Consolidated report
of the Bank Millennium S.A. Capital Group
for 1st half 2019

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Amount '000 PLN		Amount '000 EUR	
	1.01.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.01.2019 - 30.06.2019	1.01.2018 - 30.06.2018
Interest income and other of similar nature	1 487 497	1 234 043	346 898	291 082
Fee and commission income	422 827	414 561	98 607	97 785
Profit (loss) before income tax	467 190	479 052	108 953	112 997
Profit (loss) after taxes	333 623	347 945	77 804	82 072
Total comprehensive income of the period	319 811	377 780	74 583	89 110
Net cash flows from operating activities	(3 067 659)	(1 143 450)	(715 406)	(269 713)
Net cash flows from investing activities	2 291 404	(3 021 576)	534 376	(712 720)
Net cash flows from financing activities	865 332	(687 140)	201 803	(162 080)
Net cash flows, total	89 077	(4 852 166)	20 774	(1 144 514)
Earnings (losses) per ordinary share (in PLN/EUR)	0.28	0.29	0.06	0.07
Diluted earnings (losses) per ordinary share	0.28	0.29	0.06	0.07
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Total Assets	93 670 305	80 458 914	22 029 705	18 711 375
Liabilities to banks and other monetary institutions	1 908 263	1 788 857	448 792	416 013
Liabilities to customers	76 827 811	66 243 769	18 068 629	15 405 528
Equity	8 704 197	8 384 386	2 047 083	1 949 857
Share capital	1 213 117	1 213 117	285 305	282 120
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN/EUR)	7.18	6.91	1.69	1.61
Diluted book value per share (in PLN/EUR)	7.18	6.91	1.69	1.61
Total Capital Ratio (TCR)	20.13%	21.68%	20.13%	21.68%
Pledged or paid dividend per share (in PLN/EUR)	-	-	-	-

Exchange rates accepted to convert selected financial data into EUR				
for items as at the balance sheet date	-	-	4.2520	4.3000
for items for the period covered by the report (exchange rate calculated as the average of exchange rates at the end of individual months of the period)	-	-	4.2880	4.2395

Consolidated report of the Bank Millennium S.A. Capital Group for 1st half 2019

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1. GENERAL INFORMATION ON THE ISSUER

Bank Millennium S.A. (the Bank) is a nationwide universal bank, offering its services to all market segments via a network of branches, corporate centers, individual advisors and mobile and electronic banking.

The Bank, entered under the number KRS 0000010186 in the National Court Register kept by the Local Court for the Capital City of Warsaw, 13th Business Department of the National Court Register, is seated in Warsaw, Stanisława Żaryna 2A.

The Bank is listed on the Warsaw Stock Exchange since 1992, first Bank ever to float its shares on the WSE.

The Bank is a parent company of a Bank Millennium Capital Group (the Group) with over 8,500 employees with core business comprising banking, leasing, factoring, brokerage, capital operations, investment fund management and web portals activity.

Supervisory Board and Management Board of Bank Millennium S.A. as at 30 June 2019

Composition of the Supervisory Board was as follows:

- Bogusław Kott - Chairman of the Supervisory Board,
- Nuno Manuel da Silva Amado – Deputy Chairman of the Supervisory Board,
- Dariusz Rosati – Deputy Chairman and Secretary of the Supervisory Board,
- Miguel de Campos Pereira de Bragança – Member of the Supervisory Board,
- Agnieszka Hryniewicz-Bieniek – Member of the Supervisory Board,
- Anna Jakubowski – Member of the Supervisory Board,
- Grzegorz Jędrys – Member of the Supervisory Board,
- Andrzej Koźmiński – Member of the Supervisory Board,
- Alojzy Nowak – Member of the Supervisory Board,
- Jose Miguel Bensliman Schorcht da Silva Pessanha – Member of the Supervisory Board
- Miguel Maya Dias Pinheiro – Member of the Supervisory Board,
- Lingjiang Xu – Member of the Supervisory Board.

Composition of the Management Board was as follows:

- Joao Nuno Lima Bras Jorge – Chairman of the Management Board,
- Fernando Maria Cardoso Rodrigues Bicho – Deputy Chairman of the Management Board,
- Wojciech Haase – Member of the Management Board,
- Andrzej Gliński – Member of the Management Board,
- Wojciech Rybak – Member of the Management Board,
- Antonio Ferreira Pinto Junior – Member of the Management Board,
- Jarosław Hermann – Member of the Management Board.

Capital Group of Bank Millennium S.A.

The Group's parent entity is Bank Millennium S.A. while the ultimate parent entity of the Bank Millennium S.A. is the Banco Comercial Portugues - company listed on the stock exchange in Lisbon. The companies that belong to the Capital Group as at 30 June 2019, are presented by the table below:

Company	Activity domain	Head office	% of the Group's capital share	% of the Group's voting share	Recognition in financial statements
EURO BANK S.A.	banking	Wrocław	99,8	99,8	full consolidation
MILLENNIUM LEASING Sp. z o.o.	leasing services	Warsaw	100	100	full consolidation
MILLENNIUM DOM MAKLERSKI S.A.	brokerage services	Warsaw	100	100	full consolidation
MILLENNIUM TFI S.A.	investment funds management	Warsaw	100	100	full consolidation
MILLENNIUM SERVICE Sp. z o.o.	rental and management of real estate, insurance and brokers activity	Warsaw	100	100	full consolidation
MILLENNIUM GOODIE Sp. z o.o.	web portals activity	Warsaw	100	100	full consolidation
MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o.	financial operations - equity markets, advisory services	Warsaw	100	100	full consolidation
Piast Expert Sp. z o.o.	marketing services	Tychy	100	100	full consolidation
LUBUSKIE FABRYKI MEBLI S.A. in liquidation	furniture manufacturer	Świebodzin	50 (+1 share)	50 (+1 share)	equity method valuation (*)
BG LEASING S.A. in bankruptcy	leasing services	Gdańsk	74	74	historical cost (*)

(*) Despite having a control over the companies Lubuskie Fabryki Mebli S.A. and BG Leasing S.A., due to insignificant nature of these companies from the realization of the primary goal of the consolidated financial statements point of view, which is the correct presentation of Group's financial situation, the Group does not consolidate capital involvement in aforementioned enterprises.

On June 4, 2019, the liquidation process of MB FINANCE AB based in Stockholm ended.

MERGER OF ENTERPRISES

During the settlement of merger, in which the Bank acts as the acquirer, the acquisition method of acquisition is applied, according to IFRS 3 "Business Combinations".

In case of each acquisition, the acquirer and the acquisition date are determined. Acquisition date is the date when the entity acquired control over the entity being acquired. In addition, the acquisition method requires recognition and measurement of identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquired entity, as well as recognition and measurement of goodwill or bargain purchase gain. The acquirer measures the identifiable assets acquired and liabilities assumed at their fair values as at the acquisition date.

If the net amount of fair values of identifiable assets acquired and liabilities assumed exceeds the fair value of the consideration transferred, the Bank, as the acquirer, recognizes the gain on bargain purchase in profit or loss. Before recognizing the gain from a bargain purchase, the Bank reassesses whether all the acquired assets and liabilities assumed have been correctly identified and all additional assets and liabilities have been recognized.

If the value of the consideration transferred, measured at fair value as at the acquisition date, exceeds the net value of fair values of identifiable acquired assets and liabilities assumed as at the acquisition date, the goodwill is recognized. The determined value of goodwill is not subject to amortization, but at the end of each financial year and whenever there are impairment triggers identified, it is tested for impairment.

In accordance with IFRS 3, the Bank executes the final settlement of the acquisition in the period of maximum one year from the day of acquiring control.

ACQUISITION OF SHARES OF EURO BANK S.A.

Description of the transaction

On 5 November 2018, Bank Millennium (acquiring entity) announced and signed the preliminary agreement related to the acquisition of 98.787% shares of Euro Bank S.A. (acquired entity) from SG Financial Services Holdings ("Seller"), a wholly owned subsidiary of Societe Generale S.A. The transaction specified in the agreement is the direct acquisition of the shares by Bank Millennium.

The strategic rationale for the transaction

As a result of the transaction related to the acquisition of Euro Bank shares, Bank Millennium strengthened its important position in the Polish banking sector. The transaction increased the number of the Bank's clients by 1.4 million and will therefore allow the Bank to become one of the largest Polish bank in terms of the number of retail clients.

The acquisition of Euro Bank will allow the Bank to increase the segment of consumer loans, as well as the importance of this segment for the entire Group.

The acquisition of Euro Bank will enable Millennium Bank to acquire competences in the franchise model and will strengthen its presence in smaller cities, where Euro Bank is strongly located, and will contribute to increase of the geographical coverage of the Bank's distribution network.

Price

The parties to the contract have determined the price for the purchase of Euro Bank SA shares in the amount of PLN 1,833,000,000, which is subject to the adjustment mechanism after closing the transaction (i.e. after transferring the legal title to the shares to Millennium Bank). At the date of preparation of the financial statements the preliminary price after adjustments amounted to 1,844,017,010 PLN. The final price will be adjusted on the basis of a comparison of the final audited net asset value of Euro Bank (calculated at the Closing Date) with the net asset reference value constituting the basis for determining the price. As a result of the mentioned mechanism, the final price actually paid by Millennium Bank for the shares may differ from the price indicated above.

Bank Millennium does not intend to increase the share capital in order to finance the Transaction.

Financing

The acquisition price, according to the agreement, was paid with cash and was financed from the internal means of the Bank. Additionally, the Agreement specified that the financing for Euro Bank from Societe Generale (including subordinated debt to SG), will be paid or refinanced by Euro Bank or Bank Millennium.

Completion of the acquisition

On 3 January 2019, the Bank received information on issuing by the President of the Office of Competition and Consumer Protection the decision on the consent for the concentration consisting in the Bank's acquisition of control over Euro Bank S.A. The consent was issued on 28 December 2018.

On 28 May 2019 the Polish Financial Supervision Authority issued the consent specifying that there is no basis for the objection raising, and therefore Bank Millennium together with its parent entity, Banco Comercial Portugues, were allowed to acquire the shares of Euro Bank S.A. in the number resulting in exceeding 50% of the total number of votes on the general meeting of Euro Bank and of the share in the share capital. The number of acquired shares exceeding 50% results also in becoming a parent entity of Euro Bank.

On 31 May 2019, by executing the share purchase agreement between the Bank and SG Financial Services Holdings of 5 November 2018, the Bank has acquired the majority of shares, constituting ca. 99.787% of Euro Bank S.A. share capital from the seller.

Additionally, on 31 May 2019, the Bank has repaid the unsubordinated financing granted to Euro Bank by Societe Generale S.A. ("SG") in the amount of ca. PLN 3.800.000.000. It was preceded by Euro Bank's repayment of a part of subordinated debt from SG in the amount of PLN 250.000.000, after obtaining appropriate agreements from the PFSA in this particular area.

In order to limit the risk associated with the Euro Bank's portfolio of mortgage loans denominated in CHF or denominated in PLN, but indexed to CHF, Euro Bank and SG signed on 31 May 2019 an "CHF Portfolio Indemnity and Guarantee Agreement" as it was planned in the Share Purchase Agreement. Euro Bank, Bank Millennium and SG also concluded an agreement related to the provision of certain limited transitional services by SG for Euro Bank.

After finalizing the closure of the transaction, the Bank intends to include Euro Bank into its structure, under the condition of receiving appropriate regulatory consents in this area.

Merger plan

On 6 June 2019, the Management Board of Bank Millennium and the Management Board of Euro Bank agreed and signed the merger plan of Bank Millennium and Euro Bank (the "Merger"). The merger will be performed in accordance with art. 492 § 1 point 1 of the Commercial Companies Code (KSH) by transferring all assets and liabilities of Euro Bank (the acquired bank) to Bank Millennium (the acquiring bank), without increasing the share capital of Bank Millennium.

In accordance with the Merger, existing, dematerialized shares of Bank Millennium ("Merger Shares") will be allocated to the minority shareholders of Euro Bank.. The shares will be purchased on Warsaw Stock Exchange S.A. in the secondary trading, by Millennium Dom Maklerski S.A. [Millennium Brokerage House], by the order of Bank Millennium, pursuant to art. 515 § 2 of the Commercial Companies Code.

The following share exchange parity has been determined in the Merger Plan: in exchange for 1 (one) share of Euro Bank, a minority shareholder of Euro Bank will receive 4.1 Merger Shares.

As a result of the Merger, Bank Millennium will assume all the rights and obligations of Euro Bank, and Euro Bank will be dissolved without liquidation proceedings and its entire assets will be transferred to Bank Millennium. The merger will take place on the day of its entry into the register of entrepreneurs of the National Court Register of Bank Millennium.

The merged Bank will operate under the name Bank Millennium S.A. based on the provisions of the Act of 15 September 2000 - Code of Commercial Companies ("KSH").

The merger will be performed only after obtaining all the appropriate consents and permits required by law, i.e.:

- (i) permission of the Polish Financial Supervision Authority ("PFSA") for the Merger, pursuant to art. 124 paragraph 1 of the Act of 29 August 1997 - Banking Law ("Banking Law");
- (ii) permission of the PFSA to amend the Statute of Millennium Bank pursuant to art. 34 paragraph 2 of the Banking Law.

Provisional Transaction settlement

Transaction settlement was performed applying the purchase method, in accordance with the International Financial Reporting Standard 3 "Business combinations" ("IFRS"), which requires, among others, recognition and measurement of identifiable assets acquired, and liabilities assumed measured at fair value as at the acquisition date, and any non-controlling interest in the acquired entity (if any) and separate recognition and measurement of goodwill or gain on bargain purchase

Considering that acquiring control over Euro Bank S.A. occurred on 31 May 2019, the provisional settlement of the Transaction was based on the data from the acquired company as at that date, considering the adjustments required by IFRS 3.

As part of the transaction, the Bank identified non-controlling interests amounting to 0.2% of the total value of Euro Bank's shares. The Bank intends to buy back shares held by minority shareholders.

In accordance with the requirements of IFRS 3, the full settlement of the purchase price including minority interests will be carried out within a maximum of one year from the date of taking control.

Payment transferred in the acquired entity

In PLN thousand	Identifiable assets acquired and liabilities assumed measured at fair value
Price transferred in accordance with the Agreement	1,833,000
Preliminary price adjustment	11 000
Price after adjustment	1,844,000

Payments for shares was a cash payment.

Recognition and measurement of identifiable assets acquired liabilities assumed measured in accordance with IFRS

The following data regarding the fair value measurement of the acquired assets and assumed liabilities were based on the identification from the point of view of Bank Millennium and the adopted assumptions regarding the materiality threshold.

Identifiable acquired assets and liabilities assumed measured at fair value	
	In PLN million
Assets	
Cash and balances at Central Bank	241.6
Amounts due from banks	85.0
Loans and advances to customers	12,626.1
Financial assets held for trading	1,403.8
Intangible assets	49.8
Fixed assets	113.2
Deferred tax assets	131.9
Other assets	72.2
Total assets	**14,723.6**
Liabilities and equity	
Amounts due to banks and financial institutions	4,086.5
Amounts due to customers	7,974.9
Debt securities	506.1
Provisions	1.3
Derivatives in hedge accounting	5.7
Other liabilities	340.9
Subordinated loan	100.1
Total liabilities	**13,015.5**
Net assets	**1,708.1**
Liabilities and equity	**14,723.6**

The audit of the special purpose financial statements of Euro Bank S.A. prepared as at 31 May 2019 is currently underway, as a result of which additional adjustments to the purchase price may be identified. Upon completion of the audit, it is anticipated that arrangements will be made between the parties to the Transaction as regards the confirmation of book values of particular assets and liabilities of Euro Bank S.A. Thus, both the balance sheet amounts of Bank Millennium S.A. as at 31 May 2019, as well as the amount of fair value adjustment of these items and exclusions may change in the course of ongoing talks. Therefore, the value of identifiable assets acquired and liabilities assumed measured at fair value may change, which may affect the value of goodwill recognized within the Transaction.
The adjustments to the fair value for temporary differences constituted the basis for the calculation of deferred tax (recognized in the amount of PLN 37,373 thousand).

The portfolio of loans and advances to customers acquired as part of the Transaction related to the purchase of shares of Euro Bank S.A. as at the acquisition date, measured at fair value, was presented in the financial statements in net value, i.e. the fair value adjustment was recognized.

Fair value measurement methods

Performing loans and advances to customers

The portfolio of loans and advances to customers acquired as part of the Transaction related to the purchase of shares of Euro Bank S.A. was measured at fair value as at the acquisition date in accordance with the requirements of IFRS 3 and IFRS 13. The fair value was determined using the present value technique of discounting future cash flows resulting from the acquired assets, considering expectations on possible fluctuations in the amount and timing of cash flows, the time value of cash flows and other factors that market participants would consider in similar circumstances.

The measurement of portfolio components was based on the following assumptions:

1. For each asset, the parameterization of the valuation model was determined based on its individual characteristics. For assets included in stage 1, contractual future cash flows were subject to provision for the effect of prepayments. In the absence of contractual cash flows, future capital flows were estimated based on the pace of debt repayment resulting from the statistical-behavioural model. For the exposures in stage 1, the real capital and interest flows were subject to adjustment for the impact of credit risk parameters.

2. Future interest flows for performing loans were determined based on the curve of forward rates for components related to the variable rate. Future values of the variable rate were determined on the basis of a yield curve constructed from financial instruments indexed to a given reference rate.

3. For performing loans with a payment schedule in the valuation model, contractual cash flows were subject to adjustment for prepayment factors.

4. For performing loans without contractual maturity date, future cash flows were estimated in the behavioural life cycle of the product. This concerned the portfolio of credit cards and the portfolio of current account limits.

5. For performing loans, capital-interest cash flows determined in previous steps were subject to adjustment for the PD and LGD parameter vectors throughout the lifetime of the exposure. In this way, the impact of credit risk on fair value was taken into account in the valuation model for exposures included in stage 1.

6. The fair value of the exposure was determined by discounting the expected future cash flows. The discount rate components were the following: zero-coupon rate derived from the right yield curve, capital cost overhead and margin component, representing all cost-revenue elements for given product groups, not included under other parameters of the valuation model, e.g.: liquidity margin, administrative costs, residual profit margin required on the market.

7. The zero-coupon rate, being an element of the discount rate, was based on the swap curve appropriate for the currency of the contract.

8. The market cost of capital was determined using the CAPM model and the risk weights assigned to individual asset components.

9. The margin component was determined based on newly granted loans with similar characteristics on the market. The margin was determined numerically for each exposure group, homogeneous in terms of factors identified as affecting the valuation.

IT systems

Fair value of IT systems acquired as part of the Transaction related to the purchase of Euro Bank S.A. shares was determined as follows:

1. Assuming market depreciation rates (5 years for main systems and 3 years for other systems), the net value of systems was calculated. The calculation was based on the assumption that the market rates would be effective from the moment of acquisition of a particular IT system for use.
2. For the 20 systems that are the largest in terms of net values as at the acquisition date, an individual valuation was performed from the perspective of the average market participant.
3. IT systems that were classified as intangible assets under construction as at the acquisition date were measured from the market participant's perspective and their value was determined depending on the decision whether to continue individual projects. For projects that the market participant would have continued in similar circumstances, the capitalized cost was assumed as it accurately reflects the current value and progress of the work. In case of IT systems, which usage will not be continued and additionally due to the specificity of the systems there is no possibility of their sale, the fair value is considered to be 0.

Property, plant and equipment

For all fixed assets containing Euro Bank trademarks and logo the fair value was set to 0. Fair value of assets classified as leasehold improvements related to adaptation and modernization of space in premises aimed at adapting them to Euro Bank standards (logo etc.) were measured as value of the 10-month depreciation in accordance with market depreciation rates. The remaining fixed assets were measured at the net value, assuming market depreciation rates from the moment of accepting these assets for use.

Relations with clients in the area of deposits and loans

Relationships with clients holding a CDI (core deposit intangible) have been determined using the favorable source of funds method, as the current value of the difference between the lower cost of financing the acquired savings accounts and the higher alternative cost of financing operations (including interest costs and costs administrative burden) that the Bank would have to incur if it did not have a portfolio of such accounts. For each year of the cash flow forecast, considering the estimated rate of customer outflow, the difference between the alternative financing cost and the cost of the acquired accounts is calculated, and is discounted using an adequate discount rate.

Relations with customers who have credit accounts have been estimated using the Multi-Period Excess Earning Method (MEEM). The value of the relationship is determined based on the current value of discounted future cash flows resulting from additional income generated for the Bank having a given intangible asset, after taking into account the rate of departure customers, costs and encumbrances on capital assets.

The discount rate applied to value customer relationships takes into account the time value of money, the cost of equity and bonuses for specific risks identified in the relationship. The cost of the Bank's equity is determined in accordance with the CAMP model (Capital Asset Pricing Model).

The estimated value of CDI was considered irrelevant, mainly due to the relatively high interest rate on the acquired savings accounts and the possibility of alternative financing of the Bank at a relatively low margin. Due to the above, CDI did not meet the disclosure criterion as a separate asset related to the acquisition. With exception of cash loans there were also no significant relationships with customers having credit products, mainly due to the relatively low level of additional revenues generated by these products, in relation to the corresponding costs of risk, administrative costs and capital charges.

Lease/rental agreements

The conditions included in signed agreements regarding the rental of office space for the needs of branches and headquarters were compared to the conditions of the agreements currently concluded in the market with relation to office areas of a similar area and location. The difference between the rental rate of the acquired branches and headquarters and rental rate of similar areas available on the market was calculated. The amount of the difference was discounted by the discount rate of Millennium Bank, applied for the models of assets measurement under IFRS 16 for the period remaining until the completion of individual contracts. The value of unfavourable agreements adjusted the book value of lease assets' right of use.

Guarantee agreement regarding CHF Mortgage loans portfolio

Fair value of the guarantee determined using income method was estimated as present value of future cash flows expected to be received from Societe Generale S.A. to cover losses related to acquired CHF Mortgage loans portfolio resulting from the future defaults or from the cost of risk of already defaulted loans. In the valuation the value of market spread paid for the similar financial instruments was taken into account.

Other adjustments

Other adjustments to fair value and the so-called adjustments of net assets resulting from the adjustments to accounting principles concerned, among others, unification of bonds and derivatives measurement, as well as write-off of some other assets items.

The determination of the fair value of the assets and liabilities acquired and the identification and recognition of intangible assets resulting from the acquisition were based on the available information and the best estimates as at the date of preparation of the financial statements.

Calculation of goodwill

As at the date of the present report, the Bank did not complete the process of calculating goodwill as at 31 May 2019.

The Bank made a provisional settlement of the merger and calculation of goodwill in connection with the purchase of Euro Bank S.A. shares. In accordance with the requirements of IFRS 3, Bank Millennium will perform the final settlement of the acquisition within a maximum period of one year from the date of acquiring the control. During this time, the acquirer may adjust retrospectively the provisional fair values of assets and liabilities recognized as at the acquisition date to reflect any new information obtained in relation to facts and circumstances that existed as at the acquisition date and, if known, would affect the measurement of those assets and liabilities. Such adjustments refer to the recognized value of the firm or gain on bargain purchase.

In PLN thousand	Identifiable assets acquired and liabilities assumed measured at fair value
Price transferred in accordance with the Agreement	1,833,000
Preliminary price adjustment	11,000
Price after adjustment	1,844,000
Fair value of acquired net assets	1,708,101
Goodwill	135,899

The preliminary price adjustment results from the changes and detailed arrangements made in accordance with the provisions of the Transaction Agreement.

This provisional purchase price allocation has been prepared by the Bank's Management Board based on calculations resulting from the concluded Transaction Agreement. The final settlement in accordance with the terms of the Transaction Agreement will, however, be subject to final arrangements between Bank Millennium and SG Financial Services Holdings, disposing the shares of Euro Bank S.A.

Goodwill was recognized in intangible assets, which resulted in a significant increase in this item in the consolidated balance sheet.

In connection to the above, the purchase price allocation performed as at 31 May 2019 shall be considered as provisional and may be subject to changes if the Bank acquires new information as at 31 May 2019, which are not known at the date of preparation of the consolidated financial statements for the first half of 2019. In accordance with IFRS 3.45, the maximum period for making changes to the purchase price allocation expires after 12 months from the date of the acquisition, i.e. on 31 May 2020. Any changes will be made retrospectively (i.e. they will be recognized in other comprehensive income). The currently determined difference of the fair value of acquired assets and assumed liabilities at the acquisition date over the purchase price is recognized by the Bank in accordance with the provisions of IFRS 3.32 as goodwill in intangible assets).

As at the balance sheet date, no impairment allowances for goodwill were recognized in intangible assets nor there were any changes in the reporting period in the initially recognized goodwill.

The difference between the book value of the acquired assets and liabilities of Euro Bank S.A. and their fair value measurement will be subject to settlement through the profit or loss account - in the economic life of the individual components of the assets and liabilities acquired.

Additional disclosures

The consolidated statement of Profit and loss of the Bank Millennium Capital Group for the first half of 2019 includes the net result of Euro Bank that amounted to PLN 4,088 thousand.

The Capital Group's profit or loss account, presented as if the acquisition date was the beginning of the reporting period, i.e. on 1 January 2019 was presented below. This data are for reference purposes only, in fact the Group's profit and loss account includes the Euro Bank's result from the date of the merger (May 31, 2019), that is for June 2019 only.

in PLN thousand	1.01.2019 -30.06.2019
Net interest income	1 342 854,70
Interest income and other of similar nature	1 860 201,08
Interest expenses	(517 346,38)
Net fee and commission income	357 090,02
Fee and commission income	459 234,44
Fee and commission expenses	(102 144,43)
Dividend income	2 707,96
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	29 342,67
Results on financial assets and liabilities held for trading	31 438,18
Result on non-trading financial assets mandatorily at fair value through profit or loss	14 232,83
Result on hedge accounting	(10 137,69)
Result on exchange differences	81 470,21
Other operating income	58 507,48
Other operating expenses	(34 108,59)
Administrative expenses	(861 361,77)
Impairment losses on financial assets	(277 936,22)
Impairment losses on non-financial assets	(1 268,01)
Result on modification	(8 210,17)
Depreciation	(101 634,82)
Share of the profit of investments in subsidiaries	0,00
Banking tax	(123 665,34)
Profit before income taxes	**499 321,43**
Corporate income tax	(145 154,29)
Profit after taxes	**354 167,14**

2. Introduction and Accounting Policy

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed consolidated interim financial statement do not include all of the information which is presented in full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2018.

The accounting principles applied in the preparation of this report are compliant with the requirements of IAS 34 and the principles used in the preparation of the consolidated financial statements of the Bank Millennium SA Capital Group for the year ended on December 31, 2018, taking into account changes introduced as a result of the IFRS 16 implementation on January 1, 2019, which are described below. Pursuant to the provisions of IFRS 16, the Bank decided not to convert comparative data for reporting periods ended before January 1, 2019.

Accounting principles applicable to comparative data have been described in the consolidated financial statements of the Bank Millennium SA Capital Group for the financial year ended December 31, 2018.

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the six months ending June 30, 2019.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2019 to 30 June 2019:

- include financial data of the Bank and its subsidiaries forming the Group, and data of associates accounted under the equity method;
- are prepared on the basis of the assumption of business continuity by the Group, namely scale of business is not to be reduced substantially in a period of not less than one year from the balance sheet date;
- have been prepared in PLN, and all values, unless otherwise indicated, are given in PLN rounded to one thousand.

Data presented in these condensed interim consolidated financial statements of the Bank Millennium SA Capital Group, for the second quarter of 2019 and respectively second quarter 2018 and as at March 31, 2019, were not reviewed by an independent auditor.

The Management Board approved these condensed consolidated interim financial statements on 26th July 2019.

IFRS 16 Leases

The International Accounting Standards Board has published the new International Financial Reporting Standard No. 16 (IFRS 16) concerning leases. IFRS 16 applies to reporting periods starting on 1 January 2019 and affects the Group in the area of assets used under lease agreements. The new requirements eliminate the notion of operating lease and thus off-balance sheet recognition of assets used on this basis. All assets used as well as relevant rent payment liabilities are to be recognised in the balance sheet, with the exception of short-term contracts and contracts for low-value assets, where the new standard allows a simplified approach (recognition directly in the cost of the period).

The Group analysed its agreements to establish which are leases, which aren’t. An agreement is a lease or contains a lease if under it the right is conveyed to control the use of an identified asset for a particular irrevocable period in exchange for remuneration. Recognition of agreements on rental of office space (Head Office, branches) as leases have the biggest impact on financial statements. Also agreements were identified on small spaces (bin shelters, ATM space etc.) as well as agreements on minor equipment, which were classified as low value leases.

Transition period

In order to implement the new standard the Group adopted a modified retrospective approach, which assumes not restating comparable data. On the day of first use of the new standard (1 January 2019) the Group recognised lease liabilities equal to the current value of discounted and as yet unpaid lease payments as well as assets equal to liabilities. The life of an asset for use will be equal to the duration of the lease agreement.

In result of application of the new standard as at the end of June 2019 the Group has total assets higher by PLN 342 million, while costs estimated for 2019 will increase by approx. PLN 5 million over 2018. In subsequent years the impact of the new standard on the result will decrease.

The Group has adopted the following assumptions, based on which lease agreements are carried in financial statements:

- Calculation of liabilities and assets will use net values of future cash flows,
- In case of agreements denominated in currency the liabilities will be carried in the original currency of the contract while assets in Polish zloty converted at the rate from the day of start of validity (signing) of the agreement, assets in Polish zloty were converted at the rate from the date of initial application of the standard (i.e. 01.01.2019),
- New agreements shall be discounted using incremental borrowing rate defined as risk free rate (SWAP) from the day of start (signing) of an agreement appropriate for the duration of the agreement, plus credit spread defined and updated with respect to the premium for Bank's credit risk.

Accounting schedules

The financial report shows in different items both assets from right to use as well as lease liabilities. On the start date lease payments contained in the valuation of the lease liability shall comprise following payments for the right to use the underlying asset during the lease period, which remain due on that date:

- fixed lease payments less any and all due lease incentives,
- variable lease payments, which depend on the index or rate, initially valuated with use of this index or this rate in accordance with their value on start date,
- amounts expected to be paid by the lessee under the guaranteed final value,
- the buy option strike price if it can be assumed with sufficient certainty that the lessee will exercise this option,
- monetary penalties for lease termination if the lease terms and conditions stipulated that the lessee may exercise the lease termination option.

A right to use asset comprises:

- amount of initial valuation of the lease liability,
- any and all lease payments paid on the start date or before it, less any and all lease incentives received.

Financial result reflects following items:

- depreciation of right to use,
- interest on lease liabilities,
- VAT on rent invoices reported in cost of rent.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Net interest income		1 056 527	572 535	868 831	440 540
Interest income and other of similar nature	1	1 487 497	792 938	1 234 043	624 448
Income calculated using the effective interest method		1 426 898	763 108	1 178 165	595 956
- Interest income from Financial assets at amortised cost		1 227 785	669 088	1 003 983	510 110
- Interest income from Financial assets at fair value through other comprehensive income		199 113	94 020	174 182	85 846
Income of similar nature to interest from Financial assets at fair value through profit or loss		60 599	29 830	55 878	28 492
Interest expenses	2	(430 970)	(220 403)	(365 212)	(183 908)
Net fee and commission income		338 199	175 025	336 587	164 083
Fee and commission income	3	422 827	221 297	414 561	205 359
Fee and commission expenses	4	(84 628)	(46 272)	(77 974)	(41 276)
Dividend income		2 682	2 484	2 224	2 075
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	29 304	14 383	8 599	5 439
Results on financial assets and liabilities held for trading	6	31 624	13 549	36 773	19 596
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	10 532	6 479	(828)	1 455
Result on hedge accounting		(9 951)	(5 130)	(9 958)	(4 529)
Result on exchange differences		78 677	45 774	74 043	37 068
Other operating income		51 665	12 147	24 891	11 158
Other operating expenses		(30 919)	(14 813)	(24 058)	(13 072)
Administrative expenses	8	(682 988)	(331 932)	(605 603)	(288 781)
Impairment losses on financial assets	9	(217 180)	(154 086)	(97 789)	(50 138)
Impairment losses on non-financial assets		(1 300)	(653)	(26)	12
Result on modification		(6 635)	(2 969)	(7 363)	(3 064)
Depreciation		(73 039)	(39 627)	(26 615)	(13 206)
Share of the profit of investments in subsidiaries		0	0	0	0
Banking tax		(110 008)	(58 650)	(100 656)	(48 478)
Profit before income taxes		**467 190**	**234 516**	**479 052**	**260 158**
Corporate income tax	10	(133 567)	(60 859)	(131 107)	(67 489)
Profit after taxes		**333 623**	**173 657**	**347 945**	**192 669**
Attributable to:					
Owners of the parent		333 623	173 657	347 945	192 669
Non-controlling interests		0	0	0	0
Weighted average number of outstanding ordinary shares		1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Profit (loss) per ordinary share (in PLN)		0.28	0.14	0.29	0.16

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Ptofit after taxes	333 623	173 657	347 945	192 669
Other comprehensive income items that may be (or were) reclassified to profit or loss	(17 096)	16 451	36 905	(20 840)
Result on debt securities at fair value through other comprehensive income	(55 615)	22 526	19 820	(26 573)
Hedge accounting	38 519	(6 075)	17 085	5 733
Other comprehensive income items that will not be reclassified to profit or loss	44	28	(72)	(32)
Actuarial gains (losses)	0	0	0	0
Result on equity instruments at fair value through other comprehensive income	44	28	(72)	(32)
Total comprehensive income items before taxes	**(17 052)**	**16 479**	**36 833**	**(20 872)**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	3 248	(3 126)	(7 012)	3 960
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	(8)	(5)	14	6
Total comprehensive income items after taxes	**(13 812)**	**13 348**	**29 835**	**(16 906)**
Total comprehensive income for the period	**319 811**	**187 005**	**377 780**	**175 763**
Attributable to:				
Owners of the parent	319 811	187 005	377 780	175 763
Non-controlling interests	0	0	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount ‘000 PLN	Note	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Cash, cash balances at central banks		3 396 000	1 736 975	2 450 176	2 146 680
Financial assets held for trading	11	796 927	871 558	794 718	1 410 008
Derivatives		98 022	98 095	101 372	168 318
Equity instruments		290	194	104	123
Debt securities		698 615	773 269	693 242	1 241 567
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers		98 082	73 778	64 796	57 444
Equity instruments		21 609	21 609	21 609	20 439
Debt securities		76 473	52 169	43 187	37 005
Financial assets at fair value through other comprehensive income	12	18 725 967	22 875 843	22 133 938	16 967 949
Equity instruments		29 340	29 315	29 299	26 209
Debt securities		18 696 627	22 846 527	22 104 639	16 941 740
Loans and advances to customers	13	67 855 209	53 939 776	52 711 680	50 255 867
Mandatorily at fair value through profit or loss		1 341 424	1 240 911	1 250 525	1 153 901
Valued at amortised cost		66 513 785	52 698 865	51 461 155	49 101 966
Financial assets at amortised cost other than Loans and advances to customers	14	842 182	1 256 877	1 026 420	676 243
Debt securities		56 881	45 039	44 884	47 446
Deposits, loans and advances to banks and other monetary institutions		711 642	414 429	731 252	519 950
Reverse sale and repurchase agreements		73 659	797 409	250 284	108 847
Derivatives – Hedge accounting	15	99 864	87 516	125 501	166 304
Investments in subsidiaries, joint ventures and associates		0	0	0	0
Tangible fixed assets		650 122	537 179	210 641	189 674
Intangible fixed assets		278 106	93 564	96 464	74 788
Income tax assets		542 979	387 721	335 726	329 041
Current income tax assets		30 613	27 551	11	1 098
Deferred income tax assets	17	512 366	360 171	335 715	327 943
Other assets		355 868	418 423	483 180	368 507
Non-current assets and disposal groups classified as held for sale		28 999	27 584	25 674	23 333
Total assets		**93 670 305**	**82 306 793**	**80 458 914**	**72 665 838**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.06.2019	31.03.2019	31.12.2018	30.06.2018
LIABILITIES					
Financial liabilities held for trading	11	232 231	214 804	231 633	236 119
Derivatives		146 641	100 622	107 879	129 801
Liabilities from short sale of securities		85 590	114 182	123 754	106 318
Financial liabilities measured at amortised cost		81 873 385	71 038 795	69 594 512	62 502 145
Liablities to banks and other monetary institutions	18	1 908 263	1 868 210	1 788 857	1 165 688
Liabilities to customers	19	76 827 811	66 672 620	66 243 769	59 831 479
Sale and repurchase agreements	20	20 990	55 759	50 324	94 285
Debt securities issued	21	1 469 990	897 591	809 679	708 893
Subordinated debt	22	1 646 331	1 544 615	701 883	701 800
Derivatives – Hedge accounting	15	339 276	367 337	376 811	506 560
Provisions	23	108 335	104 881	112 452	116 115
Pending legal issues		56 145	56 255	60 710	59 426
Commitments and guarantees given		52 190	48 626	51 742	56 689
Income tax liabilities		17 257	33 316	22 309	23 664
Current income tax liabilities		17 257	33 316	22 309	23 664
Deferred income tax liabilities	17	0	0	0	0
Other liabilities		2 395 624	2 030 468	1 736 811	1 373 535
Total Liabilities		**84 966 108**	**73 789 601**	**72 074 528**	**64 758 138**
EQUITY					
Share capital		1 213 117	1 213 117	1 213 117	1 213 117
Share premium		1 147 502	1 147 502	1 147 502	1 147 502
Accumulated other comprehensive income		59 880	46 532	73 692	9 712
Retained earnings		6 283 698	6 110 041	5 950 075	5 537 369
Total equity		8 704 197	8 517 192	8 384 386	7 907 700
Total equity and total liabilities		**93 670 305**	**82 306 793**	**80 458 914**	**72 665 838**

Book value of net assets		8 704 197	8 517 192	8 384 386	7 907 700
Number of shares (pcs.)		1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)		7.18	7.02	6.91	6.52

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	
					Unappropriated result	Other reserves
01.01.2019 - 30.06.2019						
Equity at the beginning of the period	**8 384 386**	**1 213 117**	**1 147 502**	**73 692**	**671 323**	**5 278 752**
Total comprehensive income for the period (net)	319 811	0	0	(13 812)	(206 367)	539 990
net profit/ (loss) of the period	333 623	0	0	0	333 623	0
valuation of debt securities at fair value through other comprehensive income	(45 048)	0	0	(45 048)	0	0
valuation of shares at fair value through other comprehensive income	36	0	0	36	0	0
hedge accounting	31 200	0	0	31 200	0	0
Transfer between items of reserves	0	0	0	0	(539 990)	539 990
Equity at the end of the period	**8 704 197**	**1 213 117**	**1 147 502**	**59 880**	**464 956**	**5 818 742**
01.04.2019 - 30.06.2019						
Equity at the beginning of the period	**8 517 192**	**1 213 117**	**1 147 502**	**46 532**	**291 299**	**5 818 742**
Total comprehensive income for the period (net)	187 005	0	0	13 348	173 657	0
net profit/ (loss) of the period	173 657	0	0	0	173 657	0
valuation of debt securities at fair value through other comprehensive income	18 246	0	0	18 246	0	0
valuation of shares at fair value through other comprehensive income	23	0	0	23	0	0
hedge accounting	(4 921)	0	0	(4 921)	0	0
Transfer between items of reserves	0	0	0	0	0	0
Equity at the end of the period	**8 704 197**	**1 213 117**	**1 147 502**	**59 880**	**464 956**	**5 818 742**
01.01.2018 - 31.12.2018						
Equity at the beginning of the period	**7 772 599**	**1 213 117**	**1 147 502**	**(34 795)**	**863 313**	**4 583 462**
adjustment of the opening balance due to the adaption of IFRS 9	(242 679)	0	0	14 672	(257 351)	0
Equity as at 01.01.2018	7 529 920	1 213 117	1 147 502	(20 123)	605 962	4 583 462
Total comprehensive income (net)	854 466	0	0	93 815	760 651	0
net profit/ (loss) of the period	760 651	0	0	0	760 651	0
valuation of debt securities at fair value through other comprehensive income	57 514	0	0	57 514	0	0
valuation of shares at fair value through other comprehensive income	2 448	0	0	2 448	0	0
hedge accounting	33 920	0	0	33 920	0	0
Actuarial gains/losses	(67)	0	0	(67)	0	0
Transfer between items of reserves	0	0	0	0	(695 290)	695 290
Equity at the end of the period	**8 384 386**	**1 213 117**	**1 147 502**	**73 692**	**671 323**	**5 278 752**
01.01.2018 - 30.06.2018						
Equity at the beginning of the period	**7 772 599**	**1 213 117**	**1 147 502**	**(34 795)**	**863 313**	**4 583 462**
adjustment of the opening balance due to the adaption of IFRS 9	(242 679)	0	0	14 672	(257 351)	0
Equity as at 01.01.2018	7 529 920	1 213 117	1 147 502	(20 123)	605 962	4 583 462
Total comprehensive income (net)	377 780	0	0	29 835	347 945	0
net profit/ (loss) of the period	347 945	0	0	0	347 945	0
valuation of debt securities at fair value through other comprehensive income	16 054	0	0	16 054	0	0
valuation of shares at fair value through other comprehensive income	(58)	0	0	(58)	0	0
hedge accounting	13 839	0	0	13 839	0	0
Transfer between items of reserves	0	0	0	0	(695 290)	695 290
Equity at the end of the period	**7 907 700**	**1 213 117**	**1 147 502**	**9 712**	**258 617**	**5 278 752**

CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Profit (loss) after taxes	333 623	173 657	347 945	192 669
Total adjustments:	(3 401 282)	(2 205 235)	(1 491 395)	(1 439 304)
Interest received	1 375 927	797 532	1 196 166	604 215
Interest paid	(383 226)	(196 771)	(343 074)	(186 148)
Depreciation and amortization	73 039	39 627	26 615	13 206
Foreign exchange (gains)/ losses	4 222	674	42 797	34 710
Dividends	(2 682)	(2 484)	(2 224)	(2 075)
Changes in provisions	(4 117)	3 454	24 534	12 397
Result on sale and liquidation of investing activity assets	(26 369)	(13 915)	(12 608)	(7 476)
Change in financial assets held for trading	(112 241)	(96 024)	(314 478)	615 134
Change in loans and advances to banks	(226 121)	(194 547)	(245 250)	(239 248)
Change in loans and advances to customers	(16 205 412)	(14 468 086)	(4 052 052)	(2 719 929)
Change in receivables from securities bought with sell-back clause (loans and advances)	168 878	717 547	(111 143)	30 752
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(36 937)	(10 634)	375 715	292 957
Change in deposits from banks	173 051	90 298	(881 596)	(504 069)
Change in deposits from customers	10 940 673	10 332 769	2 877 503	526 158
Change in liabilities from securities sold with buy-back clause	(26 061)	(33 975)	98 757	96 640
Change of liabilities from debt securities issued	676 288	585 993	(104 186)	(115 032)
Change in income tax settlements	(30 748)	(75 825)	131 605	67 270
Income tax paid	(178 735)	(98 622)	(133 946)	(90 641)
Change in other assets and liabilities	400 498	411 490	(79 285)	124 386
Other	18 791	6 264	14 755	7 489
Net cash flows from operating activities	(3 067 659)	(2 031 578)	(1 143 450)	(1 246 635)

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Inflows:	74 240 501	36 468 242	124 517 974	36 522 711
Proceeds from sale of property, plant and equipment and intangible assets	19 624	0	5 862	2 917
Proceeds from sale of shares in related entities	0	0	0	0
Proceeds from sale of investment financial assets	74 218 195	36 465 758	124 509 888	36 517 719
Other	2 682	2 484	2 224	2 075
Outflows:	(71 949 097)	(34 025 139)	(127 539 550)	(37 178 514)
Acquisition of property, plant and equipment and intangible assets	(320 631)	(311 522)	(27 796)	(19 365)
Acquisition of shares in related entities	0	0	0	0
Acquisition of investment financial assets	(71 628 466)	(33 713 617)	(127 511 754)	(37 159 149)
Other	0	0	0	0
Net cash flows from investing activities	2 291 404	2 443 103	(3 021 576)	(655 803)

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Inflows from financing activities:	930 130	100 130	85 434	85 434
Long-term bank loans	0	0	85 434	85 434
Issue of debt securities	0	0	0	0
Increase in subordinated debt	930 130	100 130	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0	0	0
Other inflows from financing activities	0	0	0	0
Outflows from financing activities:	(64 798)	(60 390)	(772 574)	(772 124)
Repayment of long-term bank loans	(44 046)	(44 046)	(423 518)	(423 518)
Redemption of debt securities	(122)	0	(329 380)	(329 380)
Decrease in subordinated debt	0	0	0	0
Issue of shares expenses	0	0	0	0
Redemption of shares	0	0	0	0
Dividends paid and other payments to owners	0	0	0	0
Other outflows from financing activities	(20 630)	(16 344)	(19 676)	(19 226)
Net cash flows from financing activities	865 332	39 740	(687 140)	(686 690)

D. NET CASH FLOWS. TOTAL (A + B + C)	89 077	451 265	(4 852 166)	(2 589 128)
- including change resulting from FX differences	(1 288)	(2 524)	9 841	9 283
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	4 520 688	4 158 500	8 408 252	6 145 214
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D + E)	4 609 765	4 609 765	3 556 086	3 556 086

The increase in subordinated debt resulting from the acquisition of Euro Bank is fully offset by a cash collateral deposit of the same amount made by Bank Millennium at date of acquisition of Euro Bank with the subordinated lender, Societe Generale.

4. NOTES TO CONSOLIDATED FINANCIAL DATA

Note (1) interest income and other of similar nature

	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Interest income from Financial assets at fair value through other comprehensive income	199 113	94 020	174 182	85 846
Debt securities	199 113	94 020	174 182	85 846
Interest income from Financial assets at amortised cost	1 227 785	669 088	1 003 983	510 110
Balances with the Central Bank	5 938	3 078	5 207	2 618
Loans and advances to customers	1 079 407	590 783	862 807	441 297
Debt securities	689	345	731	367
Deposits, loans and advances to banks	1 933	1 473	859	322
Transactions with repurchase agreements	7 747	6 203	2 296	1 357
Hedging derivatives	132 071	67 206	132 083	64 149
Income of similar nature to interest, including:	60 599	29 830	55 878	28 492
Loans and advances to customers mandatorily at fair value through profit or loss	53 284	27 284	46 818	23 648
Financial assets held for trading - debt securities	7 315	2 546	9 060	4 844
Total	**1 487 497**	**792 938**	**1 234 043**	**624 448**

In the line „ Derivatives – Hedge accounting" the Group presents net interest income from derivatives set as and being effective cash flow and fair value hedges. A detailed description of the hedging relations used by the Group is presented in **note (15).**

Interest income for the 1 half 2019 contains interest accrued on impaired loans in the amount of PLN 31,807 thous. (for corresponding data in the half 2018 the amount of such interest stood at PLN 24,064 thous.).

Note (2) Interest expensei and other of similar nature

	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Financial liabilities measured at amortised cost	(430 889)	(220 362)	(365 072)	(183 838)
Liabilities to banks and other monetary institutions	(14 478)	(7 769)	(9 984)	(3 671)
Liabilities to customers	(370 947)	(188 117)	(322 940)	(164 199)
Transactions with repurchase agreement	(3 273)	(794)	(4 472)	(2 355)
Debt securities issued	(9 840)	(5 715)	(13 422)	(6 453)
Subordinated debt	(28 594)	(15 861)	(14 254)	(7 160)
Liabilities due to leasing	(3 668)	(2 017)	0	0
Hedging derivatives	(89)	(89)	0	0
Other	(81)	(41)	(140)	(70)
Total	(430 970)	(220 403)	(365 212)	(183 908)

Note (3) Fee and commission income

	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Resulting from accounts service	38 261	19 127	41 404	20 857
Resulting from money transfers, cash payments and withdrawals and other payment transactions	35 933	18 638	36 912	18 318
Resulting from loans granted	91 125	46 671	81 591	40 044
Resulting from guarantees and sureties granted	6 738	3 169	7 165	3 355
Resulting from payment and credit cards	97 185	51 664	83 895	43 509
Resulting from sale of insurance products	62 738	36 039	53 956	23 978
Resulting from distribution of investment funds units and other savings products	30 837	15 943	36 762	19 126
Resulting from brokerage and custody service	6 754	3 178	9 671	4 787
Resulting from investment funds managed by the Group	37 452	19 111	47 617	23 604
Other	15 804	7 756	15 588	7 781
Total	422 827	221 297	414 561	205 359

Note (4) Fee and commission expense

	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Resulting from accounts service	(920)	(502)	(870)	(481)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(1 758)	(876)	(2 707)	(1 518)
Resulting from loans granted	(18 284)	(10 094)	(14 366)	(7 441)
Resulting from payment and credit cards	(47 991)	(26 505)	(43 598)	(23 083)
Resulting from brokerage and custody service	(1 176)	(549)	(1 714)	(809)
Resulting from investment funds managed by the Group	(4 373)	(2 148)	(5 164)	(2 529)
Other	(10 126)	(5 598)	(9 555)	(5 415)
Total	(84 628)	(46 272)	(77 974)	(41 276)

Note (5) Rresult on derecognition of financial assets and liabilities not measured at fair value through profit or loss

	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Operations on debt instruments	30 563	15 092	8 599	5 439
Operations on equity instruments	(1 259)	(709)	0	0
Total	29 304	14 383	8 599	5 439

Note (6) Results on financial assets and liabilities held for trading

	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Result on debt instruments	(1 715)	(605)	7 368	61
Result on derivatives	33 311	14 246	30 224	20 012
Rsult on other financial operations	28	(92)	(819)	(477)
Total	31 624	13 549	36 773	19 596

Note (7) Results non-trading financial assets mandatorily at fair value through profit or loss

	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Loans and advances to customers	(5 101)	(172)	(8 202)	(5 066)
Result on equity instruments	0	0	0	0
Result on debt instruments	15 633	6 651	7 374	6 521
Total	10 532	6 479	(828)	1 455

Note (8) Administrative expenses

	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Staff costs:	(372 216)	(199 661)	(316 220)	(158 521)
Salaries	(305 232)	(164 636)	(257 983)	(129 376)
Surcharges on pay	(53 915)	(28 370)	(46 150)	(22 779)
Employee benefits, including:	(13 069)	(6 655)	(12 087)	(6 366)
- provisions for retirement benefits	(2 125)	(1 074)	(1 813)	(921)
- provisions for unused employee holiday	24	74	(36)	(49)
- other	(10 968)	(5 655)	(10 238)	(5 396)
Other administrative expenses:	(310 770)	(132 269)	(289 383)	(130 260)
Costs of advertising, promotion and representation	(26 888)	(20 093)	(23 957)	(16 374)
IT and communications costs	(59 875)	(35 617)	(43 563)	(22 862)
Costs of renting	(36 879)	(18 493)	(73 516)	(37 141)
Costs of buildings maintenance, equipment and materials	(18 748)	(10 121)	(13 267)	(6 677)
ATM and cash maintenance costs	(10 304)	(5 347)	(9 491)	(4 839)
Costs of consultancy, audit and legal advisory and translation	(19 762)	(14 043)	(13 451)	(8 810)
Taxes and fees	(13 403)	(7 292)	(11 015)	(5 923)
KIR - clearing charges	(3 225)	(1 848)	(2 674)	(1 380)
PFRON costs	(3 057)	(1 656)	(2 395)	(1 269)
Banking Guarantee Fund costs	(96 050)	(12 028)	(69 623)	(14 919)
Financial Supervision costs	(3 393)	(1 772)	(2 687)	(1 350)
Other	(19 186)	(3 959)	(23 744)	(8 716)
Total	**(682 988)**	**(331 932)**	**(605 603)**	**(288 781)**

Note (9) Impairment losses on financial assets

	1.01.2019 - 30.06.2019*	1.04.2019 - 30.06.2019*	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Impairment losses on loans and advances to customers	(217 414)	(151 191)	(87 640)	(42 097)
Impairment charges on loans and advances to customers	(546 219)	(311 130)	(407 336)	(95 522)
Reversal of impairment charges on loans and advances to customers	315 043	150 857	317 827	52 703
Amounts recovered from loans written off	12 389	7 173	1 775	628
Sale of receivables	1 447	1 447	94	94
Other directly recognised in profit and loss	(74)	462	0	0
Impairment losses on securities	(6)	(6)	725	743
Impairment charges on securities	(6)	(6)	(18)	0
Reversal of impairment charges on securities	0	0	743	743
Impairment losses on off-balance sheet liabilities	240	(2 889)	(10 874)	(8 784)
Impairment charges on off-balance sheet liabilities	(24 296)	(11 074)	(45 391)	(26 168)
Reversal of impairment charges on off-balance sheet liabilities	24 536	8 185	34 517	17 384
Total	**(217 180)**	**(154 086)**	**(97 789)**	**(50 138)**

* The costs of impairment charges recorded in the second quarter of 2019 include a one-time write-offs for Euro Bank exposures in the amount of PLN 80.6 million. In accordance with IFRS 3, at the time of merger, the loan portfolio of Euro Bank was recognized in the Group's books at its fair value and it was necessary to create write-offs for these exposures in the amount of 12-month expected loss.

Note (10a) Income tax reported in income statement

	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Current tax	(173 792)	(93 726)	(131 340)	(71 625)
Current year	(173 792)	(93 726)	(131 242)	(71 527)
Adjustment to previous years	0	0	(98)	(98)
Deferred tax:	40 225	32 867	233	4 136
Recognition and reversal of temporary differences	40 486	32 542	(191)	3 931
Recognition / (Utilisation) of tax loss	(261)	325	424	205
Total income tax reported in income statement	**(133 567)**	**(60 859)**	**(131 107)**	**(67 489)**

Note (10b) Effective tax rate

	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Profit before tax	467 190	234 516	479 052	260 158
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	(88 766)	(44 558)	(91 020)	(49 430)
Impact of permanent differences on tax charges:	**(44 801)**	**(16 301)**	**(39 989)**	**(17 961)**
- Non-taxable income	6 239	648	363	355
Dividend income	396	413	338	338
Release of other provisions	5 608	0	25	17
Other	235	235	0	0
- Cost which is not a tax cost	(51 040)	(16 949)	(40 352)	(18 316)
Writing off an unrealized deferred tax asset	(3 585)	0	0	0
Loss on the sale of receivables	0	0	(27)	(27)
PFRON fee	(581)	(317)	(454)	(240)
Fees for Banking Guarantee Fund	(18 254)	(2 290)	(13 228)	(2 834)
Banking tax	(20 902)	(11 144)	(19 125)	(9 211)
Income/cost of provisions for factoring receivables	(5 249)	(1 298)	(45)	179
Receivables written off	(805)	(653)	(445)	(688)
Costs of litigations and claims	434	(245)	(4 862)	(4 279)
Depreciation and insurance costs of cars (in excess of PLN 150 ths.)	(1 098)	(570)	(1 027)	(876)
Other	(1 000)	(432)	(1 139)	(340)
Deduction of the tax paid abroad	0	0	0	0
Adjustment resulted from Article 38a of CIT	0	0	(98)	(98)
Total income tax reported in income statement	**(133 567)**	**(60 859)**	**(131 107)**	**(67 489)**
Effective tax rate	28.59%	25.95%	27.37%	25.94%

Note (10c) Deferred tax reported in equity

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Valuation of securities at fair value through other comprehensive income	(20 244)	(15 958)	(30 803)	(20 489)
Valuation of cash flow hedging instruments	5 710	4 555	13 028	17 739
Actuarial gains (losses)	489	489	489	473
Deferred tax reported directly in equity	(14 045)	(10 914)	(17 286)	(2 277)

On 1 January 2011 the Bank created with a subsidiary - Millennium Service Sp. z o.o., Tax Capital Group (TCG). TCG is a vehicle, described in and subject to the provisions of the Polish Corporate Income Tax law. The essence of TCG is to concentrate two or more related entities as one taxpayer for the corporate income tax purposes. The creation of TCG does not lead to the creation of a new entity, and consolidation is done only at the level of corporate income tax settlements.

TCG formation is aimed at increasing the efficiency of tax management within the Group and reducing risks resulting from the corporate income tax settlements through centralization of expertise of tax calculations and payments obligations to one chosen entity of the Group (the Bank).

Commencing from January 1, 2017, a new TCG is constituted, consisting of: Bank Millennium S.A (parent company), Millennium Service Sp. z o.o. and Millennium Goodie Sp. z o.o. This TCG was created for three years period: from 1 January 2017 to 31 December 2019.

Tax Inspection Office control procedures carried out in Bank Millennium S.A.

On June 24 2019 Bank received the control result issued by the Head of Mazovian Customs&Tax Office confirming the CIT overpayment of PLN 26.9 million for 2010. On July 5 2019 Tax Office transferred this amount on the Bank's account.

Note (11a) Financial assets held for trading

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Debt securities	**698 615**	**773 269**	**693 242**	**1 241 567**
Issued by State Treasury	698 615	773 269	693 242	1 241 559
a) bills	0	0	0	0
b) bonds	698 615	773 269	693 242	1 241 559
Other securities	0	0	0	8
a) quoted	0	0	0	8
b) non quoted	0	0	0	0
Equity instruments	**290**	**194**	**104**	**123**
Quoted on the active market	290	194	104	123
a) financial institutions	59	26	0	0
b) non-financial institutions	231	168	104	123
Adjustment from fair value hedge	2 563	3 433	4 293	6 054
Positive valuation of derivatives	95 459	94 662	97 079	162 264
Total	**796 927**	**871 558**	**794 718**	**1 410 008**

Note (11b) Financial assets and liabilities held for trading - Valuation of derivatives, Adjustment from fair value hedge and Short positions as at:

	Fair Values 30.06.2019			Fair Values 31.03.2019		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	4 896	27 393	22 497	5 387	30 129	24 742
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	4 896	27 393	22 497	4 041	28 783	24 742
Other interest rate contracts: options	0	0	0	1 346	1 346	0
2. FX derivatives*	(54 305)	12 634	66 939	(8 696)	22 483	31 179
FX contracts	(3 153)	5 565	8 718	(8 520)	1 831	10 351
FX swaps	(47 703)	6 312	54 015	5 330	19 392	14 062
Other FX contracts (CIRS)	(3 449)	757	4 206	(5 506)	1 260	6 766
FX options	0	0	0	0	0	0
3. Embedded instruments	(51 683)	1 218	52 901	(39 945)	7	39 952
Options embedded in deposits	(44 743)	0	44 743	(32 722)	0	32 722
Options embedded in securities issued	(6 940)	1 218	8 158	(7 223)	7	7 230
4. Indexes options	52 387	54 214	1 827	40 612	42 043	1 431
Total	**(48 705)**	**95 459**	**144 164**	**(2 642)**	**94 662**	**97 304**
Valuation of hedged position in fair value hedge accounting	-	2 563	2 477	-	3 433	3 318
Liabilities from short sale of debt securities	-	-	85 590	-	-	114 182

* Notional value for double-currency derivatives constitutes the sum of both transactions expressed in PLN

Note (11c) Financial assets and liabilities held for trading - Valuation of derivatives, Adjustment from fair value hedge and Short positions as at:

	Fair Values 31.12.2018			Fair Values 30.06.2018		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	7 806	40 057	32 251	(412)	43 910	44 322
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	7 806	40 057	32 251	(412)	43 910	44 322
Other interest rate contracts: options	0	0	0	0	0	0
2. FX derivatives*	(14 303)	19 014	33 317	36 424	86 216	49 792
FX contracts	(7 524)	1 753	9 277	10 407	23 328	12 921
FX swaps	(996)	15 197	16 193	32 416	58 620	26 204
Other FX contracts (CIRS)	(5 783)	2 064	7 847	(6 399)	4 268	10 667
FX options	0	0	0	0	0	0
3. Embedded instruments	(35 584)	15	35 599	(24 633)	2 128	26 761
Options embedded in deposits	(29 336)	0	29 336	(21 501)	0	21 501
Options embedded in securities issued	(6 248)	15	6 263	(3 132)	2 128	5 260
4. Indexes options	35 430	37 993	2 563	26 934	30 010	3 076
Total	**(6 651)**	**97 079**	**103 730**	**38 313**	**162 264**	**123 951**
Valuation of hedged position in fair value hedge accounting	-	4 293	4 149	-	6 054	5 850
Liabilities from short sale of debt securities	-	-	123 754	-	-	106 318

* Notional value for double-currency derivatives constitutes the sum of both transactions expressed in PLN

Note (12) Financial assets at fair value through other comprehensive income

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Debt securities	**18 696 627**	**22 846 528**	**22 104 639**	**16 941 740**
Issued by State Treasury	17 622 810	22 364 004	20 422 616	15 921 059
a) bills	0	0	0	0
b) bonds	17 622 810	22 364 004	20 422 616	15 921 059
Issued by Central Bank	897 883	399 942	1 599 800	939 867
a) bills	897 883	399 942	1 599 800	939 867
b) bonds	0	0	0	0
Other securities	175 934	82 582	82 223	80 814
a) listed	175 934	82 582	82 223	80 814
b) not listed	0	0	0	0
Shares and interests in other entities	29 340	29 315	29 299	26 209
Other financial instruments	0	0	0	0
Total financial assets at fair value through other comprehensive income	**18 725 967**	**22 875 843**	**22 133 938**	**16 967 949**

Note (13a) Loans and advances to customers

Balance sheet value:	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Mandatorily at fair value through profit or loss *	1 341 424	1 240 911	1 250 525	1 153 901
- Companies	19 130	19 396	17 944	19 912
- Individuals	1 322 107	1 221 378	1 232 494	1 133 832
- Public sector	187	137	87	157
* The above data includes the fair value adjustment, in the amount of:	(69 637)	(69 005)	(72 943)	(76 277)

As a result of the implementation of new rules in the area of classification of financial instruments, made in 2018 due to IFRS9 introduction, the Group has separated credit exposures which include, in the interest rate definition, leverage/multiplier feature and presented aforementioned exposures in these financial statements as "Non-trading financial assets mandatorily at fair value through profit or loss - Credits and advances". It should be noted that the provisions of IFRS 9 indicate that the multiplier feature modifies money over time and causes the need to apply fair value measurement, however the economic sense of the transaction, i.e. portfolio management not based on fair value and maintaining the portfolio to obtain cash flows from the contract, constitute characteristics of portfolios valued at amortized cost.

Note (13b) Loans and advances to customers

Valued at amortised cost, as at:	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
30.06.2019	62 294 192	3 078 389	2 938 832	(332 384)	(149 267)	(1 315 977)	66 513 785
- Companies	16 198 779	1 703 703	793 265	(161 782)	(51 542)	(406 087)	18 076 336
- Individuals	45 863 874	1 374 673	2 145 567	(169 809)	(97 725)	(909 890)	48 206 690
- Public sector	231 539	13	0	(793)	0	0	230 759
31.03.2019	48 868 837	3 149 164	2 411 452	(239 888)	(178 696)	(1 312 004)	52 698 865
- Companies	15 930 710	1 601 326	836 417	(163 812)	(61 860)	(462 178)	17 680 603
- Individuals	32 699 729	1 547 707	1 575 035	(75 797)	(116 832)	(849 826)	34 780 016
- Public sector	238 398	131	0	(279)	(4)	0	238 246
31.12.2018	47 718 394	3 097 734	2 403 894	(232 574)	(184 450)	(1 341 843)	51 461 155
- Companies	15 600 077	1 513 894	791 487	(158 794)	(62 917)	(456 184)	17 227 563
- Individuals	31 901 749	1 581 890	1 612 407	(73 508)	(121 530)	(885 659)	34 015 349
- Public sector	216 568	1 950	0	(272)	(3)	0	218 243
30.06.2018	45 123 585	3 374 973	2 408 724	(227 461)	(190 625)	(1 387 230)	49 101 966
- Companies	14 163 201	1 891 959	784 046	(161 946)	(79 483)	(452 456)	16 145 321
- Individuals	30 684 793	1 481 562	1 624 678	(65 201)	(111 140)	(934 774)	32 679 918
- Public sector	275 591	1 452	0	(314)	(2)	0	276 727

Note (13c) Loans and advances to customers

	30.06.2019		31.03.2019	
	Valued at amortised cost	Mandatorily at fair value through profit or loss *	Valued at amortised cost	Mandatorily at fair value through profit or loss *
Loans and advances	60 922 698	537 979	47 305 413	482 888
- to companies	11 748 551		11 473 519	
- to private individuals	48 987 316	537 979	35 595 388	482 888
- to public sector	186 830		236 506	
Receivables on account of payment cards	123 392	803 445	2 220	758 024
- due from companies	230	19 317	65	19 533
- due from private individuals	123 162	784 128	2 155	738 490
Purchased receivables	269 726		250 647	
- from companies	269 726		250 647	
- from public sector	0		0	
Guarantees and sureties realised	11 716		10 504	
Debt securities eligible for rediscount at Central Bank	3 255		3 552	
Financial leasing receivables	6 669 905		6 597 413	
Other	4 059		1 303	
Interest	306 662		258 401	
Total:	**68 311 413**	**1 341 424**	**54 429 453**	**1 240 911**
Impairment allowances	(1 797 628)	-	(1 730 588)	-
Total balance sheet value:	**66 513 785**	**1 341 424**	**52 698 865**	**1 240 911**
* The above data includes the fair value adjustment in the amount of	-	(69 637)	-	(69 005)

Note (13d) Loans and advances to customers

	31.12.2018		30.06.2018	
	Valued at amortised cost	Mandatorily at fair value through profit or loss *	Valued at amortised cost	Mandatorily at fair value through profit or loss *
Loans and advances	46 165 570	473 214	44 269 560	405 764
- to companies	11 076 840		10 424 686	0
- to private individuals	34 871 344	473 214	33 568 714	405 764
- to public sector	217 386		276 160	0
Receivables on account of payment cards	2 769	777 311	3 154	748 137
- due from companies	123	18 031	353	20 069
- due from private individuals	2 646	759 280	2 801	728 068
Purchased receivables	275 878		235 468	0
- from companies	275 878		235 468	0
- from public sector	0		0	0
Guarantees and sureties realised	11 622		12 028	0
Debt securities eligible for rediscount at Central Bank	3 660		6 429	0
Financial leasing receivables	6 505 628		6 125 704	0
Other	3 893		4 265	0
Interest	251 002		250 674	0
Total:	**53 220 022**	**1 250 525**	**50 907 282**	**1 153 901**
Impairment allowances	(1 758 867)	-	(1 805 316)	
Total balance sheet value:	**51 461 155**	**1 250 525**	**49 101 966**	**1 153 901**
* The above data includes the fair value adjustment in the amount of	-	(72 943)	-	(76 277)

Note (13e) Quality of loans and advances to customers portfolio valued at amortised cost

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Loans and advances to customers (gross)	68 311 413	54 429 453	53 220 022	50 907 282
- impaired	2 938 832	2 411 452	2 403 894	2 408 724
- not impaired	65 372 581	52 018 001	50 816 128	48 498 558
Impairment write-offs	(1 797 628)	(1 730 588)	(1 758 867)	(1 805 316)
- for impaired exposures	(1 315 977)	(1 312 004)	(1 341 843)	(1 387 230)
- for not impaired exposures	(481 651)	(418 584)	(417 024)	(418 086)
Loans and advances to customers (net)	**66 513 785**	**52 698 865**	**51 461 155**	**49 101 966**

Note (13f) Loans and advances to customers portfolio valued at amortised cost by methodology of impairment assessment

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Loans and advances to customers (gross)	68 311 413	54 429 453	53 220 022	50 907 282
- case by case analysis	753 528	799 625	754 950	734 322
- collective analysis	67 557 885	53 629 828	52 465 072	50 172 961
Impairment allowances	(1 797 628)	(1 730 588)	(1 758 867)	(1 805 316)
- on the basis of case by case analysis	(360 633)	(397 314)	(382 327)	(374 651)
- on the basis of collective analysis	(1 436 995)	(1 333 274)	(1 376 540)	(1 430 665)
Loans and advances to customers (net)	**66 513 785**	**52 698 865**	**51 461 155**	**49 101 966**

Note (13g) Loans and advances to customers portfolio valued at amortised cost by kind of customers

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Loans and advances to customers (gross)	68 311 413	54 429 453	53 220 022	50 907 282
- corporate customers	18 927 299	18 606 982	18 123 976	17 116 248
- individuals	49 384 114	35 822 471	35 096 046	33 791 034
Impairment allowances	(1 797 628)	(1 730 588)	(1 758 867)	(1 805 316)
- for receivables from corporate customers	(620 204)	(688 133)	(678 170)	(694 201)
- for receivables from private individuals	(1 177 424)	(1 042 455)	(1 080 697)	(1 111 115)
Loans and advances to customers (net)	**66 513 785**	**52 698 864**	**51 461 155**	**49 101 966**

Note (13 h) Loans and advances to customers portfolio valued at amortised cost by currency

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
in Polish currency	49 327 730	36 056 596	34 924 845	32 134 935
in foreign currencies (after conversion to PLN)	18 983 683	18 372 857	18 295 177	18 772 347
- currency: CHF	15 035 211	14 366 367	14 504 282	14 870 928
- including Euro Bank*	1 023 017	-	-	-
- currency: EUR	3 739 349	3 764 026	3 573 588	3 715 604
- currency: USD	200 645	228 084	205 087	172 659
other currencies	8 478	14 380	12 220	13 156
Loans and advances to customers (gross)	**68 311 413**	**54 429 453**	**53 220 022**	**50 907 282**

* - portfolio covered by an “CHF Portfolio Indemnity and Guarantee Agreement” concluded between Euro Bank and SG

Note (13i) Movements in impairment allowances for loans and advances to customers carried at amortised cost

	01.01.2019 - 30.06.2019	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.06.2018
Balance at the beginning of the period	1 758 867	1 758 867	1 497 228	1 497 228
Adjustment of the opening balance due to the implementation of IFRS 9	-	-	327 434	327 434
Adjusted balance at the beginning of the period	1 758 867	1 758 867	1 824 662	1 824 662
Change in value of provisions:	38 761	(28 279)	(65 795)	(19 346)
Impairment allowances created in the period	546 219	235 089	725 164	407 336
Amounts written off	(205 513)	(106 899)	(299 068)	(130 811)
Impairment allowances released in the period	(315 043)	(164 185)	(521 196)	(317 827)
Sale of receivables	0	0	(13 252)	(5 506)
KOIM created in the period(*)	11 577	5 520	25 558	12 795
Changes resulting from FX rates differences	(7)	1 900	15 986	14 570
Other	1 528	296	1 013	97
Balance at the end of the period	**1 797 628**	**1 730 588**	**1 758 867**	**1 805 316**

(*) In accordance with IFRS 9, the Group calculates interest on the loan portfolio with a recognized impairment based on the net exposure value. For this purpose, the so-called impaired interest adjustment ("KOIM") is calculated and recorded as a reduction of interest income. Aforementioned KOIM adjustment in the balance sheet is presented as an impairment allowances, and as a consequence the reconciliation of the change in impairment allowances requires consideration of the KOIM recognized in the interest income.

The Group records POCI assets in its balance sheet as a result of recognising of impaired loans after merger with Euro Bank and the conveyance of SKOK Piast.

The value of POCI assets is as follows:

30.06.2019	Balance sheet value, gross	Accumulated impairment allowances	Balance sheet value, net
- Companies	101	(23)	78
- Individuals	551 185	(1 700)	549 485
- Public sector	0	0	0
31.03.2019			
- Companies	101	(23)	78
- Individuals	11 970	3 307	15 277
- Public sector	0	0	0
31.12.2018			
- Companies	139	(130)	9
- Individuals	15 271	(1 447)	13 824
- Public sector	0	0	0
30.06.2018			
- Companies	0	0	0
- Individuals	0	0	0
- Public sector	0	0	0

Note (14a) Financial assets at amortised cost other than Loans and advances to customers

	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
As at 30.06.2019							
Debt securities	56 907	0	0	(26)	0	0	56 881
Deposits, loans and advances to banks and other monetary institutions	711 658	0	0	(16)	0	0	711 642
Repurchase agreements	73 659	0	0	0	0	0	73 659
As at 31.03.2019							
Debt securities	45 059	0	0	(20)	0	0	45 039
Deposits, loans and advances to banks and other monetary institutions	414 445	0	0	(16)	0	0	414 429
Repurchase agreements	797 409	0	0	0	0	0	797 409
As at 31.12.2018							
Debt securities	44 904	0	0	(20)	0	0	44 884
Deposits, loans and advances to banks and other monetary institutions	731 268	0	0	(16)	0	0	731 252
Repurchase agreements	250 284	0	0	0	0	0	250 284
As at 30.06.2018							
Debt securities	47 467	0	0	(21)	0	0	47 446
Deposits, loans and advances to banks and other monetary institutions	519 950	0	0	0	0	0	519 950
Repurchase agreements	108 847	0	0	0	0	0	108 847

Note (14b) Debt securities

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
credit institutions	0	0	0	0
other companies	0	0	0	0
public sector	56 881	45 039	44 884	47 446
Total	56 881	45 039	44 884	47 446

Note (14c) Deposits, loans and advances to banks and other monetary institutions

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Current accounts	259 431	112 754	143 113	117 231
Deposits	450 911	300 371	586 666	400 853
Interest	1 316	1 320	1 489	1 866
Total (gross) deposits, loans and advances	711 658	414 445	731 268	519 950
Impairment allowances	(16)	(16)	(16)	0
Total (net) deposits, loans and advances	**711 642**	**414 429**	**731 252**	**519 950**

Note (14d) Repurchase agreements

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
credit institutions	73 653	93 305	49 872	108 842
other customers	0	704 104	200 375	0
interest	6	0	37	5
Total	73 659	797 409	250 284	108 847

Note (15a) Derivatives – hedge accounting

Detailed information on cash flow hedge and fair value hedge relations applied by the Group, items designated as hedged and hedging and presentation of the result (as at 30.06.2019):

	Hedge of volatility of the cash flows generated by the portfolio of PLN mortgage loans	Cash flow volatility hedge for the flows generated by FX mortgage portfolio and its underlying PLN liabilities
Description of hedge transactions	The Group hedges the risk of the volatility of cash flows generated by PLN mortgages. The volatility of cash flows results from interest rate risk.	The Group hedges the risk of the volatility of cash flows generated by FX mortgages and by PLN liabilities financially underlying such loans. The volatility of cash flows results from the currency risk and interest rate risk.
Hedged items	Cash flows resulting from the PLN mortgage loan portfolio	Cash flows resulting from the FX mortgage loan portfolio and PLN deposits together with issued debt PLN securities funding them.
Hedging instruments	IRS transactions	CIRS transactions
Presentation of the result on the hedged and hedging transactions	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; interest on both the hedged and the hedging instruments are recognised in net interest income.	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; interest on both the hedged and the hedging instruments are recognised in net interest income; valuation of hedging and hedged instruments on FX differences is recognised in Result on exchange differences

	Hedge of volatility in cash flows from future interest income and expenses denominated in foreign currencies	Hedge of volatility of cash flows generated by the variable interest rate FX mortgage portfolio
Description of hedge transactions	The Group hedges the risk of volatility of future cash flows due to interest income and expenses denominated in foreign currencies. The volatility of cash flows results from currency risk.	The Group hedges currency risk and interest rate risk for cash flows for a part of the period - in the time horizon of the duration of hedging transactions - due to floating-rate loans in foreign currency by exchanging interest flows in foreign currency for PLN cash flows.
Hedged items	Cash flows from future interest income and expenses denominated in foreign currencies.	Cash flows resulting from the FX mortgage loan portfolio.
Hedging instruments	Currency position resulting from recognized future leasing liabilities.	FX Swap transactions
Presentation of the result on the hedged and hedging transactions	The effective part of the spot revaluation of hedging instruments is recognized in the revaluation reserve.	The effective part of the valuation of hedging instruments is recognized in the revaluation reserve; interest on hedging instruments (swap points settled) are presented in the interest margin.

In consequence of the purchase of Euro Bank S.A. as at 30/06/2019, the Group also recognizes the following hedging relationships applied by Euro Bank SA:

	Securing the fair value of a fixed rate debt instrument	Security of volatility of cash flows generated by the portfolio of PLN savings accounts
Description of hedge transactions	The Bank hedges part of the interest rate risk related to the change in the fair value of a fixed interest rate debt instrument valued through other comprehensive income, resulting from the volatility of market swap interest rates.	The Bank hedges part of the volatility risk of cash flows generated by floating interest-bearing zloty savings accounts by IRS transactions converting variable payments into fixed payments.
Hedged items	Fixed-term debt securities classified as Financial assets at fair value through other comprehensive income denominated in PLN.	Cash flow due to the portfolio of floating-rate zloty savings accounts.
Hedging instruments	IRS transactions	IRS transactions
Presentation of the result on the hedged and hedging transactions	The result from the change in fair value measurement of hedged items in the scope of hedged risk is charged to the result on hedge accounting. The remaining part of the change in fair value measurement is recognized in other comprehensive income. Interest on debt securities are recognized in net interest income. The change in the fair value measurement of derivative instruments constituting a security is presented in the result on hedge accounting, and interest on these instruments are recognized in net interest income.	The effective part of the fair value measurement of hedging instruments is recognized in the revaluation reserve; interest on hedging instruments and the hedged item arerecognized in net interest income.

Note (15b) Derivatives – hedge accounting

	Fair values 30.06.2019			Fair values 31.03.2019		
	Total	Assets	Liabilities	Total	Assets	Liabilities
Derivative instruments constituting fair value hedges related to interest rate						
IRS contracts	(4 861)	0	4 861	0	0	0
Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(233 513)	95 779	329 291	(285 068)	82 269	367 337
IRS contracts	2 185	3 665	1 480	5 247	5 247	0
FXS contracts	(3 224)	420	3 644	0	0	0
Total hedging derivatives	(239 412)	99 864	339 276	(279 821)	87 516	367 337

	Fair values 31.12.2018			Fair values 30.06.2018		
	Total	Assets	Liabilities	Total	Assets	Liabilities
Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(256 285)	120 526	376 811	(299 353)	159 595	458 948
IRS contracts	4 975	4 975	0	6 709	6 709	0
FXS contracts	0	0	0	(47 612)	0	47 612
Total hedging derivatives	(251 310)	125 501	376 811	(340 256)	166 304	506 560

Note (16) Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Property. plant and equipment	Intangibles	Non-current assets held for sale	Other assets
As at 01.01.2019	5 024	8 754	3 988	136	8 126
- Write-offs created	6	0	0	0	7 897
- Write-offs released	0	0	0	0	(6 595)
- Utilisation	0	0	0	0	(95)
- Reclassification	0	0	0	0	(1 783)
As at 30.06.2019	5 029	8 754	3 988	136	7 550
As at 01.01.2019	5 024	8 754	3 988	136	8 126
- Write-offs created	0	0	0	0	3 431
- Write-offs released	0	0	0	0	(2 783)
- Utilisation	0	0	0	0	(25)
- Reclassification	0	0	0	0	(1 783)
As at 31.03.2019	5 024	8 754	3 988	136	6 966
As at 01.01.2018	5 963	8 754	3 988	136	7 944
- Write-offs created	28	0	0	0	5 176
- Write-offs released	(967)	0	0	0	(4 667)
- Utilisation	0	0	0	0	(327)
As at 31.12.2018	5 024	8 754	3 988	136	8 126
As at 01.01.2018	5 963	8 754	3 988	136	7 944
- Write-offs created	18	0	0	0	1 345
- Write-offs released	(743)	0	0	0	(1 319)
- Utilisation	0	0	0	0	(14)
As at 30.06.2018	5 238	8 754	3 988	136	7 956

Note (17a) Deferred income tax assets and liability

	30.06.2019			31.03.2019		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	95 491	(4 878)	90 613	95 164	(5 350)	89 814
Balance sheet valuation of financial instruments	55 869	(78 862)	(22 993)	92 778	(112 379)	(19 601)
Unrealised receivables/ liabilities on account of derivatives	9 468	(18 315)	(8 847)	8 194	(14 973)	(6 779)
Interest on deposits and securities to be paid/ received	26 849	(39 772)	(12 923)	26 343	(38 595)	(12 252)
Interest and discount on loans and receivables	2 516	(107 910)	(105 394)	2	(51 776)	(51 774)
Income and cost settled at effective interest rate	191 231	(1 239)	189 992	94 748	(1 221)	93 527
Impairment of loans presented as temporary differences	347 378	0	347 378	240 686	0	240 686
Employee benefits	16 223	0	16 223	15 593	0	15 593
Use rights	6 468	(2 182)	4 286	9 144	(2 774)	6 370
Provisions for future costs	31 479	0	31 479	15 842	0	15 842
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in revaluation reserve	29 261	(21 390)	7 871	5 057	(15 971)	(10 914)
Tax loss deductible in the future	1 058	0	1 058	734	0	734
Other	(21 688)	(4 687)	(26 375)	3 686	(4 761)	(1 075)
Net deferred income tax asset	791 603	(279 235)	512 366	607 971	(247 800)	360 171

Note (17b) Deferred income tax assets and liability

	31.12.2018			30.06.2018		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	83 590	(5 794)	77 796	72 937	(10 906)	62 031
Balance sheet valuation of financial instruments	79 101	(98 757)	(19 656)	58 279	(73 021)	(14 742)
Unrealised receivables/ liabilities on account of derivatives	10 395	(19 103)	(8 708)	11 518	(20 162)	(8 644)
Interest on deposits and securities to be paid/ received	21 601	(36 888)	(15 287)	21 567	(35 718)	(14 151)
Interest and discount on loans and receivables	3	(47 713)	(47 710)	6	(50 009)	(50 003)
Income and cost settled at effective interest rate	89 058	(1 190)	87 868	86 225	(1 379)	84 846
Impairment of loans presented as temporary differences	238 209	0	238 209	231 617	0	231 617
Employee benefits	16 137	0	16 137	15 235	0	15 235
Provisions for future costs	25 199	0	25 199	22 394	0	22 394
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in revaluation reserve	13 517	(30 803)	(17 286)	18 217	(20 494)	(2 277)
Tax loss deductible in the future	1 320	0	1 320	812	0	812
Other	2 291	(4 458)	(2 167)	1 721	(896)	825
Net deferred income tax asset	580 421	(244 706)	335 715	540 528	(212 585)	327 943

Note (18) Liabilities to banks and other monetary institutions

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
In current account	132 727	108 123	105 472	98 783
Term deposits	560 979	531 688	455 297	400 550
Loans and advances received	1 210 079	1 224 787	1 224 267	665 792
Interest	4 478	3 612	3 821	563
Total	1 908 263	1 868 210	1 788 857	1 165 688

Note (19) Liabilities to customers

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Amounts due to private individuals	57 638 442	47 827 065	47 730 280	43 303 180
Balances on current accounts	39 114 584	32 551 082	32 795 949	28 575 290
Term deposits	18 197 296	15 044 284	14 834 473	14 569 627
Other	222 265	161 087	30 342	93 011
Accrued interest	104 297	70 612	69 516	65 252
Amounts due to companies	15 462 379	15 646 006	15 589 643	13 782 260
Balances on current accounts	7 333 724	7 450 933	8 242 327	6 496 423
Term deposits	7 707 405	7 802 579	7 057 271	7 015 797
Other	396 478	374 238	275 095	254 556
Accrued interest	24 772	18 256	14 950	15 484
Amounts due to public sector	3 726 990	3 199 549	2 923 846	2 746 039
Balances on current accounts	1 341 117	1 336 768	1 374 012	1 119 083
Term deposits	2 379 137	1 855 980	1 546 384	1 622 063
Other	4 100	4 482	2 153	1 951
Accrued interest	2 636	2 319	1 297	2 942
Total	**76 827 811**	**66 672 620**	**66 243 769**	**59 831 479**

Note (20) Liabilities from securities sold with buy-back clause

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
a) to the Central Bank	0	0	0	0
b) to banks	20 988	55 753	50 322	94 278
c) to customers	0	0	0	0
d) interest	2	6	2	7
Total	20 990	55 759	50 324	94 285

Note (21) Change of debt securities

	01.01.2019 - 30.06.2019	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.06.2018
Balance at the beginning of the period	809 679	809 679	1 156 473	1 156 473
Increases, on account of:	805 631	151 718	309 865	112 887
- purchase of Euro Bank	506 056	0	0	0
- issue of Banking Securities	214 985	112 843	183 339	47 824
- issue of bonds by the Bank	0	0	141	141
- issue of bonds by the Millennium Leasing	74 750	34 750	104 700	51 500
- interest accrual	9 840	4 125	21 685	13 422
Reductions, on account of:	(145 320)	(63 806)	(656 659)	(560 467)
- repurchase of Banking Securities	(65 578)	(30 323)	(112 471)	(50 002)
- repurchase of bonds by the Bank	(117)	(122)	(329 526)	(329 521)
- repurchase of bonds by the Millennium Leasing	(63 770)	(31 100)	(192 930)	(166 930)
- interest payment	(15 855)	(2 261)	(21 732)	(14 014)
Balance at the end of the period	**1 469 990**	**897 591**	**809 679**	**708 893**

Note (22) Change of subordinated debt

	01.01.2019 - 30.06.2019	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.06.2018
Balance at the beginning of the period	701 883	701 883	701 971	701 971
Increases, on account of:	958 724	842 732	28 656	14 254
- issue of subordinated bonds	830 000	830 000	0	0
- interest accrual	28 594	12 732	28 656	14 254
- purchase of Euro Bank	100 130	0	0	0
Reductions, on account of:	(14 276)	0	(28 744)	(14 425)
- repayment of subordinated bonds	0	0	0	0
- interest payment	(14 276)	0	(28 744)	(14 425)
- FX rates differences	0	0	0	0
Balance at the end of the period	**1 646 331**	**1 544 615**	**701 883**	**701 800**

The increase in subordinated debt resulting from the acquisition of Euro Bank is fully offset by a cash collateral deposit of the same amount made by Bank Millennium at date of acquisition of Euro Bank with the subordinated lender, Societe Generale.

During 2018 and 2019 the Group did not have any delays in the payment of principal and interest instalments, nor did it infringe any contractual provisions resulting from its subordinated liabilities.

Note (23a) Provisions

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Provision for commitments and guarantees given	52 190	48 626	51 742	56 689
Provision for pending legal issues	56 145	56 255	60 710	59 426
Total	108 335	104 881	112 452	116 115

Note (23b) Change of provision for commitments and guarantees given

	01.01.2019 - 30.06.2019	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.06.2018
Balance at the beginning of the period	51 742	51 742	21 720	21 720
Adjustment of the opening balance due to the implementation of IFRS 9	-	-	23 829	23 829
Adjusted balance at the beginning of the period	51 742	51 742	45 549	45 549
Purchase of Euro Bank	745	0	0	0
Charge of provision	24 296	13 222	60 827	45 391
Release of provision	(24 536)	(16 351)	(54 804)	(34 517)
FX rates differences	(57)	13	170	266
Balance at the end of the period	**52 190**	**48 626**	**51 742**	**56 689**

Note (23c) Change of provision for pending legal issues

	01.01.2019 - 30.06.2019	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.06.2018
Balance at the beginning of the period	60 710	60 710	46 032	46 032
Charge of provision	2 344	916	7 541	4 940
Release of provision	(3 819)	(2 581)	(809)	(133)
Utilisation of provision	(4 873)	(4 573)	(4 212)	(3 571)
Reclassification	1 783	1 783	12 158	12 158
Balance at the end of the period	56 145	56 255	60 710	59 426

5. CHANGES IN RISK MANAGEMENT PROCESS

Risk management performs a key role in the strategy of balanced and sustainable development of the Group, supporting optimisation of relationships between risk and returns within various business lines and maintenance of adequate risk profile relative to capital and liquidity.

In order to ensure effective risk management and coherent policy the Group has implemented risk management model under which credit, market, liquidity and operational risks are managed in an integrated manner.

Credit risk

In the second quarter of 2019 the Group both in the corporate and retail segments focused on further improving of the credit policy as well as the tools and processes of credit risk management.

In the corporate segment, the Group focused on activities aimed at streamlining and accelerating credit processes. The Group also adjusted the credit regulations and processes to the changing legal conditions. As in previous periods, work continued on improving IT tools supporting credit process, the classification of industry risk and industry limits has been updated.

In the retail segment, the implementation of supervisory recommendations has been completed. At the same time, as part of the preparation for the merger with Eurobank, the implementation of changes in the credit policy for granting consumer loans began. The purpose of these changes is to serve new target groups of customers while maintaining the currently observed level of risk. All the above changes were aimed at streamlining the credit process while at the same time limiting the appetite for risk.

The Group assesses credit risk regardless of how the portfolio of receivables from customers is classified in the financial statements: either as a portfolio valued at amortized cost or as a portfolio valued at fair value through profit or loss. The table below contains data on the entire portfolio due from customers, broken down into non-overdue and overdue exposures.

Changes in the loan portfolio of the Group after 6 months of 2019 are summarized below:

Gross exposure in '000 PLN	30.06.2019		31.12.2018	
	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	64 338 585	711 658	50 435 735	731 268
Overdue*, but without impairment	2 384 108	0	1 644 795	0
Total without impairment	66 722 693	711 658	52 080 530	731 268
With impairment	2 999 781	0	2 462 961	0
Total	**69 722 474**	**711 658**	**54 543 491**	**731 268**
Impairment write-offs	(1 797 628)	(16)	(1 758 867)	(16)
Fair value adjustment**	(69 637)	0	(72 943)	0
Total, net	**67 855 209**	**711 642**	**52 711 680**	**731 252**
Loans with impairment / total loans	4.30%	0,00%	4.52%	0.00%

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

(**) Fair value adjustment is defined as the difference between the nominal value and the fair value of the portfolio measured at fair value through profit or loss. The fair value adjustment is influenced, in particular, by taking into account the credit risk of the portfolio.

Market risk

The main measure used by the Group to evaluate market risks is the parametric VaR (Value at Risk) model – an expected loss that may arise on the portfolio over a specified period of time (10-days holding period) and with specified probability (99% confidence level) from an adverse market movement. The market risk measurement, monitoring and reporting is carried out daily, both on an individual basis for each of the areas responsible for risk taking and risk management, and also in consolidated terms for Global Bank, Banking Book and Trading Book considering the effect of the diversification that exists between the particular portfolios.

All eventual excesses of market risk limits are reported, documented and ratified at the proper competence level.

In 1H 2019, the market risk limits were kept unchanged.

In 1H 2019, total market risk limits in terms of VaR were not breached - neither for the total Group nor for the Banking Book and Trading Book, separately.

Open positions contain mainly interest rate and FX risk instruments. According to the Risk Strategy approved in the Group, the FX open position is allowed, however should be kept at low levels. For this purpose, the Group has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows to keep FX open positions only in Trading Book. In the 1H 2019, the FX Total open position (Intraday as well as Overnight) remained below 2% of Own Funds and well below the maximum limits in place.

Apart from daily measurement at the level of each book and market risk area, the VaR model is mainly applicable and analysed at the Trading Book level, where the policy intention is to trade positions on the regular basis (mostly daily). On contrary, following the supervisory guidelines[1], the interest rate risk in Banking Book is covered by both earnings-based and economic value measures. Due to that fact, the VaR model do not cover Euro Bank positions as its Trading Book do not exists.

The VaR indicators in the period under consideration for the Group, that is jointly Trading Book and Banking Book, remained on average at the level of approx. PLN 26.3 m (12 % of the limit) and at approx. PLN 1.9 m (6 % of the limit) for Trading Book. Similary, as of the end of June 2019 the market risk exposure was approx. PLN 23.5m (11% of the limit) for Global Bank and approx. PLN 0,8 m (3% of the limit) for Trading Book .

The market risk exposure in 1H 2019 in terms of value at risk for Trading Book, together with risk type division, is presented in the table below (ths PLN).

VaR measures for market risk in Trading Book ('000 PLN)

	30.06.2019		VaR (1H 2019)			31.12.2018	
	Exposure	limit usage	Average	Maximum	Minimum	Exposure	limit usage
Total risk	830	3%	1 869	5 464	446	478	2%
Generic risk	827	3%	1 808	5 461	443	475	2%
Interest Rate VaR	825	3%	1 796	5 435	359	470	2%
FX Risk	18	0%	101	555	13	81	1%
Diversification Effect	2%					16%	
Specific risk	3	0%	61	1 070	3	3	0%

In addition to above mention market risk limits, the stop loss limits are introduced for the financial markets portfolios. The aim is to limit the maximum losses of the trading activity of the Group. In case of the limit is reached, a review of the management strategy and assumptions for the positions in question must be undertaken.

Interest rate risk in Banking Book (IRRBB)

In case of the Banking Book, the main component of the market risk is interest rate risk. In order to manage this risk, the following principles are in place:

- The market risk that results from the commercial banking activity is hedged or transferred on the monthly basis to areas that actively manage market risk and that are measured in terms of risk and profit and loss,

- The Bank uses natural hedging between loans and deposits as well as fixed rate bonds and derivatives to manage interest rate risk with the main purpose of protecting the Net Interest Income.

The variations in market interest rate have an influence on the Group's net interest income, both under a short and medium-term perspective, affecting its economic value in the long term. The measurement of both is complementary in understanding the complete scope of interest rate risk in Banking Book. For this reason, apart from daily market risk measurement in terms of value at risk, the scope of the additional measurement of interest rate risk on monthly basis covers both earnings-based and on quarterly basis economic value measures, in particular:

- the impact on net interest income over a time horizon of next 12 months resulting from one-off interest rate shock of upward/downward shift by 100 basis points,
- the economic value of equity that measures the theoretical change in the net present value of all Group's positions resulting from different upward/downward parallel basis points shocks applied to market interest rates curves. Therefore, the results shows the impact on the Group's economic value resulting from the interest rate change.

In 1H 2019, the results of the above mentioned analysis for Banking Book (including Euro Bank) stayed within internally defined limits.

In 1H 2019, the further steps were taken in order to implement the revised Guidelines on the management of interest rate risk arising from non-trading book activities (EBA Guidelines, EBA/GL/2018/02) that came due on 30th June 2019. In May 2019, the Capital, Assets and Liability Committee revised and approved the behavioural assumtions for measurement IRRBB (behaviour of customer with embedded customer optionality and accounts without specific repricing dates) as well as adjust the IRRBB measurement tools in order to monitor and report the results of supervisory outlier test (SOT) on regular basis. The results of SOT as of June 2019 shows that even under the most severe scenario, the change of EVE for Banking Book (including Euro Bank) is far below supervisory limit of 15% of CET 1.

Additionally, the internal policy and others procedures connected with the interest rate risk management were revised and adjusted to the provisions of EBA Guidelines. The documents were supplemented, inter alia, by the rules and procedures for updating stress test scenarios for the measurement and assessment of IRRBB to ensure that the assumptions of the IRRBB models used in the Group are regularly reviewed and, if necessary, amended.

[1] Guidelines on the management of interest rate risk arising from non-trading book activities, EBA/GL/2018/02.

Liquidity risk

The liquidity risk measurement, monitoring and reporting is carried out daily with the use of both measures defined by the supervisory authorities and internally, for which limits were established. In 1H 2019, the Group was characterized still by solid liquidity position. At the end of May 2019, after the acquisition of Euro Bank, all the supervisory and internal liquidity indicators decreased. However it still remained significantly above minimum limits in place.

Keeping the comfortable liquidity position was possible maily due to actions planned and taken in advance. The Group mainly increased stable deposit base from individuals and issued ten years subordinated bonds in total nominal amount of PLN 830.0 million with maturity date on 30 January 2029, so that it was able to improve its liquidity buffer and on Euro Bank's acquisition date repaid its external financing as well as completely covered the purchase price by liquidating part of liquidity surplus (unencumbered liquidity assets). Thanks to this no additional sources of funding was required with simultaneous safe liquidity position kept.

After Euro Bank acquisition, total Clients' deposits of the Group reached the level of PLN 76.8 billion (PLN 66.2 billion at the end of December 2018). The growth of the deposits were driven mostly by funds of individuals, of which the share in total Client's deposits grow to approx. 75.0% at the end of June 2016 from 72.1% at the end of December 2018. The increasing share of funds from individuals had a positive impact on the Group's liquidity and supported the compliance of the supervisory measures.

According to the Regulation of European Parlament and Council no 575/2013 on prudential requirements for credit insitutions and investment firms (CRR), the Group is calculating the liquidity coverage requirement (LCR). The regulator minimum of 100% for LCR valid in 2019 was complied by the Group. The LCR Group reached the level of 172% at the end of June 2019 (212% at the end of December 2018). Internally, the LCR is estimated daily and reported together with other internal liquidity measures to the areas responsible for the management and control of the liquidity risk in the Group on the daily basis.

In 1H 2019, the Group has consistently maintained Loan-to-Deposit ratio well below 100%. This ratio, was equalled 88% at the end of June 2019 (78% at the end of December 2018). The Group continue the policy of investing the liquidity surplus in the portfolio of liquid assets, especially in the debt securities with low specific risk (Polish Government Bonds, Treasury and NBP Bills) of which the share in total debt securities amounted to 99% at the end of June 2019. During 2019 this portfolio decreased from PLN 22.7 billion at the end of December 2018 (28% of total assets) to approx. PLN 19.2 billion at the end of June 2019 (21% of total assets). Those assets are characterized with high liquidity and can be easily used as a collateral or sold without material loss on its value. The portfolio, supplemented by the cash and exposures to the National Bank of Poland, is treated as the Group's liquidity reserve, which can overcome crisis situations.

The main source of financing remains deposits base, the large, diversified and stable funding from retail, corporate and public sectors. The deposit base is supplemented by the deposits from financial institiutions and other money market operations. The source of medium-term funding remain also medium-term loans, subordinated debt and own bonds issue. During 1H 2019 the Group continued to explore the possibility of raising additional funding in order to diversify the source of funding with particular attention to the cost of obtaining these funds.

The level of deposit concentration is regulary monitored and did not have any negative impact on the stability of the deposit base in 1H 2019. However, in case of significant increase of the share of the largest depositors, the additional funds from the depositors are not treated as stable. Despite of that, in order to prevent deposit base fluctuations, the Group maintains the reserves of liquid assets in the form of securities portfolio as described above.

The Group manages FX liquidity through the use of FX-denominated bilateral loans as well as subordinated debt, Cross Currency Swap and FX Swap transactions. The swaps portfolio is diversified in term of counterparties and maturity dates. For the majority of counterparties the Bank has signed a Credit Support Annex to the master agreements. As a result, in case of unfavourable changes of FX rates (PLN depreciation), the Bank is obliged to place deposits as collateral with counterparties in order to secure the settlement of derivative instruments in the future, and in case of favourable FX rates changes (PLN appreciation) receives deposits as collateral from the counterparty. In none of signed ISDA Schedules and Credit Support Annex (both international and domestic) there exists a relationship between level of the Bank's ratings and parameters of collateral. The potential downgrade of any of the ratings will not have impact on method of calculation and collateral exchange.

The Group assesses the possibility of unfavourable changes of FX rates (especially CHF and EUR, which causes increase of liquidity needs), analyses the impact on liquidity risk and reflects this risk in the liquidity plans.

Stress tests as regards structural liquidity are carried out at least quarterly to understand the Group's liquidity risk profile, to make sure that the Group is able to meet its commitments in the event of a liquidity crisis and to contribute to preparing a contingency plan regarding liquidity and management decisions.

The Group has also contingency procedures for an increased liquidity risk situation – the Liquidity Contingency Plan, which is revised and tested at least once a year in order to ensure that it is operationally robust.

Operational risk

In the second quarter of 2019 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with legal provisions in force and the best practice of national and international financial institutions.

The operational risk management model, implemented by the Group is reviewed and accepted on a regular basis by the Management Board.

In keeping with the adopted solution, risk management is a process of continuous improvement as regards identification, assessment, monitoring, control/mitigating and reporting by complementary activities, which effectively translates into a real reduction in the level of operational risk in the business tasks.

In the second quarter of 2019 the registered level of operational risk losses was at the acceptable level.

Capital management

Capital management relates to two areas: capital adequacy management and capital allocation. For both areas, management goals were set.

The goal of capital adequacy management is: (a) meeting the requirements specified in external regulations (regulatory capital adequacy) and (b) ensuring the solvency in normal and stressed conditions (economic capital adequacy/internal capital). Completing that goal, Bank strives to achieve internal long-term capital limits (targets), defined in Risk Strategy.

Capital allocation purpose is to create value for shareholders by maximizing the return on risk in business activity, taking into account established risk tolerance.

In a scope of capital management process, there is also a capital planning process. The goal of capital planning is to designate the own funds (capital base that is risk-taking capacity) and capital usage (regulatory capital requirements and economic capital) in a way to ensure that capital targets/limits shall be met, given forecasted business strategy and risk profile – in normal and stressed macroeconomic conditions.

The Bank and the Group are obliged by law to meet minimum own funds requirements, set in art. 92 of the EU Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending EU Regulation No. 648/2012 (CRR). At the same time, the following levels, recommendations and buffers were included in capital limits/targets setting:

- Pillar II FX mortgage buffer (RRE FX) - KNF recommendation to maintain additional own funds for the coverage of additional capital requirements in order to secure the risk resulting from FX mortgage loans granted to households, in line with art. 138.1.2a of Banking Act. At present, the buffer was set by KNF in recommendations issued in October and November 2018 in the level of 6.41 p.p. (the Bank) and 6.27 p.p. (the Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements for Tier 1 ratio of 4.81 p.p. (the Bank) and of 4.70 p.p. (the Group), and which corresponds to capital requirements for CET 1 ratio of 3.59 p.p. (the Bank) and 3.51 p.p. (the Group);
- Combined buffer – defined in Act on macroprudential supervision over the financial system and crisis management – that consists of:
  - Capital conservation buffer at the level of 2.5%;
  - Other systemically important institution buffer (OSII) – at the level of 0%, and the value is set by KNF every year;
  - Systemic risk buffer at the level of 3%;
  - Countercyclical buffer at the 0% level.

Capital adequacy of the Group was as follows:

Capital adequacy	30.06.2019	31.03.2019	30.06.2018
Risk-weighted assets	47 048.1	37 735.2	34 268.7
Own Funds requirements, including:	3 763.8	3 018.8	2 741.5
- Credit risk and counterparty credit risk	3 324.5	2 656.6	2 399.0
- Market risk	19.9	22.6	27.9
- Operational risk	415.9	336.9	310.8
- Credit Valuation Adjustment CVA	3.6	2.8	3.8
Own Funds, including:	9 470.5	9 658.9	8 009.6
Common Equity Tier 1 Capital	7 940.5	8 128.9	7 309.6
Tier 2 Capital	1 530.0	1 530.0	700.0
Total Capital Ratio (TCR)	**20.13%**	**25.60%**	**23.37%**
Minimum required level	19.77%	19.77%	18.535%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	+ 0.36	+ 5.83	+ 4.835
Tier 1 Capital ratio (T1 ratio)	**16.88%**	**21.54%**	**21.33%**
Minimum required level	16.20%	16.20%	15.185%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	+ 0.68	+ 5.34	+ 6.145
Common Equity Tier 1 Capital ratio (CET1 ratio)	**16.88%**	**21.54%**	**21.33%**
Minimum required level	13.51%	13.51%	12.65%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	+ 3.57	+ 8.03	+ 8.68
Liquidity Coverage ratio (LCR)	**172%**	**197%**	**164%**

Capital ratios of the Group fell down in 2nd quarter 2019 – TCR went down by 5.47 p.p. and CET1 by 4.66 p.p. The main event driving the decrease of capital adequacy was a purchase of Eurobank shares. It caused total risk weighted assets increase by ca PLN 9.2 bn (Group). At the same time that transaction impacted negatively Own Funds by ca PLN 200 m.

6. OPERATIONAL SEGMENTS

Information about operating segments has been prepared based on the reporting structure which is used by the Management Board of the Bank for evaluating the results and managing resources of operating segments. Group does not apply additional breakdown of activity by geographical areas because of the insignificant scale of operations performed outside the Poland, in result such complementary division is not presented.

The Group's activity is pursued on the basis of diverse business lines, which offer specific products and services targeted at the market segments listed below:

Retail Customer Segment

The Retail Customers Segment covers activity targeted at mass-market Customers, affluent Customers, small companies and individual entrepreneurs.

The activity of the above business lines is developed with use of the full offer of banking products and services as well as sales of specialised products offered by subsidiaries in the group. In the credit products area the key products are mortgage loans, retail credit products, credit card revolving credit as well leasing products for small companies. Meanwhile key Customers funds include: current and saving accounts, term deposits, mutual funds and structured products. Additionally the offer comprises insurance products, mainly linked with loans and credit cards, as well as specialised savings products. The product offer for affluent customers was enriched to include selected mutual funds of other financial intermediaries, foreign funds and structured bonds issued by the Bank.

Corporate Customer Segment

The Corporate Customers Segment is based on activity targeted at Small and Medium sized Companies as well as Large Corporations. The offer is also addressed to Customers from the Public Sector.

Business in the Corporate Customers segment is pursued with use of a high quality offer of typical banking products (loans for day-to-day activity, investment loans, current accounts, term deposits) supplemented by a range of cash management products as well as treasury products (including derivatives) and leasing and factoring services.

Treasury, ALM (assets and liabilities management) and Other

This segment covers the Group's activity as regards investments by the Treasury Department, brokerage, inter-bank market transactions and taking positions in debt securities, which are not assigned to other segments.

This segment includes other assets and other liabilities, assets and liabilities connected with hedging derivatives, liabilities connected with external funding of the Group and deferred income tax assets not assigned to any of the segments.

For each segment the pre-tax profit is determined, comprising:

- Net interest income calculated on the basis of interest on external working assets and liabilities of the segment as well as allocated assets and liabilities generating internal interest income or cost. Internal income and costs are calculated based on market interest rates with internal valuation model applied;
- Net commission income;
- Other income from financial transactions and FX gains, such as: dividend income, result on investment and trading activity, FX gains/losses and result on other financial instruments;
- Other operating income and expenses;
- Costs on account of impairment of financial and non-financial assets;
- Segment share in operating costs, including personnel and administration costs;
- Segment share in depreciation costs;
- Operating profit used as segment profit measure differs from pre-tax IFRS profit only by Banking tax and Share in net profit of associated companies. Share in net profit of associated companies and Income tax charge has been presented on Group level only.

The assets and liabilities of commercial segments are the operating assets and liabilities used by the segment in its operations, allocated on business grounds. The difference between operating assets and liabilities is covered by money market assets/liabilities and debt securities. The assets and liabilities of the Treasury, ALM & Other segment are money market assets/liabilities and debt securities not allocated to commercial segments.

Income statement 1.01.2019 – 30.06.2019

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Net interest income	766 979	155 503	134 045	1 056 527
Net fee and commission income, including:	258 808	78 524	867	338 199
Fee and commission income	333 839	83 261	5 727	422 827
Fee and commission expenses	(75 031)	(4 737)	(4 860)	(84 628)
Dividends, other income from financial operations and foreign exchange profit	49 667	35 018	47 651	132 336
Result on non-trading financial assets mandatorily at fair value through profit or loss	(5 101)	0	15 633	10 532
Other operating income and cost	(7 837)	(6 453)	35 036	20 746
Operating income	1 062 516	262 592	233 232	1 558 340
Staff costs	(282 711)	(70 009)	(19 498)	(372 218)
Administrative costs	(196 824)	(26 854)	(87 092)	(310 770)
Depreciation and amortization	(63 909)	(7 459)	(1 671)	(73 039)
Operating expenses	(543 444)	(104 322)	(108 261)	(756 027)
Impairment losses on assets	(166 065)	(51 109)	(1 306)	(218 480)
Results on modification	(6 617)	(18)	0	(6 635)
Operating Profit	**346 390**	**107 143**	**123 665**	**577 198**
Share in net profit of associated companies	0	0	0	0
Banking tax				(110 008)
Profit / (loss) before income tax				**467 190**
Income taxes				(133 567)
Profit / (loss) after taxes				**333 623**

Balance sheet items as at 30.06.2019

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Loans and advances to customers	51 782 764	16 072 445	0	67 855 209
Liabilities to customers	59 518 713	17 188 488	120 610	76 827 811

Income statement 1.01.2018 – 30.06.2018

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Net interest income	590 695	139 534	138 602	868 831
Net fee and commission income, including:	253 058	84 366	(837)	336 587
Fee and commission income	319 142	89 278	6 141	414 561
Fee and commission expenses	(66 084)	(4 912)	(6 978)	(77 974)
Dividends, other income from financial operations and foreign exchange profit	33 290	37 821	40 570	111 681
Result on non-trading financial assets mandatorily at fair value through profit or loss	(8 202)	0	7 374	(828)
Other operating income and cost	(3 023)	1 815	2 041	833
Operating income	865 818	263 536	187 750	1 317 104
Staff costs	(230 607)	(70 272)	(15 341)	(316 220)
Administrative costs	(210 196)	(32 508)	(46 679)	(289 383)
Depreciation and amortization	(21 327)	(4 531)	(757)	(26 615)
Operating expenses	(462 130)	(107 311)	(62 777)	(632 218)
Impairment losses on assets	(59 607)	(38 184)	(24)	(97 815)
Results on modification	(7 749)	386	0	(7 363)
Operating Profit	**336 332**	**118 427**	**124 949**	**579 708**
Share in net profit of associated companies	0	0	0	0
Banking tax				(100 656)
Profit / (loss) before income tax				**479 052**
Income taxes				(131 107)
Profit / (loss) after taxes				**347 945**

Balance sheet items as at 31.12.2018

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Loans and advances to customers	37 270 388	15 441 292	0	52 711 680
Liabilities to customers	49 860 658	16 248 660	134 451	66 243 769

7. TRANSACTIONS WITH RELATED ENTITIES

All and any transactions between entities of the Group in 1 half 2019 resulted from the current operations.

Apart from transactions described herein, in the indicated period neither Bank Millennium S.A., nor subsidiaries of Bank Millennium S.A. made any other transactions with related entities, which individually or jointly may have been significant and concluded under terms and conditions other than market-based.

7.1. TRANSACTIONS WITH THE PARENT GROUP

The following are the amounts of transactions with the Capital Group of Bank's parent company - Banco Comercial Portugues (ultimate parent company), these transactions are mainly of banking nature (in '000 PLN):

	With parent company		With other entities from parent group	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
ASSETS				
Loans and advances to banks – accounts and deposits	351	921	0	0
Financial assets held for trading	0	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	0	0
LIABILITIES				
Loans and deposits from banks	979	199	114 917	114 449
Debt securities	0	0	0	0
Financial liabilities held for trading	480	307	0	0
Hedging derivatives	0	0	0	0
Other liabilities	0	0	87	135

	With parent company		With other entities from parent group	
	1.01.2019-30.06.2019	1.01.2018-30.06.2018	1.01.2019-30.06.2019	1.01.2018-30.06.2018
Income from:				
Interest	(33)	20	0	0
Commissions	109	102	0	0
Financial assets and liabilities held for trading	0	0	0	0
Expense from:				
Interest	0	0	(145)	(142)
Commissions	0	0	0	0
Financial assets and liabilities held for trading	535	207	0	0
Other net operating	6	7	0	0
Administrative expenses	0	0	447	239

	With parent company		With other entities from parent group	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Conditional commitments	109 697	109 673	0	0
- granted	104 643	104 643	0	0
- obtained	5 054	5 030	0	0
Derivatives (par value)	16 323	33 577	0	0

7.2. Transactions with the managing and supervising persons

Members of the Management Board	30.06.2019	31.12.2018
Total debt limit (in '000 PLN).	211.0	211.0
- including an unutilized limit (in '000 PLN).	146.2	144.9
Mortgage loans and credits	-	-
Active guarantees	-	-

Members of the Supervisory Board	30.06.2019	31.12.2018
Total debt limit (in '000 PLN).	137.0	137.0
- including an unutilized limit (in '000 PLN).	132.2	121.0
Mortgage loans and credits	-	-
Active guarantees	-	-

The Group provides standard banking services to Members of the Management Board, Members of the Supervisory Board, persons related to Members of the Management Board and Members of the Supervisory Board, which services comprise i.a.: keeping bank accounts, accepting deposits or sale of financial instruments. Accordingly to the Bank these transactions are concluded on market terms and conditions. In accordance with the credit lending policy adopted in the Bank, term credits described in this section have appropriate collateral to mitigate its credit risk exposure.

Information on total exposure towards companies and groups personally related:

Client No. 1, as at:	Loans granted	Guarantees provided	Open credit lines	Relationship
30.06.2019	24 494	3 000	146	Personal with a supervising person
31.12.2018	13 006	2 000	154	Personal with a supervising person

7.3. Information on compensations and benefits of the members of the Management and Supervisory Boards

Remuneration costs (including provisions charged) and benefits incurred by the Bank in favour of the Members of the Management Board (data in thousand PLN):

Period	Short term salaries	Benefits	TOTAL
1.01-30.06.2019	9 697	1 125	10 822
1.01-30.06.2018	9 043	812	9 855

The benefits are mainly the costs of accommodation of the foreign Members of the Management Board.

Remuneration costs of the Members of the Supervisory Board of the Bank (data in thousand PLN):

Period	Short term salaries and benefits
1.01-30.06.2019	1 111
1.01-30.06.2018	1 016

7.4. Balance of the Bank's shares held by the Bank's Supervisory and Management Board Members

Name and surname	Position/Function	Number of shares as of delivery date of quarterly report prepared as at 31.03.2019	Number of shares as of delivery date of report prepared as at 30.06.2019
Joao Nuno Lima Bras Jorge	Chairman of the Management Board	111 000	111 000
Fernando Maria Cardoso Rodrigues Bicho	Deputy Chairman of the Management Board	0	0
Wojciech Haase	Member of the Management Board	7 494	7 494
Andrzej Gliński	Member of the Management Board	0	0
Wojciech Rybak	Member of the Management Board	0	0
Antonio Ferreira Pinto Junior	Member of the Management Board	0	0
Jarosław Hermann	Member of the Management Board	-	0
Bogusław Kott	Chairman of the Supervisory Board	1 000	1 000
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Dariusz Rosati	Deputy Chairman and Secretary of the Supervisory Board	0	0
Miguel de Campos Pereira de Bragança	Member of the Supervisory Board	0	0
Agnieszka Hryniewicz-Bieniek	Member of the Supervisory Board	0	0
Anna Jakubowski	Member of the Supervisory Board	0	0
Grzegorz Jędrys	Member of the Supervisory Board	0	0
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Alojzy Nowak	Member of the Supervisory Board	0	0
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Supervisory Board	0	0
Miguel Maya Dias Pinheiro	Member of the Supervisory Board	0	0
Lingjiang Xu	Member of the Supervisory Board	0	0

8. Fair Value

The best reflection of fair value of financial instruments is the price which can be obtained for the sale of assets or paid for the transfer of liability in case of market transactions (an exit price). For many products and transactions for which market value to be taken directly from the quotations in an active market (marking-to-market) is not available, the fair value must be estimated using internal models based on discounted cash flows (marking-to-model). Financial cash flows for the various instruments are determined according to their individual characteristics, and discounting factors include changes in time both in market interest rates and margins.

According to IFRS 13 “Fair value measurement” in order to determinate fair value the Group applies models that are appropriate under existing circumstances and for which sufficient input data is available, based to the maximum extent on observable input whereas minimizing use of unobservable input, namely:

Level 1 - valuation based on the data fully observable (active market quotations);
Level 2 - valuation models using the information not constituting the data from level 1, but observable, either directly or indirectly;
Level 3 - valuation models using unobservable data (not derived from an active market).

Valuation techniques used to determine fair value are applied consistently. Change in valuation techniques resulting in a transfer between these methods occurs when:

- transfer from Level 1 to 2 takes place when for the financial instruments measured according to Level 1 quoted market prices from an active market are not available at the balance sheet day (previously used to be);
- transfer from Level 2 to 3 takes place when for the financial instruments measured according to the Level 2 value of parameters not derived from the market has become significant at the balance sheet day (and previously used to be irrelevant).

8.1. Financial instruments not recognized at fair value in the balance sheet

All estimation models are arbitrary to some extent and this is why they reflect only the value of those instruments for which they were built. In these circumstances the presented differences between fair values and balance-sheet values cannot be understood to mean adjustments of the economic value of the Group. Fair value of these instruments is determined solely in order to meet the disclosure requirements of IFRS 13 and IFRS 7.

The main assumptions and methods applied in estimating fair value of assets and liabilities of the Group are as follows:

Receivables and liabilities with respect to banks

The fair value of these instruments was determined by discounting the future principal and interest flows with current rates, assuming that the flows arise on contractual dates.

Loans and advances granted to customers valued at amortised cost

The fair value of such instruments without specified repayment schedule, given their short-term nature and the time-stable policy of the Group with respect to this portfolio, is close to balance-sheet value.

With respect to floating rate leasing products fair value was assessed by adjusting balance-sheet value with discounted cash flows resulting from difference of spreads.

The fair value of instruments with defined maturity is estimated by discounting related cash flows on contractual dates and under contractual conditions with the use of current zero-coupon rates and credit risk margins.

In case of mortgage loans due to their long-term nature estimation of the future cash flows also includes: the effect of early repayment and liquidity risk in foreign currencies.

Liabilities to customers

The fair value of such instruments without maturity or with maturity under 30 days is considered by the Group to be close to balance-sheet value.

Fair value of instruments due and payable in 30 days or more is determined by discounting future cash flows from principal and interest (including the current average margins by major currencies and time periods) using current interest (including the original average margins by major currencies and time periods) in contractual terms.

Liabilities from the issuance of structured debt securities

Liabilities from the issuance of structured debt securities - bank’s securities (BPW) are stated/priced at fair value in accordance with Bank’s model. In this model, zero coupon bond price is calculated, which afterwards is increased by the option price, which was basis for a strategy built in a given structured bond.

The fair value of other liabilities arising from debt securities issued by the Bank (bonds (BKMO)) was estimated based on the expected cash flows using current interest rates taking into account the margin for credit risk. The current level of margins was appointed on the basis of recent transactions of similar credit risk.

Subordinated liabilities and medium term loans

The fair value of these financial instruments is estimated on the basis of a model used for determining the market value of floating-rate bonds with the current level of market rates and historical margin for credit risk. Similar as in loan portfolio the Bank includes the level of the original margin as a part of mid-term cost of financing obtained in the past in relation to the current margin level for the comparable instruments, as long as reliable assessment is possible. Due to lack of the mid-term loans liquid market as a reference to estimate current level of margins, the Bank used the original margin.

The table below presents results of the above-described analyses as at 30.06.2019 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	14	56 881	57 541
Deposits, loans and advances to banks and other monetary institutions	14	711 642	711 532
Loans and advances to customers (*)	13	66 513 785	65 205 005
LIABILITIES MEASURED AT AMORTISED COST			
Liablities to banks and other monetary institutions	18	1 908 263	1 910 423
Liablities to customers	19	76 827 811	76 835 471
Debt securities issued	21	1 469 990	1 472 220
Subordinated debt	22	1 646 331	1 648 371

* - The negative impact of fair value valuation of the loans portfolio is largely attributable to growth of loan spreads. The methodology, which the Bank uses for valuation of the loans portfolio, assumes that current spreads best reflect existing market conditions and economic situation. A corresponding rule is widely applied for valuation of debt securities, which are not quoted on active markets. In result, paradoxically whenever the spreads of new loans increase, fair value of the “old” loans portfolio falls.

Models used for determination of the fair value of financial instruments presented in the above table and not recognized at fair value in Group’s balance sheet, use techniques based on parameters not derived from the market. Therefore, they are considered as the third level of valuation.

The table below presents data as at 31.12.2018 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	14	44 884	45 631
Deposits, loans and advances to banks and other monetary institutions	14	731 252	731 163
Loans and advances to customers (*)	13	51 461 155	50 070 672
LIABILITIES MEASURED AT AMORTISED COST			
Liablities to banks and other monetary institutions	18	1 788 857	1 791 378
Liablities to customers	19	66 243 769	66 245 865
Debt securities issued	21	809 679	811 734
Subordinated debt	22	701 883	695 468

8.2. FINANCIAL INSTRUMENTS RECOGNIZED AT FAIR VALUE IN THE BALANCE SHEET

The table below presents balance-sheet values of instruments measured at fair value, by applied fair value measurement technique:

Data in PLN'000, as at 30.06.2019

	Note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	11			
Valuation of derivatives			40 027	55 432
Equity instruments		289		
Debt securities		698 615		
Non-trading financial assets mandatorily at fair value through profit or loss	13			
Equity instruments				21 609
Debt securities				76 473
Loans and advances				1 341 424
Financial assets at fair value through other comprehensive income	12			
Equity instruments		301		29 039
Debt securities		17 798 744	897 883	
Derivatives – Hedge accounting	15		99 864	
LIABILITIES				
Financial liabilities held for trading	11			
Valuation of derivatives			89 436	54 728
Short positions		85 590		
Derivatives – Hedge accounting	15		339 276	

Data in '000 PLN, as at 31.12.2018

	Note	Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	11			
Valuation of derivatives			59 071	38 008
Equity instruments		104		
Debt securities		693 242		
Non-trading financial assets mandatorily at fair value through profit or loss	13			
Equity instruments				21 609
Debt securities				43 187
Loans and advances				1 250 525
Financial assets at fair value through other comprehensive income	12			
Equity instruments		257		29 042
Debt securities		20 504 839	1 599 800	
Derivatives – Hedge accounting	15		125 501	
LIABILITIES				
Financial liabilities held for trading	11			
Valuation of derivatives			65 568	38 162
Short positions		123 754		
Derivatives – Hedge accounting	15		376 811	

Using the criterion of valuation techniques as at 30.06.2019 Group classified into the third category following financial instruments:

- credit exposures with a leverage / multiplier feature inbuilt in the definition of interest rate (these are credit card exposures and overdraft limits for which the interest rate is based on a multiplier: 4 times the lombard rate). To estimate the fair value of loans, due to the lack of availability of the market value, an internal valuation model was used, taking into account the assumption that at the time of granting the loan the fair value is equal to the carrying value. The fair value of loans without recognized impairment is equal to the sum of future expected cash flows discounted at the balance sheet date. The discounting rate is the sum of: the cost of risk, the cost of financing, the value of the expected return. The fair value of impaired loans is equal to the sum of future expected recoveries discounted using the effective interest rate, recognizing that the average expected recoveries fully take into account the element of credit risk. In case of an increase in the discount rate by 1 p.p. valuation of the portfolio would have been reduced by -0.22% (sensitivity analysis: based on the FV model for the portfolio of credit cards);

- index options, option transactions are measured at fair value with use of option measurement models, the model measurement is supplemented with impact on fair value of the estimated credit risk parameter;

- VISA Inc. engagement (classified as a debt instrument) in an amount of 23,847; the method of fair value calculation of this instrument considers the time value of money, the time line for conversion of preferred stock in common stock of VISA and adjustments resulting from litigations (on-going or potential) against VISA and the Bank;

- other equity instruments measured at fair value (unquoted on an active market).

In the reporting period, the Group did not make transfers of financial instruments between the techniques of fair value measurement.

Changes of fair values of instruments measured on the basis of valuation techniques with use of significant parameters not derived from the market in 1 half 2019 and year 2018 are presented in the table below (in '000 PLN):

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
As at 31.12.2018	**35 430**	**(35 584)**	**50 651**	**43 187**	**1 250 525**
Settlement/sell/purchase	8 704	(7 665)	0	17 652	42 716
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	53 284
Results on financial assets and liabilities held for trading	8 253	(8 434)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	15 634	(5 101)
Result on exchange differences	0	0	(3)	0	0
As at 30.06.2019	**52 387**	**(51 683)**	**50 648**	**76 473**	**1 341 424**

For options on indexes concluded on an inactive market, and FX options the Group concludes back-to-back transactions on the interbank market, in result estimated credit risk component has no impact on the financial result.

Accordingly Group's estimation impact of adjustments for counterparty credit risk was not significant from the point of view of individual derivative transactions concluded by the Bank. Consequently, the Bank does not consider the impact of unobservable inputs used in the valuation of derivative transactions for significant and in accordance with the provisions of IFRS 13.73 does not classify such transactions for level 3 fair value measurements.

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 31 December 2017	43 159	(42 231)	29 632	47 976	0
Adjusments/reclassifications due to the implementation of IFRS 9	0	0	15 403	(18 344)	1 099 841
Balance on 1 January 2018	43 159	(42 231)	45 035	29 632	1 099 841
Settlement/sell/purchase	(6 287)	5 611	2 515	0	72 009
Change of valuation recognized in equity	0	0	3 095	0	0
Interest income and other of similar nature	0	0	0	0	98 605
Results on financial assets and liabilities held for trading	(1 442)	1 036	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	13 555	(19 930)
Result on exchange differences	0	0	6	0	0
Balance on 31 December2018	**35 430**	**(35 584)**	**50 651**	**43 187**	**1 250 525**

9. Contingent Liabilities and Assets

Below please find the data on the court cases pending, brought up by and against entities of the Group. A separate category are the proceedings related to the activities of the Tax Control Authority described in Chapter 4. note 10.

Court cases brought up by the Group

Value of the court litigations, as at 30.06.2019, in which the companies of the Group were a plaintiff, totalled PLN 302.3 million.

On January 3 2018, Bank Millennium received decision of the President of the Office of Competition and Consumer Protection (UOKIK), in which the President of UOKIK found infringement by the Bank of the rights of consumers. In the opinion of the President of UOKiK the essence of the violation is that the Bank informed consumers (it regards 78 agreements) in responses to their complaints, that the court verdict stating the abusiveness of the provisions of the loan agreement regarding exchange rates does not apply to them. According to the position of the President of UOKiK the abusiveness of contract's clauses determined by the court in the course of abstract control is constitutive and effective for every contract from the beginning. As a result of the decision, the Bank was obliged to:

1) send information on the UOKiK's decision to the said 78 clients,

2) place the information on decision and the decision itself on the website and on Twitter,

3) to pay a fine amounting to 20.7 mln PLN. The decision on the fine is not immediately enforceable.

The decision of the President of UOKIK is not final. The Bank does not agree with this decision and lodged an appeal within the statutory time limit.

Court cases against the Group

As at 30.06.2019, the most important proceeding, in the group of the court cases where the Group's companies were defendant, was a case brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium S.A., worth of the dispute 521.9 million PLN with statutory interest from 05.04.2016 until the day of payment.

The plaintiff filed the suit dated 23.10.2015 to the Regional Court in Warsaw; the suit was served to the Bank on 04.04.2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by the Bank and consisting in the wrong interpretation of the Agreement for working capital loan concluded between the Bank and PCZ S.A., which resulted in placing the loan on demand.

In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of 250.0 million PLN. The petition was dismissed on 5.09.2016 with legal validity by the Appellate Court. The Bank is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Supporting the position of the Bank, the Bank's attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to the Bank, issued in the same legal state in the action brought by PCZ SA against the Bank.

At present, the court is conducting evidence proceedings.

Additionaly, on 19 January 2018 the Bank has received the lawsuit petition of First Data Polska SA requesting the payment of 186.8 mln PLN. First Data claims a share in an amount which the Bank has received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its request on an agreement with the Bank on co-operation in scope of acceptance and settlement of operations conducted with the usage of Visa cards. The Bank does not accept the claim and filed the response to the lawsuit petition within the deadline set forth in the law. The case is being examined by the Court of first instance. In accordance with the judgment of 13.06.2019, the Bank won the case before the Court of first instance. The plaintiff announced the appeal.

As at 30.06.2019, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at PLN 455.7 million (excluding the class actions described below). In this group the most important category are cases related to forward transactions (option cases) and cases related with FX loans mortgage portfolio.

In the area of FX mortgage loans there are risks connected with verdicts in Polish courts individual litigations raised by FX mortgage borrowers against banks (including Bank Millennium).

Vast majority of verdicts regarding Bank Millennium cases have been in favour of the bank so far. However, some recent verdicts and an opinion of advocate general of the European Court of Justice regarding questions raised by a Polish court regarding such type of litigation has generated a risk of a European Court of Justice ruling that would increase the risk of possible change of line of verdicts (more details about the opinion are presented below). If materialized, such risk might create very sizable negative impact on banks having FX mortgage loan portfolios (including Bank Millennium). Contingent liability resulting from the possible negative verdict of the European Court of Justice that would be applied in local rulings can not be reliably estimated.

Opinion of advocate general of the European Court of Justice

On 14 May 2019 the Advocate General of the Court of Justice of the European Union submitted an opinion on case No. C 260/18 Kamil Dziubak, Justyna Dziubak v Raiffeisen Bank International AG with its seat in Vienna, operating in Poland in the form of a branch office under the name of Raiffeisen Bank International AG Branch in Poland, formerly Raiffeisen Bank Polska SA with its seat in Warsaw. The opinion contains a proposed reply to questions of the referring court (Regional Court in Warsaw) contained in the request for a preliminary ruling, asked under art. 267 of the Treaty on the Functioning of the European Union.

The referring court (Regional Court in Warsaw) asked 4 questions regarding a mortgage loan agreement, in accordance with which a loan specified in Polish currency, but indexed to a foreign currency, in this case the Swiss franc, was granted.

The position of the Advocate General is not binding for the Court ruling on the case and constitutes an expression of its view and in this respect may not be deemed indicative for formulating legal assessments.

Class actions

The class action related to the indexation issue.

On 21 October 2014 a class action was delivered to the Bank in which a group of the Bank's borrowers represented by the Municipal Consumer Ombudsman in Olsztyn seeks the ascertainment that the Bank is liable for unjust enrichment in connection with the CHF-indexed mortgage agreements. The members of the group claim that the Bank unduly collected excessive amounts from them for the repayment of loans. According to the statement of claim, the overstatement of such amounts was to result from the application of abusive contractual provisions concerning the CHF-indexation of credits.

Actual status:

The number of the group members amounts to approximately 5 400 and the value of the litigation has been estimated to approximately PLN 146 million. The number of loan agreements involved is approximately 3 300.

The current stage of the proceedings is establishing the composition of the group (i.e. determining whether all persons who joined the group may participate in the group).

The class action related to the LTV insurance

On the 3rd of December 2015 a class action was served on the Bank. A group of the Bank's debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million, claiming that the clauses of the agreements, pertaining to the low down payment insurance, are unfair and thus not binding. Plaintiff extended the group in the court letter filed on the 4th of April 2018, therefore the claims increased from PLN 3.5 million to over PLN 5 million.

Current status:

On the 1st of October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7 371 107.94.

The next stage of the proceedings is establishing the composition of the group (i.e. determining whether all persons who joined the proceedings may participate in the group).

In addition, against Euro Bank S.A. (bank dependent on Bank Millennium SA) there is a class action worth PLN 3.5 million, in which the plaintiffs demand the determination of the actual state of their debt under the mortgage loan agreements accusing them of abusiveness. The case is pending before the Court of first instance.

OFF-BALANCE ITEMS

Amount '000 PLN	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Off-balance conditional commitments granted and received	**11 102 310**	**10 163 772**	**10 229 552**	**9 467 100**
Commitments granted:	10 578 312	9 764 592	9 855 664	9 174 162
- loan committments	8 928 616	8 324 735	8 423 814	7 857 205
- guarantee	1 649 696	1 439 858	1 431 850	1 316 957
Commitments received:	523 998	399 179	373 887	292 938
- financial	7 399	2 538	0	0
- guarantee	516 599	396 641	373 887	292 938

10. Additional Information

10.1. Data about assets, which secure liabilities

As at 30 June 2019 following assets of the Bank constituted collateral of liabilities (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds WZ0121	Held to Collect and for Sale	Lombard credit granted to the Bank by the NBP	130 000	131 438
2.	Treasury bonds WZ0120	Held to Collect and for Sale	Initial security deposit for bond futures	500	505
3.	Treasury bonds WZ0120	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	321 000	324 550
4.	Treasury bonds PS0421	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	35 000	35 387
5.	Central Bank bills NBP_050419	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	43 350	43 343
6.	Central Bank bills NBP_050419	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	27 100	27 095
7.	Cash	receivables	Payment to the Futures Settlement Guarantee Fund	100	100
8.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	3 007	3 007
9.	Deposits	Deposits in banks	Settlement on transactions concluded	403 391	403 391
10.	Leasing receivables	Loans and advances	Loans granted to Millennnium Leasing	567 894	567 894
			TOTAL	1 531 342	1 536 710

Additionally, as at June 30, 2019, the Group had concluded short-term transactions (usually settled within 7 days) of Treasury securities sale with a repurchase agreement, subject of securities worth PLN 20,977 thousand.

As at 31 December 2018 following assets of the Bank constituted collateral of liabilities (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds WZ0121	Held to Collect and for Sale	Lombard credit granted to the Bank by the NBP	130 000	131 630
2.	Treasury bonds WZ0120	Held to Collect and for Sale	Initial security deposit for bond futures	500	507
3.	Treasury bonds WZ0120	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	311 000	315 273
4	Central Bank bills NBP_040119	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	35 600	35 600
5.	Central Bank bills NBP_040119	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	27 100	27 100
6.	Cash	receivables	Payment to the Futures Settlement Guarantee Fund	100	100
7.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	2 583	2 583
8.	Deposits	Deposits in banks	Settlement on transactions concluded	264 108	264 108
			TOTAL	770 991	776 901

Additionally, as at December 31, 2018, the Group had concluded short-term transactions (usually settled within 7 days) of Treasury securities sale with a repurchase agreement, subject of securities worth PLN 50,290 thousand .

10.2. Securities covered by transactions with a buy-back clause

The following debt securities (presented in the balance sheet of the Group) were subject to repo transactions (SBB), in PLN thous.:

Type of security	30.06.2019		31.12.2018	
	Par value	Balance sheet value	Par value	Balance sheet value
Treasury bonds	20 836	20 977	49 667	50 290
TOTAL	20 836	20 977	49 667	50 290

In result of conclusion of Sell-Buy-Back transactions with the underlying securities presented in the table above, the Group is exposed to risks, which are the same as in case of holding securities with the same characteristics in its treasury portfolio.

10.3. 2019 dividend

Bank Millennium has a dividend policy of distributing between 35% to 50% of net profit, assuming that the recommendations of the Polish Financial Supervision Authority (KNF) regarding the payment of dividends will be met.

The high capital ratios at the end of 2018 would allow to pay 75% if not additional K1 and K2 criteria for banks with FX mortgage loan portfolio, which KNF maintained when announcing in January 2019 a recommendation on the banks' dividend policy. K1 criterion is based on FX mortgage share in total portfolio and K2 criterion is based on share of 2007-2008 vintages in total FX mortgage portfolio.

Due to the above and considering the planned acquisition of Euro Bank S.A., the Bank intended to retain all of its 2018 net profit in own funds in order to strengthen capital ratios. Therefore, the Management Board of the Bank submitted to Annual General Meeting a proposal of full retention of 2018 net profit. The Annual General Meeting held on 25th March 2019 decided to retain the net profit for 2018 in Bank's equity.

10.4. Earnings per share

Profit per share calculated for I half 2019 (and diluted profit per share) on the basis of the consolidated data amounts to PLN 0.28.

10.5. Shareholders holding no less than 5% of the total number of votes at the General Shareholders Meeting of the Group's parent company – Bank Millennium S.A.

Because the Bank is a public company whose shares are traded on the WSE primary market, the Bank has no detailed information about the shareholding structure as of June 30, 2019. Information on the shareholderspresented in the table below, is provided on the basis of data collected in connection with the registration of shareholders entitled to participate in the Bank's General Shareholders Meeting held on 25 March 2019.

The largest shareholders of the Group's parent entity – the Bank - (above 5% share in the vote at the General Shareholders Meetings) were as follows:

Shareholders as at 30.06.2019	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	100 000 000	8.24	100 000 000	8.24
Aviva Otwarty Fundusz Emerytalny Aviva Santander	76 300 000	6.29	76 300 000	6.29
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	68 000 000	5.61	68 000 000	5.61

Shareholders as at 31.12.2018	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	105 018 325	8.66	105 018 325	8.66
Aviva Otwarty Fundusz Emerytalny Aviva Santander	76 301 553	6.29	76 301 553	6.29
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	68 043 397	5.61	68 043 397	5.61

10.6. Information about loan sureties or guarantees extended by the Group

In the 1 half 2019, the Group did not grant any sureties or guarantees for a loan or bank loan which would cause the Group's exposure on this account as at 30 June 2019 to be significant.

10.7. Seasonality and business cycles

In the Group's activity, there are no significant phenomena, which are cyclical or subject to seasonal variations.

10.8. Other additional information and events after the balance sheet date

As at 30 June 2019, the Group has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed consolidated statements, Group did not:

- create substantial write-offs for inventories,
- conclude significant acquisitions and sales of property, plant and equipment (except increase in the values resulting from purchase of Euro Bank, this transaction is described in detail in Chapter 1 "General information on the Issuer".
- make correction of prior period errors,
- introduce significant changes in determining the fair value for financial instruments valued at fair value,
- make any reclassification of financial assets as a result of changes in purpose or use,
- change the method of determining the estimated values, which would exert a significant influence on the current interim period.

Between the date on which this report is drawn up and the date of its publication, there were no other events that could affect Group's future financial results.

FX mortgage loan portfolio

Regarding regulations on FX mortgage loans, which have been discussed in Poland during last 4 years, it was recently approved a Presidential Draft Bill of 2 August 2017 regarding changes in the Act on Support for Distressed Borrowers who Took Residential Loans. The finally accepted Bill does not include the creation of a Conversion Fund. On the other hand, it increased availability of the PLN 600 million worth Borrowers' Support Fund originally created in 2015 and still waiting to be used for borrowers in need (both PLN and FX mortgages) and sets potential future contributions. The Bill will come into force from 1 January 2020.

Mortgage Bank

Mortgage loans are an important element of the Bank's retail business. Therefore, in June 2018, the Bank filed to the Polish Financial Supervision Authority an application for granting permission to set up a mortgage bank called "Millennium Bank Hipoteczny" based in Warsaw, the sole shareholder of which will be Bank Millennium. The new Bank is to provide medium and long-term financing through the issuance of covered bonds to support residential mortgage lending business.

Date	Name and surname	Position/Function	Signature
26.07.2019	Joao Bras Jorge	Chairman of the Management Board	
26.07.2019	Fernando Bicho	Deputy Chairman of the Management Board	
26.07.2019	Wojciech Haase	Member of the Management Board	
26.07.2019	Andrzej Gliński	Member of the Management Board	
26.07.2019	Wojciech Rybak	Member of the Management Board	
26.07.2019	Antonio Pinto Junior	Member of the Management Board	
26.07.2019	Jarosław Hermann	Member of the Management Board	

CONDENSED INTERIM STANDALONE FINANCIAL STATEMENTS
OF THE BANK MILLENNIUM S.A.
FOR THE 6 MONTHS ENDED 30 JUNE 2019

Contents

1. Introduction and Accounting Policy

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed consolidated interim financial statement do not include all of the information which is presented in full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2018.

The accounting principles applied in the preparation of this report are compliant with the requirements of IAS 34 and the principles used in the preparation of the financial statements of the Bank Millennium SA for the year ended on December 31, 2018, taking into account changes introduced as a result of the IFRS 16 implementation on January 1, 2019, which are described below. Pursuant to the provisions of IFRS 16, the Bank decided not to convert comparative data for reporting periods ended before January 1, 2019.

Accounting principles applicable to comparative data have been described in the financial statements of the Bank for the financial year ended December 31, 2018.

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the six months ending June 30, 2019.

Condensed interim financial statements of the Bank:

- are prepared on the basis of the assumption of business continuity by the Bank, namely scale of business is not to be reduced substantially in a period of not less than one year from the balance sheet date;

- have been prepared in PLN, and all values, unless otherwise indicated, are given in PLN rounded to one thousand.

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank's economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the half year period ended 30 June 2019. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the half year period ended 30 June 2019 contain all important information, which also serves as explanatory data to these standalone statements of the Bank.

Data presented in these condensed interim financial statements of Bank Millennium SA, for the second quarter of 2019 and respectively second quarter 2018 and as at March 31, 2019, were not reviewed by an independent auditor.

The Management Board approved these condensed interim financial statements on 26th July 2019.

IFRS 16 Leases

The International Accounting Standards Board has published the new International Financial Reporting Standard No. 16 (IFRS 16) concerning leases. IFRS 16 applies to reporting periods starting on 1 January 2019 and affects the Bnak in the area of assets used under lease agreements. The new requirements eliminate the notion of operating lease and thus off-balance sheet recognition of assets used on this basis. All assets used as well as relevant rent payment liabilities are to be recognised in the balance sheet, with the exception of short-term contracts and contracts for low-value assets, where the new standard allows a simplified approach (recognition directly in the cost of the period).

The Bank analysed its agreements to establish which are leases, which aren't. An agreement is a lease or contains a lease if under it the right is conveyed to control the use of an identified asset for a particular irrevocable period in exchange for remuneration. Recognition of agreements on rental of office space (Head Office, branches) as leases have the biggest impact on financial statements. Also agreements were identified on small spaces (bin shelters, ATM space etc.) as well as agreements on minor equipment, which were classified as low value leases.

Transition period

In order to implement the new standard the Bank adopted a modified retrospective approach, which assumes not restating comparable data. On the day of first use of the new standard (1 January 2019) the Bank recognised lease liabilities equal to the current value of discounted and as yet unpaid lease payments as well as assets equal to liabilities. The life of an asset for use will be equal to the duration of the lease agreement.

In result of application of the new standard as at the end of June 2019 the Bank has total assets higher by PLN 342 million, while costs estimated for 2019 will increase by approx. PLN 5 million over 2018. In subsequent years the impact of the new standard on the result will decrease.

The Bank has adopted the following assumptions, based on which lease agreements are carried in financial statements:

- Calculation of liabilities and assets will use net values of future cash flows,
- In case of agreements denominated in currency the liabilities will be carried in the original currency of the contract while assets in Polish zloty converted at the rate from the day of start of validity (signing) of the agreement, assets in Polish zloty were converted at the rate from the date of initial application of the standard (i.e. 01.01.2019),
- New agreements shall be discounted using incremental borrowing rate defined as risk free rate (SWAP) from the day of start (signing) of an agreement appropriate for the duration of the agreement, plus credit spread defined and updated with respect to the premium for Bank's credit risk.

Accounting schedules

The financial report shows in different items both assets from right to use as well as lease liabilities. On the start date lease payments contained in the valuation of the lease liability shall comprise following payments for the right to use the underlying asset during the lease period, which remain due on that date:

- fixed lease payments less any and all due lease incentives,
- variable lease payments, which depend on the index or rate, initially valuated with use of this index or this rate in accordance with their value on start date,
- amounts expected to be paid by the lessee under the guaranteed final value,
- the buy option strike price if it can be assumed with sufficient certainty that the lessee will exercise this option,
- monetary penalties for lease termination if the lease terms and conditions stipulated that the lessee may exercise the lease termination option.

A right to use asset comprises:

- amount of initial valuation of the lease liability,
- any and all lease payments paid on the start date or before it, less any and all lease incentives received.

Financial result reflects following items:

- depreciation of right to use,
- interest on lease liabilities,
- VAT on rent invoices reported in cost of rent.

2. STANDALONE FINANCIAL DATA (BANK)

INCOME STATEMENT

Amount '000 PLN	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Net interest income	946 380	486 826	819 993	415 922
Interest income and other of similar nature	1 360 754	694 047	1 182 714	598 649
Income calculated using the effective interest method	1 300 155	664 222	1 126 836	570 157
- Interest income from Financial assets at amortised cost	1 103 670	572 767	952 724	484 335
- Interest income from Financial assets at fair value through other comprehensive income	196 485	91 455	174 112	85 822
Income of similar nature to interest from Financial assets at fair value through profit or loss	60 599	29 825	55 878	28 492
Interest expenses	(414 374)	(207 221)	(362 721)	(182 727)
Net fee and commission income	288 796	145 261	286 198	140 344
Fee and commission income	354 635	180 361	346 936	172 957
Fee and commission expenses	(65 839)	(35 100)	(60 738)	(32 613)
Dividend income	44 761	2 453	56 080	2 354
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	29 171	14 250	8 599	5 439
Results on financial assets and liabilities held for trading	31 609	13 605	36 687	19 452
Result on non-trading financial assets mandatorily at fair value through profit or loss	9 719	5 666	(828)	1 455
Result on hedge accounting	(9 755)	(4 934)	(9 958)	(4 529)
Result on exchange differences	76 470	43 199	73 621	37 013
Other operating income	47 034	7 314	12 099	3 647
Other operating expenses	(14 651)	(8 244)	(15 169)	(9 465)
Administrative expenses	(623 738)	(286 838)	(577 808)	(274 972)
Impairment losses on financial assets	(108 074)	(54 257)	(84 363)	(43 569)
Impairment losses on non-financial assets	(1 204)	(557)	(26)	12
Result on modification	(6 635)	(2 969)	(7 364)	(3 065)
Depreciation	(63 570)	(32 707)	(25 136)	(12 460)
Share of the profit of investments in subsidiaries	0	0	0	0
Banking tax	(107 284)	(55 926)	(100 656)	(48 478)
Profit before income taxes	**539 029**	**272 142**	**471 969**	**229 100**
Corporate income tax	(136 520)	(66 832)	(118 195)	(60 936)
Profit after taxes	**402 509**	**205 310**	**353 774**	**168 164**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Profit after taxes	402 509	205 310	353 774	168 164
Other comprehensive income items that may be (or were) reclassified to profit or loss	(19 610)	13 874	36 904	(20 843)
Result on debt securities at fair value through other comprehensive income	(57 986)	20 092	19 819	(26 576)
Hedge accounting	38 376	(6 218)	17 085	5 733
Other comprehensive income items that will not be reclassified to profit or loss	0	0	0	0
Actuarial gains (losses)	0	0	0	0
Result on equity instruments at fair value through other comprehensive income	0	0	0	0
Total comprehensive income items before taxes	**(19 610)**	**13 874**	**36 904**	**(20 843)**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	3 726	(2 636)	(7 012)	3 960
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0	0	0
Total comprehensive income items after taxes	**(15 884)**	**11 238**	**29 892**	**(16 883)**
Total comprehensive income for the period	**386 625**	**216 548**	**383 666**	**151 281**

BALANCE SHEET

ASSETS

Amount '000 PLN	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Cash, cash balances at central banks	3 277 024	1 736 975	2 450 176	2 146 680
Financial assets held for trading	797 721	872 560	795 924	1 411 738
Derivatives	99 106	99 291	102 682	170 179
Equity instruments	0	0	0	0
Debt securities	698 615	773 269	693 242	1 241 559
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	79 617	73 778	64 796	57 444
Equity instruments	21 609	21 609	21 609	20 439
Debt securities	58 008	52 169	43 187	37 005
Financial assets at fair value through other comprehensive income	17 280 487	22 862 001	22 120 121	16 954 036
Equity instruments	29 039	29 042	29 042	25 952
Debt securities	17 251 448	22 832 959	22 091 079	16 928 084
Loans and advances to customers	54 316 492	53 014 195	51 786 756	50 122 410
Mandatorily at fair value through profit or loss	1 341 424	1 240 911	1 250 525	1 153 901
Valued at amortised cost	52 975 068	51 773 284	50 536 231	48 968 509
Financial assets at amortised cost other than Loans and advances to customers	4 379 861	1 256 844	1 026 400	676 229
Debt securities	56 880	45 039	44 884	47 446
Deposits, loans and advances to banks and other monetary institutions	4 249 322	414 396	731 232	519 936
Reverse sale and repurchase agreements	73 659	797 409	250 284	108 847
Derivatives – Hedge accounting	99 864	87 516	125 501	166 304
Investments in subsidiaries, joint ventures and associates	1 921 874	90 081	90 084	84 346
Tangible fixed assets	527 749	516 366	202 546	182 341
Intangible fixed assets	82 282	82 188	84 850	63 969
Income tax assets	263 466	258 174	217 863	221 505
Current income tax assets	26 933	26 933	0	0
Deferred income tax assets	236 533	231 241	217 863	221 505
Other assets	144 695	233 106	314 017	151 322
Non-current assets and disposal groups classified as held for sale	0	0	0	0
Total assets	**83 171 132**	**81 083 784**	**79 279 034**	**72 238 324**

LIABILITIES AND EQUITY

Amount '000 PLN	30.06.2019	31.03.2019	31.12.2018	30.06.2018
LIABILITIES				
Financial liabilities held for trading	232 433	214 804	231 633	236 119
Derivatives	146 843	100 622	107 879	129 801
Liabilities from short sale of securities	85 590	114 182	123 754	106 318
Financial liabilities measured at amortised cost	72 111 662	70 283 130	68 827 643	62 360 036
Liabilities to banks and other monetary institutions	1 141 231	1 136 619	1 055 708	1 078 456
Liabilities to customers	68 634 346	66 841 784	66 399 771	59 938 799
Sale and repurchase agreements	20 990	55 759	50 324	94 285
Debt securities issued	769 154	704 353	619 957	546 696
Subordinated debt	1 545 941	1 544 615	701 883	701 800
Derivatives - Hedge accounting	332 935	367 337	376 811	506 560
Provisions	106 622	104 473	112 045	115 201
Pending legal issues	55 040	55 341	59 797	58 512
Commitments and guarantees given	51 582	49 132	52 248	56 689
Tax liabilities	16 961	22 079	16 910	23 417
Current tax liabilities	16 961	22 079	16 910	23 417
Deferred tax liabilities	0	0	0	0
Other liabilities	1 847 925	1 785 915	1 578 023	1 293 518
Total Liabilities	**74 648 538**	**72 777 738**	**71 143 065**	**64 534 851**
EQUITY				
Share capital	1 213 117	1 213 117	1 213 117	1 213 117
Share premium	1 147 241	1 147 241	1 147 241	1 147 241
Accumulated other comprehensive income	57 573	46 335	73 457	9 487
Retained earnings	6 104 663	5 899 353	5 702 154	5 333 628
Total equity	8 522 594	8 306 046	8 135 969	7 703 473
Total equity and total liabilities	**83 171 132**	**81 083 784**	**79 279 034**	**72 238 324**

Book value of net assets	8 522 594	8 306 046	8 135 969	7 703 473
Number of shares	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	7.03	6.85	6.71	6.35

STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total equity	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	
					Unappropriated result	Other reserves
01.01.2019 - 30.06.2019						
Equity at the beginning of the period	**8 135 969**	**1 213 117**	**1 147 241**	**73 457**	**486 887**	**5 215 267**
Total comprehensive income for the period (net)	386 625	0	0	(15 884)	(84 378)	486 887
net profit/ (loss) of the period	402 509	0	0	0	402 509	0
valuation of debt securities at fair value through other comprehensive income	(46 969)	0	0	(46 969)	0	0
valuation of shares at fair value through other comprehensive income	31 085	0	0	31 085	0	0
hedge accounting	0	0	0	0	(486 887)	486 887
Transfer between items of reserves	**8 522 594**	**1 213 117**	**1 147 241**	**57 573**	**402 509**	**5 702 154**
Equity at the end of the period	**8 135 969**	**1 213 117**	**1 147 241**	**73 457**	**486 887**	**5 215 267**
01.04.2019 - 30.06.2019						
Equity at the beginning of the period	**8 306 046**	**1 213 117**	**1 147 241**	**46 335**	**197 199**	**5 702 154**
Total comprehensive income for the period (net)	216 548	0	0	11 238	205 310	0
net profit/ (loss) of the period	205 310	0	0	0	205 310	0
valuation of debt securities at fair value through other comprehensive income	16 274	0	0	16 274	0	0
valuation of shares at fair value through other comprehensive income	(5 036)	0	0	(5 036)	0	0
hedge accounting	0	0	0	0	0	0
Transfer between items of reserves	**8 522 594**	**1 213 117**	**1 147 241**	**57 573**	**402 509**	**5 702 154**
Equity at the end of the period	**8 306 046**	**1 213 117**	**1 147 241**	**46 335**	**197 199**	**5 702 154**
01.01.2018 - 31.12.2018						
Equity at the beginning of the period	**7 540 548**	**1 213 117**	**1 147 241**	**(35 077)**	**648 945**	**4 566 322**
adjustment of the opening balance due to the adoption of IFRS 9	(220 741)	0	0	14 672	(235 413)	0
Equity as at 01.01.2018	7 319 807	1 213 117	1 147 241	(20 405)	413 532	4 566 322
Total comprehensive income for the period (net)	816 162	0	0	93 862	722 300	0
net profit/ (loss) of the period	722 300	0	0	0	722 300	0
valuation of debt securities at fair value through other comprehensive income	57 522	0	0	57 522	0	0
valuation of shares at fair value through other comprehensive income	2 506	0	0	2 506	0	0
hedge accounting	33 920	0	0	33 920	0	0
actuarial gains (losses)	(86)	0	0	(86)	0	0
Transfer between items of reserves	0	0	0	0	(648 945)	648 945
Equity at the end of the period	**8 135 969**	**1 213 117**	**1 147 241**	**73 457**	**486 887**	**5 215 267**
01.01.2018 - 30.06.2018						
Equity at the beginning of the period	**7 540 548**	**1 213 117**	**1 147 241**	**(35 077)**	**648 945**	**4 566 322**
adjustment of the opening balance due to the adoption of IFRS 9	(220 741)	0	0	14 672	(235 413)	0
Equity as at 01.01.2018	7 319 807	1 213 117	1 147 241	(20 405)	413 532	4 566 322
Total comprehensive income for the period (net)	383 666	0	0	29 892	353 774	0
net profit/ (loss) of the period	353 774	0	0	0	353 774	0
valuation of debt securities at fair value through other comprehensive income	16 053	0	0	16 053	0	0
valuation of shares at fair value through other comprehensive income	13 839	0	0	13 839	0	0
hedge accounting	0	0	0	0	(648 945)	648 945
Transfer between items of reserves	**7 703 473**	**1 213 117**	**1 147 241**	**9 487**	**118 361**	**5 215 267**
Equity at the end of the period	**7 540 548**	**1 213 117**	**1 147 241**	**(35 077)**	**648 945**	**4 566 322**

CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Profit (loss) after taxes	402 509	205 310	353 774	168 164
Total adjustments:	(3 427 826)	(2 145 890)	(1 462 368)	(1 326 891)
Interest received	1 245 480	695 088	1 144 826	578 627
Interest paid	(371 195)	(188 995)	(340 298)	(184 950)
Depreciation and amortization	63 570	32 707	25 136	12 460
Foreign exchange (gains)/ losses	9 022	5 601	41 002	32 908
Dividends	(44 761)	(2 453)	(56 080)	(2 354)
Changes in provisions	(5 422)	2 150	24 534	12 397
Result on sale and liquidation of investing activity assets	(29 056)	(14 180)	(8 926)	(5 439)
Change in financial assets held for trading	(93 595)	(77 701)	(315 881)	614 292
Change in loans and advances to banks	(3 766 267)	(3 734 691)	(245 249)	(239 273)
Change in loans and advances to customers	(3 457 938)	(1 751 078)	(4 103 021)	(2 819 760)
Change in receivables from securities bought with sell-back clause (loans and advances)	168 878	717 547	(111 143)	30 752
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(43 076)	(16 773)	375 569	292 955
Change in deposits from banks	129 816	51 140	(881 598)	(504 071)
Change in deposits from customers	2 588 559	1 969 027	2 860 111	515 019
Change in liabilities from securities sold with buy-back clause	(26 061)	(33 975)	98 757	96 640
Change of liabilities from debt securities issued	155 601	70 186	7 839	7 288
Change in income tax settlements	112 682	68 956	124 457	63 772
Income tax paid	(154 935)	(82 003)	(106 361)	(69 098)
Change in other assets and liabilities	62 328	127 540	(10 657)	233 424
Other	28 544	16 017	14 615	7 520
Net cash flows from operating activities	**(3 025 317)**	**(1 940 580)**	**(1 108 594)**	**(1 158 727)**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Inflows:	74 291 634	36 475 484	124 567 776	36 520 979
Proceeds from sale of property, plant and equipment and intangible assets	21 465	60	1 731	829
Proceeds from sale of shares in related entities	1 210	1 210	0	0
Proceeds from sale of investment financial assets	74 224 198	36 471 761	124 509 965	36 517 796
Other	44 761	2 453	56 080	2 354
Outflows:	(72 199 026)	(34 275 425)	(127 538 295)	(37 178 777)
Acquisition of property, plant and equipment and intangible assets	(30 673)	(21 849)	(26 681)	(19 618)
Acquisition of shares in related entities	(1 833 000)	(1 833 000)	0	0
Acquisition of investment financial assets	(70 335 353)	(32 420 576)	(127 511 614)	(37 159 159)
Other	0	0	0	0
Net cash flows from investing activities	**2 092 608**	**2 200 059**	**(2 970 519)**	**(657 798)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Inflows from financing activities:	830 000	0	0	0
Long-term bank loans	0	0	0	0
Issue of debt securities	0	0	0	0
Increase in subordinated debt	830 000	0	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0	0	0
Other inflows from financing activities	0	0	0	0
Outflows from financing activities:	(60 057)	(60 057)	(773 053)	(772 603)
Repayment of long-term bank loans	(44 046)	(44 046)	(423 518)	(423 518)
Redemption of debt securities	0	0	(329 859)	(329 859)
Decrease in subordinated debt	0	0	0	0
Issue of shares expenses	0	0	0	0
Redemption of shares	0	0	0	0
Dividends paid and other payments to owners	0	0	0	0
Other outflows from financing activities	(16 011)	(16 011)	(19 676)	(19 226)
Net cash flows from financing activities	**769 943**	(60 057)	**(773 053)**	**(772 603)**

D. NET CASH FLOWS. TOTAL (A + B + C)	**(162 766)**	**199 422**	**(4 852 166)**	**(2 589 128)**
- Including change resulting from fx differences	(1 288)	(2 524)	9 841	9 283
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**4 520 688**	**4 158 500**	**8 408 252**	**6 145 214**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D + E)	**4 357 922**	**4 357 922**	**3 556 086**	**3 556 086**

3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

As at 30 June 2019, the Bank has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed statements, Bank did not:

- create substantial write-offs for inventories,
- conclude significant acquisitions and sales of property, plant and equipment (except increase in the values resulting from purchase of Euro Bank, this transaction is described in detail in Chapter 1 "General information on the Issuer" of consolidated financial sttemnts),
- make correction of prior period errors,
- introduce significant changes in determining the fair value for financial instruments valued at fair value,
- make any reclassification of financial assets as a result of changes in purpose or use,
- change the method of determining the estimated values, which would exert a significant influence on the current interim period.

There are no significant phenomena, in Bank's activity which are cyclical or subject to seasonal variations.

Between the date on which this report is drawn up and the date of its publication, there were no other events that could significantly affect Bank's future financial results.

FX mortgage loan portfolio

Regarding regulations on FX mortgage loans, which have been discussed in Poland during last 4 years, it was recently approved a Presidential Draft Bill of 2 August 2017 regarding changes in the Act on Support for Distressed Borrowers who Took Residential Loans. The finally accepted Bill does not include the creation of a Conversion Fund. On the other hand, it increased availability of the PLN 600 million worth Borrowers' Support Fund originally created in 2015 and still waiting to be used for borrowers in need (both PLN and FX mortgages) and sets potential future contributions. The Bill will come into force from 1 January 2020.

Mortgage Bank

Mortgage loans are an important element of the Bank's retail business. Therefore, in June 2018, the Bank filed to the Polish Financial Supervision Authority an application for granting permission to set up a mortgage bank called "Millennium Bank Hipoteczny" based in Warsaw, the sole shareholder of which will be Bank Millennium. The new Bank is to provide medium and long-term financing through the issuance of covered bonds to support residential mortgage lending business.

Impairment losses on financial assets

	1.01.2019 - 30.06.2019	1.04.2019 - 30.06.2019	1.01.2018 - 30.06.2018	1.04.2018 - 30.06.2018
Impairment losses on loans and advances to customers	(108 677)	(51 731)	(74 214)	(35 528)
Impairment charges on loans and advances to customers	(334 099)	(144 657)	(313 068)	(47 256)
Reversal of impairment charges on loans and advances to customers	214 536	86 354	238 348	11 413
Amounts recovered from loans written off	9 512	4 662	412	221
Sale of receivables	1 447	1 447	94	94
Other directly recognised in profit and loss	(73)	463	0	0
Impairment losses on securities	(6)	(6)	725	743
Impairment charges on securities	(6)	(6)	(18)	0
Reversal of impairment charges on securities	0	0	743	743
Impairment losses on off-balance sheet liabilities	609	(2 520)	(10 874)	(8 784)
Impairment charges on off-balance sheet liabilities	(23 912)	(10 690)	(45 391)	(26 168)
Reversal of impairment charges on off-balance sheet liabilities	24 521	8 170	34 517	17 384
Total	**(108 074)**	**(54 257)**	**(84 363)**	**(43 569)**

Movements in impairment allowances for loans and advances to customers carried at amortised cost

	01.01.2019 - 30.06.2019	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.06.2018
Balance at the beginning of the period	1 589 048	1 589 048	1 362 016	1 362 016
Adjustment of the opening balance due to the implementation of IFRS 9	-	-	300 350	300 350
Adjusted balance at the beginning of the period	1 589 048	1 589 048	1 662 366	1 662 366
Change in value of provisions:	(27 699)	(32 584)	(73 318)	(26 712)
Impairment allowances created in the period	334 099	189 442	526 748	313 068
Amounts written off	(160 664)	(101 552)	(273 044)	(122 459)
Impairment allowances released in the period	(214 536)	(128 182)	(356 013)	(238 348)
Sale of receivables	0	0	(13 252)	(5 506)
KOIM created in the period(*)	11 577	5 520	25 558	12 795
Changes resulting from FX rates differences	297	1 892	15 407	13 640
Other	1 528	296	1 278	98
Balance at the end of the period	**1 561 349**	**1 556 464**	**1 589 048**	**1 635 654**

(*) In accordance with IFRS 9, the Bank calculates interest on the loan portfolio with a recognized impairment based on the net exposure value. For this purpose, the so-called impaired interest adjustment ("KOIM") is calculated and recorded as a reduction of interest income. Aforementioned KOIM adjustment in the balance sheet is presented as an impairment allowances, and as a consequence the reconciliation of the change in impairment allowances requires consideration of the KOIM recognized in the interest income.

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Property. plant and equipment	Intangibles	Non-current assets held for sale	Other assets
As at 01.01.2019	5 016	7 600	8 733	0	8 059
- Write-offs created	6	0	0	0	7 782
- Write-offs released	0	0	0	0	(6 578)
- Utilisation	0	0	0	0	(95)
- Reclassification	0	0	0	0	(1 783)
As at 30.06.2019	5 021	7 600	8 733	0	7 386
As at 01.01.2019	5 016	7 600	8 733	0	8 060
- Write-offs created	0	0	0	0	3 431
- Write-offs released	0	0	0	0	(2 783)
- Utilisation	0	0	0	0	(25)
- Reclassification	0	0	0	0	(1 783)
As at 31.03.2019	5 016	7 600	8 733	0	6 899
As at 01.01.2018	5 963	7 600	8 733	0	7 872
- Write-offs created	20	0	0	0	5 176
- Write-offs released	(967)	0	0	0	(4 667)
- Utilisation	0	0	0	0	(321)
As at 31.12.2018	5 016	7 600	8 733	0	8 060
As at 01.01.2018	5 963	7 600	8 733	0	7 872
- Write-offs created	18	0	0	0	1 345
- Write-offs released	(743)	0	0	0	(1 319)
- Utilisation	0	0	0	0	(9)
As at 30.06.2018	5 238	7 600	8 733	0	7 889

Change of Provision for commitments and guarantees given

	01.01.2019 - 30.06.2019	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.06.2018
Balance at the beginning of the period	52 248	52 248	21 720	21 720
Adjustment of the opening balance due to the implementation of IFRS 9	-	-	23 829	23 829
Adjusted balance at the beginning of the period	52 248	52 248	45 549	45 549
Charge of provision	23 912	13 222	61 333	45 391
Release of provision	(24 521)	(16 351)	(54 804)	(34 517)
FX rates differences	(57)	13	170	266
Balance at the end of the period	51 582	49 132	52 248	56 689

Change of Provision for pending legal issues

	01.01.2019 - 30.06.2019	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.06.2018
Balance at the beginning of the period	59 797	59 797	45 118	45 118
Charge of provision	2 154	916	7 541	4 940
Release of provision	(3 820)	(2 581)	(808)	(133)
Utilisation of provision	(4 874)	(4 574)	(4 212)	(3 571)
Reclassification	1 783	1 783	12 158	12 158
Balance at the end of the period	55 040	55 341	59 797	58 512

Deferred income tax assets and liability

	30.06.2019			31.03.2019		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	1 659	(249)	1 410	1 708	0	1 708
Balance sheet valuation of financial instruments	55 663	(78 859)	(23 196)	89 883	(112 374)	(22 491)
Unrealised receivables/ liabilities on account of derivatives	9 468	(16 171)	(6 703)	8 194	(14 973)	(6 779)
Interest on deposits and securities to be paid/ received	25 021	(39 703)	(14 682)	25 017	(38 594)	(13 577)
Interest and discount on loans and receivables	0	(54 595)	(54 595)	0	(51 427)	(51 427)
Income and cost settled at effective interest rate	104 317	0	104 317	94 748	0	94 748
Impairment of loans presented as temporary differences	204 090	0	204 090	202 973	0	202 973
Employee benefits	14 663	0	14 663	14 477	0	14 477
Use rights	6 040	0	6 040	5 945	0	5 945
Provisions for future costs	16 827	0	16 827	13 591	0	13 591
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in revaluation reserve	6 234	(19 739)	(13 505)	5 052	(15 921)	(10 869)
Other	4 977	(3 110)	1 867	6 621	(3 679)	2 942
Net deferred income tax asset	448 959	(212 426)	236 533	468 209	(236 968)	231 241

	31.12.2018			30.06.2018		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	1 726	0	1 726	1 738	0	1 738
Balance sheet valuation of financial instruments	75 827	(98 752)	(22 925)	48 936	(73 016)	(24 080)
Unrealised receivables/ liabilities on account of derivatives	10 395	(19 103)	(8 708)	11 518	(20 162)	(8 644)
Interest on deposits and securities to be paid/ received	19 969	(36 887)	(16 918)	20 574	(35 713)	(15 139)
Interest and discount on loans and receivables	0	(47 342)	(47 342)	0	(49 600)	(49 600)
Income and cost settled at effective interest rate	89 058	0	89 058	86 225	0	86 225
Impairment of loans presented as temporary differences	201 320	0	201 320	194 711	0	194 711
Employee benefits	14 946	0	14 946	14 183	0	14 183
Provisions for future costs	21 726	0	21 726	20 213	0	20 213
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in revaluation reserve	13 525	(30 756)	(17 231)	18 216	(20 441)	(2 225)
Other	5 825	(3 614)	2 211	4 190	(67)	4 123
Net deferred income tax asset	454 317	(236 454)	217 863	420 504	(198 999)	221 505

4. Transactions with Related Entities

All transactions among members of the Group made in 1 half 2019 were driven by current activity. The below table presents major amounts of intergroup transactions, these were transactions with the following entities:

- EURO BANK S.A.,
- MILLENNIUM LEASING,
- MILLENNIUM DOM MAKLERSKI,
- MILLENNIUM TFI,
- MILLENNIUM SERVICE,
- MILLENNIUM TELECOMMUNICATION SERVICES,
- MILLENNIUM GOODIE,
- PIAST EXPERT.

and with the Capital Group of Bank parent company - Banco Comercial Portugues (ultimate parent company), these transactions are mainly of banking nature.

Apart from transactions described herein, in the indicated period neither Bank Millennium S.A., nor subsidiaries of Bank Millennium S.A. made any other transactions with related entities, which individually or jointly may have been significant and concluded under terms and conditions other than market-based.

Assets and liabilities from transactions with related parties (data in '000 pln) as at 30.06.2019

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	3 627 851	351	0
Loans and advances to customers	5 616 434	0	0
Investments in associates	1 921 874	0	0
Financial assets valued at fair value through profit and loss (held for trading)	1 084	0	0
Hedging derivatives	0	0	0
Other assets	29 065	0	0
LIABILITIES			
Deposits from banks	11 017	979	114 917
Deposits from customers	287 817	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	549	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	202	480	0
Subordinated debt	0	0	0
Other liabilities, including:	157 805	0	87
- financial leasing liabilities	148 420	0	0

Assets and liabilities from transactions with related parties (data in '000 pln) as at na 31.12.2018

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	0	921	0
Loans and advances to customers	5 409 655	0	0
Investments in associates	90 084	0	0
Financial assets valued at fair value through profit and loss (held for trading)	1 310	0	0
Hedging derivatives	0	0	0
Other assets	37 325	0	0
LIABILITIES			
Deposits from banks	0	199	114 449
Deposits from customers	290 453	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	432	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	0	307	0
Subordinated debt	0	0	0
Other liabilities, including:	91 445	0	135
- financial leasing liabilities	84 632	0	0

Profit and loss on transactions with related parties (data in '000 pln) for the period of 1.01-30.06.2019

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	64 939	(33)	0
Commissions	25 319	109	0
Financial instruments valued at fair value through profit and loss	364	0	0
Dividends	42 110	0	0
Other net operating	8 422	0	0
Expense from:			
Interest	2 395	0	(145)
Commissions	2	0	0
Financial instruments valued at fair value through profit and loss	0	535	0
Other net operating	0	6	0
General and administrative expenses	18 917	0	447

Profit and loss on transactions with related parties (data in '000 pln) for the period of 1.01-30.06.2018

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	55 160	20	0
Commissions	31 234	102	0
Financial instruments valued at fair value through profit and loss	1 658	0	0
Dividends	53 858	0	0
Other net operating	1 858	0	0
Expense from:			
Interest	1 185	0	(142)
Commissions	4	0	0
Financial instruments valued at fair value through profit and loss	0	207	0
Other net operating	0	7	0
General and administrative expenses	43 619	0	239

Off-balance transactions with related parties (data in '000 pln) as at 30.06.2019

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	768 117	109 697	0
- granted	765 187	104 643	0
- obtained	2 930	5 054	0
Derivatives (par value)	182 575	16 323	0

Off-balance transactions with related parties (data in '000 pln) as at 31.12.2018

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	765 073	109 673	0
- granted	762 252	104 643	0
- obtained	2 821	5 030	0
Derivatives (par value)	134 929	33 577	0

5. Fair Value

The methodology used by the Bank for valuation of assets and liabilities at fair value is described in detail in Chapter 8. Condensed interim consolidated financial statements of Bank Millennium S.A. for the 6 months ended 30 June 2019.

The following tables show the figures for Bank Millennium S.A.

5.1. Financial instruments not recognized at fair value in the balance sheet

30.06.2019	Balance sheet value	Fair value
Assets measured at Amortised Cost		
Debt securities	56 880	57 540
Deposits, loans and advances to banks and other monetary institutions	4 249 322	4 249 212
Loans and advances to customers (*)	52 975 068	51 668 798
Liabilities measured at Amortised Cost		
Liablities to banks and other monetary institutions	1 141 231	1 142 811
Liablities to customers	68 634 346	68 642 006
Debt securities issued	769 154	770 494
Subordinated debt	1 545 941	1 547 981

* - The negative impact of fair value valuation of the loans portfolio is largely attributable to growth of loan spreads. The methodology, which the Bank uses for valuation of the loans portfolio, assumes that current spreads best reflect existing market conditions and economic situation. A corresponding rule is widely applied for valuation of debt securities, which are not quoted on active markets. In result, paradoxically whenever the spreads of new loans increase, fair value of the “old” loans portfolio falls.

31.12.2018	Balance sheet value	Fair value
Assets measured at Amortised Cost		
Debt securities	44 884	45 631
Deposits, loans and advances to banks and other monetary institutions	731 232	731 143
Loans and advances to customers (*)	50 536 231	49 147 076
Liabilities measured at Amortised Cost		
Liablities to banks and other monetary institutions	1 055 708	1 057 354
Liablities to customers	66 399 771	66 401 867
Debt securities issued	619 957	621 208
Subordinated debt	701 883	695 468

5.2. Financial instruments recognized at fair value in the balance sheet

The table below presents balance-sheet values of instruments measured at fair value, by applied fair value measurement technique:

Data in PLN'000, as at 30.06.2019

	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		41 112	55 432
Debt securities	698 615		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments			21 609
Debt securities			58 008
Loans and advances			1 341 424
Financial assets at fair value through other comprehensive income			
Equity instruments			29 039
Debt securities	16 393 565	857 883	
Derivatives - Hedge accounting		99 864	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		89 638	54 728
Short positions	85 590		
Derivatives - Hedge accounting		332 935	

Data in PLN'000, as at 31.12.2018

	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		60 381	38 008
Debt securities	693 242		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments			21 609
Debt securities			43 187
Loans and advances			1 250 525
Financial assets at fair value through other comprehensive income			
Equity instruments			29 042
Debt securities	20 491 279	1 599 800	
Derivatives - Hedge accounting		125 501	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		65 568	38 162
Short positions	123 754		
Derivatives - Hedge accounting		376 811	

Changes of fair values of instruments measured on the basis of valuation techniques with use of significant parameters not derived from the market are presented in the table below (in ’000 PLN):

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 31 December 2018	**35 430**	**(35 584)**	**50 651**	**43 187**	**1 250 525**
Settlement/sell/purchase	8 704	(7 665)	0	0	42 716
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	53 284
Results on financial assets and liabilities held for trading	8 253	(8 434)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	14 821	(5 101)
Result on exchange differences	0	0	(3)	0	0
Balance on 30 June 2019	**52 387**	**(51 683)**	**50 648**	**58 008**	**1 341 424**

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 31 December 2017	43 159	(42 231)	29 632	47 976	0
Adjusments/reclassifications due to the implementation of IFRS 9	0	0	15 403	(18 344)	1 099 841
Balance on 1 January 2018	43 159	(42 231)	45 035	29 632	1 099 841
Settlement/sell/purchase	(6 287)	5 611	2 515	0	72 009
Change of valuation recognized in equity	0	0	3 095	0	0
Interest income and other of similar nature	0	0	0	0	98 605
Results on financial assets and liabilities held for trading	(1 442)	1 036	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	13 555	(19 930)
Result on exchange differences	0	0	6	0	0
Balance on 31 December2018	**35 430**	**(35 584)**	**50 651**	**43 187**	**1 250 525**

6. Additional Information

6.1. Issue, redemption or repayment of debt or equity instruments

During the six months ended 30 June 2019, the total liabilities of the Bank arising from the issue of debt securities increased by PLN 149.2 million. The increase (approx. PLN 149.4 million) in volumes was mainly due to issue of subsequent series of Bank Securities (BPW) exceeding the redemption of maturing tranches. A slight part of the increase was compensated by the change (approx. -PLN 0.2 million) change in the balance of accrued interest on BKMO T series bonds.

6.2. Off-balance sheet liabilities

Structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Off-balance conditional commitments granted and received	**11 566 620**	**10 929 016**	**10 994 626**	**9 969 867**
Commitments granted:	11 039 692	10 526 968	10 617 917	9 673 893
- financial	8 624 957	8 325 477	8 424 532	7 858 654
- guarantee	2 414 735	2 201 491	2 193 385	1 815 239
Commitments received:	526 928	402 048	376 709	295 975
- financial	7 399	2 538	0	0
- guarantee	519 529	399 510	376 709	295 975

Date	Name and surname	Position/Function	Signature
26.07.2019	Joao Bras Jorge	Chairman of the Management Board	
26.07.2019	Fernando Bicho	Deputy Chairman of the Management Board	
26.07.2019	Wojciech Haase	Member of the Management Board	
26.07.2019	Andrzej Gliński	Member of the Management Board	
26.07.2019	Wojciech Rybak	Member of the Management Board	
26.07.2019	Antonio Pinto Junior	Member of the Management Board	
26.07.2019	Jarosław Hermann	Member of the Management Board	