Consolidated Extended Financial Statement of Bank Millennium S.A. prepared in accordance with the International Financial Reporting Standards for the First Half of 2006

MAIN FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	2 quarters / period from 1.01.2006 - 30.06.2006	2 quarters / period from 1.01.2005 - 30.06.2005*	2 quarters / period from 1.01.2006 - 30.06.2006	2 quarters / period from 1.01.2005 - 30.06.2005*
I. Interest income	616 262	601 874	158 006	147 501
II. Fee and commission income	188 734	136 029	48 390	33 337
III. Operating income	586 789	547 535	150 450	134 184
IV. Operating profit / (loss)	172 530	163 503	44 236	40 070
V. Gross profit / (loss)	172 530	163 503	44 236	40 070
VI. Net profit (loss)	139 677	129 045	35 812	31 625
VII. Net cash flows from operating activities	-2 160 904	-11 856	-554 045	-2 906
VIII. Net cash flows from investing activities	514 922	-478 793	132 023	-117 338
IX. Net cash flows from financing activities	0	-1 163 897	0	-285 236
X. Net cash flows, total	-1 645 982	-1 654 546	-422 021	-405 480
XI. Total assets	23 408 118	22 151 139	5 789 217	5 738 934
XII. Deposits from banks	2 136 181	1 067 345	528 313	276 529
XIII. Deposits from customers	14 890 962	13 994 416	3 682 782	3 625 684
XIV. Total equity	2 039 062	2 390 823	504 294	619 416
XV. Share capital	849 182	849 182	210 017	220 007
XVI. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVII. Book value per share (in PLN/EUR)	2.40	2.82	0.59	0.73
XVIII. Diluted book value per share (in PLN/EUR)	2.40	2.82	0.59	0.73
XIX. Capital adequacy ratio	16.95%	19.07%	16.95%	19.07%
XX. Basic earnings (losses) per ordinary share (in PLN/EUR)	0.16	0.15	0.04	0.04
XXI. Diluted earnings (losses) per ordinary share (in PLN/EUR)	0.16	0.15	0.04	0.04
XXII. Pledged or paid dividend per share (in PLN/EUR)	0.54	0.28	0.13	0.06

* Comparable balance sheet data (item XI-XIX and XXII) presented in accordance with IFRS requirements as at 31.12.2005. Other comparable data are presented for the period from 1.01.2005 till 30.06.2005.

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1. Full Consolidated Financial Statement of Bank Millennium S.A. Capital Group for the First Half of 2006

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I. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	**Note**	**01.01.2006 - 30.06.2006**	**01.01.2005 - 30.06.2005**
Interest income	1	616 262	601 874
Interest expense	2	-294 632	-359 857
Net interest income		**321 630**	**242 017**
Fee and commission income		188 734	136 029
Fee and commission expense		-24 350	-14 624
Net fee and commission income	3	**164 384**	**121 405**
Dividend income	4	2 573	1 895
Result on investment financial assets	5	3 125	57 621
Result on financial instruments valued at fair value through profit and loss	5	3 374	76 779
Result on other financial instruments	5	-4 734	267
Foreign exchange profit		82 102	42 686
Other operating income	6	47 945	26 313
Other operating expenses	6	-33 610	-21 448
Operating income		**586 789**	**547 535**
General and administrative expenses	7	-365 036	-333 163
Impairment losses on financial assets	8	-18 785	-2 433
Impairment losses on non financial assets	9	-62	-8 541
Depreciation and amortization	10	-30 376	-39 895
Operating expenses		**-414 259**	**-384 032**
Operating profit		**172 530**	**163 503**
Share of profit of associates		0	0
Gross profit / (loss)		**172 530**	**163 503**
Corporate income tax	11	-32 853	-34 458
Net profit / (loss)		**139 677**	**129 045**
Attributable to:			
Equity holders of the parent		139 677	129 045
Minority interests		0	0
Basic earnings per ordinary share (in PLN)	12	**0.16**	**0.15**
Diluted earnings (losses) per ordinary share (in PLN)	12	**0.16**	**0.15**

II. CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	30.06.2006	31.12.2005
Cash, balances with the Central Bank	13	795 217	510 805
Loans and advances to banks	14	1 503 517	2 602 815
Financial assets valued at fair value through profit and loss	15	2 809 689	3 304 175
Hedging derivatives	16	16 784	14 826
Loans and advances to customers	17	11 967 016	9 591 642
Investment financial assets	18	4 922 573	4 910 529
- available for sale		4 922 573	4 831 893
- held to maturity		0	78 636
Investments in associates	18	1 926	1 926
Receivables from securities bought with sell-back clause	19	164 795	311 127
Property, plant and equipment	20	220 778	232 123
Intangible assets	21	19 027	26 998
Non current assets held for sale	22	62 089	239 512
Deferred income tax assets	23	135 782	157 485
Other assets	24	788 925	247 176
Total Assets		**23 408 118**	**22 151 139**

LIABILITIES

Amount '000 PLN	Note	30.06.2006	31.12.2005
Deposits from banks	25	2 136 181	1 067 345
Financial liabilities valued at fair value through profit and loss	26	389 380	503 660
Hedging derivatives	27	102 787	22 273
Deposits from customers	28	14 890 962	13 994 416
Liabilities from securities sold with buy-back clause	29	2 276 438	3 061 037
Debt securities	30	32 782	69 436
Provisions	31	17 719	16 468
Deferred income tax liabilities	32	0	0
Current tax liabilities		386	132 186
Other liabilities	33	1 198 134	583 991
Subordinated debt	34	324 287	309 504
Total Liabilities		**21 369 056**	**19 760 316**

EQUITY

Amount '000 PLN	Note	30.06.2006	31.12.2005
Share capital	35	849 182	849 182
Share premium	35	471 709	471 709
Revaluation reserve	35	-5 268	27 612
Retained earnings	35	723 439	1 042 320
Total equity attributable to equity holders of the parent		2 039 062	2 390 823
Minority interests		0	0
Total Equity		**2 039 062**	**2 390 823**
Total Liabilities and Equity		**23 408 118**	**22 151 139**

III. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total consolidated equity	Share capital	Share premium	Revaluation reserve on available for sale financial assets	Revaluation reserve on derivatives designated for future cash flows hedge	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2006	**2 390 823**	**849 182**	**471 709**	**27 612**	**0**	**1 042 320**
- purchase/sale and valuation of available for sale financial assets	-33 599	0	0	-33 599	0	0
- effect of valuation of derivatives designated for future cash flows hedge	718	0	0	0	718	0
Net profit / (loss) not recognized in consolidated income statement	-32 880	0	0	-33 599	718	0
- net profit / (loss) of the period	139 677	0	0	0	0	139 677
Total net profit / (loss) of 2006	106 797	0	0	-33 599	718	139 677
- dividend payments	-458 558	0	0	0	0	-458 558
Equity at the end of the period (closing balance) 30.06.2006	**2 039 062**	**849 182**	**471 709**	**-5 987**	**718**	**723 439**

	Total consolidated equity	Share capital	Share premium	Revaluation reserve on available for sale financial assets	Revaluation reserve on derivatives designated for future cash flows hedge	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2005	**2 055 295**	**849 182**	**507 460**	**21 367**	**0**	**677 286**
- purchase/sale and valuation of available for sale financial assets	37 426	0	0	37 426	0	0
Net profit / (loss) not recognized in consolidated income statement	37 426	0	0	37 426	0	0
- net profit / (loss) of the period	129 045	0	0	0	0	129 045
Total net profit / (loss) of 2005	166 471	0	0	37 426	0	129 045
- dividend payments	-237 771	0	0	0	0	-237 771
- loss covered from share premium	0	0	-35 752	0	0	35 752
Equity at the end of the period (closing balance) 30.06.2005	**1 983 995**	**849 182**	**471 709**	**58 793**	**0**	**604 311**

IV. CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 30.06.2006**	**1.01.2005 - 30.06.2005**
I. Net profit (loss)	**139 677**	**129 045**
II. Adjustments for:	**-2 300 581**	**-140 901**
1. Minority profit (loss)	0	0
2. Interests in net profit / (loss) of associated companies	0	0
3. Depreciation and amortization	30 376	39 895
4. Foreign exchange (gains) / losses	14 688	-7 005
5. Dividends	-2 573	-1 895
6. Changes in provisions	2 190	-12 718
7. Result on sale and liquidation of investing activity assets	-16 569	-804
8. Change in financial assets valued at fair value through profit and loss	-712 560	-145 604
9. Change in other financial assets valued at fair value through profit and loss	0	0
10. Change in loans and advances to banks	-57 723	46 715
11. Change in loans and advances to customers	-2 385 503	-1 079 836
12. Change in receivables from securities bought with sell-back clause	146 332	-42 563
13. Change in liabilities valued at fair value through profit and loss	-33 766	-72 884
14. Change in deposits from banks	1 058 708	374 296
15. Change in deposits from customers	896 546	130 494
16. Change in liabilities from securities sold with buy-back clause	-784 599	543 845
17. Change in debt securities	-36 654	13 603
18. Change in income tax settlements	40 313	40 461
19. Income tax paid	-142 697	-100 987
20. Change in other assets and liabilities	-318 965	134 260
21. Other	1 875	-174
III. Net cash flows from operating activities	**-2 160 904**	**-11 856**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 30.06.2006**	**1.01.2005 - 30.06.2005**
I. Inflows:	**4 654 809**	**2 709 709**
1. Proceeds from sale of property, plant and equipment and intangible assets	123 241	21 406
2. Proceeds from sale of shares in associates	0	175
3. Proceeds from sale of financial assets valued at fair value through profit and loss	0	0
4. Proceeds from sale of investment financial assets	4 531 568	2 686 233
5. Other	0	1 895
II. Outflows:	**-4 139 887**	**-3 188 502**
1. Acquisition of property, plant and equipment and intangible assets	-9 319	-11 375
2. Acquisition of shares in associates	0	0
3. Acquisition of financial assets valued at fair value through profit and loss	0	0
4. Acquisition of investment financial assets	-4 130 568	-3 177 127
5. Other	0	0
III. Net cash flows from investing activities	**514 922**	**-478 793**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 30.06.2006**	**1.01.2005 - 30.06.2005**
I. Inflows:	**0**	**0**
1. Long-term bank loans	0	0
2. Issue of debt securities	0	0
3. Increase in subordinated debt	0	0
4. Net proceeds from issues of shares and additional capital paid-in	0	0
5. Other	0	0
II. Outflows:	**0**	**-1 163 897**
1. Repayment of long-term bank loans	0	-793 053
2. Redemption of debt securities	0	-133 073
3. Decrease in subordinated debt	0	0
4. Issue of shares expenses	0	0
5. Redemption of shares	0	0
6. Dividends paid and other payments to owners	0	-237 771
7. Other	0	0
III. Net cash flows from financing activities	**0**	**-1 163 897**

D. NET CASH FLOWS, TOTAL (A III+B III+C III)	**-1 645 982**	**-1 654 546**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**3 555 653**	**4 536 011**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	**1 909 671**	**2 881 465**

V. GENERAL INFORMATION ABOUT ISSUER AND THE ISSUER'S CAPITAL GROUP

Commercial name and seat: Bank Millennium S.A., Poland, Warsaw, Al. Jerozolimskie 123 a
Registration court and register number: 12th Business Registration Division of the National Judicial Register, Registration Court for the Capital City of Warsaw, no 0000010186
Issuer's Core Business: banking and other financial intermediation, except insurance and pension funds,
The business of the Capital Group comprises: banking, leasing, factoring, brokerage, capital operations, investment fund management.

The financial statement contains the data of Bank Millennium S.A. (the Bank) and its subsidiaries (hereinafter referred to as "the Group").

Composition of the Management Board of Bank Millennium as at 30 June 2006:

1. Bogusław Kott – Chairman of the Management Board
2. Luis Pereira Coutinho – Deputy Chairman of the Management Board
3. Fernando Bicho - Member of the Management Board
4. Julianna Boniuk-Gorzelańczyk – Member of the Management Board
5. Wojciech Haase - Member of the Management Board
6. Wiesław Kalinowski – Member of the Management Board
7. Zbigniew Kudaś - Member of the Management Board
8. Rui Manuel Teixeira – Member of the Management Board

Mr Rui Manuel da Silva Teixeira as of 19 July 2006 tendered his resignation from the function of the Bank's Management Board Member. The resignation of Rui Manuel da Silva Teixeira is connected with the entrusting of new duties within the BCP Group.
The Bank's Management Board, pursuant to section 17 para 1 of the Bank's Articles of Association, appointed as at 19 July 2006 Mr Joao Bras Jorge the Bank's Management Board Member.

Composition of the Supervisory Board of Bank Millennium as at 30 June 2006 :

1. Maciej Bednarkiewicz – Chairman of the Supervisory Board,
2. Ryszard Pospieszyński – Deputy Chairman and Secretary of the Supervisory Board,
3. Christopher de Beck - Member of the Supervisory Board,
4. Dimitrios Contominas - Member of the Supervisory Board,
5. Pedro Maria Calaínho Teixeira Duarte - Member of the Supervisory Board,
6. Marek Furtek - Member of the Supervisory Board,
7. Jorge Manuel Jardim Goncalves - Member of the Supervisory Board,
8. Andrzej K. Koźmiński - Member of the Supervisory Board,
9. Francisco José Queiroz de Barros de Lacerda - Member of the Supervisory Board,
10. Vasco Maria Guimarães José de Mello - Member of the Supervisory Board,
11. Paulo Jorge de Assunção Rodrigues Teixeira Pinto - Member of the Supervisory Board,

12. Marek Rocki - Member of the Supervisory Board,
13. Dariusz Rosati - Member of the Supervisory Board,
14. Zbigniew Sobolewski - Member of the Supervisory Board,

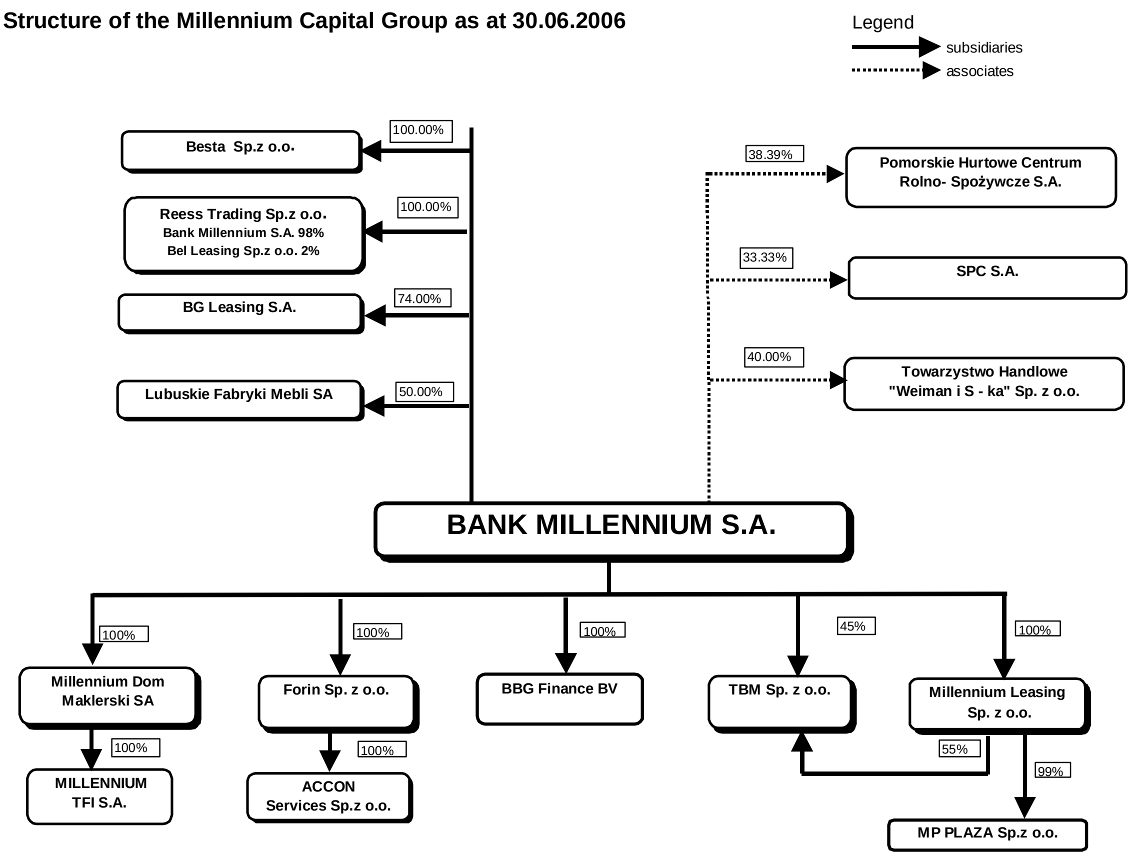
The General Shareholder Meeting which took place as of 6 April 2006 took the decision to increase the composition of the Supervisory Board from 12 to 14 members The newly elected Supervisory Board Members are:

Mr Pedro Maria Calaínho Teixeira Duarte

Mr Marek Furtek

The Group's parent entity is Bank Millennium S.A. The other entities of the Group covered by the consolidated financial statement dated 30 June 2006 are presented by the diagramme below:

Structure of the Millennium Capital Group as at 30.06.2006



The Group applied provisions of IAS 8 (”Accounting principles (policies), changes in value estimates and error adjustment”) section 8, whereby IFRS constitute a complete set of accounting principles, which do not have to be applied if the result of their application is immaterial. By the virtue of the above, provisions of IAS 27 (“Consolidated and solo-basis financial statements”) and provisions of IAS 28 (“Investment in associated companies”) were not applied in relation to the financial statements of the following entities – members of the Capital Group as at 31 December 2005 and 30 June 2006:

- Lubuskie Fabryki Mebli S.A.
- Ress Trading Sp. z o.o.
- Accon Services Sp. z o.o.
- MP Plaza Sp. z o.o. - the unit does not conduct business operations
- BG Leasing S.A. - unit in bankruptcy
- Pomorskie Hurtowe Centrum Rolno – Spożywcze S.A.
- Towarzystwo Handlowe „Weiman i S-ka” Sp. z o.o. - the unit does not conduct business operations
- SPC S.A. - the unit does not conduct business operations

In the period from 1 January till 30 June 2006 there were no changes in the Group’s structure (the diagramme of the Group’s structure as of 31 December 2005 is presented below)

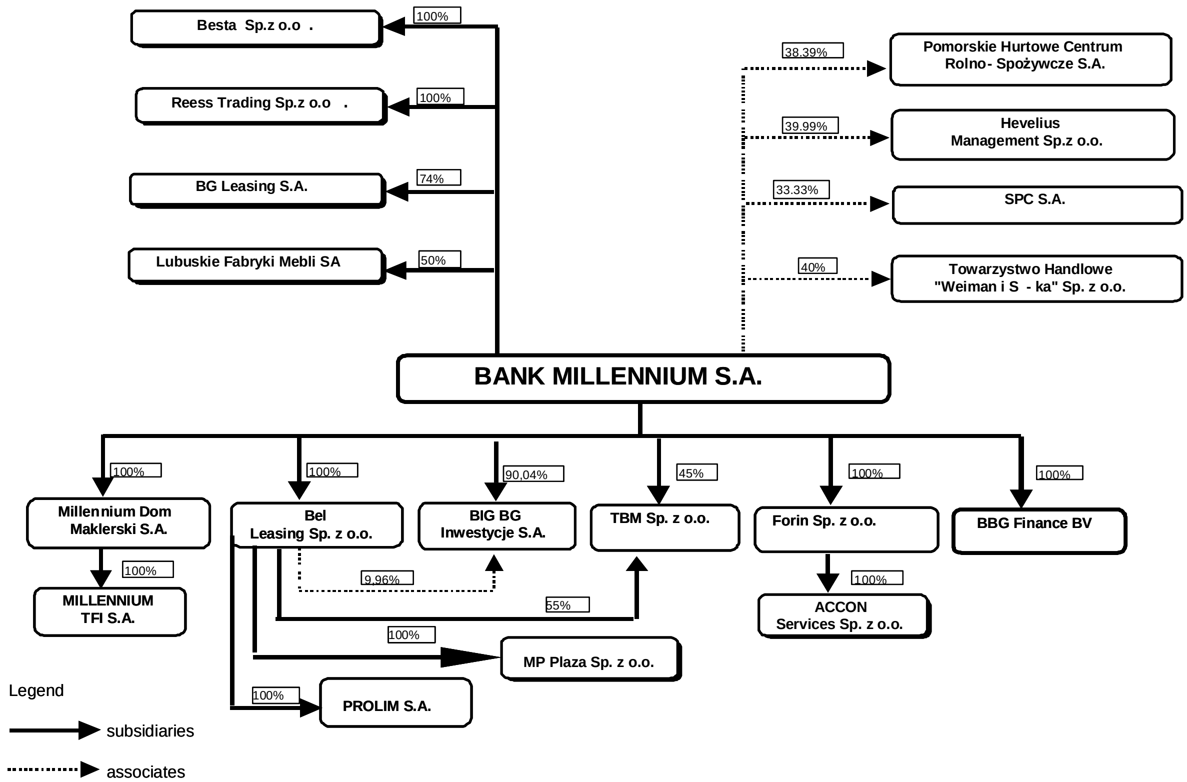
In May and July 2006 the changes of the names of the subsidiaries of the Bank were registered (in sequence):

(1) the company name BEL Leasing Sp. z o.o. was changed into Millennium Leasing Sp. z o.o.,

(2) the company name Forin Sp. z o.o. was changed into Millennium Lease Sp. z o.o.

The above trends resulted from the efforts to introduce a coherent architecture of the Bank’s brands and subsidiaries.

Structure of the Millennium Capital Group at 31.12.2005



VI. ACCOUNTING POLICIES

(1) STATEMENT OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

This financial statement of the Group has been prepared in compliance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union and with respect to matters not regulated by the above standards, in accordance with the accounting principles as set out in the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market. This financial statement is a interim report pursuant to IAS MSR 34 and meets the reporting requirements described in the Decree of the Council of Ministers dated 19 October 2005 on current and periodical information provided by issuers of securities (Official Journal from 2005, item 209).

This financial report was authorised for publication by the Bank's Management Board on 27 September 2006.

(2) EARLIER ADOPTION OF STANDARDS WHICH ARE NOT IN FORCE AS AT THE BALANCE SHEET DATE

The Group has not opted for the possibility of an earlier application of new Standards and Interpretations which had already been published and approved by the European Union and which would come into force after the balance sheet date. In particular the Group has not opted for an earlier adoption of IFRS 7, because the Bank does not expect significant differences in disclosures between IFRS 7 and the disclosures now required by IAS 32 and IAS 30.

Moreover, as at the balance sheet date the Group has not completed the process of estimating the impact of the new Standards and Interpretations which are to come into force after the balance sheet date, on the consolidated financial statements of the Group for the period in which they will be applied for the first time.

Other standards, amendments to currently existing ones and IFRIC interpretations recently approved or pending approval by the European Commission are not applicable to the Group's financial statement or would not have a significant impact on this financial statement.

(3) AMENDMENTS TO EXISTING STANDARDS

As of 1 January 2006 there have been enacted amendments to IAS 39 updating the provisions of the standard in the following areas:

- Later amendments to IAS 39 and IFRS 4: Financial guarantees. The amendment consists in the incorporation of the definition of a financial guarantee to IAS 39 . The amendment had no impact on the manner of presentation of the Group's financial data.
- Financial Instruments: recognition and measurement – Cash Flow Hedge Accounting for anticipated group internal transactions. The amendments allow to establish a forecasted group internal transaction as an instrument hedging from the risk of cash flow fluctuations in

consolidated financial statements, if the established transaction will have an impact on the profit and loss account at the consolidated level. The amendment had no impact on the manner of presentation of the Group's financial data.

- ü Later amendments to IAS 39 Financial Instruments: recognition and measurement – Fair Value Option (incorporating consequent amendments to IAS 32 and IFRS 1). Compared to the previous version of IAS 39 adopted by the European Union the amendment allows to include a liability in the category of liabilities valued at fair value through the profit and loss account. At the same time the amendment limits the application of the possibility of including components of financial assets and liabilities in the category of fair value valuation. This is limited to the situation in which one of specific conditions is met. The amendment had no impact on the manner of presentation of the Group's financial data .

(4) ADOPTED ACCOUNTING PRINCIPLES

1. Basis of Preparation

The financial report was generated in Polish zlotys, rounded to one thousand.

The report uses the concept of fair value for financial assets and liabilities recognised at fair value in the profit and loss account, including derivative instruments, and financial assets classified as available for sale, other than those whose fair value cannot be reliably determined. Other items of financial assets and liabilities (including loans and borrowings) are measured at amortized cost minus impairment write-offs, or at their purchase price minus impairment write-offs. To prepare the financial report in line with IFRS, the management needs to make subjective assessment, estimations, and assumptions that impact the accounting principles and the presented amounts of assets and liabilities and income and expenses. The respective unit of the Group is responsible for selection, application, development, and verification of adopted estimations; the assumptions are then subject to approval by the Group management. Estimations and assumptions are made based on available historical data and an array of other factors that are considered relevant under given circumstances. The results form the grounds for making assumptions regarding carrying value of assets and liabilities that cannot be unequivocally determined basing on any other sources. Real results can be different from the estimates.

The conformity between real results and adopted estimations and assumptions is verified on regular basis. Adjustments to estimates are recognized in the period when the estimation was changed, provided that the adjustment applies to this period alone, or in the period when the estimation was changed and in the following periods, should the adjustment impact both the current and future periods.

The below-presented accounting principles have been applied to all reporting periods presented in the consolidated financial report , as well as in the adjustments to the opening balance sheet under IFRS, as at 1 January 2004, for the purpose of IFRS adoption.

All the units subject to consolidation prepare the financial reports under uniform IFRS for the entire Group, as at the same balance sheet date.

2. Basis of Consolidation

Purchase method

Takeover of subsidiaries by the Group is settled with the purchase method. The takeover cost is defined as the fair value of transferred assets, issued equity instruments and liabilities incurred or taken over as at the exchange day, plus costs directly connected with the takeover. Identifiable assets acquired and liabilities and conditional obligations taken over in result of the combination of business units are initially measured at their fair value as at the takeover day, regardless of the volume of possible minority interests. The surplus of the takeover cost over fair value of the Group's share in identifiable assets taken over is reported as goodwill. If the takeover cost is lower than fair value of net assets of the taken over subsidiary, the difference is reflected directly in the profit and loss account.

Subsidiaries

Subsidiaries are any entities (including special purpose vehicles) controlled by the Bank (the parent company of the Group), meaning that the Bank has direct or indirect influence on their financial and operating policy of the given entity to gain economic benefits. When assessing whether the Group controls a given unit or not, one shall take into account, inter alia, the existence and impact of potential voting rights that in any given moment can be exercised or changed. Subsidiaries are subject to consolidation as of the day the control over them is taken over by the Group. They shall not be consolidated any longer as soon as the group's control is released.

Transactions, settlements, and unrealised profits on transactions between members of the Group are eliminated. The unrealised losses are also subject to elimination, as long as the transaction does not provide evidence that the transferred asset impaired.

Affiliates

Affiliates are any units under significant influence of the Group, however not controlled by it – usually entities where the Group holds 20% - 50% of total number of votes in corporate bodies. Investments in affiliates are valued at equity method, and recorded initially at their cost. Group's investment in affiliates comprises the value of the company (minus any possible cumulated impairment write-offs), calculated as at the date of purchase. As of the purchase day, the share of the Group in the affiliates' financial results is recorded in profit and loss account, while its share in changes to the other capitals balance as of the purchase date – under Other capitals. The carrying value of the investment is adjusted by total changes to balance of every capital component, as of the purchase date. When the share of the Group in losses of an affiliate becomes equal or greater than the share of the Group in the given affiliate, including any possible receivables other than the secured ones, the Group shall discontinue recognizing further losses, as long as it has not assumed responsibilities or made payment in the name of the given affiliate.

Any unrealised profits on transactions between the Group and its affiliated units shall be eliminated in proportion to the Group's shareholding in the affiliates. Also unrealised losses are subject to elimination, as long as the transaction does not deliver evidence that the transferred asset is impaired.

3. Functional currency and presentation currency

Functional currency and presentation currency

Items contained in financial reports of the Group units are stated in the currency of their main economic environment, in which the given unit runs its activity ("functional currency"). The consolidated financial report is presented in Polish zlotys, being the functional currency and the presentation currency for the Group.

Transactions and balances

Transactions expressed in foreign currencies are translated into the functional currency at the FX rate as at the transaction date. FX gains or losses on the transactions settlement and on the balance sheet valuation of cash assets and liabilities in foreign currencies are recognized in the profit and loss account.

FX gains/losses on cash items, both those valued at fair value through the profit and loss account or classified as held for sale or held to maturity are disclosed in the profit and loss account.

FX gains/losses on non-cash items valued at fair value through the profit and loss account are disclosed in the profit and loss account, and FX gains/losses on non-cash items classified as financial assets available for sale are presented in the revaluation reserve.

4. Hedge Accounting and Financial Derivatives

Derivative financial instruments are recorded at fair value, starting on the transaction date. The fair value is determined based on the instruments' quotation on active markets, also based on pricing of recent transactions, and valuation methods, including models based on discounted cash flows, and option valuation models, depending on which of the methods shall be appropriate for the given case. All derivative instruments of positive fair value are recognized in the balance sheet as assets, while those of negative fair value – as liabilities.

The best indicator of the fair value of a derivative at the stage of initial recording is the transaction price (i.e. fair value of the made or received payment), as long as the fair value of the given instrument cannot be determined by comparison with other up-to-date market transactions on the same instrument (not modified), or based on valuation methods based exclusively on observable market data.

The Bank distinguishes and records in the balance sheet the derivatives which are a component of hybrid instruments. A hybrid agreement contains an underlying (host) contract (not being a derivative) and a derivative which on the basis of a specific interest rate, price of financial instrument, price of a commodity, rate of a currency, index of prices or rates or another variable modifies part or the total of the cash flows resulting from the underlying contract.

Embedded derivative instrument are treated as stand alone derivative instruments provided they meet conditions presented below. Embedded derivative instruments are valued at fair value, and their changes are recognized in the profit and loss. Embedded derivative instruments are recognized and valued separately from the host contract should the following conditions occur jointly:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss account.

The method of recognizing the resulting fair value gain or loss depends on whether the given derivative instrument is designated as a hedging instrument, and if it is, it also depends on the nature of the hedging relationship and the hedged item.

Derivative instruments are employed a.o. to hedge risks resulting from its operating, financial, and investment activity. Some derivative instruments are assigned as a hedge of:

- ü cash flows attributable to a recorded asset or liability or highly likely planned transaction (hedging of cash flow), or:
- ü fair value of the recorded asset or liability or binding contract (fair value hedge).

Hedge accounting is applied on condition of meeting the criteria specified in IAS 39.

When instituting a hedge, the Group formally sets and documents the hedging link, as well as the risk management goal, and the strategy for making hedge transactions. The documentation shall cover the identification of the hedged position or transaction, hedging position and the nature of the hedged risk. When the hedge is instituted, and throughout its life, the Group also documents the assessment of the hedge instrument's effectiveness in amortising changes in fair value of the hedged position.

The part of the profits or losses connected with a cash flow hedge instrument which is the effective hedge is recorded in revaluation reserve, while the non-effective part of the profit and loss connected with the hedge is recognized in the profit and loss account.

Changes in fair value of derivative instruments set and qualifying as fair value hedge are posted to the profit and loss account along with the corresponding changes in fair value of the hedged asset or liability linked to the risk hedged by the Group.

Any gains or losses from the revaluation of the fair value of a hedging instrument (for a derivative hedging instrument) shall be recognized in the profit and loss account, while the gains and losses related to the hedged position, resulting from the hedged risk, shall adjust the carrying value of the hedged position, and are posted in the profit and loss account. This rule is applicable to hedged positions that would otherwise be valued at amortized cost. In case of a hedged position included in the financial assets available for sale, gains or losses on the hedged risk shall be posted in the profit or loss account.

Should the hedge no longer meet the criteria for applying hedge accounting, the carrying value adjustment of the hedged instrument valued at effective interest rate, shall be settled over time through profit and loss account over the period ending on the maturity date. The value of hedged financial assets classified as available for sale resulting from factors other than hedged risks shall be recognized under the revaluation reserve for as long as the securities are not sold.

Derivative instruments not satisfying the hedge accounting criteria

Derivative instruments that are not subject to valuation rules under the hedge accounting principles shall be classified as instruments for trading, and valued at fair value. Changes in fair value of derivative instruments classified as dedicated for trading are reported in the Profit and Loss Account in item „Result from financial instruments valued at fair value through the profit and loss account" or „Foreign exchange profit", which was described below.

The Bank has the following derivative instruments:

1) *FX forward*

   Forward transactions are valued at fair value, based on the method of discounting future cash flows. Any changes in fair value of FX forward transactions are recorded in „Foreign exchange profit"of the Profit and Loss Account.

2) *FX SWAP*

   FX SWAP transactions are valued at fair value, based on the method of discounting future cash flows. Any changes in fair value of FX SWAP transactions are recorded in *Result from financial instruments valued at fair value through the profit and loss account* and in *Foreign exchange profit* of the Profit and Loss Account.

3) *Interest Rate SWAP (IRS)*

   IRS transactions are valued at fair value, based on the method of discounting future cash flows. Any changes in fair value of IRS transactions are recorded in *Result from financial instruments valued at fair value through the profit and loss account* of the Profit and Loss Account.

4) *Cross – Currency Swap (CCS)*

   CCS transactions are valued at fair value, based on the method of discounting future cash flows. Any changes in fair value of CCS transactions are recorded in *Result from financial instruments valued at fair value through the profit and loss account* of the Profit and Loss Account.

   Moreover, the Group designated selected CCS transactions as hedging instruments. The way of recognition and valuation of hedged financial instruments is described in the part on hedge accounting.

5) *Equity SWAP, Volatility Swap, Swap with embedded FX option*

The swap transactions are valued at fair value, based on the method of discounting future cash flows. Any changes in fair value of the above transactions are recorded in *Result from financial instruments valued at fair value through the profit and loss account* of the Profit and Loss Account.

6) *FX options*

Transactions on options are valued at fair value, based on the method of discounting future cash flows. Any changes in fair value of option transactions are recorded in *Result from financial instruments valued at fair value through the profit and loss account* of the Profit and Loss Account.

7) *Forward Rate Agreement (FRA)*

FRA transactions are valued at fair value, based on the method of discounting future cash flows. Any changes in fair value of FRA transactions are recorded in *Result from financial instruments valued at fair value through the profit and loss account* of the Profit and Loss Account.

5. Financial assets and liabilities

The Group accounts for financial instruments under the following categories: financial assets valued at fair value through Profit and loss account, investments held to maturity, loans and receivables, financial assets available for sale, other financial liabilities. The decision about the classification of financial assets is taken by persons with technical responsibilities at the moment of their initial recording.

- *Financial instruments valued at fair value through the profit and loss*

  This category contains financial assets or liabilities held for trading (i.e. those that were purchased or taken with the intention to sell them within short term period, are part of the portfolio of certain financial instruments that the Group manages jointly to generate short-term profits, or constitute derivative instruments, except derivatives being financial guarantees and ones which have been assigned as and meet the definition of an effective hedging instrument) or upon initial recognition they were designated as valued at fair value through profit and loss.

  The Group does not reclassify financial instruments to or from categories valued at fair value through the profit and loss until they are subscribed or issued.

- *Investment held to maturity*

  These are financial assets, other than derivatives with set cash flows and maturity, that the Group intends and is in position to keep till their maturity, other than 1) set when initially posted by the Group as valued at fair value through the profit and loss, 2) designated as available for sale, 3) meeting the definition of loans and receivables.

  Investments held to maturity cannot be sold or reclassified to any other financial instrument category. The Group cannot classify any financial assets as held to maturity for a period extending 2 years (any existing ones have to be moved to the *available for sale* group) if there was a sale or reclassification of a component of the portfolio of financial assets held to maturity, as long as the event involved more than just an insignificant share of the portfolio. The above does not apply to a situation where the event of sale or reclassification took place so close to the maturity date that changes in interest rates were of insignificant influence on the fair value of the financial asset, the event took place after the unit has recovered major part of the nominal value, or the event took place in result of an one-off, non-recurrent event that the Group could not foresee or control.

- *Loans and receivables*

  This category comprises financial assets other than derivative instruments of determined or determinable payments, that are not quoted on any active market, other than 1) financial assets that have been classified as intended for trading, or have been classified as valued at fair value through the profit and loss, 2) financial assets designated by the entity as available for sale, 3) financial assets whose owner might not recover the entire amount of the initial investment for reasons other than the deterioration of credit servicing.

- *Financial assets available for sale*

  This category is composed of financial assets other than derivative instruments designated as available for sale, or have not been classified as: loans and receivables, investments held to maturity, financial assets valued at fair value through the profit and loss.

- *Other financial liabilities*

  Other financial liabilities shall include every financial liability not contained in the category financial instruments valued at fair value through the financial result.

The Group shall record a financial asset or liability in the balance sheet when it becomes party to the given instrument's agreement. Standard buy and sell transactions for financial assets are recognised on the day of concluding transactions.

All financial instruments on initial recognition are valued at fair value adjusted – in case of financial instruments other than those classified as valued at fair value through the financial result – by transaction costs that can be assigned directly to the purchase or issue of a financial asset or liability.

A financial asset is taken out of the balance sheet of the Group at the moment of expiry of contractual rights to the linked cash flows, or when the Group moves the financial asset onto a third entity. The transfer takes place when the Group 1) transfers contractual rights to reception of cash flows on the financial asset, or 2) keeps contractual rights to receiving cash flows on the financial asset, assuming however the contractual liability to transfer the cash flows to an entity from outside the Group.
While transferring a financial asset, the Group assesses the extent to which to keep the risk and benefits related to holding the financial asset. In such case:

- if the Group transfers principally the entire risk and all the benefits related to owning the financial asset, the financial asset is taken out of the balance sheet,

- if the Group principally keeps the entire risk and all the benefits related to owning the financial asset, the asset shall remain in the balance sheet of the Group,
- if the Group does not transfer and does not keep principally the entire risk and all the benefits related to owning the financial asset, the Group shall determine if it still keeps control over the given financial asset. If the control is kept, the financial asset is still recorded in the balance sheet of the Group; respectively, if the control is lost, the asset is taken out of the balance sheet.

The Group shall take a financial asset (or part of it) out of the balance sheet, when the obligation defined in the agreement has been fulfilled, forgiven, or expired.

After the initial recognition, financial instruments are valued as follows:

- *Financial instruments valued at fair value through the profit and loss account*

  The instruments are valued at fair value, with changes recorded directly in the profit and loss account of the Group.

- *Investment held to maturity and loans and receivables*

  This financial assets category is recorded as amortized cost with effective interest rate. Impairment is recognised in the profit and loss account.

- *Financial asset available for sale*

  Financial assets classified as available for sale are recorded by the Group at fair value. Any gains and losses resulting from the change in fair value of financial assets available for sale are posted directly in the equity for as long as the financial asset is not taken out of the balance sheet (when the cumulated gain/loss is recognized in the profit and loss account).

  Interest accrued at effective interest rate on financial assets available for sale is posted in interest income.

  In case of objective evidence of impairment of an asset, the Group recognizes impairment write-off as follows: 1) cumulated losses previously posted in equity are transferred to the profit and loss account, 2) if the depreciation write-off is higher than the value of cumulated losses incurred previously against equities, the surplus is posted directly in the profit and loss account. Should the fair value of the asset classified as available for sale increase in the following period, the amount of reversed write-off shall be posted in the profit and loss account, except for non-quoted capital instruments – in such case the write-off reversion is recorded directly in the equity.

- *Other financial liabilities*

  Financial instruments constituting other financial liabilities are valued at amortized cost applying the effective interest rate.

  The valuation at fair value is based first on current purchase prices of the given instrument on the active market. Should the given instrument be not quoted on an active market, the Group determines the fair value using valuation methods, by reference to any recent transactions conducted at standard market conditions, comparison to other instruments, analysis of discounted cash flows, as well as option valuation models and other valuation methods widely used by market players.

6. Impairment of financial assets

Assets presented at their amortized cost

At every balance sheet day, the Group assesses if there is any objective evidence of impairment of a given financial asset or a group of financial assets. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss trigger event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated

The objective evidence of impairment includes information on one or many of the following loss-generating events:

- significant financial difficulty of the issuer or debtor,
- contractual default, e.g. non-payment or late payment of interest or part of the principal,
- the Group's concession or relief in favour of the debtor for economic and legal reasons resulting from their financial difficulties, that under other circumstances would not be taken as an option;
- high probability of bankruptcy or other financial reorganization of the debtor;
- disappearance of the active market for the given financial asset, caused by financial difficulties;
- real data indicating a measurable drop in estimated future cash flows related to the financial assets group vs. the moment of their initial posting, despite the fact that no reduction can be determined for any single asset, referring in particular to:
    - negative changes in payment status of debtors within this group, or
    - economic environment in the country, or on the domestic market, driving impairment of assets of a given group.

First the Group shall assess if there is any objective evidence of impairment of significant financial assets, and if the evidence applies to assets that are individually insignificant. The grounds for this process shall be formed by the division of the Group's credit portfolio into significant credit exposures (by the criterion of exposure amount) and other homogenous loan groups. If in result of the assessment a conclusion is made that for the given financial asset assessed individually there are no objective impairment indicators, the asset is added to the set of financial assets of similar credit risk profile; the set is later collectively checked for impairment. Financial assets, for which impairment loss has been found based on the individual analysis, shall not be included in the collective impairment assessment.

Should there be objective evidence of impairment of loans and receivables or other financial assets valued at amortized cost, the loss amount is determined as a difference between the carrying value of the given asset and the current value of estimated future cash flows (minus future losses on unpaid loans that have not been incurred yet), discounted at the initial effective interest rate for the given financial asset. The current calculation of future cash flows related to the secured financial asset shall cover cash flows on the ability to collect the collateral or other external resources, whether be foreclosure is probable or not.

For the purpose of collective impairment assessment, credit exposures are grouped to ensure uniformity of credit risk within a given portfolio. The future cash flows on the financial assets group assessed collectively for impairment are estimated based on cash flows under agreements and historic parameters of losses incurred on assets of similar risk profile. The historical parameters of losses are adjusted based on data from current observations in order to take into account the impact of up-to-date market factors that were not there in the period of historical observations, as well as to exclude the effects of the circumstances that were present in the historical period but do not apply any longer. To calculate the amount of the provision for balance sheet exposures under group analysis, one uses, inter alia, the loss probability (modified PD parameter). Modifications of the PD parameter facilitate recognition of specific features of every product and period in which losses were reported on given products. This approach in particular allows the following: 1) discovery of losses have been already incurred, and 2) losses that were incurred at the impairment assessment date but have not been proved yet (so-called provision for credit losses that incurred but are not reported – IBNR).

The impairment is reported as reduction of the carrying value of an asset through the revaluation write-offs account, while the loss amount (created in the period of the revaluation write-off) shall be charged to the profit and loss account.

Any uncollectible credit exposures are written off against provisions for loans impairment. Before a single loan exposure is written-off, all the binding procedures are performed and the amount of loss is measured . In case of recovery of amounts previously written-off the provisions for loans impairment are decreased by the equivalent amount.

Should in the following period the value of loss on impairment decrease in result of an event that occurred after the impairment (e.g. debtor's creditworthiness assessment was raised), any previously recorded impairment write-off is reversed by an adequate adjustment in the revaluation write-offs account. The amount of the reversal is recorded in the profit and loss account.

Financial assets available for sale

At every balance sheet day, the Group assesses if there is any objective evidence of impairment of a given financial asset or group of assets. When assessing impairment of equities classified as investments available for sale any significant or long-term impairment in fair value of the security below its purchase price is taken into account. In case of existing evidence of impairment the total loss – determined as the difference between the purchase price and the current fair value – is removed from equity and recorded in the profit and loss account. Losses on account of impairment of an investment in an equity instrument in the available for sale category are not reversed through profit and loss but through equity.

If at a later date the fair value of the given debt instrument classified as available for sale increases, and the increase will be objectively linked to an event that took place after the impairment was recognized in the profit and loss account, the impairment write-off is then reversed through the profit and loss account.

7. Offsetting of financial instruments

Offsetting of a financial asset or liability can be done only when the Group has a legally enforceable right to set off the recognized amounts and the settlement is to be performed on a net basis, or to realise the asset and settle the liability simultaneously.

8. Transactions with sell-back/buy-back clauses

Repo and sell-buy back transactions (SBB), as well as reverse-repo and buy-sell back transactions (BSB), are transactions of sale and purchase of securities with the promise of buy-back or sell-back at a contractual date and price.

The Group reports financial assets sold with a buy-back clause (repo, sell buy-back) in the balance sheet, posting at the same time in liabilities any liability resulting from the given buy-back promise. A condition of applying such a solution is that the Group would retain any risks and benefits under given asset, despite its transfer. In case of transaction of buying securities with sell-back clause (reverse repo, buy-sell backs), the financial assets held are reported as receivables under the sell-back clause.

Transactions with sell-back/buy-back clause are subject to valuation at amortized cost, while securities transferred under those transactions are not taken out of the balance sheet and are valued using rules set for individual portfolios of securities. The difference between the sale and buy-back prices is recognized as interest cost or income, respectively, and settled over the term of the agreement, with application of the effective interest rate.

9. Financial leasing agreements

The Group is a party to leasing agreements, under which it entrusts fixed assets or intangible assets for use or taking benefits during a contracted period in return for payment.

In case of leasing contracts under which essentially the entire credit risk and benefits resulting from the ownership title to the assets under the contract is transferred (financial leasing), the leased item is no longer reported in the balance sheet of the Group. What remains in the books however are the receivables, in an amount equal to the current value of minimum leasing fees. The leasing fees is settled (divided into financial income and receivables balance reduction) in a way facilitating a fixed return rate on the outstanding receivables.

Leasing fees under any agreements not satisfying the conditions of the financial leasing contract, shall be posted in the profit and loss account as income, using the straight-line method, throughout the lease term.

The Group is also a party to leasing contracts under which it accepts external fixed assets for a contracted period of time, for use or benefits, against payment. These are agreements (mainly rent or lease for profit), that do not meet the conditions of the financial leasing contract (operating leasing). Any leasing fees under such agreements are posted in the profit and loss account as costs, using the straight-line method, throughout the lease term.

10. Property, plant and equipment and intangible assets

Own components of property, plant and equipment and intangible assets

Property, plant and equipment include fixed assets and expenditures for their construction. Fixed assets include fixed assets whose anticipated useful life is longer than one year which are maintained due to their use for own needs or in order to let them for use by other entities.

Property, plant and equipment are accounted for at purchase price or production costs less depreciation (amortisation) and impairment charges. The purchase price or production cost is the amount of paid cash or its equivalents resulting from the purchase or production of the fixed asset.

The Group posts on-balance under tangible fixed assets the replacement costs for part of these items at the moment of their incurring, if there is likelihood of obtaining future economic benefits connected with the asset and the purchase price and production cost can be credibly appraised. Other costs are taken in the profit and loss account as incurred.

The costs of repairing and maintaining tangible fixed assets are charged to the profit and loss account in the reporting period in which they are incurred.

Fixed assets under construction are disclosed at purchase price or production cost and are not subject to depreciation.

Intangible assets

Intangibles include assets which can be detached or separated from an economic entity and sold, transferred, licensed or let for gratuitous use to third parties both individually or jointly with agreements, assets and liabilities linked to them. Moreover, intangibles include assets which result from contractual titles or other legal titles, irrespective of whether they are subject to transfer or detachment from the economic entity or other rights or duties.

Goodwill

Goodwill is value created as a result of purchasing subsidiaries, associates and joint ventures. Goodwill is initially captured at the surplus of costs of combination of business units over the share of the acquiring unit in net fair value of identifiable assets, liabilities and contingent liabilities subject to a take-over. Goodwill is disclosed at purchase price less total impairment revaluation charges. Goodwill is not depreciated, but is tested every year for impairment. As of the takeover date purchased goodwill is allocated to each cash generating unit which can benefit from merger synergy. Impairment is established through estimating the recoverable value of the cash generating centre covered by particular goodwill. If the recoverable value of a cash generating centre is lower than the on-balance value an impairment charge is made. In case of associates, the company's goodwill is contained in the on-balance value of the investment in the associate. Negative goodwill arising from a purchase is recognized immediately in the profit and loss account.

Computer Software

Purchased licenses for computer software are activated in the amount of incurred costs of purchase or preparation for use less any impairment charges. Expenditures connected directly with the production of identifiable and unique computer software controlled by the Group likely to generate economic benefits within a time frame in excess of one year are disclosed as intangibles.

Other Intangibles

Other intangibles purchased by the Group are disclosed at purchase price or production cost less amortisation and less any impairment charges.

Capital expenditure

Expenditures made after the initial recording of purchased intangible assets are capitalised only in cases when purchase results in an increase in future economic benefits of the given asset. In the other cases such expenditures are recognized in the profit and loss account as incurred.

Depreciation charges

Depreciation charges for depreciable value of tangible and intangible fixed assets are calculated under the straight-line method in accordance with established depreciation rates and anticipated period of their useful life. The depreciable value represents the purchase price or production cost of a given asset less the residual value of such asset. The useful life, depreciation rates and also the final value of depreciable tangible and intangible fixed assets are reviewed annually. The review may result in a change of depreciation periods prospectively recognised from the adjustment date (the effect of such change in accordance with IAS 8 is posted to the profit and loss account).

Land, an intangible asset with an unspecified useful life, expenditures for tangible assets and intangible assets are not depreciated.

The following on-balance depreciation rates are applied to basic groups of tangible and intangible assets and for investment real estate:

Selected groups of property, plant and equipment:	
Bank buildings	2.5%
Investments in external premises	for the duration of the lease agreement
Computer hardware	30.0%
Network devices	30.0%
Vehicles	20.0%
Telecommunication equipment:	
- wired	10.0%
- wireless	20.0%
Intangibles (software):	
Main applications (systems)	10.0%

For other computer software a rate no lower than 50% is adopted, depending on the planned useful life.

Depreciation shall be charged to operational expenses of the profit and loss account.

11. Non current assets held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable, i.e., the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non current assets held for sale are priced at the lower of: its carrying value or fair value less cost to sell. Assets classified in this category are not depreciated.

When criteria for classification to non current assets held for sale are not met, the Group ceases to classify the assets as held for sale. The entity measures a non-current asset that ceases to be classified as held for sale at the lower of:

(a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and

(b) its recoverable amount at the date of the subsequent decision not to sell.

12. Impairment of non current assets

The Group performs a verification of carrying amounts of non current assets for impairment triggers at each balance sheet day. If the result of the analysis is positive, the Group estimates the recoverable value of the asset and recognises in the profit and loss account the revaluation charge, when the recoverable value is lower than the carrying amount.

The revaluation charge represents the difference between the asset's carrying amount and the recoverable amount. The recoverable amount of an asset (cash-generating unit) is the higher of its fair value less costs to sell and its value in use. Value in use is established for particular assets, if a given asset generates cash flows substantially independent of those generated by other assets or groups of assets. If there arise impairment triggers for common assets, i.e. assets which do not generate cash flows in isolation from other assets or groups of assets and the recovered value of an individual asset included in common assets cannot be established, the Group establishes the recovered value at the level of the cash generating centre which includes the given asset.

If pursuant to IAS 36, paragraph 21 there are no reasons to conclude that the value in use of a given asset is significantly above its fair value reduced by the costs to sell, the recovered value shall be the fair value reduced by the cost to sell. This shall hold particularly for non-current assets held for sale.

An impairment revaluation charge can be reversed through the profit and loss account to the level at which the book value of the asset does not exceed the book value of a given asset component on the assumption that no revaluation charge was made and depreciation was continued. The impairment revaluation charge with respect to goodwill shall not be reversed.

13. Prepayments, Accruals and Deferred Income

Prepayments will be settled against the profit and loss account as being accrued over the future reporting periods. Prepayments (assets) are recognized in the „Other Assets" balance sheet caption. In this caption, prepayments of the annual fee on perpetual usufruct right accrued over the period are presented.

Accruals are provisions for costs resulting from services provided to the Group which will be accrued over future periods. Such provisions are recognized in the „Other Liabilities" balance sheet caption. Deferred income comprise among others received amounts of future services and other types of income collected in advance which will be settled against the profit and loss account in future reporting periods. They are recognized in the „Other Liabilities" balance sheet item.

14. Provisions

A provision should be recognised when, and only when: (1) the Group has a present obligation (legal or constructive) as a result of a past event; (2) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision is established by discounting future cash flows to the present value with the use of the discount rate before tax, which reflects current market estimations as to the value of money over time and potential risk connected with a given liability.

A provision for restructuring costs is recognised only when the general recognition criteria for provisions well as specific criteria for triggering the obligation to create a restructuring cost provision as specified in IAS 37 are met. In particular, the customarily expected obligation of conducting a restructuring is conducted only when the Group has a detailed, formal restructuring plan and has given a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A detailed formal plan for the restructuring identifies at least: the business or part of a business concerned; the principal locations affected; the location, function, and approximate number of employees who will be compensated for terminating their services; the expenditures that will be undertaken; and the time limit within which the plan will be implemented.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both: (a) necessarily entailed by the restructuring; and (b) not associated with the ongoing activities of the entity. The restructuring provision also does not cover future operating expenses.

15. Employee Benefits

Short-Term Employee Benefits

Short-term employee benefits of the Group (other than benefits on terminating the labour contract fully due within 12 months from carrying out the work) cover salaries, bonuses, paid leaves and social insurance contributions.

The Group recognises the anticipated, not discounted value of short-term employee benefits as costs in the time in which employees provided work connected with them in correspondence with other on-balance liabilities.

The amount of short-term employee benefits on the unused holidays to which Group employees are entitled is calculated as the sum of unused holidays to which particular Group employees are entitled.

Long-term employee benefits

The Group's liabilities on long-term employee benefits are equal to the amount of future benefits which the employee will receive in return for providing his services in the current and earlier periods which are not fully due within 12 months from carrying out the work. In accordance with the Bank Employees Remuneration By-laws and the Labour Code employees having worked a specific number of years and attained the required age exercise the right to receive a pension severance payment. The provision for pension severance payments is calculated by the actuary as the present value of the Group's future liabilities to employees according to the headcount and wages as of the date of revaluation. The provision for pension severance payments are revalued on an annual basis.

Provisions for short-term and long-term employee benefits are captured in the "Other Liabilities" balance sheet item in correspondence with the Salary Costs in the profit and loss account.

The Group implements a programme of employee benefits after the period of employment. This programme is called defined contribution programme. On the basis of the programme the Group is legally committed to pay a specified amount of contributions to the state pension fund. The proceeds of the fund including the return on the invested contributions are also used to pay out to the employee a benefit after the period of employment. Consequently, the Group does not have a legal or customarily expected obligation to pay additional contributions, if the pension fund does not have sufficient assets to pay due benefits.

16. Group's Equity

Equity is made up of capital and funds created in accordance with legislation, relevant statutes and the Articles of Association.
Equity comprises: share capital, share premium – surplus of issue price over the nominal price of shares, revaluation reserve and retained earnings. All amounts of capital and funds are presented at nominal value.

Share Capital
Share capital is presented at nominal value, according to the Articles of Association and the entry in the Business Register.

If the entity acquire its own shares, then the paid amount together with the costs directly attributed to such purchase is treated as a change in own capital. Purchased own shares are posted as own shares and disclosed as reduction to own capital until their cancellation.

Dividends for the financial year which have been approved by the General Shareholders' Meeting, but not approved as of the balance sheet day are disclosed under the „Other Liabilities" in the balance sheet caption.

Share Premium

Share premium (surplus of issue price over nominal price) is created from the premium generated from the issue of shares less direct costs of issue.

Revaluation Reserve

Differences from the valuation of financial assets available for sale reduced by deferred income tax provisions and the effect of valuation of cash collateral hedges appropriately reduced by accompanied charges on deferred income tax. Revaluation reserve is not subject to distribution.

Retained Earnings

Retained earnings are created with charges against profit and are allocated for purposes specified in the Articles of Association or other legal regulations (the remaining part of reserve capital, additional reserve capital, including general banking risk fund) or constitute previous years' profit/loss or year-to-date net financial result.

The General Banking Risk Fund at the Bank is created in accordance with the Banking Act dated 29 August 1997, as later amended, from profit after tax.

Net profit of the current period is profit or loss in Income Statement of a current year net of corporate income tax charges. Losses attributed to minority shareholders and exceeding the value of minority interests are charged to the Group's equity.

17. Financial guarantee

The financial guarantee is a contract under which the issuer undertakes to carry out for the beneficiary specific payments in order to compensate the beneficiary for the losses caused by a specific debtor's cessation of payments resulting from the original or modified terms of a debt instrument contract.

Financial guarantees granted are valued at the higher of:

(a) amount being the most appropriate estimation of outlays necessary to satisfy the currently existing obligation resulting from the financial guarantee, in view of the probability of its materialisation,

(b) amount recognised on initial recording, corrected by the settled amount of commission granted for the giving of the guarantee,

18. Interest income

Any interest receivables and payables with regards to financial instruments measured at amortized cost with the use of effective interest rate and financial instruments classified as available for sale are recognised in Income Statement

Interest income/costs on derivatives classified in the category Financial assets held for trading are reflected under the item “Result from financial instruments valued at fair value through the profit and loss account”. Interest income on debt financial instruments classified in this category are recognised in “Interest income” caption.

The effective interest rate methodology is used to accrue amortized cost of a financial asset or liability and to allocate the income or expenses on interest or certain commissions (those constituting an integral part of the interest rate) to appropriate periods. The effective interest rate is a rate that precisely discounts the estimated future cash flows (in the period to financial instrument expiry) to the net carrying value of the asset or financial liability. When calculating the effective interest rate the Group estimates cash flows, taking into the equation any provisions of the financial instrument agreement, however not taking into account potential future losses on loans that have been unpaid. The calculation covers any commissions paid or received by the parties to the agreement and which are an integral part of the effective interest rate, as well as transaction costs, and all other premiums and discounts.

Interest income comprises interest and commissions (received or due) included in the calculation of the effective interest rate on: scheduled loans, interbank deposits and securities held to maturity and available for sale, intended for trading. Additionally, interest income includes the Bank’s own costs in connection with the conclusion of a loan agreement (mainly commissions paid to external and own agents for concluding mortgage loan agreements, and property appraisal costs connected with this type of agreements) which are a component of the EIR calculation and are settled over time.

When recognising the impairment of a financial instrument carried at amortized cost, and available for sale debt securities interest income is recognised in the profit and loss account but calculated on the newly established carrying value of the financial instruments (this is the value reduced by the revaluation charge). In this case interest income is calculated with the use of the interest rate according to which future cash flows were discounted for impairment valuation.

19. Fee and commission income/ Fee and Commission Costs

Income and costs on fees for bank account maintenance, card service operations, factoring are included in the Income Statement at the moment of carrying out the service, while other fees and commissions are settled over time.

The basic types of lending commissions in the Group include among others origination fees/commissions and commitment fees. Origination fees and commissions on adequate features are a component of calculating the effective interest rate and constitute part of interest income. Commitment fees are settled on a straight line basis throughout the period of funds availability and constitute commission income.

In the case of loans and advances with undetermined instalment payments and changes in interest, e.g. overdraft facilities and credit cards commissions are settled over the duration of the card or overdraft limit by the straight-line method and included in commission income.

20. Dividend Income

Dividend income is reflected in the Group's Income Statement on the day of determination of rights of shareholders to receive it.

21. Result on Investment Financial Assets

Result on investment financial assets comprises profits and losses generated as a result of selling financial instruments classified to the 'available for sale' portfolio, and other profits and losses on investment activities.

22. Result on Financial Instruments Valued at Fair Value through the Profit and Loss Account

Result on financial instruments valued at fair value through the profit and loss account comprises profits and losses generated as a result of selling financial instruments allocated to financial assets/liabilities valued at fair value through the profit and loss account (intended for trading) and the effect of their fair value valuation.

23. Foreign exchange profit

Net foreign exchange gains are established on the basis of foreign exchange gains and losses, both realised and unrealised, resulting from day to day valuation of foreign exchange assets and liabilities at the average rate established for the given balance sheet date by the Chairman of the NBP impacting the foreign exchange income and expenses. Net foreign exchange gains and valuation of the foreign exchange Forward transactions are disclosed in the "Foreign exchange profit".

24. Other Operating Income and Expenses

Other operating income and expenses include expenses and incomes not directly connected with the Group's banking and brokerage activity. In particular, this is net income resulting from the selling and liquidation of fixed assets, revenues from selling other services, received/paid damages, penalties and fines.

25. Income Tax

Corporate income tax comprises current and deferred tax.

Current income tax is calculated at the binding tax rate on profit before tax established in accordance with appropriate accounting regulations adjusted by non-taxable income and non-tax deductible expenses. Moreover, for tax purposes, the net book income is adjusted by previous years' income and expenses realised for tax purposes in a given reporting period and charges from income resulting from e.g. donations.

The Group creates a provision for deferred income tax or tax asset due to timing differences on income tax. These differences are caused by different dates of recognising the income as earned or expense as incurred between accounting regulations and corporate tax regulations. The key timing differences arise due to provisions created for impairment of loans and loan repayment guarantees, depreciation of intangible and tangible fixed assets, revaluation of some financial assets and liabilities, including derivatives, provisions for retirement benefits and other post-employment benefits as well as tax losses eligible for charging off.

Provision for deferred income tax is disclosed in liabilities as „Provision for Deferred Income Tax". An asset on deferred income tax is disclosed in assets as „Deferred Income Tax Asset". The Group performs a netting of assets on deferred income tax with provisions on deferred income tax when it has a legal title to do so and the asset/provision on deferred income tax (applied by the same tax authority) pertain to the same tax-payer.

The provision for deferred tax is created by using the balance sheet method, by computing timing differences as of the balance sheet date between carrying value of assets and liabilities and their carrying value disclosed in the financial report.

A provision for deferred income tax is recognised with respect to all positive timing differences except when it arises from the depreciation of goodwill or initial recognition of an asset or liability with a transaction which does not constitute a merger of economic entities and which on its origination has no impact on the net financial profit or taxable income or loss.

Deferred income tax assets are recognised with respect to all negative timing differences as of the balance sheet date between the tax value of assets and liabilities and their carrying value disclosed in the financial statement. Deferred income tax assets are also recognised with respect to unused tax losses transferred to later years. Deferred income tax assets are recognised in such amount in which taxable income is likely to be achieved allowing to set off negative timing differences and activated tax losses.

Deferred income tax assets are not recognised if they pertain to negative timing differences arising from the initial recognition of an asset or liability with a transaction which does not constitute a merger of economic entities and on its origination have no impact on the net financial profit or taxable income or loss.

The carrying value of a deferred income tax asset shall be verified for each balance sheet date and reduced if it is no longer likely to achieve taxable income sufficient for a partial or full realisation of the deferred income tax component.

The Group does not include in the calculation of deferred tax a liability or asset on timing differences resulting in connection with an investment in subsidiaries and affiliates, unless the possessed evidence shows that the realisation of timing differences is controlled by the Group and it is likely that in the foreseeable future the differences may be reversed.

Deferred income tax assets and provisions for deferred tax are estimated with the use of the tax rates which are expected to be in force when the asset is realised or provision eliminated, assuming the tax rates (and tax provisions) legally or factually in force as of the balance sheet date.

Income tax pertaining to items directly presented in equity is presented in equity.
The amount of calculated deferred tax is based on expected degree of realisation of balance-sheet values of assets and liabilities with use of tax rates effective as at the balance-sheet day.

26. Application of Estimates in connection with Accounting Policies

In order to prepare an IFRS based financial report certain estimates as well as assumptions must be made impacting the amounts disclosed in the financial report. The estimates and assumptions continually revised by Group management are based on historic experience and other factors, including the expectations as to future events which seem reasonable in a given situation. Despite such estimates being based on the best knowledge concerning current conditions and activates undertaken by the Group, the actual results may differ from the estimates. The most important areas for which the Group makes estimates are presented below.

- *Impairment of loans and advances*

For each balance sheet date the Group estimates if there are objective impairment triggers for a given financial asset or group of financial asset. The Group estimates are comprised of data/symptoms indicating a credibly measurable reduction of future cash flows on a given loan portfolio, before such reduction can be allocated to a specific loan in order to estimate impairment. Estimates can take into account observable data pointing to the occurrence of an adverse change in the payment situation of borrowers belonging to a specific group or economic situation in a given country of its part, in connection with problems occurring in a such group of assets. Historical loss parameters are adjusted based on data coming from current observations in order to incorporate the impact of current market factors which did not exist in the period covered by historic observations and exclude the effects of the circumstances which existed in the historic period, but persist no longer. The methodology and assumptions to assess the estimate cash flows and periods in which they arise will be subject to regular reviews in order to decrease the differences between the estimate and actual level of losses.

- *Fair value of financial instruments*

The fair value of financial instruments not listed on active markets is established on the basis of valuation techniques. For non-option derivatives and debt securities cash-flow discounting models are employed. For option-based mechanisms option valuation models are used. All models are approved before use and also calibrated in order to make sure that the results obtained reflect the actual data and comparable market prices. When possible, only observable data coming from an active market are used in the model.

- *Impairment of other non current assets*

At each balance sheet day the Group assesses the existence of impairment triggers for fixed assets. Should such trigger be identified the Group assesses the recoverable value. The assessment of the value in use of a fixed asset (or cash generating units) is connected among others with the adoption of assumptions concerning estimates as to amounts, dates for future cash flows obtainable by the Group on a given fixed asset (or cash generating units), other factors. When estimating the fair value less costs of sale the Group relies on market data on this subject or valuations prepared by independent experts which in principle are also based on estimates.

- *Other Estimate Values*

Pension severance provision is calculated by the actuarial method by an independent actuary as the present value of the Group's future liabilities to employees according to the headcount and wages as of the revaluation date. The calculation of provisions is based on a number of assumptions, both as to the macroeconomic conditions and assumptions on employee turnover, death risk and others.
With respect to certain short-term employee benefits (senior management bonuses) the Group's Management Board assesses the value of benefits as of the balance-sheet date. The final amount of the employee benefits is settled by the decision of the Bank's Supervisory Board.

VII. FINANCIAL INFORMATION BROKEN DOWN INTO BUSINESS SEGMENTS

Business Segmentation

The Group's activity is conducted through different business lines offering specific products and services oriented towards the following market segments:

a) Retail Segment

The Retail Segment offers the activity oriented towards Mass Clients, Wealthy Clients, Small Business and Individual Entrepreneurs.
The activity of the above mentioned areas is being developed through offering the full offer of banking products and services supplemented by specialized products developed by the Group's subsidiaries.

Mortgage loans, consumer loans, credit cards and leasing for small business are the main drivers of growth in the credit product area, while the main deposit products are: current accounts, term deposits, investment funds and structured products. Besides, the retail banking offer includes insurance products, mainly linked to loans and credit cards. Recently the product offer has been enriched by selected investment funds from other financial intermediaries.

b) Corporate Segment

The corporate segment is targeted on Small, Medium and Large Corporates. The offer of Small, Medium and Large Corporates is also intended for the budget sector and Public Entities.
The commercial activity in the corporate segment is driven by an offer of high quality banking products (working capital loans, investments loans, current accounts, term deposits) complemented by cash management products, modern Treasury Department products and more sophisticated derivative products. Product cross-selling (leasing and trade finance) is especially active in this segment.

c) Treasury and Investment Banking

This segment covers the Group's activities in capital investments for the Bank's own account, brokerage activities, as well as interbank and debt securities market operations which are not allocated to other segments.

Income tax charge is presented only at the level of the whole Group.

Geographical Segmentation

The Group operates exclusively in the Republic of Poland and no significant differences in risk were identified in terms of the geographical location of its outlets. Therefore, the Group does not present a statement by segments with the use of the geographic area criterion.

Accounting policies

Accounting policies applied in segment reporting are in accordance with IAS 14.

For each segment there is determined gross result, including:

- Interest result calculated on the basis of external interest from working assets and liabilities of the segment and internal interest income or cost from allocated assets / liabilities, measured using internal transfer interest rates based on market interest rates.
- Net commissions income

- Other income from financial operations and FX transactions (mostly affecting investment and Treasury operations) like dividend income, result on investment and trading activity, income from FX transactions, result from other financial instruments including derivatives
- Other operating income and cost
- Costs of impairment of financial and non financial assets
- Share of the segment in personnel and administrative costs
- Share of the segment in depreciation

Business segments' assets and liabilities are operational assets and liabilities used by a given segment in its operating activities, allocated on the basis of rational assumptions. Gaps between assets and liabilities in each business segment are covered by money market assets/liabilities and securities. Assets/liabilities of Treasury and Investment Banking include money market assets /liabilities, securities and other assets/liabilities not allocated to business segments. Allocation of capital is based on risk weighted assets of each segment.

Tangible assets for resale in amount of PLN 239.5 million were presented by the Group as of 31 December 2005 according to IFRS 5 . The main item - land in Wilanów - of PLN 170.6 million was presented as an asset of investment banking and treasury area. This asset has been sold by the end of June 2006. Other buildings and lands (62.1 million), which according to the restructuring process will not be used in the future by the Bank, are presented in retail banking. Other non-current assets held for sale – fixed assets from terminated leasing agreements are presented as Corporate Banking assets

Other unallocated income/cost in the first half of 2005.

- Depreciated part of the discount (PLN 15.4 mln) of the second tranche of the sale of PZU shares.
- Income in performance of the provisions of the agreement for the sale of 10% of PZU S.A. shares (PLN 26 mln)
- Impairment costs of non-financial assets (PLN 8.5 mln).

Income statement 01.01.06 - 30.06.2006

In PLN thous.	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
Net interest income	185 102	84 134	52 394	0	321 630
external income	180 172	153 443	282 647	0	616 262
external cost	-112 464	-72 686	-109 482	0	-294 632
External income less cost	67 708	80 757	173 165	0	321 630
internal income	173 506	98 418	-271 925	0	0
internal cost	-56 113	-95 041	151 153	0	0
Internal income less cost	117 394	3 377	-120 771	0	0
Net fee and commission income	101 533	44 934	17 917	0	164 384
Other income from financial operations and foreign exchange profit	49 154	27 472	9 813	0	86 440
Other operating income and cost	127	231	13 977	0	14 335
Operating income	**335 916**	**156 772**	**94 102**	**0**	**586 789**
Staff costs	-119 154	-48 930	-15 864	0	-183 948
Administrative costs	-130 671	-34 594	-15 823	0	-181 088
Impairment losses on financial assets	-24 909	6 124	0	0	-18 785
Impairment losses on non financial assets	0	0	0	-62	-62
Depreciation and amortization	-24 264	-5 446	-667	0	-30 376
Operating expenses	**-298 998**	**-82 846**	**-32 353**	**-62**	**-414 259**
Operating profit	**36 918**	**73 925**	**61 748**	**-62**	**172 530**
Gross profit / (loss)	**36 918**	**73 925**	**61 748**	**-62**	**172 530**
Income taxes					-32 853
Net profit / (loss)					**139 677**

Balance sheet 30.06.2006

In PLN thous.	Retail Banking	Corporate Banking	Treasury and Investment Banking	Total consolidated
ASSETS				
Segment assets	7 456 399	5 213 966	10 737 753	23 408 118
Assets allocated to segment	1 939 293	4 384 680	-6 323 972	0
Total	**9 395 691**	**9 598 646**	**4 413 781**	**23 408 118**
LIABILITIES				
Segment liabilities	8 822 337	7 386 443	5 160 275	21 369 056
Liabilities allocated to segment	132 238	1 801 899	-1 934 137	0
Equity allocated to segment	441 116	410 303	1 187 643	2 039 062
Total	**9 395 691**	**9 598 646**	**4 413 781**	**23 408 118**

Income statement 01.01.05 - 30.06.2005

In PLN thous.	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
Net interest income	184 052	68 999	-26 409	15 375	242 017
external income	127 787	168 694	290 018	15 375	601 874
external cost	-185 513	-77 426	-96 918	0	-359 857
External income less cost	-57 727	91 268	193 100	15 375	242 017
internal income	286 618	109 186	-395 804	0	0
internal cost	-44 839	-131 456	176 295	0	0
Internal income less cost	241 779	-22 269	-219 510	0	0
Net fee and commission income	76 528	28 357	16 520	0	121 405
Other income from financial operations and foreign exchange profit	6 522	15 048	131 578	26 100	179 248
Other operating income and cost	0	0	4 865	0	4 865
Operating income	**267 102**	**112 404**	**126 554**	**41 476**	**547 535**
Staff costs	-87 525	-51 976	-21 867	0	-161 368
Administrative costs	-116 629	-39 795	-15 371	0	-171 795
Impairment losses on financial assets	-22 755	20 322	0	0	-2 433
Impairment losses on non financial assets	0	0	0	-8 541	-8 541
Depreciation and amortization	-24 993	-12 593	-2 308	0	-39 895
Operating expenses	**-251 903**	**-84 042**	**-39 546**	**-8 541**	**-384 032**
Operating profit	**15 199**	**28 362**	**87 007**	**32 934**	**163 503**
Gross profit / (loss)	**15 199**	**28 362**	**87 007**	**32 934**	**163 503**
Income taxes					-34 458
Net profit / (loss)					**129 045**

Balance sheet 31.12.2005

	Retail Banking	Corporate Banking	Treasury and Investment Banking	Total consolidated
ASSETS				
Segment assets	5 307 006	4 657 362	12 186 772	22 151 139
Assets allocated to segment	4 945 039	2 087 732	-7 032 771	0
Total	**10 252 045**	**6 745 094**	**5 154 001**	**22 151 139**
LIABILITIES				
Segment liabilities	9 819 324	5 316 445	4 624 548	19 760 316
Other liabilities allocated to segment	113 547	1 014 082	-1 127 629	0
Equity allocated to segment	319 173	414 567	1 657 082	2 390 823
Total	**10 252 045**	**6 745 094**	**5 154 001**	**22 151 139**

VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Amounts presented in the notes to the consolidated financial statement are presented in PLN thousands.

(1) INTEREST INCOME

1. Interest income and other of similar nature

	01.01.2006 - 30.06.2006	01.01.2005 - 30.06.2005
Interest income and other of similar nature, including:		
Balances with the Central Bank	4 698	5 785
Loans and advances to banks	44 389	45 965
Loans and advances to customers	322 579	278 090
Hedging derivatives	49 368	0
Financial assets held for trading (debt securities)	69 312	40 406
Investment securities	125 453	231 628
Other	463	0
Total	**616 262**	**601 874**

In the line „Hedging derivatives" the Group presents net interest income from derivatives set as and being effective cash flow hedges. A detailed description of the hedging relations used by the Group is presented in ***note (16)***

Interest income for the 1st half of 2006 includes accrued interest on loans with recognised impairment in the amount of PLN 10 778 thous. (according to comparable data for the 1st half of 2005 the amount of such interest stood at PLN 13 960 thous).

Interest income for the period between 1 January and 30 June 2005 r. (item „investment securities") includes PLN 15 376 thous from the settlement of the discount effect of the second tranche payable for the sale of 10% of the PZU S.A. shares.

(2) INTEREST EXPENSES

2. Interest expense and other of similar nature

	01.01.2006 - 30.06.2006	01.01.2005 - 30.06.2005
Interest expense and other of similar nature, including:		
Banking deposits	-28 729	-12 875
Loans	0	-39 394
Hedging derivatives	0	-1 846
Deposits from customers	-257 525	-291 500
Subordinated debt	-6 894	-6 189
Debt securities	-369	-7 981
Other	-1 116	-72
Total	**-294 632**	**-359 857**

(3) FEE AND COMMISSION INCOME / EXPENSE

3a. Fee and commission income

	01.01.2006 - 30.06.2006	01.01.2005 - 30.06.2005
Banking commissions	133 254	105 339
- resulting from loan activity	26 261	16 151
- resulting from accounts service	51 081	52 951
- resulting from payment cards	38 263	31 116
- resulting from financial intermediation	13 657	0
- other	3 992	5 121
Brokerage commissions	22 180	20 616
Investment funds management commissions	33 300	10 074
Total	**188 734**	**136 029**

3b. Fee and commission expense

	01.01.2006 - 30.06.2006	01.01.2005 - 30.06.2005
Banking commissions	-20 003	-10 527
- resulting from loan activity	0	-716
- resulting from other accounts service	-465	-518
- resulting from payment cards	-13 594	-4 506
- other	-5 944	-4 787
Brokerage commissions	-4 336	-4 097
Other commissions	-11	0
Total	**-24 350**	**-14 624**

(4) DIVIDEND INCOME

4. Dividend income

	01.01.2006 - 30.06.2006	01.01.2005 - 30.06.2005
Trading securities	0	0
Available for sale securities	2 573	1 895
Total	**2 573**	**1 895**

(5A) RESULT ON INVESTMENT FINANCIAL ASSETS

5a. Result on investment financial assets

	01.01.2006 - 30.06.2006	01.01.2005 - 30.06.2005
Operations on debt instruments	3 125	31 521
Operations on equity instruments	0	26 100
- of which: sale of PZU S.A. shares settlement	0	26 005
Total	**3 125**	**57 621**

Income from the settlement of the sale of PZU S.A. shares recognised in the 1st half of 2005 constitutes an initial settlement resulting from the 2004 dividend paid out by PZU S.A. The agreement concerning the sale of 10% shares in PZU S.A., dated 21 December 2004 (concluded between the

Bank jointly with BIG BG Inwestycje S.A., the Group's subsidiary, and EUREKO B.V.) also established the formula of the settlement between the Parties, if between the date of the sale agreement and the date of the final settlement of the transaction a dividend was to be paid out by PZU SA. If the level of this dividend exceeded the average value of the dividend for the last three financial years, then the surplus (in proportion to the number of shares covered by the agreement) was to constitute the Group's income .

(5B) RESULT ON FINANCIAL INSTRUMENTS VALUED AT FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUNT

The result on trading activity comprises profits and losses generated as a result of selling financial instruments allocated to financial assets/liabilities valued at fair value through the profit and loss account and the effect of their fair value valuation.

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5b. Result on financial instruments valued at fair value through profit and loss

	01.01.2006 - 30.06.2006	01.01.2005 - 30.06.2005
Operations on securities	-35 341	40 290
Operations on derivatives	38 715	36 489
Total	**3 374**	**76 779**

Starting from 1 January 2006 the Bank (and consequently the Group) established a formal hedging relationship (hedge accounting) against the risk of cash flow volatility. Consequently, interest accrued on hedge derivatives for the 1st half of 2006 constitutes an interest margin component. This issue is given broader description ***in note (16).***

(5C) RESULT ON OTHER FINANCIAL INSTRUMENTS

5c. Result on other financial instruments

	01.01.2006 - 30.06.2006	01.01.2005 - 30.06.2005
Other operations	-4 734	267
Total	**-4 734**	**267**

The result on other financial instruments contains settlements on financial intermediation, including trust activity.

(6) OTHER OPERATING INCOME AND EXPENSES

6a. Other operating income

	01.01.2006 - 30.06.2006	**01.01.2005 - 30.06.2005**
Profit on sale and liquidation of property, plant and equipment, intangible assets	2 202	0
Profit on sale of non current assets held for sale	19 419	0
Indemnifications, penalties and fines received	10 714	12 016
Sale of other services	1 644	2 989
Non-core income	1 506	1 771
Sale of receivables	0	2 050
Income from collection service	516	3 341
Income from leasing business	1 404	589
Other	10 540	3 557
Total	**47 945**	**26 313**

6b. Other operating expenses

	01.01.2006 - 30.06.2006	**01.01.2005 - 30.06.2005**
Loss on sale and liquidation of property, plant and equipment, intangible assets	-6 980	-3 609
Loss on sale of non current assets held for sale	-1 197	-1 079
Indemnifications, penalties and fines paid	-3 792	-2 293
Costs of leasing business	-4 717	-5 084
Non-core costs	-2 624	-2 366
Sale of receivables	0	-2 312
Donations made	-386	-19
Costs of collection service	-635	-517
Costs of payments to compensation system	-427	-705
Other	-12 852	-3 464
Total	**-33 610**	**-21 448**

(7) GENERAL AND ADMINISTRATIVE EXPENSES

7. General and administrative expenses

	01.01.2006 - 30.06.2006	01.01.2005 - 30.06.2005
Staff costs:	-183 948	-161 368
Short-term employee benefits	-183 887	-161 350
Long-term employee benefits	-61	-18
General administrative costs	-181 088	-171 795
Costs of advertising, promotion and representation	-25 047	-15 990
Costs of software maintenance and IT services	-7 268	-9 237
Costs of renting	-38 723	-40 999
Costs of buildings maintenance, equipment and materials	-17 664	-16 321
ATM and cash costs	-10 989	-10 746
Costs of communications and IT	-28 701	-20 639
Costs of consultancy, audit and legal advisory and translation	-11 537	-12 981
Taxes and fees	-9 466	-10 371
KIR clearing charges	-1 084	-1 422
PFRON costs (Disabled Remedial Fund)	-1 596	-1 455
BFG costs (Banks' Guarantee Fund)	-1 222	-1 153
Other	-27 791	-30 481
Total	**-365 036**	**-333 163**

(8) IMPAIRMENT LOSSES ON FINANCIAL ASSETS

8. Impairment losses on financial assets

	01.01.2006 - 30.06.2006	01.01.2005 - 30.06.2005
Impairment charges on loans and advances to customers	-255 191	-334 018
Reversal of impairment charges on loans and advances to customers	226 156	287 606
Amounts recovered from loans written off	11 053	29 012
Impairment write-offs for investment securities	0	0
Reversal of impairment write-offs for investment securities	0	737
Impairment write-offs for investments in associates	0	0
Reversal of impairment write-offs for investments in associates	0	0
Impairment write-offs for off-balance sheet liabilities	-11 102	-14 670
Reversal of impairment write-offs for off-balance sheet liabilities	10 299	28 900
Total	**-18 785**	**-2 433**

(9) IMPAIRMENT COSTS OF NON-FINANCIAL ASSETS

9. Impairment losses on non financial assets

	01.01.2006 - 30.06.2006	01.01.2005 - 30.06.2005
Fixed assets	252	-6 006
Other assets	-314	-2 535
Total	**-62**	**-8 541**

(10) DEPRECIATION AND AMORTIZATION

10. Depreciation and amortization

	01.01.2006 - 30.06.2006	01.01.2005 - 30.06.2005
Property, plant and equipment	-24 649	-33 030
Intangible assets	-5 727	-6 865
Total	**-30 376**	**-39 895**

(11) INCOME TAX

11. Income tax

Amount '000 PLN	01.01.2006 - 30.06.2006	01.01.2005 – 30.06.2005
Income tax reported in income statement		
Current tax	-3 410	-16 049
Current year	-3 410	-16 049
Deferred tax	-29 558	-17 178
Appearance and reversal of temporary differences	-29 558	-21 850
including utilisation of tax loss	21 262	9 405
Change of temporary differences of previous period – final tax declaration		4 672
Other		
Receivables resulting from the article 38c of the CIT Act	115	-1 231
Total income tax reported in income statement	**-32 853**	**-34 458**
Effective tax rate		
Gross profit / (loss)	172 530	163 503
Income tax according to obligatory income tax rate of 19%	-32 781	-31 066
Effective tax rate	19,04%	21,07%
Impact of permanent differences on tax charges:	-187	-2 161
Loss on sale of loan receivables	0	-1 403
PFRON fee	-303	-214
Dividend income	489	360
Other costs presented as permanent differences	-1 762	-1 850
Other	1 389	946
Receivables resulting from the article 38c of the CIT Act	115	-1 231
Total income tax reported in income statement	**-32 853**	**-34 458**
Deferred tax reported directly in equity		
Valuation of available for sale securities	1 404	13 792
Valuation of cash flow hedging instruments	-168	0
Deferred tax reported directly in equity	**1 236**	**13 792**

(12) EARNINGS PER SHARE

12. Earnings per share (PLN)

	01.01.2006 - 30.06.2006	01.01.2005 - 30.06.2005
Net earnings	139 677	129 045
Weighted average number of shares in the period	849 181 744	849 181 744
Earnings per share	**0.16**	**0.15**

Earnings per share were calculated through division of the net profit for the period by the weighed average number of stocks in the period, which in both presented years was unchanged.

As in the near future the Bank does not plan to carry out a new issue of stocks (there are no diluting instruments), the diluted EPS is equal to the basic EPS (the calculation approach is analogous).

(13) CASH, BALANCES WITH THE CENTRAL BANK

13a. Cash, balances with the Central Bank

	30.06.2006	31.12.2005
Cash	316 192	297 662
Cash in the Central Bank	478 890	212 212
Other funds	135	931
Total	**795 217**	**510 805**

Between 30 June 2006 and 30 July 2006 the Bank kept on the current account at the NBP an average balance of PLN 488 034 thous (the average balance on the current account at the NBP calculated for all days of the mandatory reserve period).
The interest rate on the mandatory deposit account is equal to 0.9 of the rediscount rate and as at 30 June 2006 it stood at 3.825%, furthermore, 50% of the interest proceeds from the mandatory deposit was transferred to the European Union Guarantee Fund.

13b. Cash, balances with Central Bank – by currency

	30.06.2006	31.12.2005
a. in Polish currency	666 267	399 660
b. in foreign currencies (after conversion to PLN)	128 950	111 145
- currency: USD	25 967	21 459
- currency: EURO	52 419	59 360
- currency: GBP	13 882	17 048
- other currencies (PLN ‘000)	36 682	13 278
Total	**795 217**	**510 805**

(14) LOANS AND ADVANCES TO BANKS

14a. Loans and advances to banks

	30.06.2006	31.12.2005
Current accounts	63 946	21 059
Deposits in other banks	1 082 117	2 256 001
Loans	328 799	318 647
Other	14 299	349
Interest	14 356	6 759
Total (gross) loans and advances to banks	**1 503 517**	**2 602 815**
Impairment write-offs	0	0
Net loans and advances to banks	**1 503 517**	**2 602 815**

14b. Loans and advances to banks by maturity date

	30.06.2006	31.12.2005
Current accounts	63 946	21 059
- to 1 month	284 953	1 688 532
- above 1 month to 3 months	291 856	105 333
- above 3 months to 1 year	519 575	462 262
- above 1 year to 5 years	70 000	70 236
- above 5 years	258 789	248 634
- past due	42	0
Interest	14 356	6 759
Total (gross) loans and advances to banks	**1 503 517**	**2 602 815**

14c. Loans and advances to banks by currency

	30.06.2006	31.12.2005
in Polish currency	1 133 753	1 411 253
in foreign currencies (after conversion to PLN)	369 764	1 191 562
- currency: USD	242 771	859 315
- currency: EURO	104 771	301 952
- currency: CHF	547	708
- currency: GBP	15 126	17 239
- other currencies (PLN ‘000)	6 549	12 348
Total	**1 503 517**	**2 602 815**

14d. Change of impairment write-offs for loans and advances to banks

	30.06.2006	31.12.2005
Balance at the beginning of the period	0	0
Change in the period	0	0
Balance at the end of the period	**0**	**0**

(15) FINANCIAL ASSETS VALUED TO FAIR VALUE THROUGH THE PROFIT AND LOSS

15a. Debt securities

	30.06.2006	31.12.2005
Debt securities	**2 441 143**	**2 992 560**
Issued by State Treasury	2 441 135	1 775 975
a) bills	0	0
b) bonds	2 441 135	1 775 975
Issued by Central Bank	0	1 216 585
a) bills	0	1 216 585
b) bonds	0	0
Other securities	8	0
a) listed	8	0
b) not listed	0	0
Equity instruments	**240**	**1 136**
Quoted on the active market	240	1 136
a) financial institutions	19	35
b) non-financial institutions	221	1 101
Not quoted on the active market	0	0
a) financial institutions	0	0
b) non-financial institutions	0	0
Positive valuation of derivatives	**368 306**	**310 479**
Total	**2 809 689**	**3 304 175**

15b. Financial assets valued at fair value through profit and loss

	30.06.2006	31.12.2005
Trading financial assets	2 809 689	3 304 175
Financial assets valued at fair value when initially recognized	0	0
Total	**2 809 689**	**3 304 175**

Information on financial assets securing liabilities is presented in Chapter XII.

15c. Debt securities valued at fair value through profit and loss, at balance sheet value

	30.06.2006	31.12.2005
- with fixed interest rate	1 556 503	2 298 053
- with variable interest rate	884 640	694 507
Total	**2 441 143**	**2 992 560**

15d. Debt securities valued at fair value through profit and loss by maturity

	30.06.2006	31.12.2005
- to 1 month	2 892	1 216 701
- above 1 month to 3 months	16 346	8 634
- above 3 months to 1 year	122 273	250 144
- above 1 year to 5 years	1 588 375	1 123 231
- above 5 years	711 257	393 850
Total	**2 441 143**	**2 992 560**

15e. Change of debt securities and equity instruments valued at fair value through profit and loss

	01.01.2006 - 30.06.2006	01.01.2005 - 31.12.2005
Balance at the beginning of the period	2 993 696	2 531 751
Increases (purchase and accrual of interest and discount)	49 095 081	114 548 068
Reductions (sale and redemption)	-49 633 335	-114 075 083
Differences from pricing at fair value	-14 059	-11 041
Impairment write-offs	0	0
Other	0	0
Balance at the end of the period	**2 441 383**	**2 993 696**

15f. Derivatives as at 30.06.2006

Amount in '000 PLN	Nominal value of instruments with future maturity			Fair values		
	below 3 months	from 3 months to 1 year	above 1 year	Total	Assets	Liabilities
1. Interest rate derivatives						
Forward Rate Agreements (FRA)	0	2 200 000	0	-30	818	848
Interest rate swaps (IRS)	2 150 004	5 280 000	9 435 991	19 839	168 854	149 015
Other interest rate contracts: volatility swap, swap with FX option	40 232	128 866	193 491	25 741	31 624	5 883
Total interest rate derivatives	**2 190 236**	**7 608 866**	**9 629 482**	**45 550**	**201 296**	**155 746**
2. FX derivatives						
FX contracts	5 663 596	3 329 803	662 597	26 159	55 138	28 979
FX swaps	5 078 363	2 955 264	3 216	6 051	30 770	24 719
Other FX contracts (CIRS)	0	0	2 830 241	-15 359	7 788	23 147
FX options	8 819 494	4 147 050	183 322	-750	55 819	56 569
Total FX derivatives	**19 561 453**	**10 432 117**	**3 679 376**	**16 101**	**149 515**	**133 414**
3. Commodity derivatives						
Commodity forwards	0	55 299	0	56	140	84
Commodity options	15 634	0	0	0	0	0
Total commodity derivatives	**15 634**	**55 299**	**0**	**56**	**140**	**84**
4. Options embedded in deposits	**0**	**0**	**0**	**-35 246**	0	35 246
5. Valuation of future FX payments	**0**	**0**	**0**	**11 822**	16 485	4 663
6. Other – Debt securities	**0**	**0**	**0**	**870**	870	0
7. Total derivatives	**21 767 323**	**18 096 282**	**13 308 858**	**39 153**	**368 306**	**329 153**

15g. Derivatives as at 31.12.2005

Amount in '000 PLN	Nominal value of instruments with future maturity			Fair values		
	below 3 months	from 3 months to 1 year	above 1 year	Total	Assets	Liabilities
1. Interest rate derivatives						
Forward Rate Agreements (FRA)	0	3 600 000	0	502	1 168	667
Interest rate swaps (IRS)	0	0	9 221 572	-39 870	68 352	108 223
Other interest rate contracts: volatility swap, swap with FX option	0	0	352 567	2 380	12 745	10 365
Total interest rate derivatives	**0**	**3 600 000**	**9 574 139**	**-36 989**	**82 266**	**119 254**
2. FX derivatives						
FX contracts	1 865 891	1 712 447	192 856	-11 359	26 433	37 792
FX swaps	5 122 081	1 562 788	0	57 413	63 302	5 889
Other FX contracts (CIRS)	0	0	7 560 447	87 026	89 329	2 303
FX options	4 233 665	2 873 689	93 214	-352	28 760	29 113
Total FX derivatives	**11 221 637**	**6 148 924**	**7 846 517**	**132 727**	**207 824**	**75 097**
3. Commodity derivatives						
Commodity forwards	208 430	0	0	140	140	0
Commodity options	64 432	0	0	0	0	0
Total commodity derivatives	**272 862**	**0**	**0**	**140**	**140**	**0**
4. Options embedded in deposits	**0**	**0**	**0**	**-9 254**	**0**	**9 254**
5. Valuation of future FX payments	**0**	**0**	**0**	**20 249**	**20 249**	**0**
6. Total derivatives	**11 494 499**	**9 748 924**	**17 420 656**	**106 874**	**310 479**	**203 605**

The Bank's offer comprises deposits (presented in the above table) with embedded derivatives. Embedded derivatives are recorded in the Bank's books at fair value. Changes in fair value are disclosed in the profit and loss account.

(16) HEDGING DERIVATIVES

The Group uses the following types of hedge accounting:

- hedging of the fair value of FX liabilities resulting from the Bank's own transactions against FX fluctuation risk
- hedging of the fair value of FX securities against interest rate risk
- hedging from the volatility of cash flows generated by the portfolio of mortgage loans and zloty deposits funding them.

The two first types of hedge accounting were employed by the Group also in earlier reporting periods.

Starting from 1 January 2005 the Group established a formal hedging relationship against cash flow volatility. One should note that as from IFRS implementation, pursuant to IAS 39 the effect of valuation of all derivatives not classified as and not being effective hedges is presented in result from financial instruments valued at fair value through the profit and loss account. The employment of such methodology resulted in the lack of coherence in the manner of presentation of financial instruments in the profit and loss account. Net interest income from derivative transactions concluded in order to hedge FX liquidity from the economic point of view constitutes an interest margin component (allows to adjust interest income from FX loans to the cost of funding such position resulting from the zloty deposit portfolio). The implementation of formal hedge accounting enabled the presentation of the transactions in question in the profit and loss account in accordance with their economic sense. It should be emphasised that hedge accounting was formally implemented as of the beginning of the year, so the Group's profit and loss account for the first half of 2005 (comparable data) presented the whole effect of derivative valuation (including accrued interest) in result from financial instruments valued at fair value through the profit and loss account.

At the end of each month the Bank assesses the effectiveness of a hedge employed by analysing changes in the fair value of the hedged instrument and the hedging instrument.

The table below presents detailed information on particular types of hedge accounting:

	Fair value hedge for FX-denominated liabilities	**Fair value hedge for FX- denominated securities**	**Cash flow volatility hedge for the flow generated by FX mortgage portfolio and its underlying PLN deposits**
Description of hedge transactions	The Group hedges against the risk of change in the fair value of the liabilities denominated in FX regarding Bank's internal administration. The risk hedged results from FX rate changes.	The Group hedges against the risk of change in the fair value of the securities denominated in FX and classified as available for sale. The risk hedged results from interest rate changes.	The Group hedges against the risk of volatility of the cash flow generated by FX mortgage portfolio and by the PLN deposits, which are the underlying financial base for these loans. Volatility of the cash flow results from the FX and interest rate risk.
Hedged items	Liabilities resulting from the Bank's internal administration, denominated in FX.	Securities classified as available for sale, denominated in FX and issued by non-financial entities.	Cash flow generated by FX mortgage portfolio and underlying PLN deposits.
Hedging instruments	CIRS transactions	CIRS transactions	CIRS transactions
Presentation of the result on the hedged and hedging transactions	1. Fair value adjustment of the payment in FX currency resulting from the FX rate differences is recognised in the costs of Bank's activity; 2. Valuation of hedging instruments is recognised in the costs of Bank's activity; 3. Interest on the hedging instruments are recognised in the costs of Bank's activity.	4. FX rate differences from the hedged assets and hedging instruments are recognised in the FX income; 5. Fair value adjustment of the hedged assets and valuation of the hedging instruments is recognised in income statement; 6. Interest on the hedged assets and hedging instruments are recognised in the net interest income.	7. Effective part of valuation of hedging instruments is recognised in the revaluation capital; 8. Interest on both and hedging instruments and hedged instruments are recognised in the net interest income; 9. Valuation of hedging and hedged instruments under FX rate differences is recognised in the FX income.

16a. Hedge accounting 30.06.2006

Amount in ‘000 PLN	**Nominal value of instruments with future maturity**			**Fair values**		
	below 3 months	**from 3 months to 1 year**	**below 3 months**	**Total**	**Assets**	**Liabilities**
1. Fair value hedging derivatives connected with interest rate risk						
CIRS contracts	0	0	209 869	15 740	16 784	1 045
2. Fair value hedging derivatives connected with FX rate risk						
CIRS contracts	0	5 786	109 231	-11 435		11 435
3. Cash flows hedging derivatives connected with interest rate and/or FX rate						
CIRS contracts	0	2 790 785	3 815 350	-90 308		90 308
4. Total hedging derivatives	**0**	**2 796 571**	**4 134 450**	**-86 003**	**16 784**	**102 787**

16b. Hedge accounting 31.12.2005

Amount in ‘000 PLN	**Nominal value of instruments with future maturity**			**Fair values**		
	below 3 months	**from 3 months to 1 year**	**below 3 months**	**Total**	**Assets**	**Liabilities**
1. Fair value hedging derivatives connected with interest rate risk						
CIRS contracts	97 933	0	215 132	10 119	14 826	4 707
2. Fair value hedging derivatives connected with FX rate risk						
CIRS contracts	0	0	162 974	-17 566	0	17 566
3. Total hedging derivatives	**97 933**	**0**	**378 106**	**-7 447**	**14 826**	**22 273**

(17) LOANS AND ADVANCES TO CUSTOMERS

17a. Loans and advances to customers

	30.06.2006	31.12.2005
Loans and advances to companies	3 710 295	3 774 662
Loans and advances to private individuals	6 167 088	3 971 664
Loans and advances to public sector	328 852	358 250
Receivables on account of payment cards due from companies	4 930	4 404
Receivables on account of payment cards due from private individuals	249 845	205 406
Purchased receivables from companies	198 146	126 926
Purchased receivables from private individuals	0	2 022
Purchased receivables from public sector	12 451	7 738
Guarantees and sureties realised	20 809	24 951
Debt securities eligible for rediscount at Central Bank	17 204	25 884
Financial leasing receivables	1 860 816	1 701 459
Other	52 866	18 288
Interest	39 282	35 451
Total gross	**12 662 585**	**10 257 105**
Impairment write-offs	-695 569	-665 463
Total net	**11 967 016**	**9 591 642**

17b. Quality of loans and advances to customers portfolio

	30.06.2006	31.12.2005
Loans and advances to customers (gross)	**12 662 585**	**10 257 105**
- impaired	1 038 574	1 022 626
- not impaired	11 624 011	9 234 479
Impairment write-offs	**695 569**	**665 463**
- for impaired exposures	541 043	535 977
- for incurred but not reported losses (IBNR)	154 526	129 486
Loans and advances to customers (net)	**11 967 016**	**9 591 642**

17c. Loans and advances to customers portfolio by methodology of impairment assessment

	30.06.2006	31.12.2005
Loans and advances to customers (gross)	**12 662 585**	**10 257 105**
- case by case analysis	4 334 950	4 354 949
- collective analysis	8 327 635	5 902 156
Impairment write-offs	**695 569**	**665 463**
- on the basis of case by case analysis	513 042	515 490
- on the basis of collective analysis	182 527	149 973
Loans and advances to customers (net)	**11 967 016**	**9 591 642**

17d. Loans and advances to customers portfolio by customers

	30.06.2006	31.12.2005
Loans and advances to customers (gross)	**12 662 585**	**10 257 105**
- corporate customers	6 239 516	6 043 594
- individuals	6 423 069	4 213 511
Impairment write-offs	**695 569**	**665 463**
- for receivables from corporate customers	574 465	573 757
- for receivables from individuals	121 104	91 706
Loans and advances to customers (net)	**11 967 016**	**9 591 642**

17e. Loans and advances to customers by maturity

	30.06.2006	31.12.2005
Current accounts	1 052 785	1 031 794
- to 1 month	370 668	406 474
- above 1 month to 3 months	246 318	150 283
- above 3 months to 1 year	1 043 326	800 020
- above 1 year to 5 years	2 976 106	2 625 610
- above 5 years	6 725 916	5 003 016
- past due	208 184	204 457
Interest	39 282	35 451
Total (gross) loans and advances to customers	**12 662 585**	**10 257 105**

17f. Loans and advances to customers by currency

	30.06.2006	31.12.2005
in Polish currency	5 335 437	4 582 772
in foreign currencies (after conversion to PLN)	7 327 147	5 674 333
- currency: USD	563 046	768 873
- currency: EURO	1 203 282	1 109 375
- currency: CHF	5 507 592	3 745 429
- other currencies (PLN '000)	53 227	50 656
Total (gross) loans	**12 662 585**	**10 257 105**

17g. Change of impairment write-offs for loans and advances to customers

	01.01.2006 - 30.06.2006	01.01.2005 - 31.12.2005
Balance at the beginning of the period	665 463	741 031
Change in value of provisions:	30 190	-82 427
Write-offs in the period	255 191	451 993
Amounts written off	-4 158	-95 943
Reversal of write-offs in the period	-226 156	-414 617
Amounts recovered from loans written off	-11 053	-38 580
Other:	16 366	14 720
- transfer from provisions for off-balance sheet liabilities	0	13 198
- other (including restoration of provisions for receivables written off to off-balance sheet registry and then recovered through vindication /sale of receivables, in balance sheet)	16 366	1 522
Changes resulting from FX rates differences	-84	6 859
Balance at the end of the period	**695 569**	**665 463**

17h. Financial leasing receivables

	30.06.2006	31.12.2005
Financial leasing receivables (gross)	2 111 166	1 930 828
Unrealised financial income	250 350	229 369
Financial leasing receivables (net)	**1 860 816**	**1 701 459**

Financial leasing receivables (gross) by maturity		
Under 1 year	234 567	203 592
From 1 year to 5 years	1 755 267	1 517 092
Above 5 years	121 332	210 144
Total	**2 111 166**	**1 930 828**

Financial leasing receivables (net) by maturity		
Under 1 year	226 099	195 052
From 1 year to 5 years	1 541 614	1 324 766
Above 5 years	93 103	181 641
Total	**1 860 816**	**1 701 459**

(18) INVESTMENT FINANCIAL ASSETS

18a. Investment financial assets available for sale

	30.06.2006	31.12.2005
Debt securities	**4 909 030**	**4 818 265**
Issued by State Treasury	4 534 200	4 399 296
a) bills	227 055	78 094
b) bonds	4 307 145	4 321 202
Issued by Central Bank	162 996	167 867
a) bills	0	0
b) bonds	162 996	167 867
Other securities	211 834	251 102
a) listed	131006	0
b) not listed	80 828	251 102
Shares and interests in other entities	**10 260**	**10 298**
Other financial instruments	**3 283**	**3 330**
Total financial assets available for sale	**4 922 573**	**4 831 893**
Available for sale instruments quoted on the stock exchange	4 439 861	4 322 913
Available for sale instruments not quoted on the stock exchange	482 712	508 980

18b. Debt securities available for sale

	30.06.2006	31.12.2005
- with fixed interest rate	3 160 177	3020106
- with variable interest rate	1 748 853	1 798 159
Total	**4 909 030**	**4 818 265**

18c. Debt securities available for sale by maturity

	30.06.2006	31.12.2005
- to 1 month	1551	100
- above 1 month to 3 months	454 821	55 710
- above 3 months to 1 year	1 292 094	1 409 903
- above 1 year to 5 years	2 573 469	2 725 611
- above 5 years	587 095	626 941
Total	**4 909 030**	**4 818 265**

18d. Change of investment financial assets available for sale

	01.01.2006 - 30.06.2006	01.01.2005 - 31.12.2005
Balance at the beginning of the period	4 831 893	4 205 285
Increases (purchase and accrual of interest and discount)	4 130 568	7 099 611
Reductions (sale and redemption)	-3 998 406	-6 484 452
Difference from measurement at fair value	-41 482	7 712
Impairment write-offs	0	3 737
Other	0	0
Balance at the end of the period	**4 922 573**	**4 831 893**

18e. Investment financial assets held to maturity

	30.06.2006	31.12.2005
Debt securities	**0**	**78 636**
Issued by State Treasury	0	78 636
a) bills	0	0
b) bonds	0	78 636
Issued by Central Bank	0	0
a) bills	0	0
b) bonds	0	0
Other securities	0	0
a) listed	0	0
b) not listed	0	0
Total financial assets held to maturity	**0**	**78 636**
Held to maturity instruments quoted on the stock exchange	0	78 636
Held to maturity instruments not quoted on the stock exchange	0	0

18f. Debt securities held to maturity

	30.06.2006	31.12.2005
- with fixed interest rate	0	78 636
- with variable interest rate	0	0
Total	**0**	**78 636**

18g. Held to maturity instruments by maturity

	30.06.2006	31.12.2005
- to 1 month	0	0
- above 1 month to 3 months	0	0
- above 3 months to 1 year	0	78 636
- above 1 year to 5 years	0	0
- above 5 years	0	0
Total	**0**	**78 636**

18h. Change of held to maturity instruments

	01.01.2006 - 30.06.2006	01.01.2005 - 31.12.2005
Balance at the beginning of the period, after adjustments	78 636	74 007
Increases (purchase and accrual of interest and discount)	1 364	4 629
Reductions (sale and redemption)	-80 000	0
Difference from measurement at fair value	0	0
Impairment write-offs	0	0
Balance at the end of the period	**0**	**78 636**

18i. Investments in associates

	30.06.2006	31.12.2005
Investments in associates	1 926	1 926

18j. Subordinates

Name	Business	Balance sheet value of shares / interests	Assets	Liabilities	Equity	Income	Profit / (Loss)	Relationship
Pomorskie Hurtowe Centrum Rolno - Spożywcze S.A.	Wholesale market management	1 926	78 371	55 067	20 277	6 184	597	associated/Bank Millennium S.A.
Towarzystwo Handlowe "Weiman i S-ka"	Production of ceramic sanitary ware and trade	0	The company is not conducting business activity, is not preparing financial reports					associated/Bank Millennium S.A.
SPC S.A.	Investing activity	0	The company is not conducting business activity, is not preparing financial reports					associated/Bank Millennium S.A.

Total investments in associates **1 926**

18k. Change of investments in associates

	01.01.2006 - 30.06.2006	01.01.2005 - 31.12.2005
Balance at the beginning of the period	1 926	4 800
Impairment write-offs	0	-2 874
Balance at the end of the period	**1 926**	**1 926**

(19) RECEIVABLES FROM SECURITIES BOUGHT WITH SELL-BACK CLAUSE

19. Receivables from securities bought with sell-back clause

	30.06.2006	31.12.2005
a) from financial sector	149 684	310 997
b) from non-financial and public sector	15 000	0
c) interest	111	130
Total	**164 795**	**311 127**

(20) PROPERTY, PLANT AND EQUIPMENT

20a. Property, plant and equipment

	30.06.2006	31.12.2005
Fixed assets:		
- land	383	415
- buildings, premises, civil and hydro-engineering structures	142 082	151 410
- machines and equipment	39 854	38 930
- vehicles	10 867	8 944
- other fixed assets	15 891	14 646
Fixed assets under construction	11 661	17 586
Advances for fixed assets under construction	40	192
Total property, plant and equipment	**220 778**	**232 123**

20b. Change of balance of property, plant and equipment (by type groups) in the period 01.01.2006 - 30.06.2006

	land	buildings, premises, civil and hydro-engineering structures	machines and equipment	vehicles	other fixed assets	fixed assets under construction and advances	TOTAL
a) gross value of property, plant and equipment at the beginning of the period	**463**	**271 240**	**334 740**	**24 718**	**97 074**	**17 778**	**746 013**
b) increases (on account of)	**61**	**762**	**9 106**	**4 198**	**5 088**	**10 449**	**29 664**
- purchase	0	0	495	661	5	10 449	11 610
- transfer from fixed assets under construction	0	762	6 007	2 088	4 184	0	13 041
- transfer from financial leasing	0	0	0	1 449	0	0	1 449
- other	61	0	2 604	0	899	0	3 564
c) reductions (on account of)	**110**	**5 145**	**11 849**	**1 634**	**4 702**	**16 526**	**39 966**
- sale	110	2 424	1 607	1 634	2 043	0	7 818
- liquidation	0	1 010	9 575	0	1 412	0	11 997
- settlement of investment	0	0	0	0	0	13 333	13 333
- other (including transfer to leasing)	0	1 711	667	0	1 247	3 193	6 818
d) gross value of property, plant and equipment at the end of the period	**414**	**266 857**	**331 997**	**27 282**	**97 460**	**11 701**	**735 711**
e) cumulated depreciation (amortization) at the beginning of the period	**48**	**108 592**	**294 097**	**15 774**	**80 428**	**0**	**498 939**
f) depreciation over the period (on account of)	**-17**	**7 361**	**-3 667**	**641**	**-360**	**0**	**3 958**
- current write-off (P&L)	7	10 004	8 352	2 082	4 204	0	24 649
- reductions on account of sale and liquidation	-24	-1 609	-11 075	-1 451	-5 063	0	-19 222
- other	0	-1 034	-944	10	499	0	-1 469
g) cumulated depreciation (amortization) at the end of the period	**31**	**115 953**	**290 430**	**16 415**	**80 068**	**0**	**502 897**
h) impairment write-offs at the beginning of the period	**0**	**11 238**	**1 713**	**0**	**2 000**	**0**	**14 951**
- increase	0	1 895	0	0	0	0	1 895
- reduction	0	4 311	0	0	499	0	4 810
i) impairment write-offs at the end of the period	**0**	**8 822**	**1 713**	**0**	**1 501**	**0**	**12 036**
j) net value of property, plant and equipment at the end of the period	**383**	**142 082**	**39 854**	**10 867**	**15 891**	**11 701**	**220 778**

20c. Change of balance of property, plant and equipment (by type groups) in the period 01.01.2005 - 31.12.2005

	land	buildings, premises, civil and hydro-engineering structures	machines and equipment	vehicles	other fixed assets	fixed assets under construction and advances	TOTAL
a) gross value of property, plant and equipment at the beginning of the period	**530**	**285 684**	**390 938**	**25 117**	**101 007**	**17 616**	**820 892**
b) increases (on account of)	**81**	**12 833**	**8 855**	**2 920**	**17 103**	**31 632**	**73 424**
- purchase	81	0	715	872	130	19 076	20 874
- transfer from fixed assets under construction	0	12 494	7 913	1 942	4 298	0	26 647
- transfer from financial leasing	0	0	193	106	10 782	0	11 081
- other	0	339	34	0	1 893	12 556	14 822
c) reductions (on account of)	**148**	**27 277**	**65 053**	**3 319**	**21 036**	**31 470**	**148 303**
- sale	148	15 862	3 519	2 703	14 232	0	36 464
- liquidation	0	7 833	57 518	0	5 380	0	70 731
- settlement of investment	0	0	0	0	0	27 358	27 358
- reclassification to fixed assets for sale	0	3 582	2 535	0	537	0	6 654
- other	0	0	1 481	616	887	4 112	7 096
d) gross value of property, plant and equipment at the end of the period	**463**	**271 240**	**334 740**	**24 718**	**97 074**	**17 778**	**746 013**
e) cumulated depreciation (amortization) at the beginning of the period	**37**	**90 737**	**334 519**	**14 393**	**78 596**	**0**	**518 282**
f) depreciation over the period (on account of)	**11**	**17 855**	**-40 422**	**1 381**	**1 832**	**0**	**-19 343**
- current write-off (P&L)	14	29 807	22 999	4 145	15 495	0	72 460
- reductions on account of sale and liquidation	0	-11 826	-60 634	-2 362	-12 529	0	-87 351
- reclassification to fixed assets for sale	0	-126	-1 859	0	-528	0	-2 513
- other (including transfer from leasing)	-3	0	-928	-402	-606	0	-1 939
g) cumulated depreciation (amortization) at the end of the period	**48**	**108 592**	**294 097**	**15 774**	**80 428**	**0**	**498 939**
h) impairment write-offs at the beginning of the period	**0**	**8 451**	**0**	**0**	**0**	**0**	**8 451**
- increase	0	12 264	1 713	0	2 278	0	16 255
- reduction	0	9 477	0	0	278	0	9 755
i) impairment write-offs at the end of the period	**0**	**11 238**	**1 713**	**0**	**2 000**	**0**	**14 951**
j) net value of property, plant and equipment at the end of the period	**415**	**151 410**	**38 930**	**8 944**	**14 646**	**17 778**	**232 123**

(21) *INTANGIBLE ASSETS*

21a. Intangible assets

	30.06.2006	31.12.2005
- costs of completed development work	0	0
- concessions, patents, licenses, know how and similar assets, including:	18 963	26 872
- computer software	18 963	26 872
- other intangible assets	0	62
- advances for intangible assets	64	64
Total intangible assets	**19 027**	**26 998**

21b. Change of balance of intangible assets (by type groups) in the period 01.01.2006 - 30.06.2006

	costs of completed development work	concessions, patents, licenses, know how and similar assets, including:		other intangible assets	advances for intangible assets	TOTAL
			computer software			
a) gross value of intangible assets at the beginning of the period	**25**	**394 861**	**184 741**	**82**	**64**	**395 032**
b) increases (on account of)	**0**	**729**	**729**	**0**	**0**	**729**
- purchase	0	644	644	0	0	644
- transfer from investments	0	64	64	0	0	64
- expenditures on intangible assets	0	9	9	0	0	9
- other	0	12	12	0	0	12
c) reductions (on account of)	**0**	**2 962**	**2 962**	**78**	**0**	**3 040**
- sale	0	57	57	0	0	57
- other	0	2 905	2 905	78	0	2 983
d) gross value of intangible assets at the end of the period	**25**	**392 628**	**182 508**	**4**	**64**	**392 721**
e) cumulated depreciation (amortization) at the beginning of the period	**25**	**367 989**	**157 869**	**20**	**0**	**368 034**
f) depreciation over the period (on account of)	**0**	**5 676**	**5 676**	**-16**	**0**	**5 660**
- current write-off (P&L)	0	5 714	5 714	13	0	5 727
- other	0	-38	-38	-29	0	-67
g) cumulated depreciation (amortization) at the end of the period	**25**	**373 665**	**163 545**	**4**	**0**	**373 694**
h) impairment write-offs at the beginning of the period	**0**	**0**	**0**	**0**	**0**	**0**
i) impairment write-offs at the end of the period	**0**	**0**	**0**	**0**	**0**	**0**
j) net value of intangible assets at the end of the period	**0**	**18 963**	**18 963**	**0**	**64**	**19 027**

21c. Change of balance of intangible assets (by type groups) in the period 01.01.2005 - 31.12.2005

	costs of completed development work	concessions, patents, licenses, know how and similar assets, including:	computer software	other intangible assets	advances for intangible assets	TOTAL
a) gross value of intangible assets at the beginning of the period	**25**	**389 925**	**179 805**	**119**	**0**	**390 069**
b) increases (on account of)	**0**	**5 444**	**5 444**	**0**	**64**	**5 508**
- purchase	0	346	346	0	64	410
- transfer from investments	0	712	712	0	0	712
- expenditures on intangible assets	0	4 303	4 303	0	0	4 303
- other	0	83	83	0	0	83
c) reductions (on account of)	**0**	**508**	**508**	**37**	**0**	**545**
- release of provision for expenditures	0	441	441	0	0	441
- other	0	67	67	37	0	104
d) gross value of intangible assets at the end of the period	**25**	**394 861**	**184 741**	**82**	**64**	**395 032**
e) cumulated depreciation (amortization) at the beginning of the period	**25**	**354 592**	**144 472**	**38**	**0**	**354 655**
f) depreciation over the period (on account of)	**0**	**13 397**	**13 397**	**-18**	**0**	**13 379**
- current write-off (P&L)	0	13 370	13 370	8	0	13 378
- other	0	27	27	-26	0	1
g) cumulated depreciation (amortization) at the end of the period	**25**	**367 989**	**157 869**	**20**	**0**	**368 034**
h) impairment write-offs at the beginning of the period	**0**	**0**	**0**	**0**	**0**	**0**
i) impairment write-offs at the end of the period	**0**	**0**	**0**	**0**	**0**	**0**
j) net value of intangible assets at the end of the period	**0**	**26 872**	**26 872**	**62**	**64**	**26 998**

(22) CHANGE OF BALANCE OF NON-CURRENT ASSETS HELD FOR SALE

22a. Change of balance of non current assets held for sale in the period 01.01.2006 - 30.06.2006

	land	buildings, premises, civil and hydro-engineering structures	machines and equipment	vehicles	other fixed assets	TOTAL
a) value at the beginning of the period	184 046	231 154	64 264	250	3 158	**482 872**
b) impairment write-offs at the beginning of the period	-11 840	-171 077	-59 949	-108	-386	**-243 360**
c) change of value in the period	-172 709	-8 138	-10	0	1	**-180 856**
d) change of impairment write-offs in the period	2 000	1 433	0	0	0	**3 433**
e) impairment write-offs at the end of the period	**-9 840**	**-169 644**	**-59 949**	**-108**	**-386**	**-239 927**
f) value of assets for sale at the end of the period	**1 497**	**53 372**	**4 305**	**142**	**2 773**	**62 089**

What is included by the Group in the category of non-current assets held for sale is real estate and land which is not used for own needs and envisaged for sale in the short-term, i.e. within one year.

The most significant component in this category (as at 31 September 2005) was the Wilanów usufruct valued at PLN 170 613 thous (on a net basis). In the first half of 2006 the asset was sold.

Additionally, the Group treated as non-current assets for sale other real estate and property which in connection with the conducted optimisation of the operational activity would not be used in the Bank's further activity and whose net value stands at PLN 45 319 thous. The last component are fixed assets coming from the concluded leasing agreements valued at PLN 16 770 thous (on a net basis).

22b. Change of balance of non current assets held for sale in the period 01.01.2005 - 31.12.2005

	land	buildings, premises, civil and hydro-engineering structures	machines and equipment	vehicles	other fixed assets	TOTAL
a) value at the beginning of the period	201 386	244 821	64 003	44	2 465	**512 719**
b) impairment write-offs at the beginning of the period	-4 422	-172 197	-63 776	0	-814	**-241 209**
c) change of value in the period	-17 340	-13 667	261	206	693	**-29 847**
d) change of impairment write-offs in the period	-7 418	1 120	3 827	-108	428	**-2 151**
e) impairment write-offs at the end of the period	**-11 840**	**-171 077**	**-59 949**	**-108**	**-386**	**-243 360**
f) value of assets for sale at the end of the period	**172 206**	**60 077**	**4 315**	**142**	**2 772**	**239 512**

(23) DEFERRED INCOME TAX ASSETS

23a. Deferred income tax assets

	30.06.2006	31.12.2005
Interest on securities to be paid	110	204
Interest on deposits to be paid	14 565	14 091
Unrealised liabilities on account of derivatives	111 317	9 347
Provisions for loans presented as temporary differences	46 331	40 454
Provisions for future costs	33 430	35 170
Tax-realised income, which is not balance sheet income	27 744	29 554
Commissions received, settled at effective interest rate	13 839	11 422
Difference between tax and balance sheet depreciation	34 024	54 091
Balance sheet valuation of financial instruments	29 210	22 496
Tax loss deductible in the future	72 713	85 602
Taken to revaluation reserve	1 404	0
Other	10 808	19 866
Total	**395 495**	**322 297**

23b. Change of temporary differences in deferred income tax assets

	31.12.2005	Changes to financial result	Changes to equity	30.06.2006
Interest on securities to be paid	204	-94		110
Interest on deposits to be paid	14 091	474		14 565
Unrealised liabilities on account of derivatives	9 347	101 969		111 317
Provisions for loans presented as temporary differences	40 454	5 877		46 331
Provisions for future costs	35 170	-1 740		33 430
Tax-realised income, which is not balance sheet income	29 554	-1 810		27 744
Commissions received, settled at effective interest rate	11 422	2 417		13 839
Difference between tax and balance sheet depreciation	54 091	-20 067		34 024
Balance sheet valuation of financial instruments	22 496	6 715		29 210
Tax loss deductible in the future	85 602	-12 889		72 713
Taken to revaluation reserve	-		1 404	1 404
Other	19 866	-9 058		10 808
Total	**322 297**	**71 794**	**1 404**	**395 495**

23c. Change of deferred income tax assets

	30.06.2006	31.12.2005
Interest on securities to be paid	-94	-491
Interest on deposits to be paid	474	-4 675
Unrealised liabilities on account of derivatives	101 969	-5 957
Provisions for loans presented as temporary differences	5 877	-19 878
Provisions for future costs	-1 740	5 307
Tax-realised income, which is not balance sheet income	-1 810	-2 524
Commissions received, settled at effective interest rate	2 418	11 422
Difference between tax and balance sheet depreciation	-20 067	25 274
Balance sheet valuation of financial instruments	6 715	6 388
Tax loss deductible in the future	-12 889	48 407
Recognized to revaluation reserve	1 404	-
Other	-9 058	6 300
Total	**73 199**	**69 573**

23d. Negative temporary differences for which the deferred income tax asset was not recognised in the balance sheet

Temporary differences expiry year	30.06.2006	31.12.2005
Unlimited	8 170	8 750
Total	8 170	8 750

23e. Deferred income tax provision

	30.06.2006	31.12.2005
Interest on securities and interbank deposits to be received	48 370	26 568
Commissions on loans paid, settled at effective interest rate	22 121	15 982
Interest on loans to be received	77 904	29 987
Unrealised receivables from derivatives	70 640	36 359
Not amortized fixed assets covered by investment relief	258	256
Difference between tax and balance sheet depreciation	13 745	11 626
Balance sheet valuation of financial instruments	21 710	33 940
Valuation of assets (equity)	168	6 478
Other	4 798	3 618
Total	**259 714**	**164 812**

23f. Change of temporary differences in deferred income tax liabilities

	31.12.2005	Changes to financial result	Changes to equity	30.06.2006
Interest on securities and interbank deposits to be received	26 568	21 802		48 370
Commissions on loans paid, settled at effective interest rate	15 982	6 139		22 121
Interest on loans to be received	29 987	47 917		77 904
Unrealised receivables from derivatives	36 359	34 282		70 640
Not amortized fixed assets covered by investment relief	256	3		258
Difference between tax and balance sheet depreciation	11 626	2 119		13 745
Balance sheet valuation of financial instruments	33 940	-12 230		21 710
Valuation of assets (equity)	6 478	-	-6 310	168
Other	3 618	1 180		4 798
Total	**164 812**	**101 212**	**-6 310**	**259 714**

23g. Change of deferred income tax provision

	30.06.2006	31.12.2005
Interest on securities and interbank deposits to be received	21 802	-31 182
Commissions on loans paid, settled at effective interest rate	6 139	15 982
Interest on loans to be received	47 917	20 429
Unrealised receivables from derivatives	34 282	20 045
Not amortized fixed assets covered by investment relief	3	-221
Difference between tax and balance sheet depreciation	2 119	-739
Balance sheet valuation of financial instruments	-12 230	30 250
Valuation of assets (equity)	-6 310	1 466
Other	1 180	-2 168
Total	**94 902**	**53 862**

In accordance with IAS 12, the Group offset deferred income tax assets with deferred income tax liabilities. As the Group, under the Polish tax law, cannot be treated as a Group for the tax purposes, deferred tax of each entity subject to consolidation has been offset separately.

	30.06.2006	31.12.2005
Net deferred income tax assets	**135 782**	**157 485**
Net provision for deferred income tax assets	-	-

(24) OTHER ASSETS

24. Other assets

	30.06.2006	31.12.2005
Prepayment	93 446	60 630
Income to be received	3 804	1 117
Settlement accounts	490 900	53 383
Receivables from sundry debtors	101 009	15 580
Settlements with the State Treasury	90 625	108 651
Perpetual usufruct right to land	5 155	5 155
Other	3 985	2 660
Total other assets	**788 925**	**247 176**

A value growth of receivables from other debtors largely follows from the provisions of the agreement to sell the land usufruct in Wilanów, which was classified by the Group as non-current asset for sale. The balance of such receivable as at 30 June 2006 is PLN 65.6 million.

The Group does not hold a fiscal capital group status as construed in the CIT Act and every consolidated company operates as a separate taxpayer. As a result, tax losses, reliefs and regulatory tax deductions of all and any type, found (generated) in one company cannot reduce tax liabilities of another consolidated company.

(25) DEPOSITS FROM BANKS

25a. Deposits from banks

	30.06.2006	31.12.2005
Amounts due to the Central Bank	0	0
In current account	34 007	46 996
Term deposits	1 836 612	768 229
Loans and advances received	258 693	248 627
Other	108	59
Interest	6 761	3 434
Total deposits from banks	**2 136 181**	**1 067 345**

25b. Deposits from banks by maturity

	30.06.2006	31.12.2005
Current accounts	34 007	46 996
- to 1 month	1 474 720	446 513
- above 1 month to 3 months	309 950	190 105
- above 3 months to 1 year	52 050	131 670
- above 1 year to 5 years	0	0
- above 5 years	258 693	248 627
Interest	6 761	3 434
Total	**2 136 181**	**1 067 345**

25c. Deposits from banks by currency

	30.06.2006	31.12.2005
in Polish currency	1 842 640	943 949
in foreign currencies (after conversion to PLN)	293 541	123 396
- currency: USD	42 611	68 375
- currency: EURO	172 072	22 548
- currency: CHF	73 026	32 473
- currency: GBP	5 832	0
- other currencies (PLN '000)	0	0
Total	**2 136 181**	**1 067 345**

(26) FINANCIAL LIABILITIES VALUED AT FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUNT

26. Financial liabilities valued at fair value through profit and loss account

	30.06.2006	31.12.2005
Negative valuation of derivatives	329 153	203 605
Short sale of securities	60 227	300 055
Financial liabilities valued at fair value through profit and loss account	**389 380**	**503 660**

The division of the negative valuation of derivatives into specific types of instruments is presented in note ***(15).***

(27) HEDGE DERIVATIVES

Respective information can be found in note ***(16) HEDGE DERIVATIVES***

(28) DEPOSITS FROM CUSTOMERS

28a. Deposits from customers by type structure

	30.06.2006	31.12.2005
Amounts due to companies	**5 090 815**	**4 806 991**
Balances on current accounts	1 610 036	1 650 919
Term deposits	3 300 529	3 000 350
Other	172 018	146 684
Accrued interest	8 232	9 038
Amounts due to public sector	**1 530 746**	**1 030 321**
Balances on current accounts	603 112	656 360
Term deposits	910 795	372 696
Other	15 121	602
Accrued interest	1 718	663
Amounts due to private individuals	**8 269 401**	**8 157 104**
Balances on current accounts	2 451 334	2 038 650
Term deposits	5 662 643	5 943 618
Other	101 445	116 843
Accrued interest	53 979	57 993
Total deposits from customers	**14 890 962**	**13 994 416**

28b. Deposits from customers by maturity

	30.06.2006	31.12.2005
Current accounts	4 664 482	4 345 929
- to 1 month	5 568 514	4 653 020
- above 1 month to 3 months	1 711 825	1 644 043
- above 3 months to 1 year	1 916 391	2 354 289
- above 1 year to 5 years	919 572	872 305
- above 5 years	46 249	57 136
Interest	63 929	67 694
Total	**14 890 962**	**13 994 416**

28c. Deposits from customers by currency

	30.06.2006	31.12.2005
in Polish currency	13 155 454	12 332 295
in foreign currencies (after conversion to PLN)	1 735 508	1 662 121
- currency: USD	974 265	908 043
- currency: EURO	721 806	718 723
- currency: GBP	30 040	23 389
- currency: CHF	6 160	6 882
- other currencies (PLN ‘000)	3 238	5 084
Total	**14 890 962**	**13 994 416**

(29) LIABILITIES FROM SECURITIES BOUGHT WITH BUY-BACK CLAUSE

29. Liabilities from securities bought with buy-back clause

	30.06.2006	31.12.2005
a) from financial sector	1 483 768	1 617 580
b) from non-financial and public sector	788 151	1 441 738
c) interest	4 519	1 719
Total	**2 276 438**	**3 061 037**

(30) LIABILITIES FROM DEBT SECURITIES

30a. Debt securities

	30.06.2006	31.12.2005
Outstanding bonds and bills	8 909	45 758
Bills of exchange	22 836	22 836
Other term liabilities		0
Interest	1037	842
Total	**32 782**	**69 436**

- to 1 month	0	36 849
- above 1 month to 3 months	0	0
- above 3 months to 1 year	31 745	31 745
- above 1 year to 5 years	0	0
- above 5 years	0	0
Interest	1037	842
Total	**32 782**	**69 436**

30b. Change of debt securities

	01.01.2006 - 30.06.2006	01.01.2005 - 31.12.2005
Balance at the beginning of the period	69 436	355 249
Increases, on account of:	309	1 080 686
- issue of bond	0	1 051 960
- purchase of bill of exchange by the NBP	0	22 836
- discount/ interest accrual	309	5 890
Reductions, on account of:	-36 963	-1 366 499
- repurchase of bonds	-36 849	-1 309 802
- repurchase of bill of exchange from NBP	0	-45 687
- FX rates differences	0	-1 545
- settlement of discount/ interest payment	-114	-9 465
Balance at the end of the period	**32 782**	**69 436**

Growth and drop of bond liabilities results from the issue of zero coupon debt securities constituting a short-term form of funding. These securities are issued by the Group's subsidiary for a period below 2 months.

30c. Debt securities by type

As at 30.06.2006	Balance sheet value	Interest rate	Maturity	Market
Bank Millennium S.A. - restructuring bill of exchange	22 836	1.00%	04.11.2006	not listed
Bank Millennium S.A. - II Issue Programme	7 675	4.46%	10.11.2006	CeTO
Bank Millennium S.A. - II Issue Programme	2 271	4.46%	08.12.2006	CeTO

30d. Debt securities by type

As at 31.12.2005	Balance sheet value	Interest rate	Maturity	Market
Bank Millennium S.A. - restructuring bill of exchange	22 836	1.00%	04.11.2006	not listed
Bank Millennium S.A. - II Issue Programme	7 527	4.46%	10.11.2006	CeTO
Bank Millennium S.A. - II Issue Programme	2 224	4.46%	08.12.2006	CeTO
Millennium Leasing Sp. z o.o. - A48 series	18 488	5.10%	06.01.2006	not listed
Millennium Leasing Sp. z o.o. - A50 series	18 361	5.10%	16.01.2006	not listed

(31) PROVISIONS

31. Provisions

	30.06.2006	31.12.2005
Provision for off-balance sheet commitments	17 719	16 468
General risk provision	0	0
Other	0	0
Total	**17 719**	**16 468**

Change of provisions

	01.01.2006 - 30.06.2006	01.01.2005 – 31.12.2005
Provision for off-balance sheet commitments		
Balance at the beginning of the period	16 468	32 537
Charge of provision	11 102	45 118
Utilization of provision over the period	0	-13 198
Release of provision	-10 299	-48 006
FX rates differences	448	17
Balance at the end of the period	**17 719**	**16 468**
Other		
Balance at the beginning of the period	0	906
Charge of provision	0	33
Utilization of provision over the period	0	0
Other	0	-939
Balance at the end of the period	**0**	**0**
Total provisions	**17 719**	**16 468**

(32) PROVISION FOR DEFERRED INCOME TAX

	30.06.2006	31.12.2005
32. Deferred income tax provision	**0**	**0**

(33) OTHER LIABILITIES

33. Other liabilities

	30.06.2006	31.12.2005
Short-term	**1 138 638**	**516 493**
Accrued costs - bonuses, salaries	18 574	19 994
Accrued costs - other	68 239	72 085
Settlement accounts	459 982	187 588
Other creditors	44 951	73 806
Liabilities from dividends	458 558	0
Liabilities to public sector	19 772	55 212
Deferred income	17 019	16 170
Provisions for unused employee holiday	10 581	10 875
Other	40 961	80 763
Long-term	**59 497**	**67 498**
Provisions for retirement benefits	5 957	5 896
Deferred income	627	0
Accrued costs - other	13 800	22 766
Other	39 113	38 836
Total	**1 198 134**	**583 991**

(34) SUBORDINATED DEBT

34a. Subordinated debt

	30.06.2006	31.12.2005
Name of entity	-	-
Currency of the liability	EUR	EUR
Value of the liability in foreign currency	80 000	80 000
Value of the liability in PLN	323 472	308 784
Interest rate	4.649%	4.054%
Maturity	12.12.2011	12.12.2011
Interest	815	720
Balance sheet value of subordinated liabilities	**324 287**	**309 504**

BANK'S FX BONDS

On December 12, 2001 BBG Finance B.V., a limited liability company established in the Netherlands – Group's subsidiary, issued junior variable rate bonds with maturity in 2011 totalling par value of EUR 80,000,000. The bonds were issued on the grounds of a custody agreement concluded on the same day by BBG Finance with the Bank and the Bank of New York as custodian, acting on behalf of the investors – bond buyers.

The Group issued and sold bonds in order to increase its credit capacity, also through increase in supplementary funds.

In February 2002 the Group received decision of the Banking Supervision Commission approving inclusion of the cash in the amount of PLN 275,000,000 obtained through issue and sale of BBG

Finance B.V.'s ten year junior bonds in the amount of EUR 80,000,000 in the Group's supplementary funds until 12.12.2011.

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34b. Change of subordinated debt

	01.01.2006 - 30.06.2006	01.01.2005 – 31.12.2005
Balance at the beginning of the period	309 504	326 977
Increases, on account of:	21 617	12 150
- interest accrual	6 929	12 150
- FX rates differences	14 688	0
Reductions, on account of:	-6 834	-29 623
- interest payment	-6 834	-12 053
- FX rates differences	0	-17 570
Balance at the end of the period	**324 287**	**309 504**

(35) SHAREHOLDERS' EQUITY

35a. SHARE CAPITAL

The share capital of the Bank Millennium S.A. (equal to the Group's share capital) is PLN 849,181,744 divided into 849,181,744 shares of PLN 1 par value each, as presented by the table below.

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SHARE CAPITAL Par value of one share = 1 PLN

Series / issue	Share type	Type of preference	Number of shares	Value of series/issue	Manner of capital coverage	Registration date	Right to dividend
A	registered founder	x2 as to voting	106 850	106 850	cash	30.06.1989	30.06.1989
B1	registered ordinary		150 000	150 000	cash	13.06.1990	01.01.1990
B2	registered ordinary		150 000	150 000	cash	13.12.1990	01.01.1990
C	bearer ordinary		4 693 150	4 693 150	cash	17.05.1991	01.01.1991
D1	bearer ordinary		1 700 002	1 700 002	cash	31.12.1991	01.01.1992
D2	bearer ordinary		2 611 366	2 611 366	cash	31.01.1992	01.01.1992
D3	bearer ordinary		1 001 500	1 001 500	cash	10.03.1992	01.01.1992
E	bearer ordinary		6 000 000	6 000 000	cash	28.05.1993	01.01.1992
F	bearer ordinary		9 372 721	9 372 721	cash	10.12.1993	01.01.1993
G	bearer ordinary		8 000 000	8 000 000	cash	30.05.1994	01.10.1993
H	bearer ordinary		7 082 129	7 082 129	cash	24.10.1994	01.10.1994
Increasing of par value of shares from 1 to 4 PLN				122 603 154	capital surplus	24.11.1994	
1:4 split			122 603 154			5.12.1994	
I	bearer ordinary		65 000 000	65 000 000	cash	12.08.1997	01.10.1996
J	bearer ordinary		196 120 000	196 120 000	capitals of Bank Gdański S.A.	12.09.1997	01.10.1996
K	bearer ordinary		424 590 872	424 590 872	cash	31.12.2001	01.01.2001
Total number of shares			849 181 744				
Total share capital				849 181 744			

There were no changes in the balance of the Group's share capital in the reported period. The biggest shareholders in the Group's dominant entity – the Bank (5% of GSM votes) as of 30 June 2006 were as follows:

Shareholder	***Number of shares***	***% share in share capital***	***Number of votes***	***% share in votes at Shareholders' Meeting***
Banco Comercial Portugues S.A.	424 624 072	50.00	424 624 072	50.00
Carothers Trading Limited	84 833 256	9.99	84 833 256	9.99
Priory Investments Group Corp.	84 833 256	9.99	84 833 256	9.99
M+P Holding S.A.	84 833 256	9.99	84 833 256	9.99

Data on numbers of shares, percentage of shareholders' equity, number of votes and their percentage share in the total number of votes at a GSM were prepared on the basis of information contained in notifications sent to the Bank by the shareholders, under art. 69 of the Act on the Public Offer and Conditions of Introducing Financial Instruments to an Organised Trading and on Public Companies.

In accordance with IFRS 1 (Fist-time adoption of the International Financial Reporting Standards) the Group is required to apply to use IAS 29 (Financial Reporting under hyperinflation) retrospectively.
On the basis of section 24 of IAS 29 „Financial Reporting under Hyperinflation" particular equity components (except retained earnings and any revaluation reserves) are required to be indexed by general price index, starting from the date on which such capitals were contributed or otherwise created for the period in which a given business's economy was a hyperinflationary economy within the meaning of IAS 29.

The result of recalculation, of respective components of the equity, based on the proper inflation index, should be reflected in retained earnings. The application of section 24 IAS 29 would have the effect of inflating share capital and share premium (surplus of the issue value of the shares over their par value) by PLN 222 907 thousand (in accordance with the table below) and simultaneous reduction of retained earnings.

Capital:	**Change in '000 PLN**
- share capital	110 487
- supplementary capital	112 420
Total	**222 907**

The full implementation of IAS 29 would give rise to legal consequences in connection with the need to revise share capital on the basis of the Commercial Companies Code and the Banking Act. At the same time due to the fact that the above-discussed revaluation effects have no impact on the change of net assets of the Capital Group, the Bank's Management Board is of the opinion that the incorporation of such amendment would have no major impact on the true and fair presentation of the financial situation in this statement.

35b. REVALUATION RESERVE

Revaluation reserve arises on the recognition of :

- effect of valuation (at fair value) of financial assets available for sale in the net amount, i.e. after having accounted for deferred tax. These values are taken off revaluation reserve at the moment of excluding the valued assets from the books of account - in full or in part (the effect of valuation is then put through the profit and loss account),
- effect of valuation (at fair value) of derivatives hedging cash flows in the net amount, i.e. having accounted for deferred tax. Revaluation reserve records such part of profits or losses connected with the derivatives hedging cash flows which is an effective hedge, while the ineffective part of the profits or losses connected with such hedging instrument is recognised in the profit and loss account.

Revaluation reserve

	30.06.2006	**31.12.2005**
Effect of valuation (gross)	-6 504	34 091
Deferred income tax	1 236	-6 479
Net effect of valuation	-5 268	27 612

The sources of revaluation reserve are as follows (data in thous PLN):

Revaluation reserve on available for sale financial assets 1.01.2006 - 30.06.2006

	Gross value	**Deferred tax**	**Total**
Revaluation reserve at the beginning of the period	34 091	-6 479	27 612
Transfer to income statement of the period as a result of sale	-3 221	614	-2 609
Change of capitals connected with maturity of securities	-361	69	-292
Profit/loss on revaluation of available for sale financial assets, recognized in equity	-37 900	7 201	-30 699
Revaluation reserve at the end of the period	**-7 391**	**1 404**	**-5 987**

Revaluation reserve on available for sale financial assets 1.01.2005 - 31.12.2005

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	26 379	-5 012	21 367
Transfer to income statement of the period as a result of sale	-37 654	7 153	-30 501
Change of capitals connected with maturity of securities	-430	82	-348
Profit/loss on revaluation of available for sale financial assets, recognized in equity	45 796	-8 702	37 094
Revaluation reserve at the end of the period	**34 091**	**-6 479**	**27 612**

Revaluation reserve on cash flows hedge financial instruments 1.01.2006 - 30.06.2006

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	0	0	0
Profit/loss on valuation of hedging instrument, recognized in revaluation reserve during the period	887	-168	719
Profit/loss removed from equity and recognized in financial result of the period	0	0	0
Revaluation reserve at the end of the period	**887**	**-168**	**719**

35c. Other reserves

	Supplementary capital	Reserve capital	General banking risk fund	Retained earnings	TOTAL
Retained earnings at the beginning of the period 01.01.2006	**110 507**	**243 700**	**88 366**	**599 747**	**1 042 320**
- appropriation of profit, including:					
- write-off to supplementary capital	139 849	0	0	-139 849	**0**
- dividend payment	0	0	0	-458 558	**-458 558**
- coverage of losses of previous years	-26 305	-142 964	0	169 269	**0**
- net profit / (loss) of the period	0	0	0	139 677	**139 677**
Retained earnings at the end of the period 30.06.2006	**224 051**	**100 736**	**88 366**	**310 286**	**723 439**

35d. Other reserves

	Supplementary capital	Reserve capital	General banking risk fund	Retained earnings	TOTAL
Retained earnings at the beginning of the period 01.01.2005	**284 264**	**120 471**	**85 633**	**186 918**	**677 286**
- appropriation of profit, including:					
- write-off to supplementary capital	15 431	0	0	-15 431	**0**
- write-off to reserve capital	0	129	0	-129	**0**
- write-off to General risk fund	0	0	2 733	-2 733	**0**
- dividend payment	0	0	0	-237 771	**-237 771**
- coverage of losses of previous years	-66 088	0	0	66 088	**0**
- net profit / (loss) of the period	0	0	0	567 054	**567 054**
- transfer between categories of capitals	-123 100	123 100	0	0	**0**
- coverage of losses of previous years from share premium	0	0	0	35 751	**35 751**
Retained earnings at the end of the period 31.12.2005	**110 507**	**243 700**	**88 366**	**599 747**	**1 042 320**

IX. DIVIDENDS FOR 2005

Pursuant to Resolution no 4 of the Bank's Ordinary General Shareholder Meeting dated April 6, 2006 concerning profit distribution for 2005 the General Shareholder Meeting decided to allocate the amount of PLN 458, 558,141.76 from 2005 net profit to dividend. The amount of the Bank's share capital being PLN 849,181,744 divided into 849,181,744 shares results in a dividend payment of PLN 0.54 per share. The dividend was paid out on July 19, 2006 and the right to dividend applied to the persons who were shareholders as at July 5, 2006.

X. FAIR VALUE

The Group has financial instruments, which in accordance with the adopted IFRS standards are not priced to fair value. These include: receivables from banks, loans and advances to clients, liabilities to banks and clients, and liabilities from debt security issues (including subordinated liabilities). The Group estimated the fair value of the above instruments based on valuation models as of June 30, 2006. The table below presents the result of such analyses.

Data in PLN million

Financial instrument	Balance sheet value	Fair value	Difference
Loans and advances to banks – structurized agreement*	258.79	298.44	39.65
Amounts due to banks – structurized agreement *	258.79	298.44	39.65
Total net*			0
Debt securities	243.83	237.64	-6.19
Interbank deposits granted	1 064.12	1 063.20	-0.90
Interbank deposits accepted	1 822.14	1 822.08	-0.06
Fixed rate deposits from customers	2 319.34	2 318.82	-0.52
Debt securities issued	32.78	33.09	0.31
Subordinated debt	324.29	324.48	0.19

* Differences between fair value and balance-sheet value with respect to receivables from banks and liabilities to banks (structured agreement) concern one contract, which comprises the simultaneous purchase of a long-term zero-coupon bond and incurring a long-term fixed-rate loan from the same counterparty.

Due to the low portfolio share of fixed loans, short revaluation term of floating loans and, additionally, the use of a methodology for credit exposure impairment measurement (as described in chapter 6 on accounting policies) the Group does not expect a difference between the fair value and carrying value for such financial instruments.

XI. DATA ON ASSETS USED TO SECURE LIABILITIES (COLLATERAL)

As of 30.06.2006 the Bank's following assets secured its liabilities:

In PLN thous.

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds DZ0109	available for sale	Pledge to the NBP - securing assistance received by the Bank from the NBP	54 825	57 486
2.	Treasury bonds DZ0109	trading	Lombard credit granted to the Bank by the NBP	57 428	60 215
3.	Treasury bonds DZ0109	available for sale	Lombard credit granted to the Bank by the NBP	17 572	18 425
4.	Treasury bonds DZ0110	available for sale	Lombard credit granted to the Bank by the NBP	120 000	126 790
5.	Treasury bonds DZ1006	trading	Initial security deposit for bond futures	420	437
6.	Treasury bills 070307	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	37 000	35 976
7.	Cash		Payment to the Futures Settlement Guarantee Fund	70	
		TOTAL		**287 315**	**299 328**

As of 31.12.2005 the Bank's following assets secured its liabilities:

In PLN thous.

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds DZ0109	available for sale	Pledge to the NBP - securing assistance received by the Bank from the NBP	54 825	60 412
2.	Treasury bonds DZ0109	available for sale	Lombard credit granted to the Bank by the NBP	17 572	19 363
3.	Treasury bonds DZ0109	trading	Lombard credit granted to the Bank by the NBP	57 428	63 280
4.	Treasury bonds DZ0110	available for sale	Lombard credit granted to the Bank by the NBP	120 000	133 188
5.	Treasury bonds DZ1006	trading	Initial security deposit for bond futures	420	427
6.	Treasury bills	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	35 000	34 575
7.	Cash	-	Payment to the Futures Settlement Guarantee Fund	70	70
		TOTAL		**285 315**	**311 315**

XII. SECURITIES COVERED BY TRANSACTIONS WITH A BUY-BACK CLAUSE (SBB)

As of 30.06.2006 the following securities (presented in the Group's balance sheet) were covered by transactions with a buyback clause (SBB):

Type of security	Portfolio	Par value	Balance sheet value
Treasury bonds	available for sale	1 451 333	1 446 486
Treasury bonds	trading	704 755	702 474
Treasury bills	available for sale	122 560	118 508
TOTAL		**2 278 648**	**2 267 468**

As of 31.12.2005 the following securities (presented in the Group's balance sheet) were covered by transactions with a buyback clause (SBB):

Type of security	Portfolio	Par value	Balance sheet value
Treasury bonds	available for sale	2 425 392	2 497 967
Treasury bonds	trading	514 354	528 151
Treasury bills	available for sale	31 390	30 144
TOTAL		**2 971 136**	**3 056 262**

XIII. ADDITIONAL EXPLANATIONS TO THE CASH FLOW STATEMENT

For the purpose of the cash flow statement the following financial assets are classified by the Group as cash or its equivalents:

Data in PLN thous.

	30.06.2006	**31.12.2005**
Cash and balances with the Central Bank	795 217	510 805
Receivables from interbank deposits (*)	643 817	1 819 636
Debt securities issued by the State Treasury (*)	470 637	1 225 212
of which available for sale	451 399	0
of which trading	19 238	1 225 212
Total	**1 909 671**	**3 555 653**

(*) Financial assets with maturity below three months

For the purpose of the cash flow statement the following classification of activity types was adopted:

1. Operating activities – cover the basic scope of operations connected with services provided by the Group's units covering events whose purpose is to earn profit and not being investment or financial activity,
2. Investment activities cover operations connected with the purchasing and selling of fixed assets, in particular financial assets not included in the "for trading" category, shares and stocks in subsidiaries, tangible and intangible fixed assets.
3. Financial activities cover activities connected with raising of funds in the form of capital or liabilities, as well servicing sources of funding.

XIV. INFORMATION ON CUSTODY SERVICES

As of 30.06.2006 the Custody Department kept 2,451 securities accounts with client assets totalling PLN 24 334 million. The Custody Department has the function of a depositary bank and transfer agent for 16 investment funds from the Millennium TFI S.A. group. In the first half of 2006 the Department acquired 17 new corporate clients (including two foreign financial institutions) and commenced negotiations regarding depository bank services offer for a new TFI in the making. During the first six months of the current year the assets on the accounts of Custody Department's Clients increased by PLN 1 954 million. Net income on custody operations as of 30.06.2006 stood at PLN 2.5 million.

XV. TRANSACTIONS WITH RELATED ENTITIES

(1) DESCRIPTION OF TRANSACTIONS WITH RELATED ENTITIES

All and any transactions made between the Group's entities in the first half of 2006 were concluded on market terms and resulted from current operations. Below please find the significant elements of group-internal transactions and transactions with entity-Bank's shareholder eliminated in the process of consolidation.

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS OF 30.06.06

ASSETS	With subsidiaries	With controlling entity - BCP
Accounts and deposits kept in the Bank	456 361	0
Cash of Millennium Leasing Sp. z o.o. at account in Millennium DOM Maklerski S.A.	88 248	0
Receivables from loans, advances, purchased receivables and deposits	1 453 321	31 484
Shares in subsidiaries subject to consolidation	100 015	0
Debt securities	48 634	0
Short-term financial assets (valuation of derivatives)	405	30 379
Other assets	46 319	0
Dividend to be received by the Bank from Millennium Leasing Sp. z o.o.	496 021	0

LIABILITIES	With subsidiaries	With controlling entity - BCP
Liabilities from accepted deposits, loans, advances, sold receivables	2 086 880	0
Liabilities from securities sold with buy-back clause	48 634	0
Short-term financial liabilities (valuation of derivatives)	405	23 467
Special funds and other liabilities	4 392	0
Dividend to be paid by Millennium Leasing Sp. z o.o. to the Bank	506 363	0

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS OF 31.12.05

ASSETS	With subsidiaries	With controlling entity - BCP
Accounts and deposits kept in the Bank	345 891	0
Receivables from loans, advances, purchased receivables and deposits	1 416 401	12 954
Receivables from securities bought with sell-back clause	358 842	0
Shares in subsidiaries subject to consolidation	98 741	0
Debt securities	60 328	0
Short-term financial assets (valuation of derivatives)	0	2 226
Other assets	32 677	0

LIABILITIES	With subsidiaries	With controlling entity - BCP
Liabilities from accepted deposits, loans, advances, sold receivables	1 786 573	12 432
Liabilities from securities sold with buy-back clause	411 078	0
Short-term financial liabilities (valuation of derivatives)	525	17 566
Subordinated debt of Millennium DOM Maklerski S.A. to the Bank	22 275	0
Special funds and other liabilities	1 756	0

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) FOR THE PERIOD OF 1.01-30.06.06

Income from:	With subsidiaries	With controlling entity - BCP
Interest	38 376	18 452
Bank and brokerage commissions	15 726	0
Financial operations	79	14 193
Due/paid-out group internal dividends	505 039	0
Other operating income	16 354	0

Expense from:	With subsidiaries	With controlling entity - BCP
Interest	43 992	14 020
Bank and brokerage commissions	16 956	0
Financial operations	1 146	0
Other operating expenses	9 350	0
Operations of entities subject to consolidation	7 013	57

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) FOR THE PERIOD OF 1.01-30.06.05

Income from:	With subsidiaries	With controlling entity - BCP
Interest	81 352	16 615
Bank and brokerage commissions	4 819	0
Financial operations	215	34 093
Due/paid-out group internal dividends	236 116	0
Other operating income	8 824	0

Expense from:	With subsidiaries	With controlling entity - BCP
Interest	78 761	22 540
Bank and brokerage commissions	4 610	0
Financial operations	202	2 317
Other operating expenses	4 972	0
Operations of entities subject to consolidation	3 499	0

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS OF NA 30.06.06

	With subsidiaries	With controlling entity - BCP
Conditional commitments	125 686	0
Derivatives (par value)	115 398	2 202 664

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS OF 31.12.05

	With subsidiaries	With controlling entity - BCP
Conditional commitments	79 501	0
Derivatives (par value)	120 440	1 412 836

(2) INFORMATION ON THE VALUE OF OUTSTANDING PREPAYMENTS, LOANS, ADVANCES AND GUARANTEES

Data as of 30.06.2006:

1. The members of Management Board of the Bank have a total debt limit of PLN 445.0 thous, including unutilised credit card limit of PLN 188.2 thous.
2. There were no outstanding guarantees given to the members of Management Board of the Bank.
3. The members of the Supervisory Board have a debt limit of PLN 195.0 thous, including unutilised credit card limit of PLN 191.0 thous.
4. The Bank was reporting exposure to an entity personally linked to a member of the Supervisory Board in the total amount of PLN 14 414 thous.

The outstanding balance of loans granted to the Bank's employees from the Company Social Benefits Fund was PLN 4 358.7 thous.

The Bank is not keeping a record of loans and advances granted to employees as part of its day-to-day business i.e. under terms and subject to conditions defined for the Bank's Customers.

Data as of 31.12.2005:

1. The members of Management Board of the Bank have a total debt limit of PLN 401.5 thous, including unutilised credit card limit of PLN 159.1 thous.
2. There were no outstanding guarantees given to the members of Management Board of the Bank.
3. The members of the Supervisory Board have a debt limit of PLN 155.0 thous, including unutilised credit card limit of PLN 148.8 thous.
4. The Bank was reporting exposure to an entity personally linked to a member of the Supervisory Board in the total amount of PLN 16 306 thous.

The outstanding balance of loans granted to the Bank's employees from the Company Social Benefits Fund was PLN 4 465.9 thous.

The Bank is not keeping a record of loans and advances granted to employees as part of its day-to-day business i.e. under terms and subject to conditions defined for the Bank's Customers.

(3) INFORMATION ABOUT MANAGEMENT AND SUPERVISORY BOARD MEMBERS OF THE BANK'S COMPENSATIONS AND BENEFITS

1. Compensations and benefits of the Members of the Management Board of the Bank (data in thousand PLN):

Period	Short-term salaries and benefits
1.01-30.06.2005	16 046.80
1.01-30.06.2006	11 761.00

The benefits are mostly the costs of accommodation of the foreign Members of the Management Board. In case Member of the Management Board is not re-appointed for the new term or his employment contract is terminated, the Member of the Management Board is entitled to severance pay.

2. Compensations and benefits of the Members of the Supervisory Board of the Bank (data in thousand PLN):

Period	Short-term salaries and benefits
1.01-30.06.2005	838.2
1.01-30.06.2006	1 165.9

(4) NUMBER OF SHARES OF THE BANK HELD BY THE MEMBERS OF THE BANK'S MANAGEMENT BOARD AND SUPERVISORY BOARD (PERFORMING THEIR FUNCTIONS ON JUNE 30 2006)

Name and surname	Position/Function	Number of shares as of 30.06.2006	Number of shares as of 31.12.2005
Bogusław Kott	Chairman of the Management Board	3 023 174	3 023 174
Luis Pereira Coutinho	Deputy Chairman of the Management Board	0	0
Fernando Bicho	Member of the Management Board	0	0
Julianna Boniuk-Gorzelańczyk	Member of the Management Board	490 000	490 000
Wojciech Haase	Member of the Management Board	5 246	5 246
Wiesław Kalinowski	Member of the Management Board	0	0
Zbigniew Kudaś	Member of the Management Board	0	0
Manuel Teixeira	Member of the Management Board	0	0
Jerzy Andrzejewicz	Proxy	6 260	6 260
Maciej Bednarkiewicz	Chairman of the Supervisory Board	94	94
Ryszard Pospieszyński	Deputy Chairman of the Supervisory Board	26 200	26 200
Christopher de Beck	Member of the Supervisory Board	95 000	95 000
Dimitrios Contominas	Member of the Supervisory Board	0	0
PedroTeixeira Duarte	Member of the Supervisory Board	0	-
Marek Furtek	Member of the Supervisory Board	1	-
Jorge Manuel Jardim Goncalves	Member of the Supervisory Board	10 000	10 000
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Francisco de Lacerda	Member of the Supervisory Board	0	0
Vasco de Mello	Member of the Supervisory Board	0	0
Paulo Teixeira Pinto	Member of the Supervisory Board	0	0
Marek Rocki	Member of the Supervisory Board	0	0
Dariusz Rosati	Member of the Supervisory Board	0	0
Zbigniew Sobolewski	Member of the Supervisory Board	0	0

XVI. RISK MANAGEMENT

Exposure to risk is intrinsically connected with financial market activities and constitutes a fundamental factor underlying the behaviour of market participants, in particular financial institutions. A lion's share of financial decisions is now made in view of their risk.

With this in mind the Bank developed and implemented a risk management policy aimed at elimination of the potential threats to the activity of Bank Millennium Group. At an operational level three high-level committees are responsible for managing individual bank risk areas and their day-to-day control within the framework specified by the Management Board. These are the ALCO Committee, Credit Committee and Operating Risk Committee.

In a lot of areas risk management in the Bank Millennium Group is conducted in close co-operation with Millenniumbcp Group.

The main risk management areas include: credit risk, market risk, liquidity risk and operational risk. Risk measurement, analysis, control and management require application of a broad spectrum of methods and advanced mathematical tools. All risk types are monitored and controlled against the profitability of business and level of capital necessary to ensure the security of the operations in terms of capital requirements.

Bank Millennium Group maintains a high level of equity, which allows keeping capital ratios much above the minimum requirement. As at June 30, 2006 the level of own capitals of the Capital Group stood at PLN 2 039 million (of which for the Bank itself PLN 1 715 million) and the solvency ratio stood at 16.95% (for the Group) and 10.56% (for the Bank).

1. Credit Risk

Credit risk denotes uncertainty as to the Client's compliance with agreements concluded with the Bank in the field of its funding, i.e. repayment of principal and interest within a specified timeframe.

Credit risk management process is subject to the above described credit policy of the Bank Millennium Group, which is defined in detail in a number of procedures and other regulations.

In the area of credit risk, in the 1st half of 2006 the Group embarked on a number of new projects, and these included in particular:

- A new strategy and real estate market financing policy as well as mortgage-secured credit risk management policy were adopted,
- Modified principles for assessment of credit capacity were implemented for mortgage banking products – these principles were first of all execution of the recommendations contained in Recommendation S issued by the Banking Supervision Commission,
- A dedicated collateral management unit was set up with the Bank's organisation.

In the Group credit risk losses are estimated in accordance with the International Accounting Standards (IAS). Impairment is calculated for:

- Exposures material from the Bank's point of view – individual analysis,
- Other exposures – collective analysis,

Individual analysis consists in a detailed assessment of a selected group of clients for occurrence of specific impairment triggers for receivables. Once they are detected the probability of capital and interest flows are estimated in connection with a given exposure, following which such flows are discounted and compared with the current exposure disclosed under the IAS (adjusted exposure).

Collective analysis consists in dividing other loan exposures into homogenous portfolios in terms of risk and determining the impairment on the basis of two parameters calculated on the basis of historical data: probability of default (PD) and loss given default (LGD).

An important element of credit risk assessment is provided by scoring and rating models employed at the Bank in support of the analytical processes with respect to individuals and corporates. Such models are cyclically assessed for correct client segmentation according to risk classes.

The scoring models applied in the Group and earlier-adopted credit-decision support system have both contributed to improvement in the quality and speed of services for individual borrowers. Moreover, training sessions were conducted for employees – primarily internal training – for improved customer service and broader understanding of legal provisions and assessment of customers' financial standing.

2. Market risk

Market risk is connected with the uncertainty that interest rates, FX rates and prices of securities as well as derivative financial instruments held by the Group will take values deviating from originally assumed levels, which will lead to uncontrolled gains or losses on positions.

In the 1st half of 2006 the Bank continued to develop the market risk control system with a view to both adapting to requirements of the changing financial business profile of the Bank, resulting inter alia from greater differentiation and growing trade in financial instruments, reflecting legally required detailed risk control rules as well as adjusting measurement tools to new methodological achievements and greater technical capacity.

The basic method used for purposes of daily management of market risk in the Bank are the Value at Risk (VaR) method. The Value at Risk method is used with respect to the trading and banking portfolios covering all and any financial instruments both on and off-balance sheet.

To supplement the VaR method the Bank is backtesting the models and developing tools for the measurement of market risk of trading portfolios with use of scenario methods. These methods are especially useful from the point of view of extraordinary events, which the VaR method is unable to anticipate. In parallel with changes concerning organisation and methodology of controlling market risk the Bank continued to introduce technological changes concerning IT solutions, supporting risk management. The Bank, on the basis of the Kondor+ transaction system, supporting transactions entered into in the Treasury Department, is using the InVaR tool built by the Strategic Investor (BCP Risk Office) jointly with Reuters on the basis of the RiskMetrics methodology (JP Morgan). From the point of view of risk control the new transaction system has some important features: it provides access to an integrated and complete transaction database, permits management of all positions and control of limits utilisation in real time as well as allows daily calculation of the result on all operational levels.

Interest Rate Risk

As regards Interest Rate Risk the Bank adopts the principle of maximising market value of capital when realising assumed net interest income within accepted risk limits.

On the last day of June 2006 the Bank's Value at Risk owing to Interest Rate Risk was ca PLN 66.1 million (ca PLN 25.8 million average during the first half of 2006) with a valid global limit on market risk of PLN 48.2 million.

The limit was exceeded due to a strong increase in volatility of market interest rates in the second half of June driven mostly by resignation of the Minister of Finance. This exceeding was ratified by the CALCO in accordance with the procedures in force at the Bank. Bank's risk management procedures allow some limit exceeding – of specified size and duration – resulting from temporary fluctuations of market parameters, provided the Bank recognises them as transient.

Apart from Value at Risk (VaR) the Bank is also estimating hypothetical changes in its financial result (EaR) caused by changes of market interest rates.

On 30.06.2006 the structure of balance-sheet and off-balance items, considered in exposure to Interest Rate Risk, was as follows:

ASSETS (PLN million)

	to 1 m	1-3 m	3-6 m	6-12 m	1-3 yrs	3-5 yrs	ab. 5 yrs	Total
Placed interbank deposits	221.3	196.0	133.9	455.2	98.0	0.0	0.0	1 104.5
Loans to financial and non-financial sector	2 599.9	7 876.7	194.2	779.4	366.0	111.0	5.6	11 932.6
Securities (in purchase and sale transactions)	262.8	1 075.3	889.6	1 237.0	684.3	839.7	130.6	5 119.2
Interest rate swaps	4 291.1	9 376.3	3 783.8	2 399.8	5 843.9	1 193.2	0.0	26 888.0
FRA	199.5	595.7	546.6	732.3	0.0	0.0	0.0	2 074.1
Other assets exposed to interest rate risk	7 432.5	7 333.3	2 565.8	1 477.9	1 545.2	705.0	55.7	21 115.4
Other assets	542.8	0.0	0.0	1 645.2	0.0	0.0	0.0	2 188.0
Total assets	**15 549.9**	**26 453.2**	**8 114.0**	**8 726.6**	**8 537.3**	**2 848.9**	**191.9**	**70 421.8**

LIABILITIES (PLN million)

	to 1 m	1-3 m	3-6 m	6-12 m	1-3 yrs	3-5 yrs	ab. 5 yrs	Total
Accepted interbank deposits	1 609.6	362.9	32.4	20.0	0.0	0.0	0.0	2 024.9
Deposits accepted from customers	8 622.2	3 532.4	1 379.8	788.6	622.6	0.0	0.0	14 945.6
Issued debt securities	0.0	0.0	336.9	0.0	22.8	0.0	0.0	359.8
Interest rate swaps	4 582.3	8 686.3	5 125.1	3 002.0	3 291.9	2 108.6	88.9	26 885.2
FRA	249.2	149.1	890.2	785.5	0.0	0.0	0.0	2 074.0
Other liabilities exposed to interest rate risk	8 842.6	7 204.3	2 383.9	1 095.0	710.6	247.9	116.1	20 600.4
Other liabilities	34.0	386.7	0.0	3 111.2	0.0	0.0	0.0	3 531.9
Total liabilities	**23 939.9**	**20 321.7**	**10 148.3**	**8 802.4**	**4 648.0**	**2 356.5**	**205.0**	**70 421.8**

Mismatch in revaluation periods	**-8 390.0**	**6 131.5**	**-2 034.3**	**-75.7**	**3 889.3**	**492.4**	**-13.1**	**0.0**

In the Bank's balance sheet there are assets and liabilities:

a) Encumbered with fair value risk connected with interest rate risk:

- Debt securities with fixed interest rate,
- Discount debt securities,
- Fixed rate loans and deposits,
- Commitments on account of issue of fixed interest rate securities.

b) Encumbered with risk of cash flows connected with interest rate:

- Variable rate debt securities,
- Variable rate loans and deposits.

c) Not encumbered directly by interest rate risk:

- Fixed assets,
- Equity investments,
- Own funds

The table below presents effective interest rates of selected balance-sheet items:

Balance sheet item	TOTAL - AVERAGE %	PLN	USD	EUR	CHF	GBP	JPY
Receivables from banks	4.33%	4.30%	4.78%	2.82%	-	4.62%	-
Debt instruments							
Available for sale	4.64%	4.62%	5.62%	-	-	-	-
Trading	4.75%	4.73%	5.69%	4.22%	-	-	-
Receivables from customers	5.35%	7.57%	6.56%	4.74%	3.57%		3.50%
Receivables on account of reverse-repo	4.01%	4.03%	4.95%	2.68%	-	-	-
Liabilities to banks	4.00%	4.07%	4.89%	2.82%	1.38%	4.69%	-
Liabilities to customers							
Term	3.83%	3.86%	4.27%	2.21%	0.60%	3.37%	-
Current accounts	1.04%	1.07%	0.60%	0.88%	0.50%	0.79%	0.50%
Saving accounts	4.25%	4.26%	0.50%	1.50%	-	-	-
Liabilities on account of repo	3.91%	3.91%	-	-	-	-	-
Issued debt securities	4.32%	4.32%	-	-	-	-	-
Subordinated liabilities	3.12%	-	-	3.12%	-	-	-

FX risk

The main aim of managing FX risk is shaping the structure of FX assets and liabilities as well as off-balance items within internal limits as well as external limits defined in the Bank's case by requirements of the Banking Law.

In the 1st half of 2006 the Bank maintained a balanced FX position. As at the end of June the Bank's Value at Risk on account of FX risk was approx. PLN 0.7 million (average in the first half of 2006 of ca PLN 0.7 million) with a valid limit of PLN 16.1 million.

Risk connected with derivatives

All transactions, the object of which are financial derivative instruments, are concluded either to hedge open balance-sheet positions or, within defined internal limits, for trading purposes. The key derivatives, which the Bank is using both for the purpose of managing interest rate risk and FX risk as well as for trading purposes, are the following: *FX Forward, Forward Rate Agreement, Interest Rate Swap, FX Swap, Cross Currency Swap* and *FX options*.

In particular the Bank uses *FX Swap* and *Cross Currency Swap* transactions as source of financing FX-denominated loans.

The capital requirement for the Group regarding the trading portfolio, calculated for purposes of the solvency ratio as at June 30, 2006 was as follows (data in PLN thous.):

Market risk not covered by model, including:	
- risk of prices of equity securities	312
- general interest rate risk	30 739
- delivery settlement and counterparty risk	4 442
Total	**35 493**

3. Liquidity risk

For the Bank the overriding aim of liquidity risk management is such management of funds that considering negative scenarios of changes in the environment it is possible to punctually satisfy all contractual liabilities of the Bank to customers. Liquidity risk would also arise when the Bank would have difficulty with raising funds to finance its operational activity or would be unable to liquidate its tradable assets in a relatively short period of time, observing market price levels. Accordingly the liquidity reserve is comprised of a portfolio of treasury securities with highest secondary market liquidity.

The Bank is managing liquidity risk on a daily basis using the net liquid assets method (liquidity gap). To ensure the proper level of current liquidity the Bank maintains a mandatory deposit at a level compliant with NBP requirements, funds on nostro accounts essential to effect non-cash settlements, optimum funds in the Bank’s treasuries, a liquidity reserve in the form of highly liquid financial instruments.

In its investment policy the Bank is guided by requirements of the Banking Law and recommendations of NBP. The Bank applies an internal structural liquidity ratio defining the ratio of real terms maturing total assets to real terms total liabilities. The safe level of this ratio in the bracket up to 3 months, as applied by the Bank, is 100%. Limited at 20% is the ratio of liquid assets, defining the share of liquid assets in the Bank’s balance-sheet, which share reached 34.8% at the end of June 2006. Limited spot liquidity ratios (balance of money market receivables and liabilities, plus securities available for immediate sale) as well as quarterly (the lowest, accumulated in the course of a quarter balance of money market receivables and liabilities, plus securities available for immediate sale on the date of occurrence of this balance) were well above the adopted minimum values. For purposes of current liquidity a portfolio is kept of blocked treasury securities in an amount ensuring the ability to meet short-term payments. Moreover, subject to monitoring is the concentration of liabilities to the largest customers as well as the evolution of the structure of assets and liabilities (balance-sheet and off-balance) of the Bank, which permits early identification of trends that are negative in respect of financial liquidity. Supplementing the above, stability of the deposits base, premature termination of deposits as well as the scale of unauthorised overdrafts and utilisation of opened credit lines are regularly examined. By way of covering liquidity risk connected with the most unstable part of sources of funding an additional limit was introduced for the minimum value of the portfolio of liquid securities and short-term interbank deposits.

The Bank has procedures to be followed in case of a situation threatening with significant increase of liquidity risk, i.e. a contingency plan in case of deterioration of the Bank's financial liquidity.

On the last day of December 2005 the liquidity measures applied by the Bank were as follows:

On June 30, 2006 the liquidity measures applied by the Bank were as follows:

1. Structural liquidity:

Real Terms Liquidity Gap (PLN million)	**to 3 m**	**ab. 3m**
Balance sheet gap	1 354.2	-882.8
Accumulated balance sheet gap	1 354.2	471.4
Off-balance gap	-162.2	0.0
Total gap	1 191.9	-882.8
Total accumulated gap	1 191.9	309.2

Liquid assets ratio	**PLN million**
Liquid assets	8 165.2
Total assets	23 436.4
Share of liquid assets in total assets %	**34.8%**

2. Current liquidity:

Current liquidity ratios	Highly liquid assets	Spot liquidity ratio	Quarterly liquidity ratio	Deposits volatility hedging ratio
Level in PLN million	4 934.0	3 938.0	1 535.8	7 431.5
Minimum limit in PLN million	-	321.1	1 284.3	2 000.0

4. Operational risk

Bank Millennium S.A., in pursuance with recommendations of the New Capital Accord and Recommendation M issued by the Banking Supervision Commission, defines operational risk as risk of a loss arising from inappropriate or unreliable internal actions and processes, human actions, systems and from the impact of external events. Operational risk is inherent in every type of business activity undertaken, with its occurrence not being limited to specifically described areas of activity of the institution. Accordingly, many events, which contain components of other types of risk (such as credit or market risk) also contain some elements of the operational risk. The above-mentioned definition does not cover system, strategic and reputation risk, but it does contain legal risk. Such operational risk factors as internal actions and processes, people, systems and external events may negatively impact both productivity and effectiveness of the Bank's activity as well as the quality of financial and management information being prepared as well as compliance of the institution's activity with external regulations in force.

In the first half of 2006 the Bank continued the process of implementation of advanced IT tools related to system improvement: collection of data on operational risk events (by business lines and proper categories), self-assessment of operational risk and key risk ratios system. Implementation of IT tools is conducted and co-ordinated at the level of the Millennium BCP Group. In pursuance to the standard approach under the New Capital Accord, the Bank Basel II project – implementation of provisions of the New Capital Accord. Additionally, in the first half of 2006 the Bank performed calculations and simulations regarding the size of its exposure to operational risk.

The Bank's operational risk initiatives are co-ordinated on the Operational Risk Committee level. The Committee identified areas of particular importance from the point of view of operational risk and these areas are obliged to report regularly to the Committee following defined standards. Moreover, initiatives are taken in the Committee, which are connected with the best possible management of operational risk.

5. Basel II – preparation status of the Bank Millennium Group

As regards calculation of capital requirements under the New Capital Accord, the Bank assumes application of the advanced IRB approach for credit risk and standard approach for operational risk. In order to obtain compliance with the New Capital Accord the Bank has been currently launching a number of initiatives integrated within the Basel II Project, approved by the Management Bard of the Bank. Within the project particular tasks regarding among others the following are being implemented:

- Development of scoring model calibration and validation,
- LGD and EAD estimation,
- Market risk,
- Operational risk,
- Capital adequacy evaluation approach.

Basel II project has been implemented within strict co-operation with Bank Millennium BCP.

XVII. CONTINGENT LIABILITIES AND COMMITMENTS

The total value of the court proceedings, where Bank Millennium S.A. appeared as the defendant or plaintiff before the court, competent arbitration authority or public administration body as at 31 December 2005, was PLN 906.5 million. The value of legal proceedings where the Bank appeared as the defendant was PLN 797.1 million and the value of legal proceedings in court litigations where the Bank appeared as the plaintiff was PLN 109.4 million.

The largest proceedings pending that involve the Group include:

Ø Proceeding where the Bank is the defendant

1. **Plaintiff:** individuals

   Value of the claim: PLN 407 400 000

   Object at issue: establishing of non-existence of the resolution of the Board of Commissioners of the former joint stock company as of 13.11.1992 and establishing non-existence of a number of further resolutions of the general meetings of shareholders of this Bank, for which a qualified majority is required.

   Status: On 24.01.2005 the Court dismissed the case. The plaintiffs filed an appeal, which was then dismissed on 11.11.2005. The Court adjudicated in favour of the defendants PLN 5 000 each for costs of representation in proceedings at law. The plaintiffs applied for delivery of an extract of the court sentence with justification. The sentence was sent to the plaintiffs in January 2006. The plaintiffs filed cassation complaint to which Bank's representative responded. The plaintiffs submitted a procedural writ dated 9.06.2006, in which they maintain their cassation complaint.

   Expectations: high probability of the Bank winning the case.

2. **Plaintiff:** individual

   Value of the claim: PLN 299 833 300

   Object at issue: adjudication to the plaintiff of damages for BIG BANK Spółka Akcyjna (former ŁBR S.A.).

   Status: On 26.10.2004 the Court suspended the proceedings until legally binding conclusion of the proceedings on another case; no complaint was filed against the decision to suspend the proceedings.

   Expectations: the result of the trial largely depends on the decision in another case, the probability of winning by the Bank, which is high in the Bank's opinion.

3. **Plaintiff:** joint stock company (in bankruptcy)

   Value of the claim: PLN 159 461 349

   Object at issue: declaring as ineffective:

   - A conditional agreement to sell property in Świnoujście between a joint stock with seat in Świnoujście and joint stock company with seat in Sopot;
   - Sale agreement for property in Świnoujście;

- Three operational back lease of June 18, 2002.

  Status: At present, proceedings to take evidence were conducted before the District Court in Gdańsk, IX Business Department. The proceedigns were closed with Court's sentence of June 14 2006, whereby the claim was fully dismissed and the costs of representation in proceedings at law were adjudicated in favour of the Company. The sentence in the case is not valid and one should expect the plaintiff to file an appeal.

4. **Plaintiff:** legal entity

   Value of the claim: PLN 18 293 091.71

   Object at issue: to deprive an executive title of enforceability

   Status: On 27.04.2006 the first trial was held – the proceedings were adjourned until 13.09.2006.

   Expectations: high probability of the Bank winning the case

5. **Plaintiff:** individual

   Value of the claim: PLN 14 537 257.53

   Object at issue: payment – plaintiff's claim is based on the thesis that B. Maklerskie as a result of its errors led to plaintiff's losing 20,000 stocks of BIG and 12,500 stocks of Swarzędz S.A.

   Status: On 7.03.2005 the District Court in Warsaw dismissed the claim and adjudicated in favour of the Bank the amount of PLN 18 thousand for the costs of representation by a solicitor. The plaintiff filed an appeal. The date of appeal trial has not been assigned.

   Expectations: in the Bank's opinion the probability of losing the case is low.

OFF-BALANCE SHEET ITEMS

	30.06.2006	31.12.2005
Off-balance conditional commitments granted and received	**6 352 889**	**5 854 949**
1. Commitments granted:	5 668 214	5 159 311
a) financial	4 965 902	4 424 112
b) guarantee	702 312	735 199
2. Commitments received:	684 675	695 638
a) financial	203 621	43 379
b) guarantee	481 054	652 259

The granted conditional commitments presented in the table above comprise commitments to grant credit (such as: unutilised credit card limits, unutilised current account overdraft facilities, unutilised tranches of investment loans) and issued guarantees and Letters of Credit (securing performance by customers of the Group of their obligations to third parties). The value of above-presented guarantee commitments presents the maximum value of a loss, which may be incurred by the Group, should the customers default on their obligations. The Group creates provisions for impaired irrevocable conditional commitments, reported in the "provisions" item under liabilities in the balance-sheet. The provision value is determined as the difference between the estimated amount of utilised conditional exposure and the present value of expected future cash flows under this credit exposure.

Guarantees, sureties and avals granted to Customers

In the period from 01.01.2006 to 30.06.2006 Bank Millennium S.A. granted 1 318 guarantees, sureties and avals in the total amount of PLN 333 095 thous (excluding guarantees under sureties of repayment of loans from the European Fund for the Development of Polish Villages).
As at 30.06.2006 the amount of these commitments was PLN 687 017 thous (1870 active guarantees), which means a growth of their value by PLN 65 242 thous i.e. by 8.67% over 31.12.2005.

The value of guarantees, sureties and avals granted in PLN decreased by PLN 55 462 thous i.e. by 9.87% over the end of the previous year with the value of these commitments granted in FX decreasing by PLN 9 780 thous i.e. by 5.15%.

The structure of commitments under guarantees, sureties and avals divided into commitments granted in PLN and in FX is presented in the table below:

	31.12.2005	**30.06.2006**
Commitments granted in PLN thous.:	562 181	506 719
Commitments granted in FX (equivalent in PLN thous.):	190 078	180 298
Total	**752 259**	**687 017**

The structure of commitments by type as at 30.06.2006 is presented in the table below:

Type of commitment	**Number**	**Amount in PLN thous.**
Avals	1	1 050
Guarantees	1 810	649 622
Sureties	2	7 194
Re-guarantees	57	29 151
Total	**1 870**	**687 017**

The structure of commitments by object as at 30.06.2006 is presented in the table below:

Object of the commitment	**Number**	**% share**	**Amount in PLN thous.**
contract performance	947	50.64%	283 568
rent payment	349	18.66%	48 927
bid bond	236	12.62%	18 514
payment for goods or services	149	7.97%	115 545
other	89	4.76%	60 746
advance return	49	2.62%	90 603

customs	35	1.76%	50 608
payment of bank loan	16	0.86%	18 506
Total	**1 870**	**100.00%**	**687 017**

The structure of guarantee commitments (net) by customer type, demonstrated as off-balance sheet items, as at 30.06.2006 is presented in the table below:

Customer - sector	Amount in PLN million
- financial sector	29.3
- non-financial sector (companies)	620.4
- public sector	26.8
- individuals	25.8
Total	**702.3**

The Bank as a parent entity did not extend any guarantees, sureties or avals to other companies of the Capital Group, however it did extend such instruments upon request of these companies to external entities. The value of guarantees, sureties and avals extended by the Bank upon request of companies from the Group is presented in the table below:

Subsidiary	Amount in PLN million
TBM Sp. z o.o.	0.2
Total	**0.2**

XVIII. OPERATING LEASE

The Group has agreements for rental of office space, which under IAS 17 are reported as operating leases. The largest lessee of office space is the Bank. Standard agreements on lease of commercial premises are signed by the Bank as a rule for a specified term of 5 to 10 years. A major part of these agreements is signed for 5 years with a clause stipulating the lessee's right to extend the term of rent for another 5 years pursuant to a relevant statement. The remaining agreements are entered into for an unspecified term and may be terminated with notice of usually 3 to 6 months.

Total liabilities on account of irrevocable operating lease are as follows (data in PLN '000):

Balance as at:	30.06.06	31.12.05
- to 1 year	30 046	58 800
- above 1 year to 5 years	89 488	97 130
- above 5 years	8 317	5 770

XIX. IMPORTANT EVENTS BETWEEN THE DATE OF PREPARATION OF THE REPORT AND THE DATE OF ITS PUBLICATION

- Mr Rui Manuel da Silva Teixeira submited a resignation from the function of the member of the Bank's Management Board as of 19 July 2006. The resignation follows new responsibilities he was entrusted within the BCP Group.
  The Supervisory Board of the Bank at their meeting held on July 19, acting on the grounds of par. 17 sec. 1 of the Articles of Association of the Bank, appointed Mr Joao Bras Jorge as a member of the Management Board of the Bank as of 19 July 2006.
  Mr Joao Bras Jorge holds a degree in Management from the Portuguese Catholic University in Lisbon and post-graduate Management Program in AESE.
  He started his career in 1990 as stockbroker in UIF Corretores and later in Banco Santander Investment. In 1994 he moved to Mello Valores, Brokerage House of Banco Mello group, where he became Chief Executive Officer (CEO). In 1998, became member of the Board of Banco Mello Investimentos as Head of Equities. When Banco Comercial Portugues acquired Banco Mello in year 2000 he was appointed member of the Board of Directors of BCP Investimento as Head of Equities.
  In 2001 he moved to retail banking as co-Coordinator of retail networks Atlantico and Sotomayor and later became responsible for the Clients Division. From 2005 he worked as Chief of Staff in the Office of the Chairman of Millennium BCP.

- On July 26, 2006 it was announced that an agreement was concluded with one of the banks on July 26 2006, whereby the Bank joined the syndicated loan granted to our Client, with the Bank's exposure amounting to EUR 25 000 00.00 EUR. The agreement in question does not contain provisions regarding contractual penalties and the loan becomes due and payable on December 22, 2010. The criterion for recognising the above mentioned agreement as material is the exceeding of 10% value of the Bank's equity within the time shorter than 12 months. The total value of all the agreements with this Client amounts to PLN 205 910 thousand, of which the agreement described in this report is the one of the highest value.

- On August 1 a transaction (agreement) was entered into with a natural person regarding the sale of 100% shares in the company MP Plaza Sp. z o.o. by the sole partner of the company – Millennium Leasing Sp. z o.o. – a subsidiary of the Bank. The object of the sale were 100 shares with nominal value of PLN 500.00 each in MP Plaza Limited Liability Company with its seat in Warsaw i.e. a total of PLN 50 000.00. These shares constituted 100% of the company's initial capital and permited exercising 100 votes, which constituted 100% of all votes at the Partner's Meeting. The selling price was PLN 41 000.00; the balance sheet value recorded in the books of Millennium Leasing Spółka z o.o was PLN 40 000.00. The transaction does not have an impact on the consolidated result of the Bank.

Initially made investment regarding the purchase of shares of MP Plaza Sp. z o.o. was a long-term one.

The agreement regarding sale of shares was not an agreement with a related entity.

- The Bank carried out the transaction of purchase of the company MP Leasing Spółka z o.o. ("Company") with its seat in Warsaw, Al. Jerozolimskie 123 A. The transaction concerns acquisition of 100% shares in the Company, which arose in result of the split of Millennium Leasing Spółka z o.o. with its seat in Warsaw ("Millennium Leasing") on the basis of art. 529 § 1 item 4 of the Code of Commercial Companies ("KSH") – by separating out from the assets of Millennium Leasing an organised part of the enterprise including a commercial real estate.

  The Extraordinary Shareholders Meeting of Millennium Leasing on 4 August 2006 passed a resolution on splitting Millennium Leasing pursuant to the procedure in art. 529 § 1 item 4 KSH. With the decision of 31 August, 2006 the Local Court for the Capital City of Warsaw, XII Business Department of the National Court Register entered under the number KRS 0000263201 in the Register a new company under the name MP Leasing Spółka z ograniczoną odpowiedzialnością (Limited Liability Company) with its seat in Warsaw. The Company's initial capital amounts to PLN 150 000 and is divided into 1,500 equal and indivisible shares of PLN 100 each.

  The Bank acquired 100% shares in the Company at face value. The Bank owns 100% shares both in Millennium Leasing (the company being split) as well as in the Company created in result of the split. The acquisition of above assets was done with the Bank's own funds.

SIGNATURES:

Date	Name and surname	Position/Function	Signature
....	**Bogusław Kott**	**Chairman of the Management Board**	....
....	**Luis Pereira Coutinho**	**Deputy Chairman of the Management Board**	....
....	**Fernando Bicho**	**Member of the Management Board**	....
....	**Julianna Boniuk-Gorzelańczyk**	**Member of the Management Board**	....
....	**Wojciech Haase**	**Member of the Management Board**	....
....	**Joao Bras Jorge**	**Member of the Management Board**	....
....	**Wiesław Kalinowski**	**Member of the Management Board**	....
....	**Zbigniew Kudaś**	**Member of the Management Board**	....

2. Short-Form Financial Statement of Bank Millennium S.A. for the First Half of 2006

CONTENTS

I. STANDALONE FINANCIAL DATA OF THE BANK

INCOME STATEMENT

Amount '000 PLN	**1.01.2006 - 30.06.2006**	**1.01.2005 - 30.06.2005**
I. Interest income	547 707	537 224
II. Interest expense	-304 591	-394 014
III. Net interest income	**243 116**	**143 210**
IV. Fee and commission income	148 831	108 967
V. Fee and commission expense	-20 055	-10 930
VI. Net fee and commission income	**128 776**	**98 037**
VII. Dividend income	498 594	218 167
VIII. Result on investment financial assets	3 125	31 521
IX. Result on financial instruments valued at fair value through profit and loss	8 661	81 256
X. Result on other financial instruments	-4 734	-1 469
XI. Foreign exchange profit	76 552	36 271
XII. Other operating income	25 611	10 881
XIII. Other operating expenses	-14 845	-3 987
XIV. Operating income	**964 856**	**613 887**
XV. General and administrative expenses	-333 583	-300 125
XVI. Impairment losses on financial assets	-17 680	15 338
XVII. Impairment losses on non financial assets	-1 797	-6 035
XVIII. Depreciation and amortization	-29 097	-37 955
XIX. Operating expenses	**-382 157**	**-328 777**
XX. Gross profit / (loss)	**582 699**	**285 110**
XXI. Corporate income tax	-19 306	-17 023
XXII. Net profit / (loss)	**563 393**	**268 087**
Weighted average number of ordinary shares	849 181 744	849 181 744
Basic earnings (losses) per ordinary share (in PLN)	**0.66**	**0.32**

ASSETS

Amount '000 PLN	**30.06.2006**	**31.12.2005**
I. Cash, balances with the Central Bank	795 203	510 785
II. Loans and advances to banks	1 503 516	2 602 777
III. Financial assets valued at fair value through profit and loss	2 809 292	3 302 666
IV. Hedging derivatives	16 784	14 826
V. Loans and advances to customers	11 246 966	8 979 683
VI. Investment financial assets	4 913 704	4 909 751
- available for sale	4 913 704	4 831 115
- held to maturity	0	78 636
VII. Investments in associates	95 316	94 142
VIII. Receivables from securities bought with sell-back clause	164 795	331 155
IX. Property, plant and equipment	210 118	233 575
X. Intangible assets	18 159	26 352
XI. Non current assets held for sale	45 931	222 349
XII. Deferred income tax assets	77 537	89 121
XIII. Other assets	1 306 710	256 862
Total Assets	**23 204 031**	**21 574 044**

LIABILITIES

Amount '000 PLN	**30.06.2006**	**31.12.2005**
I. Deposits from banks	2 136 178	1 067 404
II. Financial liabilities valued at fair value through profit and loss	389 379	504 185
III. Hedging derivatives	102 788	22 273
IV. Deposits from customers	15 045 183	14 084 704
V. Liabilities from securities sold with buy-back clause	2 325 072	3 472 115
VI. Debt securities	32 782	32 587
VII. Provisions	17 719	15 843
VIII. Deferred income tax liabilities	0	0
IX. Current tax liabilities	0	0
X. Other liabilities	1 116 028	422 767
XI. Subordinated debt	324 287	309 504
Total Liabilities	**21 489 416**	**19 931 382**

EQUITY		
I. Share capital	849 182	849 182
II. Share premium	472 343	472 343
III. Revaluation reserve	-5 268	27 612
IV. Retained earnings	398 359	293 525
Total Equity	**1 714 615**	**1 642 662**
Total Liabilities and Equity	**23 204 031**	**21 574 044**
Capital adequacy ratio	**10.56%**	**10.67%**
Book value	**1 714 615**	**1 642 662**
Number of shares	**849 181 744**	**849 181 744**
Book value per share (in PLN)	**2.02**	**1.93**

MOVEMENTS IN EQUITY	Total equity	Share capital	Share premium	Revaluation reserve on available for sale financial assets	Revaluation reserve on derivatives designated for future cash flows hedge	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2006	**1 642 662**	**849 182**	**472 343**	**27 612**	**0**	**293 525**
- purchase/sale and valuation of available for sale financial assets	-33 599	0	0	-33 599	0	0
- effect of valuation of derivatives designated for future cash flows hedge	718	0	0	0	718	0
Net profit / (loss) not recognized in income statement	-32 880	0	0	-33 599	718	0
- net profit / (loss) of the period	563 393	0	0	0	0	563 393
Total net profit / (loss) of 2006	530 513	0	0	-33 599	718	563 393
- dividend payments	-458 558	0	0	0	0	-458 558
Equity at the end of the period (closing balance) 30.06.2006	**1 714 615**	**849 182**	**472 343**	**-5 987**	**718**	**398 359**

MOVEMENTS IN EQUITY	Total equity	Share capital	Share premium	Revaluation reserve on available for sale financial assets	Revaluation reserve on derivatives designated for future cash flows hedge	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2005	**1 447 915**	**849 182**	**508 095**	**21 367**	**0**	**69 271**
- purchase/sale and valuation of available for sale financial assets	37 426	0	0	37 426	0	0
Net profit / (loss) not recognized in income statement	37 426	0	0	37 426	0	0
- net profit / (loss) of the period	268 087	0	0	0	0	268 087
Total net profit / (loss) of 2005	305 513	0	0	37 426	0	268 087
- coverage of loss of previous years	0	0	-35 752	0	0	35 752
- dividend payments	-237 771	0	0	0	0	-237 771
Equity at the end of the period (closing balance) 30.06.2005	**1 515 657**	**849 182**	**472 343**	**58 793**	**0**	**135 339**

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 30.06.2006**	**1.01.2005 - 30.06.2005**
I. Net profit (loss)	**563 393**	**268 087**
II. Adjustments for:	**-2 748 651**	**-251 274**
1. Minority profit (loss)	0	0
2. Interests in net profit / (loss) of associated companies	0	0
3. Depreciation and amortization	29 097	37 955
4. Foreign exchange (gains) / losses	14 464	-7 005
5. Dividends	-498 594	-218 167
6. Changes in provisions	1 876	-11 420
7. Result on sale and liquidation of investing activity assets	-10 850	1 207
8. Change in financial assets valued at fair value through profit and loss	-714 558	-199 804
9. Change in other financial assets valued at fair value through profit and loss	0	0
10. Change in loans and advances to banks	-57 723	46 716
11. Change in loans and advances to customers	-2 263 599	-1 054 933
12. Change in receivables from securities bought with sell-back clause	166 360	-123 581
13. Change in liabilities valued at fair value through profit and loss	-34 291	-69 394
14. Change in deposits from banks	1 058 708	402 263
15. Change in deposits from customers	960 479	-1 070 541
16. Change in liabilities from securities sold with buy-back clause	-1 147 043	1 782 275
17. Change in debt securities	195	2 116
18. Change in income tax settlements	19 298	28 131
19. Income tax paid	0	0
20. Change in other assets and liabilities	-272 380	199 049
21. Other	-90	3 859
III. Net cash flows from operating activities	**-2 185 258**	**16 813**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 30.06.2006**	**1.01.2005 - 30.06.2005**
I. Inflows:	**4 672 829**	**2 687 933**
1. Proceeds from sale of property, plant and equipment and intangible assets	122 091	1 808
2. Proceeds from sale of shares in associates	0	175
3. Proceeds from sale of financial assets valued at fair value through profit and loss	0	0
4. Proceeds from sale of investment financial assets	4 528 368	2 685 950
5. Other	22 370	0
II. Outflows:	**-4 133 547**	**-3 196 791**
1. Acquisition of property, plant and equipment and intangible assets	-200	-2 905
2. Acquisition of shares in associates	-950	0
3. Acquisition of financial assets valued at fair value through profit and loss	0	0
4. Acquisition of investment financial assets	-4 118 397	-3 193 886
5. Other	-14 000	0
III. Net cash flows from investing activities	**539 282**	**-508 858**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 30.06.2006**	**1.01.2005 - 30.06.2005**
I. Inflows:	**0**	**0**
1. Long-term bank loans	0	0
2. Issue of debt securities	0	0
3. Increase in subordinated debt	0	0
4. Net proceeds from issues of shares and additional capital paid-in	0	0
5. Other	0	0
II. Outflows:	**0**	**-1 163 897**
1. Repayment of long-term bank loans	0	-793 053
2. Redemption of debt securities	0	-133 073
3. Decrease in subordinated debt	0	0
4. Issue of shares expenses	0	0
5. Redemption of shares	0	0
6. Dividends paid and other payments to owners	0	-237 771
7. Other	0	0
III. Net cash flows from financing activities	**0**	**-1 163 897**

D. NET CASH FLOWS, TOTAL (A III+B III+C III)	**-1 645 976**	**-1 655 942**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**3 555 633**	**4 535 216**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	**1 909 657**	**2 879 274**

II. BASIS OF PREPARATION

This short-form interim financial statement of Bank Millennium SA (Bank) has been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable to interim financial reporting, approved by the European Union and in respect to matters that are not regulated by the above standards, in accordance with the requirements of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations, and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

This short-form interim standalone financial statement has been prepared on the basis of the same accounting principles which were employed to the interim consolidated financial statement, except the below-described principles of recording capital investments.

This statement is a supplementary statement to the full consolidated financial statement of the Bank Millennium S.A. Capital Group (Group), as specified in the Council of Ministers Ordinance dated 19 October 2005 concerning current and periodic information reported by issuers of securities (Dz. U. of 2005, item 209).

This financial statement was authorised for issue by the Management Board on 29 September 2006.

III. CHANGES OF ACCOUNTING POLICIES RESULTING FROM IFRS IMPLEMENTATION AT THE BANK

The first annual consolidated financial statement of the Group in accordance with IFRS was prepared for the year ending 31 December 2005. The requirements of IFRS 1 were employed for the preparation of the statement. The day of the Group's switchover to IFRS was the day of the opening balance of earliest of the periods presented in the consolidated financial statement for year ending 31 December 2005, i.e. 1 January 2004, as described in detail in this statement.

The standalone financial statement of the Bank for the year ending 31 December 2005 was prepared in accordance with the Polish Accounting Standards (in accordance with the Accounting Act dated 29 September 1994 and its secondary regulations).

Pursuant to art. 45 and in connection with art. 2 section 3 of the Accounting Act of 29 September 1994 (Dz. U of 2002 No 76 item 694) the Bank's Ordinary General Shareholder Meeting of 6 April 2006 approved the implementation of the International Financial Reporting Standards and related interpretations published in the form EU Commission's regulations for standalone financial statements of the Bank, starting from financial statements for reporting periods starting in 2006.

Pursuant to IFRS 1 section 25, if the parent entity (the Bank) adopted IFRS for the first time during the preparation of the standalone financial statement in a later period then the date of employing IFRS in order to prepare by it a consolidated financial statement, then it should value all its assets and liabilities in the same amounts in both financial statements, prior to consolidation adjustments.

Consequently, the date of the Bank's adoption of IFRS is the date of the opening balance day for the earliest of the presented periods, i.e. 1st January 2005. Thus, in accordance with IAS 8 the Bank fully adjusted 2005 comparable data for compliance with IFRS.

The most important changes implemented at the Bank (standalone statement) as a result of implementing IFRS changes, are as follows:

1. Equity method valuation

In accordance with the amended version of IAS 27 (in force since 1 January 2005) in a standalone report shares and stocks held by a reporting entity in subsidiaries must not be valued by equity method.

As they stand now the Polish Accounting Standards (Decree of the Minister of Finance dated 10 December 2001 concerning Special Principles of Accounting at Banks, as later amended) impose the obligation of employing such valuation methodology with respect to shares in subsidiaries.

Consequently, at moment of IFRS implementation in the preparation of the standalone financial statement the Bank discontinued equity method valuation introducing instead – with respect to shares in subsidiaries - the principle of valuation at cost in accordance with IAS 27 principles with impairment deductions, if any, pursuant to IAS 36

2. IAS 39 - Impairment of credit exposures and other financial assets carried at amortized cost

In accordance with IAS 39, a financial asset or a group of financial assets is impaired (and losses are incurred) only if there is objective evidence for impairment due to one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows regarding this asset or group of assets.

If an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at original effective interest rate (economic value). For the purposes of the calculation of the provision against balance sheet exposures analysed collectively, inter alia, the probability of default (PD) method is applied. Such an approach is to facilitate the identification of: 1) incurred losses and 2) losses incurred but not reported (incurred but not reported provision – IBNR).

As at 1 January 2005, as a result of introducing the IFRS, the Bank identified the following adjustments:

- adjustment in the level of impairment provisions between the level of loan impairment provisions under IFRS and provisions under PAS (Polish Accounting Standards);
- loan impairment provisions for exposures analysed on a collective basis have been created, including provisions for losses incurred but not reported (IBNR) - which decrease the carrying amount of the loan exposures;
- general risk provisions under the Polish Accounting Standards has been released;

- the deferred tax effect adjustment was calculated on the difference between the amount of the general risk provisions and IBNR provision at the moment of IFRS implementation. This adjustment applies to banks preparing their financial statement under IFRS and follows from the fact that according to tax regulations being in force, the excess of the released or decreased general risk provision above IBNR provision made under IFRS cannot be treated as taxable income.
- interest on non-performing loans accrued, in accordance with the Polish Accounting Standards, on gross exposure amount and recognized as suspended interest in the balance sheet (at the moment of repayment recognized in the profit and loss) have been removed from the balance sheet, (as in accordance with IAS 39 interests on irregular exposures accrued by the Bank on net exposure values are recognised in the profit and loss), unsettled discount from receivables as well as unsettled part of credit commissions decrease of balance sheet value of credit exposures.

3. Separation of the balance-sheet category „non-current assets held for sale"

In accordance with IFRS 5 the Bank classifies as non-current assets held for sale such non-current assets whose carrying value will be recovered first of all by way of sale and not through their further use. This is the case when a particular asset (or their group) is available for immediate sale in its current state taking into account only the normal and customarily accepted terms of sale for this type of assets or its sale is highly likely, i.e. it was decided to carry out the plan of selling the given asset, an active programme was started to find a buyer and complete the selling plan. Moreover, such asset component is offered for sale at a price which is reasonable with respect to its current fair value and it is expected that the sale will be recognised as a sale completed within one year from the day of classifying a given asset in such category.

Non-current assets held for sale are recognised as the lower of the two: carrying value and fair value less the cost of selling such assets. Depreciation is not included in this category of assets.

4. Writing off goodwill

The Bank tested the value of goodwill disclosed in balance sheet estimating it for impairment. Consequently, impairment losses revaluing such assets were charged against the opening balance equity. The event had no impact on the consolidated report, because such goodwill items were recognised in the Bank's balance sheet as a result of group internal transactions and as such were eliminated from the Group's report.

IV. CHANGES OF ACCOUNTING POLICIES RESULTING FROM IFRS IMPLEMENTATION AT THE BANK – SUMMARY OF ADJUSTMENTS IMPACTING THE VALUE OF EQUITY

In accordance with the adopted methodology for IFRS implementation adjustments resulting form the Bank's adoption of new standards are recognised in the opening balance of equity as of 1 January 2005.

It should be noted that this description does not incorporate changes in the Bank's equity resulting from the implementation of the effective interest rate methodology, which was also performed on 1 January 2005, but in accordance with the Polish Accounting Standards (this issue is given broader treatment in the Bank's financial statement for 2005, published on 10 March 2006). The requirement of using the EIR methodology also follows from IFRS provisions.

The adjustments as of 1 January 2005 are as follows (numbers of adjustments correspond to descriptions presented in Chapter III.) Changes of Accounting Principles resulting from IFRS Implementation at the Bank.

Data in PLN thous.

	(1) Discontinuation of equity rights valuation of shares in subsidiaries	(2) Loan impairment	(3) Effect of valuation of asset recognized as 'non current assets held for sale' category	(4) Revaluation write-offs of goodwill	**TOTAL**
Gross adjustment value	- 596 076	+ 21 509	- 5 499	- 5 805	**- 585 871**
Net adjustment value (including the deferred tax effect)	- 596 076	+ 19 575	- 5 499	- 5 805	**- 587 805**

V. CONVERSION OF THE BANK'S COMPARABLE DATA AS A RESULT OF IFRS IMPLEMENTATION

The Bank's balance sheet as of 31 December 2005 – conversion PAS - IFRS

The table below shows the changes made in the last published report of the Bank prepared in accordance with the Polish Accounting Standards as of 31 December 2005 in order to ensure data comparability for the needs of this report.

ASSETS

Amount '000 PLN	**31.12.2005 PAS**	**Number of adjustment(s)**	**Value of adjustment(s)**	**31.12.2005 IFRS**
Cash, balances with the Central Bank	510 785			510 785
Loans and advances to banks	2 602 777			2 602 777
Financial assets valued at fair value through profit and loss	3 504 760	(5) (7)	-202 094	3 302 666
Hedging derivatives	14 826			14 826
Loans and advances to customers	9 370 870	(2) (4)	-391 187	8 979 683
Investment financial assets	4 909 751			4 909 751
- available for sale	4 831 115			4 831 115
- held to maturity	78 636			78 636
Investments in associates	854 091	(1)	-759 949	94 142
Receivables from securities bought with sell-back clause	331 155			331 155
Property, plant and equipment	466 578	(3)	-233 003	233 575
Intangible assets	30 298	(8)	-3 946	26 352
Non current assets held for sale	0	(3)	222 349	222 349
Deferred income tax assets	270 432	(2) (5) (6)	-181 311	89 121
Other assets	198 700	(3) (7)	58 162	256 862
Total Assets	**23 065 023**		**-1 490 979**	**21 574 044**

LIABILITIES

Amount '000 PLN	31.12.2005 PAS	Number of adjustment(s)	Value of adjustment(s)	31.12.2005 IFRS
Deposits from banks	1 067 404			1 067 404
Financial liabilities valued at fair value through profit and loss	706 399	(5)	-202 214	504 185
Hedging derivatives	22 273			22 273
Deposits from customers	14 084 704			14 084 704
Liabilities from securities sold with buy-back clause	3 472 115			3 472 115
Debt securities	32 587			32 587
Provisions	224 944	(1) (2)	-209 101	15 843
Deferred income tax liabilities	184 967	(2) (5) (6)	-184 967	0
Current tax liabilities	0			0
Other liabilities	613 809	(2) (4) (7)	-191 042	422 767
Subordinated debt	309 504			309 504
Total Liabilities	**20 718 706**		**-787 324**	**19 931 382**

EQUITY

Share capital	849 182			849 182
Share premium	472 343			472 343
Revaluation reserve	58 586	(9)	-30 974	27 612
Retained earnings	966 206	(1) (2) (3) (8) (9)	-672 681	293 525
Total Equity	**2 346 317**		**-703 655**	**1 642 662**
Total Liabilities and Equity	**23 065 023**		**-1 490 979**	**21 574 044**

(1) Discontinuing equity method valuation with respect to shares in subsidiaries (as described in ***Chapter III***

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Investments in subsidiaries	(1)	-759 949
Provisions	(1)	-23 706
Retained earnings	(1)	-736 243

(2) Adjustments resulting from the Bank's implementation of the methodology of calculating impairment of credit exposures – issue presented in ***Chapter III***

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Loans and advances to customers	(2)	-195 033
Deferred income tax assets	(2)	6 053

Provisions	(2)	-185 395
Deferred income tax liabilities	(2)	2 397
Other liabilities	(2)	-48 015
Retained earnings	(2)	42 033

(3) Distinguishing of the balance sheet category „non-current assets held for sale" as of 1 January 2005 (issue described in Chapter III), and classifying (pursuant to IAS 17) of the Bank's land usufruct as operational leasing; in the balance sheet as other assets (previously tangible fixed assets).

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Property, plant and equipment	(3)	-233 003
Non current assets held for sale	(3)	222 349
Other assets	(3)	5 155
Retained earnings	(3)	-5 499

(4) Exclusion from the balance sheet of suspended interest calculated according to PAS, reduction of the value of receivables by a discount to be settled due to the application of IAS 39 principles for calculating and recording of loan impairment. The issue is presented in Chapter III

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Loans and advances to customers	(4)	-196 154
Other liabilities	(4)	-196 154

(5) Presentation of derivative instruments in the balance sheet broken down into particular instruments (instruments with positive fair value are recorded in assets and with negative value in liabilities). Previously, an analogous breakdown was performed on the basis of derivative portfolios (types).

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Financial assets valued at fair value through profit and loss	(5)	-202 214
Deferred income tax assets	(5)	-38 421
Financial liabilities valued at fair value through profit and loss	(5)	-202 214
Deferred income tax liabilities	(5)	-38 421

(6) In accordance with IAS 12, the Bank offset deferred income tax assets with deferred income tax liabilities.

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Deferred income tax assets	(6)	-148 943
Deferred income tax liabilities	(6)	-148 943

(7) Implementation of the method of accounting for standardised buy and sell financial asset transactions on the day of concluding a transaction instead of the previously employed method based on the transaction settlement date.

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Financial assets valued at fair value through profit and loss	(7)	120
Other assets	(7)	53 007
Other liabilities	(7)	53 127

(8) Recording of goodwill valuation (adjustment described in Chapter III)

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Intangible assets	(8)	-3 946
Retained earnings	(8)	-3 946

(9) Reclassification of revaluation reserve for fixed assets to retained earnings. As a result of IFRS 1 adoption with regards to applying the carrying amount of real property as a deemed cost at the IFRS transition date, revaluation reserve for fixed assets was transferred to retained earnings.

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Revaluation reserve	(9)	-30 974
Retained earnings	(9)	+30 974

Income statement for 2005 – conversion of PAS to IFRS

The table below illustrates changes performed in the last published income statement of the Bank prepared in accordance with PAS for the 1st half ending 30 June 2005 to ensure data comparability for the needs of this report.

INCOME STATEMENT

Amount '000 PLN	01.01.2005 - 30.06.2005 PAS	Number of adjustment(s)	Value of adjustment (s)	01.01.2005 - 30.06.2005 IFRS
Interest income	607 458	(2) (3) (6)	-70 234	537 224
Interest expense	-395 762	(3) (6)	1 748	-394 014
Net interest income	**211 696**		**-68 486**	**143 210**
Fee and commission income	108 967			108 967
Fee and commission expense	-10 930			-10 930
Net fee and commission income	**98 037**			**98 037**
Dividend income	218 167			218 167
Result on investment financial assets	31 521			31 521
Result on financial instruments valued at fair value through profit and loss	4 868	(3)	76 388	81 256
Result on other financial instruments	-1 469			-1 469
Foreign exchange profit	36 271			36 271
Other operating income	41 407	(4) (7)	-30 526	10 881
Other operating expenses	-9 001	(4) (5)	5 014	-3 987
Operating income	**631 497**		**-17 610**	**613 887**
General and administrative expenses	-297 372	(6)	-2 753	-300 125
Impairment losses on financial assets	-4 598	(2) (7)	19 936	15 338
Impairment losses on non financial assets	-2 535	(5)	-3 500	-6 035
Depreciation and amortization	-38 885	(8)	930	-37 955
Operating expenses	**- 343 390**		**14 613**	**-328 777**
Operating profit	**288 107**		**-2 997**	**285 110**
Share of profit of associates	-138 113	(1)	138 113	0
Gross profit / (loss)	**149 994**		**135 116**	**285 110**
Corporate income tax	-17 769	(2)	746	-17 023
Net profit / (loss)	**132 225**	(1) (2) (8)	**135 862**	**268 087**

(1) Reflecting adjustment no (1) to the balance sheet in the income statement

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Share of profit of associates	(1)	138 113
Net profit / (loss)	(1)	138 113

(2) Reflecting adjustment no (2) to the balance sheet in the income statement

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Interest income	(2)	5 149
Impairment losses on financial assets	(2)	-9 076
Corporate income tax	(2)	746
Net profit / (loss)	(2)	-3 181

(3) Reclassification of the interest margin components resulting from derivatives held for trading to result from financial instruments valued at fair value through the profit and loss account. Since 1 January 2005 the Bank has recognized interest on FX SWAP and CIRS transactions in the item 'result from financial instruments valued at fair value through the profit and loss account'. This approach relates to transactions, concluded for non-speculative purposes, i.e. to ensure liquidity in foreign currencies for FX loans granted by the Bank. For these transactions in the first half of 2005 the Bank does not apply hedge accounting. In accordance with IAS 39 all derivative instruments, for which the Bank did not apply hedge accounting regardless of the purpose of their conclusion, are classified as 'financial instruments held for trading' with the change in the fair value presented in the same line in the profit and loss (in this case in the item 'result from financial instruments valued at fair value through the profit and loss account').

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Interest income	(3)	-74 104
Interest expense	(3)	-2 284
Result on financial instruments valued at fair value through profit and loss	(3)	76 388

(4) Through adjusting to the IFRS standards the manner of presentation of result on sale and liquidation of fixed assets and intangibles other income and expenses were reduced by the same amount of PLN 1 514 thous (previously total income was recognized in 'other operating income' and the carrying amount of the assets was recognized in 'other operating expenses' – now the result on operations itself is accordingly recorded).

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Other operating income	(4)	-1 514
Other operating expenses	(4)	1 514

(5) Separation from other operating costs impairment of non-current assets held for sale.

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Other operating expenses	(5)	3 500
Impairment losses on non financial assets	(5)	-3 500

(6) Reclassification of the effect of the hedging transactions valuation from ‘interest margin’ to ‘general and administrative expenses’. Since 1 January 2005 net interest income on swap transactions concluded in order to hedge FX-denominated transaction of renting office space presented previously in ‘interest margin’ is recognized in ‘general and administrative expenses’

.Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Interest income	(6)	-1 279
Interest expense	(6)	4 032
General and administrative expenses	(6)	-2 753

(7) Reclassification of the recovered loan receivables (previously written off against provisions) presented under PAS as ‘other operating income’ to the item ‘impairment losses’.

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Other operating income	(7)	-29 012
Impairment losses on financial assets	(7)	29 012

(8) Removal of depreciation of goodwill. The Bank performed a revaluation of goodwill against shareholders’ equity (adjustment described in Chapter III).

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Depreciation and amortization	(8)	930
Net profit / (loss)	(8)	930

VI. ACCOUNTING POLICY

The financial report was generated in Polish zlotys, rounded to one thousand.

The report uses the concept of fair value for financial assets and liabilities valued in the profit and loss account at fair value, including derivative instruments, and financial assets classified as available for sale, other than those whose fair value cannot be reliably determined. Other items in financial assets and liabilities (including loans and borrowings) are presented at the value of amortized cost minus impairment write-offs, or at their purchase price minus impairment losses. To prepare the financial report in line with IFRS, the management needs to make subjective assessment, estimations, and assumptions that impact the accounting principles and the presented amounts of assets and liabilities and incomes and expenses.

The conformity between the real results and adopted estimations and assumptions is verified on regular basis. Adjustments to estimates are recognized in the period when the estimation was changed, provided that the adjustment applies to this period alone, or in the period when the estimation was changed and in the following periods, should the adjustment impact both the current and future periods.

IFRS – uniform for the whole Group – was employed for all the reporting periods presented in the consolidated financial report. Their detailed description is presented in the interim consolidated report of the Group prepared as of 30 June 2006, whose supplementation this Bank statement is.

The only change with respect to the above-mentioned principles is the fact of using a different methodology for the valuation of shares in subsidiaries. In the standalone report of the Bank investments in shares in subsidiaries are valued in accordance with IAS 27 and 28 at purchasing cost less impairment losses, if any, calculated in accordance with IAS 36. In the consolidated statement shares in subsidiaries are subject to consolidation (IAS 27) and shares in subsidiaries are valued by equity method (IAS 28).

VII. SEASONALITY AND PERIODICITY OF ACTIVITY

The Bank's activity does not show significant phenomena subject to seasonal fluctuation or periodical.

VIII. DESCRIPTION OF EXTRAORDINARY FACTORS AND EVENTS

The Bank's standalone income statement records dividends received from subsidiaries, which for the needs of the Group's consolidated statement are eliminated as Group internal transactions. The values of such dividends for the first half of 2006 and the first half of 2005 (comparable data) were respectively: PLN 496 021 thous and PLN 216 272 thous.

In the first half of 2006 the Bank sold a land usufruct in Wilanów with a net value of PLN 170.613 thous, classified in the Bank's balance sheet as at 31 December 2005 as non-current asset held for sale.

IX. ESTIMATE VALUES

In order to prepare an IFRS based financial report certain estimates as well as assumptions must be made by the Bank impacting the amounts disclosed in the financial statement. The estimates and assumptions continually revised by Bank management are based on historic experience and other factors, including the expectations as to future events which seem reasonable in a given situation. Despite such estimates being based on the best knowledge concerning current conditions and activities undertaken by the Bank, the actual results may differ from the estimates. The most important areas for which the Bank makes estimates are presented below.

Impairment of loans and advances

For each balance sheet date the Bank estimates if there are objective impairment triggers for a given financial asset or group of financial assets. The Bank estimates are comprised of data/symptoms indicating a credibly measurable reduction of future cash flows on a given loan portfolio, before such reduction can be allocated to a specific loan in order to estimate impairment. Estimates can take into account observable data pointing to the occurrence of an adverse change in the payment situation of borrowers belonging to a specific group or economic situation in a given country or its part, in connection with problems occurring in a such group of assets. Historical loss parameters are adjusted based on data coming from current observations in order to incorporate the impact of current market factors which did not exist in the period covered by historic observations and exclude the effects of the circumstances which existed in the historic period, but persist no longer. The methodology and assumptions to assess the estimate cash flows and periods in which they arise will be subject to regular reviews in order to decrease the differences between the estimate and actual level of losses.

Fair value of financial instruments

The fair value of financial instruments not listed on active markets is established on the basis of valuation techniques. For non-option derivatives and debt securities cash-flow discounting models are employed. For option-based mechanisms option valuation models are used. All models are approved before use and also calibrated in order to make sure that the results obtained reflect the actual data and comparable market prices. When possible, only observable data coming from an active market are used in the model.

Impairment of other non-current assets

At each balance sheet day the Bank assesses the existence of impairment triggers for fixed assets. Should such trigger be identified the Bank assesses the recoverable value. The assessment of the value in use of a fixed asset (or cash generating unit) is connected among others with the adoption of assumptions concerning estimates as to amounts, dates for future cash flows obtainable by the Bank on a given fixed asset (or cash generating unit). When estimating the fair value less costs of sale the Bank relies on market data on this subject or valuations prepared by independent experts which in principle are also based on estimates.

Other Estimate Values

The pension severance provision is calculated by the actuarial method by an independent actuary as the present value of the Bank's future liabilities to employees according to the headcount and wages as of the revaluation date. The pension severance provision is updated on an annual basis. The calculation of provisions is based on a number of assumptions, both as to the macroeconomic conditions and assumptions on employee turnover, death risk and others.

With respect to certain short-term employee benefits (senior management bonuses) the Bank's Management Board assesses the value of benefits as of the balance-sheet date. The final amount of the employee benefits is settled by the decision of the Bank's Supervisory Board.

X. ISSUES, REDEMPTION OR REPAYMENT OF DEBT OR EQUITY INSTRUMENTS

Within 6 months ending 30 June 2006 the Bank has not performed any issues, redemptions or repayment or debt or equity securities,

In the reported period the change of the balance of the Bank's liabilities on issuing debt securities stood as follows (data in thous PLN):

	01.01.2006-30.06.2006	01.01.2005-31.12.2005
Balance at the beginning of the period	**32 587**	**275 544**
a) increases, on account of:	309	28 726
- purchase of bill of exchange by the NBP	0	22 836
- discount/ interest accrual	309	5 890
b) reductions, on account of:	114	271 683
- repurchase of bill of exchange from NBP	0	45 687
- repurchase of bonds	0	214 987
- FX rates differences	0	1 545
- interest payment	114	9 464
Balance at the end of the period	**32 782**	**32 587**

XI. DIVIDENDS PAID OUT

Within 6 months ending 30 June 2006 the Bank did not perform any dividend payouts. At the same time in accordance with Resolution no 4 of the Bank's Ordinary General Shareholder Meeting dated 6 April 2006 concerning the distribution of profits for the financial year 2005 the General Shareholder Meeting decided to allocate from the 2005 net profit for dividend payout the amount of PLN 458 558 141.76. The Bank's share capital is PLN 849 181 744 divided into 849 181 744 shares, which gives a dividend payout in the amount of PLN 0.54 per share. The dividend was paid out on 19 July 2006, the right to a dividend was exercised by persons being the Bank's shareholders as at 5 July 2006.

XII. CHANGES IN THE BANK'S STRUCTURE DURING THE REPORTING PERIOD

During the six months ending 30 June 2006 there were no above-mentioned events at the Bank, such as would have a major impact on the Bank's structure.

XIII. CHANGES IN CONTINGENT LIABILITIES OR ASSETS

Within the six months ending 30 June 2006 there were no changes in off-balance sheet commitments which would not follow from the Bank's current operational activity.

Moreover, as of 30 June 2006 and 31 December 2005 the structure of off-balance sheet commitments was as follows:

OFF-BALANCE SHEET ITEMS	30.06.2006	31.12.2005
Off-balance conditional commitments	**6 478 575**	**6 003 562**
1. Commitments granted:	**5 793 477**	**5 238 436**
a) financial	5 091 002	4 466 171
b) guarantee	702 475	772 265
2. Commitments received:	**685 098**	**765 126**
a) financial	203 621	43 379
b) guarantee	481 477	721 747

XIV. LIST OF THE BANK'S TRANSACTIONS WITH RELATED PARTIES

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS OF 30.06.2006		
ASSETS	With subsidiaries	With controlling entity - BCP
Receivables from loans, advances, purchased receivables and deposits	1 086 977	31 484
Shares in subsidiaries subject to consolidation	86 587	0
Short-term financial assets (valuation of derivatives)	405	30 379
Other assets	45 748	0
Dividend to be received	496 021	0
LIABILITIES	With subsidiaries	With controlling entity - BCP
Liabilities from accepted deposits, loans, advances, sold receivables	456 226	0
Liabilities from securities sold with buy-back clause	48 634	0
Short-term financial liabilities (valuation of derivatives)	0	23 467
Special funds and other liabilities	1 657	0

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS OF 31.12.2005		
ASSETS	With subsidiaries	With controlling entity - BCP
Receivables from loans, advances, purchased receivables and deposits	1 043 803	12 954
Receivables from securities bought with sell-back clause	20 028	0
Shares in subsidiaries subject to consolidation	85 414	0
Debt securities	8 091	0
Short-term financial assets (valuation of derivatives)	0	2 226
Other assets	32 411	0
LIABILITIES	With subsidiaries	With controlling entity - BCP
Liabilities from accepted deposits, loans, advances, sold receivables	345 553	12 432
Liabilities from securities sold with buy-back clause	411 078	0
Short-term financial liabilities (valuation of derivatives)	525	17 566
Special funds and other liabilities	1 611	0

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) FOR THE PERIOD OF 1.01-30.06.2006		
Income from:	With subsidiaries	With controlling entity - BCP
Interest	21 025	18 452
Commissions	13 535	0
Financial operations	0	14 193
Due dividends	496 021	0
Other operating income	5 457	0
Expense from:	With subsidiaries	With controlling entity - BCP
Interest	13 574	14 020
General and administrative expenses	835	0

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) FOR THE PERIOD OF 1.01-30.06.2005		
Income from:	With subsidiaries	With controlling entity - BCP
Interest	29 254	16 615
Bank and brokerage commissions	3 069	0
Financial operations	0	34 093
Due dividends	236 116	0
Other operating income	2 637	0
Expense from:	With subsidiaries	With controlling entity - BCP
Interest	43 267	22 540
Financial operations	167	2 317
General and administrative expenses of entities subject to consolidation	923	0

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS OF 30.06.2006		
	With subsidiaries	With controlling entity - BCP
Conditional commitments	125 686	0
Derivatives (par value)	115 398	2 202 664

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS OF 31.12.2005		
	With subsidiaries	With controlling entity - BCP
Conditional commitments	79 501	0
Derivatives (par value)	120 440	1 412 836

XV. EVENTS AFTER BALANCE SHEET DATE

These events are presented in Chapter XIX of the Consolidated Statement

SIGNATURE:

Date	Name and surname	Post/Function	Signature
....	**Bogusław Kott**	**Chairman of Management Board**	....
....	**Luis Pereira Coutinho**	**Vice Chairman of Management Board**	....
....	**Fernando Bicho**	**Management Board Member**	....
....	**Julianna Boniuk-Gorzelańczyk**	**Management Board Member**	....
....	**Wojciech Haase**	**Management Board Member**	....
....	**Joao Bras Jorge**	**Management Board Member**	....
....	**Wiesław Kalinowski**	**Management Board Member**	....
....	**Zbigniew Kudaś**	**Management Board Member**	....