructuring portfolio, for which there have been defined separate objective and subjective conditions of transfer to the Non-Impaired category. For leasing transactions the quarantine period is equal to the period of staying in the restructuring portfolio, plus an additionally defined period. Within its duration delays in repayments must not exceed 30 days.

The results of models employed in collective analysis are subject to periodical historical verification. The parameters and models are also covered by the process of models management governed by the document „Principles of Managing Credit Risk Models", which specifies, among others, the principles of creating, approving, monitoring and validation, and historical verification of models. The validation of

models and parameters and historical verification of revaluation charges/ provisions determined by the collective method is conducted at least once a year.

If as a result of the validation and analysis of cyclicity of credit models and historical verification of revaluation charges and provisions the Bank comes to the conclusion that the parameters employed as of a given balance sheet day deviate from the actual trend of the data being the basis for their determination, then the Bank may adjust the period of observing historical data to the current economic conditions.

(3d) Maximum exposure to credit risk i.e. net of risk-mitigating instruments

PLN '000	Maximum exposure	
	31.12.2014	31.12.2013
Exposures exposed to credit risk connected with balance sheet assets	**57.485.080**	**52.991.328**
Loans and advances to banks	2.384.744	1.519.614
Loans and advances to customers:	**44.142.699**	**41.765.680**
Loans to private individuals:	**31.435.346**	**30.511.707**
– Credit cards	665.462	665.292
– Cash loans and other loans to private individuals	3.863.260	3.043.648
– Mortgage loans	26.906.624	26.802.767
Loans to companies	12.189.838	10.638.618
Loans to public entities	517.515	615.355
Trading debt securities	933.482	432.822
Derivatives and adjustment due to fair value hedge	502.040	629.078
Financial assets valued at fair value	0	0
Investment debt securities	9.242.575	8.240.418
Receivables from securities bought with sell-back clause	155.642	242.061
Other financial assets	123.898	161.655
Credit risk connected with off-balance sheet items	**7.757.464**	**7.815.492**
Financial guarantees	1.066.034	1.123.212
Credit commitments and other commitments connected with loans	6.691.430	6.692.280

The table above presents the structure of the Group's exposures to credit risk as at 31st December 2014 and 31st December 2013, not taking into account risk-mitigating instruments. As regards balance-sheet assets, the exposures presented above are based on net amounts presented in the balance sheet.

The quality of financial assets, which were neither past-due, nor impaired.

PLN '000	Maximum exposure	
	31.12.2014	31.12.2013
Balance exposures exposed to credit risk not past due and not impaired:	**55.153.785**	**50.968.223**
Loans and advances for banks (external rating Fitch: from BB+ to AA-; Moody's: from B1 to Aa3; S&P: from B+ to AA-)	2.384.754	1.519.630
Loans and advances for clients* (according to Master Scale):	**41.935.274**	**39.904.157**
• 1-3 Highest quality	17.883.762	17.806.844
• 4-6 Good quality	6.364.193	6.222.984
• 7-9 Medium quality	9.578.724	7.492.106
• 10-12 Low quality	4.189.676	4.297.621
• 13-14 Watched	229.708	149.891
• 15 Default (**)	498.966	443.723
• Without rating (***)	3.190.245	3.490.988
Trading debt securities (State Treasury(****) bonds)	933.482	432.822
Derivatives and adjustment from fair value hedge (according to Master Scale):	502.040	629.078
• 1-3 Highest quality	218.158	191.580
• 4-6 Good quality	204.850	180.766
• 7-9 Medium quality	9.263	13.605
• 10-12 Low quality	5.671	4.972
• 15 Default	0	54
• Without rating	18.002	15.385
• fair value adjustment due to hedge accounting	27.097	11.321
• Hedging derivative	18.999	211.395
Investment debt securities (State Treasury (****), Central Bank(****), Local Government)	9.242.593	8.240.475
Receivables from securities bought with sell-back clause (insignificant)	155.642	242.061

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

(**) - Receivables without impairment, due to fact that discounted cash flow from collaterals fully cover the exposure.

(***) - The group of customers without internal rating including i.a. exposures connected with loans to municipal units as well as investment projects and some leasing clients .

(****) - Rating of Poland in 2014 A - (S&P).

(3e) Loans

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

Gross exposure in '000 PLN	31.12.2014		31.12.2013	
	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	41.935.274	2.384.754	39.904.157	1.519.630
Overdue(*), but without impairment	1.642.431	0	1.270.808	0
Total without impairment (IBNR)	**43.577.705**	**2.384.754**	**41 174 965**	**1.519.630**
With impairment	1.923.249	0	1.903.046	0
Loans and advances, gross	**45.500.954**	**2.384.754**	**43.078.011**	**1.519.630**
Impairment write-offs together with IBNR	-1.358.256	-10	-1.312.331	-16
Loans and advances, net	**44.142.699**	**2.384.744**	**41.765.680**	**1.519.614**
Loans with impairment / total loans	4,23%	0,00%	4,42%	0,00%

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

Loans and advances without impairment in '000 PLN

	31.12.2014		31.12.2013	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Without identified triggers	43.151.201	2.384.754	40.646.749	1.519.630
With identified triggers, incl.	**426.504**	**0**	**528.216**	**0**
- expected cash flows from collateral, incl.	426.504	0	528.216	0
- overdue(*)	17.890	0	54.004	0
Loans and advances without impairment, gross	**43.577.705**	**2.384.754**	**41.174.965**	**1.519.630**
Impairment for IBNR portfolio	-161.724	-10	-198.877	-16
Loans and advances without				

Loans and advances without impairment, net	43.415.981	2.384.744	40.976.088	1.519.614

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

Loans and advances past due but without impairment

Loans past due below 90 days are not considered as impaired exposures, unless other impairment triggers are identified. The gross amount of loans past due but without impairment, divided between customer segments, is as follows:

Gross exposure in '000 PLN	31.12.2014				
	Loans and advances to customers			Loans and advances to banks	Total
	Companies	Mortgages	Other retail		
Delay 5-30 days(*)	616.327	505.793	177.498	0	1 299 618
Delay 31-60 days	104.973	92.026	48.783	0	245.782
Delay 61-90 days	34.789	32.676	21.166	0	88.631
Delay above 90 days(**)	6.611	11	1.778	0	8.400
Total	**762.700**	**630.506**	**249.225**	**0**	**1 642 431**

Gross exposure in '000 PLN	31.12.2013				
	Loans and advances to customers			Loans and advances to banks	Total
	Companies	Mortgages	Other retail		
Delay 5-30 days(*)	332.640	491.036	114.150	0	937.826
Delay 31-60 days	91.253	90.118	43.165	0	224.536
Delay 61-90 days	22.153	27.947	18.682	0	68.782
Delay above 90 days(**)	36.521	1.700	1.443	0	39.664
Total	**482.567**	**610.801**	**177.440**	**0**	**1.270.808**

(*) Loans overdue not more than 4 days are treated as technical and are not shown in this category.
(**) - receivables past due over 90 days, but not included in the impaired portfolio, displaying impairment triggers but not demonstrating impairment due to estimated cash flows or below the minimum threshold.

Impaired loans and advances

The gross amount of impaired loans and advances broken down into customer segments is as follows

Gross exposure in '000 PLN	31.12.2014		
	Loans and advances to customers		

				Loans and advances to banks	Total
	Companies	Mortgages	Other retail		
By type of analysis					
Case by case analysis	800.358	109.360	2.117	0	911.835
Collective analysis	245.827	314.044	451.543	0	1.011.414
Total	**1.046.185**	**423.404**	**453.660**	**0**	**1.923.249**

Gross exposure in '000 PLN	31.12.2013				
	Loans and advances to customers			Loans and advances to banks	Total
	Companies	Mortgages	Other retail		
By type of analysis					
Case by case analysis	814.622	69.971	1.475	0	886.068
Collective analysis	233.931	290.998	492.049	0	1.016.978
Total	**1.048.553**	**360.969**	**493.524**	**0**	**1.903.046**

Loans and advances covered by case-by-case analysis

The quantification of the value of the portfolio subjected to case-by-case analysis as well as of the value of created charges, split between impaired receivables and the IBNR portfolio (and respectively charges) is presented in financial notes.

The tables below present the structure of the impaired portfolio subjected to case-by-case analysis.

Loans and advances to customers - by currency

	31.12.2014			31.12.2013		
	Amount in '000 PLN	Share %	Coverage by impairment write-offs	Amount in '000 PLN	Share %	Coverage by impairment write-offs
PLN	804.791	88,3%	65,4%	804.375	90,8%	62,6%
CHF	64.687	7,1%	21,8%	39.770	4,5%	14,3%
EUR	29.990	3,3%	51,8%	32.426	3,7%	27,7%
USD	5.434	0,6%	10,0%	9.240	1,0%	9,9%
JPY	6.933	0,8%	3,4%	257	0,0%	11,3%
GBP	0	-	-	0	0,0%	n/a
Total	**911.835**	**100,0%**	**61,1%**	**886.068**	**100,0%**	**58,6%**

Loans and advances to customers - by coverage ratio

	31.12.2014		31.12.2013	
	Amount in '000 PLN	Share %	Amount in '000 PLN	Share %
Up to 20%	179.917	19,7%	199.274	22,5%
20% - 40%	118.237	13,0%	113.277	12,8%
40% - 60%	97.007	10,6%	159.361	18,0%
60% - 80%	138.226	15,2%	57.679	6,5%
Above 80%	378.448	41,5%	356.477	40,2%
Total	**911.835**	**100,0%**	**886.068**	**100,0%**

At the end of 2014, the financial impact from the established collaterals securing the Group's receivables with impairment recognised under individual analysis amounted to PLN 195 million (in 31/12/2013: PLN 186 million). It is the amount, by which the level of required provisions assigned to relevant portfolio would be higher if flows from collaterals were not to be considered in individual analysis.

Restructured loans and advances

The restructuring of receivables is done by dedicated units (separately for corporate and retail receivables).

The restructuring of both corporate and retail receivables allows the Group to take effective action towards the customers, the purpose of which is to minimize losses and mitigate, as quickly as possible, any risks to which the Group is exposed in connection with client transactions giving rise to the Group's off-balance sheet receivables or liabilities.

The restructuring process applies to the receivables which, based on the principles in place in the Group, are transferred to restructuring and recovery portfolios and includes setting new terms of transactions which are acceptable for the Group (including in particular the terms of their repayment and their collateral and possibly obtaining additional collateral).

Recovery of retail receivables is a fully centralised process implemented in two stages:

- warning process - conducted by Direct Banking Department,
- restructuring and execution proceedings – implemented by Retail Liabilities Collection Department.

Process performed by Direct Banking Department involves, solely, direct, telephone contacts with Customers and obtaining repayment of receivables due to the Group. In case of failure to receive repayment or in case the Customer applies for debt restructuring, the case is taken over by the Retail Liabilities Collection Department and involves any and all restructuring and execution activities.

Recovery process is supported by specialised IT system covering the entire Customer portfolio, fully automated at the stage of portfolio monitoring and supporting actions undertaken in later restructuring and recovery phases. The behavioural scoring model constitutes an integral component of the system, used at the warning stage. The system is used for retail liabilities collection process applicable to all retail Customer segments.

The scoring model is based on its internal calculations including, inter alia, Customer's business segment type of credit risk based product (applicable, primarily, to mortgage products) and history of cooperation with the Customer relative to previous restructuring and execution activities. Late receivables from retail customers are sent to the IT system automatically no later than 4 days after the date of the receivable becoming due and payable.

The restructuring and recovery process applicable to corporate receivables (i.e. receivables due from corporate and SME customers) is centralized and performed by the Corporate Recovery Department. Recovery of corporate receivables aims to maximize the recovery amounts in the shortest possible periods of time and to mitigate risk incurred by the Group by carrying out the accepted restructuring and recovery strategies towards:

- the customer,
- corporate receivables,
- collateral ensuring their repayment.

The actions performed as part of those strategies include, among others: setting the terms and conditions of Customer financing, terms and conditions of restructuring corporate receivables, including the terms on which they will be repaid and secured, obtaining valuable and liquid collateral, achieving amicable repayment, recovery of due and payable receivables (also by court executive officer), also from collateral, actions performed within debtors' bankruptcy proceedings, conducting required legal actions.

Corporate Recovery Department manages the corporate receivable restructuring and recovery process by using IT applications supporting the decision-making process and monitoring. They provide instantaneous information on receivables, collateral, approach used and key actions and dates.

The table below presents the loan portfolio with recognised impairment managed by the Group's organisational units responsible for loan restructuring.

Gross exposure in '000 PLN	31.12.2014	31.12.2013
Loans and advances to private individuals	434.483	436.481
Loans and advances to companies	195.806	233.621
Total	**630.289**	**670.102**

Bank execution titles

In 2014, the Bank issued for corporate receivables 135 bank execution titles for the aggregated amount of PLN 258.5 million (based on the average NBP exchange rate of 31 December 2014), including:

- 131 bank execution titles for the aggregated amount of PLN 241.2 million,
- 1 bank execution title for PLN (PLN 0.7 million) and EUR (EUR 0.2 million),
- 3 bank execution titles for CHF 4.5 million.

Additionally, in 2014 the Bank issued 12,839 bank execution titles for retail and small business receivables for the aggregated amount of PLN 228.6 million. In addition, in 2014, the Bank sent to the courts 6,928 lawsuit for a payment order in the amount of PLN 57.6 million.

(3f) Debt and equity securities

The table below presents the structure of securities in the Group's portfolio as at 31 December 2014.

Issued by	Trading debt securities	Investment debt securities	Shares	Total
State Treasury	933.482	6.749.204	22	7.682.708
Central Bank	0	2.400.000	0	2.400.000
Other	**0**	**93.388**	**10.464**	**103.852**
- listed	0	0	1.073	1.073
- not listed	0	93.388	9.391	102.779
Total	**933.482**	**9.242.592**	**10.486**	**10.186.560**

The table below presents the structure of securities in the Group's portfolio as at 31 December 2013.

Issued by	Trading debt securities	Investment debt securities	Shares	Total
State Treasury	432.822	5.134.748	22	5.567.592
Central Bank	0	2.999.792	0	2.999.792
Other	**0**	**105.935**	**21.759**	**127.694**
- listed	0	0	517	517
- not listed	0	105.935	21.242	127.177
Total	**432.822**	**8.240.475**	**21.781**	**8.695.078**

(3g) Collateral transferred to the Group

Apart from one case described below in 2014 there were no major seizures by the Bank or sale of fixed assets constituting loan collateral. The above situation was caused by the implementation of other more cost-effective paths of satisfying oneself from lien or transfers of title (more effective in terms of time and money with the limitation of costs), i.e. leading to the sale of the object of collateral under the Bank's supervision and with the allocation of obtained sources for repayment. A variety of such action is concluding agreements with official receivers on the basis of which the receiver for an agreed fee secures and stores objects of collateral and in agreement with the Bank puts them up for sale and actually sells them (also as part of selling organized parts of the debtor's whole enterprise). Funds obtained in such a way are allocated directly for repayment of the Bank's receivables (such debt-collection procedure is implemented without recording transferred collateral on the so-called "Fixed Assets for Sale").

In 3Q 2014, exercising its right of lien on stocks the Bank took over stocks totalling PLN 25.7 million gross. The stocks were sold yet in the same quarter, thence as at 31.12.2014 nothing is recorded in the item "Fixed Assets for Sale" of the Bank's balance sheet.

At the same time, a subsidiary of Bank - Millennium Leasing, takes control over some of assets leased and leads active measures aimed at their disposal. Data about the value of these assets and their changes during the reporting period are shown in note (23) "Non-current assets held for sale" of the consolidated balance sheet.

(3h) Policy for writing off receivables

Credit exposures, with respect to which the Group no longer expects any cash flows to be recovered and for which impairment provisions (or fair value adjustments in case of receivables originated from derivatives) have been created fully covering the outstanding debt are written-off the balance sheet against said provisions and transferred to off-balance. This operation does not cause the debt to be cancelled and the legal and recovery actions, reasonable from the economic point of view, are not interrupted in order to enforce repayment.

In most of cases the Group writes off receivables against impairment provisions when said receivables are found to be unrecoverable i.e. among other things:

- obtaining a decision on ineffectiveness of execution proceedings;
- death of a debtor;
- confirmation that there are no chances to satisfy claims from the estate in bankruptcy;
- exhaustion of all opportunities to carry out execution due to the lack of assets of the main debtor and other obligors (e.g. collateral providers).

(3i) Concentration of risks of financial assets with exposure to credit risk

Industry sectors

The table below presents the Group's main categories of credit exposure broken down into components, according to category of customers.

31.12.2014	Financial intermediation	Industry and constructions	Wholesale and retail business	Transport and communication	Public sector	Mortgage loans	Consumer loans*
Loans and advances to banks	2.384.754	0	0	0	0	0	0
Loans and advances to customers	164.161	4.536.347	3.448.222	1.870.621	473.688	27.138.443	4.879.755
Trading securities	17	69	542	0	933.483	0	0
Derivatives and adjustment due to fair value hedge	473.674	22.739	1.939	124	0	0	0
Investment securities	6.890	0	0	28	9.242.616	0	0
Financial assets valued at fair value	0	0	0	0	0	0	0
Receivables from securities bought with sell-back clause	155.642	0	0	0	0	0	0
Total	**3.185.138**	**4.559.155**	**3.450.703**	**1.870.773**	**10.649.787**	**27.138.443**	**4.879.755**

* including: credit cards, cash loans, current accounts overdrafts

31.12.2013	Financial intermediation	Industry and constructions	Wholesale and retail business	Transport and communication	Public sector	Mortgage loans	Consumer loans*

Loans and advances to banks	1.519.630	0	0	0	0	0	0
Loans and advances to customers	253.164	4.173.352	3.083.582	1.478.948	420.382	26.993.293	4.099.859
Trading securities	24	31	55	0	432.822	0	0
Derivatives and adjustment due to fair value hedge	594.597	15.836	547	5.752	0	0	0
Investment securities	1.929	16.539	0	27	8.240.497	0	0
Financial assets valued at fair value	0	0	0	0	0	0	0
Receivables from securities bought with sell-back clause	242.061	0	0	0	0	0	0
Total	**2.611.405**	**4.205.758**	**3.084.184**	**1.484.727**	**9.093.701**	**26.993.293**	**4.099.859**

* including: credit cards, cash loans, current accounts overdrafts

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