Semi-annual consolidated financial statement of the Bank Millennium S.A. Capital Group for the period of 6 months ending 30 June 2008

MAIN FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	period from 1.01.2008 - 30.06.2008	period from 1.01.2007 - 30.06.2007	period from 1.01.2008 - 30.06.2008	period from 1.01.2007 - 30.06.2007
I. Interest income	1 089 651	719 349	313 334	186 911
II. Fee and commission income	294 657	293 494	84 730	76 260
III. Operating income	937 393	815 495	269 552	211 893
IV. Operating profit / (loss)	318 168	268 267	91 491	69 705
V. Profit / (loss) before taxes	318 168	268 267	91 491	69 705
VI. Profit (loss) after taxes	252 268	212 146	72 541	55 123
VII. Net cash flows from operating activities	786 074	-800 228	226 039	-207 926
VIII. Net cash flows from investing activities	-98 336	889 059	-28 277	231 007
IX. Net cash flows from financing activities	-95 909	-168 707	-27 579	-43 836
X. Net cash flows, total	591 829	-79 876	170 183	-20 754
XI. Total assets	34 252 982	30 530 106	10 211 968	8 523 201
XII. Deposits from banks	2 227 823	2 568 688	664 189	717 110
XIII. Deposits from customers	25 641 231	21 800 662	7 644 515	6 086 170
XIV. Total equity	2 608 787	2 519 932	777 767	703 499
XV. Share capital	849 182	849 182	253 170	237 069
XVI. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVII. Book value per share (in PLN/EUR)	3.07	2.97	0.92	0.83
XVIII. Diluted book value per share (in PLN/EUR)	3.07	2.97	0.92	0.83
XIX. Capital adequacy ratio	12.09%	13.75%	12.09%	13.75%
XX. Basic earnings (losses) per ordinary share (in PLN/EUR)	0.30	0.25	0.09	0.06
XXI. Diluted earnings (losses) per ordinary share (in PLN/EUR)	0.30	0.25	0.09	0.06
XXII. Pledged or paid dividend per share (in PLN/EUR)	0.19	0.17	0.06	0.05

The comparable financial data (item XI-XIX and XXII) were presented in accordance with the IFRS, as of 31 December 2007. The remaining comparable data are presented for the period from 1 January 2007 till 30 June 2007.

TABLE OF CONTENTS

1. Semi-annual Consolidated Financial Statement of Bank Millennium S.A. Capital Group for the period of 6 months ending 30 June 2008

TABLE OF CONTENTS

I. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	01.01.2008 – 30.06.2008	01.01.2007 – 30.06.2007
Interest income	1	1 089 651	719 349
Interest expense	2	-628 853	-371 433
Net interest income		**460 798**	**347 916**
Fee and commission income		294 657	293 494
Fee and commission expense		-45 591	-38 995
Net fee and commission income	3	**249 066**	**254 499**
Dividend income	4	1 094	1 013
Result on investment financial assets	5	-8	4 301
Result on financial instruments valued at fair value through profit and loss	5	75 242	54 754
Foreign exchange profit	5	130 844	118 642
Other operating income	6	20 357	34 370
Operating income		**937 393**	**815 495**
General and administrative expenses	7	-542 803	-446 624
Impairment losses on financial assets	8	-36 820	-50 770
Impairment losses on non financial assets	9	-1 641	505
Depreciation and amortization	10	-30 749	-32 305
Other operating expenses	11	-7 212	-18 034
Operating expenses		**-619 225**	**-547 228**
Profit / (loss) before taxes		**318 168**	**268 267**
Corporate income tax	12	-65 900	-56 121
Profit / (loss) after taxes		**252 268**	**212 146**
Attributable to:			
Equity holders of the parent		252 268	212 146
Minority interests			
Basic earnings per ordinary share (in PLN)	13	**0.30**	**0.25**
Diluted earnings (losses) per ordinary share (in PLN)	13	**0.30**	**0.25**

II. CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	30.06.2008	31.12.2007
Cash, balances with the Central Bank	14	1 131 902	1 257 128
Loans and advances to banks	15	1 595 545	1 053 052
Financial assets valued at fair value through profit and loss (held for trading)	16	2 977 975	3 134 582
Hedging derivatives	17	234 358	218 321
Loans and advances to customers	18	25 208 760	22 027 152
Investment financial assets	19	2 151 002	1 894 569
- available for sale		2 151 002	1 894 569
- held to maturity		0	0
Investments in associates	19	5 100	5 100
Receivables from securities bought with sell-back clause (loans and advances)	20	173 130	28 807
Property, plant and equipment	21	358 924	337 306
Intangible assets	22	16 800	18 162
Non current assets held for sale	23	1 140	1 571
Receivables from Tax Office resulting from current tax		5 121	86 427
Deferred income tax assets	24	108 816	73 609
Other assets	25	284 409	394 320
Total Assets		**34 252 982**	**30 530 106**

LIABILITIES

Amount '000 PLN	Note	30.06.2008	31.12.2007
Deposits from banks	26	2 227 823	2 568 688
Financial liabilities valued at fair value through profit and loss (held for trading)	27	850 693	566 821
Hedging derivatives	28	29 420	20 220
Deposits from customers	29	25 641 231	21 800 662
Liabilities from securities sold with buy-back clause	30	481 392	725 976
Debt securities	31	911 915	851 474
Provisions	32	28 786	34 660
Deferred income tax liabilities	33		0
Current tax liabilities		10 751	1 050
Other liabilities	34	688 737	614 588
Subordinated debt	35	773 447	826 035
Total Liabilities		**31 644 195**	**28 010 174**

EQUITY

Amount '000 PLN	**Note**		
Share capital	36	849 182	849 182
Share premium	36	471 709	471 709
Revaluation reserve	36	-4 714	-2 742
Retained earnings	36	1 292 610	1 201 783
Total equity attributable to equity holders of the parent		2 608 787	2 519 932
Minority interests		0	0
Total Equity		**2 608 787**	**2 519 932**

Total Liabilities and Equity	**34 252 982**	**30 530 106**

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 01.01.2008	**2 519 932**	**849 182**	**471 709**	**-1 949**	**-793**	**1 201 783**
- purchase/sale and valuation of available for sale financial assets	-2 290	0	0	-2 290	0	0
- effect of valuation of derivatives designated for future cash flows hedge	318	0	0	0	318	0
- profit / (loss) of the period after taxes	252 268	0	0	0	0	252 268
- dividend payment	-161 345	0	0	0	0	-161 345
- other appropriation of profit – increase in social benefits fund of subordinated entity	-96	0	0	0	0	-96
Equity at the end of the period (closing balance) 30.06.2008	**2 608 787**	**849 182**	**471 709**	**-4 239**	**-475**	**1 292 610**

	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	-11 231	0	0	-11 231	0	0
- effect of valuation of derivatives designated for future cash flows hedge	-1 392	0	0	0	-1 392	0
- profit / (loss) of the period after taxes	461 595	0	0	0	0	461 595
- dividend payment	-144 361	0	0	0	0	-144 361
Equity at the end of the period (closing balance) 31.12.2007	**2 519 932**	**849 182**	**471 709**	**-1 949**	**-793**	**1 201 783**

Detailed information concerning changes in different equity items are presented in the ***Note (36)***

IV. CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	01.01.2008 – 30.06.2008	01.01.2007 – 30.06.2007
I. Profit (loss) after taxes	**252 268**	**212 146**
II. Adjustments for:	**533 806**	**-1 012 374**
1. Minority profit (loss)	0	0
2. Interests in net profit / (loss) of associated companies	0	0
3. Depreciation and amortization	30 749	32 305
4. Foreign exchange (gains) / losses	-100 251	-66 948
5. Dividends	-1 094	-1 013
6. Changes in provisions	-5 874	2 701
7. Result on sale and liquidation of investing activity assets	-5 751	-12 228
8. Change in financial assets valued at fair value through profit and loss (held for trading)	132 225	-33 308
9. Change in loans and advances to banks	-14 348	259 758
10. Change in loans and advances to customers	-3 189 284	-3 835 790
11. Change in receivables from securities bought with sell-back clause	-144 323	-129 182
12. Change in liabilities valued at fair value through profit and loss (held for trading)	293 072	51 313
13. Change in deposits from banks	-293 143	-165 191
14. Change in deposits from customers	3 840 569	1 148 117
15. Change in liabilities from securities sold with buy-back clause	-244 584	1 830 259
16. Change in debt securities	-30 287	79 761
17. Change in income tax settlements	87 663	19 790
18. Income tax paid	-31 675	-11 469
19. Change in other assets and liabilities	185 595	-191 688
20. Other	24 547	10 439
III. Net cash flows from operating activities	**786 074**	**-800 228**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	01.01.2008 – 30.06.2008	01.01.2007 – 30.06.2007
I. Inflows:	**1 274 501**	**2 067 915**
1. Proceeds from sale of property, plant and equipment and intangible assets	16 861	21 504
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	1 256 546	2 054 398
5. Other	1 094	1 013
II. Outflows:	**-1 372 838**	**- 1 187 856**
1. Acquisition of property, plant and equipment and intangible assets	-53 960	-31 990
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	-1 318 878	-1 155 866
5. Other	0	0
III. Net cash flows from investing activities	**-98 336**	**889 059**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	01.01.2008 – 30.06.2008	01.01.2007 – 30.06.2007
I. Inflows:	**90 727**	**0**
1. Long-term bank loans	0	0
2. Issue of debt securities	90 727	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:	**-186 636**	**-168 707**
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	-161 345	-144 361
7. Other	-25 291	-24 346
III. Net cash flows from financing activities	**-95 909**	**-168 707**

D. NET CASH FLOWS, TOTAL (A III+B III+C III)	**591 829**	**-79 876**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**2 172 683**	**1 642 747**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	**2 764 512**	**1 562 871**

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

Commercial name and seat: Bank Millennium S.A., Poland, Warsaw, Stanisława Żaryna 2A

Registration court and register number: 13th 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 2008:

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
8. Piotr Romanowski – Management Board Member

As of 5 May 2008 the Bank's Supervisory Board appointed Mr. Piotr Romanowski the Bank's Management Board Member.

Composition of the Supervisory Board of Bank Millennium as at 30 June 2008:

1. Maciej Bednarkiewicz – Chairman of the Supervisory Board,
2. Ryszard Pospieszyński – Deputy Chairman and Secretary of the Supervisory Board,
3. Andrzej Koźmiński - Supervisory Board Member,
4. Marek Rocki - Supervisory Board Member,
5. Dariusz Rosati - Supervisory Board Member,
6. Carlos Jorge Ramalho dos Santos Ferreira - Supervisory Board Member,
7. Paulo Jose de Ribeiro Moita de Macedo - Supervisory Board Member,
8. Vitor Manuel Lopes Fernandes - Supervisory Board Member,
9. Nelson Ricardo Bessa Machado - Supervisory Board Member,

On 4 January 2008 the Bank's Management Bard informed that Mr. Jorge Jardim Goncalves tendered his resignation as Supervisory Board Member as from 31 December 2007.

On 15 February 2008 the Bank's Management Bard informed that Mr. Dimitri Contominas tendered his resignation for personal reason as Supervisory Board Member as of 13 February 2008.

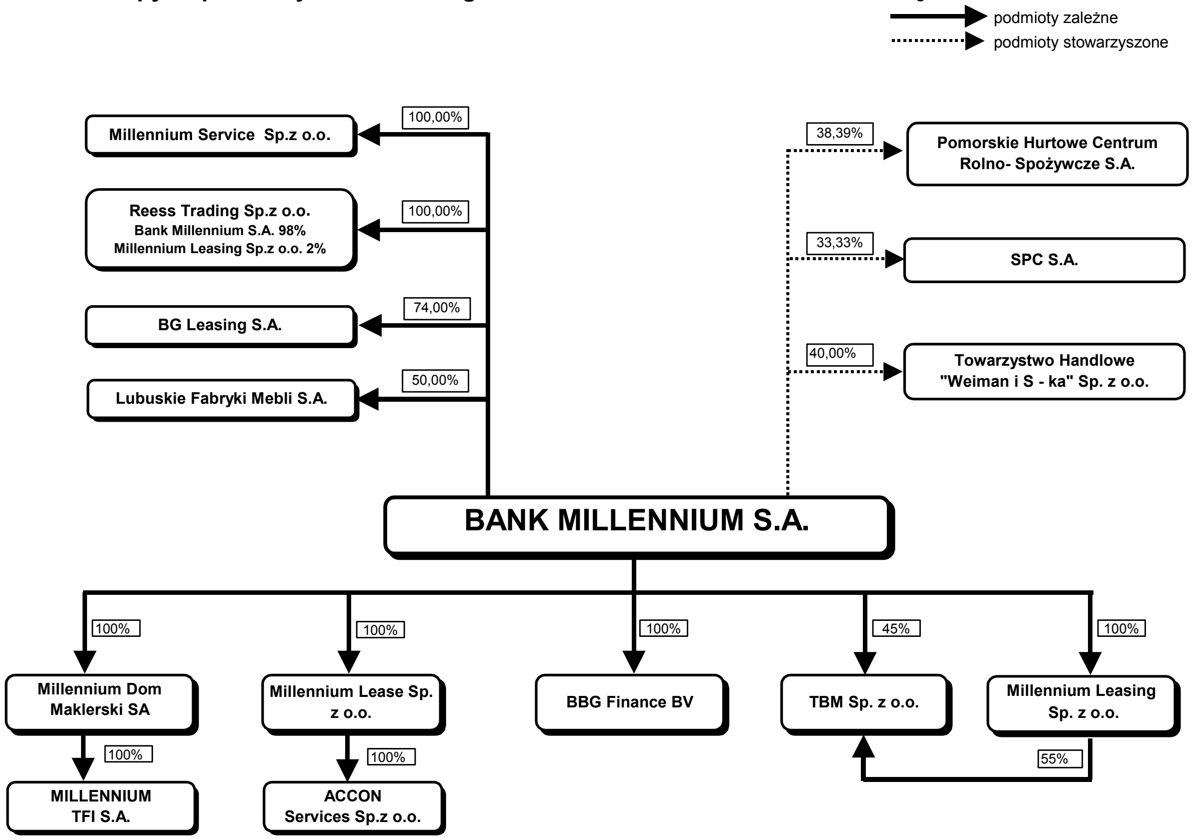
On 26 March 2008 the Bank notified on receiving letters containing statements of resignation as Supervisory Bard Members from Mr Christopher de Beck, Francisco de Lacerda, Pedro Maria Duarte and Zbigniew Sobolewski, whose resignations are effective as of 26.03.2008 and letter from Mr. Marek Furtek on his resignation as Supervisory Board Member effective as of the day of the General Shareholders Meeting convoked for 28 March 2008.

On 28 March 2008 the Bank's Management Board communicated that the Ordinary General Shareholders Meeting in session on the same day, having reduced the number of Supervisory Board Members for the current term of office to 9 performed by a by-election of four Supervisory Board Members, namely:

1. Mr Carlos Jorge Ramalho dos Santos Ferreira
2. Mr Paulo Jose de Ribeiro Moita de Macedo
3. Mr Vitor Manuel Lopes Fernandes
4. Mr Nelson Ricardo Bessa Machado

The Group's parent entity is Bank Millennium S.A. The companies that belong to the Capital Group as at 30 June 2008, are presented by the diagram below:

Schemat Grupy Kapitałowej Millennium wg. stanu na 31.12.2006 r.



Moreover, the Group is consolidating a special purpose vehicle Orchis Sp. z o.o. (SPV). The Company was created for the needs of a securitisation transaction conducted by the Group in 2007. In accordance with the provisions of IAS 27, IAS 39 and SIC 12 the Company started to be consolidated, despite the Group not having capital exposure (for this reason the Company is not included in the above Group diagram).

The Group applied provisions of IAS 8 ("Accounting principles (policies), changes in value estimates and error adjustment") section 8, whereby IFRS constitute a complete set of accounting principles, which do not have to be applied if the result of their application is immaterial. By the virtue of the above, provisions of IAS 27 ("Consolidated and solo-basis financial statements") and provisions of IAS 28 ("Investment in associated companies") were not applied in relation to the financial statements of the following entities – members of the Capital Group as at 31 December 2007.

- Lubuskie Fabryki Mebli S.A.
- Reess Trading 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

In the first half of 2008 there were no changes in the Group's structure, as a result of which the above Group diagram presented as of 30 June 2008 is identical with the Group's diagram as of December 2007.

VI. ACCOUNTING POLICY

Compliance Statement

The interim consolidated financial statement of the Bank Millennium S.A. Capital Group for the period from 1 January 2008 till 30 June 2008 is prepared in accordance with the requirements of International Accounting Standard 34 „Interim Financial Reporting", approved by the European Union, and with other binding regulations.

This financial statement is approved for publication by the Bank's Management Board on 29 September 2008.

Earlier adoption of standards which are not binding as of the balance sheet day

The Group did not use the possibility of an earlier adoption of the new Standards and Interpretations, which have already been published and which will enter into force after the balance sheet day, including:.

Standards and Interpretations approved by the European Union

Standard/ Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective for periods beginning on or after
IFRS 8 *Operating Segments*	The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.	The Group has not yet completed its analysis of the impact of the revised Standard on presentation of data in financial statements	1 January 2009

Standards and Interpretations to be approved by the European Union

Standard/ Interpretation	**Nature of impending change in accounting policy**	**Possible impact on financial statements**	**Effective for periods beginning on or after**
Revised IAS 23 *Borrowing Costs*	The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.	At the moment revised IAS 23 is not relevant to the Group's operations as the Group does not have any qualifying assets for which borrowing costs would be capitalised.	1 January 2009
Revised IAS 1 *Presentation of Financial Statements* (effective from 1 January 2009)	The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income).	The Group is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.	1 January 2009
IFRIC 13 *Customer Loyalty Programmes*	The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations.	The Group does not expect the Interpretation to have any impact on the consolidated financial statements.	1 July 2008
Amended IFRS 3 *Business Combinations*	The scope of the revised standard has been broadened (some business combinations excluded from the previous version of the standard have not been excluded from the scope of the revised IFRS 3). A definition of a business has been altered in order to be more precise. The definition of contingent liabilities capable of being recognised in the business combination has been narrowed. Transaction costs are no longer included in the cost of the combination. Rules of recognition of contingent consideration have been modified (to fair value measurement). Non-controlling (minority) interest may be measured at fair value.	The Group has not yet completed its analysis of the impact of the revised standard.	1 July 2009
Amendments to IAS 27 *Consolidated*	In relation with the revised IFRS 3 (above), the changes introduced to IAS 27 include the following: - changed definition of non-controlling (minority) interest;	The Group has not yet completed its analysis of the impact of the amendments.	1 July 2009

and Separate Financial Statements	- regulation of recognition and measurement of transactions with non-controlling interest while retaining control; - changed recognition and measurement of loss of control; - new disclosure requirements.		
Amendments to IFRS 2 *Share based payments*	The amendments introduce guidance on accounting for non-vesting conditions.	Amendments to IFRS 2 are not relevant to the Group's operations as none of the Group entities have entered into any share based payment arrangements.	1 January 2009
Amendments to IAS 32: *Financial Instruments - Presentation* and IAS 1: *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation	The amendments provide an exemption to the principle otherwise applied in IAS 32 for the classification of some puttable financial instruments as equity. The amendments require certain financial instruments that represent a residual interest in the net assets of an entity, which would otherwise be classified as financial liabilities, to be classified as equity, if both the financial instrument and the capital structure of the issuing entity meet certain conditions.	The Group has not yet completed its analysis of the impact of the amendments.	1 January 2009
Amendments to IFRS 1 and IAS 27: *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	The amendments to IFRS 1 allows a first-time adopter, at its date of transition to IFRSs in its separate financial statements, to use a deemed cost to account for an investment in a subsidiary, jointly controlled entity or associate. The election of whether or not to use deemed cost, and which measurement to use as deemed cost (either previous GAAP carrying amount or fair value determined in accordance with IAS 39), is made on an investment-by-investment basis. There are also additional disclosure requirements for a first time adopter electing to use a deemed cost. The amendments to IAS 27 remove the definition of "cost method" currently set out in IAS 27, and instead require all	The Group has not yet completed its analysis of the impact of the amendments.	1 January 2009

	dividends from a subsidiary, jointly controlled entity or associate to be recognised as income in the separate financial statements of the investor when the right to receive the dividend is established. The amendments specify also the accounting in the separate financial statements of a newly formed entity that becomes that new parent of another entity in a group under certain conditions.		
Improvements to International Financial Reporting Standards 2008	The *Improvements to IFRSs 2008* contains 35 amendments and is divided into two parts: - Part I includes 24 amendments to 15 standards that result in accounting changes for presentation, recognition or measurement purposes - Part II includes 11 -terminology or editorial amendments to 9 standards that the IASB expects to have either no or only minimal effects on accounting.	The Group has not yet completed its analysis of the impact of the amendments.	1 January 2009 or – in case of improvements to IFRS 5 *Non-current Assets Held for Sale* – 1 July 2009
IFRIC 15 *Agreements for the Construction of Real Estate*	The Interpretation addresses which standards (IAS 11 *Construction Contracts* or IAS 18 *Revenue*) are applicable for the agreements for the construction of real estate, and the timing of revenue recognition.	IFRIC 15 is not relevant to the Group's operations as the Group has not entered into any agreements for the construction of real estate as described in the Standard	1 January 2009
IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation applies to all entities using net investment hedging for investments in foreign operations. This Interpretation clarifies that net investment hedging may be applied only when the net assets of the foreign operation are included in the financial statements of the entity.	IFRIC 16 is not relevant to the Group's operations as the Group has not entered into any hedging arrangements of a net investment in a foreign operation.	1 October 2008

Restatements of previously published financial data

In 2008 Group changed way of provision's presentation for disputable claims in balance by moving them form "other liabilities" to "reserves".
Introduced data's correction are presented below:

Adjusted item	31.12.2007 data as presented previously	31.12.2007 comparatives	Difference
Provisions	12 351	34 660	+ 22 309
Other liabilities	636 897	614 588	- 22 309

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 advances) 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 management the use of estimates and assumptions that affect the amounts (assets, liabilities, incomes and costs) 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's 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:

1. power over more than half of the voting rights by virtue of an agreement with other investors;
2. power to govern the financial and operating policies of the entity under a statute or an agreement;
3. 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
4. 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.

Transactions, settlements and unrealized profits resulting from transactions among Group's entities 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 associates 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 advances*

  Loans and advances 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 advances*

  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 financial 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:

- ✓ cash flows hedges of recognized asset or liability or highly probable forecasted transaction (cash flow hedges), or:
- ✓ 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:

- ✓ 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.
- ✓ 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);
- ✓ 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);
- ✓ 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;
- ✓ 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.

Changes in the fair value of derivative instruments classified and eligible as fair value hedges are recognised in the Profit and Loss along with their corresponding changes of the hedged asset or liability relating to the risk hedged by the Group.

It means that 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. Receivables from leasing contracts

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, FX forward and FX swap 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 Customers funds 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 savings products.

b) Corporate Customers Segment

The Corporate Customers Segment is based on activity targeted at Small and Medium 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) **Treasury and investment business**

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

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 pre-tax profit is determined, comprising:

- Net interest income calculated on the basis of interest on external working assets and liabilities of the segment as well as allocated assets and liabilities generating internal interest income or cost. Internal income and costs are calculated based on market interest rates;
- 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 01.01.2008 - 30.06.2008

In '000 PLN	Retail Banking	Corporate Banking	Treasury and Investment Banking	Total consolidated
Net interest income	328 688	114 437	17 673	460 798
external income	536 004	193 046	360 601	1 089 651
external cost	-367 178	-145 298	-116 377	-628 853
External income less cost	168 827	47 748	244 224	460 798
internal income	476 165	199 308	-675 473	0
internal cost	-316 303	-132 619	448 922	0
Internal income less cost	159 862	66 689	-226 551	0
Net fee and commission income	189 881	47 219	11 966	249 066
Dividends, other income from financial operations and foreign exchange profit	100 355	48 483	58 334	207 172
Other operating income and cost	66	365	12 714	13 145
Operating income	**618 990**	**210 504**	**100 687**	**930 181**
Staff costs	-214 081	-60 742	-25 279	-300 102
Administrative costs	-181 785	-42 515	-18 401	-242 701
Impairment losses on financial and non-financial assets	-20 895	-15 639	-1 927	-38 461
Depreciation and amortization	-19 827	-3 264	-7 658	-30 749
Operating expenses	**-436 589**	**-122 159**	**-53 266**	**-612 013**
Profit / (loss) before taxes	**182 401**	**88 345**	**47 422**	**318 168**
Income taxes				-65 900
Profit / (loss) after taxes				**252 268**

Balance sheet 30.06.2008

In '000 PLN	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
ASSETS					
Segment assets	18 571 702	7 981 662	5 243 946	10 165	31 807 475
- including capital investment outlays	22 351	10 692	327	10 165	43 535
Assets allocated to segment	1 713 002	836 440	-2 549 442	0	0
Assets not allocated to segment	0	0	0	2 445 507	2 445 507
Total	**20 284 703**	**8 818 102**	**2 694 504**	**2 455 672**	**34 252 982**
LIABILITIES					
Segment liabilities	18 811 913	7 144 223	4 079 672	0	30 035 808
Liabilities allocated to segment	422 309	1 072 091	-1 494 400	0	0
Liabilities not allocated to segment	0	0	0	1 608 387	1 608 387
Equity	0	0	0	2 608 787	2 608 787
Total	**19 234 221**	**8 216 315**	**2 585 272**	**4 217 174**	**34 252 982**

Income statement 01.01.2007 - 30.06.2007

In '000 PLN	Retail Banking	Corporate Banking	Treasury and Investment Banking	Total consolidated
Net interest income	222 673	103 588	21 655	347 916
external income	316 957	179 794	222 599	719 349
external cost	-146 056	-82 118	-143 259	-371 433
External income less cost	170 901	97 676	79 340	347 916
internal income	208 314	127 060	-335 374	0
internal cost	-156 541	-121 148	277 689	0
Internal income less cost	51 773	5 912	-57 685	0
Net fee and commission income	177 784	49 750	26 965	254 499
Dividends, other income from financial operations and foreign exchange profit	86 506	34 052	58 152	178 710
Other operating income and cost	-178	353	16 161	16 336
Operating income	**486 786**	**187 743**	**122 932**	**797 461**
Staff costs	-155 864	-73 394	-20 397	-249 655
Administrative costs	-161 530	-26 055	-9 384	-196 969
Impairment losses on financial and non-financial assets	-58 404	9 944	-1 805	-50 265
Depreciation and amortization	-27 342	-3 287	-1 677	-32 305
Operating expenses	**-403 140**	**-92 792**	**-33 262**	**-529 194**
Profit / (loss) before taxes	**83 646**	**94 952**	**89 670**	**268 267**
Income taxes				-56 121
Profit / (loss) after taxes				**212 146**

Balance sheet 31.12.2007

In '000 PLN	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
ASSETS					
Segment assets	16 159 661	7 188 306	4 546 351	16 992	27 911 309
- including capital investment outlays	78 429	10 286	1 491	16 992	107 198
Assets allocated to segment	758 472	1 750 679	-2 509 150	0	0
Assets not allocated to segment	0	0	0	2 618 797	2 618 797
Total	**16 918 133**	**8 938 984**	**2 037 201**	**2 635 789**	**30 530 106**
LIABILITIES					
Segment liabilities	14 142 535	8 071 241	4 559 060	0	26 772 835
Liabilities allocated to segment	1 909 813	287 604	-2 197 416	0	0
Liabilities not allocated to segment	0	0	0	1 237 339	1 237 339
Equity	0	0	0	0	2 519 932
Total	**16 052 348**	**8 358 844**	**2 361 644**	**1 237 339**	**30 530 106**

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

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Interest income and other of similar nature, including:		
Balances with the Central Bank	20 796	11 056
Loans and advances to banks	55 759	33 343
Loans and advances to customers	809 082	497 419
Transactions with repurchase agreement	6 521	1 060
Hedging derivatives	77 729	42 974
Financial assets held for trading (debt securities)	58 558	80 326
Investment securities	61 205	53 171
Total	**1 089 651**	**719 349**

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

Interest income for the first half of 2008 contains interest accrued on impaired loans in the amount of PLN 26,614 thous. (for corresponding data in the first half-year 2007 the amount of such interest stood at PLN 22,029 thous.). 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

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Interest expense and other of similar nature, including:		
Banking deposits	-15 515	-36 001
Loans and advances	-33 739	-26 803
Transactions with repurchase agreement	-28 347	-61 522
Hedging derivatives	0	-909
Deposits from customers	-496 353	-236 862
Subordinated debt	-25 233	-8 893
Debt securities	-28 949	-425
Other	-717	-17
Total	**-628 853**	**-371 433**

(3) FEE AND COMMISSION INCOME

3a. Fee and commission income

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Resulting from accounts service	32 295	28 956
Resulting from payments service	20 091	19 131
Resulting from loan activity	17 322	18 656
Resulting from guarantees and sureties granted	5 129	4 450
Resulting from payment and credit cards	68 524	53 879
Resulting from sale of insurance products	51 883	23 594
Resulting from distribution of investment funds units and savings products	10 792	13 272
Resulting from brokerage and custody service	16 829	32 849
Resulting from investment funds managed by the Group	68 194	96 909
Other	3 599	1 799
Total	**294 657**	**293 494**

3b. Fee and commission expense

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Resulting from accounts service	-529	-455
Resulting from payments service	-714	-755
Resulting from loan activity	-5 159	-5 047
Resulting from payment and credit cards	-33 131	-25 764
Resulting from brokerage and custody service	-4 847	-5 547
Other	-1 211	-1 427
Total	**-45 591**	**-38 995**

(4) DIVIDEND INCOME

4. Dividend income

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Investment securities	1 094	1 013
Total	**1 094**	**1 013**

(5A) RESULT ON INVESTMENT FINANCIAL ASSETS

5a. Result on investment financial assets

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Operations on debt instruments	-8	111
Operations on investment funds units	0	0
Operations on equity instruments	0	4190
Total	**-8**	**4 301**

(5B) RESULT ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSSACCOUNT

The Result on financial instruments measured at fair value through 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 "held 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).

During the same time of the first six months 2008, or the comparable period there were no reclassifications between particular categories of assets and liabilities..

5b. Result on financial instruments held for trading

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Operations on securities	-22 385	-16 532
Operations on derivatives	99 318	76 508
Other financial operations	-1 691	-5 222
Total	**75 242**	**54 754**

(5C) FX INCOME

5c. Foreign exchange profit

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Margin on FX Table transactions	78 871	67 578
Margin on FX negotiated transactions	35 508	40 013
Other	16 465	11 051
Total	**130 844**	**118 642**

(6) OTHER OPERATING INCOME AND EXPENSES

6. Other operating income

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Profit on sale and liquidation of property, plant and equipment, intangible assets	8 042	14 483
Profit on sale of non current assets held for sale	62	6 248
Indemnifications, penalties and fines received	6 246	7 152
Income from sale of other services	986	369
Income from collection service	232	286
Income from leasing business	1 228	770
Other	3 561	5 062
Total	**20 357**	**34 370**

(7) GENERAL AND ADMINISTRATIVE EXPENSES

7. General and administrative expenses

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Staff costs:	**-300 102**	**-249 655**
Salaries	-288 994	-241 297
Employee benefits, including:	-11 108	-8 358
- provisions for retirement benefits	19	0
- provisions for unused employee holiday	-17	-62
- other	-11 110	-8 296
General administrative costs	**-242 701**	**-196 969**
Costs of advertising, promotion and representation	-30 096	-22 009
Costs of software maintenance and IT services	-7 100	-6 631
Costs of renting	-66 032	-47 881
Costs of buildings maintenance, equipment and materials	-17 533	-20 228
ATM and cash costs	-11 038	-10 525
Costs of communications and IT	-38 949	-32 268
Costs of consultancy, audit and legal advisory and translation	-9 191	-11 360
Taxes and fees	-9 253	-8 454
KIR clearing charges	-1 262	-1 130
PFRON costs (disable fund)	-2 562	-2 027
BFG costs (deposit guarantee fund)	-2 215	-1 809
Financial Supervision costs	-3 284	0
Other	-44 186	-32 647
Total	**-542 803**	**-446 624**

(8) IMPAIRMENT LOSSES ON FINANCIAL ASSETS

8. Impairment losses on financial assets

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Impairment losses on loans and advances to customers	**-36 536**	**-48 051**
- Impairment charges on loans and advances to customers	-249 850	-267 582
- Reversal of impairment charges on loans and advances to customers	205 510	197 453
- Amounts recovered from loans written off	4 970	6 313
- Result on sale of receivables	2 834	15 765
Impairment losses on off-balance sheet liabilities	**-284**	**-2 719**
- Impairment write-offs for off-balance sheet liabilities	-9 753	-9 865
- Reversal of impairment write-offs for off-balance sheet liabilities	9 469	7 146
Total	**-36 820**	**-50 770**

(9) IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

9. Impairment losses on non financial assets

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Fixed assets	-1 221	615
Other assets	-420	-110
Total	**-1 641**	**505**

(10) DEPRECIATION AND AMORTIZATION

10. Depreciation and amortization

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Property, plant and equipment	-26 626	-27 810
Intangible assets	-4 123	-4 495
Total	**-30 749**	**-32 305**

(11) OTHER OPERATIING EXPENSE

11. Other operating expenses

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Loss on sale and liquidation of property, plant and equipment, intangible assets	-2 322	-12 804
Loss on sale of non current assets held for sale	-31	0
Indemnifications, penalties and fines paid	-1 622	-375
Provisions for contentious claims	-678	-21
Costs of leasing business	-588	-1 640
Donations made	-129	0
Costs of collection service	-955	-1 152
Costs of payments to compensation system	-374	-353
Other	-513	-1 690
Total	**-7 212**	**-18 034**

(12) INCOME TAX

12a. Income tax reported in income statement

	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Current tax	**-100 732**	**-51 801**
Current year	-100 732	-51 801
Deferred tax	**34 832**	**-4 320**
Appearance and reversal of temporary differences	42 285	-169 725
Utilisation of tax loss	-7 453	165 405
Other		
Receivables resulting from the article 38a of the CIT Act	0	0
Total income tax reported in income statement	**-65 900**	**-56 121**

12b. Effective tax rate		
	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Gross profit / (loss)	**318 168**	**268 267**
Statutory tax rate	19%	19%
Income tax according to obligatory income tax rate of 19%	**-60 452**	**-50 971**
Impact of permanent differences on tax charges:	**-5 448**	**-5 150**
- Non taxable income	2 504	192
Dividend income	236	192
Other	2 268	0
- Cost which is not a tax cost	-7 952	-5 342
Loss on sale of receivables	-5 279	-3 554
PFRON fee	-652	-322
Other	-2 021	-1 466
Receivables resulting from the article 38a of the CIT Act	**0**	**0**
Total income tax reported in income statement	**-65 900**	**-56 121**

12c. Deferred tax reported directly in equity		
	30.06.2008	30.06.2007
Valuation of available for sale securities	992	-788
Valuation of cash flow hedging instruments	111	234
Deferred tax reported directly in equity	**1 103**	**-554**

(13) EARNINGS PER SHARE

13. Earnings per share (PLN)		
	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Earnings after taxes	252 268	212 146
Weighted average number of shares in the period	849 181 744	849 181 744
Earnings per share	**0.30**	**0.25**

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

The diluted EPS is equal to the basic EPS (the calculation approach is analogous since there are no diluting instruments).

(14) CASH, BALANCES WITH THE CENTRAL BANK

14a. Cash, balances with the Central Bank		
	30.06.2008	31.12.2007
Cash	374 149	476 155
Cash in Central Bank	757 534	778 861
Other funds	219	2 112
Total	**1 131 902**	**1 257 128**

In the period from 30th June 2007 to 30th July 2008 the Bank kept on its current account with NBP (the central bank) an average balance of PLN 858,839 thousand (arithmetic average of balances on the NBP current account on all days of the deposit-holding period).

The interest rate on funds on the mandatory deposit account constitutes 0.9 of the central bank's rediscount rate and in the above-mentioned period of time was 5.625%.

14b. Cash, balances with the Central Bank – by currency

	30.06.2008	31.12.2007
a. in Polish currency	984 215	1 104 576
b. in foreign currencies (after conversion to PLN)	147 688	152 552
- currency: USD	19 338	23 794
- currency: EURO	99 096	95 612
- currency: GBP	14 081	16 041
- other currencies (PLN '000)	15 173	17 105
Total	**1 131 902**	**1 257 128**

(15) LOANS AND ADVANCES TO BANKS

15a. Loans and advances to banks

	30.06.2008	31.12.2007
Current accounts	56 175	59 838
Deposits in other banks	1 231 827	698 155
Loans	303 765	291 865
Other	1 064	1 255
Interest	2 714	1 939
Total (gross) loans and advances to banks	**1 595 545**	**1 053 052**
Impairment write-offs	0	0
Net loans and advances to banks	**1 595 545**	**1 053 052**

15b. Loans and advances to banks by maturity date

	30.06.2008	31.12.2007
Current accounts	56 175	59 838
- to 1 month	961 953	669 411
- above 1 month to 3 months	270 938	30 000
- above 3 months to 1 year	18	2
- above 1 year to 5 years	0	0
- above 5 years	303 747	291 862
- past due	0	0
Interest	2 714	1 939
Total (gross) loans and advances to banks	**1 595 545**	**1 053 052**

15c. Loans and advances to banks by currency

	30.06.2008	31.12.2007
in Polish currency	1 239 674	734 719
in foreign currencies (after conversion to PLN)	355 871	318 333
- currency: USD	9 503	74 317
- currency: EURO	228 448	192 188
- currency: CHF	52 885	3 617
- currency: GBP	21 617	11 802
- other currencies (PLN '000)	43 418	36 409
Total	**1 595 545**	**1 053 052**

15d. Change of impairment write-offs for loans and advances to banks

	01.01.2008 - 30.06.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	0	0
Change in the period	0	0
Balance at the end of the period	**0**	**0**

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

16a. Financial assets valued at fair value through profit and loss (held for trading)

	30.06.2008	31.12.2007
Debt securities	**1 948 177**	**2 331 038**
Issued by State Treasury	1 948 177	2 331 038
a) bills	207 986	353 296
b) bonds	1 740 191	1 977 742
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	**678**	**323**
Quoted on the active market	678	323
a) financial institutions	143	60
b) non-financial institutions	535	263
Not quoted on the active market	0	0
a) financial institutions	0	0
b) non-financial institutions	0	0
Positive valuation of derivatives	**1 025 518**	**799 207**
Other financial instruments	**3 602**	**4 014**
Total	**2 977 975**	**3 134 582**

16b. Financial assets valued at fair value through profit and loss (held for trading)

	30.06.2008	31.12.2007
Trading financial assets	2 977 975	3 134 582
Financial assets valued at fair value when initially recognized	0	0
Total	**2 977 975**	**3 134 582**

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

16c. Debt securities valued at fair value through profit and loss (held for trading), at balance sheet value

	30.06.2008	31.12.2007
- with fixed interest rate	959 614	1 674 072
- with variable interest rate	988 563	656 966
Total	**1 948 177**	**2 331 038**

16d. Debt securities valued at fair value through profit and loss (held for trading), by maturity

	30.06.2008	31.12.2007
- to 1 month	98 147	12 848
- above 1 month to 3 months	1 476	96 289
- above 3 months to 1 year	401 244	338 630
- above 1 year to 5 years	933 072	1 429 085
- above 5 years	514 238	454 186
Total	**1 948 177**	**2 331 038**

16e. Change of debt securities and equity instruments valued at fair value through profit and loss (held for trading)

	01.01.2008 - 30.06.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	2 331 361	3 372 447
Increases (purchase and accrual of interest and discount)	59 012 302	63 140 526
Reductions (sale and redemption)	-59 407 242	-64 165 115
Differences from valuation at fair value	12 434	-16 498
Balance at the end of the period	**1 948 854**	**2 331 361**

16f. Derivatives as at 30.06.2008

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)	2 450 000	5 232 860	2 150 000	117	5 834	5 717
Interest rate swaps (IRS)	4 526 420	15 579 518	20 373 493	17 537	368 651	351 114
Other interest rate contracts: volatility swap, swap with FX option	0	9 878	88 324	21 674	22 360	686
Total interest rate derivatives	**6 976 420**	**20 822 256**	**22 611 817**	**39 328**	**396 845**	**357 517**
2. FX derivatives						
FX contracts	5 591 770	1 427 451	289 736	12 490	155 392	142 902
FX swaps	14 682 484	3 292 729	20 837	97 544	212 487	114 943
Other FX contracts (CIRS)	474 246	505 943	4 180 301	40 282	52 523	12 241
FX options	8 950 582	20 445 558	12 802 772	612	71 207	70 595
Total FX derivatives	**29 699 082**	**25 671 681**	**17 293 646**	**150 928**	**491 609**	**340 681**
3. Commodity derivatives						
Commodity forwards	404 777	271 876	305 014	436	50 199	49 763
Commodity options	118 396	570 652	88 304	0	50 258	50 258
Total commodity derivatives	**523 173**	**842 528**	**393 318**	**436**	**100 457**	**100 021**
4. Options embedded in deposits				**-21 629**	**306**	**21 935**
5. Valuation of future FX payments subject to hedging	**0**	**7 405**	**295 674**	**26 576**	**26 576**	**0**
6. Valuation of hedged consumer loans portfolio	**0**	**0**	**0**	**-20 815**	**0**	**20 815**
7. Indexes options	**0**	**0**	**79 740**	**9 137**	**9 725**	**588**
8. Options embedded in securities issued	**0**	**0**	**0**	**-9 136**	**0**	**9 136**
9. Total derivatives	**37 198 675**	**47 343 870**	**40 674 195**	**174 825**	**1 025 518**	**850 693**

The Bank's offer covers deposits with embedded derivatives which have been presented in the above table. The embedded derivatives are taken in the Bank's books at fair value, changes of the fair value are disclosed in the profit and loss account..

16g. Derivatives as at 31.12.2007

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)	950 000	300 000	0	-102	680	782
Interest rate swaps (IRS)	2 621 492	8 793 821	14 775 838	60 867	189 987	129 120
Other interest rate contracts: volatility swap, swap with FX option	0	34 189	64 014	9 381	9 381	0
Total interest rate derivatives	**3 571 492**	**9 128 010**	**14 839 852**	**70 146**	**200 048**	**129 902**
2. FX derivatives						
FX contracts	5 525 703	4 704 972	862 067	-17 125	132 202	149 327
FX swaps	11 201 043	651 911	0	170 305	258 815	88 510
Other FX contracts (CIRS)	0	59 840	2 754 450	23 555	30 090	6 535
FX options	9 101 514	21 001 608	6 190 920	0	59 085	59 085
Total FX derivatives	**25 828 260**	**26 418 331**	**9 807 437**	**176 735**	**480 192**	**303 457**
3. Commodity derivatives						
Commodity forwards	779 666	378 842	425 414	582	44 610	44 028
Commodity options	350 714	554 382	461 392	0	55 254	55 254
Total commodity derivatives	**1 130 380**	**933 224**	**886 806**	**582**	**99 864**	**99 282**
4. Options embedded in deposits				**-11 530**	**714**	**12 244**
5. Valuation of future FX payments subject to hedging	**0**	**0**	**359 895**	**18 389**	**18 389**	
6. Valuation of hedged consumer loans portfolio	**0**	**0**	**0**	**-12 934**	**0**	**12 934**
7. Short sale liabilities	**0**	**0**	**0**	**-9 002**	**0**	**9 002**
8. Total derivatives	**30 530 132**	**36 479 565**	**25 893 990**	**232 386**	**799 207**	**566 821**

(17) DERIVATIVE HEDGING INSTRUMENTS

The Group uses the following types of hedge accounting:

- ✓ hedging the fair value of the portfolio of long-term consumer loans with respect to interest rate fluctuation risk;
- ✓ hedging the fair value of foreign exchange liabilities resulting from the Bank's own management against FX fluctuations;
- ✓ hedging the fair value of FX securities against interest rate fluctuations;
- ✓ hedging against the volatility of cash flows generated by the portfolio of mortgage loans and zloty deposits funding 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.

17a. Hedge accounting 30.06.2008

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	1 309 749	24 348	24 348	0	-20 815
- CIRS contracts (micro fair value hedge for securities in foreign currencies) *	0	170 652	0	32 447	32 447	0	-187
2. Fair value hedging derivatives connected with FX rate risk							
- CIRS contracts (micro fair value hedge for FX liabilities)	0	0	295 674	-26 344	0	26 344	26 037
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	3 144 450	6 835 905	174 487	177 563	3 076	x
4. Total hedging derivatives	**0**	**3 315 102**	**8 441 328**	**204 938**	**234 358**	**29 420**	**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 60 805 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 –61 941 thousand.
FX rate differences on the hedged position, based on the IAS 21, are recognized in the profit and loss account. Hence, only the change in fair value of a hedged position at PLN -187 thousand had been moved from capitals to the profit and loss account.

In case of fair value hedging of consumer loans, despite the fact that the relation of fair value changes of hedged and hedging position is beyond the range of 80-125%, the difference of fair value changes falling beyond that range is so insignificant compared to the value of hedged portfolio, that there are no grounds to consider the hedging ineffective.

17b. Hedge accounting 31.12.2007

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	983 431	14 088	14 088	0	-12 933
- CIRS contracts (micro fair value hedge for securities in foreign currencies) *	0	177 257	0	27 279	27 319	40	-72
2. Fair value hedging derivatives connected with FX rate risk							
- CIRS contracts (micro fair value hedge for FX liabilities)	0	0	359 895	-18 302	0	18 302	17 750
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	9 240 215	175 036	176 914	1 878	x
4. Total hedging derivatives	**0**	**177 257**	**10 583 541**	**198 101**	**218 321**	**20 220**	**x**

* change in the fair value of hedging instrument for interest rate and currency risk was PLN 51,448 thous. from the beginning of hedge accounting. But change in the fair value of the hedged instrument in the case of the interest rate and currency risk was PLN –52,073 thous. from the beginning of hedge accounting. The foreign exchange differences on the hedged position on the basis of IAS 21 are booked in the profit and loss account. In connection with the above only the change of fair value hedged in the amount - 72 thous. PLN on interest rate risk was rebooked from capitals to the profit and loss account.

17c. Hedge accounting for cash flows

	30.06.2008	31.12.2007
Gross valuation recognized in revaluation reserve	-586	-979
Period in which cash flows with hedged value are expected to occur	from 01.01.08 to 23.01.13	from 01.01.08 to 23.01.13

(18) LOANS AND ADVANCES TO CUSTOMERS

18a. Loans and advances to customers

	30.06.2008	31.12.2007
Loans and advances	**21 957 516**	**19 184 351**
- to companies	4 898 658	4 371 022
- to private individuals	16 877 390	14 599 528
- to public sector	181 468	213 801
Receivables on account of payment cards	**616 628**	**526 123**
- due from companies	8 030	6 612
- due from private individuals	608 598	519 511
Purchased receivables	**132 870**	**115 830**
- from companies	112 500	93 677
- from private individuals	0	0
- from public sector	20 370	22 153
Guarantees and sureties realised	101	106
Debt securities eligible for rediscount at Central Bank	23 369	22 649
Financial leasing receivables	3 042 878	2 757 231
Other	2 580	2 813
Interest	23 421	26 438
Total gross	**25 799 363**	**22 635 541**
Impairment write-offs	-590 602	-608 389
Total net	**25 208 760**	**22 027 152**

In December 2007 Millennium Leasing Sp. z o.o. ("ML"), carried out the transaction of securitisation of the portfolio of lease receivables with the value remaining within a defined limit up to PLN 850 million ("securitisation", the "transaction"). The concluded transaction is a case of traditional securitisation i.e. it consists in transfer of the right of ownership of the securitised lease receivables by ML to the Orchis Sp. z o.o. ("Orchis") special purpose vehicle, which issued debt securities with the securitised assets underlying. In result of the transaction ML raised funding for its operations and transferred credit risk connected with the securitised assets up to the amount of the junior tranche to Orchis. From the terms and conditions of the transaction agreement flows the right of ML to sell receivables to Orchis during the revolving period i.e. in the course of three years from the day of signing the securitisation agreement.

The purchase of receivables is refinanced by Orchis in issuance of following series of bonds with varying hierarchy and secured with the securitised receivables.

Entities participating in financing of Orchis are:

1. European Investment Bank – investor in the fixed senior tranche in the amount of PLN 420,000,000,
2. Galleon Capital LLC – investor in the variable senior tranche with the maximum limit of PLN 379,000,000 and the mezzanine tranche in the amount of PLN 35,275,000,
3. European Investment Fund – underwriter of mezzanine tranche,
4. Millennium Leasing Sp. z o.o. – investor in junior tranche in the target amount of PLN 15,725,000.

In the light of provisions of IAS 39 the contractual terms and conditions of ML securitisation do not meet criteria for removal of the securitised assets from the Group's balance sheet. Therefore the Group recognises a liability under bonds issued by Orchis. The termsheet of the bonds has been disclosed in ***Note (31c).***

18b. Quality of loans and advances to customers portfolio

	30.06.2008	31.12.2007
Loans and advances to customers (gross)	**25 799 363**	**22 635 541**
- with recognized impairment	792 759	765 594
- without impairment	25 006 604	21 869 947
Impairment write-offs	**590 602**	**608 389**
- for impaired exposures	371 972	383 451
- for incurred but not reported losses (IBNR)	218 630	224 938
Loans and advances to customers (net)	**25 208 760**	**22 027 152**

18c. Loans and advances to customers portfolio by methodology of impairment assessment

	30.06.2008	31.12.2007
Loans and advances to customers (gross)	**25 799 363**	**22 635 541**
- case by case analysis	551 217	559 290
- collective analysis	25 248 146	22 076 251
Impairment write-offs	**590 602**	**608 389**
- on the basis of case by case analysis	219 517	245 713
- on the basis of collective analysis	371 085	362 676
Loans and advances to customers (net)	**25 208 760**	**22 027 152**

18d. Loans and advances to customers portfolio by customers

	30.06.2008	31.12.2007
Loans and advances to customers (gross)	**25 799 363**	**22 635 541**
- corporate customers	8 290 130	7 493 723
- private individuals	17 509 233	15 141 818
Impairment write-offs	**590 602**	**608 389**
- for receivables from corporate customers	354 949	371 675
- for receivables from private individuals	235 653	236 714
Loans and advances to customers (net)	**25 208 760**	**22 027 152**

18e. Loans and advances to customers by maturity

	30.06.2008	31.12.2007
Current accounts	1 984 483	1 615 376
- to 1 month	423 846	451 624
- above 1 month to 3 months	497 833	317 112
- above 3 months to 1 year	2 569 732	1 572 660
- above 1 year to 5 years	7 450 513	4 693 035
- above 5 years	12 753 478	13 839 127
- past due	96 057	119 893
Interest	23 421	26 715
Total gross	**25 799 363**	**22 635 541**

18f. Loans and advances to customers by currency

	30.06.2008	31.12.2007
in Polish currency	11 926 332	10 769 093
in foreign currencies (after conversion to PLN)	13 873 030	11 866 448
- currency: USD	242 509	268 949
- currency: EURO	1 087 036	1 085 733
- currency: CHF	12 239 973	10 319 162
- other currencies (PLN ‘000)	303 512	192 604
Total gross	**25 799 363**	**22 635 541**

18g. Change of impairment write-offs for loans and advances to customers

	01.01.2008 - 30.06.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	608 389	662 513
Change in value of provisions:	-17 787	-54 124
Write-offs in the period	249 850	361 205
Amounts written off	-25 721	-20 601
Reversal of write-offs in the period	-205 510	-269 003
Sale of receivables	-21 856	-93 229
Changes resulting from FX rates differences	-17 508	-33 207
Other	2 958	711
Balance at the end of the period	**590 602**	**608 389**

18h. Financial leasing receivables

	30.06.2008	31.12.2007
Financial leasing receivables (gross)	3 534 558	3 197 609
Unrealised financial income	-491 680	-440 378
Financial leasing receivables (net)	**3 042 878**	**2 757 231**

Financial leasing receivables (gross) by maturity		
Under 1 year	1 293 427	1 197 039
From 1 year to 5 years	2 027 501	1 876 220
Above 5 years	213 630	124 350
Total	**3 534 558**	**3 197 609**

Financial leasing receivables (net) by maturity		
Under 1 year	1 086 447	1 011 128
From 1 year to 5 years	1 780 761	1 647 552
Above 5 years	175 671	98 551
Total	**3 042 878**	**2 757 231**

(19) INVESTMENT FINANCIAL ASSETS

19a. Investment financial assets available for sale

	30.06.2008	31.12.2007
Debt securities	**2 149 159**	**1 892 720**
Issued by State Treasury	1 855 972	1 540 449
a) bills	0	0
b) bonds	1 855 972	1 540 449
Issued by Central Bank	163 277	165 939
a) bills	0	0
b) bonds	163 277	165 939
Other securities	129 911	186 332
a) listed	84 583	138 106
b) not listed	45 328	48 226
Shares and interests in other entities	**1 843**	**1 849**
Other financial instruments	**0**	**0**
Total financial assets available for sale	**2 151 002**	**1 894 569**
Available for sale instruments listed on the stock exchange	1 940 555	1 679 127
Available for sale instruments not listed on the stock exchange	210 447	215 442

The fair value of debt securities classified as financial assets available for sale issued by Poland's local governments which do not have an active market approximates the on-balance value at amortised cost. The Group regularly assesses the triggers which may cause an impairment of such securities compared to the status of the day of purchase.

19b. Debt securities available for sale

	30.06.2008	31.12.2007
- with fixed interest rate	421 000	182 518
- with variable interest rate	1 728 159	1 710 202
Total	**2 149 159**	**1 892 720**

19c. Debt securities available for sale by maturity

	30.06.2008	31.12.2007
- to 1 month	223 782	67 924
- above 1 month to 3 months	4 815	0
- above 3 months to 1 year	764 226	329 851
- above 1 year to 5 years	1 153 751	1 491 716
- above 5 years	2 585	3 229
Total	**2 149 159**	**1 892 720**

19d. Change of investment financial assets available for sale

	01.01.2008 - 30.06.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	1 894 569	2 931 656
Increases (purchase and accrual of interest and discount)	1 512 979	2 447 754
Reductions (sale and redemption)	-1 253 734	-3 470 974
Difference from measurement at fair value	-2 812	-13 866
Balance at the end of the period	**2 151 002**	**1 894 569**

19e. Investments in associates

	30.06.2008	31.12.2007
Investments in associates	5 100	5 100

Assets resulting from investments in associates classified as available for sale constitute the Group's shares in companies not listed on an active market. These assets are valued by the Group at cost of purchase less impairment charges. Due to the fact that it is not possible to credibly assess the fair value of such assets, it is not presented in this financial report.

19f. Change of investments in associates (gross)

	01.01.2008 - 30.06.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	15 933	16 188
- sale of shares	0	-255
Balance at the end of the period	**15 933**	**15 933**

19g. Change of impairment write-offs for investments in associates

	01.01.2008 - 30.06.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	10 833	9 172
Impairment charges/ reversal of impairment charges	0	1 661
Balance at the end of the period	**10 833**	**10 833**

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

20. Receivables from securities bought with sell-back clause

	30.06.2008	31.12.2007
a) from banks	5 831	0
b) from customers	167 260	28 768
c) interest	39	39
Total	**173 130**	**28 807**

(21) PROPERTY, PLANT AND EQUIPMENT

21a. Property, plant and equipment

	30.06.2008	31.12.2007
Fixed assets:	326 504	298 083
- land	1 449	1 553
- buildings, premises, civil and hydro-engineering structures	195 594	191 285
- machines and equipment	65 500	52 371
- vehicles	30 876	25 176
- other fixed assets	33 085	27 698
Fixed assets under construction	32 371	38 690
Advances for fixed assets under construction	49	533
Total	**358 924**	**337 306**

21b. Change of balance of property, plant and equipment (by type groups) in the period 01.01.2008 - 30.06.2008

	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	**2 098**	**390 969**	**284 453**	**38 727**	**114 289**	**39 224**	**869 760**
b) increases (on account of)	**0**	**20 461**	**22 097**	**8 932**	**13 271**	**33 252**	**98 013**
- purchase	0	8 197	4 466	8 882	3 715	33 241	58 501
- transfer from fixed assets under construction	0	12 223	16 517	50	7 614	0	36 404
- other	0	41	1 114	0	1 942	11	3 108
c) reductions (on account of)	**136**	**30 362**	**20 886**	**3 308**	**22 487**	**40 057**	**117 236**
- sale	99	18 807	7 457	3 034	20 063	2 520	51 980
- liquidation	37	644	12 358	43	2 394	0	15 475
- settlement of fixed assets under construction	0	0	0	0	0	36 416	36 416
- other	0	10 911	1 071	231	31	1 120	13 364
d) gross value of property, plant and equipment at the end of the period	**1 962**	**381 068**	**285 664**	**44 351**	**105 073**	**32 420**	**850 537**
e) cumulated depreciation (amortization) at the beginning of the period	**42**	**169 643**	**232 082**	**13 551**	**83 118**	**0**	**498 436**
f) depreciation over the period (on account of)	**-32**	**-10 005**	**-11 918**	**-76**	**-15 263**	**0**	**-37 295**
- current write-off (P&L)	5	9 157	8 687	2 830	5 947	0	26 626
- reductions on account of sale	0	-12 839	-7 140	-2 845	-18 771	0	-41 595
- reductions on account of liquidation	-37	-414	-12 349	-6	-2 377	0	-15 183
- other	0	-5 909	-1 116	-55	-63	0	-7 143
g) cumulated depreciation (amortization) at the end of the period	**10**	**159 638**	**220 164**	**13 475**	**67 855**	**0**	**461 141**
h) impairment write-offs at the beginning of the period	**503**	**30 041**	**0**	**0**	**3 474**	**0**	**34 018**
- increase	0	0	0	0	659	0	659
- reduction	0	4 205	0	0	0	0	4 205
i) impairment write-offs at the end of the period	**503**	**25 836**	**0**	**0**	**4 133**	**0**	**30 472**
j) net value of property, plant and equipment at the end of the period	**1 449**	**195 594**	**65 500**	**30 876**	**33 085**	**32 420**	**358 924**

21c. Change of balance of property, plant and equipment (by type groups) in the period 01.01.2007 - 31.12.2007

	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**	51 181	**29 506**	**14 802**	**19 902**	**61 063**	**176 454**
- purchase	0	21 051	8 035	14 802	6 562	53 792	104 242
- transfer from fixed assets under construction	0	18 427	16 689	0	12 489	0	47 605
- other	0	11 703*	4 782	0	851	7 271	24 607
c) reductions (on account of)	**19**	**28 031**	**74 709**	**7 307**	**12 778**	**53 424**	**176 268**
- sale	19	19 373	48 282	7 001	1 559	0	76 234
- liquidation	0	7 861	25 989	207	10 825	0	44 882
- settlement of fixed assets under construction	0	0	0	0	0	47 611	47 611
- other	0	797	438	99	394	5 813	7 541
d) gross value of property, plant and equipment at the end of the period	**2 098**	**390 969**	**284 453**	**38 727**	**114 289**	**39 224**	**869 760**
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)	**3**	**24 293**	**-54 742**	**-1 987**	**1 951**	**0**	**-30 482**
- current write-off (P&L)	0	40 389	19 813	4 681	13 673	0	78 556
- reductions on account of sale	0	-8 600	-48 191	-6 540	-1 111	0	-64 442
- reductions on account of liquidation	0	-7 496	-25 925	-88	-10 602	0	-44 111
- other	3	0	-439	-40	-9	0	-485
g) cumulated depreciation (amortization) at the end of the period	**42**	**169 643**	**232 082**	**13 551**	**83 118**	**0**	**498 436**
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	0	8 414	1 141	0	43	0	9 598
i) impairment write-offs at the end of the period	**503**	**30 041**	**0**	**0**	**3 474**	**0**	**34 018**
j) net value of property, plant and equipment at the end of the period	**1 553**	**191 285**	**52 371**	**25 176**	**27 697**	**39 224**	**337 306**

* The “other increases” item covers outlays resulting from the estimated costs of dismantling and removing asset components in the amount of PLN 11 million as a result of the change of the Bank’s head office in 2008.

(22) *INTANGIBLE ASSETS*

22a. Intangible assets

	30.06.2008	31.12.2007
- concessions, patents, licenses, know how and similar assets, including:	16 678	18 157
- computer software	16 678	18 157
- advances for intangible assets	122	5
Total intangible assets	**16 800**	**18 162**

22b. Change of balance of intangible assets (by type groups) in the period 01.01.2008 - 30.06.2008

	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**	**405 517**	**195 397**	**4**	**5**	**405 551**
b) increases (on account of)	**0**	**2 692**	**2 692**	**0**	**286**	**2 978**
- purchase	0	1 304	1 304	0	122	1 426
- transfer from investments and advances	0	179	179	0	0	179
- expenditures on intangible assets	0	766	766	0	0	766
- other	0	443	443	0	164	607
c) reductions (on account of)	**2**	**11 851**	**11 851**	**0**	**168**	**12 022**
- sale	0	0	0	0	0	0
- liquidation	0	11 838	11 838	0	0	11 838
- other	2	13	13	0	168	184
d) gross value of intangible assets at the end of the period	**23**	**396 358**	**186 238**	**4**	**123**	**396 508**
e) cumulated depreciation (amortization) at the beginning of the period	**25**	**387 360**	**177 240**	**4**	**0**	**387 389**
f) depreciation over the period (on account of)	**-2**	**-7 679**	**-7 679**	**0**	**0**	**-7 682**
- current write-off (P&L)	0	4 123	4 123	0	0	4 123
- liquidation	0	-11 838	-11 838	0	0	-11 838
- other	-2	36	36	0	0	34
g) cumulated depreciation (amortization) at the end of the period	**23**	**379 681**	**169 561**	**4**	**0**	**379 707**
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**
j) net value of intangible assets at the end of the period	**0**	**16 678**	**16 678**	**0**	**123**	**16 800**

22c. Change of balance of intangible assets (by type groups) in the period 01.01.2007 - 31.12.2007

	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**	**5 555**	**5 555**	**0**	**5**	**5 560**
- purchase	0	1 288	1 288	0	5	1 293
- transfer from investments and advances	0	6	6	0	0	6
- expenditures on intangible assets	0	1 876	1 876	0	0	1 876
- other	0	2 385	2 385	0	0	2 385
c) reductions (on account of)	**0**	**451**	**451**	**0**	**0**	**451**
- sale	0	0	0	0	0	0
- other	0	451	451	0	0	451
d) gross value of intangible assets at the end of the period	**25**	**405 517**	**195 397**	**4**	**5**	**405 551**
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**	**8 525**	**8 525**	**0**	**0**	**8 525**
- current write-off (P&L)	0	8 568	8 568	0	0	8 568
- other	0	-43	-43	0	0	-43
g) cumulated depreciation (amortization) at the end of the period	**25**	**387 360**	**177 240**	**4**	**0**	**387 389**
h) impairment write-offs at the beginning of the period	**0**	**0**	**0**	**0**	**0**	**0**
i) impairment write-offs at the end of the period	**0**	**0**	**0**	**0**	**0**	**0**
j) net value of intangible assets at the end of the period	**0**	**18 157**	**18 157**	**0**	**5**	**18 162**

(23) ***NON-CURRENT ASSETS HELD FOR SALE***

23a. Change of balance of non current assets held for sale in the period 01.01.2008 - 30.06.2008

	land	buildings, premises, civil and hydro-engineering structures	machines and equipment	vehicles	other fixed assets	**TOTAL**
a) value at the beginning of the period	350	1 911	240	148	0	**2 649**
b) impairment write-offs at the beginning of the period	-349	-482	-240	-6	0	**-1 077**
c) net value of non current assets held for sale at the beginning of the period	**0**	**1429**	**0**	**142**	**0**	**1 571**
d) change of value in the period, including:	**0**	**-453**	**0**	**0**	**0**	**-453**
- sale of non current assets held for sale	0	-453	0	0	0	**-453**
e) change of impairment write-offs in the period, including:	**0**	**22**	**0**	**0**	**0**	**22**
- sale of non current assets held for sale	0	22	0	0	0	**22**
f) impairment write-offs at the end of the period	**-349**	**-460**	**-240**	**-6**	**0**	**-1 055**
g) net value of non current assets held for sale at the end of the period	**0**	**998**	**0**	**142**	**0**	**1 140**

23b. Change of balance of non current assets held for sale in the period 01.01.2007 - 31.12.2007

	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**	**-36 549**	**-476**	**-55**	**-184**	**-37 478**
- sale of non current assets held for sale	-214	-35 027	-476	-55	-184	**-35 956**
e) change of impairment write-offs in the period, including:	**0**	**12 717**	**212**	**55**	**159**	**13 142**
- sale of non current assets held for sale	0	12 407	212	55	159	**12 832**
f) impairment write-offs at the end of the period	**-349**	**-482**	**-240**	**-6**	**0**	**-1 078**
g) net value of non current assets held for sale at the end of the period	**0**	**1 429**	**0**	**142**	**0**	**1 571**

(24) DEFERRED INCOME TAX ASSETS

24a. Deferred income tax assets

	30.06.2008			31.12.2007		
	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	47 997	2 675	50 672	39 349	6 474	45 822
Balance sheet valuation of financial instruments	17 984	-54 766	-36 782	10 090	-39 356	-29 266
Unrealised receivables/ liabilities on account of derivatives	192 552	-158 216	34 336	117 488	-97 362	20 127
Interest on deposits and securities to be paid/ received	45 479	-45 042	437	21 183	-80 404	-59 221
Interest and discount on loans and receivables	1 642	-60 652	-59 010	1 654	-24 872	-23 218
Income and cost settled at effective interest rate	440	-10 395	-9 955	0	-12 770	-12 770
Provisions for loans presented as temporary differences	79 165	0	79 165	78 391	0	78 391
Employee benefits	16 628	0	16 628	18 796	0	18 796
Provisions for future costs	12 724	0	12 724	5 926	0	5 926
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	1 113	-10	1 103	643	0	643
Tax loss deductible in the future	8 161	0	8 161	15 614	0	15 614
Other	19 487	-8 150	11 337	18 539	-5 775	12 763
Net deferred income tax asset	**443 372**	**-334 556**	**108 816**	**327 673**	**-254 065**	**73 609**

24b. Change of temporary differences

	31.12.2007	Changes to financial result	Changes to equity	30.06.2008
Difference between tax and balance sheet depreciation	45 823	4 849	-	50 672
Balance sheet valuation of financial instruments	-29 266	-7 516	-	-36 782
Unrealised receivables/ liabilities on account of derivatives	20 127	14 209	-	34 336
Interest on deposits and securities to be paid/ received	-59 221	59 658	-	437
Interest and discount on loans and receivables	-23 218	-35 792	-	-59 010
Income and cost settled at effective interest rate	-12 770	2 815	-	-9 955
Provisions for loans presented as temporary differences	78 391	774	-	79 165
Employee benefits	18 796	-2 168	-	16 628
Provisions for future costs	5 926	6 798	-	12 724
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	643		460	1 103
Tax loss deductible in the future	15 614	-7 453	-	8 161
Other	12 764	-1 342	-	11 337
Total	**73 609**	**34 832**	**460**	**108 816**

24c. Change of temporary differences

	1.01.2007	Changes to financial result	Changes to equity	31.12.2007
Difference between tax and balance sheet depreciation	9 373	36 449	-	45 822
Balance sheet valuation of financial instruments	-14 768	-14 498	-	-29 266
Unrealised receivables/ liabilities on account of derivatives	72 089	-51 962	-	20 127
Interest on deposits and securities to be paid/ received	-17 505	-41 716	-	-59 221
Interest and discount on loans and receivables	-50 598	27 380	-	-23 218
Income and cost settled at effective interest rate	-12 979	209	-	-12 770
Provisions for loans presented as temporary differences	56 538	21 853	-	78 391
Employee benefits	26 155	-7 360	-	18 796
Provisions for future costs	11 164	-5 238	-	5 926
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	-2 317		2 960	643
Tax loss deductible in the future	47 990	-32 376	-	15 614
Other	2 229	10 534	-	12 763
Total	**127 370**	**-56 723**	**2 960**	**73 609**

24d. Change of deferred income tax

	01.01.2008 – 30.06.2008	01.01.2007 - 31.12.2007
Difference between tax and balance sheet depreciation	4 849	36 449
Balance sheet valuation of financial instruments	-7 516	-14 498
Unrealised receivables/ liabilities on account of derivatives	14 209	-51 962
Interest on deposits and securities to be paid/ received	59 658	-41 716
Interest and discount on loans and receivables	-35 792	27 380
Income and cost settled at effective interest rate	2 815	209
Provisions for loans presented as temporary differences	774	21 853
Employee benefits	-2 168	-7 360
Provisions for future costs	6 798	-5 238
Tax loss deductible in the future	-7 453	-32 376
Other	-1 342	10 534
Change of deferred income tax recognized in financial result	**34 832**	**-56 723**
Change on account of receivables from Tax Office resulting from the article 38c of the CIT Act	**0**	**-772**
Sale of deferred income tax asset as a part of enterprise	**0**	**0**
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	**460**	**2 960**

24e. Negative temporary differences for which the deferred income tax asset was not recognised in the balance sheet

Temporary differences expiry year	30.06.2008	31.12.2007
Unlimited	9 612	7 332
Total	**9 612**	**7 332**

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.

	30.06.2008	31.12.2007
Net deferred income tax assets	108 816	73 609
Net deferred income tax provision	-	-

(25) OTHER ASSETS

25. Other assets

	30.06.2008	31.12.2007
Expenses to be settled	68 698	41 613
Income to be received	4 768	5 005
Interbank settlement accounts	294	3 882
Settlement accounts for financial instruments transactions	0	63 533
Receivables from sundry debtors	122 266	103 158
Settlements with the State Treasury, including:	51 698	63 294
- receivables from Tax Office resulting from the article 38a of the CIT Act	9 022	9 022
Perpetual usufruct right to land	5 155	5 155
Settlement accounts for activities of Millennium Dom Maklerski S.A.	38 987	115 964
Other	3 990	4 098
Total other assets (gross)	295 855	405 702
Provisions	-11 445	-11 381
Total other assets (net)	**284 409**	**394 320**

The Group does not have the status of a tax capital group within the meaning of the CIT Act and each of 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

(26) DEPOSITS FROM BANKS

26a. Deposits from banks

	30.06.2008	31.12.2007
In current account	53 627	67 653
Term deposits	451 282	739 971
Loans and advances received	1 714 888	1 750 732
Interest	8 026	10 332
Total	**2 227 823**	**2 568 688**

26b. Deposits from banks by maturity		
	30.06.2008	31.12.2007
Current accounts	53 626	67 653
- to 1 month	245 065	612 500
- above 1 month to 3 months	181 022	76 676
- above 3 months to 1 year	25 197	50 797
- above 1 year to 5 years	1 411 222	1 458 945
- above 5 years	303 665	291 785
Interest	8 026	10 332
Total	**2 227 823**	**2 568 688**

The balance of liabilities towards Banks with maturities above 5 years results from the long-term structured agreement concluded by the Bank in the past with a single counterparty. This agreement resulted in simultaneous taking by the Bank a loan and buying counterparty's zero-coupon
securities of the counterparty and the Bank's prepaying of (discounted) interest on the loan for the last 10 years in advance.

26c. Deposits from banks by currency

	30.06.2008	31.12.2007
in Polish currency	590 267	847 715
in foreign currencies (after conversion to PLN)	1 637 556	1 720 973
- currency: USD	13 353	28 885
- currency: EURO	207 971	228 031
- currency: CHF	1 416 232	1 464 057
Total	**2 227 823**	**2 568 688**

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

27. Financial liabilities valued at fair value through profit and loss (held for trading)		
	30.06.2008	31.12.2007
Negative valuation of derivatives	850 693	557 819
Short sale of securities	0	9 002
Financial liabilities valued at fair value through profit and loss	**850 693**	**566 821**

The division of the negative valuation of derivatives into specific types of instruments is presented in note (16).

(28) HEDGE DERIVATIVES

Respective information can be found in note ***(17) HEDGE DERIVATIVES***

(29) DEPOSITS FROM CUSTOMERS

29a. Deposits from customers by type structure

	30.06.2008	31.12.2007
Amounts due to companies	**9 069 819**	**7 646 442**
Balances on current accounts	3 080 096	2 732 681
Term deposits	5 711 828	4 749 424
Other	230 315	148 026
Accrued interest	47 580	16 311
Amounts due to public sector	**1 836 039**	**1 559 036**
Balances on current accounts	829 529	828 457
Term deposits	974 143	703 394
Other	29 191	24 699
Accrued interest	3 176	2 486
Amounts due to private individuals	**14 735 373**	**12 595 184**
Balances on current accounts	3 464 187	3 109 371
Term deposits	10 934 331	9 260 695
Other	160 074	147 410
Accrued interest	176 781	77 708
Total	**25 641 231**	**21 800 662**

29b. Deposits from customers by maturity

	30.06.2008	31.12.2007
Current accounts	7 373 812	6 670 509
- to 1 month	6 262 119	7 496 349
- above 1 month to 3 months	3 030 738	1 910 705
- above 3 months to 1 year	8 695 470	5 486 891
- above 1 year to 5 years	51 371	138 972
- above 5 years	184	731
Interest	227 537	96 505
Total	**25 641 231**	**21 800 662**

29c. Deposits from customers by currency

	30.06.2008	31.12.2007
in Polish currency	23 687 220	19 632 033
in foreign currencies (after conversion to PLN)	1 954 011	2 168 629
- currency: USD	677 506	880 617
- currency: EURO	1 192 073	1 177 345
- currency: GBP	70 428	94 488
- currency: CHF	8 608	7 369
- other currencies (PLN ‘000)	5 396	8 810
Total	**25 641 231**	**21 800 662**

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

30. Liabilities from securities bought with buy-back clause

	30.06.2008	31.12.2007
a) from banks	27 174	186 003
b) from customers	453 257	537 565
c) interest	961	2 408
Total	**481 392**	**725 976**

(31) LIABILITIES FROM DEBT SECURITIES

31a. Debt securities

	30.06.2008	31.12.2007
Outstanding bonds and bills	911 915	851 474
Bills of exchange	0	0
Interest	0	0
Total	**911 915**	**851 474**
- to 1 month	0	134 356
- above 1 month to 3 months	46 396	0
- above 3 months to 1 year	0	0
- above 1 year to 5 years	0	0
- above 5 years	864 479	717 118
Interest	1 040	0
Total	**911 915**	**851 474**

31b. Change of debt securities

	01.01.2008 - 30.06.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	851 474	5 705
Increases, on account of:	148 401	851 474
- issue of bonds in leasing portfolio securitization transaction	90 728	717 118
- issue of short term bonds by subsidiary	0	134 356
- issue of bonds by the Bank	57 673	0
Reductions, on account of:	-87 960	-5 705
- repurchase of short term bonds by subsidiary	-87 960	0
- repurchase of bill of exchange from NBP	0	-5 705
Balance at the end of the period	**911 915**	**851 474**

31c. Debt securities by type

As at 30.06.2008	Balance sheet value	Interest rate	Maturity	Market
Millennium Leasing Sp. z o.o. - A19 Series bonds	46 396	6.76%	05.08.2008	-
Bank Millennium S.A. - BM_2011/05	9 633	*	12.05.2011	-
Bank Millennium S.A. - BM_2011/05A	7 635	*	31.05.2011	-
Bank Millennium S.A. - BM_2011/02	3 460	*	25.02.2011	-
Bank Millennium S.A. - BM_2011/04	8 927	*	15.04.2011	-
Bank Millennium S.A. - BM_2011/03_1	7 336	*	14.03.2011	-
Bank Millennium S.A. - BM_2011/03_2	4 005	*	15.03.2011	-
Bank Millennium S.A. - BM_2012/04	10 186	*	10.04.2012	-
Bank Millennium S.A. - BM_2012/06	6 491	*	11.06.2012	-
Bonds issued in leasing portfolio securitization process:				
Orchis Sp. z o.o. - Senior Bond	351 989	1M WIBOR+26.0bp	20.12.2016	-
Orchis Sp. z o.o. - Senior Bond	420 524	1M WIBOR+26.0bp	20.12.2016	-
Orchis Sp. z o.o. - Mezzanine Bond	35 334	1M WIBOR+215.0bp	20.12.2016	-

As at 31.12.2007	Balance sheet value	Interest rate	Maturity	Market
Millennium Leasing Sp. z o.o. - A13 Series bonds	134 356	6.17%	29.01.2008	-
Bonds issued in leasing portfolio securitization process:				
Orchis Sp. z o.o. - Senior Bond	229 118	1MWIBOR+26.0bp	20.12.2016	-
Orchis Sp. z o.o. - Senior Bond	420 000	1MWIBOR+26.0bp	20.12.2016	-
Orchis Sp. z o.o. - Mezzanine Bond	68 000	1MWIBOR+215.0bp	20.12.2016	-

* Due to the nature of the instrument which assumes the settlement of interest based on the change of the underlying index it is not possible to give the terms of interest prior to maturity.

(32) PROVISIONS

32a. Provisions

	30.06.2008	31.12.2007
Provision for off-balance sheet commitments	12 425	12 351
Provision for contentious claims	16 361	22 309
Total	**28 786**	**34 660**

32b. Change of provisions

	01.01.2008 - 30.06.2008	01.01.2007 - 31.12.2007
Provision for off-balance sheet commitments		
Balance at the beginning of the period	12 351	10 400
Charge of provision	9 753	9 692
Release of provision	-9 469	-7 639
Sale of receivables	-120	0
FX rates differences	-90	-102
Balance at the end of the period	**12 425**	**12 351**
Provision for contentious claims		
Balance at the beginning of the period	**22 309**	**19 787**
Charge of provision	678	2 432
Release of provision	-920	0
Utilisation of provision	-5 706	90
Balance at the end of the period	**16 361**	**22 309**

(33) PROVISION FOR DEFERRED INCOME TAX

	30.06.2008	31.12.2007
33. Deferred income tax provision	**0**	**0**

(34) OTHER LIABILITIES

34a. Other liabilities

	30.06.2008	31.12.2007
Short-term	**648 771**	**577 881**
Accrued costs - bonuses, salaries	67 416	78 429
Accrued costs - other	77 238	80 650
Interbanking settlement accounts	138 963	100 347
Financial instruments transactions settlement accounts	153 467	24
Other creditors	69 056	89 781
Liabilities to public sector	20 231	7 658
Deferred income	25 600	22 559
Provisions for unused employee holiday	14 173	14 530
Settlement accounts for activities of Millennium Dom Maklerski S.A.	40 964	110 143
Other	41 663	73 760
Long-term	**39 966**	**36 707**
Provisions for retirement benefits	5 921	6 143
Deferred income	1 285	894
Accrued costs - other	182	183
Other	32 578	29 487
Total	**688 737**	**614 588**

34b. Change of provisions for unused employee holiday

	01.01.2008 - 30.06.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	**14 530**	**13 096**
Charge of provisions	17	2 903
Utilisation of provisions	-374	-1 469
Balance at the end of the period	**14 173**	**14 530**

34c. Change of provisions for retirement benefits

	01.01.2008 - 30.06.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	**6 143**	**8 680**
Charge of provisions/ reversal of provisions	-19	-2 096
Utilisation of provisions	-203	-441
Balance at the end of the period	**5 921**	**6 143**

(35) SUBORDINATED DEBT

35a. Subordinated debt

	30.06.2008	31.12.2007
Name of entity	-	-
Currency of the liability	EUR	EUR
Value of the liability in foreign currency	230 000	230 000
Value of the liability in PLN	771 466	823 860
Interest rate	EUR 80 million - 6.360% EUR 150 million – 6.337%	EUR 80 million - 6.360% EUR 150 million – 6.337%
Maturity	EUR 80 million - 12.12.2011 EUR 150 million – 20.12.2017	EUR 80 million - 12.12.2011 EUR 150 million – 20.12.2017
Interest	1 981	2 175
Balance sheet value of subordinated debt	**773 447**	**826 035**

35b. Change of subordinated debt

	01.01.2008 - 30.06.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	826 035	307 309
Increases, on account of:	25 233	562 570
- issue of subordinated bonds	0	543 450
- interest accrual	25 233	19 120
Reductions, on account of:	-77 821	-43 844
- interest payment	-25 292	-17 759
- FX rates differences	-52 529	-26 085
Balance at the end of the period	**773 447**	**826 035**

During 2008 and 2007 the Group did not have any delays in the payment of principal and interest instalments, nor it infringed any contractual provisions resulting from its subordinated liabilities.

(36) SHAREHOLDERS' EQUITY

36a. 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 no registered shares were converted into the bearer shares as at 30 June 2008 the number of the registered shares was 109,356 of which 62,200 are founders' shares.

In the period covered by the financial report the share capital of the Group did not change.

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 30.06.2008

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 31.12.2007

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

36b. REVALUATION RESERVE

Revaluation reserve arises on the recognition of :

- ✓ effect of valuation (at fair value) of financial assets available for sale in the net amount, i.e. after having accounted for deferred tax. These values are taken off revaluation reserve at the moment of excluding the valued assets from the books of account - in full or in part or at the moment of recognising impairment (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

	30.06.2008	31.12.2007
Effect of valuation (gross)	-5 820	-3 386
Deferred income tax	1 106	644
Net effect of valuation	-4 714	-2 742

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

Revaluation reserve on available for sale financial assets 1.01.2008 - 30.06.2008

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	-2 407	458	-1 949
Transfer to income statement of the period as a result of sale	-36	7	-29
Change of capitals connected with maturity of securities	77	-15	62
Profit/loss on revaluation of available for sale financial assets, recognized in equity	-2 868	545	-2 323
Revaluation reserve at the end of the period	**-5 234**	**995**	**-4 239**

Revaluation reserve on available for sale financial assets 1.01.2007 - 31.12.2007

	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	-7 125	1354	-5 771
Change of capitals connected with maturity of securities	1 769	-336	1 433
Profit/loss on revaluation of available for sale financial assets, recognized in equity	-8 510	1 617	-6 893
Revaluation reserve at the end of the period	**-2 407**	**457**	**-1 949**

Revaluation reserve on cash flows hedge financial instruments 1.01.2008 - 30.06.2008

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	-979	186	-793
Profit/loss on valuation of hedging instrument, recognized in revaluation reserve during the period	393	-75	318
Revaluation reserve at the end of the period	**-586**	**111**	**-475**

Revaluation reserve on cash flows hedge financial instruments 1.01.2007 - 31.12.2007

	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	-1 718	326	-1 392
Revaluation reserve at the end of the period	**-979**	**186**	**-793**

36c. Retained earnings

	Supplementary capital	Reserve capital	General banking risk fund	Retained earnings	TOTAL
Retained earnings at the beginning of the period 01.01.2008	**224 439**	**100 736**	**88 366**	**788 242**	**1 201 783**
- appropriation of profit, including:					
- dividend payment	0	0	0	-161 345	**-161 345**
- transfer to supplementary capital	287 494	0	0	-287 494	**0**
- other appropriation of profit (increase in social benefits fund of subordinated entity)	0	0	0	-96	**-96**
- net profit/ (loss) of the period	0	0	0	252 268	**252 268**
Retained earnings at the end of the period 30.06.2008	**511 933**	**100 736**	**88 366**	**591 575**	**1 292 610**

36d. 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:					
- dividend payment	0	0	0	-144 361	**-144 361**
- net profit/ (loss) of the period	0	0	0	461 595	**461 595**
Retained earnings at the end of the period 31.12.2007	**224 439**	**100 736**	**88 366**	**788 242**	**1 201 783**

IX. DIVIDEND FOR THE YEAR 2007

On 28.03.2008 the Bank's Extraordinary General Shareholders Meeting took the resolution to allocate for the payout of a dividend the amount of PLN 161.344.531.36 out of profit for 2007, i.e. PLN 0.19 per share, establishing at the same time that the right to a dividend is exercised by persons being shareholders on 6.05.2008. The dividend was paid out on 20.05.2008 .

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 flows for various instruments are determined in accordance with their individual characteristics and the discounting factors take into consideration 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.

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 mortgage loans the effect of early payment has been additionally taken into account due to their long-term nature and .

The market value of interest rate swaps (IRS) which hedge interest rate risk of consumer loans portfolio and leasing transactions (resulting from hedging strategies) had been deducted from the fair value of the loan portfolio.

Deposits from 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 cash flows with current rates contractual terms.

Subordinated liabilities

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 credit risk margin based on historical records. The assumption was made that fair value of subordinated notes issued in December 2007 is equal to their book value.

The table below presents results of the above-described analyses as at 30 June 2008:

Data in PLN million

Financial instrument	Fair value	Balance sheet value	Difference
Loans and advances to banks – structurized agreement	316.24	303.75	12.49
Amounts due to banks – structurized agreement	316.24	303.75	12.49
Total net			0.00
NBP bond	160.91	163.28	-2.37
Non-governmental bonds	44.82	45.33	-0.51
Interbank deposits granted	1 233.32	1 233.35	-0.02
Loans and advances to customers	22 533,50	22 249,86	283.64
Leasing	2 960.60	2 958.90	1.70
Consortium loans	1 417.65	1 411.22	6.43
Interbank deposits accepted	453.23	453.41	-0.18
Deposits from customers above 3 months	8 770.78	8 793.20	-22.42
Structurized bonds	52.01	57.67	-5.66
Subordinated debt	773.32	773.45	-0.12

The table below presents results of the above-described analyses as at 31 December 2007:

Data in PLN million

Financial instrument	Fair value	Balance sheet value	Difference
Loans and advances to banks – structurized agreement	322.40	291.79	30.62
Amounts due to banks – structurized agreement	322.40	291.79	30.62
Total net			0
NBP bond	166.47	165.94	0.53
Non-governmental bonds	87.76	88.18	-0.42
Interbank deposits granted	685.71	685.78	-0.06
Loans and advances to customers	19 468,64	19 339,77	128.87
Leasing	2 691.62	2 687.38	4.24
Consortium loans	1 465.33	1 458.95	6.39
Interbank deposits accepted	744.17	744.39	-0.23
Deposits from customers above 3 months	5 625.81	5 636.73	-10.92
Subordinated debt	826.33	826.04	0.29

XI. DATA ABOUT ASSETS, WHICH SECURE LIABILITIES

As at 30 June 2008 following assets of the Bank constituted security of liabilities:

In '000 PLN

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds DZ0109	trading	Lombard credit granted to the Bank by the NBP	75 000	79 085
2.	Treasury bonds DZ0110	available for sale	Lombard credit granted to the Bank by the NBP	120 000	127 588
3.	Treasury bonds DZ0811	available for sale	Initial security deposit for bond futures	500	504
4.	Treasury bonds DZ0109	trading	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	60 400	63 690
5.	Treasury bonds DZ0110	trading	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	15 000	15 948
6.	Cash		Payment to the Futures Settlement Guarantee Fund	70	70
			TOTAL	270 970	286 886

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 December 2007 following assets of the Bank constituted security of liabilities:

In '000 PLN

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds DZ0109	available for sale	Lombard credit granted to the Bank by the NBP	75 000	79 085
2.	Treasury bonds DZ0110	available for sale	Lombard credit granted to the Bank by the NBP	120 000	127 588
3.	Treasury bonds DZ0811	available for sale	Initial security deposit for bond futures	500	504
4.	Treasury bills 080319	trading	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	6 960	6 879
5.	Treasury bills 080903	trading	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	43 350	41 745
6.	Cash		Payment to the Futures Settlement Guarantee Fund	70	70
		TOTAL		**245 880**	**255 871**

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

As at 30 June 2008 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	221 546	230 305
Treasury bonds	trading	245 915	250 754
TOTAL		**467 461**	**481 392**

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

As at 31 December 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	77 053	79 020
Treasury bonds	trading	632 806	645 713
TOTAL		**709 859**	**725 977**

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 '000 PLN

	30.06.2008	31.12.2007
Cash and balances with the Central Bank	1 131 902	1 257 128
Receivables from interbank deposits (*)	1 311 311	782 447
Debt securities issued by the State Treasury (*)	321 299	133 108
of which available for sale	221 676	27 967
of which trading	99 623	105 141
Total	**2 764 512**	**2 172 683**

(*) 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 CUSTODY ACTIVITY

As of 30.06.2008 the Custody Department ran 5564 securities accounts and register of foreign financial instruments, in which Client assets were held totalling PLN 41,68 billion, which showed a drop by 30% compared to December 2007. The revenue on custody activities as of 30.06.2008 stood at PLN 5,03 milion (growth by 31% y/y) and gross profit was PLN 4,14 mln (growth by 113% y/y).

Custody Department performs the role of a depositary bank for 18 mutual funds from Millennium TFI S.A. and 15 FORUM TFI SA. mutual funds. In the first half of 2008 Custody Department gained 19 new corporate clients.

Custody Department expanded its offer of custody services by foreign capital markets from the CEE region. For this purpose a close cooperation was established with Millennium BCP, which will play the role of the global trustee.

XV. TRANSACTIONS WITH LINKED ENTITIES

(1) Description of the transactions with linked entities

All and any transactions between entities of the Group in 2008 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,
- MILLENNIUM TFI
- MB FINANCE AB,
- ORCHIS

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

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 30.06.2008

	With subsidiaries	With controlling entity
ASSETS		
Loans and advances to banks – accounts and deposits	366 857	66 539
Loans and advances to customers	1 780 948	0
Receivables from securities bought with sell-back clause	3 518	0
Investments in associates	239 378	0
Investment financial assets	103 462	0
Financial assets valued at fair value through profit and loss (held for trading)	4 199	24 801
Other assets	21 287	0
LIABILITIES		
Deposits from banks	1 769 604	0
Deposits from customers	1 205 053	0
Liabilities from securities sold with buy-back clause	3 518	0
Debt securities	-720 123	0
Financial liabilities valued at fair value through profit and loss (held for trading)	6 498	20 586
Other liabilities	37 810	20

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2007

ASSETS	With subsidiaries	With controlling entity
Loans and advances to banks – accounts and deposits	528 781	106 533
Loans and advances to customers	1 574 689	0
Receivables from securities bought with sell-back clause	4 017	0
Investments in associates	199 668	0
Investment financial assets	34 000	0
Financial assets valued at fair value through profit and loss (held for trading)	3 130	14 068
Other assets	161 309	0

LIABILITIES		
Deposits from banks	1 691 701	54
Deposits from customers	1 311 181	0
Liabilities from securities sold with buy-back clause	4 017	0
Debt securities	-717 118	0
Financial liabilities valued at fair value through profit and loss (held for trading)	4 816	21 972
Other liabilities	27 150	0

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.06.2008

Income from:	With subsidiaries	With controlling entity
Interest	59 344	1 166
Commissions	49 691	0
Dividends	133 577	0
Other net operating income	32 877	0

Expense from:		
Interest	61 463	213
Commissions	46 912	0
Derivatives net	747	982
General and administrative expenses	31 925	-1 460

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.06.2007

Income from:	With subsidiaries	With controlling entity
Interest	45 839	2 977
Commissions	55 304	0
Derivatives net	866	0
Dividends	134 804	0
Other net operating income	15 272	0

Expense from:		
Interest	45 456	577
Commissions	63 042	0
Derivatives net	0	2 763
General and administrative expenses	14 558	-4 881

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT NA 30.06.2008

	With subsidiaries	With controlling entity
Conditional commitments	262 055	307 848
Derivatives (par value)	1 084 077	804 412

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT NA 31.12.2007

	With subsidiaries	With controlling entity
Conditional commitments	251 906	470 126
Derivatives (par value)	1 300 005	821 304

(2) Information on the value of the prepayments, loans, advanced payments and guarantees granted

Data as at 30 June 2008 r.

	The managing persons	The supervising persons
Total debt limit (in '000 PLN),	885.0	130.0
- including an unutilized limit (in '000 PLN),	842.9	114.6
Active guarantees	-	-

Moreover, the Bank reported exposure in the total amount of PLN 11,624 thousand towards an entity personally linked to a person supervising the Bank as well as exposure to the capital group of another entity personally linked to the person supervising the Bank in the total amount of PLN 97,115 thousand.

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

At the Bank - 5,032.9 thousand PLN,

At Millennium Leasing - 1,357.3 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 December 2007:

	The managing persons	The supervising persons
Total debt limit (in '000 PLN),	845.0	155.0
- including an unutilized limit (in '000 PLN),	793.4	145.8
Active guarantees	-	-

Moreover, the Bank showed an exposure totalling PLN 12,203 thous. with respect to the entity with personal ties to a person supervising this Bank.

The balance of advances granted to employees from Company Social Benefits Fund stood:

- at the Bank - PLN 4,589.2 thous.,
- at Millennium Leasing - PLN 1,420.4 thous.

The Bank does not run the accounting of loans and advances granted to employees as part of the current activity, i.e. on the terms specified for the Bank's Clients.

(3) Information about compensations and benefits of persons supervising and managing the bank

1. Remuneration of the Management Board Members (PLN thousand):

The costs of remuneration and benefits incurred by the Bank for managing persons (PLN thousand.):

Okres	Short term remuneration	Benefits	TOTAL
1.01-30.06.2008	13 214	227	13 441
1.01-30.06.2007	11 329	326	11 655

The benefits comprise mainly the costs of accommodating foreign Management Board Members.

In the event of not being appointed for a new term of office or being recalled Management Board Members are entitled to severance payments.

2. Remuneration of the Members of the Supervisory Board of the Bank (PLN thousand):

Costs of remuneration and benefits incurred by the Bank on account of the supervising persons (PLN thousand):

Period	Short term remuneration and benefit
1.01-30.06.2008	1 031
1.01-30.06.2007	1 149

(4) Bank's shares held by the persons managing and supervising the Bank (in office as at 30 June 2008)

Name and surname	Function	Number of shares as at 30.06.2008	Number of shares as at 31.12.2007
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
Zbigniew Kudaś	Member of the Management Board	0	0
Piotr Romanowski	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
Vitor Manuel Lopes Fernandes	Member of the Supervisory Board	0	0
Carlos Jorge Ramalho dos Santos Ferreira	Member of the Supervisory Board	0	0
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Paulo Jose de Ribeiro Moita de Macedo	Member of the Supervisory Board	0	0
Nelson Ricardo Bessa Machado	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

XVI. RISK MANAGEMENT

An effective risk management function is key to maintain a strategy of sustained business growth supported by a proper assessment of the risk/return profile of the various business lines. It is also a key element to ensure the compliance with all the regulatory requirements regarding risk, namely in what regards the maintenance of an adequate level of own funds to carry on the business activity by the Group.

Risk management involves the identification, measurement, limitation, monitoring as well as reporting the various types of risk and requires a use of a broad spectrum of methods and advanced mathematical tools supported by the proper IT systems.

Having this in mind a constant effort to improve the risk management mechanisms and the governance instruments is being done by the Group.

The organizational structure and processes to support the risk management and control function implemented at Group ensure a complete segregation of duties between the origination, management and control of Risks. The Management Board is responsible for setting and monitoring the overall risk policy including the definition of the organizational structure and the approval of the maximal risk levels and limits.

The Risk Management function is at the operational level centralized in the Risk Monitoring Department.

The Risk Control Committee has responsibility for the risk control of all types of risk. The control of each type of risk can be undertaken by specialized sub-committees: Credit Committee and Liabilities at Risk Committee for credit risk, Capital, Assets and Liabilities Committee for market and liquidity risk and Processes and Operational Risk Committee for operational Risk.

(1) Capital Management

Regulatory capital

Capital management on the Group's level is subject to binding legal regulation (regarding own funds, prudence standards, capital requirements) as set by Banking Law and respective resolutions of Banking Supervision Commission.

The method of calculation of those requirements for the Group is presented in the table below:

Capital requirement for:	30.06.2008	31.12.2007
Credit risk	1 784 564	1 638 271
Market risk	52 624	33 371
Operating risk	177 483	0
Total capital requirement of Millennium Group	**2 014 671**	**1 671 642**
Own funds, including:	**3 043 924**	**2 872 288**
- basic funds	***2 351 628***	***2 164 443***
- decrease in basic funds	***-24 662***	***-35 162***
- supplementary funds	***724 821***	***760 007***
- decrease in supplementary funds	***-7 863***	***-17 000***
Consolidated capital adequacy ratio	**12.09%**	**13.75%**

Decrease of solvency ratio is mainly related with the consideration of capital requirements for operational risk and with the growth of the credit portfolio not fully compensated by the increase of own founds.

Basel II

At the end of third quarter 2007 Bank delivered to the Commission for Banking Supervision motion of internal rating methods for calculating capital requirement for credit and market risk. The motion is being analysed by the by the Commission for Financial Supervision Until the time of receiving the consent to use internal rating methods Bank will use the standardised approach.

(2) Credit Risk

Credit risk means the uncertainty as regards performance by a customer of agreements concluded with the Bank concerning his financing, i.e. the payment at a defined time of principal and interest, which may cause a financial loss to the Bank.

Credit risk is an important risk in the activity of the Bank and therefore considerable attention is given to management of exposures subjected to credit risk. Credit risk is connected with balance-sheet credit exposures (granted credit and loans) as well as off-balance sheet financial instruments, such as granted and not utilised credit lines, guarantees and letters-of-credit.

(2A) MEASUREMENT OF CREDIT RISK

Loans and advances

Measurement of credit risk, on the level of individual customers, on account of granted loans is done with consideration of three parameters:

(i) Probability of Default (PD) of a customer or counterparty as regards their liability;

(ii) amount of Exposure At Default (EAD) and

(iii) the ratio of Loss Given Default (LGD) regarding the customer's liability.

(i) The Group assesses the probability of default of individual counterparties, using internal rating models adapted to various categories of customers. Models were developed in-house or by external providers and combine statistical analysis with assessment by a credit professional. The Group's customers are divided into 15 rating classes, which for the purposes of this Report have been grouped into 6 main brackets. Rating models are subject to regular reviews and – if necessary – to relevant upgrades. The Group regularly analyses and assesses rating results and their predictive power with respect to cases of default.

The Group's internal rating scale

INTERNAL RATING OF THE GROUP	Description of rating
1-3	Highest quality
4-6	Good quality
7-9	Medium quality
10-12	Below medium quality
13-14	Watched
15	Default

(ii) EAD – amount of exposure at default – concerns amounts, which are the Group's receivables at the time of default against liabilities. Liabilities are understood by the Group to mean every amount disbursed plus further amounts, which may be disbursed until default, if such occurs.

(iii) LGD – loss given default is what the Group expects will be its losses resulting from actual cases of default, with consideration of internal and external costs of recovery and the discount effect.

Debt securities

The portfolio of debt securities, other than those issued by the State Treasury or the Central Bank, is irrelevant; it is perceived largely as a potential, more profitable way of allocating capital.

(2B) LIMITS CONTROL AND RISK MITIGATION POLICY

The Group manages, mitigates and controls concentrations of credit risk, wherever it is identified – in particular with respect to individual borrowers or group of borrowers as well as with respect to industries, geographic regions and the real estate financing portfolio including FX loans and uniform types of securitisation.

Limits with respect to one borrower or group of borrowers, resulting from art. 71 of Banking Law, are monitored every month while remaining limits i.e. for industries, geographic regions and the portfolio financing real estate including FX loans and uniform types of securitisation are monitored quarterly and subject to annual or more frequent review, when deemed appropriate. The limits are approved by the Credit Committee.

Management of credit risk exposure is also done through regular monitoring of customers' economic and financial situation and/or track record of their relationship with the Bank from the point of view of punctual service of their principal and interest liabilities.

Collateral

Mitigation of credit risk in the Group is done in accordance with policy rules and the practice developed in the credit process. As regards individual customer segments, the Group implements guidelines regarding various types of collateral as well as other credit risk mitigation instruments, both real as well as non-real. The key types of loan collateral are:

- Mortgages written on residential real estate;
- Mortgages on commercial and other real estate;
- Pledging financial instruments, such as cash, debt securities, mutual fund shares and stocks;
- Pledging fixed assets (movables such as cars, lorries, other vehicles and machines);
- Assignments of receivables under contracts.

Additionally with mortgage loans or home equity loans the Bank requires obligatory insurance in case of default in the Bank's favour, before the first mortgage is written (this insurance is so-called "bridge collateral"), as well as in case of default on loans with LTV in excess of 80% (FX loans) or 90% (PLN loans), when the insurance is know as "low own funds insurance".

The type and value of required collateral depends on the amount and type of credit exposure, loan maturity and customers' rating. Additionally, in order to minimise credit losses the Group strives to post additional collateral when impairment triggers appear with respect to the particular credit exposure.

A process of revaluation of the market value of collaterals is in place in the Bank. Financial collaterals are updated daily based on the market price of the financial assets and other collaterals are updated at least once a year based on market price indices or appraisals done by market specialists (for non standard assets)

Derivatives

The Group maintains strict control over limits of net open derivative positions (i.e. the difference between put and call transactions), both with respect to amounts as well as transaction maturities. At all times the amount of credit risk is limited to the present fair value of the derivative instrument, if its valuation is favourable (positive) for the Group and unfavourable (negative) for the customer. Credit risk exposures resulting from derivatives are managed as part of total credit limits defined for individual customers.

Credit exposures resulting from transactions concluded with those instruments underlying, are usually not secured, with the exception of situations, where a special agreement is signed with the customer, requiring him to transfer to the Group a specified cash amount, should the valuation of transactions, concluded with the Bank, reach an unfavourably low level, defined in the agreement. In majority of cases, with the purpose of minimising risk connected with derivatives, the Bank also signs ISDA agreements in transactions concluded with banks.

Credit risk-based off-balance sheet liabilities

Credit risk-based off-balance sheet liabilities include guarantees, letters-of-credit as well as granted lines of credit. The main purpose of these instruments is to enable the customer to use the funds granted by the Group in a specific way.

Standby guarantees and letters-of-credit (guarantee-type liabilities) carry the same credit risk as loans. Documentary and commercial letters-of-credit – which are a written commitment of the Bank on the customer's behalf, constituting authorisation for a third party to draw drafts on the Bank up to a specified amount and after meeting appropriate conditions – are secured with applicable deliveries of goods, which they concern and thus they involve lower risk than direct loans.

The available credit line balance is the unutilised part of previously accepted amounts pertaining to credit liabilities, available for use in the form of loans, guarantees or letters-of-credit. Considering the credit risk of undertakings to grant credit, the Group is potentially exposed to a loss in an amount equal to the sum of unutilised liabilities.

However the probable loss amount is usually lower than the total value of unutilised liabilities, because most of the undertakings to disburse credit depend on customers' particular credit conditions. The Group monitors the period remaining to maturity of the credit liabilities because long-term liabilities usually involve a higher degree of credit risk than short-term liabilities.

(2c) POLICY WITH RESPECT TO IMPAIRMENT AND CREATION OF REVALUATION CHARGES

In the process of estimating impairment, first of all objective impairment triggers are identified in case of individually material financial assets (individual analysis) and then the remaining part of the portfolio is analysed collectively.

In individual analysis internal rating helps to identify objective impairment triggers. At the same time, in case of collective analysis, it is used (the PD parameter) to determine the level of losses.

Individual impairment analysis for credit receivables

If in the course of analysis triggers are identified, indicating the possibility of impairment of credit receivables, the Group will determine the amount of said impairment. This amount constitutes the difference between current credit exposure and the present value of expected future cash flows, discounted with effective interest rate. The calculation takes into account the probability of loan repayment on maturity date and the probability of potential recovery from collateral e.g. in connection with its sale.

The whole process comprises following stages:

- Identification of impairment triggers such as for instance.:
    - deterioration of the counterparty's financial and economic standing;

- not keeping the terms of the agreement, e.g. lack of repayment or delays in repayment of principal and interest instalments;
- Restructuring of receivables;
- High probability of bankruptcy or another financial reorganisation of the counterparty;

➢ Estimation of probability of recovery of principal and interest;

➢ Indication if the loan is to be repaid with the borrower's own funds or whether it is necessary to use collateral, e.g. by selling it;

➢ Estimation of fair value of collateral, definition of expected sale date and estimation of expected sale proceeds.

As at 30 June 2008 the Group's portfolio covered by individual analysis was characterised by following values:

Balance-sheet impairment charge: PLN 219.5 million.

Coverage ratio: 40% (including leasing portfolio with average coverage ratio of 28%)

Collective analysis of credit portfolio

Following loans are subjected to collective analysis:

➢ Individually immaterial receivables;

➢ Individually material receivables, without impairment triggers;

➢ Individually material receivables, in case of which impairment was not found.

A portfolio of homogenous loans comprises exposures with similar risk profile, and thus e.g. a homogenous loans portfolio may be created on the basis of credit risk assessment method, rating, type of credit products, type of collateral etc.

All loans, which are subject to collective analysis, are divided into two main portfolio categories:

➢ Loans where losses occurred, but have not yet been identified on the level of individual exposures and provisions are created for risk, which has been incurred, but not yet reported *(IBNR portfolio)*,

➢ Loans where impairment was recognised , but which were not subjected to individual analysis.

As at 30.06.2008 the Group's collective portfolio was characterised by following values:

Corporate customers:

Balance-sheet impairment provision: PLN 136 million

Coverage ratio: 1.75% (including leasing portfolio with average coverage ratio of 1.1 %)

Retail customers, including mortgage:

Balance-sheet impairment provision: PLN 235 million

Coverage ratio: 1.35%

The table below presents the share of balance-sheet items in the Bank, concerning loans and related impairment provisions for each internal rating class (described in "Credit Risk Measurement").

Internal rating of the Group

	30.06.2008		31.12.2007	
	Loans and advances (%)	Impairment charges (%)	Loans and advances (%)	Impairment charges (%)
1. Highest quality	Minor	Minor	Minor	Minor
2. Good quality	35.85%	6.93%	32.6%	6.6%
3. Medium quality	41.06%	19.13%	39.7%	18.4%
4. Low quality	9.88%	17.70%	8.4%	8.6%
5. Watched	0.71%	4.22%	4.1%	6.8%
6. Default	2.10%	37.31%	3.3%	50.2%
7. Clients without rating*	10.39%	14.70%	11.9%	9.3%
Total	**100.00%**	**100.00%**	**100.0%**	**100.0%**

* The group of customers without internal rating contains exposures connected with loans to local authorities as well as investment projects.

The drop of the provision coverage ratio of the “default” portfolio results from the sale of part of the retail portfolio for which the level of coverage is higher than the average and the growth of the „default” portfolio in the area of leasing where the coverage ratio is lower than the average.

The above-mentioned sale pertained to the retail receivables valued at PLN 28.8 million, (including receivables previously written off in the amount PLN 2.4 million) for which impairment charges were created totalling PLN 24.3 million.

(2D) MAXIMUM EXPOSURE TO CREDIT RISK, i.e. NETTING-OUT RISK MITIGATION INSTRUMENTS

‘000 PLN

	Maximum exposure	
	30.06.2008	**31.12.2007**
Exposures exposed to credit risk connected with balance sheet assets appear as follows:	**32 111 512**	**28 143 262**
Loans and advances to banks	**1 595 545**	**1 053 052**
Loans and advances to customers:	**25 208 760**	**22 027 152**
Loans to private individuals:	**17 273 580**	**14 905 104**
– Credit cards	569 798	476 541
– Cash loans and other loans to private individuals	1 515 119	1 336 026
– Mortgage loans	15 188 663	13 092 537
Loans to companies	**7 736 566**	**6 890 387**
Loans to public entities	**198 614**	**231 661**
Trading securities:	**1 952 457**	**2 335 375**
– Debt securities	1 948 177	2 331 038
– Shares	4 280	4 337
Derivatives	**1 025 518**	**799 207**

Financial assets valued at fair value	**0**	**0**
Investment financial assets	**2 156 102**	**1 899 669**
– Debt securities	2 149 159	1 892 720
– Shares	6 943	6 949
Receivables from securities bought with sell-back clause	**173 130**	**28 807**
Credit risk connected with off-balance sheet items appears as follows:	**8 252 366**	**7 331 787**
Financial guarantees	1 873 106	1 784 036
Credit commitments and other commitments connected with loans	6 379 260	5 547 751

The table above presents the structure of the Group's exposures to credit risk as at 30th June 2008 and 31st December 2007, netting-out risk-mitigating instruments. As regards balance-sheet assets, the exposures presented above are based on net amounts presented in the balance sheet.

(2E) LOANS

The structure of loans granted to customers and to banks as well as key loans portfolio ratios are as follows:

Gross exposure in '000 PLN

	30.06.2008		**31.12.2007**	
	Loans and advances to customers	**Loans and advances to banks**	**Loans and advances to customers**	**Loans and advances to banks**
Not overdue and without impairment	23 793 881	1 595 545	20 899 198	1 053 052
Overdue, but without impairment	1 212 722	0	970 749	0
With impairment	792 759	0	765 594	0
Gross	**25 799 362**	1 595 545	**22 635 541**	**1 053 052**
Impairment write-offs together with IBNR	**- 590 602**	0	-608 389	0
Net	**25 208 760**	1 595 545	**22 027 152**	**1 053 052**
Loans with impairment / total loans	3.07%		3.4 %	
Total impairment write-offs / loans with impairment	74.50%		79.5 %	

In the first half of 2008 Bank Millennium Group created PLN 39 million credit risk charges in the Profit and Loss Account.

The total value of impairment charges (including IBNR provisions) on loans totalled PLN 590.6 millions as at 30th June 2008 (PLN 608 million as at end of 2007). Additional information about these charges is contained in financial notes.

Loans and advances not overdue and without impairment

The quality of the portfolio of loans, which were neither past-due, nor impaired, may be assessed by reference to the internal rating system adopted by the Bank.

Loans and advances not overdue and without impairment

Gross exposure in '000 PLN

	Customers 30.06.2008	Banks 30.06.2008	Customers 31.12.2007	Banks 31.12.2007
Rating:				
1. Highest quality	68	1 595 545	422	1 053 052
2. Good quality	9 141 211		7 280 779	
3. Medium quality	10 227 748		8 741 992	
4. Low quality	2 120 178		1 760 221	
5. Watched	113 025		694 905	
6. Default	104 930		132 646	
7. Clients without rating	2 086 721		2 288 234	
Total	**23 793 881**	**1 595 545**	**20 899 198**	**1 053 052**

Loans and advances overdue but without impairment

Loans past-due below 90 days are not considered as impaired exposures, unless other impairment triggers are identified. The gross amount of loans, divided between customers, past-due but unimpaired, is as follows:

Gross exposure in '000 PLN

	30.06.2008				
	Loans and advances to customers			Loans and advances to banks	Total
	Companies	Mortgages	Other retail		
Delay till 30 days	580 710	388 604	122 730		1 092 044
Delay 30 - 60 days	70 106	17 501	14 538		102 145
Delay 60-90 days	3 926	1 620	4 528		10 075
Delay above 90 days*	7 004	-	1 454		8 458
Total	**661 747**	**407 725**	**143 250**		**1 212 722**

Gross exposure in '000 PLN

	31.12.2007				
	Loans and advances to customers			Loans and advances to banks	Total
	Companies	Mortgages	Other retail		
Delay till 30 days	373 640	370 026	99 179	0	842 845
Delay 30 - 60 days	84 577	20 762	12 279	0	117 618
Delay 60-90 days	512	2 069	3 792	0	6 373
Delay above 90 days*	2 863	0	1 050	0	3 913
Total	**461 592**	**392 857**	**116 300**	**0**	**970 749**

*- receivables delayed over 90 days and at the same time not included in the impaired portfolio, displaying impairment triggers but not demonstrating impairment due to estimated cash flows

Impaired loans

The gross amount of impaired loans divided between customer segments is as follows:

Gross exposure in '000 PLN

	30.06.2008				
	Loans and advances to customers			Loans and advances to banks	Total
	Companies	Mortgages	Other retail		
By type of analysis					
Case by case analysis	547 858	3 071	288	0	551 217
Collective analysis	62 075	48 352	131 114	0	241 542
Total	**609 933**	**51 423**	**131 402**	**0**	**792 759**

Gross exposure in '000 PLN

	31.12.2007				
	Loans and advances to customers			Loans and advances to banks	Total
	Companies	Mortgages	Other retail		
By type of analysis					
Case by case analysis	554 806	4 361	123	0	559 290
Collective analysis	37 416	46 879	122 009	0	206 304
Total	**592 222**	**51 240**	**122 132**	**0**	**765 594**

Loans covered by individual analysis

Quantification of the value of the portfolio subjected to individual analysis as well as of the value of created charges, split between impaired receivables and the IBNR portfolio (and provisions respectively) has been presented in financial notes.

The tables below present the structure of the impaired portfolio subjected to individual analysis.

- By products

Gross exposure

Loans and advances to customers						
	30.06.2008			31.12.2007		
	Amount in '000 PLN	Share %	Coverage by impairment write-offs	Amount in '000 PLN	Share %	Coverage by impairment write-offs
Investment loans	231 210	42%	45%	252 322	45.1%	48.4%
Working capital loans	30 924	5%	63%	34 530	6.2%	78.8%
Current account loans	66 233	12%	40%	85 769	15.3%	45.6%
Revolving loans	16 886	3%	33%	691	0.1%	10.0%
Mortgage loans	3 071	1%	6%	4 361	0.8%	30.5%
Factoring	10 316	2%	48%	14 615	2.7%	27.0%
Leasing	176 640	32%	28%	148 992	26.6%	26.7%
Other	15 936	3%	64%	18 010	3.2%	66.9%
	551 217	**100%**	**40%**	**559 290**	**100.0%**	**43.9%**

In the group of loans covered by individual analysis investment loans dominate (42% of the portfolio), however their share fell in 1st half of the year 2008 by 3.1 p.p. Coverage ratio for this group of loans fell by approximately by 3.4 p.p. The greatest share increase occurred in case of leasing loans – by 5.4 p.p.

- By currency

Gross exposure

Loans and advances to customers						
	30.06.2008			31.12.2007		
	Amount in '000 PLN	Share %	Coverage by impairment write-offs	Amount in '000 PLN	Share %	Coverage by impairment write-offs
PLN	275 417	50%	40%	248 617	44.5%	48.8%
CHF	21 520	4%	26%	12 494	2.2%	33.0%
EUR	41 595	7%	18%	59 367	10.6%	15.8%
USD	201 739	37%	47%	233 919	41.8%	47.0%
JPY	10 946	2%	24%	4 893	0.9%	18.9%
	551 217	**100%**	**40%**	**559 290**	**100.0%**	**43.9%**

- By coverage ratio

Gross exposure

Loans and advances to customers				
	30.06.2008		31.12.2007	
	Amount in ‘000 PLN	Share %	Amount in ‘000 PLN	Share %
Till 20%	141 913	26%	118 774	21.2%
20% - 40%	98 424	18%	70 590	12.6%
40% - 60%	245 102	44%	281 371	50.4%
60% - 80%	25 677	5%	27 016	4.8%
Above 80%	40 101	7%	61 540	11.0%
	551 217	**100%**	**559 290**	**100.0%**

Average coverage of the examined portfolio with revaluation charges as at 30th June 2008 was 40% and nearly half of this portfolio’s (44%) have coverage close to this level (the group above 40% to 60%). Structure of coverage of the impaired portfolio with revaluation charges as at 30th June 2008 has changed, which manifests in increase of share of receivables with coverage below 40% while share of receivables with coverage over 40% has fallen due to the write off of credit exposures fully covered by provisions.

Restructured loans

Restructuring of receivables is done by dedicated units (separately for corporate and retail receivables).

Restructuring aims at performing effective actions with respect to customers, with the gaol of minimizing losses and shortening the recovery process.

Restructuring covers definition of new terms of receivables’ service acceptable to the Bank (including rules for their repayment and collateralisation and potentially obtaining additional collateral).

Receivables from corporate customers are included in the restructuring portfolio, every time on the basis of a decision of the competent decision-making level, relying on ongoing and periodical monitoring of their financial and economic standing.

As of 30.06.2008 the amount of corporate loans and advances without recognised impairment (on-balance exposure), which were restructured in the past stood at PLN 43.2 million and went up 37 % compared to the state as of 31.12.2007 (PLN 31.5 million).

The process of restructuring of retail receivables is done with use of an IT support system. The receivables from customers get into this system not later than on the 4th day from the date when the receivable became due and payable.

The table below presents loan portfolio with recognised impairment managed by the Group's units responsible for loan restructuring.

Gross exposure in '000 PLN

	30.06.2008	31.12.2007
Loans and advances to private individuals	102 605	75 971
Loans and advances to companies	348 990	368 793
Total	**451 595**	**444 764**

(2F) DEBT AND EQUITY SECURITIES

The table below presents the structure of securities in the Bank's portfolio as at 30 June 2008.

Gross exposure in '000 PLN

Issued by	Trading debt securities	Investment debt securities	Shares and fund units	Total
State Treasury	1 948 177	1 855 971	0	**3 804 148**
Central Bank	0	163 277	0	**163 277**
Other	0	129 911	22 318	**152 229**
- listed	0	84 583	1 250	**85 833**
- not listed	0	45 328	21 068	**66 396**
Total	**1 948 177**	**2 149 159**	**22 318**	**4 119 654**

The table below presents the structure of securities in the Bank's portfolio as at 31 December 2007.

Gross exposure in '000 PLN

Issued by	Trading debt securities	Investment debt securities	Shares and fund units	Total
State Treasury	2 331 038	1 540 449	0	**3 871 487**
Central Bank	0	165 939	0	**165 939**
Other	0	186 332	22 379	**208 711**
- listed	0	138 106	895	**139 001**
- not listed	0	48 226	21 483	**69 709**
Total	**2 331 038**	**1 892 720**	**22 379**	**4 246 137**

(2G) COLLATERAL TRANSFERRED TO THE BANK

In the 1st half of 2008 no significant taking over of fixed assets (movables) belonging to customers and collateralising loans were committed by the Bank. The above situation caused by execution of other more effective paths satisfying by taking over, i.e. to result in sale of the item of taking over directly by contributor of collateral under a Bank's supervision and the entire amount is destined for repayment. A type of such activity is reaching agreements with official receiver and based on these agreements the official receiver at a agreed fee secures and stores taken over items and in consultation with Bank offers and sells them (within the confines of a sale of combined parts or a whole company of the debtor.

The above causes that executed course of action of satisfying is not recorded at so called fixed assets held for sale.

(2H) POLICY FOR WRITING-OFF RECEIVABLES

Credit exposures, with respect to which the Bank is not expecting appearance of cash flows available for recovery and for which impairment provisions fully covering the outstanding debt were created, are written-off the balance sheet against said provisions and transferred to off-balance sheet records. This operation does not cause the debt to be forgiven or restructuring and recovery actions to be ceased.

In most of cases the Group writes-off receivables against impairment provisions when said receivables are found to be unrecoverable i.e.:

- Execution proceedings have been discontinued;
- The debtor has died;
- Bankruptcy proceedings have ended;
- Part of the loan has been forgiven unconditionally;
- Execution was ineffective for a long period of time.

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

Industry sectors

The table below presents division of the total Bank's main credit exposure broken down into components, according to category of customers.

30.06.2008	Financial intermediation	Industry and constructions	Wholesale and retail business	Transport and communication	Public sector	Mortgage loans	Consumer loans*	Other sectors	Total
Loans and advances to banks	1 595 545	0	0	0	0	0	0	0	**1 595 545**
Loans and advances to customers	32 237	1 970 739	1 620 265	1 397 234	206 231	15 269 417	2 240 192	3 065 909	**25 802 223**
Trading securities	3 717	160	0	0	1 948 180	0	0	401	**1 952 457**
Derivatives	832 200	69 883	81 625	19 125	0	0	0	22 685	**1 025 518**
Investment securities	17 495	0	8 200	67 089	2 054 527	0	0	19 883	**2 167 195**
Financial assets valued at fair value	0	0	0	0	0	0	0	0	**0**
Receivables from securities bought with sell-back clause	173 130	0	0	0	0	0	0	0	**173 130**
As at 30 June 2008	**2 654 324**	**2 040 781**	**1 710 090**	**1 483 447**	**4 208 938**	**15 269 417**	**2 240 192**	**3 108 878**	**32 716 068**

31.12.2007	Financial intermediation	Industry and constructions	Wholesale and retail business	Transport and communication	Public sector	Mortgage loans	Consumer loans*	Other sectors	Total
Loans and advances to banks	1 053 052	0	0	0	0	0	0	0	**1 053 052**
Loans and advances to customers	21 490	1 653 104	1 389 210	1 337 142	240 837	13 189 689	1 952 129	2 851 940	**22 635 541**
Trading securities	4 124	18	0	0	2 330 988	0	0	246	**2 335 376**
Derivatives	633 637	59 265	25 149	627	0	0	0	80 529	**799 207**
Investment securities	19 988	0	8 200	78 162	1 754 613	0	0	49 799	**1 910 762**
Financial assets valued at fair value	0	0	0	0	0	0	0	0	**0**
Receivables from securities bought with sell-back clause	28 807	0	0	0	0	0	0	0	**28 807**
As at 31 December 2007	**1 761 098**	**1 712 386**	**1 422 559**	**1 415 931**	**4 326 438**	**13 189 689**	**1 952 129**	**2 982 513**	**28 762 745**

including: credit cards, cash loans, car loans, current accounts overdrafts and loans for leveraged shares acquisition

(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 evaluation measures

The main measure used by the Group to evaluate market risks is variance-covariance (delta-normal) 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):
    - The green zone (less than 10 excesses), corresponds to a result that do not suggest any problem in the model,
    - 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%,
    - 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 (Market Risk Strategy Meeting) and Trading Portfolios are subject to a set of stress scenarios, in order to:

- Estimate the potential economic loss resulting from extreme variations in the market risk factors,
- Identify the market risk movements, eventually not captured by VaR, to which the portfolios are more sensitive,
- 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. 8 million (on average) during the first half of 2008.

VaR measures for market risk ('000 PLN)

	VaR				
	30.06.2008	Average	Maximum	Minimum	31.12.2007
General risk	7 260	8 192	12 359	4 837	5 488
Interest rate VaR	7 299	8 127	12 392	4 858	5 460
FX Risk	267	669	2 555	59	61
Diversification Effect	4%				1%

'000 PLN

	VaR (from January to June 2007)				
	30.06.2007	Average	Maximum	Minimum	31.12.2006
General risk	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%				1%

VaR measures for market risk (for Financial Markets Portfolio) according to the methodology applie in the second half of the year

'000 PLN

	VaR (from July to December 2007)				
	31.12.2007	Average	Maximum	Minimum	30.06.2007
General risk	5 488	9 498	14 503	5 488	11 042
Interest rate VaR	5 460	9 497	14 527	5 460	11 008
FX Risk	61	789	4 520	37	3 548
Diversification Effect	1%				32%

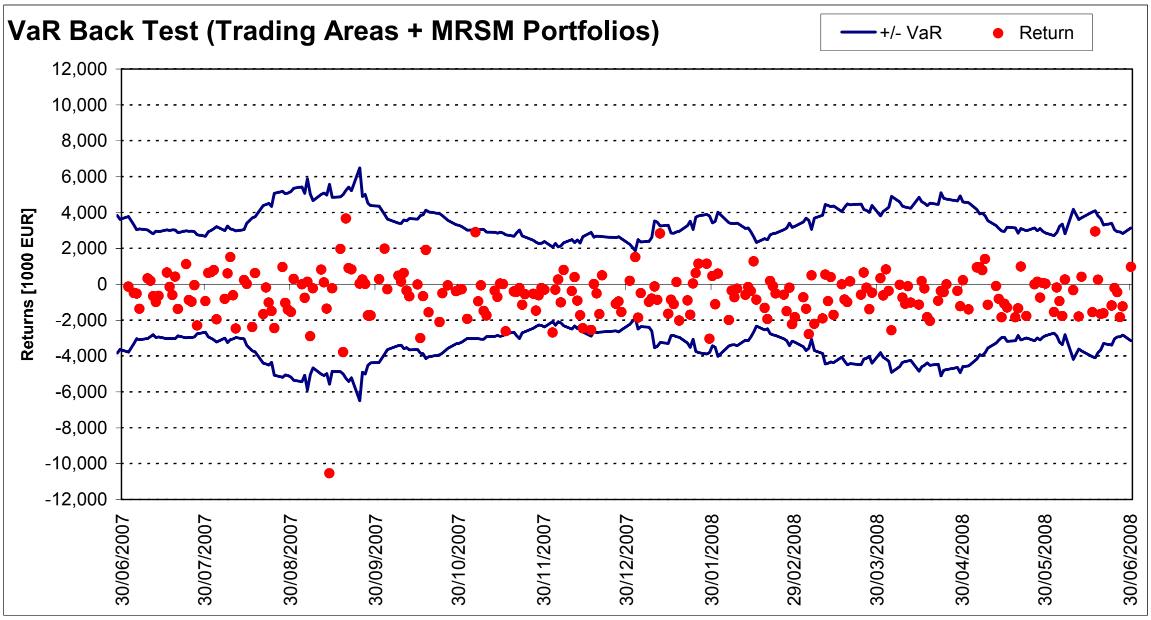
The open positions mostly included interest-rate instruments, while the exchange rate risk was very limited.

The VaR limits were not exceeded 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.

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 additional hedging transactions have been concluded in the first half of 2008 reducing the interest rate risk linked with the fixed rate loans portfolio, especially consumer loans portfolio and leasing portfolio.

Market risk - VaR Back Testing



During the last 12-month period two excesses, due to unanticipated market movements, have been detected in the VaR back test, confirming the model adequacy.

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 2008 were the following:

Risk Area	Limits Usage
	000'PLN
Trading Areas	18%
Sales Areas	1%
Funding & Hedging	98%
ALCO's Portfolios	49%

According with Bank's rules the limits for stress test results are two times higher than the limits for day-to-day market risk management. The limits are under a process of calibration and all stress tests results and comparison to the proposed limits are still being considered as indicative.

(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 appropriate liquidity structure of funding.

Still significant growth of the loan portfolio occurred in the first half of 2008 was financed by the deposit base growth, Sell-Buy Back transactions and reduction of the securities portfolio, however the Bank was a net lender in the Money Market during this period.

The Bank incorporated in the liquidity plan several initiatives in order to promote a diversification of long term financing sources.

For the purpose of long-term liquidity management the Bank is planning further securitization of the leasing portfolio and additional syndicated loans with an impact 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. Simultaneously the process of structured bonds issue aimed at retail customers has been already launched as well.

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 indicators 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 as 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 2008, the immediate and quarterly liquidity indicators were constantly maintained with positive values, with increasing tendency in the second quarter, meaning that the Bank kept during all the period a long liquidity position for the time horizon 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 5 years corresponds to 25% of Total Assets.

During the first 6 months of 2008, all the defined indicators were maintained well above the limits, also under stress scenarios.

Bearing in mind the more restrictive and more adequate quantitative liquidity measures imposed by the KNB Resolution No 9/2007, which came into law since January 2008, the Bank decided to replace the former Liquid Assets Indicator with the set of the new ones. During the first half of 2008 the limits for all the new measures, which are in force since July 2008, have been observed.

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 2008 amounted to 3,7% and 7,9% respectively (5,7% and 10,6% in December 2007),.

30.06.2008		
Actuarial liquidity gap (PLN million)	**to 3 months**	**ab. 3 months**
Balance sheet gap	3 512	7 089
Accumulated balance sheet gap	3 512	10 600
Off-balance gap	-412	202
Total gap	3 100	7 290
Total accumulated gap	3 100	10 390

Liquid assets ratio	**PLN million**
Liquid assets	5 826
Balance sheet assets	33 389
Share of liquid assets in balance sheet assets	**17.4%**

31.12.2007		
Actuarial liquidity gap (PLN million)	**to 3 m.**	**ab. 3 m.**
Balance sheet gap	3 379	4 462
Accumulated balance sheet gap	3 379	7 842
Off-balance gap	-326	171
Total gap	3 053	4 633
Total accumulated gap	3 053	7 687

Liquid assets ratio	**PLN million**
Liquid assets	5 944
Balance sheet assets	29 538
Share of liquid assets in balance sheet assets	**20.1%**

Current Liquidity indicators

PLN million

30.06.2008				
	Highly liquid assets	Spot liquidity ratio	Quarterly liquidity ratio	Liquid assets for coverage of sources of financing volatility
Exposure	2 923	2 836	2 675	4 691
Minimum limit		-434	-1 734	2 000

31.12.2007				
	Highly liquid assets	Spot liquidity ratio	Quarterly liquidity ratio	Liquid assets for coverage of sources of financing volatility
Exposure	2 891	3 301	2 344	4 723
Minimum limit		-434	-1 734	2 000

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 in order 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), updated on quarterly basis.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

The Bank Millennium Group puts much emphasis on the dynamic development of its operational risk management system.
It should also be emphasised that operational risk management is not a task of a group of people detached within the organisation but an inalienable element of each of the processes occuring in the Group.

In order to define the operational risk, the Group decided to accept the description 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 reputation risks are treated as separate risk categories". Operational risk is present in every aspect of organisational activity and is its inherent part.

The operational risk management strategy of the Millennium Bank Group defined by the Management Board is an element of the global operational risk management system in the international Millennium bcp Group. The document defines the risk appetite of the organization in a form of Risk Appetite Matrix, which corresponds to the scale and profile of activities as well as the characteristic of the Polish financial institutions market.

Taking into account the development level of the operational risk management in the Millennium Bank Group, as well as its scale and profile of activities, the Group decided to calculate the capital requirement on the basis of Standardised Approach.

The process of managing operational risk in the Group is based on the identification, assessment, monitoring, mitigating and reporting of risk. Decisions considering risk mitigation are preceded by a cost-benefit analysis.

The adopted operational risk management structure defines particular management levels and scope of their responsibility and duties. This structure is based on the process structure adopted in the Group, merged with the traditional organisational structure. 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 most efficiently. A higher management level is the Process and Operational Risk Committee, responsible for providing overall directions in the development of the operational risk management system. Any activities relating to operational risk management are coordinated and supervised by the Risk Control Committee, the Bank's Management Board and Supervisory Board.

In order to identify, analyse and monitor operational risk level, the following techniques are used: loss data gathering of both external and internal events, monitoring of Key Risk Indicators and Operational Risk Self Assessment in processes. Basing on the risk assessment resulting from each of those tools the decisions to implement mitigation actions are taken.

In the last half-year the Group continued its training in operational risk addressed to employees and work was continued among others on further optimisation of
of the Key Risk Indicators monitoring systems, actualisation of the business continuity plans management, renewal and widening the scope of insurance policies, with special regard to operational risks. All of those actions are aimed at adjusting the operational risk management system to the evolving environment in which Bank Millennium Group operates.

XVII. LIQUIDITY GAP BY CONTRACT TERMS

30 June 2008 — **PLN '000**

ASSETS	below 1 month	from 1 month 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	1 131 902	0	0	0	0		1 131 902
Loans and advances to banks	1 020 842	270 938	18	0	303 747	0	1 595 545
Trading debt securities	98 147	1 476	401 244	933 072	514 238		1 948 177
Loans and advances to customers	2 469 940	486 437	2 510 906	7 279 955	12 461 522		25 208 760
Debt securities available for sale	136 046	92 552	764 226	1 153 751	2 585		2 149 160
Receivables from securities bought with sell-back clause	173 130	0	0	0	0		173 130
Shares and interests						11 222	11 222
Other non-financial assets						775 210	775 210
TOTAL	**5 030 007**	**851 403**	**3 676 394**	**9 366 778**	**13 282 092**	**786 432**	**32 993 106**

LIABILITIES	below 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	above 5 years	Other assets	TOTAL
Deposits from banks	306 717	181 022	25 197	1 411 222	303 665		2 227 823
Deposits from customers	13 863 468	3 030 738	8 695 470	51 371	184		25 641 231
Liabilities from securities sold with buy-back clause	465 977	0	15 415	0	0		481 392
Debt securities	47 436	0	0	0	864 479		911 915
Subordinated debt	0	0	1 981	268 336	503 130		773 447
Other non-financial liabilities						728 274	728 274
Equity						2 608 787	2 608 787
TOTAL	**14 683 598**	**3 211 760**	**8 738 063**	**1 730 929**	**1 671 458**	**3 337 061**	**33 372 869**

30 June 2008							PLN '000
OFF-BALANCE SHEET LIABILITIES	**below 1 month**	**from 1 month to 3 months**	**from 3 months to 1 year**	**from 1 year to 5 years**	**above 5 years**	**Other liabilities**	**TOTAL**
Liabilities from opened credit lines	5 256 989						**5 256 989**
Liabilities from sureties and guarantees	1 221 983						**1 221 983**
Balance sheet Gap	**-9 653 591**	**-2 360 357**	**-5 061 669**	**7 635 849**	**11 610 634**	**-2 550 629**	**-379 763**
Total Gap	**-16 132 563**	**-2 360 357**	**-5 061 669**	**7 635 849**	**11 610 634**	**-2 550 629**	**-6 858 735**

31 December 2007 **PLN '000**

ASSETS	below 1 month	from 1 month 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	1 257 128	0	0	0	0		1 257 128
Loans and advances to banks	731 188	30 000	2	0	291 862		1 053 052
Trading debt securities	12 848	96 289	338 630	1 429 085	454 186		2 331 038
Loans and advances to customers	2 154 111	308 588	1 530 390	4 566 898	13 467 165		22 027 152
Debt securities available for sale	67 924	0	329 851	1 491 716	3 229		1 892 720
Receivables from securities bought with sell-back clause	28 807	0	0	0	0		28 807
Shares and interests						11 286	11 286
Other non-financial assets						911 395	911 395
TOTAL	**4 252 006**	**434 877**	**2 198 873**	**7 487 699**	**14 216 442**	**922 681**	**29 512 578**

LIABILITIES	below 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	above 5 years	Other assets	TOTAL
Deposits from banks	690 485	76 676	50 797	1 458 945	291 785		2 568 688
Deposits from customers	14 263 364	1 910 705	5 486 891	138 972	731		21 800 662
Liabilities from securities sold with buy-back clause	589 361	136 615	0	0	0		725 976
Debt securities	134 356	0	0	0	717 118		851 474
Subordinated debt	0	0	2 175	286 560	537 300		826 035
Other non-financial liabilities						650 298	650 298
Equity						2 519 932	2 519 932
TOTAL	**15 677 566**	**2 123 996**	**5 539 863**	**1 884 477**	**1 546 934**	**3 170 230**	**29 943 066**

31 December 2007 **PLN '000**

OFF-BALANCE SHEET LIABILITIES	below 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	above 5 years	Other liabilities	TOTAL
Liabilities from opened credit lines	4 661 345						4 661 345
Liabilities from sureties and guarantees	1 124 912						1 124 912
Balance sheet Gap	**-11 425 559**	**-1 689 118**	**-3 340 990**	**5 603 222**	**12 669 508**	**-2 247 549**	**-430 487**
Total Gap	**-17 211 816**	**-1 689 118**	**-3 340 990**	**5 603 222**	**12 669 508**	**-2 247 549**	**-6 216 744**

Above data do not include cash flows from derivative instruments

XVIII. CONDITIONAL LIABILITIES 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 30.06.2008 to PLN 237.8 million. Total value of claims in the biggest court proceedings, in which companies from the Group appeared as defendant was PLN 181.2 million, and the total value of claims in the biggest court proceedings, in which companies from the Group appeared as plaintiff was PLN 56.6 million

The biggest proceedings, in which companies of the group appear as the defendant:

1. **Plaintiff:** natural person

   Disputed Value: PLN 5 108 036

   Claim: The plaintiff's claim is based on the assumption that the Bank forced the plaintiff to make a sales order for 33 300 items of shares by threatening to the plaintiff's company that the Bank would take over all the funds which would come from the sale of all the 30 000 shares constituting the ownership of such company.

   Description of the case: There were several hearings in this case and as a result on 21.02.2008 due to the non-implementation of the court order relating to the precisioning of the factual and legal grounds of the suit – the Court suspended the proceedings indefinitely.

   Prospects: probability of winning the case is estimated as high:

2. **Plaintiff:** joint stock company (insolvent)

   Disputed value: PLN 159 461 349

   Object: recognition as ineffective:

   - conditional agreement for selling real estate In Świnoujście between the joint stock company with seat in Świnoujście and joint stock company with seat in Sopot;
   - agreement for selling real estate in Świnoujście;
   - three operational lease buy back agreements dated 18 June 2002.

   Description of the case: on 14.06.2006 the ruling of the District Court In Gdańsk dismissed the lawsuit in full, on 10.08.2006 the plaintiff appealed. The Appellate Court in Gdansk on 23.03.2007 overruled the decision of the District Court and resubmitted the case to the Court of First Instance. Currently, the case is considered by the District Court in Gdańsk at the evidentiary stage. On 5 June 2008 the Court accepted evidence from an expert's opinion about the valuation of the real estate as of 25 October 2002 and specified a three-months time limit for exercising such an opinion.

   - According to the Bank's estimations, irrespective of what the final court's verdict is going to be, there is no need for provision creation and the only financial consequences may be possible court fees.

3. **Plaintiff:** natural person

Value of dispute: PLN 2 785 843

Object: Lawsuit for recognising a legal operation as invalid.

Description of the case: On 25.10.2006 the Plaintiff submitted a cassation complaint against the ruling of the Appellate Court in Gdańsk. The Plaintiff lost the case in the 1st and the 2nd Instance. The defendant Group Company does not intend to withdraw the lawsuit or conclude an agreement. The Supreme Court dismissed the complaint by accessory interveners against the decision of the Appellate Court on dismissing the cassation complaints made by the interveners.The Plaintiff's cassation complaint remains to be considered. The anticipated data of hearing the complaint – September 2008.

Prospects: probability of winning the case is estimated as high:

OFF-BALANCE ITEMS

	30.06.2008	31.12.2007
Off-balance conditional commitments granted and received	**8 947 446**	**8 032 120**
1. Commitments granted:	8 252 366	7 331 787
a) financial	6 379 260	5 547 751
b) guarantee	1 873 106	1 784 036
2. Commitments received:	695 080	700 333
a) financial	10 000	15 936
b) guarantee	685 080	684 397

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 01.01.2008 till 30.06.2008 the Group issued 1,362 guarantees, sureties and avals totalling PLN 940,595 thous.

The amount of such liabilities (excluding guarantees and sureties of the repayment of loans from European Fund for Developing Eastern Poland and open guarantee lines) as of 30.06.2008 and stood at PLN 1 276 175 thous. (2 498 items of active guarantees), which means a drop of their value by PLN 20 328 thous, i.e. by 1.59% with respect to 31.12.2007.

The value of guarantees, sureties and avals issued in PLN fell by PLN 20 338 thous., i.e. by 1.83% compared to the end of the last year, and the value of such liabilities issued in foreign currency went up by PLN 10 thous., i.e. by 0.01%.

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

	31 December 2007	30 June 2008
Commitments granted in '000 PLN:	1 110 314	1 089 976
Commitments granted in FX (equivalent in '000 PLN):	186 189	186 199
TOTAL	**1 296 503**	**1 276 175**

The structure of liabilities by type as at 30.06.2008 is presented in the following table:

Type of commitment	Number	Amount in '000 PLN
Aval	1	1 050
Guarantee	2 459	1 250 882
Surety	2	5 295
Re-guarantee	36	18 948
TOTAL	**2 498**	**1 276 175**

The structure of liabilities by subject as at 30.06.2008 is presented in the following table:

Object of the commitment	Number	% share	Amount in '000 PLN
good performance of contract	1 521	60.89%	538 064
rent payment	260	10.41%	26 154
bid bond	259	10.37%	72 154
punctual payment for goods or services	244	9.77%	209 510
other	116	4.64%	125 903
advance return	57	2.28%	65 496
customs	34	1.36%	192 761
payment of bank loan	7	0.28%	46 133
Total	**2 498**	**100.00%**	**1 276 175**

The structure by subject of all the net guarantee liabilities, demonstrated in the off-balance sheet items, as at 30.06.2008 is presented in the table below:

Customer - sector	Amount in PLN million
- financial sector	184.1
- non-financial sector (companies)	1 728.3
- public sector	37.1
- private individuals	8.2
Total	**1 957.7**

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 the Group companies is presented in the table below:

Subsidiary	**Amount in PLN million**
TBM Sp. z o.o.	0.1
Millennium Service Sp. z o.o.	3.8
Millennium Leasing Sp. z o.o.	80.7
Total	**84.6**

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:	**30.06.2008**	**31.12.2007**
- to 1 year	75 880	72 182
- above 1 year to 5 years	244 375	193 616
- above 5 years	119 897	31 940
TOTAL	**440 151**	**297 738**

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

1) Bank received information from Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK ("CU OFE") about the purchase by CU OFE on 25 of July 2008 of 860,000 shares of the Bank.

After the purchase transaction CU OFE holds in total 43,280,651 shares in the Bank, which constitutes 5.10% of the Bank's share capital. The currently held shares give CU OFE the right to exercising 43,280,651 votes at the Bank's General Meeting of Shareholders, which constitutes 5.10% of the total number of votes at the Bank's General Meeting of Shareholders.

Before the purchase transaction CU OFE held in total 42,420,651 shares in the Bank, which constituted 4.99% of the Bank's share capital and gave the right to exercising 42,420,651 votes at the Bank's General Meeting of Shareholders, which constitutes 4.99% of the total number of votes at the Bank's General Meeting of Shareholders.

2) On 12 September 2008 an Agreement was concluded between Bank Millennium S.A. and a consortium of international banks, concerning mid-term (Club Term Loan Facility) extended to Bank Millennium S.A., for total amount of EUR 175 million, constituting - on the date of signing - the equivalent of ca. PLN 600 million.

Interest rate of the loan is based on EURIBOR and margin specified in the Agreement. The loan is scheduled for repayment in September 2010, with an option for extension - at consent of the parties - for an additional annual period (i.e. till 2011).

List of participants of the consortium and lenders comprises following banks:

- Bayerische Landesbank / BayernLB (Coordinator & Agent)
- Bank Austria Creditanstalt AG
- Commerzbank AG
- Erste Group Bank AG
- Landesbank Baden-Württemberg (LBBW)
- Raiffeisen Zentralbank Österreich AG
- WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank

SIGNATURES:

Date	Name and surname	Position/Function	Signature
29.09.2008	Bogusław Kott	Chairman of the Management Board	....
29.09.2008	Luis Pereira Coutinho	Deputy Chairman of the Management Board	....
29.09.2008	Fernando Bicho	Member of the Management Board	....
29.09.2008	Julianna Boniuk-Gorzelańczyk	Member of the Management Board	....
29.09.2008	Wojciech Haase	Member of the Management Board	....
29.09.2008	Joao Bras Jorge	Member of the Management Board	....
29.09.2008	Zbigniew Kudaś	Member of the Management Board	....
29.09.2008	Piotr Romanowski	Member of the Management Board	………………………….

2. Summary Semi-annual Financial Statement of Bank Millennium S.A. (parent company) for the period of 6 month ending 30 June 2008

TABLE OF CONTRNTS

I. FINANCIAL STATEMENTS OF THE BANK ALONE

INCOME STATEMENT

Amount '000 PLN	**01.01.2008 – 30.06.2008**	**01.01.2007 – 30.06.2007**
Interest income	1 001 143	669 152
Interest expense	-606 531	-375 827
Net interest income	**394 612**	**293 325**
Fee and commission income	261 054	219 796
Fee and commission expense	-41 095	-33 575
Net fee and commission income	**219 959**	**186 221**
Dividend income	81 670	112 075
Result on investment financial assets	-8	4 301
Result on financial instruments valued at fair value through profit and loss (held for trading)	75 304	53 478
Foreign exchange profit	128 456	119 021
Other operating income	14 256	30 717
Operating income	**914 249**	**799 138**
General and administrative expenses	-511 400	-414 778
Impairment losses on financial assets	-29 426	-48 977
Impairment losses on non financial assets	-420	-110
Depreciation and amortization	-22 941	-28 859
Other operating expenses	-5 153	-18 259
Operating expenses	**-569 340**	**-510 983**
Operating profit	**344 909**	**288 155**
Profit/ (loss) before taxes	**344 909**	**288 155**
Corporate income tax	-55 426	-38 416
Profit/ (loss) after taxes	**289 483**	**249 739**
Weighted average number of ordinary shares	849 181 744	849 181 744
Basic earnings (losses) per ordinary share (in PLN)	**0.34**	**0.29**

ASSETS

Amount '000 PLN	**30.06.2008**	**31.12.2007**
Cash, balances with the Central Bank	1 131 723	1 255 055
Loans and advances to banks	1 595 545	1 053 052
Financial assets valued at fair value through profit and loss (held for trading)	2 976 703	3 127 988
Hedging derivatives	234 358	218 321
Loans and advances to customers	23 997 677	20 881 303
Investment financial assets	2 238 120	1 893 949
- available for sale	2 238 120	1 893 949
- held to maturity	0	0
Investments in associates	231 053	191 343
Receivables from securities bought with sell-back clause (loans and advances)	173 130	28 807
Property, plant and equipment	235 019	247 382
Intangible assets	13 718	16 646
Non current assets held for sale	0	0
Deferred income tax assets	67 081	112 322
Other assets	187 943	215 843
Total Assets	**33 082 070**	**29 242 011**

LIABILITIES

Amount '000 PLN	**30.06.2008**	**31.12.2007**
Deposits from banks	2 227 823	2 568 688
Financial liabilities valued at fair value through profit and loss (held for trading)	854 616	569 729
Hedging derivatives	29 420	20 220
Deposits from customers	25 846 346	22 021 633
Liabilities from securities sold with buy-back clause	484 910	729 993
Debt securities	57 673	0
Provisions	27 503	33 232
Deferred income tax liabilities	0	0
Current tax liabilities	10 328	5 347
Other liabilities	559 841	383 148
Subordinated debt	773 447	826 035
Total Liabilities	**30 871 907**	**27 158 025**

EQUITY

Share capital	849 182	849 182
Share premium	472 343	472 343
Revaluation reserve	-4 703	-2 742
Retained earnings	893 341	765 203
Total Equity	**2 210 163**	**2 083 986**
Total Liabilities and Equity	**33 082 070**	**29 242 011**

Capital adequacy ratio	**10.41%**	**12.09%**

Book value	**2 210 163**	**2 083 986**
Number of shares	**849 181 744**	**849 181 744**
Book value per share (in PLN)	**2.60**	**2.45**

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) 01.01.2008	**2 083 986**	**849 182**	**472 343**	**-1 949**	**-793**	**765 203**
- purchase/sale and valuation of available for sale financial assets	-2 279	0	0	-2 279	0	0
- effect of valuation of derivatives designated for future cash flows hedge	318	0	0	0	318	0
- profit/ (loss) of the period after taxes	289 483	0	0	0	0	289 483
- dividend payments	-161 345	0	0	0	0	-161 345
Equity at the end of the period (closing balance) 30.06.2008	**2 210 163**	**849 182**	**472 343**	**-4 228**	**-475**	**893 341**

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	-11 231	0	0	-11 231	0	0
- effect of valuation of derivatives designated for future cash flows hedge	-1 392	0	0	0	-1 392	0
- profit/ (loss) of the period after taxes	411 922	0	0	0	0	411 922
- dividend payments	-144 361	0	0	0	0	-144 361
Equity at the end of the period (closing balance) 31.12.2007	**2 083 986**	**849 182**	**472 343**	**-1 949**	**-793**	**765 203**

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	**01.01.2008 - 30.06.2008**	**01.01.2007 - 30.06.2007**
I. Profit (loss) after taxes	**289 483**	**249 739**
II. Adjustments for:	**598 091**	**-1 129 522**
1. Interests in net profit/ (loss) of associated companies	0	0
2. Depreciation and amortization	22 941	28 859
3. Foreign exchange (gains)/ losses	-99 961	-66 869
4. Dividends	-81 670	-112 075
5. Changes in provisions	-5 729	1 819
6. Result on sale and liquidation of investing activity assets	-6 913	-12 371
7. Change in financial assets valued at fair value through profit and loss (held for trading)	130 123	-27 661
8. Change in loans and advances to banks	-14 348	259 758
9. Change in loans and advances to customers	-3 121 713	-4 284 898
10. Change in receivables from securities bought with sell-back clause	-144 323	-129 182
11. Change in liabilities valued at fair value through profit and loss	294 087	51 918
12. Change in deposits from banks	-293 143	-165 191
13. Change in deposits from customers	3 824 713	1 107 264
14. Change in liabilities from securities sold with buy-back clause	-245 083	1 840 810
15. Change in debt securities	57 673	0
16. Change in income tax settlements	55 427	5 921
17. Income tax paid	-4 745	0
18. Change in other assets and liabilities	205 288	362 488
19. Other	25 467	9 888
III. Net cash flows from operating activities	**887 574**	**-879 783**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	**01.01.2008 - 30.06.2008**	**01.01.2007 - 30.06.2007**
I. Inflows:	**1 352 335**	**2 187 724**
1. Proceeds from sale of intangible assets and property, plant and equipment	14 119	21 550
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	1 256 546	2 054 099
5. Other	81 670	112 075
II. Outflows:	**-1 459 550**	**-1 223 389**
1. Acquisition of intangible assets and property, plant and equipment	-9 728	-8 747
2. Acquisition of shares in associates	-40 000	-4 000
3. Acquisition of financial assets valued at fair value through profit and loss	0	0
4. Acquisition of investment financial assets	-1 409 822	-1 210 642
5. Other	0	0
III. Net cash flows from investing activities	**-107 215**	964 335

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	**01.01.2008 - 30.06.2008**	**01.01.2007 - 30.06.2007**
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:	**-186 636**	**-168 707**
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	-161 345	-144 361
7. Other	-25 291	-24 346
III. Net cash flows from financing activities	**-186 636**	**-168 707**

D. NET CASH FLOWS, TOTAL (A III+B III+C III)	**593 723**	**-84 155**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**2 170 610**	**1 642 730**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	**2 764 333**	**1 558 575**

II. THE BASIS FOR REPORT PREPARATION

This Bank Millennium S.A. interim (semi-annual) summary financial statement was prepared in accordance with the requirements of the International Accounting Standards 34 ”Interim financial reporting” in the version approved by the European Community and other provisions in force.

This financial statement was approved for publication by the Bank’s Management Board on 29 September 2008

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 of 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 to the 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 2008 and the first half of 2007 (comparable data) totalled respectively: thousand 80,576 thousand PLN and 111,062 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 the 6 months ending 30 June 2008 the Bank's liabilities on the issue of debt securities increased by PLN 57,673 thous. as a result of issuing commercial bonds. Such bonds were issued under the Bank Bond Issuing Programme, under which the Bank may issue many series of bonds (private bonds) with the total value not exceeding PLN 2,000,000,000 or the equivalent of such amount in EUR, USD, CHF .

VIII. DIVIDENDS PAID OUT

On 28 March 2008 the Bank's Ordinary General Shareholders Meeting took the resolution to allocate for the payout of the dividend the amount of PLN 161,344,531.36 out of profit for the year 2007, i.e. PLN 0.19 per share, determining at the same time that the right to the dividend shall be exercised by persons being shareholders on 6 May 2008. The payout of the dividend took place on 20 May 2008.

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

During the 6 months ending on 30 June 2008 the above-mentioned facts, which would have a significant impact on the structure of the Bank, did not occur.

X. CHANGES IN CONDITIONAL LIABILITIES OR ASSETS

Over the 6 months completed on 30 June 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 30 June 2008 and 31December 2007 the structure of off-balance sheet liabilities looked as follows:

OFF-BALANCE ITEMS

	30.06.2008	31.12.2007
Off-balance conditional commitments	**9 209 501**	**8 284 026**
1. Commitments granted:	8 513 554	7 582 956
a) financial	6 555 902	5 626 654
b) guarantee	1 957 652	1 956 302
2. Commitments received:	695 947	701 070
a) financial	10 000	15 936
b) guarantee	685 947	685 134

XI. LIST OF TRANSACTIONS BETWEEN THE BANK AND RELATED PARTIES

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS AT 30.06.2008

	With subsidiaries	With controlling entity
ASSETS		
Loans and advances to banks – accounts and deposits	0	66 539
Loans and advances to customers	1 748 573	0
Receivables from securities bought with sell-back clause	0	0
Investments in associates	229 380	0
Investment financial assets	87 737	0
Financial assets valued at fair value through profit and loss (held for trading)	3 546	24 801
Other assets	17 996	0
LIABILITIES		
Deposits from banks	0	0
Deposits from customers	371 395	0
Liabilities from securities sold with buy-back clause	3 518	0
Debt securities	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	3 923	20 586
Other liabilities	19 148	0

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN PLN THOUS.) AS AT 31.12.2007

	With subsidiaries	With controlling entity
ASSETS		
Loans and advances to banks – accounts and deposits	0	106 533
Loans and advances to customers	1 542 729	0
Investments in associates	186 243	0
Financial assets valued at fair value through profit and loss (held for trading)	2 377	14 068
Other assets	22 212	0
LIABILITIES		
Deposits from banks	0	54
Deposits from customers	529 098	0
Liabilities from securities sold with buy-back clause	4 017	0
Financial liabilities valued at fair value through profit and loss (held for trading)	2 908	21 972
Other liabilities	15 095	0

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.06.2008

	With subsidiaries	With controlling entity
Income from:		
Interest	38 027	1 166
Commissions	49 511	0
Derivatives net	370	0
Dividends	80 576	0
Other net operating income	1 741	0
Expense from:		
Interest	10 033	213
Commissions	16	0
Derivatives net	0	982
General and administrative expenses	27 283	-1 513

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.06.2007

	With subsidiaries	With controlling entity
Income from:		
Interest	36 355	2 977
Commissions	54 828	0
Dividends	111 062	0
Other net operating income	4 274	0
Expense from:		
Interest	7 934	577
Commissions	127	0
Derivatives net	151	2 763
General and administrative expenses	10 050	-4 915

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 30.06.2008

	With subsidiaries	With controlling entity
Conditional commitments	262 055	307 848
Derivatives (par value)	1 084 077	804 412

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2007

	With subsidiaries	With controlling entity
Conditional commitments	251 906	470 126
Derivatives (par value)	1 300 005	821 304

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
29.09.2008	Bogusław Kott	Chairman of the Management Board	....
29.09.2008	Luis Pereira Coutinho	Deputy Chairman of the Management Board	....
29.09.2008	Fernando Bicho	Member of the Management Board	....
29.09.2008	Julianna Boniuk-Gorzelańczyk	Member of the Management Board	....
29.09.2008	Wojciech Haase	Member of the Management Board	....
29.09.2008	Joao Bras Jorge	Member of the Management Board	....
29.09.2008	Zbigniew Kudaś	Member of the Management Board	....
29.09.2008	Piotr Romanowski	Member of the Management Board	....