

Bank Millennium S.A.

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

The opinion contains 2 pages
The supplementary report contains 11 pages
Opinion of the independent auditor
and the supplementary report
on the audit of the separate 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 Separate Financial Statements

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

Management’s and Supervisory Board’s Responsibility for the Financial Statements

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of these 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 Bank’s activities. Management of the Bank is also responsible for such internal control as management determines is necessary to enable the preparation of the 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 Bank and members of the Supervisory Board are required to ensure that the financial statements and the report on the Bank’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 financial statements and whether the financial statements are derived from properly maintained accounting records 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 financial statements and the accounting records from which they are derived are free of material misstatements.

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

the assessment of the risks of material misstatement of the 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 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 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 separate financial statements of Bank Millennium S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2013 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Bank's articles of association that apply to the Bank's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Bank's Activities

As required under the Accounting Act, we report that the report on the Bank'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 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

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Stacy Ligas
Limited Liability Partner with power of
attorney

Bank Millennium S.A.

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

The supplementary report contains 11 pages
The supplementary report
on the audit of the separate financial statements
for the financial year ended
31 December 2013

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1. General

1.1. General information about the Bank

1.1.1. The Bank's name

Bank Millennium S.A.

1.1.2. Registered office

ul. Stanisława Żaryna 2a
02-593 Warsaw

1.1.3. Registration 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 Bank

The Management Board is responsible for management of the Bank.

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. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname: Marcin Podsiadły
Registration number: 12774

1.2.2. 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.

1.3. Prior period financial statements

The separate financial statements for the financial year ended 31 December 2012 were audited by KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. and received a unqualified opinion.

The separate financial statements were approved at the General Meeting on 11 April 2013 where it was resolved to allocate the net profit for the prior financial year of PLN 450,141,024.66 for the reserve capital.

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

1.4. 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 separate financial statements comprising: the balance sheet as at 31 December 2013, the income statement and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The audited Bank prepares its separate 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 separate 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 separate financial statements at the Bank during the period from 28 October 2013 to 28 February 2014.

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of the 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 Bank's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

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

All required statements, explanations and information were provided to us by Management of the Company 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 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).

2. Financial analysis of the Bank

2.1. Summary analysis of the separate financial statements

2.1.1. Balance sheet

ASSETS	31.12.2013 PLN '000	% of total assets	31.12.2012 PLN '000	% of total assets
Cash, balances with the Central Bank	3 411 940	6.0	2 465 640	4.7
Deposits, loans and advances to banks and other monetary institutions	1 519 595	2.7	1 392 424	2.7
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	853 058	1.5	664 682	1.3
Hedging derivatives	211 395	0.4	277 812	0.5
Loans and advances to customers	41 087 590	72.7	39 341 449	75.5
Investment financial assets	8 241 226	14.6	6 750 830	13.0
- available for sale				
Investments in associates	298 007	0.5	308 648	0.6
Receivables from securities bought with sell-back clause	242 061	0.4	17 469	0.0
Property, plant and equipment	158 943	0.3	179 842	0.4
Intangible assets	36 869	0.1	41 375	0.1
Current tax receivables	63 571	0.1	8 989	0.0
Deferred income tax assets	113 131	0.2	104 569	0.2
Other assets	291 680	0.5	559 658	1.1
TOTAL ASSETS	56 529 066	100.0	52 113 387	100.0



Bank Millennium S.A.

*The supplementary report on the audit of the separate financial statements
for the financial year ended 31 December 2013
TRANSLATION*

EQUITY AND LIABILITIES	31.12.2013	% of total	31.12.2012	% of total
	PLN '000	assets	PLN '000	assets
Liabilities				
Liabilities to banks and other monetary institutions	2 202 585	3.9	2 253 000	4.3
Financial liabilities valued at fair value through profit and loss	575 189	1.0	467 634	0.9
Hedging derivatives	930 346	1.7	1 115 202	2.1
Deposits from customers	45 448 660	80.4	41 552 183	79.7
Liabilities from securities sold with buy-back clause	116 803	0.2	174 788	0.3
Debt securities	701 352	1.2	767 586	1.5
Provisions	63 066	0.1	40 705	0.1
Current tax liabilities	8 217	0.0	-	-
Other liabilities	884 467	1.6	652 811	1.3
Subordinated debt	622 585	1.1	613 610	1.2
Total liabilities	51 553 270	91.2	47 637 519	91.4
Equity				
Share capital and share premium	1 213 117	2.2	1 213 117	2.3
Share premium	1 147 241	2.0	1 147 241	2.2
Revaluation reserve	(131 451)	(0.2)	(134 604)	(0.3)
Retained earnings	2 746 889	4.9	2 250 114	4.3
Total equity	4 975 796	8.8	4 475 868	8.6
TOTAL EQUITY AND LIABILITIES	56 529 066	100.0	52 113 387	100.0

2.1.2. Income statement

	1.01.2013 - 31.12.2013	1.01.2012 - 31.12.2012
	PLN '000	PLN '000
Interest income	2 564 341	2 979 723
Interest expense	(1 450 486)	(1 941 330)
Net interest income	1 113 855	1 038 393
Fee and commission income	634 934	596 859
Fee and commission expense	(88 043)	(89 515)
Net fee and commission income	546 891	507 344
Dividend income	29 015	41 467
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	184 898	212 407
Other operating income	46 057	32 072
	280 691	311 308
Operating income	1 941 437	1 857 045
General and administrative expenses	(979 395)	(1 008 364)
Impairment losses on financial assets	(220 674)	(205 919)
Impairment losses on non financial assets	(1 559)	(219)
Depreciation and amortization	(52 618)	(53 530)
Other operating expenses	(64 281)	(32 142)
Operating expenses	(1 318 527)	(1 300 174)
Profit before income taxes	622 910	556 871
Corporate income tax	(126 135)	(106 730)
Profit for the period	496 775	450 141

2.1.3. Statement of comprehensive income

	1.01.2013 - 31.12.2013 PLN '000	1.01.2012 - 31.12.2012 PLN '000
Profit after taxes	496 775	450 141
Other elements of total comprehensive income:		
Effect of valuation of available for sale debt securities	(44 482)	46 046
Hedge accounting	48 375	(335 514)
Other elements of total comprehensive income before taxes	3 893	(289 468)
Corporate income tax on other elements of total comprehensive income	(740)	54 999
Other elements of total comprehensive income after taxes	3 153	(234 469)
<i>Total comprehensive income of the period</i>	<i>499 928</i>	<i>215 672</i>

2.2. Selected financial ratios

	2013	2012	2011
Total assets (PLN '000)	56 529 066	52 113 387	49 613 277
Profit before income tax (PLN '000)	622 910	556 871	523 939
Profit for the period (PLN '000)	496 775	450 141	415 342
Shareholders' equity (PLN '000)*	4 479 021	4 025 727	3 844 854
Return on equity	11.1%	11.2%	10.8%
Receivables to total assets	75%	78%	86%
Income generating assets to total assets	92%	93%	94%
Interest bearing liabilities to total liabilities	87%	88%	85%

* excluding current-year net profit

3. Detailed report

3.1. Accounting system

The Bank maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act and the Decree of the Ministry of Finance dated 1 October 2010 on the specific accounting principles of banks (Official Journal from 2010 No 191, item 1279).

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified any material irregularities in the accounting system which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Bank performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act and the Decree of the Ministry of Finance dated 1 October 2010 on the specific accounting principles of banks (Official Journal from 2010 No 191, item 1279) and reconciled and recorded the results thereof in the accounting records.

3.2. Notes to the separate financial statements

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

3.3. Compliance with banking regulations

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

3.4. Report on the Bank's activities

The report on the Bank's activities includes, in all material respects, 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 separate 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

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Marcin Podsiadły
Key Certified Auditor
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28 February 2014

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