

The Bank Millennium S.A. Capital Group

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

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

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

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The Bank Millennium S.A. Capital Group
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I. General information about the Group

- a. The parent company of the Bank Millennium S.A. Capital Group ('the Group') is Bank Millennium S.A. ('the Bank', 'the Parent Company') with its seat in Warsaw, Stanisława Żaryna 2a street.
- b. The Parent Company 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 Parent Company 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 Parent Company was assigned a tax identification number (NIP) 526-02-12-931 for the purpose of making tax settlements and a REGON number 001379728 for statistical purposes.
- d. As at 31 December 2016 the Parent Company'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.
- e. As at 31 December 2016, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
Banco Comercial Portugues S.A.	607.771.505	607.771.505	ordinary	50,1
Nationale-Nederlanden Otwarty Fundusz Emerytalny	120.634.080	120.634.080	ordinary	9,9
AVIVA Otwarty Fundusz Emerytalny	66.136.567	66.136.567	ordinary	5,5
Other shareholders	418.512.825	418.512.825	ordinary	34,5
Other shareholders	61.800	61.800	preference	-
	1.213.116.777	1.213.116.777		100,0

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I. General information about the Group (cont.)

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

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
Banco Comercial Portugues S.A.	607.771.505	607.771.505	ordinary	50,1
Nationale-Nederlanden Otwarty Fundusz Emerytalny	115.615.810	115.615.810	ordinary	9,5
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	78.310.605	78.310.605	ordinary	6,5
Other shareholders	411.356.657	411.356.657	ordinary	33,9
Other shareholders	62.200	62.200	preference	-
	1.213.116.777	1.213.116.777		100,0

f. In the audited year, the Group's operations comprised:

- banking activity,
- leasing activity,
- factoring activity
- brokerage activity,
- capital activity,
- investment funds management.

g. During the audited year, the Management Board of the Parent Company comprised:

Joao Nuno Lima Bras Jorge	President of the Management Board
Fernando Maria Cardoso Rodrigues Bicho	Vice President 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
Wojciech Rybak	Member of the Management Board from 06.06.2016 r.
Michał Gajewski	Member of the Management Board to 13.05.2016 r.

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I. General information about the Group (cont.)

As at 31 December 2016, the Bank Millennium S.A. Capital Group comprised the following entities:

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
Millennium Leasing Sp. z o.o.	100	Full	PricewaterhouseCoopers Sp. z o.o.	As at the date of this report audit has not been completed	31 December 2016
Millennium Dom Maklerski S.A.	100	Full	PricewaterhouseCoopers Sp. z o.o.	As at the date of this report audit has not been completed	31 December 2016
Millennium TFI S.A.	100	Full	PricewaterhouseCoopers Sp. z o.o.	As at the date of this report audit has not been completed	31 December 2016
MB Finance AB	100	Full	Deloitte AB	As at the date of this report audit has not been completed	31 December 2016
Millennium Service Sp. z o.o.	100	Full	PricewaterhouseCoopers Sp. z o.o.	As at the date of this report audit has not been completed	31 December 2016
Millennium Telecommunication Services Sp. z o.o.	100	Full	no audit required	no audit required	31 December 2016
Millennium Goodie Sp. z o.o.	100	Full	no audit required	no audit required	31 December 2016
Lubuskie Fabryki Mebli S.A. (in liquidation)	50 + 1 share	Equity method (*)	Biuro Biegłego Rewidenta Stefania Bukowska	As at the date of this report audit has not been completed	31 December 2016
BG Leasing S.A. in bankruptcy	74	Historical cost method (*)	no audit required	no audit required	31 December 2016

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I. General information about the Group (cont.)

- h. During the financial year, the following changes took place in the scope of consolidation:
- As a result of order of the District Court in Warsaw dated 17 November 2016 a change of name of the TBM Sp. z o.o. was registered – currently Millennium Goodie Sp. z o.o.
- i. The Parent Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange and in accordance with the Accounting Act prepares consolidated financial statements in accordance with IFRS as adopted by the European Union.

The Bank Millennium S.A. Capital Group
Registered auditor's report on the audit of the consolidated financial
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II. Information about the audit

- a. The audit of the consolidated financial statements as at and for the year from 1 January to 31 December 2016 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, the Group's registered auditor Agnieszka Accordi-Krawiec (no. 11665).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No. 29/2015 of the Supervisory Board of Bank Millennium S.A. dated 22 October 2015 in accordance with paragraph 17 clause 2 item 4 of the Parent Company's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group 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 of 2016, item 1000 as amended).
- d. The audit was conducted in accordance with an agreement dated 24 March 2016, in the following periods:
- interim audit from 2 November 2016 to 23 December 2016;
 - final audit from 2 January 2017 to 3 March 2017.
- e. An audit was conducted in accordance with International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. The scope of an audit was influenced by an application of materiality. In accordance with these auditing standards, the concept of materiality is applied by the auditor at the planning stage and when conducting the audit as well as to evaluate the effect of misstatements identified and adjusted (if any) on the consolidated financial statements, and to form the opinion in the Independent Registered Auditor's Report.

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

II. Information about the audit (cont.)

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

The Bank Millennium S.A. Capital Group

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

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

CONSOLIDATED BALANCE SHEET as at 31 December 2016

	31.12.2016 PLN '000	31.12.2015 PLN '000	Change PLN '000	Change (%)	Structure (%) 31.12.2016	Structure (%) 31.12.2015
ASSETS						
Cash, balances with the Central Bank	1,778,768	1,946,384	(167,616)	(8.6)	2.6	2.9
Deposits, loans and advances to banks and other monetary institutions	1,267,811	2,348,754	(1,080,943)	(46.0)	1.8	3.5
Financial assets valued at fair value through profit and loss (held for trading) and adjustment due to fair value hedge	564,574	768,650	(204,076)	(26.5)	0.8	1.2
Hedging derivatives	17,934	70,833	(52,899)	(74.7)	-	0.1
Loans and advances to customers	47,020,043	46,369,381	650,662	1.4	68.4	70.0
Investment financial assets	17,135,347	13,874,320	3,261,027	23.5	24.9	20.9
Investments in associates	-	1,378	(1,378)	(100.0)	-	-
Receivables from securities bought with sell-back clause (loans and advances)	90,520	-	90,520	-	0.1	-
Property, plant and equipment	164,070	156,341	7,729	4.9	0.2	0.2
Intangible assets	62,315	61,858	457	0.7	0.1	0.1
Non-current assets held for sale	10,937	15,682	(4,745)	(30.3)	-	-
Receivables from Tax Office resulting from current tax	5,381	41,880	(36,499)	(87.2)	-	0.1
Deferred income tax assets	273,767	237,612	36,155	15.2	0.4	0.4
Other assets	401,320	342,183	59,137	17.3	0.7	0.5
TOTAL ASSETS	68,792,787	66,235,256	2,557,531	3.9	100.0	100.0

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The Bank Millennium S.A. Capital Group
Registered auditor's report on the audit of the consolidated financial statements
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III. The Group's results, financial position and significant items of consolidated financial statements (cont.)

CONSOLIDATED BALANCE SHEET as at 31 December 2016

	31.12.2016	31.12.2015	Change	Change	Structure (%)	Structure (%)
	PLN '000	PLN '000	PLN '000	(%)	31.12.2016	31.12.2015
LIABILITIES						
Liabilities to banks and other monetary institutions	1,270,745	1,443,921	(173,176)	(12.0)	1.8	2.2
Financial liabilities valued at fair value through profit and loss (held for trading) and adjustment due to fair value hedge	339,015	344,689	(5,674)	(1.6)	0.5	0.5
Hedging derivatives	1,149,654	2,132,053	(982,399)	(46.1)	1.7	3.2
Liabilities to customers	55,875,609	52,810,389	3,065,220	5.8	81.2	79.8
Liabilities from securities sold with buy-back clause	-	-	-	-	-	-
Debt securities	1,313,836	1,134,250	179,586	15.8	1.9	1.7
Provisions	49,415	30,848	18,567	60.2	0.1	-
Current tax liabilities	20,642	270	20,372	>100.0	-	-
Other liabilities	1,168,662	1,256,040	(87,378)	(7.0)	1.7	1.9
Subordinated debt	664,004	639,631	24,373	3.8	1.0	1.0
TOTAL LIABILITIES	61,851,582	59,792,091	2,059,491	3.4	89.9	90.3
EQUITY	6,941,205	6,443,165	498,040	7.7	10.1	9.7
TOTAL LIABILITIES AND EQUITY	68,792,787	66,235,256	2,557,531	3.9	100.0	100.0

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

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

	2016	2015	Change	Change	Structure (%)	Structure (%)
	PLN '000	PLN '000	PLN '000	(%)	2016	2015
Interest income	2,277,354	2,313,205	(35,851)	(1.5)	64.8	70.3
Interest expense	(771,516)	(947,958)	176,442	(18.6)	30.1	36.5
Net interest income	1,505,838	1,365,247	140,591	10.3		
Fee and commission income	698,007	696,280	1,727	0.2	19.8	21.2
Fee and commission expense	(116,983)	(100,107)	(16,876)	16.9	4.6	3.9
Net fee and commission income	581,024	596,173	(15,149)	(2.5)		
Dividend income	1,909	2,271	(362)	(15.9)	0.1	0.1
Result on investment financial assets	314,689	41,852	272,837	651.9	8.9	1.3
Result on financial instruments valued at fair value through profit and loss and foreign exchange result	173,974	175,384	(1,410)	(0.8)	5.0	5.3
Other operating income	50,556	58,274	(7,718)	(13.2)	1.4	1.8
Operating income	2,627,990	2,239,201	388,789	17.4		
General and administrative expenses	(1,057,466)	(1,036,614)	(20,852)	(2.0)	41.3	39.8
Impairment losses on financial assets	(227,804)	(239,833)	12,029	(5.0)	8.9	9.2
Impairment losses on non-financial assets	(3,390)	(1,400)	(1,990)	142.1	0.1	0.1
Depreciation and amortization	(54,854)	(50,435)	(4,419)	8.8	2.1	1.9
Other operating expenses	(155,775)	(222,027)	(66,252)	(29.8)	6.1	8.5
Operating expenses	(1,499,289)	(1,550,309)	51,020	(3.3)		
Operating profit / (loss)	1,128,701	688,892	439,809	63.8		
Share in net profit of associated companies	(1,376)	(1,385)	9	(0.6)	0.1	0.1
Banking tax	(174,069)	-	(174,069)	-	6.8	
Profit / (loss) before taxes	953,256	687,507	265,749	38.7		
Corporate income tax	(252,004)	(140,982)	(111,022)	78.7		
Profit / (loss) after taxes	701,252	546,525	154,727	28.3		
In which, attributable to owners of the parent	701,252	546,525				
Total income	3,516,489	3,287,266	229,223	7.0	100.0	100.0
Total expense	(2,563,233)	(2,599,759)	36,526	(1.4)	100.0	100.0
Profit / (loss) before taxes	953,256	687,507	265,749	38.7		

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

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

	2016	2014	Change	Change
	PLN '000	PLN '000	PLN '000	(%)
Profit / (loss) after taxes	701,252	546,525	(154,727)	28.3
Other elements of total comprehensive income that will be (were) subsequently reclassified to profit or loss:	(252,328)	161,159	413,487	(256.6)
Effect of valuation of available for sale debt securities	(85,163)	(31,637)	(53,526)	169.2
Effect of valuation of available for sale shares	(211,144)	213,009	(424,453)	(199.3)
Hedge accounting	44,279	(20,213)	64,492	(319.1)
Other elements of total comprehensive income that will not be subsequently reclassified to profit or loss:	1,449	769	680	88.4
Actuarial gains (losses)	1,449	769	680	88.4
Other elements of total comprehensive income before taxes	(250,879)	161,928	(412,807)	(254.9)
Corporate income tax on other elements of total comprehensive income that will be (were) subsequently reclassified to profit or loss	47,942	(30,621)	78,563	(256.6)
Corporate income tax on other elements of total comprehensive income that will not be subsequently reclassified to profit or loss	(275)	(146)	(129)	88.4
Other elements of total comprehensive income after taxes	(203,212)	131,161	(334,373)	(254.9)
Total comprehensive income of the period	498,040	677,686	(179,646)	(26.5)
In which, attributable to owners of the parent	498,040	677,686	(179,646)	(26.5)



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

Selected ratios characterising the Group's financial position and results

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

	2016	2015	2014
Profitability ratios			
Return on equity (Profit / (loss) after taxes / average net assets) (1)	10.5%	9.0%	11.7%
Return on assets (Profit / (loss) after taxes / average assets) (1)	1.0%	0.9%	1.1%
Interest margin (interest income / average working assets) – (interest expense / average interest-bearing liabilities) (1) (2) (3)	2.1%	2.0%	2.3%
Cost of risk (4)	0.4%	0.5%	0.6%
C/I ratio (general and administrative expenses and depreciation and amortisation expense / net operating profit / (loss)) (5)	45.0%	53.9%	50.2%
Earnings per share (in PLN)	0.58	0.45	0.54
	31.12.2016	31.12.2015	31.12.2014
Asset quality ratios			
Impaired loans and advances to customers to gross loans and advances to customers	4.5%	4.6%	4.2%
Provision coverage of not impaired loans and advances	0.4%	0.3%	0.4%
Provision coverage of impaired loans and advances	54.1%	59.2%	62.2%
Other ratios			
Total Capital Ratio (TCR)	17.4%	16.6%	15.2%
Common Equity Tier 1 Capital ratio (CET1)	17.3%	16.2%	14.5%
Effective tax rate	26.4%	20.5%	22.4%

- (1) The average balances of balance sheet items were calculated on the basis of the balances of the individual items as at the beginning and the end of the current financial year and the previous financial year.
- (2) Working assets defined as balances with the Central Bank, loans and advances to customers and banks, 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 consolidated financial statements.

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

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



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

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

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

- At the end of the financial year, the Group's total assets amounted to PLN 68,792,787 thousand. During the year total assets increased by PLN 2,557,531 thousand, i.e. by 3.9%.
- As at 31 December 2016, the net balance of loans and advances to customers amounted to PLN 47,020,043 thousand and represented 68.4% of total assets (an increase by PLN 650,662 thousand, i.e. by 1.4% compared to the previous year). The gross value of loans and advances to customers portfolio amounted to PLN 48,384,956 thousand at the end of 2016 and comprised mainly loans and advances to private individuals in the gross amount of PLN 33,159,578 thousand, loans and advances to companies in the gross amount of PLN 8,494,801 thousand and financial leasing receivables in the gross amount of PLN 5,261,332 thousand. The increase in the balance of loans and advances to customers was mainly due to the increase in the gross balance of loans and advances to private individuals by PLN 429,728 thousand and the increase of financial leasing receivables by PLN 484,220 thousand. It resulted from the increase in the scale of Bank's activity and the increase in the value of mortgage loans denominated in EUR due to the strengthening of the currency against the zloty. The increase was partially offset due to the decrease in loans and advances to companies by PLN 210,725 thousand and loans and advances to public sector by PLN 99,708 thousand.
- The ratio of impaired loans and advances to customers to gross loans and advances to customers decreased from 4.6% as at the end of 2015 to 4.5% as at the balance sheet date. Provision coverage of impaired loans and advances went down by 5.1 p.p. and amounted to 54.1% as at 31 December 2016. Coverage of not impaired gross amounts due to customers with IBNR provisions amounted to 0.4%, i.e. 0.1% more compared to the prior year.
- Loans and advances to customers denominated in foreign currencies amounted to PLN 21,475,294 thousand as at 31 December 2016 and represented 44.4% of the whole portfolio. The largest balance of loans denominated in foreign currencies were CHF loans which at the end of financial year reached the level of PLN 18,261,339 thousand. i.e. 37.7% of loans and advances to customers portfolio. The balance of CHF loans diminished by PLN 369,299 thousand in comparison to the end of 2015 despite strengthening of the CHF/PLN exchange rate.

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

- As at the end of 2016 the balance of investment financial assets amounted to PLN 17,135,347 thousand and comprised mainly bonds issued by State Treasury in the amount of PLN 14,289,633 thousand and bills issued by the National Bank of Poland in the amount of PLN 2,669,700 thousand. The balance of investment financial assets increased by PLN 3,261,027 thousand, i.e. by 23.5% compared to the previous year, which resulted mainly from an increase in the bonds issued by State Treasury portfolio by PLN 4,913,926 thousand and a decrease in the bills issued by the Central Bank portfolio by PLN 1,529,076 thousand.
- As at the end of 2016 the assets were primarily financed by liabilities to customers. As at 31 December 2016 the liabilities to customers amounted to PLN 55,875,609 thousand and represented 81.2% of total equity and liabilities (an increase compared to the previous year by PLN 3,065,220 thousand, i.e. by 5.8%). An increase of liabilities to customers was mainly driven by increase of balances on current accounts from private individuals by PLN 6,008,728 thousand and increase of balances on current accounts from companies by PLN 967,185 thousand. At the same time, term deposits from companies decreased by PLN 3,099,079 thousand and term deposits from private individuals decreased by PLN 1,894,251 thousand.
- As at the balance sheet date the value of hedging derivatives presented in the liabilities of the Bank amounted to PLN 1,149,654 thousand and decreased by PLN 982,399 thousand, i.e. by 46.1% compared to the previous year. This decrease was mainly due to the decrease in the portfolio of CIRS contracts which are a cash flows hedging derivatives connected with interest rate and/or FX rate by PLN 850,410 thousand and the decrease in the portfolio of CIRS contracts which are fair value hedging derivatives of interest rate risk by PLN 140,909 thousand.
- Net interest income amounted to PLN 1,505,838 thousand and increased by PLN 140,591 thousand, i.e. by 10.3% compared to the previous year. Interest income amounted to PLN 2,277,354 thousand in 2016 and decreased by PLN 35,851 thousand. The most significant change in interest income resulted from income from the financial assets held for trading, which amounted to PLN 5,675 thousand in 2016 and was 82.7% lower in comparison to the previous year. At the same time a decrease in interest expense was recorded from the level of PLN 947,958 thousand in 2015 to PLN 771,516 thousand in 2016, i.e. 18.6%. Interest expense from deposits from customers drop by PLN 81,685 thousand and amounted to PLN 690,045 thousand in total in the financial year. The decline was mainly due to the decrease in the interest rate of accounts from private individuals in 2016 and lower cost of deposits in corporate accounts.

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

- Net fee and commission income amounted to PLN 581,024 thousand in the audited year and was lower by PLN 15,149 thousand, i.e. by 2.5% compared to the previous year. This decrease was due to the drop of fee and commission income resulting from sale of insurance products by PLN 15,945 thousand and from distribution of investment funds units and other savings products by PLN 13,768 thousand, which was partly offset by the increase in loan activity fees by PLN 22,084 thousand comparing to the previous year. Simultaneously, fee and commission expense increased by PLN 16,876 thousand, i.e. 16,9% mostly as a result of higher expense from payment and credit cards in amount of PLN 8,836 thousand.
- Result on investment financial assets amounted to PLN 314,689 thousand in the financial year, which constituted an increase in comparison to previous period by PLN 272,837 thousand. The change was mainly driven by the settlement of transaction of VISA Europe takeover by VISA Inc. in 2016, which influenced positively the result on investment financial assets in the amount of PLN 305,641 thousand.
- General and administrative expenses were the largest item of operating expenses in 2016 and amounted to PLN 1,057,466 thousand in 2016, which constituted 70.5% of operating expenses. General and administrative expenses comprised staff costs in the amount of PLN 558,758 thousand and general administrative costs in the amount of PLN 498,708 thousand. General and administrative expenses increased by PLN 20,852 thousand, i.e. by 2.0% compared to the previous year. Cost to income ratio reached the level of 45.0% in 2016 compared to 53.9% in 2015.
- Impairment losses on financial assets in 2016 amounted to PLN 227,804 thousand and comprised mainly impairment losses on loans and advances to customers. Impairment losses on financial assets decreased by PLN 12,029 thousand, i.e. by 5.0% compared to the previous year, which resulted mainly from the improvement of loan portfolio quality and sales of receivables in 2016 (decrease of total influence of write-offs and reversal of write-offs on loans and advances to customers by PLN 29,557 thousand year to year).
- In the audited financial year the Bank recorded a banking tax in amount of PLN 174,069 thousand. The banking tax was not levied in 2015.
- Effective tax rate, calculated as corporate income tax to profit/(loss) before taxes, amounted to 26.4% in the audited year and was 5.9 pp. higher than in prior year mainly due to increase in the overall level of costs which are not tax costs, including banking tax introduced in 2016.

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

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

IV. The independent registered auditor's statement

- a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the consolidation documentation 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 consolidation of equity items was carried out properly in all material respects.
- d. The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- e. The elimination of unrealized gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- f. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.
- g. The consolidated financial statements of the Group for the year from 1 January to 31 December 2015 were approved by Resolution No. 4 passed by the General Shareholders' Meeting of the Parent Company on 31 March 2016 and filed with the National Court Register in Warsaw on 7 April 2016.
- h. During the audit performed we have not identified any significant instances of Group's non-compliance with banking regulatory norms during the period from 1 January 2016 to the day of issuance of this report. As at 31 December 2016, the regulations of the Banking Law, the Resolutions of the Management Board of the National Bank of Poland, Resolutions of Polish Financial Supervisory Authority and the Regulation of the European Parliament and the Council (EU) No. 575/2013 from 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (CRR) and other regulations issued by the Commission (EU) pursuant to this Regulation, included banking regulatory norms in relation, among others, to the following:
 - concentration of credit risk,
 - concentration of investments in shares,
 - classification of loans and guarantees to risk groups and creation of provisions for the risk associated with activities of banks,
 - liquidity measures,
 - level of obligatory reserve,
 - capital adequacy.

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

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

- i. As at 31 December 2016 the capital adequacy ratio of the Group amounted to 17.4% and was correctly determined in accordance with CRR. This statement is based on recalculation of the quotient of own funds amounting to PLN 6,390.7 million divided by risk weighted assets amounting to PLN 36,730.6 million as per COREP reporting prepared by the Group as at the balance sheet date.
- j. The notes to the consolidated financial statements, which include the introduction and additional notes and explanations present all the significant information in accordance with IFRS as adopted by the European Union.
- k. The information in the Group Directors' Report for the year from 1 January to 31 December 2016 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information to be provided by issuers of securities and conditions for recognizing as equivalent the information required by the provisions of law of a country not being a member state (Journal of Laws of 2014, item 133) and is consistent with that presented in the consolidated financial statements.

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

V. Final information

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

This report should be read in conjunction with the Independent Registered Auditor's Report dated 3 March 2017 to the General Shareholders' Meeting and the Supervisory Board of Bank Millennium S.A. that includes the unqualified audit opinion on the said consolidated financial statements. The opinion on the consolidated 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 consolidated financial statements as a whole.

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

Agnieszka Accordi-Krawiec

Group Registered Auditor, Key Registered Auditor
No. 11665

Warsaw, 3 March 2017

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.