Consolidated report of the Bank Millennium S.A. Capital Group for 3rd quarter 2019

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Amount '000 PLN		Amount '000 EUR	
	1.01.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.01.2019 - 30.09.2019	1.01.2018 - 30.09.2018
Interest income and other of similar nature	2 427 665	1 881 425	563 446	442 324
Fee and commission income	661 098	619 908	153 437	145 741
Profit (loss) before income tax	735 854	743 970	170 787	174 908
Profit (loss) after taxes	533 763	548 134	123 883	128 867
Total comprehensive income of the period	537 049	581 480	124 646	136 706
Net cash flows from operating activities	(824 279)	(1 230 090)	(191 310)	(289 195)
Net cash flows from investing activities	205 038	(3 646 878)	47 588	(857 383)
Net cash flows from financing activities	841 741	(256 964)	195 363	(60 412)
Net cash flows, total	222 500	(5 133 932)	51 641	(1 206 990)
Earnings (losses) per ordinary share (in PLN/EUR)	0.44	0.45	0.10	0.11
Diluted earnings (losses) per ordinary share	0.44	0.45	0.10	0.11
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Total Assets	97 914 135	80 458 914	22 387 538	18 711 375
Liabilities to banks and other monetary institutions	1 756 132	1 788 857	401 530	416 013
Liabilities to customers	80 341 143	66 243 769	18 369 568	15 405 528
Equity	8 921 436	8 384 386	2 039 838	1 949 857
Share capital	1 213 117	1 213 117	277 373	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)	7.35	6.91	1.68	1.61
Diluted book value per share (in PLN/EUR)	7.35	6.91	1.68	1.61
Total Capital Ratio (TCR)	20.24%	21.68%	20.24%	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	-	-	4.3736	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)	-	-	4.3086	4.2535

INFORMATION ABOUT THE ACTIVITY OF BANK MILLENNIUM CAPITAL GROUP DURING 1-3 QUARTERS OF 2019

Bank Millennium Group (the "Group") consolidated net profit during 1-3Q 2019 amounted to PLN 534 million and was 2.6% lower versus net profit of the corresponding period in 2018. These results included already 4 months results of Euro Bank acquired on 31st May 2019. This acquisition triggered also some extraordinary costs and provisions. The former comprised PLN 64 million integration cost while the latter included PLN 81 million initial provisions on acquired performing portfolio (IFRS9 impact of 12 month expected credit loss implementation as on stage 1 portfolio) plus PLN 8 million additional provisions on Euro Bank portfolio subsequently reclassified. When adjusting for these extra acquisition costs, as well as for PLN 27 million extra tax recovery from 1Q and adopting equal distribution of Banking Guarantee Fund (BGF) resolution fee through the year, the normalised net profit would have reached PLN 651 million in 1-3 quarters 2019. This would mean a 17% growth versus homologous pro-forma result of 1-3 quarters 2018.

Fast growth of Bank Millennium (excluding merger impact) proves, that the organic growth strategy announced after 3Q 2017 has been successfully executed. Bank Millennium surpassed 2 million of active customers, which gives additional 421 thousand customers during 2 years since the beginning of the implementation of current strategy, i.a. ahead of its 600 thousand target for 3 years.

Without merger impact, the Group kept also double-digit yearly growth rates in all main products, like deposits (+19% y/y), consumer loans (+21%) or companies loans (+11%), giving as a consequence very solid 12.3% yearly growth of total operating income.

Euro Bank consolidation since 1st June additionally strengthened profitability of the Group and allowed to double total operating income growth to 25% yearly. Total costs, adjusted for costs connected directly to integration with Euro Bank, grew in the same period by 24% yearly, being strongly affected by higher BGF contribution. When adjusting for one-offs (especially integration costs) and equal distribution of BGF resolution fee, cost-to-Income ratio of the Group reached 46.4% in 1-3Q 2019, which is better than 46.6% ratio of the corresponding period of 2018 year.

Thanks to organic growth and the merger conducted without share capital increase, Group's ROE - adjusted for mentioned above one-off factors - grew visibly from 9.5% year ago to 10% now.

Main financial and business highlights of 1-3Q 2019 are as follows:

Profitability with Euro Bank impact

- Net profit of 1-3Q 2019 reached 534 million PLN with 124 million PLN net impact of extra costs/provisions connected with Euro Bank acquisition.
- 3Q net profit at 200 million PLN and grew by 15% quarterly (adjusted for one-offs* at 224 million PLN)
- Reported ROE at 9.2% and Cost/Income at 49%
- Adjusted* ROE at 10% and Cost/income at 46%

Operating income accelerated. Costs influenced by integration

- Operating income grew by 25% y/y, of which Bank Millennium organic growth at 12.3% y/y
- Net interest income grew by 30% y/y (13% without Euro Bank)
- Operating costs up by 30% y/y (24% without integration cost)
- Bank Millennium organic costs growth at 8.5% y/y (excluding integration costs)
- Initial reserve for cash loans fees returns after European Court of Justice (ECJ) ruling: 53 million PLN

High asset quality and liquidity kept

- Impaired loans (stage 3) ratio at 4.4% level
- Adjusted Cost of Risk** at 61 b.p. (annualised)
- Loans to Deposits ratio at low level of 86%

Capital ratios strengthened after 1H profit inclusion in Own funds

- Group's Total Capital Ratio (TCR) at 20.2% and CET1 ratio at 17.1% after incorporating entire 1H 2019 profit
- Fitch agency affirmed Bank's ratings at BBB- with stable outlook

Retail business (excluding Euro Bank)

- 2.0 million active clients, +421 ths during last 2 years (ahead of strategic goal of 600 ths in 3 years)
- 2nd best*** nominal growth of all retail clients: +297 ths during last year
- Over 3 billion PLN new cash loans and mortgages sold in 1-3Q (+30% and 24% y/y respectively)
- 17.8% yearly growth of deposits (5.1% quarterly)
- Rebound in investment products (+0.1% quarterly growth)

Retail business (with Euro Bank)

- 37.1% yearly growth of deposits (5.1% quarterly)
- Over 1,5 billion PLN of combined sales of cash loans in 3Q

Companies business

- Continued solid growth of loans to companies: +11% y/y
- Deposits volume grew by +23% y/y
- Growth in factoring and leasing sales at 8% and 3% y/y respectively

Quality and Innovations

- The Best Web Site Design in Central and Eastern Europe according to the Global Finance
- 1st place in the „Client Relations" category and 2nd place in the „Innovativeness" and „Growth" categories in the „Banking Stars 2019" competition ****
- 1.3 million apps downloads by goodie.

(*) with equal distribution of BGF resolution fee through the year, without extra release of tax asset provision in 1Q (PLN 27 million), without integration costs (PLN 64 million) and IFRS9 extra provisions created for Euro Bank loan portfolio (PLN 89 million)

(**) total net provisions to average net loans, without extra IFRS9 provisions on Euro Bank acquired portfolio

(***) based on PRNews, adjusted for merger effects

(****) organised by Dziennik Gazeta Prawna

Acquisition of Euro Bank

On 5 November 2018 the Bank announced the agreement on the transaction to buy 99.8% of the shares in Euro Bank S.A. As at the end of May 2019 Euro Bank had total assets of PLN 14.5 billion, loans of PLN 12.3 billion and deposits of PLN 8.0 billion. On 28 December 2018 the Bank got consent for merger from antimonopoly authority (UOKiK) and on 28 May 2019 got non-objection from the Polish Financial Supervision Authority (KNF). The transaction was closed on 31 May 2019 and from that date Euro Bank S.A. became part of the Bank Millennium Group.

After approvals from General Meetings of Bank Millennium and Euro Bank shareholders as well as from KNF, the legal merger of both banks was concluded on 1 October 2019 and operational merger is planned for November 2019.

Macroeconomic situation and factors influencing results in the next quarters

Economic growth in Poland maintains a solid rate and in Q2 2019 it was 4,5% y/y vs 4,7% y/y in Q1. Despite slight deterioration vs the previous quarter, Poland's economy was one of the best performers in the European Union. Growth was driven mainly by household consumption, which continued to be stimulated by the labour market situation: growing wages and employment as well as the historically low rate of unemployment, which improves spending growth propensity. Supporting GDP growth in Q2 2019 was also capital expenditure, although its dynamics decelerated to 9,0% y/y from 12,6% y/y a quarter before. Investments in buildings and structures continued to grow strongly, which was supported by public sector projects co-financed by the European Union. Meanwhile investments in machines and equipment were growing at a slower pace despite high utilisation of output capacity, strong savings in businesses as well as low cost of financing. Net exports had a neutral impact on economic growth, while in the previous quarter they had added 0,7 p.p. to GDP growth rate. Deterioration of the external environment caused a slowdown of export growth, while import growth remained relatively stable in the wake of strong domestic demand.

High frequency data from July-September point to sustained boom in the Polish economy also in Q3 2019, nevertheless the Bank estimates that economic growth slowed down slightly. Available information confirms that the situation on the labour market is still good - growing wages and employment, though the room for further decrease of unemployment is shrinking. Anticipatory economic indexes indicate that in subsequent quarters economic growth may be somewhat lower than in the 1st half of the year. Strongest support for GDP growth will most probably continue to come from household consumption, driven by growing wages as well as social transfers from the State Budget. This factor will most probably be mitigated by the continuing economic slowdown abroad, obstructing export growth.

Economic growth exceeding the rate of potential growth was supporting CPI inflation rebound in Q3 to 2,8% y/y on average from 2,4% y/y in the previous quarter. Meanwhile in July and August CPI inflation was 2,9% y/y, the highest since October 2012. The inflation acceleration rebound was caused largely by food prices, which grew 7,8% y/y in August, due to adverse trends on the vegetables and meat markets. In Q3 growths of baseline inflation were also continued. CPI net of food and energy prices in September stood at 2,4% y/y, reaching the highest level since April 2012. The data indicate that companies increasingly transfer growing business costs to consumers, because capacity to reduce earnings is about to be exhausted. This is especially valid in case of services, the prices of which in September were 4,8% higher than a year ago. Despite growing inflationary pressure Monetary Policy Council is keeping National Bank of Poland interest rates at a historically low level. In the Bank's opinion inflation of consumer prices will continue to grow gradually, early next year approaching 3,5% y/y i.e. the upper limit of the range of acceptable deviations from inflation target. In the Bank's opinion growing inflation will however not affect Monetary Policy Council, which will strive to stabilise the cost of money in the long term.

Despite historically low interest rates in Q3 2019, the rate of growth of household deposits accumulated in the banking sector remains strong. Conducive to this is fast growth of wages, social transfers from the State Budget as well as low interest in alternative ways of investing free cash. In terms of money creation, trends from previous months are staying in place. In the households sector housing loans continue to grow strongly, while growth of lending to non-financial businesses remains moderate.

In coming quarters the activity of banking sector, including Bank Millennium, can be influenced by the following external factors:

- A stronger-than-expected slowdown in global economic growth as a result of intensified protectionism in global trade and deteriorating outlook in Eurozone. Due to the connections within the global production chains, such events in the external environment may have a negative impact on Polish exports and thus on the income situation of domestic enterprises and households.
- Increasing labour costs in Poland are affecting also banking sector and growing problems with finding employees with appropriate qualifications may additionally limit profitability of some enterprises financed by banks.
- Uncertainity around Brexit and US-China trade negotiations may cause higher volatility on financial markets.
- In the area of foreign currency mortgage loan portfolio, there is a risk related to court rulings in cases brought by foreign currency mortgage loan borrowers against Polish banks (including Bank Millennium). So far, the majority of judgments in cases concerning Bank Millennium have been favorable for the Bank. However, it should be noted that there is a significant risk that such a favorable line of rulings for the Bank may change, as a result of which, rulings in pending proceedings may not be taken in accordance with the Bank's demand. If such a risk materializes, it may have a significant negative impact on Polish banks exposed to FX mortgages (including Bank Millennium). Among a number of factors which are significant for the assessment of risk related to disputes concerning mortgage loans indexed to CHF, the judgment of the Court of Justice of the European Union of 3 October 2019 in Case C 260/18 should be mentioned (more opinions on this case are in “Contingent liabilities and assets” part of this report).

Bank Millennium Group Profit and Loss Account in 1-3Q 2019

Operating Income *(PLN million)*	1-3Q 2019	1-3Q 2018	Change y/y	3Q 2019	2Q 2019	Change q/q
Net Interest Income *	1 789,9	1 374,1	30,3%	705,2	584,3	20,7%
Net Commission Income	516,5	499,5	3,4%	178,3	175,0	1,9%
Core Income	2 306,4	1 873,6	23,1%	883,5	759,4	16,3%
Other Non-Interest Income */**	211,0	141,3	49,3%	70,4	63,2	11,4%
Total Operating Income **	2 517,4	2 014,9	24,9%	953,9	822,6	16,0%

(*) Pro-forma data: Net Interest Income includes margin from all derivatives. From 1st January 2006 the Bank started to apply hedge accounting principles. Starting from that date, the margin from these operations is reflected in Net Interest Income. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides pro-forma data, which presents all margin from derivatives in Net Interest Income caption, whereas in accounting terms part of this margin (PLN 28.1 million in 1-3Q 2019 and PLN 24.1 million in 1-3Q 2018) is presented in Other Non-Interest Income. In the Bank’s opinion, such approach allows better understanding of the real evolution of this item from economic point of view.

(**) Without fair value adjustment of credit portfolio (PLN 12.9 million in 1-3Q 2019 and PLN 13.3 million in 1-3Q 2018), which is moved to pro-forma cost of risk

Net Interest Income (pro-forma) in 1-3Q 2019 reached PLN 1,789.9 million and increased by 30.3% versus the corresponding period of the previous year. The growth was supported by 4 months interest income of Euro Bank (PLN 235.2 million), but even without it, net interest income grew strongly by 13.1% yearly. The increase was driven by strong organic growth of Bank Millennium business supported by acquired Euro Bank volumes. On the other hand, the Group already booked a reserve in NII of PLN 21 million for potential returns of fees to early repaid cash loans (after European Court of Justice ruling, see also below “Other Non-interest Income” comment). Blended with Euro Bank, average Net Interest Margin (over average interest earning assets) in 3Q 2019 reached 2.99% which was 21 bps better than NIM for 2Q 2019.

Net Commission Income in 1-3Q 2019 amounted to PLN 516.5 million, which means a slight increase by 3.4% yearly. Contribution of Euro Bank to this line of income was only PLN 13.7 million, as most of commissions collected by this bank is recognized in interest income through effective interest rate mechanism. Insurance, loans and cards related fees grew the most in yearly horizon, while capital market related visibly decreased.

Core Income, defined as a combination of net interest and commission income, reached for the Group the amount of PLN 2,306.4 million in 1-3Q 2019 which means an increase of 23.1% yearly.

Other Non-interest Income, which comprise FX Result, Results on Financial Operations (without interest margin on derivatives and fair value adjustment on credit portfolio) and net other operating income and costs, amounted to PLN 211.0 million in 1-3Q 2019 and strongly increased by 49.3% yearly. This line of results included PLN 26.9 million one-off tax asset recovery booked in 1Q 2019, PLN 45 million of positive revaluation of PSP company (owner of BLIK) shares and PLN 32 million negative impact of a reserve to cover cash loans up-front fees potential return. (Total reserve amounts to PLN 53 million with split between Net Interest Income and Other Operating Costs).

Total operating income (pro-forma) of the Group reached PLN 2,517.4 million in 1-3Q 2019 and increased by 24.9% year-on-year and 16.0% quarter-on-quarter.

Operating Costs *(PLN million)*	1-3Q 2019	1-3Q 2018	Change y/y	3Q 2019	2Q 2019	Change q/q
Personnel Costs	(603,8)	(477,2)	26,5%	(231,6)	(199,7)	16,0%
Other Administrative Costs *	(632,3)	(471,1)	34,2%	(248,5)	(171,9)	44,6%
- of which Banking Guarantee Fund (BFG) fees	(109,6)	(87,4)	25,3%	(13,5)	(12,0)	12,5%
*- of which Euro Bank integration costs ***	(64,0)	-	-	(44,3)	(17,8)	-
Total Operating Costs	(1 236,1)	(948,2)	30,4%	(480,1)	(371,6)	29,2%
*Total costs without integration costs ***	*(1 172,1)*	*(948,2)*	*23,6%*	*(435,8)*	*(353,8)*	*23,2%*
Cost/Income – reported	49.1%	47.1%	*2.1 p.p.*	50.3%	45.2%	*5.1 p.p.*
*Cost/Income - adjusted ****	*46.4%*	*46.6%*	*-0.2 p.p.*	*47.6%*	*45.1%*	*2.5 p.p.*

(*) including depreciation

(**) additional administrative costs directly related to Euro Bank acquisition, merger and integration processes

(***) with equal distribution of BFG resolution fee through the year, without PLN 27 million extra release of tax asset provision in 1Q and without integration costs

Total costs in 1-3Q 2019 amounted to PLN 1,236.1 million, which means an increase by 30.4% versus 1-3Q 2018. Euro Bank consolidation (PLN 143.2 million costs in 4 months), extraordinary integration costs and BFG resolution fee increase had a strong impact on cost evolution. When excluding one-off integration costs and Euro Bank consolidation, the organic growth of Bank Millennium operating costs stood at 8.5% yearly and 3.4% quarterly.

Personnel costs in 1-3Q 2019 amounted to PLN 603.8 million and grew by 26.5% compared to the previous year or 11.2% excluding Euro Bank impact (PLN 73.2 million in 4 months). This organic growth was caused by market wide high average salary increase observed in Poland for a long time. Number of Group's staff increased strongly as a consequence of Euro Bank acquisition to a total number of 8,564 employees (in Full time equivalents).

The structure of employment of Bank Millennium Group is presented in the table below:

Employment structure (in FTEs)	**30.09.2019**	**30.06.2019**	**Change q/q**	**30.09.2018**	**Change y/y**
Bank Millennium S.A.	5 773	5 794	-0,4%	5 605	3,0%
Euro Bank	2 446	2 407	1,6%		
Subsidiaries	345	349	-1,2%	346	-0,3%
Total Bank Millennium Group	8 564	8 550	0,2%	5 950	43,9%

Other administrative costs (including depreciation) in 1-3Q 2019 reached PLN 632.3 million and grew by 34.2% year-on-year. Euro Bank total administrative costs for 4 months amounted to PLN 70 million. This item and costs connected directly with integration of Euro Bank (mainly legal, advisory and IT in the total amount of PLN 64 million ytd) as well as increased BFG contribution were the main reasons of other administrative costs increase. Without all these items, organic growth of Bank Millennium administrative costs stood at 2.1% yearly.

Euro Bank acquisition caused a very strong increase of number of branches: from 356 Millennium branches year ago to total of 833 outlets as at the end of September 2019. This number included 373 branches with Millennium logo, 232 branches of Euro Bank and 228 franchised branches with Euro Bank brand. After legal merger conducted on 1 October and planned full operational merger in November, Euro Bank outlets will be gradually rebranded.

Cost-to-Income ratio in 1-3Q 2019, adjusted for BFG fees equal distribution and without one-offs (mainly integration costs), reached 46.4% (similar to last year level) still before synergies after merger with Euro Bank.

Net Profit *(PLN million)*	1-3Q 2019	1-3Q 2018	Change y/y	3Q 2019	2Q 2019	Change q/q
Operating Income	2 517,4	2 014,9	24,9%	953,9	822,6	16,0%
Operating Costs *	(1 236,1)	(948,2)	30,4%	(480,1)	(371,6)	29,2%
Impairment provisions and other cost of risk **	(366,6)	(174,2)	110,5%	(136,4)	(157,9)	-13,6%
*Cost of risk without extra on Euro Bank ****	*(278,0)*	*(174,2)*	*59,6%*	*(128,4)*	*(77,3)*	*66,1%*
Banking tax	(178,9)	(148,5)	20,4%	(68,8)	(58,6)	17,4%
Pre-income tax Profit	735,9	744,0	-1,1%	268,7	234,5	14,6%
Income tax	(202,1)	(195,8)	3,2%	(68,5)	(60,9)	12,6%
Net Profit - reported	533,8	548,1	-2,6%	200,1	173,7	15,3%
Net Profit - adjusted**	651,4	556,8	17,0%	224,2	236,1	-5,1%

(*) without impairment provisions for financial and non-financial assets
(**) including PLN 12.9 million fair value adjustment on loans and PLN 9.2 million of loans modification effect in 1-3Q 2019
(***) without extraordinary provisions created for Euro Bank loan portfolio (IFRS9 initial impact and extra provisions on performing portfolio) of the total PLN 88.6 million pre-tax
(****) with equal distribution of BFG resolution fee through the year, without PLN 27 million extra release of tax asset provision in 1Q and without integration costs

Total cost of risk, which comprises net impairment provisions, fair value adjustment (of part of credit portfolio) and result on modifications, bore by the Group in 1-3Q 2019 amounted to PLN 366.6 million and were 110% higher than this cost recognized in 1-3Q 2018. Impairment losses of 1-3Q 2019 were increased by PLN 80.6 million initial provisioning on the fair value of Euro Bank performing portfolio as part of IFRS9 impact of 12 month expected credit loss implementation (Day 1 provisions) and by extra PLN 8 million provisions on subsequent reclassification of this portfolio. Without these one-off provisions, total cost of risk grew by 60% yearly to PLN 278 million in 1-3Q 2019.

Risk charges for retail segment stood at PLN 300.2 million while for corporate segment and other amounted to PLN 66.4 million in 1-3Q 2019. In relative terms, cost of risk (i.e. net charges to average net loans) reached 61 bps level (without extra provisions) compared to 47 bps in 1-3Q 2018, influenced by the higher share of consumer loans in the total loan portfolio.

Pre-income tax profit in 1-3Q 2019 amounted to PLN 735.9 million and was almost flat in yearly comparison (PLN 744 million in 1-3Q 2018) as a consequence of evolution of all described above elements and increase of banking tax by 20.4% yearly.

Net Profit reported in 1-3Q 2019 amounted to PLN 533.8 million and was 2.6% lower than an year ago. Net profit adjusted for BFG fees equal distribution and without mentioned above one-offs (mainly integration costs/extra provisions) would reach PLN 651.4 million in 1-3Q 2019 which means a growth of 17% yearly. In quarterly horizon, reported net profit reached PLN 200.1 million growing by 15.3% (or without one-offs would have reached PLN 224 million i.a. 5% less versus the previous quarter).

Business results after 3rd quarter 2019

At the end of 3Q 2019, the number of active retail customers exceeded 2 million after growing by 245 thousand during last 12 months. Electronic banking had 1.6 million active users (20% growth y/y), including 1.2 million active users of a mobile application and mobile Millenet (34% growth y/y).

Total **customer funds** of Bank Millennium Group reached PLN 89,116 million as at 30 September 2019 showing the growth of 28.6% yearly. Total **Deposits** grew by 33.4% yearly to the level of PLN 80.341 million. The main reason of the increase were deposits of Euro Bank (practically all of them from retail segment) in the amount of PLN 8,791 million. Without the Euro Bank's deposits the growth would still be strong at 18.8%.

Deposits of households reached PLN 60,599 million as at 30 September 2019 after strong growth of 37.1% yearly. Within this deposits volume, current and saving accounts continued to grow at the high pace of 42.7% yearly, so its share in total deposits of individuals increased to the level of 69%. Number of current accounts grew by 324 thousand and all payment cards by 359 thousand during last 12 months. Without Euro Bank's deposits the growth of deposits of households would show the high dynamics of 17.8% year-on-year.

In the same period, negative trends on the Polish capital market caused that non-deposit investment products fell by 3.5% y/y and to the level of PLN 8,774 million at the end of 3Q 2019, although a small growth (0.1%) was noticed in 3Q. Within this assets balance, PLN 4,534 million was under management of Millennium TFI, PLN 3,601 million was managed by third party providers and PLN 639 million was an outstanding balance of own bank's securities placed to retail customers (mainly as structured instruments).

Deposits from companies and public sector increased strongly by 23.1% during the year to 19,743 million PLN. The growth rate was higher for current accounts (+28%) than for term deposits (+18.5%).

Customer Funds *(PLN million)*	30.09.2019	30.06.2019	Change q/q	30.09.2018	Change y/y
Deposits of individuals	60 598,6	57 638,4	5,1%	44 186,5	37,1%
Deposits of Companies and public sector	19 742,5	19 189,4	2,9%	16 036,2	23,1%
Total Deposits	**80 341,1**	**76 827,8**	**4,6%**	**60 222,7**	**33,4%**
Investment products *	8 774,5	8 762,3	0,1%	9 095,5	-3,5%
Total Customer Funds	**89 115,6**	**85 590,1**	**4,1%**	**69 318,2**	**28,6%**

(*) This category includes Bank's securities sold to retail customers, Millennium TFI mutual funds and other investment products of third parties sold to Group's clients

Total net **loans** of Bank Millennium Group reached PLN 69,481 million as at the end of September 2019 after strong growth of 36.5% year-on-year. The growth of loans without foreign currency mortgage portfolio presented much higher growth rate of 48.4% year-on-year reflecting dynamic increase in all key groups of lending activity (PLN mortgage, consumer loans and companies). FX mortgage portfolio expressed in original currency continues its gradual amortisation. Without the Euro Bank's loans (PLN 12,666 million), the growth of total loans would be also robust at 11.6% year-on-year or 16.6% year-on-year if FX mortgage loans were excluded.

The net value of loans granted to households as at the end of September 2019 totalled PLN 51,177 million and grew by 48.9% compared to the balance recorded year ago. All main product categories, except FX mortgage loans, presented very strong annual growth rates: PLN mortgages +61% year-on-year (+21% without Euro Bank) and consumer loans of +113% year-on-year (+21% without Euro Bank).

Bank Millennium cash loans maintained record levels of quarterly sales: PLN 1,024 million in 3Q 2019. This was possible, among others, thanks to the increase of digital channels in the sale process to 52% in 3Q. Additionally, Euro Bank sold PLN 525 million cash loans in 3Q 2019. PLN mortgages sale were accelerating in 2019 presenting solid quarterly volumes of PLN 1,135 million in 3Q 2019 (Bank Millennium only), implying year-to-date sales growth of 24% year-on-year.

Net value of loans to companies amounted to PLN 18,304 million as at the end of September 2019 and grew by 10.7% yearly.

Loans and Advances to clients *(PLN million)*	30.09.2019	30.06.2019	Change q/q	30.09.2018	Change y/y
Loans to households	51 177,4	49 528,8	3,3%	34 375,3	48,9%
- PLN mortgage loans	20 732,4	20 001,9	3,7%	12 870,6	61,1%
- FX mortgage loans of Bank Millennium	14 260,8	13 818,4	3,2%	14 403,9	-1,0%
- FX mortgage loans of Euro Bank	1 050,7	1 017,7	3,2%	-	-
- consumer loans	15 133,4	14 690,8	3,0%	7 100,9	113,1%
Loans to companies	18 303,7	18 326,4	-0,1%	16 539,9	10,7%
- leasing	6 537,1	6 525,6	0,2%	5 966,4	9,6%
- other loans to companies and factoring	11 766,6	11 800,8	-0,3%	10 573,5	11,3%
Net Loans & Advances to clients	**69 481,1**	**67 855,2**	**2,4%**	**50 915,2**	**36,5%**
Net Loans and Advances to clients excluding FX mortgage loans	*54 169,5*	*53 019,1*	*2,2%*	*36 511,3*	*48,4%*
Provisions and adjustments for credit risk*	1 958,8	1 867,3	4,9%	1 848,6	6,0%
Gross* Loans and Advances to clients	71 439,9	69 722,5	2,5%	52 763,8	35,4%

(*) Including, besides provisions for credit risk, also fair value adjustment of loan portfolio presented in fair value as well as loan modifications effect. Gross loan portfolio in this case presents value of loans and advances before mentioned provisions and adjustments.

Liquidity, asset quality and solvency

The liquidity position of Bank Millennium Group improved after 3Q 2019. LCR ratio increased from 181% one year ago to 186% now i.e. high above 100% minimum. Loan-to-deposit ratio stay at secure level of 86% and share of liquid securities (mainly treasury bonds and NBP bills) in Group's total assets remains considerable at 22.4%.

The Group notices one of the best asset quality among Polish banks: share of impaired loans in total loan portfolio remains on a low level of 4.40% (decrease by 0.28 p.p. in comparison with September 2018). Share of loans past-due more than 90 days in total portfolio also decreased from 2.66% in September 2018 to 2.61% at the end of September 2019.

Coverage ratio of impaired loans decreased during the year from 74.9% in September 2018 to 62.4% presented in September 2019 (such significant drop is related to consolidation in the Group Euro Bank's portfolio at fair value after PPA* valuation in May 2019). If not this effect, coverage ratio of the Group would stay at 74.5% in September 2019. Coverage by provisions of loans past-due more than 90 days, despite also a decrease due to Euro Bank's consolidation, staied at a comfortable level of 104.9% as at 30 September 2019.

The evolution of main indicators of the Group's loan portfolio quality is presented below:

Group loans quality indicators *(PLN million)*	30.09.2019	30.06.2019	30.09.2018
Total impaired loans	3 140	3 000	2 468
Impairment provisions	1 886	1 797	1 781
FV correction	73	70	68
Total impairment provisions and FV correction	**1 959**	**1 867**	**1 849**
Impaired over total loans ratio (%)	**4,40%**	**4,30%**	**4,68%**
Loans past-due over 90 days /total loans (%)	2,61%	2,52%	2,66%
Coverage ratio (Total provisions + FV correction/impaired loans) (%)	**62,4%**	**62,3%**	**74,9%**
*Pro-forma coverage (without PPA effect *)*	*74,5%*	*74,7%*	*n/a*
Total provisions and FV correction/loans past-due (>90d) (%)	104,9%	106,4%	131,8%

(*) Purchase Price Allocation (PPA) implied consolidation of Euro Bank impaired (stage 3) portfolio at net value

Impaired loans ratio divided by particular product segments showed improving trend both in retail portfolio year-to-year (mortgage from 2.84% to 2.54% and other retail from 11.72% to 8.88%) and in corporate portfolio (corporate loans from 4.25% to 4.04% and leasing portfolio from 4.12% to 4.03%).

In 3Q 2019 compared to 2Q 2019, capital ratios of the Group increased: TCR went up by 11 b.p. and CET1 ratio by 19 b.p. That was driven by the increase of own funds by ca 3.3%, stemming mainly from the KNF approval on retention in own funds the net profit of 1H 2019 (PLN 334 million). At the same time rise of risk-weighted assets, coming mainly from the increase of loan portfolio, was smaller (by 2.7%) in relation to aforementioned own funds growth.

Main capital adequacy and liquidity ratios, including minimum required level of capital:

Main capital and liquidity indicators *	30.09.2019	30.06.2019	30.09.2018
(PLN million)			
Risk-weighted assets (RWA) for Group	48 316.7	47 048.1	34 822.1
Risk-weighted assets (RWA) for Bank	41 046.1	39 987.6	34 177.7
Own funds requirements for Group	3 865.4	3 763.8	2 785.8
Own funds requirements for Bank	3 283.7	3 199.0	2 734.2
Own Funds for Group	9 778.8	9 470.5	7 978.2
Own Funds for Bank	8 602.1	8 187.5	7 774.9
Total Capital Ratio (TCR) for Group	**20.24%**	**20.13%**	**22.91%**
Total Capital Ratio (TCR) for Bank	20.96%	20.47%	22.75%
Tier 1 ratio for Group	**17.07%**	**16.88%**	**20.90%**
Tier 1 ratio for Bank	17.47%	16.90%	20.70%
Common Equity Tier 1 (=T1) ratio for Group	**17.07%**	**16.88%**	**20.90%**
Common Equity Tier 1 (=T1) ratio for Bank	17.47%	16.90%	20.70%
Liquidity Coverage Ratio (LCR) for Group	**186%**	**172%**	**181%**

(*) Capital ratios are calculated according to transitional arrangements mitigating the impact of IFRS9 implementation on CET 1 capital.

Minimum required level of capital include:

- Pillar II FX mortgage buffer - at the level of 6.41 p.p. (Bank) and 6.27 p.p. (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements for Tier 1 ratio of 4.81 p.p. (the Bank) and 4.70 p.p. (the Group), and which corresponds to capital requirements for CET1 ratio of 3.59 p.p. (the Bank) and 3.51 p.p. (the Group). The value is set by KNF every year.
- Combined buffer (defined in Act on macroprudential supervision over financial system and crisis management) comprising:
  - Capital conservation buffer at the level of 2.5%;
  - Other systemically important institution buffer (OSII) – at the level of 0% (the value is set by KNF every year);
  - Systemic risk buffer at the level of 3% in force from the beginning of 2018;
  - Countercyclical buffer at the 0% level.

Information on shares and ratings

During nine months of 2019 the price of Bank Millennium shares fell 36%. At the same time the WIG Banki index fell 4%. Among banks listed on the Warsaw Stock Exchange steepest declines of share price were experienced by banks, which in their loan portfolios have a higher share of FX mortgages. Main reason of the drops was related to the concerns related to ECJ's reply on an FX loan case in a Polish court, which had referred four requests for preliminary ruling. In annual terms, Bank Millennium's shares fell 38% and the WIG Banki index fell 9%.

Average daily trading volume in Bank Millennium's shares fell by 18% yearly, which corresponds to the negative trend in stock trading on the entire Warsaw Stock Exchange.

Market ratios	30.09.2019	28.12.2018*	Change (%) ytd.	28.09.2018*	Change (%) per annum
Number of Bank's shares (in thousands)	1 213 117	1 213 117	0.00%	1 213 117	0.00%
Daily trading (in thous. PLN, average, ytd)	6 199	8 006	-22,6%	7 591	-18,3%
Price of the Bank's shares (in PLN)	5,715	8,870	-35,6%	9,250	-38,2%
Market cap (in million PLN)	6 933	10 760	-35,6%	11 221	-38,2%
WIG Banki	7 142	7 454	-4,2%	7 876	-9,3%
WIG20	2 173	2 277	-4,5%	2 285	-4,9%
WIG30	2 463	2 582	-4,6%	2 602	-5,3%
WIG - main index	57 320	57 691	-0,6%	58 975	-2,8%

(*) last day of quotations in year/quarter

In the third quarter of 2019 there were no changes whatsoever in rating of Bank Millennium. On 15 October 2019 Fitch sustained Bank Millennium's long-term rating at BBB- and Viability Rating (VR) at bbb-. The rating outlook remained stable.

Current contracted ratings of Bank Millennium are presented in the table below:

Rating	MOODY'S	FITCH
Long-term deposit rating /IDR	**Baa1 (stable outlook)**	**BBB- (stable outlook)**
Long-term IDR (national scale)	-	A(pol) (stable outlook)
Short-term deposit rating	Prime-2	F-3
Standalone BCA/viability rating	baa3	bbb-
Counterparty risk (CR)	A3/Prime-2	-
Support rating	-	4

Consolidated report of the Bank Millennium S.A. Capital Group for 3rd quarter of 2019

Contents

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
OF THE BANK MILLENNIUM S.A. CAPITAL GROUP
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2019

Contents

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 September 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 September 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 did not 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 October 2019, a final repayment of a subordinated loan of SG to Euro Bank in the amount of PLN 100 million (fully collateralised by a cash deposit since 31 May 2019) took place.

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.

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 was 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") were allocated to the minority shareholders of Euro Bank. The shares were 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 Legal Merger performed 1st October 2019, Bank Millennium assumed all the rights and obligations of Euro Bank, and Euro Bank was dissolved without liquidation proceedings and its entire assets were transferred to Bank Millennium. The merger took place on the day of its entry into the register of entrepreneurs of the National Court Register of Bank Millennium.

The merged Bank operates 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 was performed based on already obtained 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	12,620.7
Financial assets held for trading	1,403.8
Intangible assets	49.8
Fixed assets	113.2
Deferred tax assets	132.9
Other assets	72.2
Total assets	**14,719.3**
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	**1,703.8**
Liabilities and equity	**14,719.3**

Both the balance sheet amounts of Euro Bank S.A. as at 31 May 2019, as well as the amount of fair value adjustment of these items may change in the course of final Transaction settlement what 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 36,354 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 favourable 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	1,703,753
Goodwill	140,247

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 III quarter 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 III quarters of 2019 includes the net result of Euro Bank that amounted to PLN 23,656 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 is 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) to reporting date (September 30, 2019) only:

in PLN thousand	1.01.2019 -30.09.2019
Net interest income	2 030 432
Interest income and other of similar nature	2 800 369
Interest expenses	(769 937)
Net fee and commission income	535 397
Fee and commission income	697 505
Fee and commission expenses	(162 108)
Dividend income	2 965
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	34 348
Results on financial assets and liabilities held for trading	50 542
Result on non-trading financial assets mandatorily at fair value through profit or loss	56 228
Result on hedge accounting	(15 825)
Result on exchange differences	126 933
Other operating income	86 973
Other operating expenses	(88 459)
Administrative expenses	(1 287 810)
Impairment losses on financial assets	(402 934)
Impairment losses on non-financial assets	(2 273)
Result on modification	(10 762)
Depreciation	(155 257)
Share of the profit of investments in subsidiaries	0
Banking tax	(192 514)
Profit before income taxes	**767 985**
Corporate income tax	(213 678)
Profit after taxes	**554 306**

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 nine months ending September 30, 2019.

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

The Management Board approved these condensed consolidated interim financial statements on 25th October 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 September 2019 the Group has total assets higher by PLN 344.7 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.

Court of Justice of the European Union ruling

On 11 September 2019 the Court of Justice of the European Union ruled in the case of Lexitor against SKOK Stefczyka, Santander Consumer Bank and mBank (case C 383/18) in which it stated that consumer has rights to demand the reduction of the total loan cost corresponding to interest and costs for the remaining term of the agreement in case of early repayment of loan.

Taking into consideration this verdict, Bank Millennium Group created a reserve in the amount of PLN 53 million (split between Net Interest Income and Other Operating Costs), which covers the level of provision for the ongoing returns to the clients, i.e. from 1st September 2019 and part of potential returns for early repayments before 1st September 2019.

3. Consolidated Financial Data (Group)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Net interest income		1 744 105	687 578	1 331 807	462 976
Interest income and other of similar nature	1	2 427 665	940 168	1 881 425	647 382
Income calculated using the effective interest method		2 334 551	907 653	1 795 166	617 001
- Interest income from Financial assets at amortised cost		2 040 780	812 995	1 537 631	533 648
- Interest income from Financial assets at fair value through other comprehensive income		293 772	94 659	257 535	83 353
Income of similar nature to interest from Financial assets at fair value through profit or loss		93 114	32 515	86 259	30 381
Interest expenses	2	(683 560)	(252 590)	(549 618)	(184 406)
Net fee and commission income		516 506	178 307	499 500	162 913
Fee and commission income	3	661 098	238 271	619 908	205 347
Fee and commission expenses	4	(144 592)	(59 964)	(120 408)	(42 434)
Dividend income		2 939	257	2 405	181
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	34 309	5 005	15 677	7 078
Results on financial assets and liabilities held for trading	6	50 728	19 104	58 108	21 335
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	52 527	41 995	(1 784)	(956)
Result on hedge accounting		(15 638)	(5 687)	(14 907)	(4 949)
Result on exchange differences		124 140	45 463	110 486	36 443
Other operating income		80 131	28 466	34 633	9 742
Other operating expenses		(85 269)	(54 350)	(34 346)	(10 288)
Administrative expenses	8	(1 109 436)	(426 448)	(908 373)	(302 770)
Impairment losses on financial assets	9	(342 178)	(124 998)	(149 835)	(52 046)
Impairment losses on non-financial assets		(2 305)	(1 005)	(820)	(794)
Result on modification		(9 187)	(2 552)	(10 187)	(2 824)
Depreciation		(126 661)	(53 622)	(39 869)	(13 254)
Share of the profit of investments in subsidiaries		0	0	0	0
Banking tax		(178 857)	(68 849)	(148 525)	(47 869)
Profit before income taxes		735 854	268 664	743 970	264 918
Corporate income tax	10	(202 091)	(68 524)	(195 836)	(64 729)
Profit after taxes		533 763	200 140	548 134	200 189
Attributable to:					
Owners of the parent		533 763	200 140	548 134	200 189
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)		0.44	0.16	0.45	0.17

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount ‘000 PLN	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Ptofit after taxes	533 763	200 140	548 134	200 189
Other comprehensive income items that may be (or were) reclassified to profit or loss	4 035	21 131	41 188	4 283
Result on debt securities at fair value through other comprehensive income	(38 608)	17 007	13 998	(5 822)
Hedge accounting	42 643	4 124	27 190	10 105
Other comprehensive income items that will not be reclassified to profit or loss	24	(20)	(18)	54
Actuarial gains (losses)	0	0	0	0
Result on equity instruments at fair value through other comprehensive income	24	(20)	(18)	54
Total comprehensive income items before taxes	4 059	21 111	41 170	4 337
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(768)	(4 016)	(7 828)	(816)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	(5)	4	4	(10)
Total comprehensive income items after taxes	3 287	17 099	33 346	3 511
Total comprehensive income for the period	537 049	217 239	581 480	203 700
Attributable to:			0	0
Owners of the parent	537 049	217 239	581 480	203 700
Non-controlling interests	0	0	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Cash, cash balances at central banks		3 197 632	3 396 000	2 450 176	2 237 361
Financial assets held for trading	11	876 246	796 927	794 718	1 259 804
Derivatives		124 980	98 022	101 372	101 332
Equity instruments		142	289	104	119
Debt securities		751 124	698 615	693 242	1 158 353
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers		147 875	98 082	64 796	61 604
Equity instruments		66 609	21 609	21 609	20 439
Debt securities		81 266	76 473	43 187	41 165
Financial assets at fair value through other comprehensive income	12	21 102 026	18 725 967	22 133 938	16 970 243
Equity instruments		29 485	29 340	29 299	26 258
Debt securities		21 072 541	18 696 627	22 104 639	16 943 985
Loans and advances to customers	13	69 481 058	67 855 209	52 711 680	50 915 176
Mandatorily at fair value through profit or loss		1 435 612	1 341 424	1 250 525	1 192 617
Valued at amortised cost		68 045 446	66 513 785	51 461 155	49 722 559
Financial assets at amortised cost other than Loans and advances to customers	14	1 129 766	842 182	1 026 420	645 159
Debt securities		55 353	56 881	44 884	50 290
Deposits, loans and advances to banks and other monetary institutions		1 023 868	711 642	731 252	528 384
Reverse sale and repurchase agreements		50 545	73 659	250 284	66 485
Derivatives - Hedge accounting	15	8 886	99 864	125 501	192 167
Investments in subsidiaries, joint ventures and associates		0	0	0	0
Tangible fixed assets		663 067	650 122	210 641	184 392
Intangible fixed assets		305 383	278 106	96 464	79 591
Income tax assets		528 857	542 979	335 726	342 666
Current income tax assets		10 002	30 613	11	606
Deferred income tax assets	17	518 855	512 366	335 715	342 060
Other assets		425 686	355 868	483 180	493 232
Non-current assets and disposal groups classified as held for sale		47 651	28 999	25 674	26 919
Total assets		**97 914 135**	**93 670 305**	**80 458 914**	**73 408 314**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.09.2019	30.06.2019	31.12.2018	30.09.2018
LIABILITIES					
Financial liabilities held for trading	11	150 169	232 231	231 633	157 516
Derivatives		110 298	146 641	107 879	105 046
Liabilities from short sale of securities		39 871	85 590	123 754	52 470
Financial liabilities measured at amortised cost		85 241 599	81 873 385	69 594 512	63 304 899
Liablities to banks and other monetary institutions	18	1 756 132	1 908 263	1 788 857	1 630 516
Liabilities to customers	19	80 341 143	76 827 811	66 243 769	60 222 668
Sale and repurchase agreements	20	52 036	20 990	50 324	11 272
Debt securities issued	21	1 447 129	1 469 990	809 679	731 445
Subordinated debt	22	1 645 159	1 646 331	701 883	708 998
Derivatives – Hedge accounting	15	677 936	339 276	376 811	358 955
Provisions	23	111 059	108 335	112 452	120 132
Pending legal issues		55 747	56 145	60 710	60 833
Commitments and guarantees given		55 312	52 190	51 742	59 299
Income tax liabilities		22 524	17 257	22 309	16 852
Current income tax liabilities		22 524	17 257	22 309	16 852
Deferred income tax liabilities	17	0	0	0	0
Other liabilities		2 789 412	2 395 624	1 736 811	1 338 560
Total Liabilities		**88 992 699**	**84 966 108**	**72 074 528**	**65 296 914**
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		76 979	59 880	73 692	13 223
Retained earnings		6 483 838	6 283 698	5 950 075	5 737 558
Total equity		8 921 436	8 704 197	8 384 386	8 111 400
Total equity and total liabilities		**97 914 135**	**93 670 305**	**80 458 914**	**73 408 314**

Book value of net assets		8 921 436	8 704 197	8 384 386	8 111 400
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)		7.35	7.18	6.91	6.69

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 - 30.09.2019						
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)	537 050	0	0	3 287	(6 227)	539 990
net profit/ (loss) of the period	533 763	0	0	0	533 763	0
valuation of debt securities at fair value through other comprehensive income	(31 273)	0	0	(31 273)	0	0
valuation of shares at fair value through other comprehensive income	19	0	0	19	0	0
hedge accounting	34 541	0	0	34 541	0	0
Transfer between items of reserves	0	0	0	0	(539 990)	539 990
Equity at the end of the period	8 921 436	1 213 117	1 147 502	76 979	665 096	5 818 742
01.07.2019 - 30.09.2019						
Equity at the beginning of the period	8 704 197	1 213 117	1 147 502	59 880	464 956	5 818 742
Total comprehensive income for the period (net)	217 239	0	0	17 099	200 140	0
net profit/ (loss) of the period	200 140	0	0	0	200 140	0
valuation of debt securities at fair value through other comprehensive income	13 775	0	0	13 775	0	0
valuation of shares at fair value through other comprehensive income	(17)	0	0	(17)	0	0
hedge accounting	3 341	0	0	3 341	0	0
Transfer between items of reserves	0	0	0	0	0	0
Equity at the end of the period	8 921 436	1 213 117	1 147 502	76 979	665 096	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 - 30.09.2018						
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)	581 480	0	0	33 346	548 134	0
net profit/ (loss) of the period	548 134	0	0	0	548 134	0
valuation of debt securities at fair value through other comprehensive income	11 337	0	0	11 337	0	0
valuation of shares at fair value through other comprehensive income	(15)	0	0	(15)	0	0
hedge accounting	22 024	0	0	22 024	0	0
Transfer between items of reserves	0	0	0	0	(695 290)	695 290
Equity at the end of the period	8 111 400	1 213 117	1 147 502	13 223	458 806	5 278 752

CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Profit (loss) after taxes	533 763	200 140	548 134	200 189
Total adjustments:	(1 358 042)	2 043 240	(1 778 224)	(286 829)
Interest received	2 342 403	966 476	1 870 354	674 188
Interest paid	(597 408)	(214 182)	(516 425)	(173 351)
Depreciation and amortization	126 661	53 622	39 869	13 254
Foreign exchange (gains)/ losses	11 385	7 163	28 536	(14 261)
Dividends	(2 939)	(257)	(2 405)	(181)
Changes in provisions	(1 393)	2 724	28 551	4 017
Result on sale and liquidation of investing activity assets	(29 983)	(3 614)	(23 459)	(10 851)
Change in financial assets held for trading	(210 658)	(98 417)	(277 430)	37 048
Change in loans and advances to banks	(620 983)	(394 862)	(107 668)	137 582
Change in loans and advances to customers	(18 672 375)	(2 466 963)	(5 199 660)	(1 147 608)
Change in receivables from securities bought with sell-back clause (loans and advances)	189 347	20 469	(70 755)	40 388
Change in financial liabilities valued at fair value through profit and loss (held for trading)	219 661	256 598	149 507	(226 208)
Change in deposits from banks	21 497	(151 554)	(832 683)	48 913
Change in deposits from customers	14 662 842	3 722 169	3 433 546	556 043
Change in liabilities from securities sold with buy-back clause	6 126	32 187	20 712	(78 045)
Change of liabilities from debt securities issued	655 741	(20 547)	(78 104)	26 082
Change in income tax settlements	55 571	86 319	197 111	65 506
Income tax paid	(249 676)	(70 941)	(220 713)	(86 767)
Change in other assets and liabilities	702 872	302 374	(238 984)	(159 699)
Other	33 267	14 476	21 876	7 121
Net cash flows from operating activities	**(824 279)**	**2 243 380**	**(1 230 090)**	**(86 640)**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Inflows:	597 634	432	12 506	4 420
Proceeds from sale of property, plant and equipment and intangible assets	19 799	175	10 101	4 239
Proceeds from sale of shares in related entities	0	0	0	0
Proceeds from sale of investment financial assets	574 896	0	0	0
Other	2 939	257	2 405	181
Outflows:	(392 596)	(2 086 798)	(3 659 384)	(629 722)
Acquisition of property, plant and equipment and intangible assets	(392 596)	(71 965)	(40 960)	(13 164)
Acquisition of shares in related entities	0	0	0	0
Acquisition of investment financial assets	0	(2 014 833)	(3 618 424)	(616 558)
Other	0	0	0	0
Net cash flows from investing activities	**205 038**	**(2 086 366)**	**(3 646 878)**	**(625 302)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Inflows from financing activities:	930 130	0	515 610	430 176
Long-term bank loans	0	0	515 610	430 176
Issue of debt securities	0	0	0	0
Increase in subordinated debt	930 130	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:	(88 389)	(23 591)	(772 574)	0
Repayment of long-term bank loans	(44 046)	0	(423 518)	0
Redemption of debt securities	(122)	0	(329 380)	0
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	(44 221)	(23 591)	(19 676)	0
Net cash flows from financing activities	**841 741**	**(23 591)**	**(256 964)**	**430 176**

D. NET CASH FLOWS. TOTAL (A + B + C)	**222 500**	**133 423**	**(5 133 932)**	**(281 766)**
- including change resulting from FX differences	4 322	5 610	5 048	(4 793)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**4 520 688**	**4 609 765**	**8 408 252**	**3 556 086**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D + E)	**4 743 188**	**4 743 188**	**3 274 320**	**3 274 320**

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. Both transactions were finished and settled in October 2019.

4. NOTES TO CONSOLIDATED FINANCIAL DATA

Note (1) interest income and other of similar nature

	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Interest income from Financial assets at fair value through other comprehensive income	293 772	94 659	257 535	83 353
Debt securities	293 772	94 659	257 535	83 353
Interest income from Financial assets at amortised cost	2 040 780	812 995	1 537 632	533 649
Balances with the Central Bank	9 280	3 342	7 829	2 622
Loans and advances to customers	1 816 641	737 234	1 324 401	461 594
Debt securities	1 118	429	1 112	381
Deposits, loans and advances to banks	2 474	541	1 136	277
Transactions with repurchase agreements	10 392	2 645	4 270	1 974
Hedging derivatives	200 875	68 804	198 884	66 801
Income of similar nature to interest, including:	93 113	32 514	86 258	30 380
Loans and advances to customers mandatorily at fair value through profit or loss	83 233	29 949	72 052	25 234
Financial assets held for trading - debt securities	9 880	2 565	14 206	5 146
Total	**2 427 665**	**940 168**	**1 881 425**	**647 382**

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 III quarters 2019 contains interest accrued on impaired loans in the amount of PLN 50,883 thous. (for corresponding data in the III quarters 2018 the amount of such interest stood at PLN 39,534 thous.).

Note (2) Interest expenses and other of similar nature

	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Financial liabilities measured at amortised cost	(683 439)	(252 550)	(549 406)	(184 334)
Liabilities to banks and other monetary institutions	(22 137)	(7 659)	(15 476)	(5 492)
Liabilities to customers	(587 543)	(216 596)	(485 494)	(162 554)
Transactions with repurchase agreement	(4 414)	(1 141)	(9 440)	(4 968)
Debt securities issued	(18 169)	(8 329)	(17 544)	(4 122)
Subordinated debt	(45 163)	(16 569)	(21 452)	(7 198)
Liabilities due to leasing	(5 647)	(1 979)	0	0
Hedging derivatives	(365)	(276)	0	0
Other	(121)	(40)	(212)	(72)
Total	(683 560)	(252 590)	(549 618)	(184 406)

Note (3) Fee and commission income

	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Resulting from accounts service	58 178	19 917	62 167	20 763
Resulting from money transfers, cash payments and withdrawals and other payment transactions	54 871	18 938	55 041	18 129
Resulting from loans granted	146 977	55 852	121 455	39 864
Resulting from guarantees and sureties granted	10 261	3 523	10 775	3 610
Resulting from payment and credit cards	155 644	58 459	129 976	46 081
Resulting from sale of insurance products	98 833	36 095	78 599	24 643
Resulting from distribution of investment funds units and other savings products	46 199	15 362	55 387	18 625
Resulting from brokerage and custody service	9 984	3 230	13 906	4 235
Resulting from investment funds managed by the Group	56 641	19 189	69 135	21 518
Other	23 510	7 706	23 467	7 879
Total	661 098	238 271	619 908	205 347

Note (4) Fee and commission expense

	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Resulting from accounts service	(1 635)	(715)	(1 325)	(455)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(2 662)	(904)	(4 083)	(1 376)
Resulting from loans granted	(32 636)	(14 352)	(22 462)	(8 096)
Resulting from payment and credit cards	(82 295)	(34 304)	(66 973)	(23 375)
Resulting from brokerage and custody service	(1 713)	(537)	(2 460)	(746)
Resulting from investment funds managed by the Group	(7 574)	(3 201)	(7 341)	(2 177)
Other	(16 077)	(5 951)	(15 764)	(6 209)
Total	(144 592)	(59 964)	(120 408)	(42 434)

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

	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Operations on debt instruments	36 368	5 805	15 677	7 078
Operations on equity instruments	(2 059)	(800)	0	0
Total	34 309	5 005	15 677	7 078

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

	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Result on debt instruments	(2 675)	(960)	9 937	2 569
Result on derivatives	53 363	20 052	49 298	19 074
Rsult on other financial operations	40	12	(1 128)	(309)
Total	50 728	19 104	58 108	21 335

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

	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Loans and advances to customers	(12 901)	(7 800)	(13 318)	(5 116)
Result on equity instruments	45 000	45 000	0	0
Result on debt instruments	20 428	4 795	11 534	4 160
Total	52 527	41 995	(1 784)	(956)

The increase in the results on non-trading financial assets mandatorily at fair value through profit or loss results from positive evaluation of PSP shares amounted to +PLN 45 million. On 15 October 2019 the agreement on admission of a new shareholder of PSP, i.e. Mastercard was signed. Although the purchase of PSP shares has not been finalised yet, valuation was recorded based on already available market price.

Note (8) Administrative expenses

	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Staff costs:	(603 806)	(231 589)	(477 187)	(160 967)
Salaries	(496 662)	(191 430)	(392 111)	(134 128)
Surcharges on pay	(84 178)	(30 263)	(67 242)	(21 092)
Employee benefits, including:	(22 966)	(9 896)	(17 834)	(5 747)
- provisions for retirement benefits	(3 155)	(1 030)	(2 734)	(921)
- provisions for unused employee holiday	(1 742)	(1 765)	(92)	(56)
- other	(18 069)	(7 101)	(15 007)	(4 769)
Other administrative expenses:	(505 630)	(194 859)	(431 187)	(141 804)
Costs of advertising, promotion and representation	(51 723)	(24 835)	(38 389)	(14 432)
IT and communications costs	(108 193)	(48 318)	(65 998)	(22 435)
Costs of renting	(55 488)	(18 609)	(109 602)	(36 086)
Costs of buildings maintenance, equipment and materials	(30 259)	(11 511)	(20 191)	(6 924)
ATM and cash maintenance costs	(15 489)	(5 185)	(14 426)	(4 935)
Costs of consultancy, audit and legal advisory and translation	(49 063)	(29 301)	(23 989)	(10 538)
Taxes and fees	(22 344)	(8 941)	(16 938)	(5 923)
KIR - clearing charges	(5 311)	(2 086)	(4 087)	(1 413)
PFRON costs	(5 240)	(2 183)	(3 673)	(1 278)
Banking Guarantee Fund costs	(109 580)	(13 530)	(87 445)	(17 822)
Financial Supervision costs	(7 483)	(4 090)	(5 299)	(2 612)
Other	(45 457)	(26 270)	(41 149)	(17 405)
Total	**(1 109 436)**	**(426 448)**	**(908 373)**	**(302 770)**

Note (9) Impairment losses on financial assets

	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Impairment losses on loans and advances to customers	(339 467)	(122 053)	(136 957)	(49 317)
Impairment charges on loans and advances to customers	(931 670)	(385 451)	(518 975)	(111 639)
Reversal of impairment charges on loans and advances to customers	573 340	258 297	379 649	61 822
Amounts recovered from loans written off	17 032	4 643	2 275	500
Sale of receivables	1 447	0	94	0
Other directly recognised in profit and loss	384	458	0	0
Impairment losses on securities	(6)	0	723	(2)
Impairment charges on securities	(6)	0	(20)	(2)
Reversal of impairment charges on securities	0	0	743	0
Impairment losses on off-balance sheet liabilities	(2 705)	(2 945)	(13 601)	(2 727)
Impairment charges on off-balance sheet liabilities	(59 062)	(34 766)	(57 682)	(12 291)
Reversal of impairment charges on off-balance sheet liabilities	56 357	31 821	44 081	9 564
Total	**(342 178)**	**(124 998)**	**(149 835)**	**(52 046)**

* 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 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Current tax	(251 799)	(78 007)	(211 010)	(79 670)
Current year	(251 799)	(78 007)	(210 618)	(79 376)
Adjustment to previous years	0	0	(392)	(294)
Deferred tax:	49 708	9 483	15 174	14 941
Recognition and reversal of temporary differences	49 700	9 214	14 441	14 632
Recognition / (Utilisation) of tax loss	8	269	733	309
Total income tax reported in income statement	**(202 091)**	**(68 524)**	**(195 836)**	**(64 729)**

Note (10b) Effective tax rate

	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Profit before tax	735 854	268 664	743 970	264 918
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	(139 812)	(51 046)	(141 354)	(50 334)
Impact of permanent differences on tax charges:	**(62 279)**	**(17 478)**	**(54 090)**	**(14 101)**
- Non-taxable income	7 404	1 165	477	114
Dividend income	384	(12)	329	(9)
Release of other provisions	6 981	1 373	148	123
Other	39	(196)	0	0
- Cost which is not a tax cost	(69 683)	(18 643)	(54 567)	(14 215)
Writing off an unrealized deferred tax asset	(3 987)	(402)	0	0
Loss on the sale of receivables	0	0	(27)	0
PFRON fee	(990)	(409)	(697)	(243)
Fees for Banking Guarantee Fund	(20 818)	(2 564)	(16 614)	(3 386)
Banking tax	(33 983)	(13 081)	(28 220)	(9 095)
Income/cost of provisions for factoring receivables	(5 441)	(192)	(349)	(304)
Receivables written off	(1 049)	(244)	(1 162)	(717)
Costs of litigations and claims	(545)	(979)	(5 303)	(441)
Depreciation and insurance costs of cars (in excess of PLN 150 ths.)	(1 660)	(562)	(1 484)	(457)
Other	(1 210)	(210)	(711)	428
Adjustment resulted from Article 38a of CIT	0	0	(392)	(294)
Total income tax reported in income statement	**(202 091)**	**(68 524)**	**(195 836)**	**(64 729)**
Effective tax rate	27.46%	25.51%	26.32%	24.43%

Note (10c) Deferred tax reported in equity

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Valuation of securities at fair value through other comprehensive income	(23 474)	(20 244)	(30 803)	(19 393)
Valuation of cash flow hedging instruments	4 926	5 710	13 028	15 819
Actuarial gains (losses)	489	489	489	473
Deferred tax reported directly in equity	(18 059)	(14 045)	(17 286)	(3 101)

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

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Debt securities	**751 124**	**698 615**	**693 242**	**1 158 353**
Issued by State Treasury	751 124	698 615	693 242	1 158 345
a) bills	0	0	0	0
b) bonds	751 124	698 615	693 242	1 158 345
Other securities	0	0	0	8
a) quoted	0	0	0	8
b) non quoted	0	0	0	0
Equity instruments	**142**	**290**	**104**	**119**
Quoted on the active market	142	290	104	119
a) financial institutions	0	59	0	0
b) non-financial institutions	142	231	104	119
Adjustment from fair value hedge	1 683	2 563	4 293	5 173
Positive valuation of derivatives	123 297	95 459	97 079	96 159
Total	**876 246**	**796 927**	**794 718**	**1 259 804**

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

	Fair Values 30.09.2019			Fair Values 30.06.2019		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	6 335	30 181	23 846	4 896	27 393	22 497
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	6 335	30 124	23 789	4 896	27 393	22 497
Other interest rate contracts: options	0	57	57	0	0	0
2. FX derivatives*	8 099	40 228	32 129	(54 305)	12 634	66 939
FX contracts	483	6 817	6 334	(3 153)	5 565	8 718
FX swaps	12 197	30 149	17 952	(47 703)	6 312	54 015
Other FX contracts (CIRS)	(4 581)	3 262	7 843	(3 449)	757	4 206
FX options	0	0	0	0	0	0
3. Embedded instruments	(50 639)	264	50 903	(51 683)	1 218	52 901
Options embedded in deposits	(42 795)	0	42 795	(44 743)	0	44 743
Options embedded in securities issued	(7 844)	264	8 108	(6 940)	1 218	8 158
4. Indexes options	50 831	52 624	1 793	52 387	54 214	1 827
Total	**14 626**	**123 297**	**108 671**	**(48 705)**	**95 459**	**144 164**
Valuation of hedged position in fair value hedge accounting	-	1 683	1 627	-	2 563	2 477
Liabilities from short sale of debt securities	-	-	39 871	-	-	85 590

* 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 30.09.2018		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	7 806	40 057	32 251	(15)	32 178	32 193
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	7 806	40 057	32 251	(15)	32 178	32 193
Other interest rate contracts: options	0	0	0	0	0	0
2. FX derivatives*	(14 303)	19 014	33 317	(4 049)	29 632	33 681
FX contracts	(7 524)	1 753	9 277	(6 475)	3 774	10 249
FX swaps	(996)	15 197	16 193	7 620	24 973	17 353
Other FX contracts (CIRS)	(5 783)	2 064	7 847	(5 194)	885	6 079
FX options	0	0	0	0	0	0
3. Embedded instruments	(35 584)	15	35 599	(31 968)	7	31 975
Options embedded in deposits	(29 336)	0	29 336	(27 598)	0	27 598
Options embedded in securities issued	(6 248)	15	6 263	(4 370)	7	4 377
4. Indexes options	35 430	37 993	2 563	32 145	34 342	2 197
Total	**(6 651)**	**97 079**	**103 730**	**(3 887)**	**96 159**	**100 046**
Valuation of hedged position in fair value hedge accounting	-	4 293	4 149	-	5 173	5 000
Liabilities from short sale of debt securities	-	-	123 754	-	-	52 470

* 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

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Debt securities	**21 072 541**	**18 696 627**	**22 104 639**	**16 943 985**
Issued by State Treasury	19 496 062	17 622 810	20 422 616	16 113 675
a) bills	0	0	0	0
b) bonds	19 496 062	17 622 810	20 422 616	16 113 675
Issued by Central Bank	1 399 825	897 883	1 599 800	749 875
a) bills	1 399 825	897 883	1 599 800	749 875
b) bonds	0	0	0	0
Other securities	176 654	175 934	82 223	80 435
a) listed	176 654	175 934	82 223	80 435
b) not listed	0	0	0	0
Shares and interests in other entities	29 485	29 340	29 299	26 258
Other financial instruments	0	0	0	0
Total financial assets at fair value through other comprehensive income	**21 102 026**	**18 725 967**	**22 133 938**	**16 970 243**

Note (13a) Loans and advances to customers

Balance sheet value:	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Mandatorily at fair value through profit or loss *	1 435 612	1 341 424	1 250 525	1 192 617
- Companies	19 791	19 130	17 944	19 714
- Individuals	1 415 700	1 322 107	1 232 494	1 172 733
- Public sector	121	187	87	170
* The above data includes the fair value adjustment, in the amount of:	(73 425)	(69 637)	(72 943)	(67 808)

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	
30.09.2019	63 816 684	3 037 498	3 076 635	(324 772)	(166 349)	(1 394 250)	68 045 446
- Companies	16 428 568	1 452 720	825 536	(163 694)	(46 829)	(409 287)	18 087 014
- Individuals	47 191 042	1 584 765	2 251 099	(160 392)	(119 520)	(984 963)	49 762 031
- Public sector	197 074	13	0	(686)	0	0	196 401
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
31.12.2018	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
30.09.2018	46 058 837	3 032 824	2 411 735	(225 515)	(181 822)	(1 373 500)	49 722 559
- Companies	14 610 655	1 543 970	807 587	(158 234)	(73 848)	(459 416)	16 270 714
- Individuals	31 200 056	1 487 402	1 604 148	(66 965)	(107 972)	(914 084)	33 202 585
- Public sector	248 126	1 452	0	(316)	(2)	0	249 260

Note (13c) Loans and advances to customers

	30.09.2019		30.06.2019	
	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	62 581 655	604 021	60 922 698	537 979
- to companies	11 796 107		11 748 551	
- to private individuals	50 631 115	604 021	48 987 316	537 979
- to public sector	154 433		186 830	
Receivables on account of payment cards	123 406	831 591	123 392	803 445
- due from companies	239	19 912	230	19 317
- due from private individuals	123 167	811 679	123 162	784 128
Purchased receivables	227 510		269 726	
- from companies	227 510		269 726	
- from public sector	0		0	
Guarantees and sureties realised	1 521		11 716	
Debt securities eligible for rediscount at Central Bank	3 359		3 255	
Financial leasing receivables	6 687 221		6 669 905	
Other	1 560		4 059	
Interest	304 585		306 662	
Total:	**69 930 817**	**1 435 612**	**68 311 413**	**1 341 424**
Impairment allowances	(1 885 371)	-	(1 797 628)	-
Total balance sheet value:	**68 045 446**	**1 435 612**	**66 513 785**	**1 341 424**
* The above data includes the fair value adjustment in the amount of	-	(73 425)	-	(69 637)

Note (13d) Loans and advances to customers

	31.12.2018		30.09.2018	
	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	44 816 894	444 371
- to companies	11 076 840		10 503 983	0
- to private individuals	34 871 344	473 214	34 064 280	444 371
- to public sector	217 386		248 631	0
Receivables on account of payment cards	2 769	777 311	2 970	748 246
- due from companies	123	18 031	170	19 885
- due from private individuals	2 646	759 280	2 799	728 361
Purchased receivables	275 878		261 085	0
- from companies	275 878		261 085	0
- from public sector	0		0	0
Guarantees and sureties realised	11 622		10 229	0
Debt securities eligible for rediscount at Central Bank	3 660		5 450	0
Financial leasing receivables	6 505 628		6 140 813	0
Other	3 893		4 657	0
Interest	251 002		261 298	0
Total:	**53 220 022**	**1 250 525**	**51 503 396**	**1 192 617**
Impairment allowances	(1 758 867)	-	(1 780 837)	-
Total balance sheet value:	**51 461 155**	**1 250 525**	**49 722 559**	**1 192 617**
* The above data includes the fair value adjustment in the amount of	-	(72 943)	-	(67 808)

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

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Loans and advances to customers (gross)	69 930 817	68 311 413	53 220 022	51 503 396
- impaired	3 076 635	2 938 832	2 403 894	2 411 735
- not impaired	66 854 182	65 372 581	50 816 128	49 091 661
Impairment write-offs	(1 885 371)	(1 797 628)	(1 758 867)	(1 780 837)
- for impaired exposures	(1 394 250)	(1 315 977)	(1 341 843)	(1 373 500)
- for not impaired exposures	(491 121)	(481 651)	(417 024)	(407 337)
Loans and advances to customers (net)	**68 045 446**	**66 513 785**	**51 461 155**	**49 722 559**

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

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Loans and advances to customers (gross)	69 930 817	68 311 413	53 220 022	51 503 396
- case by case analysis	808 414	753 528	754 950	746 632
- collective analysis	69 122 403	67 557 885	52 465 072	50 756 764
Impairment allowances	(1 885 371)	(1 797 628)	(1 758 867)	(1 780 837)
- on the basis of case by case analysis	(356 988)	(360 633)	(382 327)	(380 161)
- on the basis of collective analysis	(1 528 383)	(1 436 995)	(1 376 540)	(1 400 676)
Loans and advances to customers (net)	**68 045 446**	**66 513 785**	**51 461 155**	**49 722 559**

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

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Loans and advances to customers (gross)	69 930 817	68 311 413	53 220 022	51 503 396
- corporate customers	18 903 911	18 927 299	18 123 976	17 211 791
- individuals	51 026 906	49 384 114	35 096 046	34 291 606
Impairment allowances	(1 885 371)	(1 797 628)	(1 758 867)	(1 780 837)
- for receivables from corporate customers	(620 496)	(620 204)	(678 170)	(691 816)
- for receivables from private individuals	(1 264 875)	(1 177 424)	(1 080 697)	(1 089 021)
Loans and advances to customers (net)	**68 045 446**	**66 513 785**	**51 461 155**	**49 722 559**

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

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
in Polish currency	50 346 676	49 327 730	34 924 845	33 170 286
in foreign currencies (after conversion to PLN)	19 584 141	18 983 683	18 295 177	18 333 110
- currency: CHF	15 495 310	15 035 211	14 504 282	14 576 896
- including Euro Bank*	1 058 123	1 023 017	-	-
- currency: EUR	3 858 836	3 739 349	3 573 588	3 604 900
- currency: USD	221 955	200 645	205 087	139 018
other currencies	8 040	8 478	12 220	12 296
Loans and advances to customers (gross)	**69 930 817**	**68 311 413**	**53 220 022**	**51 503 396**

* - 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 - 30.09.2019	01.01.2019 - 30.06.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.09.2018
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:	126 504	38 761	(65 795)	(43 825)
Impairment allowances created in the period	931 670	546 219	725 164	518 959
Amounts written off	(263 965)	(205 513)	(299 068)	(209 788)
Impairment allowances released in the period	(573 324)	(315 043)	(521 196)	(379 649)
Sale of receivables	0	0	(13 252)	(5 506)
KOIM created in the period(*)	18 093	11 577	25 558	19 361
Changes resulting from FX rates differences	12 122	(7)	15 986	12 676
Other	1 908	1 528	1 013	122
Balance at the end of the period	**1 885 371**	**1 797 628**	**1 758 867**	**1 780 837**

(*) 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 acquisition of Euro Bank and the conveyance of SKOK Piast.

The value of POCI assets is as follows:

	Balance sheet value, gross	Accumulated impairment allowances	Balance sheet value, net
30.09.2019			
- Companies	101	(23)	78
- Individuals	536 087	(11 311)	524 776
- Public sector	0	0	0
30.06.2019			
- Companies	101	(23)	78
- Individuals	551 185	(1 700)	549 485
- Public sector	0	0	0
31.12.2018			
- Companies	139	130	269
- Individuals	15 271	1 447	16 718
- Public sector	0	0	0
30.09.2018			
- 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 30.09.2019							
Debt securities	55 378	0	0	(25)	0	0	55 353
Deposits, loans and advances to banks and other monetary institutions	1 023 868	0	0	0	0	0	1 023 868
Repurchase agreements	50 545	0	0	0	0	0	50 545
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 31.12.2018							
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 30.09.2018							
Debt securities	50 313	0	0	(23)	0	0	50 290
Deposits, loans and advances to banks and other monetary institutions	528 401	0	0	(16)	0	0	528 385
Repurchase agreements	66 485	0	0	0	0	0	66 485

Note (14b) Debt securities

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
credit institutions	0	0	0	0
other companies	0	0	0	0
public sector	55 353	56 881	44 884	50 290
Total	55 353	56 881	44 884	50 290

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

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Current accounts	219 763	259 431	143 113	174 065
Deposits	801 502	450 911	586 666	352 811
Interest	2 604	1 316	1 489	1 524
Total (gross) deposits, loans and advances	1 023 868	711 658	731 268	528 400
Impairment allowances	0	(16)	(16)	(16)
Total (net) deposits, loans and advances	**1 023 868**	**711 642**	**731 252**	**528 384**

Note (14d) Repurchase agreements

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
credit institutions	50 544	73 653	49 872	14 092
other customers	0	0	200 375	52 385
interest	1	6	37	8
Total	50 545	73 659	250 284	66 485

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 30.09.2019):

	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

	Hedging of the variability of cash flows generated by the portfolio of issued PLN liabilities	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 fluctuations in cash flows generated by issued PLN liabilities. The volatility of cash flows results from interest rate risk	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 flow resulting from the portfolio of PLN liabilities.	Cash flows from future interest income and expenses denominated in foreign currencies.	Cash flows resulting from the FX mortgage loan portfolio.
Hedging instruments	IRS transactions	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 valuation of hedging instruments is recognized in the revaluation reserve; interest on both hedging instruments and hedged instruments is recognized in net interest income.	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 30.09.2019, 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 30.09.2019			Fair values 30.06.2019		
	Total	Assets	Liabilities	Total	Assets	Liabilities
Derivative instruments constituting fair value hedges related to interest rate						
IRS contracts	(5 287)	0	5 287	(4 861)	0	4 861
Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(643 984)	6 009	649 993	95 779	329 291	367 337
IRS contracts	1 390	2 877	1 487	3 665	1 480	0
FXS contracts	(21 169)	0	21 169	420	3 644	0
Total hedging derivatives	(669 050)	8 886	677 936	(239 412)	99 864	339 276

	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	(143 545)	185 269	328 814
IRS contracts	4 975	4 975	0	5 814	5 814	0
FXS contracts	0	0	0	(29 057)	1 084	30 141
Total hedging derivatives	(251 310)	125 501	376 811	(166 788)	192 167	358 955

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	5	0	0	0	12 666
- Write-offs released	0	0	0	0	(10 359)
- Utilisation	0	0	0	0	(117)
- Reclassification	0	0	0	0	(1 783)
As at 30.09.2019	5 029	8 754	3 988	136	8 533
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 01.01.2018	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	20	0	0	0	3 350
- Write-offs released	(743)	0	0	0	(1 528)
- Utilisation	0	0	0	0	(21)
As at 30.09.2018	5 240	8 754	3 988	136	9 745

Note (17a) Deferred income tax assets and liability

	30.09.2019			30.06.2019		
	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	88 549	(11 903)	76 646	95 491	(4 878)	90 613
Balance sheet valuation of financial instruments	139 710	(155 108)	(15 398)	55 869	(78 862)	(22 993)
Unrealised receivables/ liabilities on account of derivatives	10 541	(19 916)	(9 375)	9 468	(18 315)	(8 847)
Interest on deposits and securities to be paid/ received	32 576	(48 991)	(16 415)	26 849	(39 772)	(12 923)
Interest and discount on loans and receivables	2 536	(111 162)	(108 626)	2 516	(107 910)	(105 394)
Income and cost settled at effective interest rate	200 624	(1 262)	199 362	191 231	(1 239)	189 992
Impairment of loans presented as temporary differences	356 241	0	356 241	347 378	0	347 378
Employee benefits	16 574	0	16 574	16 223	0	16 223
Use rights	6 630	(2 058)	4 572	6 468	(2 182)	4 286
Provisions for future costs	30 159	0	30 159	31 479	0	31 479
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in revaluation reserve	28 239	(24 380)	3 859	29 261	(21 390)	7 871
Tax loss deductible in the future	1 329	0	1 329	1 058	0	1 058
Other	(17 320)	(2 751)	(20 071)	(21 688)	(4 687)	(26 375)
Net deferred income tax asset	896 388	(377 531)	518 857	791 603	(279 235)	512 366

Note (17b) Deferred income tax assets and liability

	31.12.2018			30.09.2018		
	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	75 343	(3 323)	72 020
Balance sheet valuation of financial instruments	79 101	(98 757)	(19 656)	48 839	(70 262)	(21 423)
Unrealised receivables/ liabilities on account of derivatives	10 395	(19 103)	(8 708)	9 037	(18 267)	(9 230)
Interest on deposits and securities to be paid/ received	21 601	(36 888)	(15 287)	27 129	(36 505)	(9 376)
Interest and discount on loans and receivables	3	(47 713)	(47 710)	5	(50 708)	(50 703)
Income and cost settled at effective interest rate	89 058	(1 190)	87 868	87 048	(1 238)	85 810
Impairment of loans presented as temporary differences	238 209	0	238 209	235 713	0	235 713
Employee benefits	16 137	0	16 137	15 553	0	15 553
Provisions for future costs	25 199	0	25 199	24 652	0	24 652
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in revaluation reserve	13 517	(30 803)	(17 286)	16 297	(19 398)	(3 101)
Tax loss deductible in the future	1 320	0	1 320	1 120	0	1 120
Other	2 291	(4 458)	(2 167)	1 899	(874)	1 025
Net deferred income tax asset	580 421	(244 706)	335 715	542 635	(200 575)	342 060

Note (18) Liabilities to banks and other monetary institutions

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
In current account	90 588	132 727	105 472	114 324
Term deposits	431 060	560 979	455 297	431 118
Loans and advances received	1 230 295	1 210 079	1 224 267	1 081 567
Interest	4 189	4 478	3 821	3 507
Total	1 756 132	1 908 263	1 788 857	1 630 516

Note (19) Liabilities to customers

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Amounts due to private individuals	60 598 603	57 638 442	47 730 280	44 186 453
Balances on current accounts	41 821 836	39 114 584	32 795 949	29 308 805
Term deposits	18 520 637	18 197 296	14 834 473	14 645 126
Other	146 866	222 265	30 342	166 678
Accrued interest	109 264	104 297	69 516	65 844
Amounts due to companies	16 057 336	15 462 379	15 589 643	13 605 575
Balances on current accounts	8 505 617	7 333 724	8 242 327	6 719 547
Term deposits	7 165 093	7 707 405	7 057 271	6 603 274
Other	361 365	396 478	275 095	267 412
Accrued interest	25 261	24 772	14 950	15 342
Amounts due to public sector	3 685 204	3 726 990	2 923 846	2 430 640
Balances on current accounts	1 465 790	1 341 117	1 374 012	1 073 372
Term deposits	2 205 780	2 379 137	1 546 384	1 351 433
Other	11 360	4 100	2 153	3 848
Accrued interest	2 274	2 636	1 297	1 987
Total	**80 341 143**	**76 827 811**	**66 243 769**	**60 222 668**

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

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
a) to the Central Bank	0	0	0	0
b) to banks	52 034	20 988	50 322	11 271
c) to customers	0	0	0	0
d) interest	2	2	2	1
Total	52 036	20 990	50 324	11 272

Note (21) Change of debt securities

	01.01.2019 - 30.09.2019	01.01.2019 - 30.06.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.09.2018
Balance at the beginning of the period	809 679	809 679	1 156 473	1 156 473
Increases, on account of:	835 832	805 631	309 865	211 353
- purchase of Euro Bank	506 056	506 056	0	0
- issue of Banking Securities	236 857	214 985	183 339	105 168
- issue of bonds by the Bank	0	0	141	141
- issue of bonds by the Millennium Leasing	74 750	74 750	104 700	88 500
- interest accrual	18 169	9 840	21 685	17 544
Reductions, on account of:	(198 382)	(145 320)	(656 659)	(636 381)
- repurchase of Banking Securities	(94 985)	(65 578)	(112 471)	(98 109)
- repurchase of bonds by the Bank	(118)	(117)	(329 526)	(329 521)
- repurchase of bonds by the Millennium Leasing	(84 770)	(63 770)	(192 930)	(192 930)
- interest payment	(18 509)	(15 855)	(21 732)	(15 821)
Balance at the end of the period	**1 447 129**	**1 469 990**	**809 679**	**731 445**

Note (22) Change of subordinated debt

	01.01.2019 - 30.09.2019	01.01.2019 - 30.06.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.09.2018
Balance at the beginning of the period	701 883	701 883	701 971	701 971
Increases, on account of:	975 293	958 724	28 656	21 452
- issue of subordinated bonds	830 000	830 000	0	0
- interest accrual	45 163	28 594	28 656	21 452
- purchase of Euro Bank	100 130	100 130	0	0
Reductions, on account of:	(32 017)	(14 276)	(28 744)	(14 425)
- repayment of subordinated bonds	0	0	0	0
- interest payment	(32 017)	(14 276)	(28 744)	(14 425)
- FX rates differences	0	0	0	0
Balance at the end of the period	**1 645 159**	**1 646 331**	**701 883**	**708 998**

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. Both transactions were finished and settled in October 2019.

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

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Provision for commitments and guarantees given	55 312	52 190	51 742	59 299
Provision for pending legal issues	55 747	56 145	60 710	60 833
Total	111 059	108 335	112 452	120 132

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

	01.01.2019 - 30.09.2019	01.01.2019 - 30.06.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.09.2018
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	745	0	0
Charge of provision	59 062	24 296	60 827	57 682
Release of provision	(56 358)	(24 536)	(54 804)	(44 081)
FX rates differences	121	(57)	170	149
Balance at the end of the period	**55 312**	**52 190**	**51 742**	**59 299**

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

	01.01.2019 - 30.09.2019	01.01.2019 - 30.06.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.09.2018
Balance at the beginning of the period	60 710	60 710	46 032	46 032
Charge of provision	7 849	2 344	7 541	7 223
Release of provision	(8 894)	(3 819)	(809)	(781)
Utilisation of provision	(5 701)	(4 873)	(4 212)	(3 799)
Reclassification	1 783	1 783	12 158	12 158
Balance at the end of the period	55 747	56 145	60 710	60 833

5. CHANGES IN RISK MANAGEMENT PROCESS

Risk management performs a key role in the strategy of balanced and sustainable development of the Group, supporting optimization 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 third 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, in particular in the area of factoring products.

In the retail segment, preparations for the merger with Eurobank were continued, under which subsequent changes were implemented in the credit policy of granting consumer loans and in the credit process. The introduced changes will allow for servicing new clients' target groups while maintaining the currently observed risk level.

In addition, changes to the process have been implemented to improve the quality of the retail transaction risk assessment process while maintaining the existing credit policy.

Changes in the loan portfolio of the Group after 9 months of 2019 are summarized below:

Gross exposure in '000 PLN	30.09.2019		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	65 998 439	1 023 868	50 435 735	731 268
Overdue*, but without impairment	2 301 617	0	1 644 795	0
Total without impairment	68 300 056	1 023 868	52 080 530	731 268
With impairment	3 139 798	0	2 462 961	0
Total	**71 439 854**	**1 023 868**	**54 543 491**	**731 268**
Impairment write-offs	(1 885 371)	0	(1 758 867)	(16)
Fair value adjustment**	(73 425)	0	(72 943)	0
Total, net	**69 481 058**	**1 023 868**	**52 711 680**	**731 252**
Loans with impairment / total loans	4.40%	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 3Q 2019, the market risk limits were kept unchanged.

In 3Q 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 keeping FX open positions only in Trading Book. In the 3Q 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 does 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 24.8 m (11 % of the limit) and at approx. PLN 1.4 m (5 % of the limit) for Trading Book. Similarly, as of the end of September 2019 the market risk exposure was approx. PLN 30.7 m (14% of the limit) for Global Bank and approx. PLN 1,4 m (5% of the limit) for Trading Book .

The market risk exposure in 3Q 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)

	30.09.2019		VaR (3Q 2019)			30.06.2019	
	Exposure	limit usage	Average	Maximum	Minimum	Exposure	limit usage
Total risk	1 417	5%	1 379	3 226	495	830	3%
Generic risk	1 414	5%	1 375	3 223	492	827	3%
Interest Rate VaR	1 390	5%	1 375	3 231	479	825	3%
FX Risk	86	1%	49	116	7	18	0%
Diversification Effect	4.4%					2.0%	
Specific risk	3	0%	3	21	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 show the impact on the Group's economic value resulting from the interest rate change.

In 3Q 2019, the results of the above mentioned analysis for Banking Book (including Euro Bank) stayed within internally defined limits.

In 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 The results of supervisory outlier test (SOT) as of September 2019 carried out according to EBA Guidelines shows that even under the most severe scenario, the change of economic value of equity for Banking Book (including Euro Bank) is far below supervisory limit of 15% of CET 1.

[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 3Q 2019, the Group was characterized still by solid liquidity position. All the supervisory and internal liquidity indicators still remained significantly above minimum limits in place.

Total Clients' deposits of the Group reached the level of PLN 80.3 billion (PLN 76.8 billion at the end of June 2019). The growth of the deposits were driven mostly by funds of individuals, of which the share in total Client's deposits grow to approx. 78.9% at the end of September 2019 from 75.0% at the end of June 2019. 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 Parliament and Council no 575/2013 on prudential requirements for credit institutions and investment firms (CRR), the Group is calculating the liquidity coverage requirement (LCR). The regulator minimum of 100% for LCR valid in 2019 was compiled by the Group. The LCR Group reached the level of 186% at the end of September 2019 (172% at the end of June 2019). 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 3Q 2019, the Group has consistently maintained Loan-to-Deposit ratio well below 100%. This ratio was equalled 86% at the end of September 2019 (88% at the end of June 2019). 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 September 2019. During 2019 this portfolio decreased from PLN 22.7 billion at the end of December 2018 (28% of total assets) to approx. PLN 22.6 billion at the end of September 2019 (22% of total assets). Those assets are Central Bank eligible and are characterized with high liquidity and can be easily used as 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 institutions and other money market operations. The source of medium-term funding remains also medium-term loans, subordinated debt and own bonds issue. During 3Q 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 regularly monitored and did not have any negative impact on the stability of the deposit base in 3Q2019. 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 third 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 third 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 macro prudential 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 over the last three years was as follows:

Capital adequacy	30.09.2019	30.06.2019	30.09.2018
Risk-weighted assets	48 316.7	47 048.1	34 822.1
Own Funds requirements. including:	3 865.4	3 763.8	2 785.8
- Credit risk and counterparty credit risk	3 420.3	3 324.5	2 444.7
- Market risk	24.3	19.9	27.1
- Operational risk	415.9	415.9	310.8
- Credit Valuation Adjustment CVA	4.9	3.6	3.2
Own Funds. including:	9 778.8	9 470.5	7 978.2
Common Equity Tier 1 Capital	8 248.8	7 940.5	7 278.2
Tier 2 Capital	1 530.0	1 530.0	700.0
Total Capital Ratio (TCR)	**20.24%**	**20.13%**	**22.91%**
Minimum required level	19.77%	19.77%	18.285%
Tier 1 Capital ratio (T1)	**17.07%**	**16.88%**	**20.90%**
Minimum required level	16.20%	16.20%	14.935%
Common Equity Tier 1 Capital ratio (CET1)	**17.07%**	**16.88%**	**20.90%**
Minimum required level	13.51%	13.51%	12.405%
Liquidity Coverage ratio (LCR)	**186%**	**172%**	**181%**

In the third quarter 2019 compared to the second quarter of 2019, capital ratios of Group increased – TCR went up by 11 b.p. and CET1 ratio by 19 b.p. That was driven by the increase of own funds by ca 3.3%, stemming mainly from the KNF approval on retention in own funds the net profit of first half 2019 (PLN 334 m). At the same time, rise of risk-weighted assets, coming mainly from the increase of loan portfolio, was smaller (by 2.7%), in relation to aforementioned own funds growth.

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 – 30.09.2019

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Net interest income	1 317 467	238 725	187 913	1 744 105
Net fee and commission income, including:	399 530	115 947	1 029	516 506
Fee and commission income	529 203	122 985	8 910	661 098
Fee and commission expenses	(129 673)	(7 038)	(7 881)	(144 592)
Dividends, other income from financial operations and foreign exchange profit	78 305	51 412	66 761	196 478
Result on non-trading financial assets mandatorily at fair value through profit or loss	(12 901)	0	65 428	52 527
Other operating income and cost	(12 179)	(9 863)	16 904	(5 138)
Operating income	1 770 222	396 221	338 035	2 504 478
Staff costs	(470 082)	(104 770)	(28 954)	(603 806)
Administrative costs	(371 269)	(39 796)	(94 565)	(505 630)
Depreciation and amortization	(112 800)	(11 328)	(2 533)	(126 661)
Operating expenses	(954 151)	(155 894)	(126 052)	(1 236 097)
Impairment losses on assets	(277 895)	(64 292)	(2 296)	(344 483)
Results on modification	(9 437)	250	0	(9 187)
Operating Profit	**528 739**	**176 285**	**209 687**	**914 711**
Share in net profit of associated companies	0	0	0	0
Banking tax				(178 857)
Profit / (loss) before income tax				**735 854**
Income taxes				(202 091)
Profit / (loss) after taxes				**533 763**

Balance sheet items as at 30.09.2019

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Loans and advances to customers	53 434 029	16 047 029	0	69 481 058
Liabilities to customers	62 567 378	17 650 631	123 134	80 341 143

Income statement 1.01.2018 - 30.09.2018

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Net interest income	909 751	212 390	209 666	1 331 807
Net fee and commission income, including:	379 013	122 638	(2 151)	499 500
Fee and commission income	481 100	130 121	8 687	619 908
Fee and commission expenses	(102 087)	(7 483)	(10 838)	(120 408)
Dividends, other income from financial operations and foreign exchange profit	53 193	53 141	65 435	171 769
Result on non-trading financial assets mandatorily at fair value through profit or loss	(13 318)	0	11 534	(1 784)
Other operating income and cost	(4 674)	3 008	1 953	287
Operating income	1 323 965	391 177	286 437	2 001 579
Staff costs	(348 735)	(105 508)	(22 943)	(477 186)
Administrative costs	(326 322)	(51 487)	(53 378)	(431 187)
Depreciation and amortization	(31 878)	(6 840)	(1 151)	(39 869)
Operating expenses	(706 935)	(163 835)	(77 472)	(948 242)
Impairment losses on assets	(100 903)	(48 921)	(831)	(150 655)
Results on modification	(11 059)	872	0	(10 187)
Operating Profit	**505 068**	**179 293**	**208 134**	**892 495**
Share in net profit of associated companies	0	0	0	0
Banking tax				(148 525)
Profit / (loss) before income tax				**743 970**
Income taxes				(195 836)
Profit / (loss) after taxes				**548 134**

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 during 3 quarters of 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	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
ASSETS				
Loans and advances to banks – accounts and deposits	510	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	1 057	199	120 782	114 449
Debt securities	0	0	0	0
Financial liabilities held for trading	511	307	0	0
Hedging derivatives	0	0	0	0
Other liabilities	0	0	226	135

	With parent company		With other entities from parent group	
	1.01.2019-30.09.2019	1.01.2018-30.09.2018	1.01.2019-30.09.2019	1.01.2018-30.09.2018
Income from:				
Interest	(33)	21	0	0
Commissions	165	152	0	0
Financial assets and liabilities held for trading	0	0	0	0
Expense from:				
Interest	75	0	(229)	(214)
Commissions	0	0	0	0
Financial assets and liabilities held for trading	603	154	0	0
Other net operating	10	11	0	0
Administrative expenses	0	0	778	415

	With parent company		With other entities from parent group	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Conditional commitments	101 107	109 673	0	0
- granted	100 345	104 643	0	0
- obtained	762	5 030	0	0
Derivatives (par value)	16 513	33 577	0	0

7.2. 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 30.09.2019	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 30.09.2019 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	14	55 353	55 969
Deposits, loans and advances to banks and other monetary institutions	14	1 023 868	1 023 868
Loans and advances to customers (*)	13	68 045 446	66 091 796
LIABILITIES MEASURED AT AMORTISED COST			
Liablities to banks and other monetary institutions	18	1 756 132	1 757 531
Liablities to customers	19	80 341 143	80 351 079
Debt securities issued	21	1 447 129	1 449 659
Subordinated debt	22	1 645 159	1 651 910

* - 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 30.09.2019

	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			70 409	52 888
Equity instruments		142		
Debt securities		751 124		
Non-trading financial assets mandatorily at fair value through profit or loss	13			
Equity instruments				66 609
Debt securities				81 266
Loans and advances				1 435 612
Financial assets at fair value through other comprehensive income	12			
Equity instruments		281		29 204
Debt securities		19 672 716	1 399 825	
Derivatives – Hedge accounting	15		8 886	
LIABILITIES				
Financial liabilities held for trading	11			
Valuation of derivatives			57 602	52 696
Short positions		39 871		
Derivatives – Hedge accounting	15		677 936	

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 30.09.2019 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.

- 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 during 3 qurters of 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	12 599	(12 159)	156	17 651	114 755
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	83 233
Results on financial assets and liabilities held for trading	2 802	(2 896)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	45 000	20 428	(12 901)
Result on exchange differences	0	0	6	0	0
As at 30.09.2019	**50 831**	**(50 639)**	**95 813**	**81 266**	**1 435 612**

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 December 2018	**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 30.09.2019, in which the companies of the Group were a plaintiff, totalled PLN 334.5 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 30.09.2019, 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 of first instance 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. In accordance with the judgment of 13.06.2019, the Bank won the case before the Court of first instance. The case is currently pending before the court of second instance.

As at 30.09.2019, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at PLN 481.9 million (excluding the class actions described below). In this group the most important category are cases related with FX loans mortgage portfolio and cases related to forward transactions (option cases).

In the area of foreign currency mortgage loan portfolio, there exists a risk related to court rulings in cases brought by foreign currency mortgage loan borrowers against Polish banks (including Bank Millennium).

So far, the majority of judgments in cases concerning Bank Millennium have been favorable for the Bank. However, it should be noted that there is a significant risk that such a favorable line of rulings for the Bank may change, as a result of which, rulings in pending proceedings may not be taken in accordance with the Bank's demand.

If such a risk materializes, it may have a significant negative impact on Bank Millennium. Among a number of factors which are significant for the assessment of risk related to disputes concerning mortgage loans indexed to CHF, the judgment of the Court of Justice of the European Union of 3 October 2019 in Case C 260/18 should be mentioned.

On 3 October 2019 the European Court of Justice (ECJ) issued a judgment in the case of Kamil Dziubak, Justyna Dziubak vs. Raiffeisen Bank International AG with its registered office in Vienna (conducting business in Poland in the form of a branch under the name of Raiffeisen Bank International AG Branch in Poland, formerly Raiffeisen Bank Polska SA with its registered office in Warsaw) C260/18. The ECJ judgment contains answers (legal interpretations) to questions asked by the Polish court. The questions were formulated in connection with the analysis by the court inquiring about the Client's action against Raiffeisen Bank concerning the credit agreement concluded by the Client and indexed to CHF.

In accordance with the applicable rules, the interpretative guidelines of the ECJ should be taken into account by the national courts when resolving cases. It should be noted that ECJ interpretations, addressing important issues to the assessment of national courts, focus on issues related to the effects that may be applicable to agreements in the event of determining by the court adjudicating a given case, of the existence of abusive provisions in the agreement. In particular, by indicating as a possible effect the invalidity of the agreement.

The scope of issues which, in accordance with the ECJ ruling, remain to be assessed by national courts with the simultaneous existence of certain doubts as to the interpretation of the ECJ ruling, result in the current lack of the possibility of rational assessment of the impact of the ECJ ruling on the ongoing proceedings, and at the same time indicate the need to analyze the case-law in this respect.

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 5 350 and the number of loan agreements involved is approximately 3 288. The value of the litigation has been estimated to approximately PLN 146 million. At this stage, the composition of the group has been determined and approved by the court. The proceedings entered the phase of substantive examination of the case. No date has yet been set for the hearing.

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.

Actual 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 are two class actions:

- 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,
- worth PLN 1.3 million, in which the Plaintiffs demand payment for the abusive nature of the mortgage loan agreement regarding the valorization clause.

The cases are pending before the Court of first instance.

OFF-BALANCE ITEMS

Amount ‘000 PLN	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Off-balance conditional commitments granted and received	**11 879 548**	**11 102 310**	**10 229 552**	**9 968 396**
Commitments granted:	11 355 613	10 578 312	9 855 664	9 649 984
- loan committments	9 665 760	8 928 616	8 423 814	8 304 816
- guarantee	1 689 853	1 649 696	1 431 850	1 345 168
Commitments received:	523 935	523 998	373 887	318 412
- financial	744	7 399	0	7 176
- guarantee	523 191	516 599	373 887	311 236

10. Additional Information

10.1. Data about assets, which secure liabilities

As at 30 September 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	130 898
2.	Treasury bonds WZ0121	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	358 000	360 850
3.	Central Bank bills NBP_041019	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	47 150	47 144
4.	Central Bank bills NBP_041019	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	51 250	51 244
5.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	4 543	4 543
6.	Cash	receivables	Settlement on transactions concluded	2 907	2 907
7.	Deposits	Deposits in banks	Settlement on transactions concluded	801 502	801 502
8.	Leasing receivables	Loans and advances	Loans granted to Millennnium Leasing	528 804	528 804
		TOTAL		1 924 156	1 927 892

Additionally, as at September 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 51,933 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	30.09.2019		31.12.2018	
	Par value	Balance sheet value	Par value	Balance sheet value
Treasury bonds	51 837	51 993	49 667	50 290
TOTAL	51 837	51 993	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 0.44.

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 in the Extraordinary General Meeting of the Bank held on 27 August 2019 year.

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 30.09.2019	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"	67 592 000	5.57	67 592 000	5.57

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 III quarter, 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 September 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 September 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 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.

Condensed Interim Standalone Financial Statements of the Bank Millennium S.A. for the 9 months ended 30 September 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 nine months ending September 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 nine months period ended 30 September 2019. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the nine months period ended 30 September 2019 contain all important information, which also serves as explanatory data to these standalone statements of the Bank.

The Management Board approved these condensed interim financial statements on 25th October 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 September 2019 the Bank has total assets higher by PLN 334.5 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 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Net interest income	1 433 695	487 315	1 257 934	437 941
Interest income and other of similar nature	2 064 751	703 997	1 803 156	620 442
Income calculated using the effective interest method	1 971 637	671 482	1 762 396	635 560
- Interest income from Financial assets at amortised cost	1 687 922	584 252	1 504 226	551 502
- Interest income from Financial assets at fair value through other comprehensive income	283 715	87 230	258 170	84 058
Income of similar nature to interest from Financial assets at fair value through profit or loss	93 114	32 515	40 760	(15 118)
Interest expenses	(631 056)	(216 682)	(545 222)	(182 501)
Net fee and commission income	432 969	144 173	425 955	139 757
Fee and commission income	537 963	183 328	520 560	173 624
Fee and commission expenses	(104 994)	(39 155)	(94 605)	(33 867)
Dividend income	44 969	208	56 244	164
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	34 111	4 940	15 677	7 078
Results on financial assets and liabilities held for trading	50 786	19 177	57 881	21 194
Result on non-trading financial assets mandatorily at fair value through profit or loss	50 507	40 788	(1 784)	(956)
Result on hedge accounting	(14 876)	(5 121)	(14 907)	(4 949)
Result on exchange differences	120 181	43 711	110 345	36 724
Other operating income	70 696	23 662	16 520	4 421
Other operating expenses	(59 241)	(44 590)	(22 368)	(7 199)
Administrative expenses	(949 691)	(325 953)	(866 287)	(288 479)
Impairment losses on financial assets	(162 075)	(54 001)	(129 291)	(44 928)
Impairment losses on non-financial assets	(2 265)	(1 061)	(820)	(794)
Result on modification	(9 187)	(2 552)	(10 187)	(2 823)
Depreciation	(96 200)	(32 630)	(37 647)	(12 511)
Share of the profit of investments in subsidiaries	0	0	0	0
Banking tax	(167 777)	(60 493)	(148 525)	(47 869)
Profit before income taxes	776 602	237 573	708 740	236 771
Corporate income tax	(196 115)	(59 595)	(176 767)	(58 572)
Profit after taxes	580 487	177 978	531 973	178 199

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Profit after taxes	580 487	177 978	531 973	178 199
Other comprehensive income items that may be (or were) reclassified to profit or loss	150	19 760	41 193	4 289
Result on debt securities at fair value through other comprehensive income	(41 607)	16 379	14 003	(5 816)
Hedge accounting	41 757	3 381	27 190	10 105
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	150	19 760	41 193	4 289
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(29)	(3 754)	(7 827)	(815)
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	122	16 006	33 366	3 474
Total comprehensive income for the period	580 608	193 983	565 339	181 673

BALANCE SHEET

ASSETS

Amount '000 PLN	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Cash, cash balances at central banks	3 154 410	3 277 024	2 450 176	2 237 361
Financial assets held for trading	877 131	797 721	795 924	1 260 066
Derivatives	126 008	99 106	102 682	101 721
Equity instruments	0	0	0	0
Debt securities	751 123	698 615	693 242	1 158 345
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	128 204	79 617	64 796	61 604
Equity instruments	66 609	21 609	21 609	20 439
Debt securities	61 595	58 008	43 187	41 165
Financial assets at fair value through other comprehensive income	19 785 033	17 280 487	22 120 121	16 956 245
Equity instruments	29 204	29 039	29 042	25 946
Debt securities	19 755 829	17 251 448	22 091 079	16 930 299
Loans and advances to customers	55 975 440	54 316 492	51 786 756	50 399 186
Mandatorily at fair value through profit or loss	1 435 612	1 341 424	1 250 525	1 192 617
Valued at amortised cost	54 539 828	52 975 068	50 536 231	49 206 569
Financial assets at amortised cost other than Loans and advances to customers	4 371 195	4 379 861	1 026 400	645 109
Debt securities	55 353	56 880	44 884	50 290
Deposits, loans and advances to banks and other monetary institutions	4 265 297	4 249 322	731 232	528 334
Reverse sale and repurchase agreements	50 545	73 659	250 284	66 485
Derivatives – Hedge accounting	8 886	99 864	125 501	192 167
Investments in subsidiaries, joint ventures and associates	1 921 874	1 921 874	90 084	84 344
Tangible fixed assets	538 396	527 749	202 546	177 582
Intangible fixed assets	108 566	82 282	84 850	68 620
Income tax assets	243 360	263 466	217 863	231 932
Current income tax assets	0	26 933	0	0
Deferred income tax assets	243 360	236 533	217 863	231 932
Other assets	164 835	144 695	314 017	207 982
Non-current assets and disposal groups classified as held for sale	0	0	0	0
Total assets	**87 277 330**	**83 171 132**	**79 279 034**	**72 522 198**

LIABILITIES AND EQUITY

Amount '000 PLN	30.09.2019	30.06.2019	31.12.2018	30.09.2018
LIABILITIES				
Financial liabilities held for trading	150 169	232 433	231 633	157 622
Derivatives	110 298	146 843	107 879	105 152
Liabilities from short sale of securities	39 871	85 590	123 754	52 470
Financial liabilities measured at amortised cost	75 346 794	72 111 662	68 827 643	62 753 823
Liabilities to banks and other monetary institutions	1 253 701	1 141 231	1 055 708	1 115 835
Liabilities to customers	71 732 542	68 634 346	66 399 771	60 359 683
Sale and repurchase agreements	52 036	20 990	50 324	11 272
Debt securities issued	763 728	769 154	619 957	558 035
Subordinated debt	1 544 787	1 545 941	701 883	708 998
Derivatives – Hedge accounting	671 163	332 935	376 811	358 955
Provisions	108 769	106 622	112 045	119 218
Pending legal issues	54 232	55 040	59 797	59 919
Commitments and guarantees given	54 537	51 582	52 248	59 299
Tax liabilities	22 306	16 961	16 910	16 605
Current tax liabilities	22 306	16 961	16 910	16 605
Deferred tax liabilities	0	0	0	0
Other liabilities	2 261 551	1 847 925	1 578 023	1 230 829
Total Liabilities	**78 560 752**	**74 648 538**	**71 143 065**	**64 637 052**
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	73 579	57 573	73 457	12 961
Retained earnings	6 282 641	6 104 663	5 702 154	5 511 827
Total equity	8 716 578	8 522 594	8 135 969	7 885 146
Total equity and total liabilities	**87 277 330**	**83 171 132**	**79 279 034**	**72 522 198**

Book value of net assets	8 716 578	8 522 594	8 135 969	7 885 146
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)	7.19	7.03	6.71	6.50

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 - 30.09.2019						
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)	580 609	0	0	122	93 600	486 887
net profit/ (loss) of the period	580 487	0	0	0	580 487	0
valuation of debt securities at fair value through other comprehensive income	(33 701)	0	0	(33 701)	0	0
hedge accounting	33 823	0	0	33 823	0	0
Transfer between items of reserves	0	0	0	0	(486 887)	486 887
Equity at the end of the period	8 716 578	1 213 117	1 147 241	73 579	580 487	5 702 154
01.07.2019 - 30.09.2019						
Equity at the beginning of the period	8 522 594	1 213 117	1 147 241	57 573	402 509	5 702 154
Total comprehensive income for the period (net)	193 984	0	0	16 006	177 978	0
net profit/ (loss) of the period	177 978	0	0	0	177 978	0
valuation of debt securities at fair value through other comprehensive income	13 268	0	0	13 268	0	0
hedge accounting	2 738	0	0	2 738	0	0
Transfer between items of reserves	0	0	0	0	0	0
Equity at the end of the period	8 716 578	1 213 117	1 147 241	73 579	580 487	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 - 30.09.2018						
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)	565 339	0	0	33 366	531 973	0
net profit/ (loss) of the period	531 973	0	0	0	531 973	0
valuation of debt securities at fair value through other comprehensive income	11 342	0	0	11 342	0	0
hedge accounting	22 024	0	0	22 024	0	0
Transfer between items of reserves	0	0	0	0	(648 945)	648 945
Equity at the end of the period	7 885 146	1 213 117	1 147 241	12 961	296 560	5 215 267

CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Profit (loss) after taxes	580 487	177 978	531 973	178 199
Total adjustments:	(377 969)	3 049 857	(1 293 675)	168 693
Interest received	1 975 133	729 653	1 791 064	646 238
Interest paid	(566 403)	(195 208)	(511 381)	(171 083)
Depreciation and amortization	96 200	32 630	37 647	12 511
Foreign exchange (gains)/ losses	4 025	(4 997)	30 581	(10 421)
Dividends	(44 969)	(208)	(56 244)	(164)
Changes in provisions	(3 276)	2 146	28 551	4 017
Result on sale and liquidation of investing activity assets	(33 930)	(4 874)	(16 079)	(7 153)
Change in financial assets held for trading	(191 552)	(97 957)	(277 365)	38 516
Change in loans and advances to banks	(3 072 121)	694 146	(107 630)	137 619
Change in loans and advances to customers	(5 695 688)	(2 237 750)	(4 836 586)	(733 565)
Change in receivables from securities bought with sell-back clause (loans and advances)	189 347	20 469	(70 755)	40 388
Change in financial liabilities valued at fair value through profit and loss (held for trading)	212 888	255 964	149 467	(226 102)
Change in deposits from banks	249 004	119 188	(833 796)	47 802
Change in deposits from customers	5 877 243	3 288 684	3 444 562	584 451
Change in liabilities from securities sold with buy-back clause	6 126	32 187	20 712	(78 045)
Change of liabilities from debt securities issued	153 428	(2 173)	21 726	13 887
Change in income tax settlements	201 342	88 660	186 250	61 793
Income tax paid	(221 899)	(66 964)	(186 208)	(79 847)
Change in other assets and liabilities	442 993	380 665	(130 006)	(119 349)
Other	44 140	15 596	21 815	7 200
Net cash flows from operating activities	202 518	3 227 835	(761 702)	346 892

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Inflows:	1 954 296	1 951	58 518	707
Proceeds from sale of property, plant and equipment and intangible assets	23 208	1 743	2 274	543
Proceeds from sale of shares in related entities	1 210	0	0	0
Proceeds from sale of investment financial assets	1 884 909	0	0	0
Other	44 969	208	56 244	164
Outflows:	(1 922 043)	(2 062 306)	(3 657 695)	(629 365)
Acquisition of property, plant and equipment and intangible assets	(89 043)	(58 370)	(39 553)	(12 872)
Acquisition of shares in related entities	(1 833 000)	0	0	0
Acquisition of investment financial assets	0	(2 003 936)	(3 618 142)	(616 493)
Other	0	0	0	0
Net cash flows from investing activities	32 253	(2 060 355)	(3 599 177)	(628 658)

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
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:	(78 380)	(18 323)	(773 053)	0
Repayment of long-term bank loans	(44 046)	0	(423 518)	0
Redemption of debt securities	0	0	(329 859)	0
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	(34 334)	(18 323)	(19 676)	0
Net cash flows from financing activities	751 620	(18 323)	(773 053)	0

D. NET CASH FLOWS. TOTAL (A + B + C)	**986 391**	**1 149 157**	**(5 133 932)**	**(281 766)**
- Including change resulting from fx differences	4 322	5 610	5 048	(4 793)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**4 520 688**	**4 357 922**	**8 408 252**	**3 556 086**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D + E)	**5 507 079**	**5 507 079**	**3 274 320**	**3 274 320**

3. Supplementary information for standalone financial data

As at 30 September 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 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 - 30.09.2019	1.07.2019 - 30.09.2019	1.01.2018 - 30.09.2018	1.07.2018 - 30.09.2018
Impairment losses on loans and advances to customers	(159 901)	(51 224)	(116 413)	(42 199)
Impairment charges on loans and advances to customers	(623 137)	(289 038)	(374 247)	(61 179)
Reversal of impairment charges on loans and advances to customers	448 367	233 831	256 935	18 587
Amounts recovered from loans written off	13 038	3 526	805	393
Sale of receivables	1 447	0	94	0
Other directly recognised in profit and loss	384	457	0	0
Impairment losses on securities	(6)	0	723	(2)
Impairment charges on securities	(6)	0	(20)	(2)
Reversal of impairment charges on securities	0	0	743	0
Impairment losses on off-balance sheet liabilities	(2 168)	(2 777)	(13 601)	(2 727)
Impairment charges on off-balance sheet liabilities	(58 434)	(34 522)	(57 682)	(12 291)
Reversal of impairment charges on off-balance sheet liabilities	56 266	31 745	44 081	9 564
Total	**(162 075)**	**(54 001)**	**(129 291)**	**(44 928)**

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

	01.01.2019 - 30.09.2019	01.01.2019 - 30.06.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.09.2018
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:	(7 867)	(27 699)	(73 318)	(53 799)
Impairment allowances created in the period	623 137	334 099	526 748	374 231
Amounts written off	(214 590)	(160 664)	(273 044)	(197 243)
Impairment allowances released in the period	(448 350)	(214 536)	(356 013)	(256 935)
Sale of receivables	0	0	(13 252)	(5 506)
KOIM created in the period(*)	18 093	11 577	25 558	19 361
Changes resulting from FX rates differences	11 935	297	15 407	12 172
Other	1 908	1 528	1 278	121
Balance at the end of the period	**1 581 181**	**1 561 349**	**1 589 048**	**1 608 567**

(*) 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	8 060
- Write-offs created	6	0	0	0	12 323
- Write-offs released	0	0	0	0	(10 058)
- Utilisation	0	0	0	0	(150)
- Reclassification	0	0	0	0	(1 783)
As at 30.09.2019	5 021	7 600	8 733	0	8 392
As at 01.01.2019	5 016	7 600	8 733	0	8 060
- 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 01.01.2018	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	20	0	0	0	3 350
- Write-offs released	(743)	0	0	0	(1 530)
- Utilisation	0	0	0	0	(14)
As at 30.09.2018	5 240	7 600	8 733	0	9 678

Change of Provision for commitments and guarantees given

	01.01.2019 - 30.09.2019	01.01.2019 - 30.06.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.09.2018
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	58 434	23 912	61 333	57 682
Release of provision	(56 266)	(24 521)	(54 804)	(44 081)
FX rates differences	121	(57)	170	149
Balance at the end of the period	54 537	51 582	52 248	59 299

Change of Provision for pending legal issues

	01.01.2019 - 30.09.2019	01.01.2019 - 30.06.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.09.2018
Balance at the beginning of the period	59 797	59 797	45 118	45 118
Charge of provision	7 247	2 154	7 541	7 223
Release of provision	(8 894)	(3 820)	(808)	(781)
Utilisation of provision	(5 701)	(4 874)	(4 212)	(3 799)
Reclassification	1 783	1 783	12 158	12 158
Balance at the end of the period	54 232	55 040	59 797	59 919

Deferred income tax assets and liability

	30.09.2019			30.06.2019		
	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	(289)	1 370	1 659	(249)	1 410
Balance sheet valuation of financial instruments	132 547	(155 105)	(22 558)	55 663	(78 859)	(23 196)
Unrealised receivables/ liabilities on account of derivatives	10 541	(17 690)	(7 149)	9 468	(16 171)	(6 703)
Interest on deposits and securities to be paid/ received	30 440	(48 935)	(18 495)	25 021	(39 703)	(14 682)
Interest and discount on loans and receivables		(54 462)	(54 462)	0	(54 595)	(54 595)
Income and cost settled at effective interest rate	115 392	0	115 392	104 317	0	104 317
Impairment of loans presented as temporary differences	206 414	0	206 414	204 090	0	204 090
Employee benefits	15 046	0	15 046	14 663	0	14 663
Use rights	6 120	0	6 120	6 040	0	6 040
Provisions for future costs	15 008	0	15 008	16 827	0	16 827
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in revaluation reserve	5 591	(22 850)	(17 259)	6 234	(19 739)	(13 505)
Other	5 112	(1 179)	3 933	4 977	(3 110)	1 867
Net deferred income tax asset	543 870	(300 510)	243 360	448 959	(212 426)	236 533

	31.12.2018			30.09.2018		
	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	1 718	0	1 718
Balance sheet valuation of financial instruments	75 827	(98 752)	(22 925)	46 950	(70 256)	(23 306)
Unrealised receivables/ liabilities on account of derivatives	10 395	(19 103)	(8 708)	9 037	(18 267)	(9 230)
Interest on deposits and securities to be paid/ received	19 969	(36 887)	(16 918)	25 961	(36 503)	(10 542)
Interest and discount on loans and receivables	0	(47 342)	(47 342)	0	(50 355)	(50 355)
Income and cost settled at effective interest rate	89 058	0	89 058	87 048	0	87 048
Impairment of loans presented as temporary differences	201 320	0	201 320	198 384	0	198 384
Employee benefits	14 946	0	14 946	14 544	0	14 544
Provisions for future costs	21 726	0	21 726	22 477	0	22 477
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in revaluation reserve	13 525	(30 756)	(17 231)	16 296	(19 336)	(3 040)
Other	5 825	(3 614)	2 211	4 287	(53)	4 234
Net deferred income tax asset	454 317	(236 454)	217 863	426 702	(194 770)	231 932

4. Transactions with Related Entities

All transactions among members of the Group made during 3 quarters of 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 30.09.2019

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	3 327 733	510	0
Loans and advances to customers	5 698 258	0	0
Investments in associates	1 921 874	0	0
Financial assets valued at fair value through profit and loss (held for trading)	1 028	0	0
Hedging derivatives	0	0	0
Other assets	25 891	0	0
LIABILITIES			
Deposits from banks	281 305	1 057	120 782
Deposits from customers	305 597	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	555	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	0	511	0
Subordinated debt	0	0	0
Other liabilities, including:	151 773	0	226
- financial leasing liabilities	142 991	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 1.01-30.09.2019

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	110 673	(33)	0
Commissions	35 504	165	0
Financial instruments valued at fair value through profit and loss	914	0	0
Dividends	42 110	0	0
Other net operating	10 850	0	0
Expense from:			
Interest	3 740	75	(229)
Commissions	2	0	0
Financial instruments valued at fair value through profit and loss	0	603	0
Other net operating	0	10	0
General and administrative expenses	27 464	0	778

Profit and loss on transactions with related parties (data in '000 pln) for the period of 1.01-30.09.2018

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	84 455	21	0
Commissions	45 336	152	0
Financial instruments valued at fair value through profit and loss	180	0	0
Dividends	53 858	0	0
Other net operating	2 768	0	0
Expense from:			
Interest	1 817	0	(214)
Commissions	4	0	0
Financial instruments valued at fair value through profit and loss	0	154	0
Other net operating	0	11	0
General and administrative expenses	63 982	0	415

Off-balance transactions with related parties (data in '000 pln) as at 30.09.2019

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	780 789	101 107	0
- granted	777 819	100 345	0
- obtained	2 969	762	0
Derivatives (par value)	142 475	16 513	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 9 months ended 30 September 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

30.09.2019	Balance sheet value	Fair value
Assets measured at Amortised Cost		
Debt securities	55 353	55 969
Deposits, loans and advances to banks and other monetary institutions	4 265 297	4 265 297
Loans and advances to customers (*)	54 539 828	52 587 361
Liabilities measured at Amortised Cost		
Liablities to banks and other monetary institutions	1 253 701	1 254 109
Liablities to customers	71 732 542	71 742 478
Debt securities issued	763 728	765 402
Subordinated debt	1 544 787	1 551 624

* - 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 30.09.2019

	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		71 437	52 888
Debt securities	751 123		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments			66 609
Debt securities			61 595
Loans and advances			1 435 612
Financial assets at fair value through other comprehensive income			
Equity instruments			29 204
Debt securities	18 356 005	1 399 825	
Derivatives - Hedge accounting		8 886	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		55 975	52 696
Short positions	39 871		
Derivatives - Hedge accounting		671 163	

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	12 599	(12 159)	156	0	114 755
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	83 233
Results on financial assets and liabilities held for trading	2 802	(2 896)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	45 000	18 408	(12 901)
Result on exchange differences	0	0	6	0	0
Balance on 30 September 2019	**50 831**	**(50 639)**	**95 813**	**61 595**	**1 435 612**

	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 December 2018	**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 nine months ended 30 September 2019, the total liabilities of the Bank arising from the issue of debt securities increased by PLN 143.8 million. The increase (approx. PLN 141.9 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 related (approx. +PLN 1.9 million) with 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	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Off-balance conditional commitments granted and received	**12 378 993**	**11 566 620**	**10 994 626**	**10 763 547**
Commitments granted:	11 852 088	11 039 692	10 617 917	10 442 293
- financial	9 384 585	8 624 957	8 424 532	8 306 842
- guarantee	2 467 503	2 414 735	2 193 385	2 135 451
Commitments received:	526 905	526 928	376 709	321 254
- financial	744	7 399	0	7 176
- guarantee	526 161	519 529	376 709	314 078