Interim extended consolidated financial report of Bank Millennium S.A. Capital Group on the 6-month period ending 30th June 2007

MAIN FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	period from 1.01.2007 - 30.06.2007	period from 1.01.2006 - 30.06.2006*	period from 1.01.2007 - 30.06.2007	period from 1.01.2006 - 30.06.2006*
I. Interest income	719 349	610 705	186 911	156 582
II. Fee and commission income	293 494	188 734	76 260	48 390
III. Operating income	797 461	586 789	207 207	150 450
IV. Operating profit / (loss)	268 267	172 530	69 705	44 236
V. Profit / (loss) before taxes	268 267	172 530	69 705	44 236
VI. Profit (loss) after taxes	212 146	139 677	55 123	35 812
VII. Net cash flows from operating activities	-944 589	-2 154 070	-245 436	-552 291
VIII. Net cash flows from investing activities	889 059	514 922	231 007	132 023
IX. Net cash flows from financing activities	-24 346	-6 834	-6 326	-1 752
X. Net cash flows, total	-79 876	-1 645 982	-20 754	-422 021
XI. Total assets	27 380 661	24 692 125	7 270 875	6 445 011
XII. Deposits from banks	3 357 945	3 600 205	891 695	939 707
XIII. Deposits from customers	17 217 418	16 069 301	4 572 048	4 194 326
XIV. Total equity	2 275 593	2 215 321	604 279	578 232
XV. Share capital	849 182	849 182	225 498	221 649
XVI. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVII. Book value per share (in PLN/EUR)	2.68	2.61	0.71	0.68
XVIII. Diluted book value per share (in PLN/EUR)	2.68	2.61	0.71	0.68
XIX. Capital adequacy ratio	12.15%	13.63%	12.15%	13.63%
XX. Basic earnings (losses) per ordinary share (in PLN/EUR)	0.25	0.16	0.06	0.04
XXI. Diluted earnings (losses) per ordinary share (in PLN/EUR)	0.25	0.16	0.06	0.04
XXII. Pledged or paid dividend per share (in PLN/EUR)	0.17	0.54	0.05	0.13

TABLE OF CONTENTS

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF BANK MILLENNIUM S.A. CAPITAL GROUP ON THE 6-MONTH PERIOD ENDING 30TH JUNE 2007

TABLE OF CONTENTS

I. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	**Note**	**01.01.2007 - 30.06.2007**	**01.01.2006 - 30.06.2006**
Interest income	1	719 349	610 705
Interest expense	2	-371 433	-294 632
Net interest income		**347 916**	**316 073**
Fee and commission income		293 494	188 734
Fee and commission expense		-38 995	-24 350
Net fee and commission income	3	**254 499**	**164 384**
Dividend income	4	1 013	2 573
Result on investment financial assets	5	4 301	3 125
Result on financial instruments valued at fair value through profit and loss (held for trading)	5	59 976	8 931
Result on other financial instruments	5	-5 222	-4 734
Foreign exchange profit	5	118 642	82 102
Other operating income	6	34 370	47 945
Other operating expenses	6	-18 034	-33 610
Operating income		**797 461**	**586 789**
General and administrative expenses	7	-446 624	-365 036
Impairment losses on financial assets	8	-50 770	-18 785
Impairment losses on non financial assets	9	505	-62
Depreciation and amortization	10	-32 305	-30 376
Operating expenses		**-529 194**	**-414 259**
Operating profit		**268 267**	**172 530**
Profit / (loss) before taxes		**268 267**	**172 530**
Corporate income tax	11	-56 121	-32 853
Profit / (loss) after taxes		**212 146**	**139 677**
Attributable to:			
Equity holders of the parent		**212 146**	**139 677**
Minority interests			
Basic earnings per ordinary share (in PLN)	12	**0.25**	**0.16**
Diluted earnings (losses) per ordinary share (in PLN)	12	**0.25**	**0.16**

II. CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	30.06.2007	31.12.2006
Cash, balances with the Central Bank	13	773 831	965 834
Loans and advances to banks	14	1 052 112	1 123 131
Financial assets valued at fair value through profit and loss (held for trading)	15	3 689 878	3 742 760
Hedging derivatives	16	158 876	108 027
Loans and advances to customers	17	18 769 630	14 937 743
Investment financial assets	18	1 986 009	2 931 656
- available for sale		1 986 009	2 931 656
- held to maturity		0	0
Investments in associates	18	7 016	7 016
Receivables from securities bought with sell-back clause (loans and advances)	19	144 691	15 509
Property, plant and equipment	20	302 905	297 040
Intangible assets	21	17 596	21 578
Non current assets held for sale	22	14 126	25 907
Receivables from Tax Office resulting from current tax		16 333	20 139
Deferred income tax assets	23	124 813	127 370
Other assets	24	322 845	368 415
Total Assets		**27 380 661**	**24 692 125**

LIABILITIES

Amount '000 PLN	Note	30.06.2007	31.12.2006
Deposits from banks	25	3 357 945	3 600 205
Financial liabilities valued at fair value through profit and loss (held for trading)	26	355 906	298 709
Hedging derivatives	27	8 622	14 506
Deposits from customers	28	17 217 418	16 069 301
Liabilities from securities sold with buy-back clause	29	3 258 393	1 428 134
Debt securities	30	85 466	5 705
Provisions	31	12 990	10 400
Deferred income tax liabilities	32	0	0
Current tax liabilities		5 438	1 436
Other liabilities	33	500 146	741 099
Subordinated debt	34	302 744	307 309
Total Liabilities		**25 105 068**	**22 476 804**

EQUITY

Amount '000 PLN	**Nota**		
Share capital	35	849 182	849 182
Share premium	35	471 709	471 709
Revaluation reserve	35	2 368	9 881
Retained earnings	35	952 334	884 549
Total equity attributable to equity holders of the parent		2 275 593	2 215 321
Minority interests		0	0
Total Equity		**2 275 593**	**2 215 321**

Total Liabilities and Equity		**27 380 661**	**24 692 125**

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 01.01.2007	**2 215 321**	**849 182**	**471 709**	**9 282**	**599**	**884 549**
- purchase/sale and valuation of available for sale financial assets	-5 915	0	0	-5 915	0	0
- effect of valuation of derivatives designated for future cash flows hedge	-1 598	0	0	0	-1 598	
- profit / (loss) of the period after taxes	212 146	0	0	0	0	212 146
- dividend payment	-144 361	0	0	0	0	-144 361
Equity at the end of the period (closing balance) 30.06.2007	**2 275 593**	**849 182**	**471 709**	**3 367**	**-999**	**952 334**

	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 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
- profit / (loss) of the period after taxes	139 677	0	0	0	0	139 677
- dividend payment	-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

IV. CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	**01.01.2007 - 30.06.2007**	**01.01.2006 - 30.06.2006**
I. Profit (loss) after taxes	**212 146**	**139 677**
II. Adjustments for:	**-1 156 735**	**-2 293 747**
1. Minority profit (loss)	0	0
2. Interests in net profit / (loss) of associated companies	0	0
3. Depreciation and amortization	32 305	30 376
4. Foreign exchange (gains) / losses	-66 948	14 688
5. Dividends	-1 013	-2 573
6. Changes in provisions	2 590	2 190
7. Result on sale and liquidation of investing activity assets	-12 228	-16 569
8. Change in financial assets valued at fair value through profit and loss (held for trading)	-33 308	-712 560
9. Change in loans and advances to banks	259 758	-57 723
10. Change in loans and advances to customers	-3 835 790	-2 385 503
11. Change in receivables from securities bought with sell-back clause	-129 182	146 332
12. Change in liabilities valued at fair value through profit and loss (held for trading)	51 313	-33 766
13. Change in deposits from banks	-165 191	1 058 708
14. Change in deposits from customers	1 148 117	896 546
15. Change in liabilities from securities sold with buy-back clause	1 830 259	-784 599
16. Change in debt securities	79 761	-36 654
17. Change in income tax settlements	19 790	40 313
18. Income tax paid	-11 469	-142 697
19. Change in other assets and liabilities	-335 938	-318 965
20. Other	10 439	8 709
III. Net cash flows from operating activities	**-944 589**	**-2 154 070**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	**01.01.2007 - 30.06.2007**	**01.01.2006 - 30.06.2006**
I. Inflows:	**2 076 915**	**4 654 809**
1. Proceeds from sale of property, plant and equipment and intangible assets	21 504	123 241
2. Proceeds from sale of shares in associates	0	0
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	2 054 398	4 531 568
5. Other	1 013	0
II. Outflows:	**-1 187 856**	**-4 139 887**
1. Acquisition of property, plant and equipment and intangible assets	-31 990	-9 319
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	-1 155 866	-4 130 568
5. Other	0	0
III. Net cash flows from investing activities	**889 059**	**514 922**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
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:	**-24 346**	**-6 834**
1. Repayment of long-term bank loans	0	0
2. Redemption of debt securities	0	0
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	0
7. Other	-24 346	-6 834
III. Net cash flows from financing activities	**-24 346**	**-6 834**

D. NET CASH FLOWS, TOTAL (A III+B III+C III)	**-79 876**	**-1 645 982**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**1 642 747**	**3 555 653**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	**1 562 871**	**1 909 671**

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 S.A. (the Group's parent entity) as at 30 June 2007:

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. Joao Bras Jorge - Member of the Management Board,
7. Zbigniew Kudaś – Member of the Management Board.

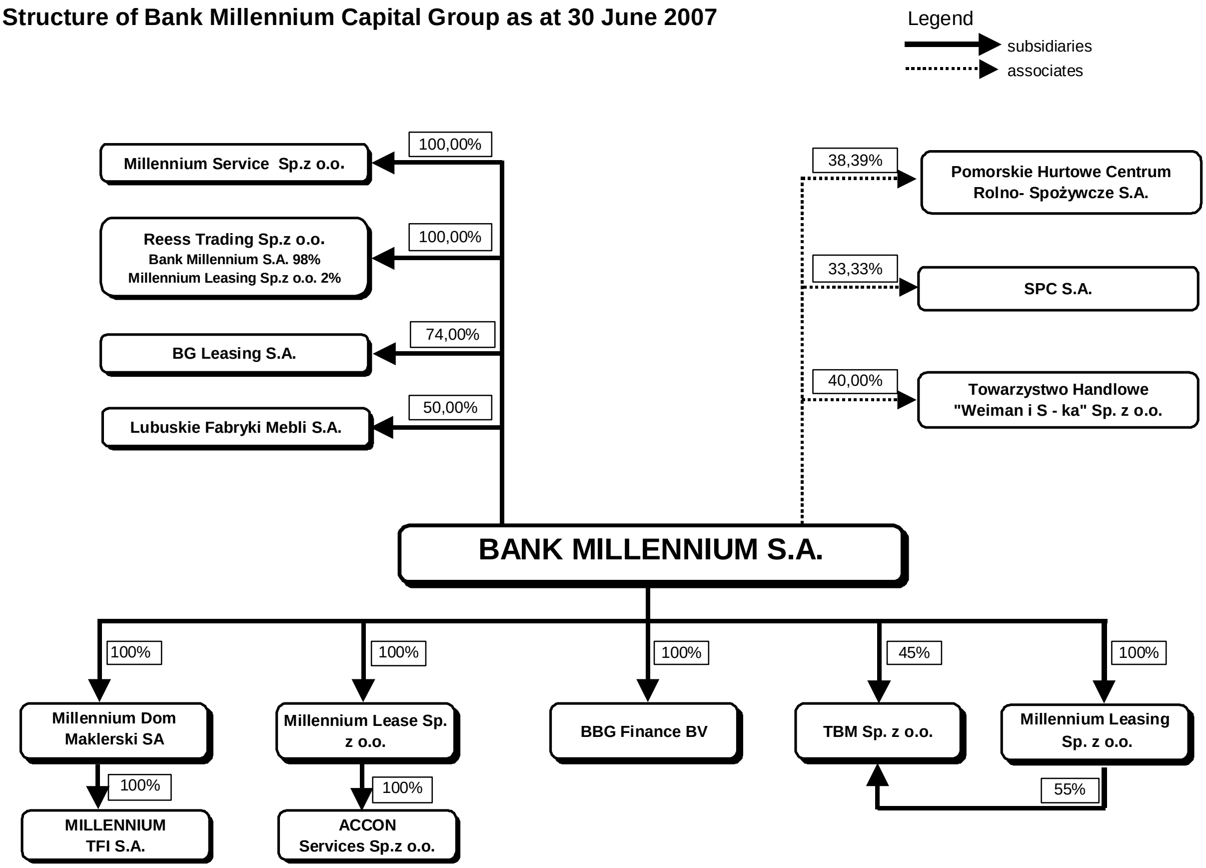
On 18 April 2007 Mr. Wiesław Kalinowski submitted the resignation from the function of the member of the Management Board justified by personal reasons.

Composition of the Supervisory Board of Bank Millennium as at 30 June 2007:

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 Guimarăes 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 Group's parent entity is Bank Millennium S.A. The companies that belong to the Capital Group as at 30 June 2007, are presented by the diagram below:

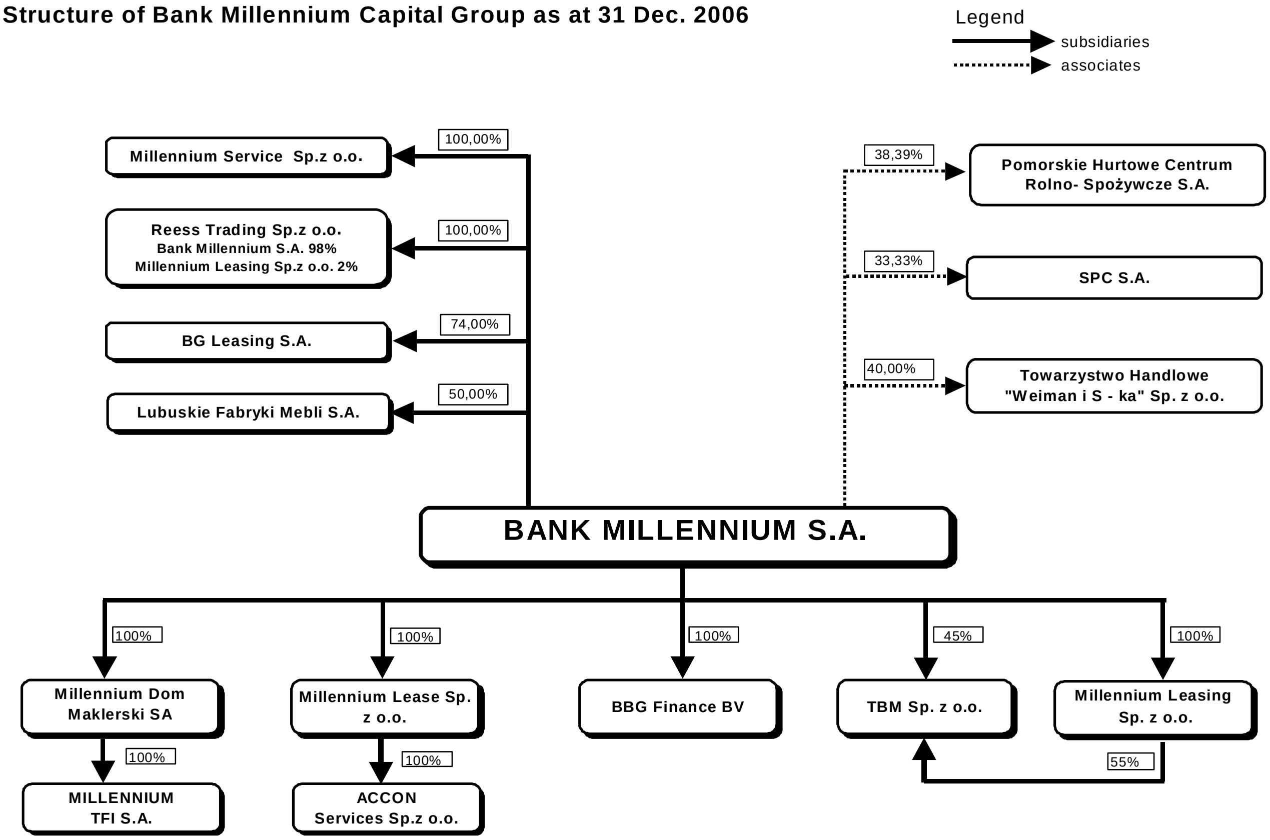
Structure of Bank Millennium Capital Group as at 30 June 2007



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 30 June 2007.

- Lubuskie Fabryki Mebli S.A.
- Reess Trading Sp. z o.o.
- Accon Services Sp. z o.o.
- 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

Structure of Bank Millennium Capital Group as at 31 Dec. 2006



VI. ACCOUNTING POLICY

STATEMENT OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

This interim extended consolidated financial report of Bank Millennium S.A. Capital Group has been prepared in keeping with the International Accounting Standard 34 "Interim Financial Reporting" in the version approved by the European Community as well as with other binding regulations.
This financial report has been approved for publication by the Bank's Management Board on 28th September 2007.

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 standards and interpretations which had already been approved by the European Union but which has or would come into force after the balance sheet date. The regulations: IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" and IFRIC 12 "Service Concession Arrangements" do not apply to the Group's activity.
As at the Balance-Sheet day, IFRS 8 "Operating Segments" issued by the International Accounting Standards Board in November 2006 had not been approved by the European Commission. This standard replaces IAS 14 "Segment Reporting" and applies to annual financial reports prepared for periods starting on 1st January 2009 or later. The adoption of IFRS 8 may but does not have to enforce a change of method of presentation of financial information divided into operating segments. IFRS 8 requires division into operating segments to be done on the basis of internal reports concerning components of the business entity prepared for members of the entity's management taking operational decisions. The Group has not yet completed the process of estimating the impact of IFRS 8 implementation upon the method of presentation of data in the financial report.

CHANGES OF ADOPTED STANDARDS

As of 1st January 2007 the Group has implemented IFRS 7 "Financial Instruments - Disclosures". This regulation replaces IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" as well as (in the part concerning the scope of disclosures) IAS 32 "Financial Instruments: Disclosure and Presentation". In keeping with the provisions of IFRS 7 further on in this report the following was disclosed:

- Data concerning the significance of financial instruments for the Group's financial condition;
- Information concerning the nature and scope of the Group's exposure to risk connected with financial instruments;
- Approach to management of individual risk types.

In 2007 the Group changed the methodology concerning presentation in the Profit and Loss Account of income (costs) on debt securities with interest coupon classified in the Trading portfolio. Until the end of 2006 the settled discount (premium) on these securities was reported as "Result on financial instruments measured at fair value in the Profit and Loss Account". Starting with 1st January 2007 settled discount (premium) is reported as a component of interest margin. The relevant adjustment – reclassification in comparable data in the value of PLN 5,557,000 - has been taken into account.

ADOPTED ACCOUNTING PRINCIPLES

1. Basis of Financial Statements Preparation

The financial statements were prepared in Polish zlotys, rounded to one thousand.

In the consolidated financial statements, the Group has adopted valuation at the fair value for financial assets and liabilities recognised at fair value through 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 presented at amortized cost less impairment charges, or at their purchase price less impairment charges.

The preparation of financial statements in accordance with IFRS requires from the Group the use of estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. 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 applied to the presentation of value of assets, liabilities, revenues and costs, are made on basis of historical data available and other factors considered to be relevant in given circumstances. Applied assumptions related to the future and available data sources are the base for making estimations regarding carrying value of assets and liabilities, which cannot be determined explicitly on basis of other sources. The actual results may differ from those 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 statements.

All the entities subject to consolidation prepare their financial statements in accordance with the same accounting standards applied by the whole Capital Group which is IFRS, at the same balance sheet date.

2. Basis of Consolidation

Purchase method

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Subsidiaries

Subsidiaries are any entities (including special purpose vehicles controlled by the Group), which means that the Group 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.

Control is presumed to exist when the parent owns more than half of the voting power of an entity and when there is:

a) power over more than half of the voting rights by virtue of an agreement with other investors;
b) power to govern the financial and operating policies of the entity under a statute or an agreement;
c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

Subsidiaries are subject to consolidation from the date of taking over control by the Group until the date on which the parent ceases to control the subsidiary.

Intragroup transactions, settlements and unrealized profits resulting from intragroup transactions are eliminated. The unrealised losses are also subject to elimination, as long as the transaction does not provide evidence that the transferred asset impaired.

Associates

Associates are any entities over which the Group has significant influence but do not control them, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are initially accounted at purchase price and then accounted for by using the equity method. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The share of the Group in the profits (losses) of associates since the date of acquisition is recognised in the profit and loss, whereas its share in changes in other reserves since the date of acquisition – in other reserves. The carrying amount of the investment is adjusted by the total changes of different items of equity after the date of their acquisition. When the share of the Group in the losses of an associate becomes equal or greater than the share of the Group in that associate, the Group discontinues the recognition of any further losses or creates provision only to such amount, it has assumed obligations or has settled payments on behalf of the respective associate.

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

The items contained in consolidated financial statements of the Group are presented in the currency of their basic economic environment, in which a given entity operates ('the functional currency'). The consolidated financial statements are presented in Polish zlotys, being the functional currency and the presentation currency for the Group.

Transactions and balances

Transactions expressed in foreign currency are translated into the functional currency by applying the exchange rate at the date of the transaction. Exchange rate profits and losses due to settlements of these transactions and to the balance sheet valuation of assets and monetary commitments expressed in foreign currency are accounted for in the profit and loss account.

Exchange rate differences on monetary items, both those valued at fair value through the profit and loss account or classified as available for sale or held to maturity are disclosed in the profit and loss account.

Exchange rate differences on non monetary items valued at fair value through the profit and loss, are accounted in the profit and loss account. Exchange rate differences due to items, such as equity instruments classified to financial assets available for sale, are included in the revaluation reserve.

4. Financial assets and liabilities

Classification

The Group classifies financial instruments (as defined in IAS 39) into the following categories: financial assets and liabilities valued at fair value through profit and loss, investments held to maturity, loans and receivables, financial assets available for sale, other financial liabilities. The classification of investments is determined by the related individuals at the time of their initial recognition.

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

These are financial assets or financial liabilities that are either held for trading (those that acquired or incurred principally for the purpose of selling it in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also classified as held for trading, other than those that are designated and effective hedging instruments or those that were designated as at fair value through profit and loss.

Such designation can be made only if (i) the designated financial asset or financial liability is a hybrid instrument containing one or many embedded derivatives, which qualify for separate recognition and embedded derivatives cannot change significantly the cash flows resulting from the host contract or separation of embedded derivative is forbidden; (ii) usage of such classification of financial asset or liability eliminates or decreases significantly the inconsistency of measurement or recognition (so called accounting difference due to various methods of assets and liabilities valuation or various recognition of gains and losses attributable to them); (iii) the group of financial assets and liabilities or both categories is managed properly, and its results are measured using fair value, in accordance with documented risk management principles or the Group's investment strategy.

At present the Group classifies as financial instruments measured at fair value in the Profit and Loss Account only instruments held for trading, not using the possibility of earmarking for this category instruments at their initial recognition.

The Group does not reclassify financial instruments to or from categories at fair value through profit and loss since initial recognition.

- *Held to maturity investments*

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than: (1) those that the Group upon initial recognition designates as at fair value through profit or loss; (2) those that the entity designates as available for sale; and (3) those that meet the definition of loans and receivables.

Held to maturity investments cannot be reclassified to other category. The Group cannot classify any financial assets as held to maturity during two financial years (any remaining held to maturity investments have to be reclassified as available for sale), if the Group, during the current financial year, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity. This does not apply if the sale or reclassification, described above took place, so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; the event occurs after the Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or the event is result of an isolated event that is beyond the Group's control, is nonrecurring and could not have been reasonably anticipated by the Group.

- *Loans and receivables*

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: 1) those that are classified as held for trading or are designated as at fair value through profit or loss; 2) those that the entity upon initial recognition designates as available for sale; or 3) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available for sale.

- *Financial assets available for sale*

  Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

- *Other financial liabilities*

  As other financial liabilities, the Group classifies all financial liabilities not classified as financial liability valued at fair value through the profit and loss, including especially received deposits and loans.

Recognition of financial instruments in the balance sheet

The Group recognizes financial assets or liabilities on the balance sheet, when it becomes a party to the contractual provisions of the instrument. Standardized purchase and sale transactions of financial assets are recognized at the trade date.
All financial assets at their initial recognition are valued at fair value adjusted, in the case of a financial asset not valued at fair value through profit or loss, by transaction costs that are directly attributable to the acquisition or issue of the financial asset/liability.

De-recognition of financial instruments from the balance sheet

The Group derecognizes a financial asset when and only when: the contractual rights to the cash flows from the financial asset expire, or the Group transfers the financial asset to third party. The transfer takes place when the Group 1) transfers the contractual right to receive the cash flows from the financial asset, or 2) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to an entity from outside the Group. On transferring a financial asset, the Group evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. Accordingly, where the Group:

– transfers substantially all the risks and rewards of ownership of the financial asset, it derecognises the financial asset,
– retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognise the financial asset,

– neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. In this case if the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, and if the Group has not retained control, it derecognises the financial asset accordingly.

The Group removes a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Valuation of financial instruments after the initial recognition in the balance sheet

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

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

  The instruments are valued at fair value, and any changes are recognized directly in the profit and loss of the Group.

- *Held to maturity investments and loans and receivables*

  This category is valued at amortized cost using effective interest rate less any impairment. Impairment is recognised in the profit and loss account.

- *Financial asset available for sale*

  Financial assets classified as available for sale are measured at fair value. Gains and losses arising from changes in the fair value of available for sale financial assets are recognized directly in equity until the de-recognition of the respective financial asset in the balance sheet or until its impairment: at such time the aggregate net gain or loss is recognised in the profit and loss.

  Interests calculated using the effective interest rate is recognized in interest income.

  If there is any objective evidence of impairment, the Group recognizes impairment loss as described in the **point 6: 'Impairment of assets'**.

- *Other financial liabilities*

  Financial instruments classified as other financial liabilities are valued at amortized cost using the effective interest rate.

In the first place the measurement at fair value is based on prices quoted for a given instrument on the active market. If the valued instrument is not quoted on an active market, the Group determines the fair value using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of other instruments, discounted cash flow analysis and option pricing models, as well as other valuation methods generally applied by market participants.

5. Hedge Accounting and Financial Derivatives

Valuation at fair value

Derivative financial instruments are recognized at fair value from the date of transaction. Fair value is determined based on prices of instruments listed on active markets, including recent market transactions and on the basis of valuation techniques, including discounted cash flows and options pricing models, depending on which method is more appropriate. All derivative instruments with a positive fair value are recognized in the Balance Sheet as assets, whereas with a negative value as liabilities.

The best fair value indicator for a derivative instrument at the time of its initial recognition is the price of the transaction (i.e., the fair value of the consideration paid or received).

Recognition of embedded derivative instruments

The Group 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 an embedded 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 instruments 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 if, and only if:

- 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.

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 designated as hedging instruments – hedge accounting

The Group uses derivative instruments in order to hedge against interest rate risk, arising from operating, financing and investing activities of the Group. Derivative instruments are designated as a hedging instrument of:

- ü cash flows hedges of recognized asset or liability or highly probable forecasted transaction (cash flow hedges), or:
- ü fair value hedges of recognized asset or liability or firm commitment (fair value hedges).

Hedge accounting criteria

The Group uses hedge accounting, if the conditions established in IAS 39 are met:

- ü At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged. It documents also, at the inception of the hedge and thorough the period of hedge relationship, the assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in fair value or cash flows of the hedged item.
- ü The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship (prospective effectiveness test);
- ü For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss (high probability test);
- ü The effectiveness of the hedge can be reliably measured, ie the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
- ü The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated (backward-looking effectiveness test).

Cash flow hedge

Cash flow hedge: a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and (ii) could affect profit or loss.

A cash flow hedge is accounted for as follows: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity through the statement of changes in equity; and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

The associated gains or losses that were recognised directly in equity (effective hedge), at the moment of recognition of a financial asset and liability being a result of planned hedged future transaction, are transferred into profit or loss in the same period or periods during which the asset acquired or liability assumed affects the profit or loss.

In case of a hedge of non-financial asset or a non-financial liability, the associated gains and losses recognized directly in equity as an effective hedge, are transferred successively into the profit or loss account in the same period or periods during which the asset acquired or liability assumed affects the profit or loss account directly from equities or are transferred from equities to initial purchase price in the balance sheet and recognized successfully in the periods, in which non – financial asset or liability has impact on profit and loss account.

Fair value hedge

Fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

Any gains or losses resulting from re-measuring the hedging instrument at fair value (for a derivative hedging instrument) are recognised in profit or loss and the gains or losses on the hedged item attributable to the hedged risk adjust the carrying amount of the hedged item and are recognised in profit or loss. This applies if the hedged item is otherwise measured at cost. Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an available-for-sale financial asset. The valuation of hedged financial assets classified as available for sale, resulting from factors other than risk hedged, is recognized in the revaluation reserve till the date of sale of this financial asset.

Termination of hedge accounting

If the fair value hedge no longer meets the criteria for applying hedge accounting, the carrying value adjustment of the hedged instrument valued at amortized cost and effective interest rate, is amortized 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 is recognized in the revaluation reserve till the date of sale of this financial asset.

If the cash flow hedge no longer meets the criteria for hedge accounting, the valuation of hedging instrument recognized directly in equity at the date of the last effectiveness test remains in equity until the realization of cash flow resulting from the hedged item. Then the amount is transferred into profit and loss account in the periods, in which the hedged transaction influences the profit and loss account.

Derivative instruments not qualifying as hedging instruments

Derivative instruments that are not subject to hedge accounting principles are classified as instruments for trading, and valued at fair value The changes in fair value of derivative instruments held for trading are recognized in the profit and loss 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 Group uses the following principles of recognition of gain and losses resulting from the valuation of derivative instruments:

1) *FX forward*

Forward transactions are valued at fair value on discounted future cash flows basis. 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 on discounted future cash flows basis. 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 on discounted future cash flows basis. 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 on discounted future cash flows basis. 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 recognition and valuation criteria of hedging instruments in accordance with hedge accounting rules are 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 on discounted future cash flows basis. 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 on discounted future cash flows basis. 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 on discounted future cash flows basis. 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.

6. Impairment of financial assets

Assets valued at amortized cost

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and 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 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, inter alia, information on one or more of the following loss- events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal repayments;
- concessions granted by the Group to a borrower caused by borrower's financial difficulties due to the economic or legal aspects, which would not be considered otherwise;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    - adverse changes in the payment status of borrowers; or
    - national or local economic conditions that correlate with defaults on the assets in the group

The Group assesses in the first place, whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The Group classifies credit receivables by size of engagement, into the individual and group portfolios. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or other financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The calculation of the present value of estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is possible.

For the purpose of collective evaluation of impairment, the credit exposures are grouped on a basis of the uniformity of credit risk connected with the given portfolio. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of contractual cash flows and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. 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. Modification of the PD parameter takes into account characteristics of specific products and emerging periods for losses on those products. Such an approach facilitates the identification of 1) incurred losses 2) and incurred but not reported losses (IBNR).

Impairment is presented as reduction of the balance-sheet value of an asset, while the amount of loss (of the impairment charge posted in the period) is charged against the Profit and Loss Account for the period.

When a loan is uncollectible, it is written off against the related provision for impairment. Before any loan is written off, it is necessary to conduct all the required procedures and to determine the amount of the loss. Recoveries subsequent to write – offs decrease the amount of the provision for loan impairment in the profit and loss.

If in the next period the amount of impairment loss is reduced in result of an event, which occurred after the impairment (e.g. improvement of the debtor's debt capacity assessment) then the previously made impairment charge is reversed. The amount of the made reversal is reported in the Profit and Loss Account.

Financial assets available for sale

At each balance sheet date the Group estimates whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity are removed from equity and recognised in the profit or loss account even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortizations) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in the profit and loss account for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases, and such increase can be objectively related to an event occurring after the recognition of the impairment loss in the profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

7. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

8. Transactions with sell/buy-back clauses

Repo and sell-buy back transactions as well as reverse-repo and buy-sell back transactions, are transactions of sale and purchase of securities for which a commitment has been made to repurchase or resell them at a contractual date and for specified contractual price.

The Group presents financial assets sold with the repurchase clauses (repo, sell buy-back) in its balance sheet, by simultaneously recognizing a financial liability resulting from the repurchase clause.

This is in order to reflect the risks and rewards arising on this asset that is retained by the Group after the transfer. When the Group purchases securities with a sell back clause (reverse repo, buy-sell-back), the financial assets are presented as receivables arising from sell back clause.

These transactions are measured at amortized cost, and securities, which are the subject of aforementioned transactions, are not removed from the balance sheet and are measured in accordance with principles applicable for particular securities portfolio. The difference between sale and repurchase price is treated as interest cost/ income, and is accrued over the period of the agreement by application of an effective interest rate.

9. Financial leasing agreements

The Group is a party to lease contracts, on the basis of which it grants for paid use or benefit of non-current assets or intangible assets for an agreed period of time.

In the case of lease contracts, which result in transferring substantially all risks and rewards incidental to ownership of the asset under lease, the subject of the lease is derecognized. A receivable amount is recognized instead, however, in an amount equal to the present value of minimum lease payments.

Lease payments are accounted for (apportioned between the financial income and the reduction of the balance of receivables) to reach constant periodic rate of return from the outstanding receivables.

Lease payments for contracts, which do not fulfil qualifications of a finance lease, are recognized as income in the profit and loss, using the straight-line method, throughout the period of the lease.

The Group is also a party to lease contracts, under which it takes for paid use or drawing benefits another party's non-current assets or intangible assets for an agreed period. These are agreements (mainly rent or lease), which do not meet the conditions of the financial leasing contract (operating leasing). Lease payments for contracts, which do not fulfil qualifications of a finance lease agreement are recognized as costs in the profit and loss on a straight-line basis throughout the period of the lease.

10. Property, plant and equipment and Intangible Assets

Own property, plant and equipment and intangible assets

Tangible fixed assets are the controlled fixed assets and outlays made to build such assets. Tangible fixed assets include fixed assets with an expected period of use above one year, maintained to be used to serve the Group's needs or to be transferred to other entities, based on the lease contract or for administrative purposes.

Own property, plant and equipment, with the exception of land and buildings are carried in accordance with cost model at historical costs less any accumulated depreciation and any accumulated impairment losses. The historical costs comprises of purchase price/cost of creation, and any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.
Fixed assets under construction are disclosed at purchase price or production costs less depreciation (amortisation) and impairment charges.

Subsequent costs

The Group recognizes as a part of the asset's carrying value, the replacement costs as incurred, only when it is probable that future economic benefits associated with these items will flow to the Group, and the cost of the item can be reliably measured.
Costs of repairs and maintenance of property, plant and equipment are charged to the profit and loss in the reporting period in which they were incurred.

Intangible Assets

Intangible assets are deemed to include assets, which can be separated from an entity and sold, transferred, licensed or rented to third parties, either individually or together with a related contract, asset or liability. Intangible asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Computer Software

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. Expenses attached to the development or maintenance of computer software is expensed when incurred.

Other Intangibles

Other intangibles purchased by the Group are recognized at cost less accumulated amortization and accumulated impairment write-offs.

Subsequent costs

Subsequent costs incurred after initial recognition of acquired intangible assets are recognized only when it is probable that future economic benefits will flow to the Group. In the other cases, costs are charged to the profit and loss in the reporting period in which they were incurred.

Depreciation and amortization charges

The depreciation charge of tangible and intangible assets is accounted for on a straight line basis with the use of defined depreciation rates throughout the period of their useful lives. The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. The useful life, amortization/ depreciation rates and residual values of tangible and intangible assets are reviewed annually. Conclusions of the review may lead to a change of depreciation periods recognized prospectively from the date of application (the effect of this change is in accordance with IAS 8 charged to profit and loss).

Land, an intangible asset with an unspecified useful life, outlays for tangible assets and intangible assets are not depreciated. At each balance sheet date intangible assets with indefinite useful life are regularly tested for impairment.

The following depreciation rates are applied to basic categories of tangible and intangible assets and for investment property:

Selected categories of property, plant and equipment:

Bank buildings	2.5%
Lease holding improvements	period of the lease, hire purchase
Computer hardware	30.0%
Network devices	30.0%
Vehicles	20.0%
Telecommunication equipment:	10.0%

Intangibles (software):

Main applications (systems)	10.0%

For other computer software the Group applies the rate not lower than 50%, which depends on the expected useful life.

Depreciation and amortization charges are recognized as operating expenses in the profit and loss account.

11. Non current assets held for sale

The Group classifies a non-current asset 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) is 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 is highly probable. The sale is highly probable if the appropriate level of management is committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan has been initiated. Further, the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non- current assets held for sale are measured at the lower of: its carrying amount 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 Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group 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 assesses the existence of any indications that a non-current asset may be impaired at each balance sheet date. If such indications exist, the Group estimates the recoverable amount of the asset and if the recoverable amount of an asset is less than its carrying amount, the Group recognizes impairment charge in the profit and loss.

The impairment loss is the difference between the carrying amount and the recoverable amount of the asset. Recoverable amount is the higher of an asset’s fair value less cost 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 such indications exist, the Group performs an estimation of recoverable value. If, and only if, the recoverable value of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable value.

If pursuant to IAS 36, paragraph 21 there is no reason to believe that an asset’s value in use materially exceeds its fair value less costs to sell, the asset’s fair value less costs to sell may be used as its recoverable amount. This will be particularly the case of an asset that is held for disposal.

An impairment loss can be reversed only to the amount, where the book value of impaired asset does not exceed its book value, which decreased by depreciation charge, would be established, if any impairment loss would not be recognized.

13. Prepayments, Accruals and Deferred Income

Prepayments comprise of particular expenses which will be settled against the profit and loss as being accrued over the future reporting periods. Prepayments are presented in the caption 'Other assets' in the balance sheet. This caption also includes the annual fee for perpetual usufruct of land accrued over time.

Accruals are provisions for costs arising from services provided to the Group, which will be payable over future periods. The accruals are recognized in the caption „Other Liabilities' in the balance sheet.

Deferred income comprises among others received amounts of future services and other types of income received in advance to be settled against in the profit and loss in future reporting periods. They are presented in the caption „Other Liabilities' in the balance sheet.

14. Provisions

Provisions are established when (1) the Group has an obligation (legal or constructive) as a result of past events, and (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. If the effect is material, the amount of provision is measured by discounted, expected cash flows using pre-tax rate that reflects current market assessments of the time value of money and those risks specific to the liability.

A provision for restructuring costs is recognised only when the general criteria for provisions recognition as well as specific criteria for restructuring provision recognition specified in IAS 37 are met. In particular, the constructive obligation to restructure arises only when the Group has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it would 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 when 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 does not cover future operating expenses.

15. Employee Benefits

Short-Term Employee Benefits

Short-term employee benefits of the Group (other than termination benefits) comprises of wages, salaries, and paid annual leave and social security contributions.

The Group recognizes the anticipated, undiscounted value of short-term employee benefits as an

expense of an accounting period when an employee has rendered service (regardless of payment date) 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 Employees Remuneration By-laws and the Labour Code employees having worked a specific number of years and attained the required age are entitled to receive a pension severance payment. Retirement pension severance payments provision is calculated using an actuarial method by an independent actuary as the present value of the Group's future liabilities due to employees according to the headcount and wages as at the date of revaluation. The provision is updated on an annual basis.
Provisions for short-term and long-term employee benefits are recognized in the caption 'Other Liabilities' in balance sheet in correspondence with the 'staff costs' in the profit and loss.

The Group fulfils a programme of post – employment benefits called defined contribution plan. Under this plan the Group pays fixed contributions into the state pension fund. Post – employment benefits are paid to an employee from the proceeds of the fund including the return on the invested contributions. Consequently, the Group does not have a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

16. Group's Equity

Equity consists of capital and funds established in compliance with the respective provisions of the law, i.e., the appropriate legislative acts, the Company by-laws, or the Articles of Association.
Equity is comprised of the share capital, share premium, revaluation reserve and retained earnings. All balances of capital and funds are presented at nominal value.

Share Capital

Share capital is presented at nominal value, in accordance with the Articles of Association and the entry in the Register of Companies.

If the entity acquires its own shares, then the paid amount together with the costs directly attributed to such purchase is treated as a change in the Equity. Acquired own shares are treated as own shares and disclosed as reduction of the Equity until the time they are cancelled.

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

Share Premium

Share premium is formed from agio obtained from the issue of shares reduced by the attached direct costs incurred with that issue.

Revaluation Reserve

Revaluation of financial assets available for sale including deferred income tax resulting from above mentioned treatments are included in revaluation reserve. 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 supplementary 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 Bank Millennium SA is created from profit after tax in accordance with the Banking Act dated 29 August 1997 as later amended.

Net profit of the current year represents net profit adjusted by corporate income tax. Losses attributed to minority shareholders and exceeding the value of minority interests are charged to the Group's equity.

17. Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees granted are measured at the higher of:

(a) The amount being the best estimate of the expenditure required to settle the present obligation resulting from this financial guarantee, considering the probability of its realization;

(b) the amount initially recognised less amortized amount of commission received for guarantee granting,

18. Interest income

Interest income and expenses on financial instruments measured at amortized cost using effective interest rate and available for sale financial assets are recognized in the profit and loss.

Interest income/costs on derivatives classified as held for trading are recognized in the caption ‘Result from financial instruments valued at fair value through the profit and loss account. Interest income on debt securities, classified as held for trading, is recognised in the caption ‘Interest income’.

Net interest income comprises of interest income and costs on designated derivatives being a result of effective hedge instruments in hedge accounting of fair value of securities in foreign currencies in the area of risk of interest rates’ changes and in hedge accounting of cash flow changes generated by the portfolio of mortgage loans in foreign currencies and PLN deposits financing them.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense or certain commission (those constituting an integral part of the interest rate) over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument without considering future credit losses. The calculation includes all fees and points paid or received between contracting parties, that are an integral part of the effective interest rate, as well as transaction costs, and all other premiums or discounts.

Interest income comprises interest and commissions (received or due) captured in the calculation of effective interest rate on account of: loans, interbank deposits and securities held to maturity and available for sale, measured at fair value in the Profit and Loss Account. Additionally, interest income includes the directly attributable incremental costs to the conclusion loan agreement incurred by the Bank (mainly commissions paid to external and own agents for concluding mortgage loan agreements, and costs of property valuation connected with this type of agreements) that are an integral part of the effective interest rate calculation and subject to amortization over time.

Following the recognition of an impairment loss on a financial instrument carried at amortized cost and available for sale financial assets, interest income is recognised in the profit and loss calculated on a net asset value basis (gross carrying amount less impairment amount). In this case interest income is calculated using the interest rate applied for discounting future cash flows for the purpose of impairment valuation.

19. Fee and commission income/ Fee and Commission Costs

Commission income and expenses received from banking operations on client accounts, from operations on payment cards, factoring and brokerage activity is recognized in the profit and loss at the time the service is rendered; other fees and commissions are deferred and recognized as revenue over time.

The basic types of commissions related to credit operations in the Group include among others: loan origination fees and commissions, and commitment fees.

Fees and commissions (both income and expense) directly attributable to initial recognition of financial assets with established repayment schedules are recognized in profit and loss account as effective interest rate component and are part of interest income. Other, attributed to initial recognition of financial assets without established repayment schedules are amortized on a straight-line basis through the expected life of the financial instrument. Fees and commissions on pledge to grant a loan, which is probable to be drawn, are deferred and since initial recognition of financial assets are amortized as component of effective interest rate or on a straight-line basis based on above mentioned criteria. 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.

In connection with performance of a material transaction consisting in intermediation in the sale of insurance policies, the Bank upon the initial recognition of loan receivables reports in the Profit and Loss Account the fair value of the provided service of sale of an insurance policy. As for the remaining part of insurance fees, the Bank settles it over time as an integral part of effective interest rate and reports it in the Profit and Loss Account under interest income.

Other fees and commissions resulting from financial services provided by the Group, like cash management services, brokerage services and asset management services are recognized in profit and loss account at the time of performance of the respective services.

20. Dividend Income

Dividend income is recognized in the profit and loss when the shareholders' right to receive payment is established.

21. Result on Investment Financial Instruments

Result on investment financial instruments includes profits and losses generated as a result of selling financial instruments classified as 'available for sale', and other profits and losses arising from investment activities.

Result on investment financial instruments comprises also a change of fair value of designated hedge derivative transactions being a result of effective hedge instruments in hedge accounting of fair value of securities in foreign currencies in the area of risk of interest rates' changes.

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 includes profits and losses generated as a result of selling financial instruments from the trading portfolio and the effect of their valuation to fair value (debt securities and derivatives held for trading).

23. Foreign exchange profit

Foreign exchange profit is calculated taking into account foreign exchange gains and losses, both realised and unrealised, arising from day to day valuation of assets and liabilities denominated in foreign currency at the average rate established as at the balance sheet date for a given currency by National Bank of Poland and recognized under foreign exchange profit.
Result on foreign exchange includes also result and valuation of FX spot and FX forward transactions.

24. Other Operating Income and Expenses

Other operating income and expenses include expenses and incomes not associated directly with the Group's banking and brokerage activity. In particular, this is result on sale and liquidation of fixed assets, income from sale of other services, received and paid damages, penalties and fines.

25. Income Tax

Corporate income tax comprises current and deferred tax.
Current income tax is calculated on profit before tax, established in accordance with appropriate accounting regulations adjusted by non-taxable income and non-tax deductible expenses, with usage of binding tax rate. Moreover, for tax purposes, the gross profit is adjusted by previous years' income and expenses realised for tax purposes in a given reporting period and deductions from income arising from e.g. donations.
Deferred income tax is recognized in profit and loss or equity depending on type of temporary differences.

The Group forms a provision for a deferred income tax asset and liability due to temporary differences on income tax. These differences are a result of different timing of recognition of income as earned and of costs as incurred according to accounting regulations and according to legal regulations concerning corporate income taxation.
Provision for a deferred income tax is recognized in liabilities in the caption 'deferred income tax liabilities'. Deferred income tax asset is recognized in assets as 'deferred income tax assets'. The Group offsets deferred tax assets and deferred tax liabilities if, and only if it has a legally enforceable right for such netting and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

The deferred income tax asset or liability are created on a balance sheet method basis with regard to all temporary differences as at the balance sheet date between carrying amount of an asset or liability in the balance sheet and its tax value.

Deferred income tax liabilities are created for all positive temporary differences except when it arises from the amortization of goodwill or initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transactions affects neither accounting profit nor taxable profit (tax loss).

Deferred income tax assets are recognised with respect to all negative timing differences as at the balance sheet date between carrying amount of an asset or liability in the balance sheet and its tax value. Deferred income tax assets are also recognised for the unused tax losses carried forward. Deferred income tax assets are recognised in the amount in which taxable income is likely to be achieved, which allows to set-off negative temporary differences and unused tax losses carried forward.

Deferred income tax assets are not recognised for negative temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transactions affects neither accounting profit nor taxable profit (tax loss).

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

An asset or a liability arising from temporary differences associated with investments in subsidiaries and associates are not included in calculation of deferred income tax assets or liabilities, unless the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

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, 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.

26. Application of Estimates in connection with Accounting Policies

The preparation of financial statements in accordance with IFRS requires from the Group the use of estimates and assumptions that affect the amounts reported in the financial statements.

The estimates and assumptions, revised by the Group management on a regular basis, are made on basis of historical experience and other factors considered being relevant in given circumstances.

Despite the fact, that such estimates are based on best knowledge about current conditions and activities undertaken by the Group, the actual results may differ from the estimates. The major areas for which the Group makes estimates are presented below.

- *Impairment of loans and advances*

For each balance sheet date, the Group assesses, whether there is objective evidence of impairment of a given financial asset or group of financial asset. The Group assesses whether there are observable data indicating that there is a measurable decrease in the estimated future cash flows from a given loan portfolio since the initial recognition of those assets, although the decrease cannot yet be identified with the individual. The estimates include any observable indications pointing at the occurrence of an unfavourable change in the solvency position of debtors belonging to any particular group or national or local economic conditions that correlate with defaults on the assets in the group

Historical parameters of recoveries are adjusted on the basis of the data coming from current observations, so as to take into consideration the influence of current conditions and to exclude the influencing factors in the historical period, that are no longer applicable. The methodology and the assumptions for calculating the amount and timing of estimated cash flows to be recovered are regularly reviewed and updated, in order to estimate the difference between the actual loss results and estimations of impairment.

- *Fair value of financial instruments*

The fair value of financial instruments not quoted on active markets is measured using valuation models. For non-optional derivatives and debt securities, valuation models based on discounted cash flows are used. Options are valued using option valuation models.

Valuation models used by the Group, are approved before their use and calibrated in order to ensure, that results achieved reflect actual data and comparative market prices. Where possible, in models the Group uses observable data from active markets.

- *Impairment of other non current assets*

The Group assesses the existence of any indications that a non-current asset may be impaired at each balance sheet date. If such indications exist, the Group performs an estimation of recoverable amount. Estimation of value-in-use of a non-current asset (or cash generating units) requires assumptions to be adopted, regarding, among others, amounts and timing of future cash flows, which the Group may obtain from the given non-current asset (or cash generating unit). The Group performs an estimation of the fair value less costs to sell on the basis of available market data regarding this subject or estimations made by external parties, which are also based on estimations.

- *Other Estimate Values*

Retirement provision is calculated using an actuarial method by an independent actuary as the present value of future liabilities of the Group due to employees based on headcount and remuneration as of the date of the update. The estimation of the provision is made on the basis of several assumptions, regarding macroeconomic conditions and employee turnover, mortality risk and other.

With regard to certain short-term employee benefits (bonuses granted to directors and key management personnel), the Management Board makes assumptions and estimates regarding the amount of benefits as at the balance sheet date. The final amount of bonuses granted is established by the Supervisory Board.

VII. FINANCIAL INFORMATION BY BUSINESS SEGMENTS

Business Segmentation

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

a) Retail Customers Segment

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

The activity of the above business lines is developed with use of the full offer of banking products and services as well as sales of specialised products offered by subsidiaries in the group. In the credit products area the key portfolio growth factors are mortgage loans, retail credit products, credit card revolving credit as well leasing products for small companies. Meanwhile key deposit products include: current accounts, term deposits, mutual funds and structured products. Additionally the offer comprises insurance products, mainly linked with loans and credit cards, as well as specialised insurance products. Recently the offer was further improved to include selected mutual funds from other financial brokers as well as foreign funds.

b) Corporate Customers Segment

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

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

c) Investment and treasury business

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

d) Non-allocated (Other) assets and liabilities as well as income and costs

Non-allocated assets and liabilities comprise equity, other assets and other liabilities, assets and liabilities connected with hedging derivatives as well as assets on account of deferred tax and cash not allocated to any segment.

Group-level equity for presentation purposes has been shown under "Total Consolidated"

Income tax charge has been presented on Group level only

Geographic segmentation

The Group operates only in Poland and considering the geographic location of outlets, no significant differences in risk have been identified. For this reason the Group did not prepare a report by segments with use of the geographic location criterion.

Accounting principles

The accounting principles followed in presentation of segmentation data are consistent with IAS 14.

For each segment the gross result is determined, comprising:

- Net interest income calculated on the basis of interest on external working assets and liabilities of the segment as well as allocated assets and liabilities generating internal interest income or cost. Internal income and costs are calculated based on market interest rates;
- Net commission income;
- Other income from financial transactions and FX gains, such as: dividend income, result on investment and trading activity, FX gains/losses and result on other financial instruments;
- Other operating income and expenses;
- Costs on account of impairment of financial and non-financial assets;
- Segment share in operating costs, including personnel and administration costs;
- Segment share in depreciation costs.

The assets and liabilities of commercial segments are the operating assets and liabilities used by the segment in its operations, allocated on reasonable business grounds. The difference between operating assets and liabilities is covered by money market assets/liabilities and debt securities. The assets and liabilities of the Treasury and Investment Banking segment are money market assets/liabilities and debt securities.

Non-allocated assets and liabilities are presented under “Other”.

Land and real estate, which in result of continuing business optimisation will not be used for further activity of the Bank, are presented in assets of the Retail Banking segment. Fixed assets for sale – fixed assets coming from ended lease agreements - are presented in assets of the Corporate Banking segment.

Income statement 01.01.2007 - 30.06.2007

In PLN thous.	Retail Banking	Corporate Banking	Investment and Treasury Banking	Other	Total consolidated
Net interest income	222 212	104 019	21 685	0	347 916
external income	316 957	179 794	222 598	0	719 349
external cost	-146 056	-82 118	-143 259	0	-371 433
External income less cost	170 901	97 676	79 339	0	347 916
internal income	207 852	127 506	-335 358	0	0
internal cost	-156 540	-121 164	277 704	0	0
Internal income less cost	51 311	6 342	-57 654	0	0
Net fee and commission income	177 784	49 750	26 965	0	254 499
Dividends, other income from financial operations and foreign exchange profit	86 506	34 645	57 559	0	178 710
Other operating income and cost	-178	353	16 161	0	16 336
Operating income	**486 324**	**188 767**	**122 370**	**0**	**797 461**
Staff costs	-155 864	-73 394	-20 397	0	-249 655
Administrative costs	-161 530	-26 055	-9 384	0	-196 969
Impairment losses on assets	-58 404	9 944	-1 805	0	-50 265
Depreciation and amortization	-27 342	-3 287	- 1 677	0	-32 305
Operating expenses	**-403 140**	**-92 792**	**-33 262**	**0**	**-529 194**
Operating profit	**83 184**	**95 975**	**89 108**	**0**	**268 267**
Gross profit / (loss)	**83 184**	**95 975**	**89 108**	**0**	**268 267**
Income taxes					-56 121
Net profit / (loss)					**212 146**

Balance sheet 30.06.2007

In PLN thous.	Retail Banking	Corporate Banking	Investment and Treasury Banking	Other	Total consolidated
ASSETS					
Segment assets	13 421 449	7 501 038	5 635 626	2 079	26 560 192
- including capital investment outlays	26 557	3 225	75	2 079	31 937
Assets allocated to segment	363 055	3 185 682	-3 548 738	0	0
Assets not allocated to segment	0	0	0	820 469	820 469
Total	**13 784 504**	**10 686 720**	**2 086 888**	**822 548**	**27 380 661**
LIABILITIES					
Segment liabilities	10 140 916	10 040 019	4 041 032	0	24 221 966
Liabilities allocated to segment	2 883 603	109 650	-2 993 253	0	0
Liabilities not allocated to segment	0	0	0	883 102	883 102
Equity	0	0	0	0	2 275 593
Total	**13 024 519**	**10 149 668**	**1 047 779**	**883 102**	**27 380 661**

Income statement 01.01.2006 - 30.06.2006

In PLN thous.	Retail Banking	Corporate Banking	Investment and Treasury Banking	Other	Total consolidated
Net interest income	161 058	91 017	63 999	0	316 073
external income	161 966	152 830	295 909	0	610 705
external cost	-111 286	-70 926	-112 420	0	-294 632
External income less cost	50 680	81 904	183 489	0	316 073
internal income	173 718	106 070	-279 788	0	0
internal cost	-63 340	-96 957	160 297	0	0
Internal income less cost	110 378	9 113	-119 491	0	0
Net fee and commission income	101 927	44 540	17 917	0	164 384
Dividends, other income from financial operations and foreign exchange profit	49 170	19 299	23 528	0	91 997
Other operating income and cost	127	231	13 977	0	14 335
Operating income	**312 282**	**155 086**	**119 421**	**0**	**586 789**
Staff costs	-119 755	-49 544	-14 649	0	-183 948
Administrative costs	-130 274	-34 991	-15 823	0	-181 088
Impairment losses on assets	-24 909	6 124	-62	0	-18 847
Depreciation and amortization	-24 328	-5 382	-666	0	-30 376
Operating expenses	**-299 266**	**-83 793**	**-31 199**	**0**	**-414 259**
Operating profit	**13 016**	**71 293**	**88 221**	**0**	**172 530**
Gross profit / (loss)	**13 016**	**71 293**	**88 221**	**0**	**172 530**
Income taxes					-32 853
Net profit / (loss)					**139 677**

Balance sheet 31.12.2006

In PLN thous.	Retail Banking	Corporate Banking	Investment and Treasury Banking	Other	Total consolidated
ASSETS					
Segment assets	10 226 125	6 855 735	6 370 405	25 102	23 477 367
- including capital investment outlays	58 576	5 617	2 981	25 102	92 276
Assets allocated to segment	2 366 936	2 596 831	-4 963 767	0	0
Assets not allocated to segment	0	0	0	1 214 758	1 214 758
Total	**12 593 060**	**9 452 567**	**1 406 638**	**1 239 860**	**24 692 125**
LIABILITIES					
Segment liabilities	9 652 091	6 168 095	5 590 467	0	21 410 654
Liabilities allocated to segment	2 330 022	2 794 867	-5 124 888	0	0
Liabilities not allocated to segment	0	0	0	1 066 150	1 066 150
Equity	0	0	0	0	2 215 321
Total	**11 982 113**	**8 962 962**	**465 579**	**1 066 150**	**24 692 125**

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

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Interest income and other of similar nature, including:		
Balances with the Central Bank	11 056	4 698
Loans and advances to banks	33 343	44 315
Loans and advances to customers	497 419	322 038
Transactions with repurchase agreement	1 060	1 007
Hedging derivatives	42 974	49 368
Financial assets held for trading (debt securities)	80 326	63 755
Investment securities	53 171	125 453
Other	0	71
Total	**719 349**	**610 705**

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 in the first half of 2007 includes interest accrued on impaired loans. This interest amount is PLN 22 029 thous. (the amount of this interest in 1st half of 2006 was PLN 21 145 thous. on a comparable basis). This interest income is calculated on the basis of net exposure amounts, which take into account the posted impairment charges.

(2) INTEREST EXPENSE

2. Interest expense and other of similar nature

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Interest expense and other of similar nature, including:		
Banking deposits	-36 001	-17 799
Loans	-26 803	0
Transactions with repurchase agreement	-61 522	-77 061
Hedging derivatives	-909	0
Deposits from customers	-236 862	-191 393
Subordinated debt	-8 893	-6 894
Debt securities	-425	-369
Other	-17	-1 116
Total	**-371 433**	**-294 632**

(3) *FEE AND COMMISSION INCOME*

3a. Fee and commission income

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Accounts service	28 956	32 319
Loan activity	18 656	14 546
Payments service	19 131	18 761
Payment and credit cards	53 879	38 263
Financial intermediation, including:	36 866	19 868
- bankassurance	23 594	5 816
- sale of non-Capital Group investment funds units	13 272	14 052
Guarantees and sureties granted	4 450	3 636
Brokerage and custody service	32 849	23 419
Investment funds management	96 909	33 144
Other	1 799	4 777
Total	**293 494**	**188 734**

Payment service commissions include commissions for transfers, cash payments and withdrawals and other payment transactions.

Commissions connected to financial intermediations include the commissions charged for the bancassurance products (including insurance products) and commissions for sale of 3rd parties mutual funds participation units (other than the funds from the Group), collected on a one-off basis.

3b. Fee and commission expense

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Accounts service	-455	-343
Loan activity	-5 047	-1 687
Payments service	-755	-122
Payment and credit cards	-25 764	-16 583
Brokerage and custody service	-5 547	-4 337
Other	-1 427	-1 277
Total	**-38 995**	**-24 350**

(4) *DIVIDEND INCOME*

4. Dividend income

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Securities valued at fair value through profit and loss (held for trading)	0	0
Investment securities	1 013	2 573
Total	**1 013**	**2 573**

(5A) RESULT ON INVESTMENT FINANCIAL ASSETS

5a. Result on investment financial assets

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Operations on debt instruments	111	3 125
Operations on equity instruments	4 190	0
Total	**4 301**	**3 125**

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

The Result on on financial instruments measured 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 measured at fair value through the profit and loss account and the effect of their fair value valuation.

This category includes the instruments qualified as “for trading” – at the moment the Group does not use the capacity to assign other instruments as appraised at fair value through the profit and loss account at the initial booking (so-called fair value option).

5b. Result on financial instruments valued at fair value through profit and loss (held for trading)

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Operations on securities	-16 532	-29 784
Operations on derivatives	76 508	38 715
Total	**59 976**	**8 931**

(5C) RESULT ON OTHER FINANCIAL INSTRUMENTS

5c. Result on other financial instruments

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Other operations	-5 222	-4734
Total	**-5 222**	**-4 734**

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

(5D) FX INCOME

FX income includes the margin on non-negotiated “FX Table” transactions, margin on negotiated corporate FX transactions, FX revaluation and the result of the FX Trading Desk. The joint margin on both FX Table and corporate in the 1st half of 2007 stood at PLN 106 511 thousand.

(6) *OTHER OPERATING INCOME AND EXPENSES*

6a. Other operating income

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Profit on sale and liquidation of property, plant and equipment, intangible assets	14 483	11 593
Profit on sale of non current assets held for sale	6 248	10 028
Indemnifications, penalties and fines received	7 152	10 714
Sale of other services	369	1 644
Costs incurred in previous years	20	3 000
Income from collection service	286	516
Income from leasing business	770	1 404
Other	5 042	9 046
Total	**34 370**	**47 945**

6b. Other operating expenses

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Loss on sale and liquidation of property, plant and equipment, intangible assets	-12 804	-6 980
Loss on sale of non current assets held for sale	0	-1 197
Indemnifications, penalties and fines paid	-375	-3 792
Provisions for contentious claims	-21	0
Costs of leasing business	-1 640	-4 717
Donations made	0	-386
Costs of collection service	-1 152	-635
Costs of payments to compensation system	-353	-427
Other	-1 690	-15 476
Total	**-18 034**	**-33 610**

(7) *GENERAL AND ADMINISTRATIVE EXPENSES*

7. General and administrative expenses

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Staff costs:	**-249 655**	**-183 948**
Salaries	-241 297	-177 887
Employee benefits, including:	-8 358	-6 061
- provisions for retirement benefits	0	-37
- provisions for unused employee holiday	-62	-33
- other	-8 296	-5 991
General administrative costs	**-196 969**	**-181 088**
Costs of advertising, promotion and representation	-22 009	-25 047
Costs of software maintenance and IT services	-6 631	-7 268
Costs of renting	-47 881	-38 723
Costs of buildings maintenance, equipment and materials	-20 228	-17 664

ATM and cash costs	-10 525	-10 989
Costs of communications and IT	-32 268	-28 701
Costs of consultancy, audit and legal advisory and translation	-11 360	-11 537
Taxes and fees	-8 454	-9 466
KIR clearing charges	-1 130	-1 084
PFRON costs	-2 027	-1 596
BFG costs	-1 809	-1 222
Other	-32 647	-27 791
Total	**-446 624**	**-365 036**

(8) IMPAIRMENT LOSSES ON FINANCIAL ASSETS

8. Impairment losses on financial assets

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Impairment losses on loans and advances to customers	**-48 051**	**-17 982**
- Impairment charges on loans and advances to customers	-479 049	-255 191
- Reversal of impairment charges on loans and advances to customers	408 920	226 156
- Amounts recovered from loans written off	6 313	11 053
- Result on sale of receivables	15 765	0
Impairment losses on off-balance sheet liabilities	**-2 719**	**-803**
- Impairment write-offs for off-balance sheet liabilities	-31 973	-11 102
- Reversal of impairment write-offs for off-balance sheet liabilities	29 254	10 299
Total	**-50 770**	**-18 785**

(9) IMPAIRMENT LOSSES ON NON FINANCIAL ASSETS

9. Impairment losses on non financial assets

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Fixed assets	615	252
Other assets	-110	-314
Total	**505**	**-62**

(10) DEPRECIATION AND AMORTIZATION

10. Depreciation and amortization

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Property, plant and equipment	-27 810	-24 649
Intangible assets	-4 495	-5 727
Total	**-32 305**	**-30 376**

(11) INCOME TAX

11a. Income tax reported in income statement

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Current tax	**51 801**	**3 410**
Current year	51 801	3 410
Deferred tax	**4 320**	**29 558**
Appearance and reversal of temporary differences	169 725	50 820
Utilisation of tax loss	-165 405	-21 262
Other	**0**	**-115**
Receivables resulting from the article 38a of the CIT Act	0	-115
Total income tax reported in income statement	**56 121**	**32 853**

11b. Effective tax rate

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Gross profit / (loss)	268 267	172 530
Statutory tax rate	19%	19%
Income tax according to obligatory income tax rate of 19%	-50 971	-32 781
Impact of permanent differences on tax charges:	-5 150	-187
Non taxable income	**192**	**1 878**
- Dividend income	192	489
- Other	0	1 389
Cost which is not a tax cost	**-5 342**	**-2 065**
- Loss on sale of receivables	-3 554	0
- PFRON fee	-322	-303
- Other	-1 466	-1 762
Receivables resulting from the article 38a of the CIT Act	0	115
Total income tax reported in income statement	**-56 121**	**-32 853**

11c. Deferred tax reported directly in equity

	30.06.2007	30.06.2006
Valuation of available for sale securities	-788	1 404
Valuation of cash flow hedging instruments	234	-168
Deferred tax reported directly in equity	**-554**	**1 236**

(12) EARNINGS PER SHARE

12. Earnings per share (PLN)

	01.01.2007 - 30.06.2007	01.01.2006 - 30.06.2006
Earnings after taxes	212 146	139 677
Weighted average number of shares in the period	849 181 744	849 181 744
Earnings per share	**0.25**	**0.16**

Earnings per share were calculated through division of the net profit for the period by the weighed average number of shares 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 shares (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

	30.06.2007	31.12.2006
Cash	329 488	413 659
Cash in Central Bank	438 147	551 138
Other funds	6 196	1 037
Total	**773 831**	**965 834**

In the period from 31st May 2007 to 1st July 2007 the Bank kept an average balance of PLN 569 447 thousand on its current account with NBP (arithmetic average of the balance on the current account with NBP from all days of the deposit period).
The interest rate on the mandatory deposit account is 0.9 rediscount rate and in the above period it stood at 4.05%.

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

	30.06.2007	31.12.2006
a. in Polish currency	654 205	835 940
b. in foreign currencies (after conversion to PLN)	119 626	129 894
- currency: USD	22 160	23 367
- currency: EURO	63 369	75 352
- currency: GBP	14 505	18 016
- other currencies (PLN '000)	19 592	13 159
Total	**773 831**	**965 834**

(14) *LOANS AND ADVANCES TO BANKS*

14a. Loans and advances to banks

	30.06.2007	31.12.2006
Current accounts	73 387	32 410
Deposits in other banks	694 740	810 290
Loans	280 344	269 424
Other	2 040	322
Interest	1 601	10 685
Total (gross) loans and advances to banks	**1 052 112**	**1 123 131**
Impairment write-offs	0	0
Net loans and advances to banks	**1 052 112**	**1 123 131**

14b. Loans and advances to banks by maturity date

	30.06.2007	31.12.2006
Current accounts	73 387	32 410
- to 1 month	617 080	310 103
- above 1 month to 3 months	29 700	187 198
- above 3 months to 1 year	50 024	313 323
- above 1 year to 5 years	0	0
- above 5 years	280 320	269 412
- past due	0	0
Interest	1 601	10 685
Total (gross) loans and advances to banks	**1 052 112**	**1 123 131**

14c. Loans and advances to banks by currency

	30.06.2007	31.12.2006
in Polish currency	699 657	866 027
in foreign currencies (after conversion to PLN)	352 455	257 104
- currency: USD	22 186	19 020
- currency: EURO	243 980	108 208
- currency: CHF	53 035	75 620
- currency: GBP	16 679	22 385
- other currencies (PLN ‘000)	16 575	31 871
Total	**1 052 112**	**1 123 131**

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

	30.06.2007	31.12.2006
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 measured at fair value in through the Profit and Loss Account (for trading)

	30.06.2007	31.12.2006
15a. Debt securities	**3 241 642**	**3 368 029**
Issued by State Treasury	3 241 642	3 368 029
a) bills	374 804	108 701
b) bonds	2 866 838	3 259 328
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

Equity instruments	**352**	**4 418**
Quoted on the active market	352	4 418
a) financial institutions	8	22
b) non-financial institutions	344	4 396
Not quoted on the active market	0	0
a) financial institutions	0	0
b) non-financial institutions	0	0
Positive valuation of derivatives	**447 884**	**370 313**
Total	**3 689 878**	**3 742 760**

15b. Financial assets valued at fair value through profit and loss (held for trading)

	30.06.2007	31.12.2006
Trading financial assets	3 689 878	3 742 760
Financial assets valued at fair value when initially recognized	0	0
Total	**3 689 878**	**3 742 760**

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

15c. Debt securities valued at fair value through profit and loss (held for trading), at balance sheet value

	30.06.2007	31.12.2006
- with fixed interest rate	2 458 228	2 624 305
- with variable interest rate	783 414	743 724
Total	**3 241 642**	**3 368 029**

15d. Debt securities valued at fair value through profit and loss (held for trading), by maturity

	30.06.2007	31.12.2006
- to 1 month	997	900
- above 1 month to 3 months	30 029	35 076
- above 3 months to 1 year	880 682	469 274
- above 1 year to 5 years	1 950 297	2 585 365
- above 5 years	379 637	277 414
Total	**3 241 642**	**3 368 029**

15e. Change of debt securities and equity instruments valued at fair value through profit and loss (held for trading)

	01.01.2007 - 30.06.2007	01.01.2006 - 31.12.2006
Balance at the beginning of the period	3 372 447	2 993 696
Increases (purchase and accrual of interest and discount)	36 943 318	75 669 806
Reductions (sale and redemption)	-37 054 869	-75 287 883
Differences from valuation at fair value	-18 902	-3 172
Balance at the end of the period	**3 241 994**	**3 372 447**

15f. Derivatives as at 30.06.2007

Amount in '000 PLN	Par 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)	876 570	3 700 000	0	-949	1 249	2 198
Interest rate swaps (IRS)	8 784 514	7 218 990	14 214 156	-8 261	178 289	186 550
Other interest rate contracts: volatility swap, swap with FX option	5 361	64 792	99 234	17 199	17 931	732
Total interest rate derivatives	**9 666 445**	**10 983 782**	**14 313 390**	**7 989**	**197 469**	**189 480**
2. FX derivatives						
FX contracts	4 975 560	6 219 899	1 757 633	-3 224	54 369	57 593
FX swaps	4 682 141	3 478 465	3 216	69 272	70 281	1 009
Other FX contracts (CIRS)	0	0	3 271 148	35 077	35 542	465
FX options	3 253 810	9 397 957	795 942	165	37 019	36 854
Total FX derivatives	**12 911 511**	**19 096 321**	**5 827 939**	**101 290**	**197 211**	**95 921**
3. Commodity derivatives						
Commodity forwards	115 060	97 041	157 010	297	14 701	14 404
Commodity options	196 446	500 471	260 190	0	27 168	27 168
Total commodity derivatives	**311 506**	**597 512**	**417 200**	**297**	**41 869**	**41 572**
4. Options embedded in deposits				**-20 969**	1 631	22 600
5. Valuation of future FX payments				**9 704**	9 704	0
6. Valuation of hedged portfolio				**-6 333**	0	6 333
7. Total derivatives	**22 889 462**	**30 677 615**	**20 558 529**	**91 978**	**447 884**	**355 906**

15g. Derivatives as at 31.12.2006

Amount in '000 PLN	**Par 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)	1 750 000	575 930	0	900	1 227	327
Interest rate swaps (IRS)	2 800 000	6 568 478	12 134 608	-9 770	143 420	153 190
Other interest rate contracts: volatility swap, swap with FX option	0	71 122	110 200	4 440	5 286	846
Total interest rate derivatives	**4 550 000**	**7 215 530**	**12 244 808**	**-4 430**	**149 933**	**154 363**
2. FX derivatives						
FX contracts	5 371 052	2 668 006	2 303 742	-6 493	35 747	42 240
FX swaps	5 320 853	658 694	0	51 521	65 588	14 067
Other FX contracts (CIRS)	0	0	2 416 812	38 756	41 622	2 866
FX options	4 192 790	3 430 316	66 820	0	24 702	24 702
Total FX derivatives	**14 884 695**	**6 757 016**	**4 787 374**	**83 784**	**167 659**	**83 875**
3. Commodity derivatives						
Commodity forwards	80 213	0	0	120	10 199	10 079
Commodity options	363 514	548 816	106 504	0	32 257	32 257
Total commodity derivatives	**443 727**	**548 816**	**106 504**	**120**	**42 456**	**42 336**
4. Options embedded in deposits				**-18 135**	0	18 135
5. Valuation of future FX payments				**10 265**	10 265	0
6. Total derivatives	**19 878 422**	**14 521 362**	**17 138 686**	**71 604**	**370 313**	**298 709**

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 applies following types of hedge accounting:

- Hedge of fair value of the portfolio of long-term consumer loans as regards risk of change of interest rates;
- Hedge of the fair value of FX liabilities resulting from the Bank's own transactions against FX fluctuation risk
- Hedge of the fair value of FX securities against interest rate risk
- Hedge of volatility of cash flows generated by the portfolio of FX mortgage loans and the PLN deposits financing them;

Starting from 1 January 2006 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).Implementation of formal hedge accounting permitted presentation of the transactions in the Profit and Loss Account in accordance with their economic meaning.

At the end of each month the Bank performs an assessment of effectiveness of the used hedge by analysing changes of fair value of the hedged instrument and the hedging instrument.

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

	Hedging fair value of the portfolio of long-term consumer loans	Hedging fair value of the FX-denominated liabilities	Hedging fair value of the 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 risk of change of the fair value of the portfolio of long-term consumer loans denominated in PLN, based on a fixed interest rate. The hedged risk results from changes of interest rates.	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	Portfolio of long-term consumer loans denominated in PLN, based on a fixed interest rate.	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	IRS transactions	CIRS transactions	CIRS transactions	CIRS transactions
Presentation of the result on the hedged and hedging transactions	Adjustment to fair value of hedged assets and valuation of hedging instruments is reported in the Profit and Loss Account as result on investment financial assets; Interest on hedged assets and hedging instruments reported in net interest income	Fair value adjustment of the payment in FX currency resulting from the FX rate differences is recognised in the costs of Bank's activity; Valuation of hedging instruments is recognised in the costs of Bank's activity; Interest on the hedging instruments are recognised in the costs of Bank's activity.	FX rate differences from the hedged assets and hedging instruments are recognised in the FX income; Fair value adjustment of the hedged assets and valuation of the hedging instruments is recognised in income statement; Interest on the hedged assets and hedging instruments are recognised in the net interest income.	Effective part of valuation of hedging instruments is recognised in the revaluation capital; Interest on both and hedging instruments and hedged instruments are recognised in the net interest income; Valuation of hedging and hedged instruments under FX rate differences is recognised in the FX income.

16a. Hedge accounting 30.06.2007

Amount in '000 PLN	Par value of instruments with future maturity			Fair values			Adjustment to fair value of hedged items for hedged risk
	below 3 months	from 3 months to 1 year	above 1 year	Total	Assets	Liabilities	
1. Fair value hedging derivatives connected with interest rate risk							
- IRS contracts (macro fair value hedge for consumer loans)	0	0	669 337	6 531	6 531	0	-6 333
- CIRS contracts (micro fair value hedge for securities in foreign currencies)	0	0	193 962	22 661	22 661	0	-883*
2. Fair value hedging derivatives connected with FX rate risk							
- CIRS contracts (micro fair value hedge for FX liabilities)	0	0	423 022	-8 622	0	8 622	9 061
3. Cash flows hedging derivatives connected with interest rate and/or FX rate							
- CIRS contracts (macro cash flow hedge for mortgages and deposits in PLN)	0	0	8 529 735	129 684	129 684	0	n/a
4. Total hedging derivatives	**0**	**0**	**9 816 056**	**150 254**	**158 876**	**8 622**	x

* - the change in the fair value under the hedged interest rate risk and the fx risk on the hedging instrument amounted, since the beginning of the hedge accounting, to PLN 41 485 thousand. In the meantime, the change in the fair value under the hedged interest rate risk and the fx risk on the hedged instrument amounted, since the beginning of the hedge accounting, to PLN 41 640 thousand.
FX rate differences on the hedged position, based on the IAS 21, are recognized in the profit and loss account. Hence, the accounting move from capitals to the profit and loss account applied just to the change in fair value of the hedged position, at PLN 883 thousand.

16b. Hedge accounting 31.12.2006

Amount in '000 PLN	Par value of instruments with future maturity			Fair values			Adjustment to fair value of hedged items for hedged risk
	below 3 months	from 3 months to 1 year	above 1 year	Total	Assets	Liabilities	
1. Fair value hedging derivatives connected with interest rate risk							
- CIRS contracts (micro fair value hedge for securities in foreign currencies)	0	0	198 036	19 690	20 528	838	-516*
2. Fair value hedging derivatives connected with FX rate risk							
- CIRS contracts (micro fair value hedge for FX liabilities)	4 458	680	71 643	-10 098	0	10 098	9 994
3. Cash flows hedging derivatives connected with interest rate and/or FX rate							
- CIRS contracts (macro cash flow hedge for mortgages and deposits in PLN)	723 510	1 911 680	4 590 265	83 929	87 499	3 570	n/a
4. Total hedging derivatives	**727 968**	**1 912 360**	**4 859 944**	**93 521**	**108 027**	**14 506**	x

* - the change in the fair value under the hedged interest rate risk and the fx risk on the hedging instrument amounted, since the beginning of the hedge accounting, to PLN 30 526 thousand. In the meantime, the change in the fair value under the hedged interest rate risk and the fx risk on the hedged instrument amounted, since the beginning of the hedge accounting, to PLN 30 337 thousand.

FX rate differences on the hedged position, based on the IAS 21, are recognized in the profit and loss account. Hence, the accounting move from capitals to the profit and loss account applied just to the change in fair value of the hedged position, at PLN 516 thousand.

16c. Hedge accounting for cash flows

	30.06.2007	31.12.2006
Gross valuation recognized in revaluation reserve	-1 233	739
Period in which cash flows with hedged value are expected to occur	from 01.07.07 to 23.01.13	from 01.01.07 to 14.01.13

(17) LOANS AND ADVANCES TO CUSTOMERS

17a. Loans and advances to customers

	30.06.2007	31.12.2006
Loans and advances	**16 437 234**	**13 072 100**
- to companies	4 257 433	4 128 650
- to private individuals	11 929 787	8 660 332
- to public sector	250 014	283 118
Receivables on account of payment cards	**422 927**	**333 302**
- due from companies	5 976	5 386
- due from private individuals	416 951	327 916
Purchased receivables	**117 190**	**96 974**
- from companies	109 911	80 668
- from private individuals	0	0
- from public sector	7 279	16 306
Guarantees and sureties realised	22 102	21 186
Debt securities eligible for rediscount at Central Bank	22 422	21 590
Financial leasing receivables	2 320 834	2 000 016
Other	74 439	29 530
Interest	29 966	25 559
Total gross	**19 447 114**	**15 600 256**
Impairment write-offs	-677 484	-662 513
Total net	**18 769 630**	**14 937 743**

17b. Quality of loans and advances to customers portfolio

	30.06.2007	31.12.2006
Loans and advances to customers (gross)	**19 447 114**	**15 600 256**
- impaired	901 205	885 415
- not impaired	18 545 909	14 714 841
Impairment write-offs	**677 484**	**662 513**
- for impaired exposures	475 129	485 686
- for incurred but not reported losses (IBNR)	202 355	176 827
Loans and advances to customers (net)	**18 769 630**	**14 937 743**

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

	30.06.2007	31.12.2006
Loans and advances to customers (gross)	**19 447 114**	**15 600 256**
- case by case analysis	728 357	724 422
- collective analysis	18 718 757	14 875 834
Impairment write-offs	**677 484**	**662 513**
- on the basis of case by case analysis	364 128	382 144
- on the basis of collective analysis	313 356	280 369
Loans and advances to customers (net)	**18 769 630**	**14 937 743**

17d. Loans and advances to customers portfolio by customers

	30.06.2007	31.12.2006
Loans and advances to customers (gross)	**19 447 114**	**15 600 256**
- corporate customers	7 083 473	6 602 354
- private individuals	12 363 641	8 997 902
Impairment write-offs	**677 484**	**662 513**
- for receivables from corporate customers	476 254	497 176
- for receivables from private individuals	201 230	165 337
Loans and advances to customers (net)	**18 769 630**	**14 937 743**

17e. Loans and advances to customers by maturity

	30.06.2007	31.12.2006
Current accounts	1 455 184	1 165 374
- to 1 month	510 733	452 421
- above 1 month to 3 months	248 660	540 327
- above 3 months to 1 year	1 445 808	1 971 532
- above 1 year to 5 years	3 908 481	4 544 657
- above 5 years	11 698 132	6 815 951
- past due	150 150	84 435
Interest	29 966	25 559
Total (gross) loans and advances to customers	**19 447 114**	**15 600 256**

17f. Loans and advances to customers by currency

	30.06.2007	31.12.2006
in Polish currency	8 949 167	6 714 156
in foreign currencies (after conversion to PLN)	10 497 947	8 886 100
- currency: USD	353 250	547 647
- currency: EURO	1 047 340	1 108 558
- currency: CHF	9 004 852	7 172 837
- other currencies (PLN ‘000)	92 505	57 058
Total	**19 447 114**	**15 600 256**

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

	01.01.2007 - 30.06.2007	01.01.2006 - 31.12.2006
Balance at the beginning of the period	662 513	665 463
Change in value of provisions:	25 559	20 128
Write-offs in the period	479 049	450 011
Amounts written off	-4 497	-44 597
Reversal of write-offs in the period	-408 920	-388 945
Sale of receivables	-40 073	0
Other	0	3 659
Changes resulting from FX rates differences	-10 588	-23 078
Balance at the end of the period	**677 484**	**662 513**

17h. Financial leasing receivables

	30.06.2007	31.12.2006
Financial leasing receivables (gross)	2 655 037	2 277 959
Unrealised financial income	-334 203	-277 943
Financial leasing receivables (net)	**2 320 834**	**2 000 016**
Financial leasing receivables (gross) by maturity		
Under 1 year	1 022 826	912 074
From 1 year to 5 years	1 524 564	1 299 770
Above 5 years	107 647	66 116
Total	**2 655 037**	**2 277 959**
Financial leasing receivables (net) by maturity		
Under 1 year	875 491	784 076
From 1 year to 5 years	1 354 123	1 158 371
Above 5 years	91 220	57 569
Total	**2 320 834**	**2 000 016**

(18) *INVESTMENT FINANCIAL ASSETS*

18a. Investment financial assets available for sale

	30.06.2007	31.12.2006
Debt securities	**1 983 253**	**2 928 607**
Issued by State Treasury	1 644 636	2 585 954
a) bills	45 694	198 198
b) bonds	1 598 942	2 387 756
Issued by Central Bank	162 307	165 480
a) bills	0	0
b) bonds	162 307	165 480
Other securities	176 310	177 173
a) listed	116 553	123 555
b) not listed	59 757	53 618
Shares and interests in other entities	**2 756**	**3 049**
Total financial assets available for sale	**1 986 009**	**2 931 656**
Available for sale instruments listed on the stock exchange	1 762 640	2 513 020
Available for sale instruments not listed on the stock exchange	223 369	418 636

18b. Debt securities available for sale

	30.06.2007	31.12.2006
- with fixed interest rate	254 968	1 212 690
- with variable interest rate	1 728 285	1 715 917
Total	**1 983 253**	**2 928 607**

18c. Debt securities available for sale by maturity

	30.06.2007	31.12.2006
- to 1 month	1 679	523
- above 1 month to 3 months	48 910	90 448
- above 3 months to 1 year	121 838	348 440
- above 1 year to 5 years	1 805 802	2 302 516
- above 5 years	5 024	186 680
Total	**1 983 253**	**2 928 607**

18d. Change of investment financial assets available for sale

	01.01.2007 - 30.06.2007	01.01.2006 - 31.12.2006
Balance at the beginning of the period	2 931 656	4 824 838
Increases (purchase and accrual of interest and discount)	1 111 752	4 546 642
Reductions (sale and redemption)	-2 050 095	-6 417 173
Difference from measurement at fair value	-7 304	-22 632
Impairment write-offs	0	-19
Balance at the end of the period	**1 986 009**	**2 931 656**

18e. Investment financial assets held to maturity

	30.06.2007	31.12.2006
Debt securities	**0**	**0**
Total financial assets held to maturity	**0**	**0**
Held to maturity instruments listed on the stock exchange	0	0
Held to maturity instruments not listed on the stock exchange	0	0

18f. Debt securities held to maturity

	30.06.2007	31.12.2006
Total	**0**	**0**

18g. Held to maturity instruments by maturity

	30.06.2007	31.12.2006
Total	**0**	**0**

18h. Change of held to maturity instruments

	01.01.2007 - 30.06.2007	01.01.2006 - 31.12.2006
Balance at the beginning of the period, after adjustments	0	78 636
Increases (purchase and accrual of interest and discount)	0	1 364
Reductions (sale and redemption)	0	-80 000
Balance at the end of the period	**0**	**0**

18i. Investments in associates

	30.06.2007	31.12.2006
Investments in associates	7 016	7 016

18j. Change of investments in associates (gross)

	01.01.2007 - 30.06.2007	01.01.2006 - 31.12.2006
Balance at the beginning of the period	16 188	16 188
Balance at the end of the period	**16 188**	**16 188**

18k. Change of impairment write-offs for investments in associates

	01.01.2007 - 30.06.2007	01.01.2006 - 31.12.2006
Balance at the beginning of the period	9 172	7 207
Impairment charges/ reversal of impairment charges	0	1 965
Balance at the end of the period	**9 172**	**9 172**

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

19. Receivables from securities bought with sell-back clause (loans and advances)

	30.06.2007	31.12.2006
a) from banks	57 339	0
b) from customers	87 264	15 502
c) interest	88	7
Total	**144 691**	**15 509**

(20) PROPERTY, PLANT AND EQUIPMENT

20a. Property, plant and equipment

	30.06.2007	31.12.2006
Fixed assets:		
- land	1 557	1 575
- buildings, premises, civil and hydro-engineering structures	192 061	184 014
- machines and equipment	48 122	41 691
- vehicles	18 277	15 694
- other fixed assets	25 300	22 481
Fixed assets under construction	17 420	31 585
Advances for fixed assets under construction	168	0
Total property, plant and equipment	**302 905**	**297 040**

20b. Change of balance of property, plant and equipment (by type groups) in the period 01.01.2007 - 30.06.2007

	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	**2 117**	**367 819**	**329 656**	**31 232**	**107 165**	**31 585**	**869 574**
b) increases (on account of)	**0**	**22 405**	**13 960**	**5 188**	**8 857**	**15 187**	**65 597**
- purchase	0	9 698	3 245	415	3 099	15 187	31 644
- transfer from fixed assets under construction	0	11 994	8 983	0	4 829	0	25 806
- transfer from financial leasing	0	0	0	4 773	0	0	4 773
- other	0	713	1 732	0	929	0	3 374
c) reductions (on account of)	**19**	**9 325**	**9 389**	**2 909**	**9 370**	**29 184**	**60 196**
- sale	19	4 489	867	2 547	1 169	0	9 091
- liquidation	0	4 041	8 515	262	8 195	0	21 013
- settlement of investment	0	0	0	0	0	25 812	25 812
- other	0	795	7	100	6	3 372	4 280
d) gross value of property, plant and equipment at the end of the period	**2 098**	**380 899**	**334 227**	**33 511**	**106 652**	**17 588**	**874 975**
e) cumulated depreciation (amortization) at the beginning of the period	**39**	**145 350**	**286 824**	**15 538**	**81 167**	**0**	**528 918**
f) depreciation over the period (on account of)	**2**	**6 148**	**-1 860**	**-304**	**-2 642**	**0**	**1 344**
- current write-off (P&L)	0	11 822	7 453	2 194	6 341	0	27 810
- reductions on account of sale and liquidation	0	-5 690	-9 307	-2 458	-8 968	0	-26 423
- other	2	16	-6	-40	-15	0	-43
g) cumulated depreciation (amortization) at the end of the period	**41**	**151 498**	**284 964**	**15 234**	**78 525**	**0**	**530 262**
h) impairment write-offs at the beginning of the period	**503**	**38 455**	**1 141**	**0**	**3 517**	**0**	**43 616**
- increase	0	0	0	0	0	0	0
- reduction	3	1 115	0	0	690	0	1 808
i) impairment write-offs at the end of the period	**500**	**37 340**	**1 141**	**0**	**2 827**	**0**	**41 808**
j) net value of property, plant and equipment at the end of the period	**1 557**	**192 061**	**48 122**	**18 277**	**25 300**	**17 588**	**302 905**

20c. Change of balance of property, plant and equipment (by type groups) in the period 01.01.2006 - 31.12.2006

	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)	**1 850**	**111 644**	**30 163**	**11 498**	**22 663**	**78 914**	**256 732**
- purchase	0	660	2 122	1 641	544	60 335	65 302
- transfer from fixed assets under construction	0	17 198	17 850	2 113	19 712	0	56 873
- transfer from financial leasing	0	0	0	7 744	0	0	7 744
- reclassification from non current assets held for sale	1 775	93 533	7 183	0	494	0	102 985
- other	75	253	3 008	0	1 913	18 579	23 828
c) reductions (on account of)	**196**	**15 065**	**35 247**	**4 984**	**12 572**	**65 107**	**133 171**
- sale	196	4 301	14 249	4 893	4 769	0	28 408
- liquidation	0	9 751	18 336	0	7 803	0	35 890
- settlement of investment	0	0	0	0	0	57 825	57 825
- other (including transfer to leasing)	0	1 013	2 662	91	0	7 282	11 048
d) gross value of property, plant and equipment at the end of the period	**2 117**	**367 819**	**329 656**	**31 232**	**107 165**	**31 585**	**869 574**
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)	**-9**	**36 758**	**-7 273**	**-236**	**739**	**0**	**29 979**
- current write-off (P&L)	0	19 785	16 133	4 341	10 307	0	50 566
- reductions on account of sale	-12	-1 193	-9 725	-4 516	-1 790	0	-17 236
- reductions on account of liquidation	0	-6 849	-18 045	0	-7 277	0	-32 171
- reversal of profits from investments within the Group	0	-4 009	0	0	0	0	-4 009
- reclassification to impairment write-offs	0	0	0	0	-1 700	0	-1 700
- reclassification from non current assets held for sale	3	29 504	6 933	0	494	0	36 934
- other	0	-480	-2 569	-61	705	0	-2 405
g) cumulated depreciation (amortization) at the end of the period	**39**	**145 350**	**286 824**	**15 538**	**81 167**	**0**	**528 918**
h) impairment write-offs at the beginning of the period	**0**	**11 238**	**1 713**	**0**	**2 000**	**0**	**14 951**
- increase, including:	503	34 079	0	0	1 842	0	36 424
- reclassification from non current assets held for sale	503	34 029	0	0	0	0	34 532
- reclassification from amortization	0	0	0	0	1 700	0	1 700
- reduction	0	6 862	572	0	325	0	7 759
i) impairment write-offs at the end of the period	**503**	**38 455**	**1 141**	**0**	**3 517**	**0**	**43 616**
j) net value of property, plant and equipment at the end of the period	**1 575**	**184 014**	**41 691**	**15 694**	**22 481**	**31 585**	**297 040**

(21) INTANGIBLE ASSETS

21a. Intangible assets

	30.06.2007	31.12.2006
- concessions, patents, licenses, know how and similar assets, including:	17 596	21 578
- computer software	17 596	21 578
Total intangible assets	**17 596**	**21 578**

21b. Change of balance of intangible assets (by type groups) in the period 01.01.2007 - 30.06.2007

	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**	**400 413**	**190 293**	**4**	**0**	**400 442**
b) increases (on account of)	**0**	**506**	**506**	**0**	**0**	**506**
- purchase	0	258	258	0	0	258
- transfer from investments and advances	0	6	6	0	0	6
- expenditures on intangible assets	0	87	87	0	0	87
- other	0	155	155	0	0	155
c) reductions (on account of)	**0**	**35**	**35**	**0**	**0**	**35**
- sale	0	0	0	0	0	0
- other	0	35	35	0	0	35
d) gross value of intangible assets at the end of the period	**25**	**400 884**	**190 764**	**4**	**0**	**400 913**
e) cumulated depreciation (amortization) at the beginning of the period	**25**	**378 835**	**168 715**	**4**	**0**	**378 864**
f) depreciation over the period (on account of)	**0**	**4 453**	**4 453**	**0**	**0**	**4 453**
- current write-off (P&L)	0	4 495	4 495	0	0	4 495
- other	0	-42	-42	0	0	-42
g) cumulated depreciation (amortization) at the end of the period	**25**	**383 288**	**173 168**	**4**	**0**	**383 317**
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**	**17 596**	**17 596**	**0**	**0**	**17 596**

21c. Change of balance of intangible assets (by type groups) in the period 01.01.2006 - 31.12.2006

	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**	**394 861**	**184 741**	**82**	**64**	**395 032**
b) increases (on account of)	**0**	**8 955**	**8 955**	**0**	**0**	**8 955**
- purchase	0	736	736	0	0	736
- transfer from investments and advances	0	352	352	0	0	352
- expenditures on intangible assets	0	2 650	2 650	0	0	2 650
- other	0	5 217	5 217	0	0	5 217
c) reductions (on account of)	**0**	**3 403**	**3 403**	**78**	**64**	**3 545**
- sale	0	60	60	0	0	60
- release of provision for expenditures	0	371	371	0	0	371
- other	0	2 972	2 972	78	64	3 114
d) gross value of intangible assets at the end of the period	**25**	**400 413**	**190 293**	**4**	**0**	**400 442**
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**	**10 846**	**10 846**	**-16**	**0**	**10 830**
- current write-off (P&L)	0	10 886	10 886	13	0	10 899
- other	0	-40	-40	-29	0	-69
g) cumulated depreciation (amortization) at the end of the period	**25**	**378 835**	**168 715**	**4**	**0**	**378 864**
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**	**21 578**	**21 578**	**0**	**0**	**21 578**

(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 01.01.2007 - 30.06.2007

	land	buildings, premises, civil and hydro-engineering structures	machines and equipment	vehicles	other fixed assets	**TOTAL**
a) value at the beginning of the period	564	38 460	716	203	184	**40 127**
b) impairment write-offs at the beginning of the period	-349	-13 199	-452	-61	-159	**-14 220**
c) net value of non current assets held for sale at the beginning of the period	**214**	**25 261**	**264**	**142**	**25**	**25 907**
d) change of value in the period, including:	**-214**	**-17 633**	**-232**	**0**	**0**	**-18 079**
- sale of non current assets held for sale	-214	-17 633	-232	0	0	**-18 079**
e) change of impairment write-offs in the period, including:	**0**	**6 086**	**212**	**0**	**0**	**6 298**
- sale of non current assets held for sale	0	6 086	212	0	0	**6 298**
f) impairment write-offs at the end of the period	**-349**	**-7 113**	**-240**	**-61**	**-159**	**-7 922**
g) net value of non current assets held for sale at the end of the period	**0**	**13 714**	**244**	**142**	**25**	**14 126**

22b. Change of balance of non current assets held for sale in the period 01.01.2006 - 31.12.2006

	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) net value of non current assets held for sale at the beginning of the period	**172 206**	**60 077**	**4 315**	**142**	**2 772**	**239 512**
d) change of value in the period, including:	-183 482	-192 694	-63 548	-47	-2 974	**-442 745**
- reclassification to property, plant and equipment	-1 772	-64 029	-250	0	0	**-66 051**
- sale of non current assets held for sale	-181 635	-129 357	-63 301	-47	-2 974	**-377 314**
e) change of impairment write-offs in the period, including:	11 491	157 878	59 497	47	227	**229 140**
- reclassification to property, plant and equipment	503	34 029	0	0	0	**34 532**
- sale of non current assets held for sale	10 988	126 736	59 709	47	227	**197 707**
f) impairment write-offs at the end of the period	**-349**	**-13 199**	**-452**	**-61**	**-159**	**-14 220**
g) net value of non current assets held for sale at the end of the period	**214**	**25 261**	**264**	**142**	**25**	**25 907**

(23) *DEFERRED INCOME TAX ASSETS*

23a. Deferred income tax assets

	30.06.2007			31.12.2006		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	13 509	-2 004	11 505	15 460	-6 087	9 373
Balance sheet valuation of financial instruments	21 062	-45 652	-24 590	16 417	-31 185	-14 768
Unrealised receivables/ liabilities on account of derivatives	184 970	-94 915	90 055	163 142	-91 053	72 089
Interest on deposits and securities to be paid/ received	15 556	-75 439	-59 883	14 782	-32 287	-17 505
Interest and discount on loans and receivables	21 042	-25 781	-4 739	22 533	-73 131	-50 598
Income and cost settled at effective interest rate	0	-13 460	-13 460	3 925	-16 904	-12 979
Provisions for loans presented as temporary differences	67 147	0	67 147	56 538	0	56 538
Employee benefits	0	0	0	0	0	0
Provisions for future costs	40 630	0	40 630	37 319	0	37 319
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	0	-554	-554	0	-2 317	-2 317
Tax loss deductible in the future	16 564	0	16 564	47 990	0	47 990
Other	15 773	-13 635	2 138	8 932	-6 704	2 228
Net deferred income tax asset	**396 253**	**-271 440**	**124 813**	**387 038**	**-259 668**	**127 370**

23b. Change of temporary differences

	31.12.2006	Changes to financial result	Changes to equity	30.06.2007
Difference between tax and balance sheet depreciation	9 373	2 132		11 505
Balance sheet valuation of financial instruments	-14 768	-9 822		-24 590
Unrealised receivables/ liabilities on account of derivatives	72 089	17 966		90 055
Interest on deposits and securities to be paid/ received	-17 505	-42 378		-59 883
Interest and discount on loans and receivables	-50 598	45 859		-4 739
Income and cost settled at effective interest rate	-12 979	-481		-13 460
Provisions for loans presented as temporary differences	56 538	10 609		67 147
Employee benefits	0	0		0
Provisions for future costs	37 319	3 311		40 630
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	-2 317		1 763	-554
Tax loss deductible in the future	47 990	-31 426		16 564
Other	2 228	-90		2 138
Total	**127 370**	**-4 320**	**1 763**	**124 813**

23c. Change of temporary differences

	1.01.2006	Changes to financial result	Changes to equity	31.12.2006
Difference between tax and balance sheet depreciation	42 465	-33 092		9 373
Balance sheet valuation of financial instruments	-11 444	-3 324		-14 768
Unrealised receivables/ liabilities on account of derivatives	-27 012	99 101		72 089
Interest on deposits and securities to be paid/ received	-12 273	-5 232		-17 505
Interest and discount on loans and receivables	-433	-50 165		-50 598
Income and cost settled at effective interest rate	-4 560	-8 419		-12 979
Provisions for loans presented as temporary differences	40 454	16 084		56 538
Employee benefits	0	0		0
Provisions for future costs	35 170	2 149		37 319
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	-6 475		4 158	-2 317
Tax loss deductible in the future	85 602	-37 612		47 990
Other	15 993	-13 765		2 228
Total	**157 487**	**-34 275**	**4 158**	**127 370**

23d. Change of deferred income tax

	1.01.2007 - 30.06.2007	1.01.2006- 31.12.2006
Difference between tax and balance sheet depreciation	2 132	-33 092
Balance sheet valuation of financial instruments	-9 822	-3 324
Unrealised receivables/ liabilities on account of derivatives	17 966	99 101
Interest on deposits and securities to be paid/ received	-42 378	-5 232
Interest and discount on loans and receivables	45 859	-50 165
Income and cost settled at effective interest rate	-481	-8 419
Provisions for loans presented as temporary differences	10 609	16 084
Employee benefits	0	0
Provisions for future costs	3 311	2 149
Tax loss deductible in the future	-31 426	-37 612
Other	-90	-13 765
Change of deferred income tax recognized in financial result	**-4 320**	**-34 275**
Change on account of receivables from Tax Office resulting from the article 38c of the CIT Act	**0**	**1 564**
Sale of deferred income tax asset as a part of enterprise	**0**	**1 139**
Change of temporary differences of the previous period - final CIT declaration	**0**	**0**
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	**1 763**	**4 158**

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

Temporary differences expiry year	30.06.2007	31.12.2006
Unlimited	7 332	5 772
Total	7 332	5 772

The value of negative transition differences presented in the table above has been calculated at the binding tax rate.

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.

	30.06.2007	31.12.2006
Net deferred income tax assets	124 813	127 370
Net deferred income tax provision	-	-

(24) OTHER ASSETS

24. Other assets

	30.06.2007	31.12.2006
Expenses to be settled	46 562	60 093
Income to be received	660	251
Interbank settlement accounts	198	32 849
Settlement accounts for financial instruments transactions	127 686	129 051
Receivables from sundry debtors	77 783	55 606
Settlements with the State Treasury, including:	69 771	91 648
- receivables from Tax Office resulting from the article 38a of the CIT Act	9 795	9 795
- tax on dividend, paid	13 903	46 270
Perpetual usufruct right to land	5 155	5 155
Other	4 144	2 992
Total other assets (gross)	331 959	377 646
Provisions	-9 114	-9 231
Total other assets (net)	**322 845**	**368 415**

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

	30.06.2007	31.12.2006
Amounts due to the Central Bank	0	0
In current account	197 161	32 551
Term deposits	1 613 174	1 967 844
Loans and advances received	1 541 762	1 592 574
Interest	5 848	7 236
Total deposits from banks	**3 357 945**	**3 600 205**

25b. Deposits from banks by maturity

	30.06.2007	31.12.2006
Current accounts	197 161	32 551
- to 1 month	1 134 985	1 672 635
- above 1 month to 3 months	110 081	290 134
- above 3 months to 1 year	368 108	5 075
- above 1 year to 5 years	1261515	1 323 231
- above 5 years	280 247	269 343
Interest	5 848	7 236
Total	**3 357 945**	**3 600 205**

25c. Deposits from banks by currency

	30.06.2007	31.12.2006
in Polish currency	1 779 398	1 998 392
in foreign currencies (after conversion to PLN)	1 578 547	1 601 813
- currency: USD	47 004	173 951
- currency: EURO	152 750	73 011
- currency: CHF	1 378 793	1 354 851
Total	**3 357 945**	**3 600 205**

(26) FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUNT (HELD FOR TRADING)

26. Financial liabilities measured at fair value through profit and loss (held for trading)

	30.06.2007	31.12.2006
Negative valuation of derivatives	355 906	298 709
Short sale of securities	0	0
Financial liabilities valued at fair value through profit and loss	**355 906**	**298 709**

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

	30.06.2007	31.12.2006
Amounts due to companies	**6 410 320**	**5 795 825**
Balances on current accounts	2 038 392	2 059 635
Term deposits	4 187 566	3 605 611
Other	169 803	119 128
Accrued interest	14 559	11 451
Amounts due to public sector	**1 706 213**	**1 357 681**
Balances on current accounts	602 266	704 113
Term deposits	1 084 314	643 419
Other	16 965	8 714
Accrued interest	2 668	1 435
Amounts due to private individuals	**9 100 885**	**8 915 795**
Balances on current accounts	3 059 358	2 547 895
Term deposits	5 816 839	6 126 314
Other	167 840	187 824
Accrued interest	56 848	53 762
Total deposits from customers	**17 217 418**	**16 069 301**

28b. Deposits from customers by maturity

	30.06.2007	31.12.2006
Current accounts	5 700 016	5 311 643
- to 1 month	6 934 657	5 815 534
- above 1 month to 3 months	2 431 877	2 184 790
- above 3 months to 1 year	1 919 305	2 351 384
- above 1 year to 5 years	157 364	339 294
- above 5 years	124	8
Interest	74 075	66 648
Total	**17 217 418**	**16 069 301**

28c. Deposits from customers by currency

	30.06.2007	31.12.2006
in Polish currency	15 111 594	13 948 848
in foreign currencies (after conversion to PLN)	2 105 824	2 120 453
- currency: USD	983 246	1 143 227
- currency: EURO	1 043 306	911 882
- currency: GBP	69 184	53 302
- currency: CHF	6 014	7 979
- other currencies (PLN ‘000)	4 074	4 063
Total	**17 217 418**	**16 069 301**

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

29. Liabilities from securities bought with buy-back clause

	30.06.2007	31.12.2006
a) from banks	555 001	85 947
b) from customers	2 701 078	1 341 295
c) interest	2 314	892
Total	**3 258 393**	**1 428 134**

(30) LIABILITIES FROM DEBT SECURITIES

30a. Debt securities

	30.06.2007	31.12.2006
Outstanding bonds and bills	79 761	0
Bills of exchange	5 705	5 705
Interest	0	0
Total	**85 466**	**5 705**
- to 1 month	79 761	0
- above 1 month to 3 months	0	0
- above 3 months to 1 year	5 705	5 705
- above 1 year to 5 years	0	0
- above 5 years	0	0
Interest	0	0
Total	**85 466**	**5 705**

30b. Change of debt securities

	01.01.2007 - 30.06.2007	01.01.2006 - 31.12.2006
Balance at the beginning of the period	5 705	69 436
Increases, on account of:	79 761	6 240
- issue of bonds	79 761	0
- purchase of bill of exchange by the NBP	0	5 705
- discount/ interest accrual	0	535
Reductions, on account of:	0	-69 971
- repurchase of bonds	0	-45 760
- repurchase of bill of exchange from NBP	0	-22 836
- settlement of discount/ interest payment	0	-1 375
Balance at the end of the period	**85 466**	**5 705**

30c. Debt securities by type

As at 30.06.2007	Balance sheet value	Interest rate	Maturity	Market
Bank Millennium S.A. - restructuring bill of exchange	5 705	1.00%	04.11.2007	not listed
Millennium Leasing Sp. z o.o. – bonds	79 761	4.98%	26.07.2007	not listed

30d. Debt securities by type

As at 31.12.2006	Balance sheet value	Interest rate	Maturity	Market
Bank Millennium S.A. - restructuring bill of exchange	5 705	1.00%	04.11.2007	not listed

(31) PROVISIONS

31a. Provisions

	30.06.2007	31.12.2006
Provision for off-balance sheet commitments	12 990	10 400
Total	**12 990**	**10 400**

31b. Change of provisions

	01.01.2007 - 30.06.2007	01.01.2006 - 31.12.2006
Provision for off-balance sheet commitments		
Balance at the beginning of the period	10 400	16 468
Charge of provision	31 973	26 842
Release of provision	-29 254	-32 879
FX rates differences	-129	-31
Balance at the end of the period	**12 990**	**10 400**
Total provisions	**12 990**	**10 400**

Information on provision on claims in dispute arising from the penalty is presented below note ***(33)***

(32) PROVISION FOR DEFERRED INCOME TAX

	30.06.2007	31.12.2006
32. Deferred income tax provision	**0**	**0**

(33) *OTHER LIABILITIES*

33a. Other liabilities

	30.06.2007	31.12.2006
Short-term	**442 722**	**684 805**
Accrued costs - bonuses, salaries	57 120	58 515
Accrued costs - other	55 699	84 771
Settlement accounts	151 530	361 742
Other creditors	80 376	56 454
Liabilities to public sector	17 995	10 741
Deferred income	23 046	18 335
Provisions for unused employee holiday	12 534	13 096
Provisions for contentious claims	7 740	7 629
Other	36 681	73 522
Long-term	**57 424**	**56 294**
Provisions for retirement benefits	8 492	8 680
Deferred income	894	627
Provisions for contentious claims	12 158	12 158
Accrued costs - other	169	1 030
Other	35 711	33 800
Total	**500 146**	**741 099**

33b. Change of provisions for contentious claims

	01.01.2007 - 30.06.2007	01.01.2006 - 31.12.2006
Balance at the beginning of the period	**19 787**	**939**
Charge of provisions	882	19 095
Release of provisions	771	247
Balance at the end of the period	**19 898**	**19 787**

(34) *SUBORDINATED DEBT*

34a. Subordinated debt

	30.06.2007	31.12.2006
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	301 264	306 496
Interest rate	5.69%	5.19%
Maturity	12.12.2011	12.12.2011
Interest	1 480	813
Balance sheet value of subordinated debt	**302 744**	**307 309**

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 December 2011.

34b. Change of subordinated debt

	01.01.2007 - 30.06.2007	01.01.2006 - 31.12.2006
Balance at the beginning of the period	307 309	309 504
Increases, on account of:	9 660	14 006
- interest accrual	9 660	14 006
- FX rates differences	0	0
Reductions, on account of:	-14 225	-16 201
- interest payment	-8 993	-13 913
- FX rates differences	-5 232	-2 288
Balance at the end of the period	**302 744**	**307 309**

(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.

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	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			

In the reporting period registered shares were converted into the shares to the bearer. As a result of the conversion the number of the registered shares was reduced and as at 30 June 2007 it stood at 109,356 of which 62,200 are founders' shares.

In the period covered by the financial report the tier one of the Group was not changed.

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

Shareholders as at 30.06.2007 r.

Shareholder	**Number of shares**	***% share in share capital***	***Number of votes***	***% share in votes at Shareholders' Meeting***
Banco Comercial Portugues S.A.	556 325 794	65.51	556 325 794	65.51

Shareholders as at 31.12.2006 r.

Shareholder	**Number of shares**	***% share in share capital***	***Number of votes***	***% share in votes at Shareholders' Meeting***
Banco Comercial Portugues S.A.	556 325 794	65.51	556 325 794	65.51

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 CAPITAL

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

	30.06.2007	31.12.2006
Effect of valuation (gross)	2 922	12 199
Deferred income tax	-554	-2 318
Net effect of valuation	2 368	9 881

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

Revaluation reserve on available for sale financial assets
1.01.2007 - 30.06.2007

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	11 459	-2 177	9 282
Transfer to income statement of the period as a result of sale	-4 838	919	-3 919
Change of capitals connected with maturity of securities	-1 744	331	-1 413
Profit/loss on revaluation of available for sale financial assets, recognized in equity	-722	138	-584
Revaluation reserve at the end of the period	**4 155**	**-788**	**3 367**

Revaluation reserve on available for sale financial assets
1.01.2006 - 31.12.2006

	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	-1 277	244	-1 033
Change of capitals connected with maturity of securities	-9 130	1 735	-7 395
Profit/loss on revaluation of available for sale financial assets, recognized in equity	-12 225	2 323	-9 902
Revaluation reserve at the end of the period	**11 459**	**-2 177**	**9 282**

Revaluation reserve on cash flows hedge financial instruments 1.01.2007 - 30.06.2007

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	739	-140	599
Profit/loss on valuation of hedging instrument, recognized in revaluation reserve during the period	-1972	374	-1598
Profit/loss removed from equity and recognized in financial result of the period	0	0	0
Revaluation reserve at the end of the period	**-1233**	**234**	**-999**

Revaluation reserve on cash flows hedge financial instruments 1.01.2006 - 31.12.2006

	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	739	-140	599
Profit/loss removed from equity and recognized in financial result of the period	0	0	0
Revaluation reserve at the end of the period	**739**	**-140**	**599**

35c. Retained earnings

	Supplementary capital	Reserve capital	General banking risk fund	Retained earnings	TOTAL
Retained earnings at the beginning of the period 01.01.2007	**224 439**	**100 736**	**88 366**	**471 008**	**884 549**
- appropriation of profit, including:					
- write-off to supplementary capital	884	0	0	-884	**0**
- dividend payment	0	0	0	-144 361	**-144 361**
- net profit/ (loss) of the period	0	0	0	212 146	**212 146**
Retained earnings at the end of the period 30.06.2007	**225 323**	**100 736**	**88 366**	**537 909**	**952 334**

35d. Retained earnings

	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	140 237	0	0	-140 237	**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	300 787	**300 787**
Retained earnings at the end of the period 31.12.2006	**224 439**	**100 736**	**88 366**	**471 008**	**884 549**

IX. DIVIDEND FOR 2006

On 26.03.2007 the Bank's General Shareholders' Meeting passed a resolution on allocating the amount of PLN 144,360,896.48 for payment of dividend, which gives PLN 0.17 gross per share; dividend was paid on 23.05.2007.

X. FAIR VALUE

The best reflection of fair value of financial instruments is their market value. In case of many products and transactions with unavailable market value, fair value must be estimated with use of internal models based on discounting cash flows.

Cash flow for various instruments is determined in accordance with their individual characteristics and the discounting factors take on board the changes over time of both interest rates as well as margins.

All estimation models are arbitrary to some extent and this is why they reflect only the value of those instruments, for which they were built. In these circumstances the presented differences between fair values and balance-sheet values cannot be understood to mean adjustments of the economic value of Bank Millennium Group.

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

Receivables and liabilities with respect to banks (structured contract)

This is a transaction, which comprises the simultaneous purchase of a long-term zero-coupon bond and the taking-out of a long-term fixed-rate loan from the issuer of the bond.

The fair value of both sides of the transaction has been estimated by discounting the related cash flows on maturity/due date with use of the current zero-coupon rate and the margin, which was rescaled to adjust it to the current level of market rates.

Other receivables and liabilities with respect to banks

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

Loans and advances granted to customers

The fair value of such instruments without maturity and with short maturities, given their short-term nature and the time-stable policy of the Bank with respect to this portfolio, is close to balance-sheet value. As regards floating-rate leasing products fair value has been estimated by adjusting balance-sheet value with discounted flows resulting from difference in margins. The fair value of instruments with defined long-term maturity has been estimated by discounting related cash flows on contractual dates and under contractual conditions with use of current zero-coupon rates and credit risk margins.
In case of residential loans the effect of early payment has been additionally taken into account.

Liabilities to customers

Fair value of such instruments without a due and payable date or payable in under 3 months has been considered by the Bank to be close to balance-sheet value.
Fair value of instruments due and payable in 3 or more months has been determined by discounting future principal and interest flows with current rates, assuming that the flows arise on contractual dates.

Subordinated liabilities

This item is a bond issued in euro. The fair value of this financial instrument has been estimated on the basis of a model used for determining the market value of floating-rate bonds with the current level of market rates and historical credit risk margin.

The table below presents results of the above-described analyses as at 30th June 2007:

Dane w milionach zł

Financial instrument	Fair value	Balance sheet value	Difference
Loans and advances to banks – structurized agreement	316.59	280.32	36.27
Amounts due to banks – structurized agreement	316.59	280.32	36.27
Total net			0.00
NBP bond	162.62	162.27	0.35
BRW treasury bond	10.17	10.03	0.13
Non-governmental bonds	49.79	49.72	0.07
Interbank deposits granted	692.10	692.26	-0.16
Consortium credit	1 269.42	1 261.52	7.90
Interbank deposits accepted	1 609.32	1 609.70	-0.38
Leasing	1 794.00	1 778.22	15.78
Mortgages	10 293.83	10 139.37	154.46
Fixed rate deposits from customers	2 077.02	2 079.65	-2.64
Subordinated debt	302.19	301.26	0.92

XI. DATA ABOUT ASSETS, WHICH SECURE LIABILITIES

As at 30.06.2007 following assets of the Bank constituted security of 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	6 847	7 092
2.	Treasury bonds DZ0109	trading	Lombard credit granted to the Bank by the NBP	75 000	77 685
3.	Treasury bonds DZ0110	available for sale	Lombard credit granted to the Bank by the NBP	120 000	125 335
4.	Treasury bonds DZ0811	available for sale	Initial security deposit for bond futures	500	518
5.	Treasury bills 070808	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	50 000	49 775
6.	Cash		Payment to the Futures Settlement Guarantee Fund	70	70
		TOTAL		**252 417**	**260 475**

The terms and conditions of agreements establishing security of the Bank's liabilities do not differ from the standards followed generally on the market.

As at 31.12.2006 following assets of the Bank constituted security of 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	58 699
2.	Treasury bonds DZ0109	trading	Lombard credit granted to the Bank by the NBP	75 000	80 300
3.	Treasury bonds DZ0110	available for sale	Lombard credit granted to the Bank by the NBP	120 000	129 505
4.	Treasury bonds DZ0811	available for sale	Initial security deposit for bond futures	500	508
5.	Treasury bills 070808	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	44 000	42 902
6.	Cash		Payment to the Futures Settlement Guarantee Fund	70	70
		TOTAL		**294 395**	**311 984**

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

As at 30.06.2007 following securities (presented in the Group's balance-sheet) were underlying Sell-Buy-Back transactions:

Type of security	Portfolio	Par value	Balance sheet value
Treasury bonds	available for sale	317 816	330 214
Treasury bonds	trading	2 675 521	2 663 764
Treasury bills	trading	271 340	264 415
TOTAL		**3 264 677**	**3 258 393**

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

As at 31.12.2006 following securities (presented in the Group's balance-sheet) were underlying Sell-Buy-Back transactions:

Type of security	Portfolio	Par value	Balance sheet value
Treasury bonds	available for sale	511 228	509 282
Treasury bonds	trading	843 318	841 752
Treasury bills	available for sale	77 990	77 100
TOTAL		**1 432 536**	**1 428 134**

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.

	30.06.2007	31.12.2006
Cash and balances with the Central Bank	773 831	965 834
Receivables from interbank deposits (*)	740 747	551 138
Debt securities issued by the State Treasury (*)	48 293	125 775
of which available for sale	45 694	89 808
of which trading	2 599	35 967
Total	**1 562 871**	**1 642 747**

(*) 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 shares 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 THE CUSTODY OPERATIONS

As at 30.06.2007 the Custody Department of Bank Millennium S.A. (DPO) kept 3 649 security accounts, on which Clients' assets were kept totalling 59.7 billion PLN, which accounted for increase by 145% against January 2007. Operating profit on custody operations for 1H 2007 totalled 3.84 million PLN (up 56,5% y/y), whereas the profit stood at 1.94 million PLN (up 53% y/y).

DPO plays the role of a depository bank for 16 investment funds from the Millennium TFI S.A. Group and 10 investment funds of FORUM TFI S.A. In the first half of 2007 DPO acquired 21 new corporate clients (including five foreign entities) and finalised negotiations on the bank depository services offer for a newly set up SATUS TFI, which will manage 5 closed funds.

In connection with the growing interest of the Clients of financial institutions, DPO started works aimed at extension of the custody services offer by adding foreign capital markets from the CEE region. To this end, strict co-operation was started with Millennium BCP, which will play a role of the global custodian.

XV. TRANSACTIONS WITH LINKED ENTITIES

(1) DESCRIPTION OF THE TRANSACTIONS WITH LINKED ENTITIES

All and any transactions between entities of the Group in the first half of 2007 were concluded on the market conditions and resulted from the current operations. Below you may find the most important amounts – eliminated in the data consolidation process – of intra-group transactions concluded between the following entities:

- BANK MILLENNIUM,
- MILLENNIUM DOM MAKLERSKI,
- MILLENNIUM LEASE,
- TBM,
- MILLENNIUM LEASING,
- BBG FINANCE BV,
- MILLENNIUM SERVICE,

and amount of transactions with the dominant entity of the Bank– MILLENNIUM BCP.

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS AT 30.06.2007

	With subsidiaries	With controlling entity
ASSETS		
Accounts and deposits	431 963	27 760
Receivables from loans, advances, purchased receivables	1 976 924	0
Receivables from securities bought with sell-back clause	60 103	0
Shares in subsidiaries subject of consolidation	169 702	0
Investment financial assets	54 820	0
Short-term financial assets (valuation of derivatives)	640	11 918
Other assets	184 331	0
LIABILITIES		
Liabilities from accepted deposits, loans, advances, sold receivables	2 576 455	1 067
Liabilities from securities sold with buy-back clause	60 103	0
Debt securities	54 774	0
Short-term financial liabilities (valuation of derivatives)	640	9 350
Other liabilities	32 442	0

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS AT 31.12.2006

	With subsidiaries	With controlling entity
ASSETS		
Accounts and deposits	383 686	48 934
Receivables from loans, advances, purchased receivables	1 382 072	0
Receivables from securities bought with sell-back clause	49 552	0
Shares in subsidiaries subject of consolidation	165 781	0
Short-term financial assets (valuation of derivatives)	326	19 202
Other assets, including:	582 674	0
- dividend to be received by the Bank from Millennium Leasing Sp. z o.o.	506 363	0
LIABILITIES		
Liabilities from accepted deposits, loans, advances, sold receivables	1 834 789	57
Liabilities from securities sold with buy-back clause	49 552	0
Short-term financial liabilities (valuation of derivatives)	326	23 781
Other liabilities, including:	522 895	0
- dividend to be paid by Millennium Leasing Sp. z o.o. to the Bank	506 363	0

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) FOR THE PERIOD OF 1.01-30.06.2007

	With subsidiaries	With controlling entity
Income from:		
Interest	45 839	2 977
Commissions	55 304	0
Financial operations	1 228	19 855
Due/paid-out group internal dividends	134 804	0
Other operating income	25 454	0
Expense from:		
Interest	45 456	577
Commissions	63 042	0
Financial operations	362	22 617
Other operating expenses	10 182	0
General and administrative expenses	14 558	-4 881

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.)
FOR THE PERIOD OF 1.01-30.06.2006

	With subsidiaries	With controlling entity
Income from:		
Interest	38 376	4 158
Commissions	15 726	0
Financial operations	79	28 487
Due/paid-out group internal dividends	505 039	0
Other operating income	16 354	0
Expense from:		
Interest	43 992	0
Commissions	16 956	0
Financial operations	1 218	14 020
Other operating expenses	9 350	0
General and administrative expenses	7 013	57

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS AT 30.06.2007

	With subsidiaries	With controlling entity
Conditional commitments	238 804	0
Derivatives (par value)	141 457	879 408

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS AT
31.12.2006

	With subsidiaries	With controlling entity
Conditional commitments	140 474	0
Derivatives (par value)	121 776	1 110 942

(2) INFORMATION ON THE VALUE OF THE PREPAYMENTS, LOANS, ADVANCED PAYMENTS AND GUARANTEES GRANTED

Data as at 30.06.2007:

1. The management holds a debt limit in the total of 820.0 thousand PLN, including an unutilised credit card limit of 778.2 thousand PLN.
2. There were no active guarantees granted to the management of the Bank.
3. The supervising persons hold a debt limit of 155.0 thousand PLN, including an unutilised credit card limit of 148.2 thousand PLN.
4. The Bank demonstrated exposure in the total of 12,709 thousand PLN towards an entity linked personally to a person supervising the Bank.

The balance of outstanding cash advances granted to the employees from the company's social benefit fund (ZFŚS), totalled:

- At the Bank - 4 878.2 thousand PLN,
- At Millennium Leasing - 1 242.1 thousand PLN.

The Bank does not keep records of the cash advances and loans granted to the employees as part of its core activity, i.e. under the terms and conditions set for the clients of the bank.

Data as at 31.12.2006:

1. Managing persons have a total debt limit of 254.0 thousand PLN, including unutilised credit card limit of PLN 177.3 thousand
2. There were no outstanding guarantees given to managing persons
3. Supervising persons have a debt limit of PLN 155.0 thousand PLN, including unutilised credit card limit of PLN 131.3 thousand PLN
4. The Bank was reporting exposure to an entity personally linked to a Supervisory Board Member in the total amount of PLN 13 116 thousand.

The balance of the outstanding advances granted to the Bank's employees from the company social benefits fund (ZFŚS) totalled 4 556.6 thousand PLN.

The Bank does not keep records of loans and advances granted to its employees within its regular operations, i.e. under the terms and conditions defined for the Bank's Clients.

(3) INFORMATION ABOUT COMPENSATIONS AND BENEFITS OF PERSONS SUPERVISING AND MANAGING THE BANK

1. Compensations of the Members of the Management Board of the Bank:

Expenses of the Bank related to compensations and benefits for the senior executive persons (thousand PLN):

Period	Short-term salaries and benefits
1.01-30.06.2007	11 655.00
1.01-30.06.2006	11 761.00

Benefits are mostly expenses related to accomodation of foreign Management Board members.

In case a Managemet Board member is not elected for the next term or dismissed, he or she is entitled to obtain the leave compensation.

2. Remuneration of the Members of the Supervisory Board of the Bank:

Expenses of the Bank related to compensations and benefits for the supervising persons (thousand PLN):

Period	Short-term salaries and benefits
1.01-30.06.2007	1 149.00
1.01-30.06.2006	1 165.90

(4) BANK'S SHARES HELD BY THE PERSONS MANAGING AND SUPERVISING THE BANK (IN OFFICE AS AT JUNE 30 2007)

Name and surname	Function	Number of shares as at 30.06.2007	Number of shares as at 31.12.2006
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
Joao Bras Jorge	Member of the Management Board	0	0
Wiesław Kalinowski	Member of the Management Board	-	0
Zbigniew Kudaś	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	0
Marek Furtek	Member of the Supervisory Board	1	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. FINANCIAL RISK MANAGEMENT

Risk is inseparable from operating in financial markets and constitutes a fundamental factor impacting the behaviour of market participants, financial institutions in particular. Most financial and business decisions are now taken in view of the risk generated by them. Risk identification, measurement, analysis, control and management requires the use of a broad spectrum of methods and advanced mathematical tools. With this in mind the Group prepared and implemented a risk management policy and strategy of its implementation. The Bank's policy for managing particular risks is to quantify and parameterise different risks with a view to optimising the structure of the Group's balance sheet and off-balance-sheet positions given an assumed level of business profitability. The main analytical areas – which are also risk areas for a bank activity – cover: credit, market, liquidity and operational risks.

At the strategic level the Management Board is responsible for setting and monitoring risk policy. At the operational level particular committees are responsible for managing individual banking risks and their on-going control. These are the Risk Control Committee, Capital, Assets and Liabilities Committee, Credit Committee and Processes and Operational Risk Committee.

All risks are monitored and controlled in terms of business profitability and level of capital necessary for guaranteeing the security of operations in accordance with capital requirements. The results of risk management are regularly reported as part of management information system.

(1) CAPITAL MANAGEMENT

Regulatory capital

Management of the Group's capitals, besides taking into account own needs, remains subject to unconditional respect of any applicable legal regulations (regarding e.g. equity, prudential standards, capital requirements) established by the Banking Law and resolutions of the Banking Supervision Commission.

The example of calculation of the above requirements is presented in below table:

Capital requirement resulting from:	**30.06.2007**	**31.12.2006**
Credit risk	1 475 571	1 220 420
Market risk not covered by the model, including:	51 917	52 216
Price risk of equity securities	213	1 303
General interest rate risk	47 247	48 521
Delivery-settlement and counterparty risk	4 457	2 392
- delivery-settlement risk	0	0
- counterparty risk	4 457	2 392
Total capital requirement of Bank Millennium Group	**1 527 487**	**1 272 636**
Own funds	**2 320 059**	**2 167 956**
Consolidated Capital Adequacy Ratio	**12,15%**	**13,63%**

Basel Accord

While implementing Basel II assumptions the Bank will use the following approaches to calculating the capital requirement:

- Advanced Internal Rating Based (A-IRB) approach to Credit Risk (excluding exposures to central banks, institutions and public sector entities),
- Comprehensive Approach in the treatment of collaterals,
- Standard Approach to operational risk in all entities of the Group,
- Internal Models approach for market risk,
- Exemption from the use of the IRB approach for equities until 31 December 2017 (only equities that were acquired until 31 December 2007 and if applicable)
- Simple Approach for equity exposures acquired after December 2007 (if applicable),
- Supervisory Formula Approach for securitisation transactions (if applicable),

It was also decided that the Bank would apply for the use of the Advanced Internal Rating Based Method in two stages:

- for retail portfolios – from January 2008
- for corporate portfolios – from January 2009 (until December 2008, standard approach on a transitory basis)

The above-mentioned decisions were taken in accordance with the recommendations resulting from the self-assessment exercise carried out by the Basel Accord II project implementation team within the BCP Group.

(2) CREDIT RISK

Credit risk means uncertainty as to the client's compliance with the agreements concluded with the Bank for his financing, i.e. repayment of interest and principal within a specified time, which may lead to the Group's financial loss.

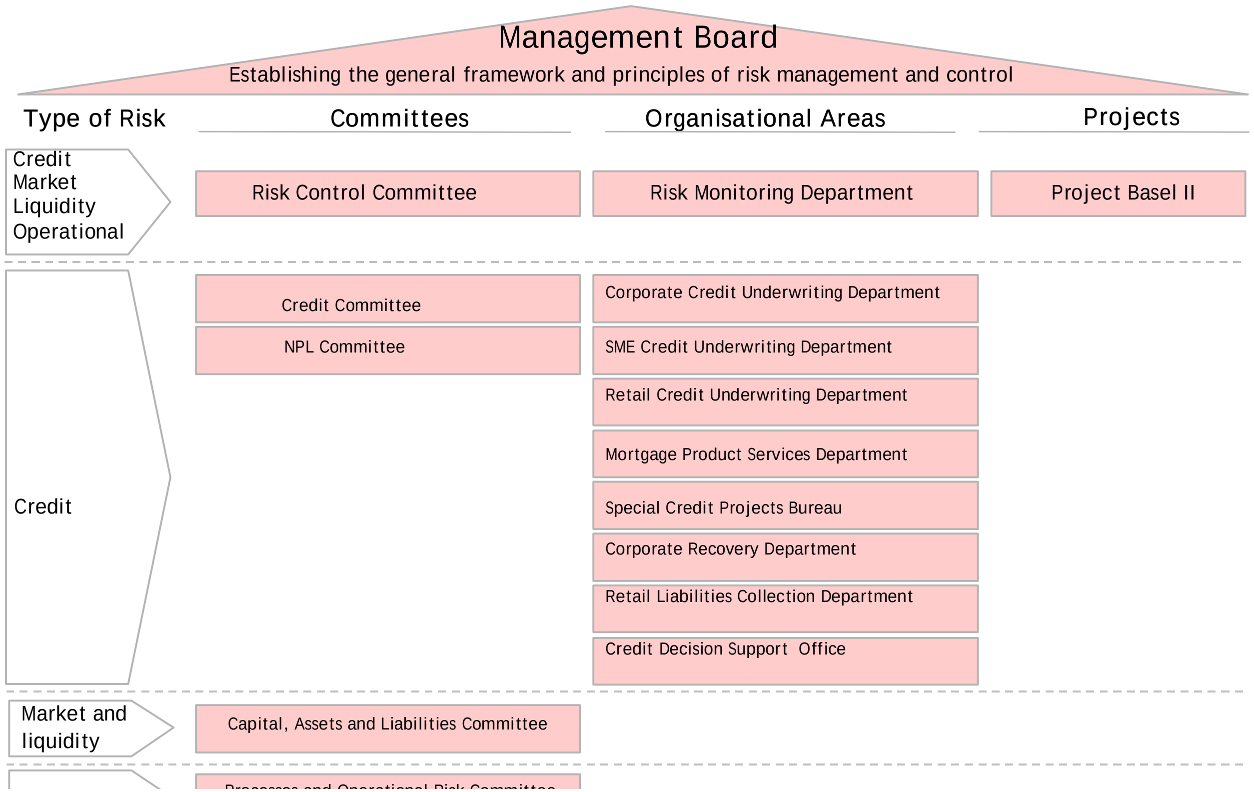
Credit risk is a significant risk in the Group's activity. Thus, much importance is attached to managing credit risk exposures. Credit risk is connected with balance sheet credit exposures (outstanding loans and advances), as well as off-balance sheet financial instruments, such as outstanding, but not utilised disbursed lines, guarantees and letters of credit. The management and control of credit risk are centralised in the Risk Monitoring Department (responsibility for risk in the whole Group) and regularly reported to the Credit Committee and Risk Control Committee or the Management Board) as well as the heads of the Bank's business units.

The following bodies take part in the process of developing and implementing the Bank's policy for credit risk management:

- Supervisory Board,
- Management Board,
- Risk Control Committee,
- Credit Committee,
- Capital, Assets and Liabilities Committee,
- Organisational units responsible for analysing loan applications, for taking credit decisions and monitoring particular clients and transactions,
- Organisational units responsible for monitoring the credit risk portfolio,
- Organisational units in charge of restructuring and recovery,
- Business units.

The organisation of risk management and control and the main tasks of the committees are presented on below tables 1 and 2.

Table 1
Organisation of Risk Management and Control at Bank Millennium



Main Tasks of the Committees

Risk Control Committee (quarterly)	Is responsible for monitoring the evolution of various risks and compliance with binding policy, regulations and limits, including compliance with general policy and limits. The Committee is responsible for conducting a review of the principles, policy, rules and practices employed with respect to risk management and its control, promoting the development of human and technical resources in the area of risk management and control.
Capital Assets and Liabilities Committee (monthly)	Is responsible for establishing the policy of managing the Bank's assets and liabilities, analysing the structure of the balance sheet, assessment of the competitive position in the banking market and economic/financial standing of the Bank, specifying the assumptions constituting the basis for setting risk limits and prices of bank products.
Processes and Operational Risk Committee (monthly)	Is responsible for optimising the management of operational risk accepted by the Bank, in particular through: defining the directions of operational risk management policy, expressing opinions on the directions of the Bank's strategic development in the aspect of operational risk, analysis of the scale and types of operational risk and adequacy of the Bank's operational risk management system
Credit Committee (weekly)	Is responsible for taking credit decisions based on the Bank's internal provisions to the exclusion of decisions taken by the NPL Committee of Bank Millennium, establishing guidelines for credit policy, approving limits of the Bank's exposure to banks, issuing opinions on reports relating to the review of the Bank's credit portfolio.
NPL Committee (monthly)	Is responsible for issuing opinions and taking decisions concerning the restructuring and recovery portfolio of the Bank's receivables managed by the Corporate Recovery Department and Retail Liabilities Collection Department

(2A) CREDIT RISK MEASUREMENT

Loans and Advances

Credit risk resulting from outstanding loans and advances, at the level of particular clients, is measured with the use of three parameters:

(i) probability of default – PD - by the client or counterparty;

(ii) exposure at default – EAD and

(iii) loss given default - LGD.

(i) The Group assesses probability of default for a particular counterparty with the use of internal rating models adjusted to various client categories. They were developed internally or by external providers and combine statistical analysis with a credit expert assessment. The Group's clients are divided into 15 rating classes which for the needs of this report have been grouped into six main segments. The Group's Master Scale presented below also contains the range of PDs specified for every rating class/group. Rating models are subject to reviews from time to time and, if need be, suitably updated. The Group regularly analyses and assesses the results of ratings and their predictive power with respect to events of default.

Scale of the Group's Internal Rating and Mapping of Internal Ratings

Group's Internal Rating	**Description of rating**	**Internal rating: correlate of Standard & Poor's**
1-3	Highest quality	AAA, AA+, AA- A+, A
4-6	Good quality	A-, BBB+, BBB,
7-9	Average quality	BBB-, BB+, BB,
10-12	Below average quality	BB- B+, B, B- or lower
13-14	Watch	
15	Default	

Ratings of major rating agencies presented in the table above are mapped into internal rating classes on the basis of long-term average PD ratios for each external rating.

(ii) EAD – amount of exposure at default – pertain to the sums which the Group predicts to be the Group's receivables at the moment of a client's non-compliance with the obligations. An obligation shall be understood by the Group to be each amount already paid out plus further amounts which may be paid out by the time of default, should one arise.

(iii) LGD – loss given default constitutes the Group's expectations as to the losses resulting from the actual cases of default, including the internal and external costs of recovery and discount effect.

Debt securities

The portfolio of debt securities other than those issued by the State Treasury or the central bank is at this moment insignificant. It is perceived mainly as potential, more profitable way of allocating capital.

(2B) POLICY OF CONTROLLING LIMITS AND RISK MITIGATION

The Group manages, limits and controls credit risk concentrations, wherever they are identified – in particular with respect to an individual borrower or group of borrowers and with respect to sectors, geographical regions and real estate funding portfolio.

Limits with respect to a single borrower or groups of borrowers resulting from art. 71 of the Banking Law are monitored every month, and the remaining limits, i.e. for sectors, geographical regions and real estate funding portfolio are monitored every quarter and are subject to an annual and, if need be, to a more frequent review. The limits are approved by the Credit Committee.

Exposure to credit risk is also managed through a regular monitoring of the clients' economic and financial standing and/or history of cooperation with the Group in terms of timely settlement of their principal and interest liabilities.

Collateral

The limitation of credit risk within the Group takes place in accordance with the principles of policy and practice worked out in the credit process. For particular client segments the Group implements certain guidelines relating to particular types of collateral and other credit risk mitigating instruments, both factual and counterfactual. The basic types of loan and advance collateral include:

- Mortgages on housing real estates,
- Mortgages on commercial and other real estates;
- Collateral on financial instruments such as cash, debt securities, investment fund units and shares;
- Collateral on fixed assets (movables such as cars and trucks, other vehicles and machines);
- Assignments of receivables from contracts.

Additionally in case of mortgage exposures the Bank requires obligatory insurance against risk of lack of or delay in loan repayment during the period until constituency of mortgage collateral for the Bank – so called "Bridge insurance" as well as insurance against lack of timely loan repaiment for loans with LTV over 80% (FX loans) or 90% (PLN loans) so called "Low own funds insurance"

The type and value of required collateral depend on the amount and type of a credit exposure, loan maturity and client rating. Renewable credit lines for natural persons are mostly unsecured. Additionally, in order to minimise credit losses the Group tries to have additional collateral established in the case of ascertaining impairment triggers for a given credit exposure.

Derivatives

The Group holds a tight reign over the limits of open net positions on derivatives (i.e. difference between the buy and sell transactions) both in terms of amounts and dates of transaction maturity. At each moment the amount of credit risk is limited to the current fair value of a given derivative instrument, if the valuation of such instrument is positive for the Group and negative for the client. Credit risk exposures resulting from derivatives are managed as part of total credit limits determined with respect to particular clients.

Credit exposures resulting from transactions concluded on the basis of these instruments are usually unsecured, unless a special agreement is signed with the client committing him to transferring to the Group a specific amount of cash in the case when the valuation of the transaction negative for the client concluded with the bank reaches the level defined in the agreement. In some cases in order to minimise the risk connected with derivative instruments the Bank shall also sign ISDA agreements in transactions concluded with banks.

Credit Risk Bearing Off-Balance Sheet Commitments

Risk-bearing off-balance sheet commitments include guarantees, letters of credit and outstanding credit lines. The basic purpose of such instruments is to enable the client to use the funds made available by the Bank.

Standby letters of credit and guarantees (guarantee type obligations) carry the same credit risk as loans.

Documentary and commercial letters of credit – which are a written undertaking of the Group on behalf of the client constituting a third party authorisation to draw sums on the Group up to a specific level and after meeting appropriate conditions – are secured by appropriate deliveries of goods which they pertain to and therefore are connected with lower risk than direct loans.

The available balance of the credit line is the unused part of the previously accepted sums relating to credit-type commitments usable in the form of loans, guarantees or letters of credit. In view of the credit risk of obligations to grant a loan the Group is potentially exposed to a loss in the amount equal to the sum of non-disbursed commitments.

Nevertheless, the probable amount of loss is lower than the total value of non-disbursed commitments, because most of the commitments to disburse a loan are contingent on the clients' meeting of particular borrowing standards. The Group monitors the period remaining to maturity for credit commitments, because longer-term commitments are mostly connected with a higher degree of credit risk than short term ones.

(2c) Policy with respect to Impairment and Creating Impairment Charges

In the process of estimating impairment what is identified first are objective impairment triggers in the case of individually significant financial assets (case-by-case analysis). Subsequently, the remaining part of the portfolio is subject to portfolio analysis.

In the case-by-case analysis the internal rating helps in identifying the objective impairment triggers. At the same time in the case of portfolio analysis the level of losses is specified on its basis (PD).

Case-by-Case Analysis of Impairment for Loan Receivables

If the analysis has identified triggers indicating the possibility of credit impairment the Bank determines the level of such loss. The amount of credit impairment constitutes the difference between the current loan exposure and the present value of expected cash flows discounted by the effective interest rate. The calculation takes into account the probability of repaying the loan at maturity and the probability of its potential recovery, e.g. in connection with its sale.

The whole process consists of the following stages:

- Identification of triggers indicating impairment risk;
- Estimating the probability of principal and interest recovery;
- Indication if the loan is to be repaid from the borrower's own funds, or it is necessary to seize the collateral, e.g. through its sale;
- Estimation of the collateral's fair value, specification of the estimated date of sale and estimating the expected proceeds from sale.

As of 30.06.2007 the portfolio covered by the case-by-case analysis showed the following values:

- On-balance impairment charge: PLN 364 million.
- Coverage ratio: 50%

Portfolio analysis of the credit portfolio

The following loans are subject to portfolio analysis:

- Receivables individually insignificant;
- Individually significant receivables, which have no impairment triggers;
- Individually significant receivables for which no impairment was reported

A portfolio of homogenous loans consists of exposures with a similar credit risk profile. And thus a homogenous loan portfolio can be created on the basis of the manner of evaluating credit risk, ratings, types of credit products, type of collateral, etc.

All the loans subject to impairment analysis are divided into two main portfolio categories:

- Loans for which losses were incurred, but they have not as yet been identified at the level of an individual exposure and the provisions are created for incurred but not reported risk (IBNR portfolio),

- Loans for which impairment loss was reported, but which have not yet been subjected to case-by-case analysis.

As of 30.06.2007 the collective portfolio showed the following values:

For corporate clients:
On-balance impairment charge: PLN 114 million:
Coverage ratio: 1,8%

For retail, including mortgage clients:
On-balance impairment charge: PLN 199 million
Coverage ratio: 1,6%

The table below shows the share of the Group's on-balance items relating to loans and advances and associated impairment charges for each of the internal rating classes (described in the „Credit Risk Measurement" item).

Group internal rating

	VI 2007		**XII 2006**	
	Loans and advances (%)	**Impairment charges (%)**	**Loans and advances (%)**	**Impairment charges (%)**
1. Highest quality	Insignificant	Insignificant	Insignificant	Insignificant
2. Good quality	17,79%	3,98%	13,04%	3,50%
3. Average quality	45,93%	13,56%	49,29%	13,08%
4. Low quality	8,79%	7,24%	9,30%	5,90%
5. Watch	11,35%	7,88%	12,00%	6,38%
6. Default	4,19%	60,66%	5,14%	64,42 %
7. Clients without rating*	11,95%	6,69%	11,22%	6,72%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**

* The group of clients without internal rating contains exposures connected with loans to local government units and investment projects.

(2D) Maximum Credit Risk Exposure, i.e. without Including the Impact of Risk Mitigating Instruments

'000 PLN

	Maximum exposure	
	VI 2007	**XII 2006**
Credit risk bearing exposures connected with on-balance assets are as follows:	**25 649 336**	**22 757 815**
Loans and advances to banks	**1 052 112**	**1 123 131**
Loans and advances to clients:	**18 769 630**	**14 937 743**
Loans to individuals:	**12 162 411**	**8 832 563**
– Credit cards	386 503	307 392
– Cash loans	1 205 216	930 226
– Mortgage loans	10 570 692	7 594 945
Loans to corporates	**6 352 695**	**5 808 314**
Loans to public entities	**254 524**	**296 866**
Securities for trading:	**3 241 994**	**3 372 447**
– Debt securities	3 241 642	3 368 029
– Stocks and shares	352	4 418
Financial derivatives	**447 884**	**370 313**
Financial assets priced at fair value	**0**	**0**
Investment financial assets	**1 993 025**	**2 938 672**
– Debt Securities	1 983 253	2 928 607
– Stocks and shares	9 772	10 065
SBB receivables	144 691	15 509
Credit risk connected with off-balance-sheet positions is as follows:	**7 094 408**	**5 960 867**
Financial guarantees	5 552 131	4 582 952
Credit commitments and other credit-related commitments	1 542 277	1 377 915

The above table presents the Group's structure of exposures to credit risk as of 31 December 2006 and 30 June 2007 without taking into account risk mitigating instruments. For on-balance assets the above-presented exposures are based on gross amounts presented in the balance sheet.

(2E) Loans and Advances

The structure of loans and advances to clients and banks and main credit portfolio ratios are as follows:

'000 PLN

	VI 2007		**XII 2006**	
	Loans and advances to clients	**Loans and advances to banks**	**Loans and advances to clients**	**Loans and advances to banks**
Not past due and without reported impairment	17 554 069	1 052 112	13 963 007	1 123 131
Past due but without reported impairment	991 839	0	751 834	0
With reported impairment	901 206	0	885 415	0
Gross	19 447 114	1 052 112	15 600 256	1 123 131
Impairment charges including IBNR	-677 484	0	-662 513	0
Net	18 769 630	1 052 112	14 937 743	1 123 131
Loans with reported impairment/total loans	4,6 %		5,7 %	
Total charges / loans with reported impairment	75,2 %		74,8 %	

In the first half of 2007 Millennium Group established PLN 50.8 million in P&L provisions for credit risk, which included PLN 32.5 million of charges for the IBNR portfolio in connection with a rapid growth of the credit portfolio.

The total value of impairment charges (including IBNR charges) for loans and advances stood at PLN 677 million as of 30 June 2007 (at the end of 2006 PLN 662 million respectively). Additional information on the charges in questions please find in notes to Financial Statements.

Loans and advances not past due and without reported impairment

The credit quality of the portfolio of loans and advances which were neither past due nor showed impairment can be assessed by reference to the internal rating system adopted by the Group.

Loans and advances not past due and without reported impairment

Gross exposures in thousands PLN

	Customers - June 2007	**Banks – June 2007**	**Customers – Dec. 2006**	**Banks – Dec. 2006**
Rating:				
1. Highest quality	62	1 052 112	24	1 123 131
2. Good quality	3 511 692		1 979 888	
3. Medium quality	8 439 016		7 444 244	
4. Low quality	1 552 699		1 257 274	
5. Watched	1 901 264		1 587 013	
6. Default	63 786		202 408	
7. Clients without rating	2 085 550		1 492 156	
Total	**17 554 069**	**1 052 112**	13 963 007	**1 123 131**

Loans and advances past due, but without reported impairment

Loans and advances past due below 90 days are not considered exposures with reported impairment, unless other impairment triggers are specified. The gross amount of loans and advances past due, but without recognised impairment broken down into client segments, is as follows:

Gross exposures in thousands PLN

	30.06.2007				
	Loans and advances to clients			Loans and advances to banks	Total
	Corporates	Mortgage loans	Other retail		
Delays up to 30 days	607 283	241 568	64 938	0	913 789
Delays 30 – 60 days	47 256	11 021	8 984	0	67 261
Delays 60-90 days	1 215	2 791	3 342	0	7 348
Delays above 90 days*	2 928	0	513	0	3 441
Total	**658 682**	**255 380**	**77 777**	**0**	**991 839**

Gross exposures in thousands PLN

31.12.2006					
	Loans and advances to clients			Loans and advances to banks	Total
	Corporates	Mortgage loans	Other retail		
Delays up to 30 days	397 910	238 560	55 051	0	691 521
Delays 30 – 60 days	38 315	8 406	6 118	0	52 839
Delays 60-90 days	1 699	2 064	1 241	0	5 004
Delays above 90 days*	2 470	-	-	0	2 470
Total	**440 394**	**249 030**	**62 410**	**0**	**751 834**

*-receivables in default over 90 days and simultaneously not included in the impairment portfolio having impairment triggers, but not showing impairment due to estimated cash flows.

Loans and advances with reported impairment

The gross amount of loans and advances with reported impairment broken down into client segments is as follows:

Gross exposures in thousands PLN

30.06.2007					
	Loans and advances to clients			Loans and advances to banks	Total
	Corporates	Mortgage loans	Other retail		
Case-by-case analysis	721 505	6 764	88	0	728 357
Portfolio analysis	30 257	52 176	90 416	0	172 849
Total	**751 762**	**58 940**	**90 504**	**0**	**901 206**

Gross exposures in thousands PLN

31.12.2006					
	Loans and advances to clients			Loans and advances to banks	Total
	Corporates	Mortgage loans	Other retail		
Case-by-case analysis	688 330	33 134	2 958	0	724 422
Portfolio analysis	50 790	54 148	56 055	0	160 993
Total	**739 120**	**87 282**	**59 013**	**0**	**885 415**

Loans and advances covered by case by case analysis

The quantification of the value of the portfolio covered by case-by-case analysis and the value of created charges broken down into receivables (and the corresponding charges) with reported impairment and the IBNR portfolio are presented in financial notes.

The tables below present the structure of the portfolio covered by case-by-case analysis with reported impairment.

- By products

	Loans and advances to clients					
	30.06.2007			31.12.2006		
	amount in PLN thous.	% share	Coverage with impairment charges	amount in PLN thous.	% share	Coverage with impairment charges
Investment loans	304 517	41,8%	52,2%	352 419	48,6%	52,3%
Working capital loans	94 147	12,9%	68,4%	56 191	7,8%	86,0%
Overdraft facilities	74 239	10,2%	32,0%	42 707	5,9%	63,2%
Revolving loans	28 462	3,9%	67,4%	16 824	2,3%	78,4%
Mortgage loans	6 764	0,9%	31,6%	33 134	4,6%	39,4%
Factoring	30 000	4,1%	43,1%	0	0,0%	
Leasing	141 300	19,4%	28,0%	156 129	21,6%	25,7%
Other	48 928	6,7%	88,5%	67 018	9,3%	83,6%
	728 357	**100,0%**	**50,0%**	**724 422**	**100,0%**	**52,8%**

The group of loans and advances subject to case-by-case analysis is dominated by investment loans (41.8% of the portfolio), but their share in the first half of 2007 went down by 6.8%. Coverage with impairment charges for this group of loans did not change in the period. The highest increment in terms of percentage share (by 5.1%) was shown by working capital loans. This (like in the case of overdraft facilities) was influenced by the inclusion in the case-by-case analysis of a few clients with much exposure using such products. In the first half of this year case-by-case analysis was extended for the first time to factoring receivables, up to now presented under portfolio analysis.

- By currency

Gross exposures

	Loans and advances to clients					
	30.06.2007			31.12.2006		
	amount in PLN thous.	% share	Coverage with impairment charges	amount in PLN thous.	% share	Coverage with impairment charges
PLN	334 381	45,9%	48,6%	299 929	41,4%	58,4%
CHF	21 442	2,9%	33,3%	68 144	9,4%	27,3%
EUR	98 509	13,5%	52,4%	73 512	10,1%	35,0%
USD	272 370	37,4%	52,3%	281 402	38,8%	57,8%
JPY	1 655	0,2%	15,4%	1 435	0,2%	15,7%
	728 357	**100,0%**	**50,0%**	**724 422**	**100,0%**	**52,8%**

The portfolio covered by case-by-case analysis is almost evenly split between loans in PLN (about 46%) and FX loans (54%).

- By degree of coverage with impairment charges

Gross exposures

	Loans and advances to clients			
	30.06.2007		**31.12.2006**	
	amount in PLN thous.	% share	amount in PLN thous.	% share
up to 20%	152 550	20,9%	163 552	22,6%
Above 20% to 40%	79 569	10,9%	68 047	9,4%
Above 40% to 60%	343 008	47,1%	321 045	44,3%
Above 60% to 80%	25 402	3,5%	35 378	4,9%
Above 80%	127 828	17,6%	136 400	18,8%
	728 357	**100,0%**	**724 422**	**100,0%**

The coverage of the examined portfolio with impairment charges stood as of 30 June 2007 on average at 50% and almost a half of this portfolio (47.1%) was covered close to this level (the group above 40% to 60%). The structure of covering with impairment charges of the portfolio with reported impairment as of 30 June 2007 did not essentially change compared to 31 December 2006.

Restructured loans and advances

Receivables are restructured by dedicated entities (separately for corporate and retail receivables).

The purpose of the restructuring is to take with respect to clients effective steps with a view to a maximum and potentially fastest limitation of the risks borne by the Group.

The restructuring covers the establishment of new Group-acceptable terms for the continuation of the receivables (including the principles of their repayment and collateral and potentially obtaining additional collateral).

Receivables from corporate clients are included in the restructuring portfolio each time on the basis of the decision of the appropriate decision-making level based on the current and periodic monitoring of its economic-financial standing.

The process of retail receivable restructuring is implemented with the use of an IT aided system. Client receivables are sent to this system automatically no later than on the 4th day from the date of originating the matured receivable.

Gross exposures in thousands PLN

	30.06.2007	31.12.2006
Loans and advances to individual clients:	133 901	119 216
Loans and advances to corporate clients	460 536	388 241
Total	**594 437**	**507 457**

(2F) DEBT SECURITIES AND EQUITIES

The table below presents the structure of securities in the Group's portfolio at the end of June 2007

Gross exposures in thousands PLN

Issued by	T-bills and other highly credible securities	Debt securities for trading	Investment debt securities	Shares	Total
State Treasury	0	3 241 642	1 644 636	0	**4 886 278**
Central Bank	0	0	162 307	0	**162 307**
Other	0	0	176 310	19 559	**195 869**
- listed	0	0	116 553	1 773	**118 326**
- unlisted	0	0	59 757	17 786	**77 543**
Total	**0**	**3 241 642**	**1 983 253**	**19 559**	**5 244 454**

The table below presents the structure of securities in the Group's portfolio at the end of December 2006.

Gross exposures in thousands PLN

Issued by	T-bills and other highly credible securities	Debt securities for trading	Investment debt securities	Shares	Total
State Treasury	0	3 368 029	2 585 954	0	**5 953 983**
Central Bank	0	0	165 480	0	**165 480**
Other	0	0	177 173	23 937	**201 110**
- listed	0	0	123 555	6 127	**129 682**
- unlisted	0	0	53 618	17 810	**71 428**
Total	**0**	**3 368 029**	**2 928 607**	**23 937**	**6 320 573**

(2G) REPOSSESSED COLLATERAL

In the first half of 2007, 21 fixed assets (movables) belonging to clients and constituting loan collateral were taken over, of which over 50% were means of transport. PLN 391.6 thous. were derived from the sale of such assets, which amount was used for reducing the past due debt.

(2H) IMPAIRMENT WRITE-OF POLICY

Credit exposures, for which the Bank does not expect any future cash flows, and for which an impairment write-off was created to fully cover the outstanding accounts receivables, shall be written off the balance sheet against a revaluation charge, and moved to off-balance books. The operation does not cause any receivables' forgiveness or any discontinuation of recovery and restructuring efforts.

Most frequently the Group writes off receivables against impairment provisions, when it has been concluded that the receivables shall not be recovered, namely:

- execution proceeding has been discontinued;
- debtor died;

- bankruptcy proceedings have been closed;
- part of the debt has been forgiven unconditionally;
- execution has remained ineffective for a long period of time.

(2I) CONCENTRATION OF RISKS FOR FINANCIAL ASSET WITH EXPOSURE TO CREDIT RISK

Industrial sector

The table below presents a breakdown of the Group's main credit exposure into component factors, according to our client categories.

30.06.2007	Financial intermediation	Industry and construction	Wholesaling and retailing	Transport and communica-tion	Public sector	Mortgage loans	Consumer loans	Other sectors	Total
Loans and advances to banks	1 052 112	0	0	0	0	0	0	0	1 052 112
Loans and advances to Clients	84 774	1 706 117	1 194 674	1 141 040	263 062	10 661 809	1 702 260	2 693 377	19 447 114
Securities for trading	8	250	0	0	3 241 642	0	0	94	3 241 994
Financial derivatives	370 046	32 405	20 905	326	0	0	0	24 202	447 884
Investment securities	27 203	0	8 200	89 350	1 866 700	0	0	11 007	2 002 460
Financial assets priced at fair value	0	0	0	0	0	0	0	0	0
SBB receivables	144 691	0	0	0	0	0	0	0	144 691
As of 30 June 2007	**1 678 834**	**1 738 772**	**1 223 779**	**1 230 716**	**5 371 404**	**10 661 809**	**1 702 260**	**2 728 680**	**26 336 255**

31.12.2006	Financial intermediation	Industry and construction	Wholesaling and retailing	Transport and communica-tion	Public sector	Mortgage loans	Consumer loans	Other sectors	Total
Loans and advances to banks	1 123 131	0	0	0	0	0	0	0	1 123 131
Loans and advances to Clients	31 484	1 530 682	1 034 765	889 798	306 309	7 684 831	1 313 437	2 808 951	15 600 256
Securities for trading	22	4 119	0	0	3 368 027	0	0	279	3 372 447
Financial derivatives	326 554	21 392	7 095	0	0	0	0	15 272	370 313
Investment securities	29 591	0	8 200	93 964	2 805 052	0	0	11 319	2 948 126
Financial assets priced at fair value	0	0	0	0	0	0	0	0	0
SBB receivables	15 509	0	0	0	0	0	0	0	15 509
As of 31 December 2006	**1 526 291**	**1 556 193**	**1 050 060**	**983 762**	**6 479 388**	**7 684 831**	**1 313 437**	**2 835 821**	**23 429 782**

(3) MARKET RISK

Market risk encompasses current and prospective impact on earnings or capital, arising from changes in the value of the Group's portfolios due to adverse movement in bond prices, equity or commodity prices, interest rates or foreign exchange rates.

Management of market risk

Market risk management and control framework is defined in a centralized way with the same concepts and measures being used by all relevant BCP Group Entities.

The implemented market risk framework was defined according to the following management principles and standards:

- The organizational structure allows a separate and complementary measurement and control of market risk arising from trading and non-trading activities,
- There is a clear segregation of functions between business and non-business units and between management and control of risks,
- The internal risk models are closely integrated in the daily risk measurement and reporting process, and business units, senior management and the Board have a daily overview of market risk exposures,
- Limits are formally established and revised by CALCO, Risk Control Commission and monitored and reported daily by Risk Monitoring Department. Limits are based on own funds and allocation rules for Risk Components and Management areas, on continuous and forward looking approaches. Excesses to the limits are directly reported to the relevant competence levels,
- The identification, measurement and control of market risks intend to be systematic and complete. The metrics are progressively developed and implemented to better capture involved exposures and incorporated in the daily risk process.

Market risk management – main changes in the approach

In the first half of 2007 the following actions have been undertaken in Market Risk management area:

1. For the purposes of profitability analysis, measurement and control of risk, Bank Millennium has been divided into five management areas:

    a. The Trading areas, namely Trading, Sales and Market Risk Strategy Meeting (MRSM) Portfolios, which cover the bank positions aiming for short-term revenues, either by sale or by revaluation, such that these positions are actively managed, their tradability is not subject to any restrictions and can be frequently and accurately valued, including the securities and derivatives sales activity and the MRSM's specific portfolios,

b. The Funding and Hedging, which groups the bank institutional funding and serves as an intermediate for the hedging transactions made by Trading, including the ones aimed to support structured debt issues,
c. The Investment Portfolio, which includes all the securities positions aimed to be held until maturity or during a significant period of time (more than 6 months) or that are not traded in liquid markets,
d. The Commercial, which undertakes commercial activity with the customers,
e. The Structural, which deals with Balance Sheet elements or operations that, for their nature, are not directly related with any of the above areas (e.g. fixed assets, own funds, accruals and deferrals, etc).

2. To comply with the New Basel Accord, for supervisory purposes, the following definitions have been introduced:

a. The Trading Book encompasses the above-mentioned Trading positions,
b. The Banking Book includes the Funding and Hedging, Investment Portfolio, Commercial and Structural positions.

Market-risk evaluation measures

The main measure used by the Group to evaluate market risks is parametric VaR (Value at Risk) – an expected loss that may arise on the portfolio over specified period of time (holding period) and with specified probability (confidence level) from an adverse market movement.

Calculation of the VaR in Trading Book is carried out on the basis of the analytical approximation defined in the methodology developed by the RiskMetrics. It is calculated considering the holding period of 10 working days and a 99% confidence level (one tail). Calculating the volatility associated with each risk vertex the model gives greater weighting to historical market conditions seen in the more recent days, thus ensuring a more correct match with the current market conditions. The capital at risk figures are determined daily, both on an individual basis for each of the portfolios of positions of the areas having responsibilities in risk taking and risk management, and also in consolidated terms considering the effect of the diversification that exists between the various portfolios.

To ensure that the VaR model adopted is appropriate to the evaluation of the risks involved in the open positions, a back-testing process has been instituted and carried out daily.

Back testing is the standard technique used to evaluate the quality of the risk measurement model, performed according to the following rules:

a) The framework, in place, makes an ex-post comparison of the risk measure generated by the model with the verified daily changes in the portfolio value and the theoretical daily changes assuming static positions,

b) The quality of the model is verified, using a three-zone statistical approach based on the number of excesses (an excess is said to happen whenever the difference between the absolute daily change value and the daily VaR measure is positive):

- Ø The green zone (less than 10 excesses), corresponds to a result that do not suggest any problem in the model,
- Ø The yellow zone (10 to 14 excesses), raises some questions about the model but the conclusion is not definitive; in this case a multiplication factor is used, to put the level of confidence of the risk measure back in the 99%,
- Ø The red zone (more than 14 excesses), indicates a problem in the risk model,

All reported excesses are documented including an explanation of the occurrence and its incorporation in one of the three classes of excesses explanation: basic model integrity, insufficient model accuracy or unanticipated market movements.

To monitor and limit positions taken in instruments, in which the market risks cannot be properly assessed using the VaR model (non-linear instruments), other risk indicators like Gamma, Vega and Theta have been defined. However the portfolio of open positions in instruments of this type is irrelevant (the bank does not have a trading portfolio of options) and therefore the approximation followed in calculating the VaR is considered appropriate to the risk profile.

Parallel to the VaR calculations the MRSM and Trading Portfolios are subject to a set of stress scenarios, in order to:

a) Estimate the potential economic loss resulting from extreme variations in the market risk factors,
b) Identify the market risk movements, eventually not captured by VaR, to which the portfolios are more sensitive,
c) Identify of the actions that can be taken to reduce the impact of extreme variations in the risk factors.

The following types of market scenarios are being applied:

a) Parallel shifts of the yield curves,
b) Steepening and flattening of the yield curves,
c) Variations of the yield volatility,
d) Variations of the exchange rates,
e) Variation of the swap spreads,
f) Historical adverse scenarios.

The VaR calculation process is carried out, using software developed on the basis of web technology. This allows an online access for the trading areas to the values at risk in their respective portfolio.

Market risk - VaR results

The VaR is used as a measure in assessing the risks incurred by the trading positions as well as by the positions decided by the MRSM.

The VaR indicators shown in the following table reflect the exposure to market risks of PLN approx. 14 million (on average) during the first half of 2007.

VaR measures for market risk

(PLN'000s)

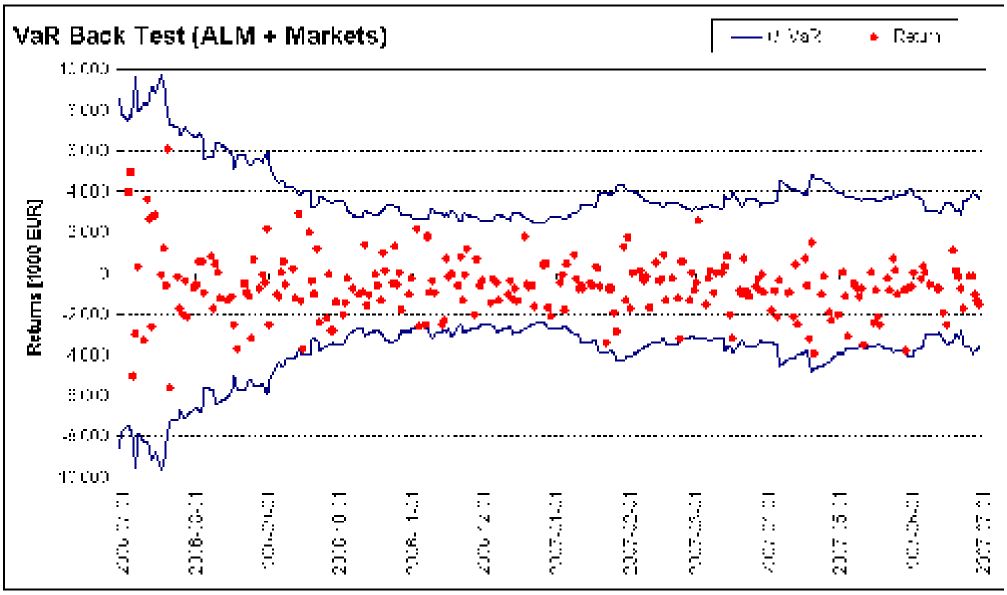
	VaR (From January to June 2007)				
	30.06. 2007	Average	Maximum	Minimum	31.12.2006
Global	14 424	13 945	19 075	9 713	10 756
Interest Rate VaR	13 542	13 860	18 756	10 069	10 706
FX Risk	3 549	947	7 403	43	187
Diversification Effect	18%	n/a	n/a	n/a	1%

The open positions mostly included interest-rate instruments, while the exchange rate risk was very limited.

The VaR limits were not exeeded in the period under consideration.

There are no market risk exposures in affiliated companies, as the Bank takes the risk from subsidiaries and manages it at the central level.

Market risk - VaR Back Testing



During the first half of 2007 no excesses have been detected in the VaR back test, confirming the model adequacy.

In case of Banking Book sensitivity analyses of the non-trading portfolios are being performed in order to manage interest rate risk. As a result several hedging transactions have been performed in the first half of 2007 reducing the interest rate risk linked with the fixed rate loans portfolio, especially consumer loans portfolio and leasing portfolio.

Market risk – sensitivity analysis

VaR assessment is supplemented by monitoring the sensitivity of portfolios bearing market risk to above-mentioned scenarios (only worst case results are being disclosed).

Stress test results for risk areas exposed to market risk as of the end of June 2007 were the following:

Risk Area	**Limits Usage**
Trading Areas	34%
Sales Areas	27%
Funding & Hedging	52%
ALCO's Portfolios	15%

Currently EaR analysis for the Bank as a total under assumption of +100 bp yield curve shift is being performed. As of the end of June 2007 the results were as follows:

30.06.2007 m PLN

Earnings at Risk	**3-Month Horizon**	**6-Month Horizon**
Acrual positions	3.85	19.00
Price sensitive positions	-15.81	-15.81
Total	**-11.95**	**3.19**

31.12.2006 m PLN

Earnings at Risk	**3-Month Horizon**	**6-Month Horizon**
Acrual positions	0.39	7.83
Price sensitive positions	-18.94	-18.94
Total	**-18.56**	**-11.11**

Where:

- Accrual positions are the positions gaining interest on accrual basis,
- Price sensitive positions are the interest rate sensitive positions in terms of PV.

(4) LIQUIDITY RISK

The liquidity risk reflects the possibility of incurring significant losses as a result of deterioration of the financing conditions (financing risk) and/or of the sale of assets for less than their market value (market liquidity risk) to meet needs for funds arising from the obligations to which the Group is subject.

Liquidity-risk management

The Bank carries out liquidity management centrally. Therefore, both the financing requirements and any surplus liquidity of the subsidiaries, are managed by transactions carried out with the Bank.

The budget process of the Bank includes a detailed liquidity plan with the objective of ensuring that the business growth will be supported by the appropriated liquidity structure of funding.

The significant growth of the loan portfolio occurred in 2006 and in the first half of 2007 was financed by the deposit base growth, Sell-Buy Back transactions, reduction of the securities portfolio, long-term syndicated loans, and by the interbank market.

The Bank incorporated in the liquidity plan several initiatives in order to promote a diversification of long term financing sources.
The Bank concluded in the middle of July 2007 a new syndicated loan of app. PLN 300 million and is preparing a securitization transaction of the leasing portfolio, to be concluded during the 4th Quarter of 2007. For the purpose of long-term liquidity management the Bank is planning additional syndicated loan and the subordinated bond issue is planned with an impact in Own Funds, but also in the long-term liquidity ratios. Securitization of the mortgage portfolio is being considered as well. The advisor has been chosen and the process has been already launched.

Liquidity-risk evaluation measures
Evaluation of the Group's liquidity risk is carried out using both indicators defined by the Supervisory Authorities and other internal metrics, for which exposure limits are also defined.
The evolution of the Group's liquidity situation for short-term time horizons (up to 3 months) is reviewed daily on the basis of two indicators defined internally: immediate liquidity and quarterly liquidity. These measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of 3 days and of 3 months, respectively.
Calculation of these indicators involves adding to the liquidity position of the day under analysis the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the transactions intermediated by the markets areas. The amount of assets in the Bank's securities portfolio considered highly liquid is added, leading to determination of the liquidity gap accumulated for each day of the period under review. These figures are reported daily to the areas responsible for management of the liquidity position and are compared with the exposure limits in force.
During the first half of 2007, the quarterly liquidity ratio was constantly maintained with positive values (with exception of 3 days) meaning that the Bank kept during all period a long liquidity position for periods up to 3 months.

Additionally the Bank employs an internal structural liquidity analysis based on cumulative liquidity gaps calculated on actuarial basis (i.e. assuming the probability of cash flow occurrence). The safe level adopted at the Bank for the relation of liquidity shortfall for each time bucket below 1 year corresponds to 25% of Total Assets.

During the first 6 months of 2007, all the defined indicators were maintained well above the limits.

Regarding the liquidity indicators defined by the Supervisory Authorities the liquid assets ratio defined by NBP should be highlighted. The liquid assets ratio of Bank Millennium stood at the end of June 2007 at 23.6% level comparing with 30% in December 2006.

The main source of funding in the Bank constitutes huge and well-diversified deposits base. Concentration of the deposits base, measured by share of 5 and 20 major depositors, as of the end of June 2007 amounted to 6,4% and 12,7% respectively (6,4% and 11.9% in December 2006).

30.06.2007		
Actuarial Liquidity Gap (PLN million)	**up to 3M**	**over 3M**
Balance-Sheet Gap	688 950	-147 402
Cumulative Balance-Sheet Gap	688 950	541 548
Off-Balance Sheet Gap	-423 478	
Total Gap	265 471	-147 402
Total Cumulative Gap	265 471	118 070
Liquid Assets Indicator	**PLN million**	
Liquid Assets	6 422	
Total Assets	27 256	
Share of Liquid Asstes in Total Asstes	**23,6%**	

31.12.2006		
Actuarial Liquidity Gap (PLN million)	**up to 3M**	**over 3M**
Balance-Sheet Gap	3 534 738	-3 097 168
Cumulative Balance-Sheet Gap	3 534 738	437 570
Off-Balance Sheet Gap	-392 945	
Total Gap	3 141 793	-3 097 168
Total Cumulative Gap	3 141 793	44 625
Liquid Assets Indicator	**PLN million**	
Liquid Assets	7 323	
Total Assets	24 609	
Share of Liquid Asstes in Total Asstes	**29,8%**	

Current Liquidity Indicators

PLN million

	Highly Liquid Asstes	Immediate Liquidity Indicator	Quarterly Liquidity Indicator	Liquid Assets Covering the volatility of Customers' Funds
30.06.2007				
Exposure	2 709,3	1 867,5	-315,2	5 734,1
Minimum Limit		-321,1	-1 284,3	2 000,0
31.12.2006				
Exposure	4 950,0	3 799,0	1 438,9	6 372,0
Minimum Limit		-321,1	-1 284,3	2 000,0

Stress tests

The Bank has developed liquidity risk management tool defining stress scenarios, under which liquidity gaps are calculated on actuarial basis assuming conservative approach to assessment of probability of cash flow occurrence (i.e. inter alia taking into account withdrawal of deposits and delays of loans repayment, together with worse liquidity of secondary market for securities).

Liquidity stress tests are performed each month to understand the Bank's liquidity-risk profile, to ensure that the Bank is in a position to fulfil its obligations in the event of a liquidity crisis and to contribute to the preparation of the liquidity contingency plan and management decisions.

The Bank has emergency procedures for situations of increased liquidity risk – The Liquidity Contingency Plan (contingency plan in case the Bank's financial liquidity deteriorates).

The Liquidity Contingency Plan establishes the concepts, priorities, responsibilities and specific measures to be taken in the event of a liquidity crisis.

(5) OPERATIONAL RISK

Operational risk manifests itself in every aspect of organisational activity and is inherent part thereof. The Group adopted the operational risk definition compliant with the New Capital Accord presented by the Basel Committee, according to which „operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but strategic risk or reputational risks are treated as separate risk categories”.
Being aware of threats resulting from the existence of operational risk the Group implemented a management system based on the best market practices. Its framework was codified in the general strategy prepared at the level of the Group’s parent – Banco Comercial Portugues SA adjusted at the operational level to the specificity of the Polish market and the Group’ activity profile. As part of its adopted strategy the Group defined its risk appetite in the form of a risk tolerance matrix. The Standard Approach was adopted for the purpose calculating the capital requirement for the Group’s operational risk. The separate elements of operational risk management are regular controls conducted by the Internal Audit Department and regulations pertaining to on-going controls in processes.

The process of managing operational risk in the Group is based on the identification, assessment, monitoring, mitigating and reporting of risk. Each decision on taking operational risk mitigating steps is preceded by a cost-benefit analysis.

The adopted structure of operational risk management defines particular management levels and scope of their responsibility and duties. The key element of the operational risk management in an on-going activity is the function of a Process Owner. Based on an in-depth knowledge of the process the Process Owner can identify and eliminate on-going threats the fastest. A higher management level is the Process and Operational Risk Committee. It addresses threats whose impact goes beyond a single process. Any activities relating to operational risk management are coordinated and supervised by the Risk Control Committee, the Bank’s Management Board and Supervisory Board.

Additionally the Group, while monitoring its domestic and international environment, collects information relating to the most recent trends in approaching operational risk management. By gathering information about external operational risk events the Group tends to use knowledge about other institutions’ mistakes for analysing probability of their occurrence in the organisation and possibility of counteracting them.

Risk awareness is an important element of corporate culture. In view of the specificity of operational risk the Group decided to promote changes in corporate culture through steps whose purpose is to increase operational risk awareness and put emphasis on the importance of the involvement of all Bank employees in the process of identifying and reporting threats and losses resulting from operational risk.

Internal Control Project

The first half of 2007 saw the Group's completing in Poland the Internal Control Project conducted in cooperation with an external advisor. This project – through an audit of risks existing in processes and control of such risks – contributed to strengthening the control environment and thus materially changed the Group's operational risk profile.

An external adviser's statement was issued constituting the project summary sent to the Bank of Portugal confirming the high level of control being implemented at the Bank and expressing a view on lack of any major threats connected with analysed processes.

In accordance with the adopted assumptions the audit and control of risks existing in processes will be conducted every year.

Operational risk by its nature cannot be avoided. Thus, the Group – apart from taking mitigating steps – tends to minimise potential consequences of operational risk events.

XVII. LIQUIDITY GAP BY CONTRACT TERMS

30 June 2007 **PLN '000**

ASSETS	below 1 months	- from 1 months to 3 months	- from 3 months to 1 year	- from 1 year to 5 years	- above 5 years	Other assets	TOTAL
Cash, balances with the Central Bank	773 831	0	0	0	0		773 831
Loans and advances to banks	692 068	29 700	50 024	0	280 320		1 052 112
Debt securities held for trading	997	30 029	880 682	1 950 297	379 637		3 241 642
Loans and advances to customers gross	2 025 628	224 382	1 384 625	3 729 524	11 405 472		18 769 630
Debt securities available for sale	1 679	48 910	121 838	1 805 802	5 024		1 983 253
Receivables from securities bought with sell-back clause	144 691	0	0	0	0		144 691
Shares and interests						10 124	10 124
Other non-financial assets						798 618	798 618
TOTAL	**3 638 894**	**333 021**	**2 437 169**	**7 485 623**	**12 070 453**	**808 742**	**26 773 901**

LIABILITIES	below 1 months	- from 1 months to 3 months	- from 3 months to 1 year	- from 1 year to 5 years	- above 5 years	Other assets	TOTAL
Deposits from banks	1 337 994	110 081	368 108	1 261 515	280 247		3 357 945
Deposits from customers	12 708 748	2 431 877	1 919 305	157 364	124		17 217 418
Liabilities from securities sold with buy-back clause	3 146 724	111 669	0	0	0		3 258 393
Debt securities	79 761	0	5 705	0	0		85 466
Subordinated debt	0	0	1 480	301 264	0		302 744
Other non-financial liabilities						518 574	518 574
Equity						2 275 593	2 275 593
TOTAL	**17 273 227**	**2 653 627**	**2 294 598**	**1 720 143**	**280 371**	**2 794 167**	**27 016 133**

30 June 2007 **PLN '000**

OFF-BALANCE SHEET LIABILITIES	**below 1 months**	**- from 1 months to 3 months**	**- from 3 months to 1 year**	**- from 1 year to 5 years**	**- above 5 years**	**Other assets**	**TOTAL**
Liabilities from opened credit lines	3 731 284						3 731 284
Liabilities from sureties and guarantees	1 007 000						1 007 000
Balance-Sheet Gap	**-13 634 334**	**-2 320 606**	**142 571**	**5 765 480**	**11 790 082**	**-1 985 425**	**-242 232**
Total Gap	**-18 372 618**	**-2 320 606**	**142 571**	**5 765 480**	**11 790 082**	**-1 985 425**	**-4 980 516**

Powyższe dane nie obejmują przepływów pieniężnych z tytułu instrumentów pochodnych

XVIII. CONDITIONAL LIABILTIES AND ASSETS

Total value of claims in the biggest court proceedings involving companies from the Group, either as a claimant or defendant, seen before courts, arbitration authorities of appropriate jurisdiction, amounted as at 30.06.2007 to PLN 648,2 million. Total value of claims in the biggest court proceedings, in which companies from the Group appeared as defendant was PLN 549,3 million, and the total value of claims in the biggest court proceedings , in which companies from the Group appeared as plaintiff was 98,9 PLN million

Największe postępowania, w których spółki Grupy są pozwanym:

1. **Plaintiff:** natural person
   Claim value: PLN 299 833 300
   Claim: compensation for BIG BANK Spółka Akcyjna (former ŁBR S.A.), which according to the plaintiff was taken over illegally
   Case description: On 26.10.2004 the Court suspended the proceedings until the valid completion of another case; no compliant was lodged against the suspension of the proceedings. Currently the case was closed by the valid decision, the Court initiated proceedings in this case and the lawsuit was dismissed. The plaintiff lodged an appeal and the Bank responded to it. The court verdict is not valid.
   Prospects: the Bank has assessed the probability of winning as high

2. **Plaintiff:** joint stock company (in bankruptcy)
   Claim value: 159 461 349 zł
   Claim: consideration as ineffective of:
   - Conditional agreement on sale of real estate in Świnoujście between a joint stock company
   - with its seat in Świnoujście and a joint stock company with its seat in Sopot;
   - Agreement on sale of real estate in Świnoujście;
   - Three operating leaseback agreements dated 18 June 2002.

   Case description: In the matter a hearing of evidence took place before the District Court in Gdańsk IX Business Department, which ended in a decision given by the Court on 14 June 2006, in which the Court fully dismissed the lawsuit and adjudicated costs of legal representation to the Company. An appeal was filed against this decision on 10 August 2006 by the plaintiff, which accuses the decision of the court of 1st instance of breaching both provisions of material law as well as failure to understand the essence of the case.
   On November 17 2006 a response to the appeal was filed requesting dismissal of the appeal in full. On 23.03.2007 the Appeal Court in Gdańsk dismissed the verdict of the District Court and presented the case for re-cognition to the court of 1st instance. At present, the case is waiting for the submission of the acts and setting up an appointment at the District Court.

3. **Plaintiff:** legal person

   Claim value: PLN 18 293 091,71

   Claim: cancellation of an enforcement clause of an execution title, and return of funds recovered under the clause.

   Case description: On 09.05.2007 the Court dismissed the suit. The plaintiff lodged an appeal to which the Bank responded. No date for the appeal trial has been set yet.

   Prospects: the Bank has assessed the probability of winning both cases as high

4. **Plaintiff:** natural person

   Claim value: PLN 25 000 000

   Claim: compensation related to completed execution

   Case description: The plaintiff extended his action from 14 725 245 PLN up to 25 000 000 PLN. The action was dismissed. The plaintiff lodged an appeal, to which the Bank responded.

   Prospects: the Bank has assessed the probability of winning as high.

5. **Plaintiff:** legal person

   Claim value: 14 000 000 zł

   Claim: compensation for the Bank-inflicted bankruptcy of a ‘daughter company’.

   Case description: The representative replied to the suit and then the court verdict dismissed the case. The plaintiff lodged an appeal.

   Prognosis: the Bank’s sees its probability to win the case as high.

6. **Plaintiff:** joint stock company

   Claim value: PLN 10 951 198

   Claim: unspecified

   Case description: the plaintiff is claiming (probably, because he did not properly specify the basis for the claim) a refund of expenses to finance the leasing agreement between the parties and a return of the amount received by Millennium Leasing in the course of the palintiff’s bankruptcy proceedings, which amount in the pliantiff’s opinion is “gaining a financial benefit”. In this matter on 28 April 2006 the attorney representing Millennium Leasing moved for fully dismissing the lawsuit. In response to the lawsuit the lack of justification and grounds for the demands in the suit were demonstrated. The term in the case was set for September 2007.

   Prospects: probability of winning is estimated to be high.

7. **Plaintiff:** natural persons

   Claim value: PLN 8 000 000

   Claim: compensation for a completed execution from the plaintiffs’ civil law company’s assets, which the claimants believe was illegal

   Case description: The claimants presented the Bank with a composition agreement proposal, which was rejected. Hence, the proceedings were reinstituted upon the Plaintiffs’ request, and afterwards the lawsuit was dismissed. The plaintiffs lodged an appeal to which the Bank responded. No date for the appeal trial has been set yet.

Prospects: the Bank has assessed the probability of winning as high.

OFF-BALANCE ITEMS	**30.06.2007**	**31.12.2006**
Off-balance conditional commitments granted and received	**9 933 628**	**6 442 924**
1. Commitments granted:	7 094 408	5 960 867
a) financial	5 552 131	4 582 952
b) guarantee	1 542 277	1 377 915
2. Commitments received:	2 839 220	482 057
a) financial	2 211 303	50 000
b) guarantee	627 917	432 057

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 Clients

In the period from 01.01.2007 to 30.06.2007 the Group granted 1,343 guarantees, sureties and avals for the total of 832,363 thousand PLN.

These liabilities (excluding the guarantees for sureties of loan repayment from EFRWP and open guarantee lines) as at 30.06.2007 totalled 1,099,183 thousand PLN (2106 active guarantees), which is 157,936 thousand PLN, i.e. 16.78% up against 31.12.2006.

The value of guarantees, sureties and avals granted in PLN increased by 117,680 thousand PLN i.e. by 15.05% against the end of the last year, while the value of these liabilities granted in FX increased by 40,256 thousand PLN i.e. 25.28%.

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

	30.06.2007	**31.12.2006**
Commitments granted in PLN thous.:	899 701	782 021
Commitments granted in FX (equivalent in PLN thous.):	199 482	159 226
TOTAL	**1 099 183**	**941 247**

The structure of liabilites by type as at 30.06.2007 is presented in the following table:

Type of commitment	Number	Amount in PLN thous.
Avals	1	1 050
Guarantees	2 053	1 059 353
Sureties	3	6 367
Re-guarantees	49	32 413
Total	**2 106**	**1 099 183**

The structure of liabilities by subject as at 30.06.2007 is presented in the following table:

Object of the commitment	Number	% share	Amount in PLN thous.
good performance of contract	1 213	57.60%	367 161
bid bond	268	12.73%	42 674
payment for goods or services	224	10.64%	162 271
rent payment	188	8.93%	15 040
other	105	4.99%	54 115
advance return	77	3.66%	131 023
customs	20	0.95%	275 356
payment of bank loan	11	0.52%	51 543
Total	**2 106**	**100.00%**	**1 099 183**

The structure by subject of all the net guarantee liabilities, demonstrated in the off-balance sheet items, as at 30.06.2007 is presented in the table below:

Customer - sector	Amount in PLN million
- financial sector	107.6
- non-financial sector (companies)	1 482.3
- public sector	32.0
- private individuals	2.5
Total	**1 624.4**

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 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.	0.1
Millennium Services Sp. z o.o.	1.8
Millennium Leasing Sp. z o.o.	80.2
Total	**82.1**

XIX. OPERATING LEASING

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:	**30.06.2007**	**31.12.2006**
- to 1 year	33 665	47 036
- above 1 year to 5 years	191 398	95 149
- above 5 years	12 205	7 142
TOTAL	**237 268**	**149 327**

XX. ESSENTIAL EVENTS BETWEEN THE DATE, FOR WHICH THE FINANCIAL REPORT WAS PREPARED, AND ITS PUBLICATION DATE

- On July 20 2007 the Bank informed about conclusion of an agreement between the Bank and a group of international banks in the matter of Bank's medium-term syndicated loan of 120,000,000 CHF. The interest rate is based on variable LIBOR for CHF, plus contractual margin. The loan is to be repaid in July 2010, with extension option – upon the consent of the Parties to the Agreement – for the next two years (i.e. until 2012). The funds within the loan shall be disbursed upon completion by the Borrower – standard for this type of loan market – technical and legal conditions specified in the Agreement, for instance the requirement to submit proper (so called "Conditions Precedent").

  The list of borrowers includes the following banks: Bank Austria Creditanstalt AG, Erste Bank der oesterreichischen Sparkassen AG, Raiffeisen Zentralbank Oesterreich AG, Dexia Kommunalkredit Bank AG, Anglo Irish Bank Corporation plc

  The agreement mentioned above was recognised as significant as it exceeds 10% of Bank's own capital.

- On July 24 2007 Millennium Lease spółka z o.o. – Bank's subsidiary sold in favour of WEH spółka z o.o. with seat in Warsaw 100 shares of nominal value 2.000 PLN each in Accountancy & Consulting – Accon Services sp. z o.o. with seat in Warsaw.

  The sold shares account for 100% of shares in the shareholding capital of Accountancy & Consulting – Accon Services sp. z o.o. and these shares authorise to exercise 100% of the vote at the general partners' meeting. The shares were sold for the total of 247.000 PLN and their book value at Millennium Lease spółka z o.o. stood at 216.081,84 PLN. The Parties to the agreement are not linked entities.

- On August 16 2007 the Bank concluded with Bison Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty, with seat in Warsaw ("Fund"), set up and managed by BPH Towarzystwo Funduszy Inwestycyjnych S.A. with seat in Warsaw, sales agreement for corporate irregular receivables (hereinafter referred to as „"Agreement"). The total amount of the sold receivables (principals, interest and other side receivables) totalled 36.992.322,73 PLN (as at August 14 2007).

  The Bank informs that the above Agreement is the second agreement concluded with the Fund over the last 12 months. The total value of all the agreements signed with the Fund is 578.596.549,54 PLN as a total of principals, interest and side receivables at the value dates stated by the transactions. The agreement of the highest value was the one about which the Bank informed in the Current report no 4/2007 of January 29 2007, where it was demonstrated that the subject of sales were non-performing corporate receivables totalling (principals, interest and other side receivables) 541.604.226,81 PLN (as at July 31 2006).

- On 3.09.2007 Bank Millennium S.A. received a letter of resignation from Mr Paulo Teixeira Pinto, who thereby resigned as at 31.08.2007 from the function of Member of the Supervisory Board of the Bank for personal reasons.

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**	....
....	**Zbigniew Kudaś**	**Member of the Management Board**	....

SUMMARY INTERIM FINANCIAL STATEMENTS OF BANK MILLENNIUM S.A. ON THE 6-MONTH PERIOD ENDING 30TH JUNE 2007

TABLE OF CONTENTS

I. FINANCIAL STATEMENTS OF THE BANK ALONE

INCOME STATEMENT

Amount '000 PLN	**1.01.2007 - 30.06.2007**	**01.01.2006 - 30.06.2006**
Interest income	669 152	547 707
Interest expense	-375 827	-304 591
Net interest income	**293 325**	**243 116**
Fee and commission income	219 796	148 831
Fee and commission expense	-33 575	-20 055
Net fee and commission income	**186 221**	**128 776**
Dividend income	112 075	498 594
Result on investment financial assets	4 301	3 125
Result on financial instruments valued at fair value through profit and loss (held for trading)	58 700	8 661
Result on other financial instruments	-5 222	-4 734
Foreign exchange profit	119 021	76 552
Other operating income	30 717	25 611
Other operating expenses	-18 259	-14 845
Operating income	**780 879**	**964 856**
General and administrative expenses	-414 778	-333 583
Impairment losses on financial assets	-48 977	-17 680
Impairment losses on non financial assets	-110	-1 797
Depreciation and amortization	-28 859	-29 097
Operating expenses	**-492 724**	**-382 157**
Operating profit	**288 155**	**582 699**
Profit/ (loss) before taxes	**288 155**	**582 699**
Corporate income tax	-38 416	-19 306
Profit/ (loss) after taxes	**249 739**	**563 393**
Weighted average number of ordinary shares	849 181 744	849 181 744
Basic earnings (losses) per ordinary share (in PLN)	**0.29**	**0.66**

ASSETS

Amount '000 PLN	**30.06.2007**	**31.12.2006**
Cash, balances with the Central Bank	769 535	965 817
Loans and advances to banks	1 052 112	1 123 131
Financial assets valued at fair value through profit and loss (held for trading)	3 683 856	3 742 385
Hedging derivatives	158 876	108 027
Loans and advances to customers	18 391 931	14 109 193
Investment financial assets	2 039 361	2 929 896
- available for sale	2 039 361	2 929 896
- held to maturity	0	0
Investments in associates	163 077	159 156
Receivables from securities bought with sell-back clause (loans and advances)	144 691	15 509
Property, plant and equipment	248 855	263 910
Intangible assets	16 854	20 936
Non current assets held for sale	433	12 086
Deferred income tax assets	78 285	82 451
Other assets	262 133	837 466
Total Assets	**27 009 999**	**24 369 963**

LIABILITIES

Amount '000 PLN	**30.06.2007**	**31.12.2006**
Deposits from banks	3 357 945	3 600 205
Financial liabilities valued at fair value through profit and loss (held for trading)	356 546	298 744
Hedging derivatives	8 622	14 506
Deposits from customers	17 302 286	16 195 022
Liabilities from securities sold with buy-back clause	3 318 496	1 477 686
Debt securities	5 705	5 705
Provisions	12 990	10 400
Deferred income tax liabilities	0	0
Current tax liabilities	0	0
Other liabilities	417 722	631 338
Subordinated debt	302 744	307 309
Total Liabilities	**25 083 056**	**22 540 915**

EQUITY		
I. Share capital	849 182	849 182
II. Share premium	472 343	472 343
III. Revaluation reserve	2 398	9 881
IV. Retained earnings	603 020	497 642
Total Equity	**1 926 943**	**1 829 048**
Total Liabilities and Equity	**27 009 999**	**24 369 963**

Capital adequacy ratio	**9.81%**	**11.92%**

Book value	**1 926 943**	**1 829 048**
Number of shares	**849 181 744**	**849 181 744**
Book value per share (in PLN)	**2.27**	**2.15**

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) 01.01.2007	**1 829 048**	**849 182**	**472 343**	**9 282**	**599**	**497 642**
- purchase/sale and valuation of available for sale financial assets	-5 885	0	0	-5 885	0	0
- effect of valuation of derivatives designated for future cash flows hedge	-1 598	0	0	0	-1 598	0
- profit/ (loss) of the period after taxes	249 739	0	0	0	0	249 739
- dividend payments	-144 361	0	0	0	0	-144 361
Equity at the end of the period (closing balance) 30.06.2007	**1 926 943**	**849 182**	**472 343**	**3 397**	**-999**	**603 020**

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
- profit/ (loss) of the period after taxes	563 393	0	0	0	0	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**

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	**01.01.2007 - 30.06.2007**	**01.01.2006 - 30.06.2006**
I. Profit (loss) after taxes	**249 739**	**563 393**
II. Adjustments for:	**-1 273 883**	**-2 741 817**
1. Interests in net profit/ (loss) of associated companies	0	0
2. Depreciation and amortization	28 859	29 097
3. Foreign exchange (gains)/ losses	-66 869	14 464
4. Dividends	-112 075	-498 594
5. Changes in provisions	2 590	1 876
6. Result on sale and liquidation of investing activity assets	-12 371	-10 850
7. Change in financial assets valued at fair value through profit and loss (held for trading)	-27 661	-714 558
8. Change in loans and advances to banks	259 758	-57 723
9. Change in loans and advances to customers	-4 284 898	-2 263 599
10. Change in receivables from securities bought with sell-back clause	-129 182	166 360
11. Change in liabilities valued at fair value through profit and loss	51 918	-34 291
12. Change in deposits from banks	-165 191	1 058 708
13. Change in deposits from customers	1 107 264	960 479
14. Change in liabilities from securities sold with buy-back clause	1 840 810	-1 147 043
15. Change in debt securities	0	195
16. Change in income tax settlements	5 921	19 298
17. Income tax paid	0	0
18. Change in other assets and liabilities	217 356	-272 380
19. Other	9 888	6 744
III. Net cash flows from operating activities	**-1 024 144**	**-2 178 424**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	**01.01.2007 - 30.06.2007**	**01.01.2006 - 30.06.2006**
I. Inflows:	**2 187 724**	**4 672 829**
1. Proceeds from sale of intangible assets and property, plant and equipment	21 550	122 091
2. Proceeds from sale of shares in associates	0	0
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	2 054 099	4 528 368
5. Other	112 075	22 370
II. Outflows:	**-1 223 389**	**-4 133 547**
1. Acquisition of intangible assets and property, plant and equipment	-8 747	-200
2. Acquisition of shares in associates	-4 000	-950
3. Acquisition of financial assets valued at fair value through profit and loss	0	0
4. Acquisition of investment financial assets	-1 210 642	-4 118 397
5. Other	0	-14 000
III. Net cash flows from investing activities	**964 335**	**539 282**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	01.01.2007 - 30.06.2007	1.01.2006 - 30.06.2006
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:	**-24 346**	**-6 834**
1. Repayment of long-term bank loans	0	0
2. Redemption of debt securities	0	0
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	0
7. Other	-24 346	-6 834
III. Net cash flows from financing activities	**-24 346**	**-6 834**

D. NET CASH FLOWS, TOTAL (A III+B III+C III)	**-84 155**	**-1 645 976**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**1 642 730**	**3 555 633**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	**1 558 575**	**1 909 657**

II. THE BASIS FOR REPORT PREPARATION

This Bank Millennium S.A. interim summary financial report was prepared in accordance with the requirements of the International Accounting Standards 34 ”Interim financial reporting” in the version confirmed by the European Community and other provisions in force.
The financial report was approved for publication by the Bank’s Management Board on September 28 2007.

III. ACCOUNTING POLICY

The financial report of the Bank was prepared in PLN, rounded up to thousand PLN.
In the report a concept of fair value was applied for financial assets and liabilities measured at fair value through the Profit and Loss Account, including derivatives, and financial assets classified as available for sale, with exception of those, for which fair value cannot be established credibly. The other components financial assets and liabilities (including loans and cash advances) are reflected in the value of amortized cost less impairment charges or purchase price less impairment charges. Preparation of the financial report in accordance with IFRS requires the management to perform subjective assessments, estimations and adoption of assumptions, which impact the accounting principles in force and the presented amounts of assets and liabilities and income and costs.
Compliance of the real results and the estimates and assumptions made is verified on an on-going basis. Adjustments in the estimates are recognised in the period, in which the estimate was changed provided that the adjustment concerns only this period or in the period, in which change was made and in the future periods, if the adjustment impacts both the current and future periods.
For all the reporting periods presented in the financial report the consistent, IFRS in force throughout the Group were applied and their detailed description was presented in the Group’s interim consolidated report prepared as at June 30 2007, which is supplemented by this report of the Bank.
The only essential change in relation tot he above mentioned principles is the fact of applying a different methodology of subsidiaries stock and share valuation. In the Bank’s report on a solo basis the exposure to stocks and shares in subsidiaries is valued according to IAS 27 and 28 at the cost of purchase less possible impairment charges calculated according to IAS 36. In the consolidated report the subsidiaries stocks and shares are covered by consolidation (IAS 27), while stock and shares in associated units are valued by the equity rights methods (IAS 28).

IV. SESONAL AND CYCLICAL CHARACTER OF THE OPERATIONS

Bank's operations are not characterised by essential phenomena subject to seasonal fluctuations or of cyclical character.

V. DESCRIPTION OF FACTORS AND EVENTS OF ATYPICAL CHARACTER

In the Bank's P&L on a solo basis dividends received from subsidiaries are reflected, which for the purpose of the Group's consolidated statement are eliminated as intra-group transactions. These dividends for the first half of 2007 and the first half of 2006 (comparable data) totalled respectively: 111 062 thousand PLN and 496 021 thousand PLN.

VI. ESTIMATED VALUES

Preparation of the financial report in accordance with IFRS requires the Bank to make some estimates and adopt some assumptions, which impact the amounts presented in the financial report. Estimates and assumptions, which are subject to continuous assessment by the management of the Bank, are based on historical experience and other factors, including expectations as to the future events, which in a given situation seem justified. Although these expectations are based on the best expertise regarding current conditions and actions, which are taken by the Bank, the actual results may differ from these estimates. Below find the key areas for which the Bank makes estimates:

Loan and cash advance impairment

For every balance sheet day the Bank estimates whether there is objective evidence of impairment of a given component of financial assets or group of financial assets. The Bank evaluates whether there are data/triggers for credible reduction of the expected future cash flows regarding the credit portfolio, before this reduction can be assigned to a specific loan in order to estimate impairment. The estimates may include the observable data demonstrating unfavourable change in the payment situation of borrowers from a given group or economic situation in a given country or its part, which is related to the problems occurring in this group of assets. Historic parameters of losses are adjusted on the basis of the data from current observations in order to include the impact of up-to-date market factors, which were not present in the period under historical observation and to exclude the results of the circumstances, which had place in the historical period and which do not occur currently. Methodology and assumptions, on the basis of which estimated cash flows and periods in which they will occur, shall be subject to regular reviews in order to reduce the differences between the estimated and actual value of losses.

Fair value of financial instruments

The fair value of the financial instruments that are not listed on the active markets are established with the use of valuation techniques. For non-option derivative instruments and debt securities the models based on discounted cash flows are applied. For the option derivatives the option valuation models are used. All the models are confirmed prior to their use and also calibrated to ensure that the results received reflect the actual data comparable market prices. To the extent possible, the models use exclusively the observable data derived from the active market.

Impairment of other fixed assets

For every balance sheet day the Bank evaluates presence of the triggers that indicate whether impairment of the fixed asset components took place. In case of identification of such trigger, the Bank estimates the recoverable value. Estimation of the usable value of fixed asset component (or the cash generating centre) entails, among others, adoption of assumptions regarding the amounts, dates of future cash flows, which the bank may obtain from a given fixed asset component (or the cash generating centre). In its estimation of the fair value less costs of sales the Bank bases on the available market data on the topic or valuations developed by independent experts, which as a rule are also based on estimates.

Other estimates

Pension severance reserve is calculated with the actuarial method by an independent actuary as the present value of the Bank's future liabilities towards the employees according to the employment status and salaries as at the day of update. The provision for pension severance is subject to annual basis up-date. Reserve calculation is based on a number of assumptions, both as to the macroeconomic conditions and assumptions regarding employee rotation, risk of demise and others.

In relation to some short-term employee benefits (bonuses for the higher management) the Management Board of the Bank estimates benefits as of the balance sheet day. The final amount of the employee benefits in question is established by the decision of the Bank's Supervisory Board.

VII. ISSUES, BUYBACK OR REPAYMENTS OF DEBT FROM CAPITAL INSTRUMENTS

During 6 months finished on June 30 2007 the Bank's liabilities under the issue of debt securities did not change keeping the balance sheet value of 5 705 thousand PLN.

VIII. DIVIDENDS PAID OUT

On 26.03.2007 the Ordinary General Shareholders' Assembly of the Bank adopted a resolution about allocation of 144.360.896,48 PLN to dividend payout, which gives 0.17 PLN gross per share. The dividend was paid out on 23.05.2007.

IX. CHANGES IN THE STRUCTURE OF THE BANK DURING THE REPORTING PERIOD

During the 6 months finished on June 30 2007 the above-mentioned phenomena, which would have a significant impact on the structure of the Bank, did not take place.

X. CHANGES IN CONDITIONAL LIABILITIES OR ASSETS

Over the 6 months completed on June 30 2007 there was no changes in off-balance sheet liabilities, which would not result from the current operational activity of the Bank.

Furthermore, as at June 30 2007 and December 31 2006 the structure of off-balance sheet liabilities looked as follows:

OFF-BALANCE ITEMS	30.06.2007	31.12.2006
Off-balance conditional commitments	**10 172 432**	**6 583 398**
1. Commitments granted:	7 330 652	6 045 675
a) financial	5 706 279	4 666 790
b) guarantee	1 624 373	1 378 885
2. Commitments received:	2 841 780	537 723
a) financial	2 211 303	50 000
b) guarantee	630 477	487 723

XI. LIST OF TRANSACTIONS BETWEEN THE BANK AND RELATED PARTIES

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS AT 30.06.2007

	With subsidiaries	With controlling entity - BCP
ASSETS		
Accounts and deposits	0	27 760
Receivables from loans, advances, purchased receivables	1 944 871	0
Receivables from securities bought with sell-back clause	0	0
Shares in subsidiaries subject to consolidation	156 274	0
Investment financial assets	54 820	0
Short-term financial assets (valuation of derivatives)	0	11 918
Other assets	21 044	0
LIABILITIES		
Liabilities from accepted deposits	430 207	1 067
Liabilities from securities sold with buy-back clause	60 103	0
Short-term financial liabilities (valuation of derivatives)	640	9 350
Special funds and other liabilities	9 382	0

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS AT 31.12.2006

	With subsidiaries	With controlling entity - BCP
ASSETS		
Accounts and deposits	0	48 934
Receivables from loans, advances, purchased receivables	1 128 381	0
Shares in subsidiaries subject to consolidation	152 354	0
Short-term financial assets (valuation of derivatives)	293	19 202
Other assets, including:	518 680	0
- dividend to be received by the Bank from Millennium Leasing	506 363	0
LIABILITIES		
Liabilities from accepted deposits	383 524	57
Liabilities from securities sold with buy-back clause	49 552	0
Short-term financial liabilities (valuation of derivatives)	33	23 781
Special funds and other liabilities	7 644	0

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) FOR THE PERIOD OF 1.01-30.06.2007

	With subsidiaries	With controlling entity - BCP
Income from:		
Interest	36 355	2 977
Commissions	54 828	0
Due/paid-out group internal dividends	111 062	0
Financial operations	0	0
Other operating income	4 274	19 855
Expense from:		
Interest	7 934	577
Commissions	127	0
Financial operations	151	22 617
General and administrative expenses	10 050	-4 915

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) FOR THE PERIOD OF 1.01-30.06.2006

	With subsidiaries	With controlling entity - BCP
Income from:		
Interest	21 025	4 158
Commissions	15 578	0
Due/paid-out group internal dividends	496 021	0
Financial operations	0	28 487
Other operating income	5 457	0
Expense from:		
Interest	13 574	0
Commissions	51	0
Financial operations	138	14 020
General and administrative expenses	835	0

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS AT 30.06.2007

	With subsidiaries	With controlling entity - BCP
Conditional commitments	238 804	0
Derivatives (par value)	141 457	879 408

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS AT 31.12.2006

	With subsidiaries	With controlling entity - BCP
Conditional commitments	140 474	0
Derivatives (par value)	121 776	1 110 942

XII. ESSENTIAL EVENTS BETWEEN THE DATE, FOR WHICH THE FINANCIAL REPORT WAS PREPARED, AND ITS PUBLICATION DATE

The above mentioned events has been presented in Chapter XIX of the Consolidated Financial Statements.

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**	....
....	**Zbigniew Kudaś**	**Member of the Management Board**	....