



**Bank Millennium S.A. Group**

**Opinion and Report  
of the Independent Auditor  
Financial Year ended  
31 December 2013**

The opinion contains 2 pages  
The supplementary report contains 12 pages  
Opinion of the independent auditor  
and the supplementary report  
on the audit of the consolidated financial statements  
for the financial year ended  
31 December 2013

*This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.*

## **OPINION OF THE INDEPENDENT AUDITOR**

*To the General Meeting of Bank Millennium S.A.*

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Bank Millennium S.A. with its registered office in Warsaw, Stanisława Żaryna 2a (“the Group”), which comprise the consolidated balance sheet as at 31 December 2013, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies and other explanatory information.

#### *Management’s and Supervisory Board’s Responsibility for the Consolidated Financial Statements*

Management of the Parent Entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Group’s activities. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), Management of the Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements and the report on the Group’s activities are in compliance with the requirements set forth in the Accounting Act.

#### *Auditor’s Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act, National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated

financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion, the accompanying consolidated financial statements of Bank Millennium S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

### **Specific Comments on Other Legal and Regulatory Requirements**

#### *Report on the Group's Activities*

As required under the Accounting Act, we report that the report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Registration No. 3546  
ul. Chłodna 51  
00-867 Warsaw

*Signed on the Polish original*

.....  
Marcin Podsiadły  
Key Certified Auditor  
Registration No. 12774

28 February 2014

*Signed on the Polish original*

.....  
Stacy Ligas  
Limited Liability Partner with power of attorney



*TRANSLATION*

**Bank Millennium S.A. Group**

Supplementary report  
on the audit of the consolidated  
financial statements  
Financial Year ended  
31 December 2013

The supplementary report contains 12 pages  
The supplementary report  
on the audit of the consolidated financial statements  
for the financial year ended  
31 December 2013

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## **1. General**

### **1.1 Identification of the Group**

#### **1.1.1 Name of the Group**

Bank Millennium S.A. Group

#### **1.1.2 Registered office of the Parent Company of the Group**

ul. Stanisława Żaryna 2a  
02-593 Warsaw

#### **1.1.3 Registration of the Parent Company in the National Court Register**

Registration court: District Court for the Capital City of Warsaw in Warsaw,  
XIII Commercial Department of the National Court Register  
Date: 7 May 2001  
Registration number: KRS 0000010186  
Share capital as at the end  
of reporting period: PLN 1,213,116,777

#### **1.1.4. Management of the Parent Company**

The Management Board is responsible for management of the Parent Company.

As at 31 December 2013, the Management Board of the Bank was comprised of the following members:

- Joao Bras Jorge – President of the Board,
- Fernando Bicho – Vice-President of the Board,
- Artur Klimczak – Vice-President of the Board,
- Julianna Boniuk-Gorzelańczyk – Board Member,
- Wojciech Haase – Board Member,
- Andrzej Gliński – Board Member,
- Maria Jose Campos – Board Member.

On 24 October 2013 Mr. Bogusław Kott - President of the Management Board, resigned from the post of the President of the Management Board, with effect on 24 October 2013.

At the meeting of the Supervisory Board on 24 October 2013, the Supervisory Board appointed Mr. Joao Bras Jorge as the President of the Management Board and determined that the current cadence of the Management Board will consist of 7 persons.

Mr. Joao Bras Jorge so far was the First Vice-President of the Management Board (The Financial Supervision Authority approved choice of Mr. Joao Bras Jorge as the President of the Management Board on 1 October 2013).

## **1.2 Information about companies comprising the Group**

### **1.2.1 Companies included in the consolidated financial statements**

As at 31 December 2013, the following companies were consolidated by the Group:

Parent Company:

- Bank Millennium S.A.

Subsidiaries consolidated on the full consolidation basis:

- Millennium Leasing Sp. z o.o.,
- Millennium Dom Maklerski S.A.,
- Millennium TFI S.A.,
- Millennium Service Sp. z o.o.,
- Millennium Telecommunication Services Sp. z o.o.,
- TBM Sp. z o.o.,
- MB Finance AB,
- Orchis Sp. z o.o. (special purpose vehicle (SPV) without Group's capital exposure, which is consolidated in accordance with the provisions of IAS 27, IAS 39 and SIC 12).

### **1.2.2 Entities excluded from consolidation**

As at 31 December 2013, the following subsidiaries of the Group were not consolidated:

- Lubuskie Fabryki Mebli S.A.,
- BG Leasing S.A. w upadłości.

Lubuskie Fabryki Mebli S.A. have not been consolidated, because the Capital Group do not have control over the company. BG Leasing S.A. in bankruptcy was not consolidated due to the company's bankruptcy proceedings.

## **1.3 Key Certified Auditor and Audit Firm Information**

### **1.3.1 Key Certified Auditor information**

Name and surname: Marcin Podsiadły  
Registration number: 12774

### **1.3.2 Audit Firm information**

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Address of registered office: ul. Chłodna 51, 00-867 Warsaw  
Registration number: KRS 0000339379  
Registration court: District Court for the Capital City of Warsaw in Warsaw,

XII Commercial Department of the National Court  
Register  
NIP number: 527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of entities authorised to audit financial statements, maintained by the National Council of Certified Auditors, under number 3546.

## **1.4 Prior period consolidated financial statements**

The consolidated financial statements for the financial year ended 31 December 2013 were audited by KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting of the Parent Entity on 11 April 2013.

The consolidated financial statements were submitted to the Registry Court on 18 April 2013.

## **1.5 Audit scope and responsibilities**

This report was prepared for the General Meeting of Bank Millennium S.A. with its registered office in Warsaw, Stanisława Żaryna 2a and relates to the consolidated financial statements comprising: the consolidated balance sheet as at 31 December 2013, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information.

The Parent Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of Shareholders Meeting dated 6 April 2006.

The consolidated financial statements have been audited in accordance with the contract dated 15 June 2012, concluded on the basis of the resolution of the Supervisory Board dated 30 January 2012 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the consolidated financial statements at the Group entities during the period from 28 October 2013 to 28 February 2014.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Group’s activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the financial statements.



The Management Board of the Parent Company submitted a statement, dated the same date as this report, as to the true and fair presentation of the accompanying consolidated financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All required statements, explanations and information were provided to us by Management of the Group and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfil the independence requirements from the companies included in the Group as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2009 No. 77, item 649 with amendments).

## **1.6 Information on audits of the financial statements of the consolidated companies**

### **1.6.1 Parent Company**

The separate financial statements of the Parent Company for the year ended 31 December 2013 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., certified auditor number 3546, and received an unqualified opinion.

### **1.6.2 Other consolidated entities**

<b>Entity's name</b>	<b>Authorised auditor</b>	<b>Financial year end</b>	<b>Type of auditor's opinion</b>
Millennium Leasing Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31.12.2013	In the process of audit
Millennium Dom Maklerski S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31.12.2013	In the process of audit
Millennium TFI S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31.12.2013	In the process of audit
Millennium Service Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31.12.2013	In the process of audit
MB Finance AB	Deloitte AB	31.12.2013	In the process of audit
Orchis Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31.12.2013	In the process of audit
Millennium Telecommunication Service Sp. z o.o.	No requirement for statutory audit		
TBM Sp. z o.o.	No requirement for statutory audit		



## 2 Financial analysis of the Group

### 2.1 Summary analysis of the consolidated financial statements

#### 2.1.1 Consolidated balance sheet

<b>ASSETS</b>	<b>31.12.2013</b>	<b>% of total</b>	<b>31.12.2012</b>	<b>% of total</b>
	<b>PLN '000</b>	<b>assets</b>	<b>PLN '000</b>	<b>assets</b>
Cash, balances with the Central Bank	3 412 175	6.0	2 465 879	4.7
Deposits, loans and advances to banks and other monetary institutions	1 519 614	2.7	1 392 424	2.6
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	850 732	1.5	662 404	1.3
Hedging derivatives	211 395	0.4	277 812	0.5
Loans and advances to customers	41 765 680	73.3	40 232 240	76.3
Investment financial assets	8 241 517	14.5	6 751 104	12.8
- available for sale				
Investments in associates	3 009	0.0	13 352	0.0
Receivables from securities bought with sell-back clause	242 061	0.4	17 469	0.0
Property, plant and equipment	163 158	0.3	184 642	0.4
Intangible assets	41 006	0.1	43 694	0.1
Non current assets held for sale	3 466	0.0	24 954	0.1
Current tax receivables	63 949	0.1	16 270	0.0
Deferred income tax assets	185 456	0.3	165 206	0.3
Other assets	313 497	0.6	495 049	0.9
<b>TOTAL ASSETS</b>	<b>57 016 715</b>	<b>100.0</b>	<b>52 742 499</b>	<b>100.0</b>



<b>EQUITY AND LIABILITIES</b>	<b>31.12.2013</b>	<b>% of total</b>	<b>31.12.2012</b>	<b>% of total</b>
	<b>PLN '000</b>	<b>assets</b>	<b>PLN '000</b>	<b>assets</b>
<b>Liabilities</b>				
Liabilities to banks and other monetary institutions	2 348 562	4.1	2 491 745	4.7
Financial liabilities valued at fair value through profit and loss	575 098	1.0	467 573	0.9
Hedging derivatives	930 345	1.6	1 115 202	2.1
Liabilities to customers	45 305 121	79.5	41 434 077	78.6
Liabilities from securities sold with buy-back clause	114 801	0.2	174 788	0.3
Debt securities	701 352	1.2	900 016	1.7
Provisions	66 616	0.1	44 805	0.1
Current tax liabilities	11 269	0.0	2 484	0.0
Other liabilities	977 833	1.7	674 029	1.3
Subordinated debt	622 585	1.1	613 610	1.2
<b>Total liabilities</b>	<b>51 653 582</b>	<b>90.6</b>	<b>47 918 329</b>	<b>90.9</b>
<b>Equity</b>				
Share capital and share premium	1 213 117	2.1	1 213 117	2.3
Share premium	1 147 502	2.0	1 147 502	2.2
Revaluation reserve	(131 223)	(0.2)	(134 391)	(0.3)
Retained earnings	3 133 737	5.5	2 597 942	4.9
<b>Total equity</b>	<b>5 363 133</b>	<b>9.4</b>	<b>4 824 170</b>	<b>9.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>57 016 715</b>	<b>100.0</b>	<b>52 742 499</b>	<b>100.0</b>



## 2.1.2. Consolidated income statement

	<b>1.01.2013 - 31.12.2013</b>	<b>1.01.2012 - 31.12.2012</b>
	<b>PLN '000</b>	<b>PLN '000</b>
Interest income	2 672 170	3 120 385
Interest expense	(1 452 119)	(1 959 202)
<b>Net interest income</b>	<b>1 220 051</b>	<b>1 161 183</b>
Fee and commission income	697 600	655 666
Fee and commission expense	(108 863)	(109 629)
<b>Net fee and commission income</b>	<b>588 737</b>	<b>546 037</b>
Dividend income	1 641	4 013
Result on investment financial assets	20 721	25 362
Result on financial instruments valued at fair value through profit and loss and foreign exchange result	184 414	214 461
Other operating income	64 571	57 096
	<b>271 347</b>	<b>300 932</b>
<b>Operating income</b>	<b>2 080 135</b>	<b>2 008 152</b>
General and administrative expenses	(1 035 244)	(1 065 259)
Impairment losses on financial assets	(232 531)	(238 042)
Impairment losses on non financial assets	(1 571)	(179)
Depreciation and amortization	(54 332)	(55 388)
Other operating expenses	(73 750)	(55 528)
<b>Operating expenses</b>	<b>(1 397 428)</b>	<b>(1 414 396)</b>
Share in net profit of associated companies	(2 144)	2 198
<b>Profit before taxes</b>	<b>680 563</b>	<b>595 954</b>
Corporate income tax	(144 768)	(123 773)
<b><i>Profit for the period</i></b>	<b><i>535 795</i></b>	<b><i>472 181</i></b>



### 2.1.3 Consolidated statement of comprehensive income

	<b>1.01.2013 - 31.12.2013</b>	<b>1.01.2012 - 31.12.2012</b>
	<b>PLN '000</b>	<b>PLN '000</b>
<b>Profit after taxes</b>	<b>535 795</b>	<b>472 181</b>
<b>Other elements of total comprehensive income:</b>		
Effect of valuation of available for sale debt securities	(44 482)	46 046
Effect of valuation of available for sale shares	18	263
Hedge accounting	48 375	(335 514)
<b>Other elements of total comprehensive income before taxes</b>	<b>3 911</b>	<b>(289 205)</b>
Corporate income tax on other elements of total comprehensive income	(743)	54 949
<b>Other elements of total comprehensive income after taxes</b>	<b>3 168</b>	<b>(234 256)</b>
<b><i>Total comprehensive income of the period</i></b>	<b><i>538 963</i></b>	<b><i>237 925</i></b>
<i>Attributable to owners of the Parent Company</i>	<i>583 963</i>	<i>237 925</i>
<i>Attributable to owners of non-controlling interests</i>	-	-

### 2.2 Selected financial ratios

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Total assets (PLN '000)	57 016 715	52 742 499	50 838 099
Profit before income tax (PLN '000)	680 563	595 954	591 056
Profit for the period (PLN '000)	535 795	472 181	466 464
Shareholders' equity (PLN '000)*	4 827 338	4 351 989	4 119 781
Return on equity	11,1%	10,8%	11,3%
Receivables to total assets	76%	79%	87%
Income generating assets to total assets	92%	93%	94%
Interest bearing liabilities to total liabilities	87%	87%	85%

\* excluding current-year net profit

### **3 Detailed report**

#### **3.1 Accounting principles**

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

In view of the fact that not all entities being part of the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company, appropriate adjustments to the financial statements of those entities were made to ensure consistency with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

#### **3.2 Basis of preparation of the consolidated financial statements**

The consolidated financial statements of the Bank Millennium S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation.

#### **3.3 Method of consolidation**

The method of consolidation is described in note 6 of the additional information to the consolidated financial statements.

#### **3.4 Goodwill arising on consolidation**

The method of calculating goodwill arising on consolidation is described in note 7 of the additional information to the consolidated financial statements.

#### **3.5 Consolidation of equity and calculation of non- controlling interest**

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non- controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

### **3.6 Consolidation eliminations**

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Bank Millennium S.A. (or subsidiary entities) and agreed with information received from the subsidiaries.

### **3.7 Compliance with banking regulations**

Based on our audit we have not identified significant incompliance by the Bank Millennium S.A. Group with the banking prudential regulatory norms pertaining among other to exposure concentration, obligatory reserve and capital adequacy.

### **3.8 Notes to the consolidated financial statements**

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. This information should be read in conjunction with the consolidated financial statements.

### **3.9 Report of the Management Board of the Parent Company on the Group's activities**

The report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009 No 33, item 259 with amendments) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Registration No. 3546  
ul. Chłodna 51  
00-867 Warsaw

*Signed on the Polish original*

.....  
Marcin Podsiadły  
Key Certified Auditor  
Registration No. 12774

*Signed on the Polish original*

.....  
Stacy Ligas  
Limited Liability Partner with power of attorney

28 February 2014