Report of the Bank Millennium S.A. Capital Group

for 1 half 2012

MAIN CONSOLIDATED FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	Period from 1.01.2012 - 30.06.2012	Period from 1.01.2011 - 30.06.2011*	Period from 1.01.2012 - 30.06.2012	Period from 1.01.2011 - 30.06.2011*
Interest income	1 524 362	1 271 967	360 830	320 613
Fee and commission income	329 852	331 593	78 079	83 582
Operating income	979 084	946 407	231 758	238 552
Operating profit	275 965	276 935	65 323	69 804
Profit (loss) before taxes	279 448	276 725	66 148	69 751
Profit (loss) after taxes	221 178	216 422	52 355	54 551
Total comprehensive income of the period	69 408	165 079	16 430	41 610
Net cash flows from operating activities	1 343 174	395 352	317 941	99 653
Net cash flows from investing activities	352 448	2 013 878	83 428	507 619
Net cash flows from financing activities	64 987	(1 132 280)	15 383	(285 403)
Net cash flows, total	1 760 609	1 276 950	416 752	321 869
Total Assets	51 506 506	50 838 099	12 087 041	11 510 166
Deposits from banks	2 137 006	1 831 577	501 492	414 684
Deposits from customers	39 887 724	37 427 835	9 360 459	8 473 971
Equity	4 655 653	4 586 245	1 092 543	1 038 364
Share capital	1 213 117	1 213 117	284 682	274 660
Number of shares	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN/EUR)	3.84	3.78	0.90	0.86
Diluted book value per share (in PLN/EUR)	3.84	3.78	0.90	0.86
Capital adequacy ratio	12.69%	13.23%	12.69%	13.23%
Earnings (losses) per ordinary share (in PLN/EUR)	0.18	0.18	0.04	0.04
Diluted earnings (losses) per ordinary share (in PLN/EUR)	0.18	0.18	0.04	0.04
Pledged or paid dividend per share (in PLN/EUR)	-	0.10	-	0.03

* Comparative balance sheet data were presented, in compliance with IFRS requirements, as at 31.12.2011. Other comparative data are presented for the period from 1.01.2011 to 30.06.2011.

Exchange rates accepted to convert selected financial data into EURO

The following rates were used to calculate amounts stated in EURO:

for balance sheet items: 4.2613 PLN/EURO – the exchange rate of 30 June 2012 (for comparative data as at 31 December 2011: 4,4168 PLN/EURO),

for profit and loss account items for the period from 1 January – 30 June 2012: 4,2246 PLN/EURO, the exchange rate was calculated as the average of the rates at the end of the months covered by the financial statements (for comparative data; 1 January – 30 June 2011: 3,9673 PLN/EURO).

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I. CONDENSED INTERIM FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2012

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I. GENERAL INFORMATION ON THE ISSUER

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

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

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

The Bank is parent company of a Capital Group (the Group) with over 6,100 employees with core business comprising banking, leasing, factoring, brokerage, capital operations, and investment fund management.

Supervisory Board and Management Board of Bank Millennium S.A. as at 30 June 2012

Annual General Meeting of the Bank (parent company of the Group) on 20 of April 2012 has chosen the following persons to the Supervisory Board of the Bank (in alphabetical order):

1. Nuno Manuel da Silva Amado,
2. Maciej Bednarkiewicz,
3. Miguel de Campos Pereira de Bragança,
4. Luís Maria França da Castro Pereira Coutinho,
5. Maria da Conceição Mota Soares de Oliveira Callé Lucas,
6. Marek Furtek,
7. Bogusław Kott,
8. Krzysztof Kwiatkowski,
9. Andrzej Koźmiński,
10. Marek Rocki,
11. Dariusz Rosati,
12. Rui Manuel da Silva Teixeira.

Mr Bogusław Kott has been appointed, conditional on his resignation from the position of Chairman of the Management Board of the Bank, however not earlier than 1 July 2013.

On 20 April 2012 a meeting was held of the Supervisory Board of the Bank, convened on the same day by the General Shareholders' Meeting for a new term, at which the Supervisory Board constituted itself, appointing Mr Maciej Bednarkiewicz as the Chairman of the Supervisory Board, Mr Nuno Manuel da Silva Amado as the Deputy Chairman of the Supervisory Board, Mr Marek Furtek as the Secretary of the Supervisory Board.

The Supervisory Board decided that the Management Board of the Bank shall have 8 members appointed as of 20 April 2012:

1. Bogusław Kott for Chairman of the Management Board,
2. Joao Bras Jorge for First Deputy Chairman of the Management Board,
3. Fernando Bicho and Artur Klimczak for Deputy Chairmen of the Management Board,
4. and Julianna Boniuk-Gorzelańczyk, Wojciech Haase, Andrzej Gliński and Maria Jose Campos as remaining Members of the Management Board.

Bank Millennium S.A. Capital Group

Bank Millennium S.A. is the parent company of the Group Millennium S.A. The companies comprising the Group as at 30 June 2012 are presented in table below:

Company	Activity domain	Head office	% of the Group's capital share	% of the Group's voting share	Recognition in financial statements
MILLENNIUM LEASING Sp. z o.o.	leasing services	Warsaw	100	100	consolidated
MILLENNIUM DOM MAKLERSKI S.A.	brokerage services	Warsaw	100	100	consolidated
MILLENNIUM TFI SA	investment funds management	Warsaw	100	100	consolidated
MB FINANCE AB	funding companies from the Group	Stockholm	100	100	consolidated
MILLENNIUM SERVICE Sp. z o.o.	general construction and engineering	Warsaw	100	100	consolidated
TBM Sp. z o.o.	financial operations - equity markets, advisory services	Warsaw	100	100	consolidated
MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o.	financial operations - equity markets, advisory services	Warsaw	100	100	consolidated
LUBUSKIE FABRYKI MEBLI S.A.	furniture manufacturer	Świebodzin	50	50	equity method valuation (*)
BG LEASING S.A. under bankruptcy	leasing services	Gdańsk	74	74	historical cost (*)
PHCRS S.A.	wholesale market	Gdańsk	38,39	42,92	equity method valuation

(*) Despite having a majority shareholding of the Lubuskie Fabryki Mebli S.A., accordingly adopted an investment policy, the Group actually affect neither financial nor operational policy of the company in order to achieve the economic benefits. As a result of aforementioned lack of control the Group does not consolidate capital involvement in the Lubuskie Fabryki Mebli S.A applying equity method instead, recognizing (based on IAS 28), this involvement as associate company. Additionally under the same criterion of control the Group does not consolidate accounts of BG Leasing S.A., in view of the ongoing company bankruptcy proceedings.

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 table presented above).

As a result of the liquidation of the company on 29 June 2012, Chamber of Commerce in Rotterdam, deregistered from the Commercial Register ("Commercial Register") BBG Finance BV. Until the liquidation of the company BBG Finance BV was a subsidiary of the Group and used to be included in the consolidated financial statements using full consolidation method.

II. INTRODUCTION AND ACCOUNTING PRINCIPLES

This condensed consolidated interim financial statement has been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statement does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in the consolidated financial statements of Bank Millennium S.A. Capital Group for the year ended 31 December 2011.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with later amendments) the Bank is required to publish the financial results for the six months ended 30 June 2012.

Condensed consolidated financial statements of the Group prepared for the period from 1 January 2012 to 30 June 2012:

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

The Board of Directors approved this condensed consolidated interim financial statement on 23 July 2012.

III. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2012 - 30.06.2012	1.04.2012 - 30.06.2012	1.01.2011 - 30.06.2011	1.04.2011 - 30.06.2011
Interest income	1	1 524 362	761 759	1 271 967	659 527
Interest expense	2	(935 239)	(468 502)	(728 165)	(371 689)
Net interest income		**589 123**	**293 257**	543 802	287 838
Fee and commission income	3	329 852	173 334	331 593	166 402
Fee and commission expense	4	(51 173)	(27 206)	(37 575)	(22 294)
Net fee and commission income		**278 679**	**146 128**	294 018	144 108
Dividend income		3 391	3 371	1 171	1 154
Result on investment financial assets		5 213	3 787	2 030	968
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	5	73 257	43 935	81 018	46 758
Other operating income		29 421	16 716	24 368	12 910
Operating income		**979 084**	**507 194**	**946 407**	**493 736**
General and administrative expenses	6	(531 439)	(263 058)	(520 759)	(265 386)
Impairment losses on financial assets	7	(111 567)	(73 832)	(81 185)	(44 129)
Impairment losses on non-financial assets		(84)	(58)	667	919
Depreciation and amortization		(28 106)	(14 043)	(34 163)	(16 858)
Other operating expenses		(31 923)	(17 413)	(34 032)	(20 757)
Operating expenses		**(703 119)**	**(368 404)**	**(669 472)**	**(346 211)**
Operating profit		**275 965**	**138 790**	**276 935**	**147 525**
Share of profit of associates		3 483	361	(210)	(210)
Profit / (loss) before taxes		**279 448**	**139 151**	**276 725**	**147 315**
Corporate income tax	8	(58 270)	(28 080)	(60 303)	(32 065)
Profit / (loss) after taxes		**221 178**	**111 071**	**216 422**	**115 250**
Attributable to:					
Owners of the parent		221 178	111 071	216 422	115 250
Non-controlling interests		0	0	0	0
Weighted average number of ordinary shares		1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Earnings (losses) per ordinary share (in PLN)		0.18	0.09	0.18	0.10

CONSOLIDATED TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2012 - 30.06.2012	1.04.2012 - 30.06.2012	1.01.2011 - 30.06.2011	1.04.2011 - 30.06.2011
Profit / (loss) after taxes	221 178	111 071	216 422	115 250
Other elements of total comprehensive income, including:				
Effect of valuation of available for sale debt securities	4 810	(2 367)	(8 745)	630
Effect of valuation of available for sale shares	258	(20)	1 615	1 305
Hedge accounting	(192 438)	11 160	(56 257)	11 511
Other elements of total comprehensive income before taxes	(187 370)	8 773	(63 387)	13 446
Corporate income tax on other elements of total comprehensive income	35 600	(1 667)	12 044	(2 555)
Other elements of total comprehensive income after taxes	(151 770)	7 106	(51 343)	10 891
Total comprehensive income of the period	69 408	118 177	165 079	126 141
Attributable to:				
Owners of the parent	69 408	118 177	165 079	126 141
Non-controlling interests	0	0	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	30.06.2012	31.12.2011
Cash, balances with the Central Bank		2 130 097	2 017 798
Loans and advances to banks	9	1 633 493	2 660 374
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	10	629 356	729 825
Hedging derivatives	11	102 643	130 636
Loans and advances to customers	12	41 256 419	41 332 337
Investment financial assets	13	4 791 972	3 133 595
- available for sale		4 791 972	3 133 595
- held to maturity		0	0
Investments in associates		14 638	11 155
Receivables from securities bought with sell-back clause (loans and advances)		192 468	2 209
Property, plant and equipment		188 217	212 347
Intangible assets		29 398	32 267
Non-current assets held for sale		29 920	32 713
Receivables from Tax Office resulting from current tax		15 672	101 985
Deferred tax assets	15	177 250	113 816
Other assets		314 963	327 042
Total Assets		**51 506 506**	**50 838 099**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.06.2012	31.12.2011
LIABILITIES			
Deposits from banks	16	2 137 006	1 831 577
Financial liabilities valued at fair value through profit and loss (held for trading)	17	491 792	574 215
Hedging derivatives	18	1 616 547	2 298 099
Deposits from customers	19	39 887 724	37 427 835
Liabilities from securities sold with buy-back clause		620 142	1 606 628
Debt securities	20	675 281	1 071 193
Provisions	21	26 996	35 427
Deferred income tax liabilities	22	0	0
Current tax liabilities		16 377	1 320
Other liabilities		739 310	742 332
Subordinated debt		639 678	663 228
LIABILITIES		46 850 853	46 251 854
EQUITY			
Share capital		1 213 117	1 213 117
Share premium		1 147 502	1 147 502
Revaluation reserve		(51 905)	99 865
Retained earnings		2 346 939	2 125 761
Total equity attributable to owners of the parent		4 655 653	4 586 245
Non-controlling interests		0	0
Total Equity		**4 655 653**	**4 586 245**
Total Liabilities and Equity		**51 506 506**	**50 838 099**

Book value	4 655 653	4 586 245
Number of shares	1 213 116 777	1 213 116 777
Book value per share (in PLN)	3.84	3.78

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2012	4 586 245	1 213 117	1 147 502	99 865	2 125 761
- total comprehensive income for I half 2012	69 408	0	0	(151 770)	221 178
Equity at the end of the period 30.06.2012	4 655 653	1 213 117	1 147 502	(51 905)	2 346 939

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2011	4 090 972	1 213 117	1 147 502	(50 256)	1 780 609
- dividend for 2010	(121 312)	0	0	0	(121 312)
- total comprehensive income of 2011	616 585	0	0	150 121	466 464
Equity at the end of the period 31.12.2011	4 586 245	1 213 117	1 147 502	99 865	2 125 761

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2011	4 090 972	1 213 117	1 147 502	(50 256)	1 780 609
- dividend for 2010	(121 312)	0	0	0	(121 312)
- total comprehensive income for I half 2011	165 079	0	0	(51 343)	216 422
Equity at the end of the period 30.06.2011	4 134 739	1 213 117	1 147 502	(101 599)	1 875 719

CONSOLIDATED CASH FLOW

A.CASH FLOWS FROM OPERATING ACTIVITIES

Amount ‘000 PLN	1.01.2012 - 30.06.2012	1.01.2011 - 30.06.2011
Profit (loss) after taxes	221 178	216 422
Adjustments for:	1 121 996	178 930
Non-controlling interests profit (loss)	0	0
Interests in net income (loss) of associated companies	(3 483)	210
Depreciation and amortization	28 106	34 163
Foreign exchange (gains)/ losses	(66 923)	16 126
Dividends	(1 307)	(1 171)
Changes in provisions	(8 431)	(1 944)
Result on sale and liquidation of investing activity assets	(12 686)	(2 354)
Change in financial assets valued at fair value through profit and loss (held for trading)	(98 139)	715 602
Change in loans and advances to banks	718 755	(783 486)
Change in loans and advances to customers	77 143	(1 866 007)
Change in receivables from securities bought with sell-back clause (loans and advances)	(190 259)	(18 148)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(763 975)	264 901
Change in deposits from banks	138 054	629 245
Change in deposits from customers	2 459 889	1 103 666
Change in liabilities from securities sold with buy-back clause	(986 486)	114 098
Change in debt securities	(260 332)	(15 553)
Change in income tax settlements	124 464	51 668
Income tax paid	(50 928)	(53 508)
Change in other assets and liabilities	9 057	(21 965)
Other	9 477	13 387
Net cash flows from operating activities	**1 343 174**	**395 352**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2012 - 30.06.2012	1.01.2011 - 30.06.2011
Inflows:	354 858	2 018 516
Proceeds from sale of property, plant and equipment and intangible assets	10 189	858
Proceeds from sale of shares in associates	2 084	0
Proceeds from sale of financial assets valued at fair value through profit and loss	0	0
Proceeds from sale of investment financial assets	341 278	2 016 487
Other	1 307	1 171
Outflows:	(2 410)	(4 638)
Acquisition of property, plant and equipment and intangible assets	(2 410)	(4 638)
Acquisition of shares in associates	0	0
Acquisition of financial assets valued at fair value through profit and loss	0	0
Acquisition of investment financial assets	0	0
Other	0	0
Net cash flows from investing activities	**352 448**	**2 013 878**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2012 - 30.06.2012	1.01.2011 - 30.06.2011
Inflows:	298 750	0
Long-term bank loans	298 750	0
Issue of debt securities	0	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other	0	0
Outflows:	(233 763)	(1 132 280)
Repayment of long-term bank loans	(72 372)	(787 520)
Redemption of debt securities	(135 580)	(189 413)
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	(121 312)
Other	(25 811)	(34 035)
Net cash flows from financing activities	**64 987**	**(1 132 280)**

D. NET CASH FLOWS, TOTAL (A + B + C)	1 760 609	1 276 950
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	3 643 000	3 259 049
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	5 403 609	4 535 999

IV. NOTES TO CONSOLIDATED FINANCIAL DATA

Note (1) Interest income and other of similar nature, including:

	1.01.2012 - 30.06.2012	1.04.2012 - 30.06.2012	1.01.2011 - 30.06.2011	1.04.2011 - 30.06.2011
Balances with the Central Bank	29 492	15 164	23 528	12 654
Deposits, loans and advances to banks	6 667	4 691	7 608	2 575
Loans and advances to customers	997 329	506 267	855 461	442 105
Transactions with repurchase agreement	5 506	3 608	4 831	4 063
Hedging derivatives	366 195	172 016	241 973	131 956
Financial assets held for trading (debt securities)	13 775	5 894	17 888	6 824
Investment securities	105 399	54 120	120 678	59 350
Total	1 524 362	761 759	1 271 967	659 527

Interest income for I half of 2012 includes interest accrued on loans with recognized impairment of PLN 45,867 thousand (for the comparative data for I half of 2011, such interest was PLN 47,852 thousand). This interest income is calculated based on net exposure amounts, which take into account the impairment charges made.

Note (2) Interest expense and other of similar nature, including:

	1.01.2012 - 30.06.2012	1.04.2012 - 30.06.2012	1.01.2011 - 30.06.2011	1.04.2011 - 30.06.2011
Banking deposits	(4 003)	(1 429)	(6 136)	(3 436)
Loans and advances	(31 479)	(16 248)	(36 763)	(15 937)
Transactions with repurchase agreement	(34 304)	(15 933)	(31 491)	(19 919)
Deposits from customers	(834 190)	(417 616)	(620 859)	(316 063)
Subordinated debt	(10 181)	(5 032)	(13 881)	(7 072)
Debt securities	(20 329)	(11 916)	(18 230)	(8 690)
Other	(751)	(326)	(805)	(572)
Total	(935 239)	(468 502)	(728 165)	(371 689)

Note (3) Fee and commission income

	1.01.2012 - 30.06.2012	1.04.2012 - 30.06.2012	1.01.2011 - 30.06.2011	1.04.2011 - 30.06.2011
Resulting from accounts service	46 492	23 591	53 922	27 325
Resulting from money transfers, cash payments and withdrawals and other payment transactions	19 110	9 956	21 743	10 947
Resulting from loans granted	36 311	19 573	31 459	15 639
Resulting from guarantees and sureties granted	9 499	3 944	9 695	4 684
Resulting from payment and credit cards	100 656	52 935	89 124	46 729
Resulting from sale of insurance products	46 524	21 960	39 900	20 554
Resulting from distribution of investment funds units and other savings products	18 657	14 333	25 321	11 774
Resulting from brokerage and custody service	9 927	4 372	17 171	7 771
Resulting from investment funds managed by the Group	34 647	18 346	37 522	18 477
Other	8 028	4 323	5 736	2 502
Total	329 852	173 334	331 593	166 402

Note (4) Fee and commission expense

	1.01.2012 - 30.06.2012	1.04.2012 - 30.06.2012	1.01.2011 - 30.06.2011	1.04.2011 - 30.06.2011
Resulting from accounts service	(899)	(486)	(694)	(406)
Resulting from money transfers, cash payments and withdrawals and other payment transactions	(768)	(385)	(1 534)	(910)
Resulting from loans granted	(8 762)	(4 323)	(8 342)	(4 587)
Resulting from payment and credit cards	(33 298)	(18 032)	(16 879)	(10 184)
Resulting from brokerage and custody service	(2 026)	(897)	(2 977)	(1 367)
Resulting from investment funds managed by the Group	(2 042)	(952)	(1 366)	(785)
Other	(3 378)	(2 131)	(5 783)	(4 055)
Total	(51 173)	(27 206)	(37 575)	(22 294)

Note (5) Result on financial instruments valued at fair value through profit and loss

	1.01.2012 - 30.06.2012	1.04.2012 - 30.06.2012	1.01.2011 - 30.06.2011	1.04.2011 - 30.06.2011
Operations on securities	(3 445)	(4 576)	(6 745)	(2 956)
Operations on derivatives	82	12 776	26 498	28 612
Fair value hedge accounting operations including:	2 643	70	(238)	(424)
- result from hedging derivatives	3 793	(1 248)	2 940	(6 823)
- result from items subjected to hedging	(1 150)	1 318	(3 178)	6 399
Foreign exchange result	74 855	36 367	62 402	22 258
Costs of financial operations	(877)	(701)	(899)	(732)
Total	**73 257**	**43 935**	**81 018**	**46 758**

Note (6) General and administrative expenses

	1.01.2012 - 30.06.2012	1.04.2012 - 30.06.2012	1.01.2011 - 30.06.2011	1.04.2011 - 30.06.2011
Staff costs:	(281 136)	(138 744)	(268 900)	(135 411)
Salaries	(234 699)	(115 970)	(227 113)	(114 899)
Surcharges on pay	(39 237)	(19 212)	(34 927)	(17 229)
Employee benefits, including:	(7 200)	(3 562)	(6 860)	(3 283)
- provisions for unused employee holiday	(15)	(10)	(18)	(9)
- other	(7 185)	(3 552)	(6 842)	(3 274)
General administrative costs	(250 303)	(124 314)	(251 859)	(129 975)
Costs of advertising, promotion and representation	(13 996)	(5 533)	(21 219)	(10 521)
Costs of software maintenance and IT services	(11 122)	(5 621)	(10 309)	(5 070)
Costs of renting	(95 196)	(47 590)	(91 816)	(46 873)
Costs of buildings maintenance, equipment and materials	(12 701)	(6 208)	(13 379)	(6 673)
ATM and cash maintenance costs	(10 400)	(5 224)	(9 613)	(4 878)
Costs of communications and IT	(30 608)	(15 101)	(34 093)	(16 960)
Costs of consultancy, audit and legal advisory and translation	(6 962)	(3 845)	(7 526)	(4 085)
Taxes and fees	(9 686)	(4 988)	(9 073)	(4 599)
KIR clearing charges	(1 594)	(829)	(1 439)	(734)
PFRON costs	(2 991)	(1 472)	(2 936)	(1 536)
Banking Guarantee Fund costs	(17 225)	(8 612)	(15 383)	(7 691)
Financial Supervision costs	(5 223)	(2 618)	(4 784)	(2 366)
Other	(32 599)	(16 673)	(30 289)	(17 990)
Total	**(531 439)**	**(263 058)**	**(520 759)**	**(265 386)**

Note (7) Impairment losses on financial assets

	1.01.2012 - 30.06.2012	1.04.2012 - 30.06.2012	1.01.2011 - 30.06.2011	1.04.2011 - 30.06.2011
Impairment losses on loans and advances to customers	(123 614)	(79 552)	(85 677)	(44 308)
Impairment write-offs created in the period	(383 082)	(183 490)	(303 676)	(126 401)
Impairment write-offs released in the period	253 910	102 816	217 603	81 883
Amounts recovered from loans written off	1 143	261	396	210
Sale of receivables	4 415	861	0	0
Impairment losses on securities	0	0	0	0
Impairment write-offs created in the period	0	0	0	0
Impairment write-offs released in the period	0	0	0	0
Impairment losses on off-balance sheet liabilities	12 047	5 720	4 492	179
Impairment write-offs for off-balance sheet liabilities	(4 148)	4 241	(3 901)	(688)
Reversal of impairment write-offs for off-balance sheet liabilities	16 195	1 479	8 393	867
Total	**(111 567)**	**(73 832)**	**(81 185)**	**(44 129)**

Note (8a) Income tax reported in income statement

	1.01.2012 - 30.06.2012	1.04.2012 - 30.06.2012	1.01.2011 - 30.06.2011	1.04.2011 - 30.06.2011
Current tax	(86 102)	(33 325)	(72 381)	(37 117)
Current year	(86 102)	(33 325)	(72 381)	(37 117)
Deferred tax:	27 835	5 247	12 078	5 052
Recognition and reversal of temporary differences	27 365	4 865	15 046	5 048
Recognition / (Utilisation) of tax loss	470	382	(2 968)	4
Adjustment resulted from Article 38a of CIT	(2)	(1)	0	0
Total income tax reported in income statement	**(58 270)**	**(28 080)**	**(60 303)**	**(32 065)**

Note (8b) Effective tax rate

	1.01.2012 - 30.06.2012	1.04.2012 - 30.06.2012	1.01.2011 - 30.06.2011	1.04.2011 - 30.06.2011
Gross profit / (loss)	279 448	139 150	276 725	147 315
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	(53 095)	(26 439)	(52 578)	(27 990)
Impact of permanent differences on tax charges:	**(5 173)**	**(1 639)**	**(7 725)**	**(4 075)**
Non taxable income	640	256	927	729
Dividend income	244	244	334	334
Release of other provisions	380	0	0	0
Other	16	12	593	395
Non tax-deductible costs	(5 813)	(1 895)	(8 652)	(4 804)
Loss realised on the sale of receivables portfolio	(1 411)	(48)	0	0
PFRON fee	(574)	(286)	(557)	(291)
Other	(3 828)	(1 561)	(8 095)	(4 513)
Adjustment resulted from Article 38a of CIT	**(2)**	(1)	0	0
Total income tax reported in income statement	**(58 270)**	**(28 080)**	**(60 303)**	**(32 065)**

Note (8c) Deferred tax reported directly in equity

	30.06.2012	31.12.2011
Valuation of available for sale securities	(311)	652
Valuation of cash flow hedging instruments	12 487	(24 077)
Deferred tax reported directly in equity	12 176	(23 425)

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

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

Tax Inspection Office control procedures

Millennium Leasing Sp. z o.o. tax control

As a result of negative findings of the tax inspection carried out in 2011 concerning income tax settlements for 2006, the Company paid the tax arrears of PLN 16.7 million. Of that amount the Tax Office returned PLN 9.8 million to the Company until completion of proceedings. The Company did not agree with the decision and appealed to the Regional Administrative Court, the appeal is under processing. In Q2'2012 the management has changed the risk assessment related to one of the issues raised by the Tax Control Inspectorate and recorded a provision of PLN 2.7 million. The management continues to support its view that the inspection findings by the Tax Inspection Office are not substantiated and the probability of resolving the matter in the company's favour is high.

Bank Millennium S.A. tax control procedures

As a result of negative findings of the tax inspection carried out in 2011 concerning income tax settlements for 2005, the Bank paid in November 2011 the tax arrears in the amount of PLN 69 million. Of that amount on 30 January 2012 the Tax Office returned PLN 66 million to the Bank until completion of proceedings by Tax Control Inspectorate. At the end of March 2012 the Bank received a letter from Tax Control Inspectorate that they had resumed the proceedings concerning CIT calculation for 2005, which is not finalized until now. No significant developments took place in 2Q'2012. No provision was recorded as at 30 June 2012, as the management continues to support its view that the inspection findings by the Tax Inspection Office are not substantiated and the probability of resolving the matter in the Bank's favour is high. The view is supported by the Bank's external legal counsel.

Note (9) Loans and advances to banks

	30.06.2012	31.12.2011
Current accounts	92 010	141 933
Deposits in other banks	1 119 058	2 112 215
Loans	418 422	402 152
Interest	4 003	4 069
Total (gross) loans and advances to banks	1 633 493	2 660 374
Impairment write-offs	0	0
Net loans and advances to banks	**1 633 493**	**2 660 374**

Note (10) Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge

	30.06.2012	31.12.2011
Debt securities	**291 279**	**316 250**
Issued by State Treasury	291 279	316 250
a) bills	49 545	0
b) bonds	241 734	316 250
Equity instruments	**388**	**1 996**
Quoted on the active market	388	1 996
a) financial institutions	0	0
b) non-financial institutions	388	1 996
Adjustment from fair value hedge	11 175	12 325
Positive valuation of derivatives	326 514	399 254
Total	**629 356**	**729 825**

Note (10)/Note (17) Valuation of derivatives, Adjustment from fair value hedge, and Liabilities from short sale of securities as at 30.06.2012

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	6 705	198 183	191 478
Forward Rate Agreements (FRA)	1 034	1 327	293
Interest rate swaps (IRS)	11 179	195 914	184 735
Other interest rate contracts: volatility swap, swap with FX option	(5 508)	942	6 450
2. FX derivatives	(1 185)	65 963	67 148
FX contracts	3 212	9 626	6 415
FX swaps	12 402	53 671	41 269
Other FX contracts (CIRS)	(16 799)	2 655	19 455
FX options	0	10	10
3. Embedded instruments	(52 773)	0	52 773
Options embedded in deposits	(30 913)	0	30 913
Options embedded in securities issued	(21 859)	0	21 859
4. Indexes options	52 514	62 368	9 854
Valuation of derivatives	**5 260**	**326 514**	**321 254**
Valuation of hedged position in fair value hedge accounting		11 175	
Liabilities from short sale of securities			170 539

Note (10)/Note (17) Valuation of derivatives, Adjustment from fair value hedge, and Liabilities from short sale of securities as at 31.12.2011

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	2 039	256 334	254 295
Forward Rate Agreements (FRA)	658	780	122
Interest rate swaps (IRS)	7 725	255 073	247 347
Other interest rate contracts: volatility swap, swap with FX option	(6 345)	481	6 826
2. FX derivatives	(172 581)	82 086	254 666
FX contracts	(759)	12 474	13 234
FX swaps	(151 902)	65 426	217 329
Other FX contracts (CIRS)	(19 919)	4 133	24 052
FX options	0	52	52
3. Embedded instruments	(43 108)	0	43 108
Options embedded in deposits	(24 163)	0	24 163
Options embedded in securities issued	(18 945)	0	18 945
4. Indexes options	47 939	60 834	12 896
Valuation of derivatives	**(165 711)**	**399 254**	**564 965**
Valuation of hedged position in fair value hedge accounting		12 325	
Liabilities from short sale of securities			9 250

In the I half of 2012 the Group started to apply hedge accounting for following transactions:

	Hedging fair value of the fixed rate portfolio of FX liabilities and floating rate portfolio of FX receivables
Description of hedge transactions	The Group hedges the risk related to changes in fair value of the fixed rate portfolio of FX liabilities and floating rate portfolio of FX receivables resulting from variation in interest rate component (margin)
Hedged items	Fixed rate portfolio of FX liabilities and floating rate portfolio of FX receivables
Hedging instruments	CIRS transactions
Presentation of the result on the hedged and hedging transactions	adjustment to fair value of hedged instruments and of the valuation of hedging instruments is recognised in profit and loss as result on financial instruments valued at fair value through profit and loss and foreign exchange result; interest on hedging and hedged instruments is recognised in net interest income

Other types of hedge accounting the Group applies are:

	Cash flow volatility hedge for the flow generated by mortgage loans with floating rate, denominated in foreign currency	Cash flow volatility hedge for the flow generated by future revenues and expenditures denominated in foreign currency
Description of hedge transactions	The Group hedges (in time horizon limited to maturity of hedging instruments) currency risk and interest rate risk resulting from volatility in cash flows generated by mortgage loans with floating rate denominated in foreign currency. exchanging interests flow in foreign currency into PLN flows using FX SWAPS	The Group hedges FX risk resulting from future revenues and expenditures denominated in foreign currency by exchange of aforementioned flows into PLN ones.
Hedged items	Cash flows resulting from mortgage loans with floating rate denominated in foreign currency.	Cash flows resulting from future revenues and expenditures denominated in foreign currency.
Hedging instruments	FX Swap transactions	FX Forward transactions
Presentation of the result on the hedged and hedging transactions	effective part of valuation of hedging instruments is recognised in revaluation reserve; interest from hedging instruments (settled Swap points) are recognised in the net interest income	effective part of spot revaluation of hedging instruments is recognised in revaluation reserve;

	Hedging fair value of the portfolio of long-term consumer loans	Cash flow volatility hedge for the flow generated by FX mortgage portfolio and its underlying PLN deposits
Description of hedge transactions	The Group hedges the risk of the fair value of the long-term consumer loan portfolio denominated in PLN based on a fixed interest rate. The risk hedged results from interest rate fluctuations	The Group hedges the risk of the volatility of cash flows generated by FX mortgages and by PLN deposits financially underlying such loans. The volatility of cash flows results from the currency risk and interest rate risk.
Hedged items	Fixed rate PLN long-term consumer loan portfolio.	Cash flows resulting from the mortgage loan portfolio and PLN deposits funding them.
Hedging instruments	IRS transactions	CIRS transactions
Presentation of the result on the hedged and hedging transactions	adjustment to fair value of hedged assets and of the valuation of hedging instruments is recognised in profit and loss as result on financial instruments valued at fair value through profit and loss and foreign exchange result; interest on hedging and hedged instruments is recognised in net interest income	effective part of the valuation of hedging instruments is recognised in revaluation capital; interest on both the hedged and the hedging instruments is recognised in net interest income; valuation of hedging and hedged instruments on FX differences is recognised in financial instruments valued at fair value through profit and loss and foreign exchange result

Note (11)/Note (18) Hedge accounting 30.06.2012

	Fair values			Adjustment to fair value of hedged items for hedged risk
	Total	Assets	Liabilities	
Fair value hedging derivatives connected with interest rate risk				
IRS contracts	(13 639)	321	13 960	9 718
CIRS contracts	(85 198)	0	85 198	1 457
Cash flows hedging derivatives connected with interest rate and/or FX rate				
CIRS contracts	(1 364 072)	90 872	1 454 944	x
FX SWAP contracts	3 375	10 362	6 986	x
FX Forward contracts	(54 370)	1 088	55 457	x
Total	(1 513 904)	102 643	1 616 547	x

Note (11)/Note (18) Hedge accounting 31.12.2011

	Fair values			Adjustment to fair value of hedged items for hedged risk
	Total	Assets	Liabilities	
Fair value hedging derivatives connected with interest rate risk				
IRS contracts	(19 841)	195	20 036	12 325
Cash flows hedging derivatives connected with interest rate and/or FX rate				
CIRS contracts	(1 986 978)	89 391	2 076 369	x
FX SWAP contracts	(88 359)	41 050	129 409	x
FX Forward contracts	(72 285)	0	72 285	x
Total	(2 167 463)	130 636	2 298 099	x

Note (12) Loans and advances to customers

	30.06.2012	31.12.2011
Loans and advances	37 841 869	37 984 890
- to companies	6 543 158	6 438 670
- to private individuals	30 511 945	30 699 165
- to public sector	786 766	847 055
Receivables on account of payment cards	792 592	822 652
- due from companies	37 296	29 066
- due from private individuals	755 296	793 586
Purchased receivables	72 755	69 426
- from companies	59 729	7 055
- from public sector	13 026	62 371
Guarantees and sureties realised	33 094	234
Debt securities eligible for rediscount at Central Bank	18 798	17 573
Financial leasing receivables	3 503 664	3 397 143
Other	2 172	1 509
Interest	273 008	256 279
Total gross	**42 537 951**	**42 549 706**
Impairment write-offs	(1 281 532)	(1 217 369)
Total net	**41 256 419**	**41 332 337**

In 2012 the Bank changed the presentation of financial data in the area of receivables from credit cards extracting from this item interest and presenting them together with interest accrued from the other exposures in a separate line. These change concerns the grouping of financial data and in view of the financial statements affects only the presentation of information in above note. In order to maintain comparability of financial information appropriate changes in the presentation of financial data for 2011 have been made in relation to previously published data in financial statements for year 2011.

Note (12) Quality of loans and advances to customers portfolio

	30.06.2012	31.12.2011
Loans and advances to customers (gross)	42 537 951	42 549 706
- impaired	2 209 832	2 104 134
- not impaired	40 328 118	40 445 572
Impairment write-offs	(1 281 532)	(1 217 369)
- for impaired exposures	(1 100 788)	(1 028 290)
- for incurred but not reported losses (IBNR)	(180 744)	(189 079)
Loans and advances to customers (net)	**41 256 419**	**41 332 337**

Note (12) Loans and advances to customers portfolio by methodology of impairment assessment

	30.06.2012	31.12.2011
Loans and advances to customers (gross)	42 537 951	42 549 706
- case by case analysis	1 198 423	1 134 557
- collective analysis	41 339 528	41 415 149
Impairment write-offs	(1 281 532)	(1 217 369)
- on the basis of case by case analysis	(510 675)	(440 667)
- on the basis of collective analysis	(770 857)	(776 702)
Loans and advances to customers (net)	**41 256 419**	**41 332 337**

Note (12) Loans and advances to customers portfolio by customers

	30.06.2012	31.12.2011
Loans and advances to customers (gross)	42 537 951	42 549 706
- corporate customers	11 089 751	10 892 513
- individuals	31 448 200	31 657 193
Impairment write-offs	(1 281 532)	(1 217 369)
- for receivables from corporate customers	(692 388)	(628 028)
- for receivables from private individuals	(589 144)	(589 341)
Loans and advances to customers (net)	**41 256 419**	**41 332 337**

Note (12) Change of impairment write-offs for loans and advances to customers

	01.01.2012 - 30.06.2012	01.01.2011 - 31.12.2011
Balance at the beginning of the period	1 217 369	1 187 286
Change in value of provisions:	64 163	30 082
Impairment write-offs created in the period	383 082	599 103
Amounts written off	(55 240)	(114 239)
Impairment write-offs released in the period	(253 910)	(419 043)
Changes resulting from FX rates differences	(4 050)	25 638
Sale of receivables	(6 023)	(61 657)
Other	304	280
Balance at the end of the period	**1 281 532**	**1 217 369**

Note (13) Investment financial assets available for sale

	30.06.2012	31.12.2011
Debt securities	**4 790 628**	**3 132 507**
Issued by State Treasury	1 576 258	1 927 780
a) bills	0	0
b) bonds	1 576 258	1 927 780
Issued by Central Bank	3 108 113	1 099 887
a) bills	3 108 113	1 099 887
b) bonds	0	0
Other securities	106 257	104 840
a) listed	0	0
b) not listed	106 257	104 840
Shares and interests in other entities	1 344	1 088
Total financial assets available for sale	**4 791 972**	**3 133 595**

Note (14) Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Property, plant and equipment	Intangibles	Non-current assets held for sale	Other assets
Balance as at 01.01.2012	16 637	24 870	3 988	1 913	9 588
- Write-offs created	0	0	0	32	225
- Write-offs released	0	0	0	(60)	(113)
- Utilisation	0	0	0	(1 681)	(231)
- Other changes	0	0	0	0	0
Balance as at 30.06.2012	16 637	24 870	3 988	204	9 469

Impairment write-offs:	Investment securities	Property, plant and equipment	Intangibles	Non-current assets held for sale	Other assets
Balance as at 01.01.2011	16 637	27 017	3 988	607	10 368
- Write-offs created	0	0	0	447	1 032
- Write-offs released	0	0	0	(385)	(1 630)
- Utilisation	0	(911)	0	0	(182)
- Other changes	0	(1 236)	0	1 244	0
Balance as at 31.12.2011	16 637	24 870	3 988	1 913	9 588

Note (15) Assets / Note (22) Provision from deferred income tax

	30.06.2012			31.12.2011		
	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	68 571	(27 704)	40 867	36 303	(43 468)	(7 165)
Balance sheet valuation of financial instruments	568 140	(548 782)	19 358	704 399	(674 714)	29 685
Unrealised receivables/ liabilities on account of derivatives	74 783	(95 742)	(20 959)	86 083	(112 753)	(26 670)
Interest on deposits and securities to be paid/received	54 089	(82 543)	(28 454)	52 288	(78 780)	(26 492)
Interest and discount on loans and receivables	104	(21 367)	(21 263)	1 266	(21 230)	(19 964)
Income and cost settled at effective interest rate	3 994	(3 347)	647	5 682	(4 228)	1 454
Provisions for loans presented as temporary differences	138 740	0	138 740	131 992	0	131 992
Employee benefits	11 746	0	11 746	11 688	0	11 688
Provisions for future costs	20 756	0	20 756	15 709	0	15 709
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	12 487	(311)	12 176	652	(24 077)	(23 425)
Tax loss deductible in the future	599	0	599	129	0	129
Other	6 222	(3 185)	3 037	31 873	(4 998)	26 875
Net deferred income tax asset	960 231	(782 981)	177 250	1 078 064	(964 248)	113 816

Note (16) Deposits from banks

	30.06.2012	31.12.2011
In current account	182 062	146 393
Term deposits	234 154	163 485
Loans and advances received	1 719 174	1 520 012
Interest	1 616	1 687
Total	2 137 006	1 831 577

Note (19) Deposits from customers by type structure

	30.06.2012	31.12.2011
Amounts due to private individuals	23 210 313	23 013 040
Balances on current accounts	7 908 743	7 341 102
Term deposits	15 025 097	15 354 993
Other	108 697	124 686
Accrued interest	167 776	192 259
Amounts due to companies	13 255 610	12 893 058
Balances on current accounts	2 471 051	3 069 164
Term deposits	10 498 548	9 549 544
Other	220 343	215 016
Accrued interest	65 668	59 334
Amounts due to public sector	3 421 801	1 521 737
Balances on current accounts	665 805	714 708
Term deposits	2 705 037	770 357
Other	40 593	34 093
Accrued interest	10 366	2 579
Total	**39 887 724**	**37 427 835**

Note (20) Change of debt securities

	01.01.2012 - 30.06.2012	01.01.2011 - 31.12.2011
Balance at the beginning of the period	1 071 193	1 141 007
- change of bonds issued in leasing portfolio securitization transaction	(135 580)	(359 814)
- change of bonds issued by subsidiary company	(299 795)	279 763
- change of bonds issued by the Bank	(45 763)	(142 562)
- change of bank's securities issued	85 227	152 799
Balance at the end of the period	675 281	1 071 193

Note (21) Provisions

	01.01.2012 - 30.06.2012	01.01.2011 - 31.12.2011
Provision for off-balance sheet commitments		
Balance at the beginning of the period	22 271	14 273
Charge of provision	4 148	17 226
Release of provision	(16 195)	(9 228)
FX rates differences	(16)	0
Balance at the end of the period	10 208	22 271
Provision for contentious claims		
Balance at the beginning of the period	13 156	7 172
Charge of provision	5 676	11 468
Release of provision	(2 005)	(4 646)
Utilisation of provision	(40)	(837)
Balance at the end of the period	16 788	13 156
Total	**26 996**	**35 427**

V. CHANGES IN RISK MANAGEMENT PROCESS

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

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

Credit risk

In the first half of 2012 the Group activity related to lending policy changes in corporate finance segment included in particular the introduction of a new methodology concerning the developer enterprise assessment and new principles for financing of such projects - the methodology takes into account the entry into force of the Act on the protection of purchaser of a dwelling or a detached house - and other adjustments of the policy according to business development and new economic environment of different sectors, in particular, the construction sector.

In the retail segment in the first half of 2012, the actions taken on risk management, focused in the following areas:

- ✓ changes as regards segmentation of Small Business customers,
- ✓ improvement of the credit process through modification of verification rules of some information used in order to make credit decision.

Changes also took place in Retail Recovery Department and concerned, among other, organizational changes in the recovery process of mortgage loans.

Changes in the loan portfolio of the Group in II Q 2012 are summarized below:

In '000 PLN	30.06.2012		31.12.2011	
	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	38 160 027	1 633 493	38 361 813	2 660 374
Overdue, but without impairment	2 168 091	0	2 083 759	0
With impairment	2 209 833	0	2 104 134	0
Gross	42 537 951	1 633 493	42 549 706	2 660 374
Impairment write-offs together with IBNR	(1 281 532)	0	(1 217 369)	0
Net	**41 256 419**	**1 633 493**	**41 332 337**	**2 660 374**

Market risk

In the first half of 2012, the Bank continued its conservative approach to market risk management that has been adopted since 2009. In effect, the VaR indicators in the period under consideration for the Global Bank, that is Trading Book and Banking Book, remained at relatively low levels with exposure to market risk of approx. PLN 19,3 m (21% of the limit) and approx. PLN 16,2 m (17% of the limit) as of the end of June 2012. The market risk exposure in the Bank, together with risk type division, is presented in the table below.

VaR measures for market risk ('000 PLN)

	30.06.2012		VaR (from 31 December 2011 till 30 June 2012 r.)			31.12.2011	
	Exposure	Average use of limit in period	Average	Maximum	Minimum	Exposure	Average use of limit in period
Total risk	**16 233**	**17%**	**19 280**	**26 341**	**14 411**	**19 925**	**21%**
Generic risk	13 408	14%	16 491	23 557	11 586	16 912	19%
Interest Rate VaR	13 479	15%	16 466	23 550	11 554	16 871	19%
FX Risk	223	2%	368	1 588	42	94	1%
Equity risk	0	n.a.	7	280	0	0	n.a.
Diversification Effect	2%					0%	
Non-linear risk	0	0%	0	0	0	0	0%
Commodities risk	0	0%	0	0	0	0	0%
Specific risk	2 826	7%	2 786	2 827	2 757	2 790	7%

In 1H 2012 the Value at Risk limits were not exceeded.

Open positions contain mainly interest rate and FX risk instruments. According to the Risk Strategy approved in the Bank, the FX open position is allowed, however should be kept at low levels. For this purpose, the Bank has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows to keep FX open positions only in Trading Book, specifically in the areas of Trading and Market Risk Strategy Portfolio (Positioning Portfolio).

In case of the Banking Book, in order to manage interest rate risk, the non-trading portfolio sensitivity analysis has been performed and hedging strategies have been applied to mitigate this risk. The Bank is performing monthly risk transfer from Commercial Area of the Banking Book to the Areas, where the risk is being managed on the operational level (i.e. respectively ALM and Funding). Those transaction have a macro hedging character.

Bank performs hedging strategies against interest rate risk connected with the fixed rate loan portfolio, in particular with the portfolio of cash loans and leasing portfolio. Cash loans portfolio was partially hedged with amortizing IRS transactions and incorporated into the hedge accounting. In the part not hedged by dedicated transactions, the portfolio is economically hedged with fixed rate deposits. The leasing fixed-rate portfolio is fully hedged by IRS transactions. In connection with the implementation of the risk transfer procedure, the Bank runs the process of calculation the hedged portfolios' market value changes in a series of additional stress tests carried out every month. Stress tests scenarios assumes the change of shape and location of yield curves and aims at verification of the hedge effectiveness against interest rate risk.

Liquidity risk

In H1 2012, all the internal liquidity indicators as well as regulatory quantitative liquidity measures remained within the limits.

The main source of financing of the Bank is the large and well-diversified deposits base. Deposit base concentration, measured by share of 5 and 20 highest depositors at the end of June 2012 was maintained at levels that have been maintained for years – approximately 5% and 10% respectively. This level of concentration does not have any negative impact on the stability of the deposit base. In case of significant increase of the share of the largest depositors, the additional funds from the depositors are not treated as stable. Despite of that, in order to prevent deposit base fluctuations, the bank maintains the reserves of liquid assets in the form of securities portfolio. Additionally, in February 2012 the Bank prolonged for one additional year the agreement with Millennium BCP for the unconditional and irrevocable off-balance sheet commitment which gives the Bank right for withdrawal of 200 million EUR. This Stand-by Facility is treated as an additional liquidity buffer which can be used in case of need.

The Bank manages FX liquidity through the use of FX-denominated bilateral loans as well as subordinated debt, Cross Currency Swap and FX Swap transactions. The swaps portfolio is diversified in term of counterparties and maturity dates. For the majority of counterparties the Bank has signed a Credit Support Annex to the master agreements. As a result, in case of unfavourable changes of FX rates (PLN depreciation), the Bank is obliged to place deposits as collateral with counterparties in order to secure the settlement of derivative instruments in the future, and in case of favourable FX rates changes (PLN appreciation) receives deposits as collateral from the counterparty.

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

All the structural liquidity gaps were maintained far away from the defined limits even under stress scenarios. Stress tests as regards structural liquidity are carried out every month to understand the Bank's liquidity risk profile, to make sure that the Bank is able to meet its commitments in the event of a liquidity crisis and to contribute to preparing a contingency plan regarding liquidity and management decisions. The Bank has also contingency procedures for an increased liquidity risk situation – the Liquidity Contingency Plan, which is regularly updated.

Operational risk

In the first half of 2012 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with the best practice of international financial institutions.

The operational risk management model, implemented by Bank Millennium Group, codified in the general strategy of Millennium BCP is reviewed and accepted on a regular basis by the Management Board.

In keeping with the adopted solution, risk management is a process of continuous improvement as regards identification, assessment, monitoring, control/mitigating and reporting by complementary activities.

In the first half of 2012 the Group continued efforts to continuously improve business processes in the context of optimizing the exposure to operational risk through preventive measures to reduce the frequency, as well as actions taken to reduce the financial impact of losses.

VI. OPERATIONAL SEGMENTS

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

Retail Customer Segment

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

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

Corporate Customer Segment

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

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

Treasury and investment activity

This segment covers the Group's activity as regards investments by the Treasury Department, brokerage, inter-bank market transactions and taking positions in debt securities, which are not assigned to other segments. This segment includes other assets and other liabilities, assets and liabilities connected with hedging derivatives, liabilities connected with external funding of the Group and deferred income tax assets not assigned to any of the segments.

Unallocated (Other) assets and liabilities and revenues and expenses

The income tax charge has been presented at the Group level only.

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

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

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

Income statement 1.01.2012 – 30.06.2012

In '000 PLN	Retail Banking	Corporate Banking	Treasury and Investment Banking	Total consolidated
Net interest income	505 647	129 961	(46 486)	589 123
external income	722 293	332 928	469 141	1 524 362
external cost	(509 123)	(326 395)	(99 722)	(935 239)
External income less cost	213 170	6 533	369 419	589 123
internal income	562 251	309 501	(871 752)	0
internal cost	(269 774)	(186 073)	455 847	0
Internal income less cost	292 477	123 428	(415 905)	0
Net fee and commission income	208 475	65 945	4 258	278 679
Dividends, other income from financial operations and foreign exchange profit	45 159	25 440	11 264	81 861
Other operating income and cost	3 301	(7 652)	1 849	(2 502)
Operating income	**762 581**	**213 694**	**(29 115)**	**947 161**
Staff costs	(201 503)	(64 437)	(15 196)	(281 136)
Administrative costs	(198 226)	(35 843)	(16 235)	(250 303)
Impairment losses on assets	(42 107)	(73 033)	3 489	(111 651)
Depreciation and amortization	(24 430)	(3 287)	(389)	(28 106)
Operating expenses	**(466 266)**	**(176 600)**	**(28 330)**	**(671 196)**
Share in net profit of associated companies	0	0	3 483	3 483
Profit / (loss) before taxes	**296 315**	**37 094**	**(53 962)**	**279 448**
Income taxes				(58 270)
Profit / (loss) after taxes				**221 178**

Balance sheet 30.06.2012

In '000 PLN	Retail Banking	Corporate Banking	Treasury and Investment Banking	Total consolidated
ASSETS				
Segment assets	32 213 533	13 655 689	5 637 284	51 506 506
Assets allocated to segment	1 089 190	2 490 680	(3 579 869)	0
Total	33 302 722	16 146 369	2 057 415	51 506 506
LIABILITIES				
Segment liabilities	27 673 898	14 726 452	4 450 504	46 850 853
Liabilities allocated to segment	2 581 115	180 294	(2 761 409)	0
Equity allocated to segment	3 047 710	1 239 623	368 320	4 655 653
Total	33 302 722	16 146 369	2 057 415	51 506 506

Income statement 1.01.2011 – 30.06.2011

In '000 PLN	Retail Banking	Corporate Banking	Treasury and Investment Banking	Total consolidated
Net interest income	485 250	128 005	(69 453)	543 802
external income	643 387	255 739	372 841	1 271 967
external cost	(405 913)	(214 091)	(108 161)	(728 165)
External income less cost	237 474	41 648	264 680	543 802
internal income	456 917	212 837	(669 754)	0
internal cost	(209 141)	(126 480)	335 621	0
Internal income less cost	247 776	86 357	(334 133)	0
Net fee and commission income	221 676	62 334	10 008	294 018
Dividends, other income from financial operations and foreign exchange profit	44 362	23 435	16 422	84 219
Other operating income and cost	(2 162)	(9 464)	1 962	(9 664)
Operating income	**749 126**	**204 310**	**(41 061)**	**912 375**
Staff costs	(190 421)	(61 470)	(17 009)	(268 900)
Administrative costs	(199 305)	(37 616)	(14 938)	(251 859)
Impairment losses on assets	(43 716)	(37 517)	715	(80 518)
Depreciation and amortization	(28 685)	(4 259)	(1 219)	(34 163)
Operating expenses	**(462 127)**	**(140 862)**	**(32 451)**	**(635 440)**
Share in net profit of associated companies	0	0	(210)	(210)
Profit / (loss) before taxes	**286 999**	**63 448**	**(73 722)**	**276 725**
Income taxes				(60 303)
Profit / (loss) after taxes				**216 422**

Balance sheet 31.12.2011

In '000 PLN	Retail Banking	Corporate Banking	Treasury and Investment Banking	Total consolidated
ASSETS				
Segment assets	29 727 878	13 538 125	7 572 096	50 838 099
Assets allocated to segment	3 403 840	1 180 685	(4 584 525)	0
Total	33 131 718	14 718 810	2 987 571	50 838 099
LIABILITIES				
Segment liabilities	27 971 468	13 447 209	4 833 182	46 251 859
Liabilities allocated to segment	2 287 224	173 654	(2 460 878)	0
Equity allocated to segment	2 873 026	1 097 947	615 267	4 586 240
Total	33 131 718	14 718 810	2 987 571	50 838 099

VII. DESCRIPTION OF RELATED PARTY TRANSACTIONS

VII.1. Description of related party transactions

All the transactions concluded between Group entities in the period from 1 January 2012 to 30 June 2012 resulted from their ongoing activity. Below, we are presenting amounts of the most important intra-group transactions concluded between the following entities, which were eliminated in the data consolidation process:

- BANK MILLENNIUM S.A.,
- MILLENNIUM LEASING Sp. z o.o.,
- MILLENNIUM DOM MAKLERSKI S.A.,
- MILLENNIUM TFI S.A.,
- MB FINANCE A.B.,
- ORCHIS Sp. z o.o.,
- MILLENNIUM SERVICE Sp. z o.o.,
- MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o.,
- TBM Sp. z o.o.

and with the Capital Group of Bank parent company - Banco Comercial Portugues (these transactions are mainly of banking nature). Apart from transactions described herein, in the indicated period neither Bank Millennium S.A., nor subsidiaries of Bank Millennium S.A. made any other transactions with related entities, which individually or jointly may have been significant and concluded under terms and conditions other than market-based.

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN ‘000 PLN) AS AT 30.06.2012

	With subsidiaries	With parent Group
ASSETS		
Loans and advances to banks – accounts and deposits	201 053	28 366
Loans and advances to customers	2 591 181	0
Receivables from securities bought with sell-back clause	5 531	0
Investments in associates	306 201	0
Investment financial assets	860 304	0
Financial assets valued at fair value through profit and loss (held for trading)	2 747	0
Hedging derivatives	0	2 908
Other assets	263 279	84

LIABILITIES		
Deposits from banks	2 283 056	221 543
Deposits from customers	459 643	0
Liabilities from securities sold with buy-back clause	5 531	0
Debt securities	204 901	0
Hedging derivatives	0	222 151
Financial liabilities valued at fair value through profit and loss (held for trading)	225	261
Subordinated debt	639 678	0
Other liabilities	337 390	501
- including liabilities from financial leasing	72 673	0

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2011

	With subsidiaries	With parent Group
ASSETS		
Loans and advances to banks – accounts and deposits	221 963	248 655
Loans and advances to customers	2 219 694	0
Receivables from securities bought with sell-back clause	15 707	0
Investments in associates	311 287	0
Investment financial assets	878 844	0
Financial assets valued at fair value through profit and loss (held for trading)	3 618	0
Hedging derivatives	0	0
Other assets	297 105	105
LIABILITIES		
Deposits from banks	1 761 654	74 971
Deposits from customers	622 226	0
Liabilities from securities sold with buy-back clause	15 707	00
Debt securities	199 864	299 795
Financial liabilities valued at fair value through profit and loss (held for trading)	1 096	91
Hedging derivatives	0	304 263
Subordinated debt	663 228	0
Other liabilities	379 964	469
- including liabilities from financial leasing	72 634	0

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.06.2012

	With subsidiaries	With parent Group
Income from:		
Interest	54 694	60 591
Commissions	21 696	76
Derivatives net	0	0
Dividends	48 650	0
Other net operating income	53 710	509
Expense from:		
Interest	57 362	19 409
Commissions	24 726	1 359
Derivatives net	0	325
General and administrative expenses	53 336	2 243

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.06.2011

	With subsidiaries	With parent Group
Income from:		
Interest	54 869	44 379
Commissions	25 400	0
Derivatives net	0	4 332
Dividends	24 734	0
Other net operating income	40 766	1 155
Expense from:		
Interest	58 121	22 708
Commissions	25 570	4 300
Derivatives net	426	0
General and administrative expenses	37 508	2 300

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 30.06.2012

	With subsidiaries	With parent Group
Conditional commitments	68 922	968 655
Derivatives (par value)	62 243	5 243 852

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2011

	With subsidiaries	With parent Group
Conditional commitments	123 238	986 570
Derivatives (par value)	154 177	5 361 126

VII.2. Information on the value of prepayments, loans, advances and guarantees granted

Data as at 30.06.2012

	Members of the Management Board	Members of the Supervisory Board
Total debt limit (in '000 PLN),	788.0	145.0
- including an unutilized limit (in '000 PLN),	376.4	127.1
Mortgage loans and credits	3 378.4	-
Active guarantees	-	-

The Group provides standard banking services to persons related to Members of the Management Board and Members of the Supervisory Board, which services comprise i.a.: keeping bank accounts, accepting deposits or sale of financial instruments. In the Bank's opinion these transactions are concluded on market terms and conditions.

Information on total exposure towards companies and groups personally related as at 30.06.2012:

Entity	Amount (PLN'000)	Relation
Company No 1	5 068	Personal with a supervising person
Company No 2	440	Personal with a supervising person
Group No 1	120 622	Personal with a supervising person
Group No 2	4 108	Personal with a supervising person

Outstanding loans granted to staff from Company Social Benefits Fund:

- in the Bank - 3 460.1 PLN ths
- in Millennium Leasing - 1 243.7 PLN ths

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

Information on total exposure towards the members of the Manegement and Supervisory Boards as at 31.12.2011:

	Members of the Management Board	Members of the Supervisory Board
Total debt limit (in '000 PLN),	1 198.0	165.0
- including an unutilized limit (in '000 PLN),	702.9	143.3
Mortgage loans and credits	3 576.3	-
Active guarantees	-	-

Information on total exposure towards companies and groups personally related as at 31.12.2011:

Entity	Amount (PLN'000)	Relation
Company No 1	5 868	Personal with a supervising person
Company No 2	455	Personal with a supervising person
Company No 3	1 382	Personal with a supervising person
Group No 1	170 611	Personal with a supervising person

Outstanding loans granted to staff from Company Social Benefits Fund:

- in the Bank - 3 902,3 PLN ths.
- in Millennium Leasing - 1 298.7 PLN ths.

VII.3. Information on compensations and benefits of the members of the Manegement and Supervisory Boards

Remuneration (including provisions created) of the Members of the Management Board of the Bank (data in thousand PLN):

Period	Short term salaries and bonuses	Benefits	TOTAL
1.01-30.06.2012	8 584	496	9 080
1.01-30.06.2011	9 373	645	10 018

The benefits are mainly the costs of accommodation of the foreign members of the Board.

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

Period	Short term salaries and benefits
1.01-30.06.2012	1 179
1.01-30.06.2011	804

VII.4. Balance of the Bank's shares held by the Bank's Supervisory and Management Board Members

Name and surname	Function	Number of shares as of delivery date of quarterly report prepared as at 31.03.2012	Number of shares as of delivery date of quarterly report prepared as at 30.06.2012
Bogusław Kott	Chairman of the Management Board	4 465 791	4 465 791
Joao Bras Jorge	First Deputy Chairman of the Management Board	0	0
Fernando Bicho	Deputy Chairman of the Management Board	0	0
Artur Klimczak	Deputy Chairman of the Management Board	0	0
Julianna Boniuk-Gorzelańczyk	Member of the Management Board	492 248	492 248
Andrzej Gliński	Member of the Management Board	0	0
Wojciech Haase	Member of the Management Board	7 494	7 494
Maria Jose Campos	Member of the Management Board	0	0
Jerzy Andrzejewicz	Proxy	6 260	6 260
Maciej Bednarkiewicz	Chairman of the Supervisory Board	134	134
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	-	0
Marek Furtek	Secretary of the Supervisory Board	1	1
Miguel de Campos Pereira de Bragança	Member of the Supervisory Board	-	0
Luís Maria França de Castro Pereira Coutinho	Member of the Supervisory Board	0	0
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Krzysztof Kwiatkowski	Member of the Supervisory Board	-	0
Maria da Conceição Mota Soares de Oliveira Callé Lucas	Member of the Supervisory Board	-	0
Marek Rocki	Member of the Supervisory Board	0	0
Dariusz Rosati	Member of the Supervisory Board	0	0
Rui Manuel da Silva Teixeira	Member of the Supervisory Board	-	0

VIII. CONTINGENT ASSETS AND LIABILITIES

The total value of the largest lawsuits as at 30 June 2012, in which Group companies acted as claimants or defendants before courts and arbitration bodies, was PLN 495.6 million. The total value of the largest lawsuits, in which Group companies acted as defendants was PLN 321.9 million and the total value of the largest lawsuits, in which Group companies acted as claimants was PLN 173.7 million.

Descriptions of the important, accordingly opinion of the issuer, ongoing lawsuits involving the Group's entities, broken down into three categories are following:

Proceedings connected with derivatives

As of 30 June 2012 the Bank was party to 42 lawsuits connected with derivatives, where in 33 cases the Bank was the defendant, while in 9 as the plaintiff. Accordingly to the Bank's best knowledge the total disputed value in these lawsuits was PLN 344.0 million. The highest unit value of the dispute was PLN 71.1 million.

The largest lawsuits connected with derivatives in which Group companies are defendants:

Lawsuit 1

Plaintiff: legal person

Value of the object of the dispute: PLN 71,065,495

Object: Claim for return of amounts due on account of settlement of FX options.

Case status: On 10 January 2011 the lawsuit was formally received by an attorney of the Bank, who in cooperation with the Bank prepared and delivered on 24 January 2011 to the court a reply to the lawsuit. The first hearing on November 23, 2011, was of the preparation nature. The Court obliged representatives of parties to make some actions to be completed within 14 days, under the threat of suspension of the proceedings. During hearings that took place 16.03.2012, 30.03.2012 and 25.05.2012 witnesses were questioned further hearings are going to be continued during July. Case in progress.

Expectations: the Bank's attorney has a positive view of the chances of the Bank getting a positive ruling.

Lawsuit 2

Plaintiff: legal person

Value of the object of the dispute: PLN 31,049,160

Object: The plaintiff claims that the disputed transaction was not concluded effectively owing to failure to agree on essentials components. Additionally the plaintiff claims that he has evaded the legal effects of his statements of will, which were made in error.

Case status: The first hearing was held on 26 October 2010. During this hearing witnesses were questioned. Other witnesses were heard and recorded phone calls investigated during hearings, which took place April 12, and 8 November 2011, 28 February and 12 June 2012. The Court appointed date for next hearings on September 14, 2012 when another witnesses going to be questioned.

Expectations: the Bank's attorney has a positive view of the chances of the Bank getting a positive ruling.

The other largest lawsuits in which Group companies are defendants except Proceedings with participation of the Chairman of UOKiK:

Lawsuit 1

Plaintiff: joint stock company in bankruptcy

Value of the subject matter of the dispute: PLN 49,075,504

Object: Ruling ineffectiveness of:

- conditional real estate sale agreement in Świnoujście between a joint stock company seated in Świnoujście and a joint stock company seated in Sopot;
- real estate sale agreement in Świnoujście;
- three operating sale and leaseback agreements dated 18 June 2002.

Case status: On 29 April 2011 the District Court in Gdańsk dismissed all complaints of plaintiff, adjudging the amount of PLN 18,015 to the Millennium Leasing as return of incurred court fees. On 27 June 2011 the Court received the appeal of the plaintiff, which the attorney of company received on 9 September. Then, on 26 September 2011, was sent a reply, which sought to dismiss the appeal in its entirety. On 11 October 2011 Regional Court at the request of the Millennium Leasing amended obvious clerical error found in the judgment of 29 April (instead of defining the subject matter of the dispute as a matter "for recognition of the legal acts for the unsuccessful" indicated "payment"). The Court of Appeal in Gdansk at the first meeting, held on 28 March 2012, decided to postpone the trial until 17 April 2012. On 17 April 2012 the case was postponed once again (no date was set), additionally the Court decided to question an expert using video conference formula. Another hearing was held on 18 May. Millennium Leasing Sp. of o.o. received judgment with justification on 2 July 2012 - Court of Appeal dismissed the appeal of trustee against the judgment of the District Court in Gdansk on 29 April 2011, and ordered the plaintiff to reimburse process costs for the second instance in the amount of PLN 5,400. The judgment is final, yet the deadline for lodging a cassation appeal for the opposing party has not yet expired.

According to the Group's estimations, regardless of the verdict issued by the court, there is no need to establish any reserves; the only financial consequences for the Group are limited to incurred court fees.

Lawsuit 2

Plaintiff: natural person

Value of the subject matter of the dispute: PLN 2,263,894

Object: Claim aimed at depriving the feasibility of the Executive title

Case status: In the judgment of the Court of Appeal, case returned to the Court of first instance, in order to judge whether termination of the agreement was effective. On 13 April 2012, the Court issue a verdict in the favour of plantiff. The Bank' attorney requested the preparation and providing justification of the verdict. The verdict is not legally valid.

Proceedings with participation of the Chairman of UOKiK:

Proceedings concerning determination of interchange fees in connection with transactions done with Visa and Europay/Eurocard/Mastercard cards

The Bank is a party in proceedings instituted by the Chairman of UOKiK against operators of the Visa and Europay systems as well as banks – issuers of Visa and Europay/Eurocard/Mastercard cards. The proceedings concern practices restricting competition on the card payments market in Poland, whereby interchange fees were said to be agreed jointly for transactions done with Visa and Europay/Eurocard/Mastercard cards and also access was restricted for entrepreneurs who did not belong to the association of card issuers against whom the proceedings were instituted. On 29 December 2006 the Chairman of UOKiK deemed the practices consisting in jointly agreeing on interchange fees as restricting competition and ordered desisting from their use, at the same time imposing i.a. on the Bank a cash penalty of PLN 12.158.370. On 19 January 2007 the Bank appealed against the decision of the Chairman of UOKiK to SOKiK. On 25 august 2008 SOKiK gave a ruling, in which it decided to suspend enforcement of the appealed decision in the item concerning the order to desist from jointly agreeing on the interchange fees.

In the ruling of 12 November 2008 SOKiK changed the appealed decision so that it did not find use of practice restricting competition, consisting in participation by banks participants in the proceedings (including the Bank) in an agreement restricting competition on the market of outsourcing of services connected with payment of consumers' liabilities to merchants on account of payments for goods and services purchased by the consumers with use of cards in Poland, by jointly agreeing on interchange fees charged on transactions done with Visa and MasterCard cards in Poland.

On 12 January 2009 the Chairman of UOKiK appealed against this ruling. Response to the appeal has been lodged by the Bank on 13 February 2009.

On 22/04/2010, the appeals hearing was held, after which the Court of Appeal overturned the positive for banks verdict entirely, sending the case back to the court of first instance. At the meeting held on 9 February 2012, the Court took into account the request of the representative of the Bank and set the date of the next hearing on April 24, and then on May 8. On May 8, 2012, the Court issued an order suspending the proceedings; the Bank filed a complaint against that ruling on May 29, 2012. Case in progress.

OFF-BALANCE ITEMS

Amount '000 PLN	30.06.2012	31.12.2011
Off-balance conditional commitments granted and received	**9 064 236**	**10 036 027**
Commitments granted:	8 092 860	8 695 495
- financial	6 405 940	6 641 320
- guarantee	1 686 921	2 054 175
Commitments received:	971 376	1 340 532
- financial	862 426	883 360
- guarantee	108 951	457 172

IX. ADDITIONAL INFORMATION

IX.1. Data on assets securing liabilities

As at 30 June 2012, the Bank's following assets secured its liabilities (In '000 PLN):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds OK0114	available for sale	Initial security deposit for bond futures	500	466
2.	Treasury bonds OK0114	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	161 320	150 294
3.	Treasury bonds WZ0115	available for sale	Lombard credit granted to the Bank by the NBP	130 000	132 912
4.	Treasury bonds WZ0115	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	37 545	38 386
5.	Treasury bonds WZ0115	available for sale	Loan agreement	182 000	186 077
6.	Treasury bonds WZ0117	available for sale	Loan agreement	371 000	377 493
7.	Treasury bonds WZ0117	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	26 000	26 455
8.	Cash		Payment to the Futures Settlement Guarantee Fund	100	100
9.	Deposits	Deposits on other banks	Settlement on transactions entered	1 068 019	1 068 019
		TOTAL		1 976 484	1 980 201

As at 31 December 2011, the Bank's following assets securing its liabilities (In '000 PLN):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds WZ0115	available for sale	Lombard credit granted to the Bank by the NBP	280 000	284 301
2.	Treasury bonds OK0114	available for sale	Lombard credit granted to the Bank by the NBP	500	453
3.	Treasury bonds WZ0115	available for sale	Initial security deposit for bond futures	37 545	38 122
4.	Treasury bonds OK1012	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	16 374	15 788
5.	Treasury bonds PS0416	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	25 548	26 204
6.	Treasury bonds OK0114	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	133 000	120 624
7.	Cash		Payment to the Futures Settlement Guarantee Fund	100	100
8.	Deposits	Deposits on other banks	Settlement on transactions entered	1 801 044	1 801 044
9.	Loans and advances to customers	Loans and advances	Loan agreement	127 009	125 793
		TOTAL		2 421 120	2 412 429

IX.2. Dividend for 2011

According to the decision of the General Meeting held on 20 April 2012, the Bank will not pay the dividend from the profit for the year ended 31 December 2011 (this whole profit was dedicated for reserve capital).

The dividend amounted to PLN 0.1 gross per share, was paid on 30 May 2011 from the profit for the year ended 31 December 2010.

IX.3. Earnings per share

Profit per share calculated for I half 2012 (and diluted profit per share) on the basis of the consolidated data amounted to PLN 0.18.

IX.4. Shareholders holding no less than 5% of the total number of votes at the shareholder meeting of the Group's parent company – Bank Millennium S.A.

The data relating to number of shares, percentage share in equity, number of votes and their percentage share in total number of votes at the Shareholder Meeting were prepared based on: information included in the shareholders' announcements sent to the Bank in accordance with art 69 of the "Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies", or based on information provided by shareholders when registering at the Bank's Shareholder Meeting (the number of shares registered at the Shareholder Meeting may be lower than the number of shares actually held) as well as information published otherwise as stipulated by legal regulations.

Data as at the delivery date of the report for I half 2012

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	794 751 136	65.51	794 751 136	65.51
ING Otwarty Fundusz Emerytalny	61 645 799	5.08	61 645 799	5.08

Data as at the delivery date of the report for I quarter 2012

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	794 751 136	65.51	794 751 136	65.51
ING Otwarty Fundusz Emerytalny	61 645 799	5.08	61 645 799	5.08

IX.5. Information about loan sureties or guarantees extended by the Group

In I half 2012, the Group did not grant any sureties or guarantees for a loan or bank loan to a single entity, which would cause the Group's exposure on this account to the Client as at 30 June 2012 to exceed 10% of the Group's equity as at the balance sheet date.

IX.6. Other additional information

As at 30 June 2012, the Group has no material obligations under the purchase of property, plant and equipment, and during the period covered by the condensed consolidated statement, Group did not:

- create substantial write-offs for inventories,
- conclude significant acquisitions and sales of property, plant and equipment,
- make correction of prior period errors,
- introduce significant changes in determining the fair value for financial instruments valued at fair value,
- make any reclassification of financial assets as a result of changes in purpose or use.

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

SIGNATURES:

Date	Name and Surname	Position/Function	Signature
23.07.2012	Bogusław Kott	Chairman of the Management Board	....
23.07.2012	Joao Bras Jorge	First Deputy Chairman of the Management Board	....
23.07.2012	Fernando Bicho	Deputy Chairman of the Management Board	....
23.07.2012	Artur Klimczak	Deputy Chairman of the Management Board	....
23.07.2012	Julianna Boniuk-Gorzelańczyk	Member of the Management Board	....
23.07.2012	Wojciech Haase	Member of the Management Board	....
23.07.2012	Andrzej Gliński	Member of the Management Board	....
23.07.2012	Maria Jose Campos	Member of the Management Board	....

II. MANAGEMENT BOARD REPORT OF THE BANK MILLENNIUM CAPITAL GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2012

CONTENTS

I. MARKET CONDITIONS AND GROUP STRATEGY

I.1. Macroeconomic situation

The first half of 2012 showed moderate deterioration in the Polish economy. In the first quarter, the GDP growth moderated to 3.5% year-on-year from 4.3% year-on-year in the fourth quarter of 2011. On the seasonally adjusted basis, the economy grew by 0.9% quarter-to-quarter which was the weakest result since Q1 2010. Growth of investments in fixed assets went down to 6.7% year-on-year in Q1 as compared with 9.7% year-on-year in the fourth quarter of 2011. The investments growth was supported by infrastructure works ahead of UEFA EURO 2012, while private investments slowed down markedly as deteriorating economic outlook for Poland and Eurozone refrained the Polish companies from investing in fixed assets. In the same time individual consumption remained weak. Its pace of growth at 2.1% year-on-year in first quarter of 2012 remained at the low level from the previous quarter. Slow growth of private consumption reflects deterioration in the labour market, high inflation and low growth of households' disposable incomes. Similar trends were maintained in the second quarter as real growth of retail sales in the first five months of this year stood at 5.8% year-on-year compared to the growth of 7.9% year-on-year in the corresponding period of the previous year.

Negative impact on consumption was caused by situation in the labour market. Although registered unemployment rate declined from 13.2% in January to estimated 12.4% in June (on the back of seasonal factors), it was higher than in the comparing periods of the previous year pointing to deterioration in the Polish labour market. Polish companies refrained from increasing employment because of uncertainty about global economic growth. In the first half of the year employment growth in the enterprise sector slipped to almost zero, while growth of average earnings decreased to below 4.0% year-on-year in nominal terms, pushing real growth to zero. Low dynamics of households' disposable income will reduce inflationary pressures and consumption growth in the next quarters.

On the supply side of the GDP the strongest increase of value added was observed in construction, transport and trade. In the first quarter of 2012 the value added in construction increased by 9.6% year-on-year supported by investments in infrastructure. Value added in industry grew by 3.4% year-on-year, which is the slowest pace since 3Q 2009. Deterioration in Polish industry reflects slower external demand and reduction in export orders because of lower GDP growth in the Eurozone. In the second quarter further deterioration of growth was observed in industry and construction. PMI survey showed decrease of the index to below 50 pts. suggesting contraction in the Polish manufacturing. Retail sales growth decelerated during first half of 2012 as well, however EURO 2012 boosted consumption in May and June.

In the first half of the year the CPI inflation remained at the elevated levels, above the upper band of the NBP target (2.5% +/- 1%), reaching 4.3% year-on-year in June 2012. The headline inflation was volatile during that period driven by supply factors, especially food and fuel prices, as well as changes of administrated prices. Demand pressure remained subdued, and core inflation excluding food and energy hovered around 2.5% year-on-year. Supply side factors, connected with the decline of oil price, statistical effects and slower economic growth should support gradual decrease of inflation in next months.

The Monetary Policy Council responded to CPI inflation exceeding the NBP target by increasing interest rates by 25 basis points in May 2012 despite of decelerating economic growth and deterioration in the labour market. After the hike, the reference rate reached 4.75%. The aim of the hike was to avoid increasing households' inflation expectations and the occurrence of "second round effects". The rate hike should be one-off and interest rates are expected to stay unchanged in coming months. The new inflation and GDP projection prepared by the central bank implies that GDP growth in 2013 will fall below its 2012 level, while inflation, after a temporary rise in 3Q 2012, will be gradually declining and will be close to the inflation target in 2013.

When it comes to monetary aggregates, in the first half of 2012 one could observe further increase of households deposits, supported by higher nominal interest rates and high volatility in the financial markets that reduced households' appetite for investments in riskier assets like equities and mutual funds. The nominal value of households' deposits in June was by estimated 5.6 billion zlotys higher than in March and by 14.9 billion zlotys higher compared with December 2011. Their annual growth rate hovered around 12%. Growth of deposits in the corporate sector was decelerating during the first half of this year. At the end of June their nominal value was estimated to be 11.1 billion zlotys lower than in December 2011 and the annual rate was equal to 5.9% as compared with 9.4% year-on-year in December 2011. The credit growth moderated in first half of 2012. The annual dynamics of total loans decelerated to estimated 9.0% in June as compared with 13.7% year-on-year in December 2011. Excluding FX movements the decline of loan portfolio was even deeper. Annual dynamics of households' loans moderated to estimated 7.5% year-on-year in June reflecting slower consumption, while dynamics of loans to corporate sector went down to 11.5% year-on-year in June driven by lower investments.

I.2. Strategy of the Group

During 1st half 2012 year Bank was continuing its strategy of sustainable business growth in Poland, followed since 2010. Relationship retail banking and SMEs remain the main areas of business growth, while keeping the best quality standards is an important priority in the area of customer service. At the same time the Group sticks to its tight cost management principles. Sustainability of the growth, in the current volatile situation on global financial markets, means also a bigger focus on prudent management of liquidity and capital position of the Bank.

In terms of business development, Bank Millennium Group achieved growth in both deposits and loans: customer funds grew by 9.7% and loans by 6.9% yearly when compared to June 2011.

On retail side, growth of deposit base is driven mainly by actions targeting growth of savings accounts and time deposits and by acquisition of new, active customers through the sale of “Dobre Konto” (“Good Account”) current account. This innovative product was launched in the beginning of 2011. It is directed to active clients fulfilling minimum conditions, like monthly inflow of money, and gives in exchange many attractive features such as exemption of fees and a cashback on shopping in grocery shops, supermarkets and petrol stations. The sale of “Dobre Konto”, supported by a visible marketing campaign, is very successful and has brought almost 300 thousands new accounts till the end of June 2012. The “Dobre Konto” account, together with its debit card, has received many prestigious awards in Poland and abroad. Increase of customer base thanks to the new current account campaign gives also opportunity to increase sale of other products, including loans. First half of 2012 brought a significant increase of sale of both mortgage and cash loans when compared with 1H 2011. Also investment funds, especially those with low risk profile, were successfully offered to retail customers during 1H 2012.

In companies segment the Bank continues strategy focused on SME companies aimed at being a bank of the first choice for these customers. The Group has acquired over 600 new corporate customers during 1st half 2012. Traditionally, Bank Millennium Group keeps strong position in leasing and factoring services for business clients and achieved visible increase in sale of both products when comparing to the previous year.

High quality of services provided to customers remains one of the most important elements of the Group’s current strategy. Bank Millennium launched in 2011 a dedicated Quality Project with a goal to improve customers satisfaction with service delivered and to become a market leader in customer service standards. The Project covered all areas of activity, including branches, call center, internet and headquarter. First results of the Project became already visible, as Bank Millennium acquired few awards for the quality standards in 2011 year (from Newsweek, Forbes and jakoscobsługi.pl). Since then, quality improvement system became regular and important component of the Bank’s everyday activities.

The Bank also follows very high standards in the areas of corporate governance, investor relations and responsible activities towards environment, society and its own personnel. This was proved by the fact that Bank Millennium has qualified again to the RESPECT Index - created by the Warsaw Stock Exchange the first index of socially responsible companies in the CEE region.

The above mentioned and other initiatives aimed at business and revenue growth are being implemented without increase of operating costs. The Bank and the Group have adopted a very tight cost management process in order to ensure cost savings in case of lower than expected growth of income. Cost-to-income ratio below 60% is the current target for cost efficiency of the Group and this level was achieved already in 2011 and was kept during 1H 2012.

Prudent management of liquidity position of Bank Millennium Group is reflected by the fact that loans-to-deposits ratio hovers slightly above 100% fluctuating due to the changes of FX rate, which influences part of loans portfolio denominated in foreign currencies. Customers’ loans are financed in the vast majority by a well-diversified deposit base.

Bank Millennium Group maintains solid capital adequacy ratios: consolidated CAR was 12.7% and Core Tier 1 ratio at 11.2% level as at the end of June 2012. The ratios stay much above the minimum required by the Polish regulations and include already a very conservative risk weight of 100% on retail FX loans, which just came into force on 30th June 2012.

Conservative risk management is another pillar of the Bank’s strategy and is proved by one of the lowest share of impaired loans among top Polish banks: 5.2% as at the end of June 2012. The Group enjoys good quality of its mortgage portfolio and an improving trend in consumer lending area. Quality of the portfolio of loans to companies deteriorated recently but the portfolio is diversified in order to protect the Bank in case of a deterioration of the economic environment or in particular sectors.

For the second half of 2012 year, Bank intends to continue the same strategy of sustainable growth of business in Poland accompanied by prudent liquidity and credit risk management. At the same time, the Bank will proceed with a review and update of its medium-term strategy and targets.

II. FINANCIAL SITUATION OF BANK MILLENNIUM GROUP

II.1. Profit and Loss account

Operating Income (PLN million)	1 H 2012	1 H 2011	Change 2012/2011
Net Interest Income *	609.0	573.8	6.1%
Net Commissions Income	278.7	294.0	-5.2%
*Core income***	*887.6*	*867.8*	*2.3%*
Other Non-Interest Income ***	59.5	44.6	33.4%
Operating Income	947.2	912.4	3.8%

(*) Pro-forma data: Net Interest Income includes margin from all derivatives. From 1st January 2006 the Bank started to treat under hedge accounting principles the combination of mortgage floating rate foreign currency loans, floating rate PLN deposits and related cross currency interest rate swaps (and from 1st of April 2009 also FX swaps). The margin from these operations is reflected in Net Interest Income since afore-mentioned change. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides pro-forma data, which presents all margin from derivatives in Net Interest Income caption, whereas in accounting terms part of this margin (PLN 19.8 m in 1H 2012 and PLN 29.9 m in 1H 2011) is presented in Other Non-Interest Income. In the Bank's opinion, such approach allows better understanding of the real evolution of this item from economic point of view.

(**) sum of Net Interest Income and Net Commission Income

(***) includes FX results, Results on Financial Operations and net other operating income and costs

Net Interest Income (pro-forma) reached PLN 609.0 million in 1st half 2012 growing by 6.1% versus 1st half 2011. Also in quarterly terms net interest grew visibly by 6.2% in 2Q'12 versus 1Q reaching PLN 313.6 million i.e. the level close to the historical record (PLN 316.6 million in 3Q'11). At the same time net interest margin (calculated on interest earnings assets) in 1st half 2012 stood almost at the same level of 2.5% as in 1st half of 2011. In 2Q'12 NIM reached 2.53% i.e. 10 b.p.s more than in 1Q'12, driven by improvement in deposit margin supported by market interest rate increase.

Net Commissions Income for 1H'12 reached PLN 278.7 million which means 5.2% less in yearly terms due to lower investment products and capital markets related fees (a decrease by PLN 16.5 million). However in quarterly terms this component of fee income recorded visible growth which contributed, together with higher loans fees, to the increase of total fees and commission income by 10.2% in 2Q'12 compared to 1Q'12.

Core income, defined as a combination of net interest and commission income, grew by 2.3% compared to 1st half 2011 to the amount of PLN 887.6 million.

Other non-interest income visibly grew by 33.4% versus 1st half 2011 mostly thanks to better FX income and higher dividend income.

Total operating income of the Group reached PLN 947.2 million in 1st half 2012 and increased by 3.8% yearly. In quarterly terms there was a remarkable 7.1% growth of total operating income: from PLN 457.4 million in 1Q 2012 to PLN 489.8 million in 2Q 2012.

Operating Costs (PLN million)	1 H 2012	1 H 2011	Change 2012/ 2011
Personnel Costs	(281.1)	(268.9)	4.6%
Administrative Costs	(250.3)	(251.9)	-0.6%
Depreciation	(28.1)	(34.2)	-17.7%
Administrative Costs + Depreciation	*(278.4)*	*(286.1)*	*-2.7%*
Total Operating Costs	(559.5)	(554.9)	0.8%
Cost/Income Ratio	59.1%	60.8%	-1.7 p.p.

Total costs in 1st half 2012 amounted to PLN 559.5 million, which means almost the same level (0.8% growth) as in 1st half 2011. Total costs in 2Q 2012 reached PLN 277.1 million and were 1.9% lower than PLN 282.4 million realized in 1Q 2012 thanks to lower both staff and other administrative cost.

Personnel costs grew 4.6% yearly, partially due to new social security charges introduced in 2012 year. Total number of employees in the Group increased slightly by 52 compared to the end of June 2011 to 6 159 persons (in Full Time Equivalents), which means relatively stable annual level (0.9% y/y increase only). In quarterly terms personnel costs decreased by 2.6% in 2Q versus 1Q'12.

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

Employment structure (in FTEs)	30.06.2012	30.06.2011	Change 2012/2011
Bank Millennium S.A.	5 770	5 726	44
Subsidiaries	389	381	8
Total Bank Millennium Group	6 159	6 107	52

Administrative costs (including depreciation) in 1st half 2012 fell by 2.7% compared to 1st half 2011, caused mainly by lower depreciation. In quarterly terms administrative costs (including depreciation) in 2Q'12 decreased by 1.2% q/q to the level of PLN 138.4 million.

Cost-to-Income ratio improved both yearly and quarterly and reached in 2Q'12 the best historical level of 56.6%. In 1st half 2012 C/I ratio stood at 59.1% i.e. by 1.7 p.p. less than in 1st half 2011.

Pre-tax Income and Net Income (PLN million)	1 H 2012	1 H 2011	Change 2012/2011
Operating Income	947.2	912.4	3.8%
Operating Costs *	(559.5)	(554.9)	0.8%
Impairment provisions	(111.7)	(80.5)	38.7%
Pre-tax Income	279.4	276.7	1.0%
Income tax	(58.3)	(60.3)	-
Net Income	221.2	216.4	2.2%

** without impairment provisions for financial and non-financial assets*

Impairment provisions in 1st half 2012 grew by 38.7% versus 1st half 2011 mainly due to the necessity of covering risks in construction sector. Despite that, in relative terms (i.e. compared to the average net loans) total provisions created in 1H'12 stood at 55 bps level i.e. not far from last year average level of 45 bps.

Pre-tax Income for 1st half 2012 amounted to PLN 279.4 million, which means 1.0% increase compared to the gross income for 1st half 2011. **Net Income** for the analysed period increased to PLN 221.2 million i.e. by 2.2% compared to the value of 1st half 2011. The growth was supported by visible operating income increase by 3.8% y/y and by 7.1% q/q and good cost control but was adversely affected by higher cost of risk. In quarterly terms net profit grew by 0.9% from PLN 110.1 million in 1Q 2012 to PLN 111.1 million in 2Q 2012.

II.2. Balance Sheet

ASSETS

The Group's assets as at 30 June 2012 totalled PLN 51,507 million and were 6.6% higher compared to the balance at the end of the June 2011. Main Group's assets and the changes of particular components of Group's asset as on specified dates are presented in the table below:

ASSETS (PLN million)	30.06.2012		30.06.2011		Change 2012/2011
	Value	Structure	Value	Structure	(%)
Cash and operations with the Central Bank	2 130.1	4.1%	1 473.2	3.0%	44.6%
Loans and advances to banks	1 633.5	3.2%	2 268.4	4.7%	-28.0%
Loans and advances to customers	41 256.4	80.1%	38 592.9	79.8%	6.9%
Receivables from securities bought with sell-back clause	192.5	0.4%	73.2	0.2%	162.8%
Financial assets valued at fair value through P&L and hedging derivatives	732.0	1.4%	1 009.7	2.1%	-27.5%
Investment financial assets*	4 806.6	9.3%	4 095.6	8.5%	17.4%
Intangible assets and property, plant and equipment **	217.6	0.4%	241.4	0.5%	-9.9%
Other assets	537.8	1.0%	585.5	1.2%	-8.1%
Total assets	51 506.5	100.0%	48 340.0	100.0%	6.6%

** including investments in associates*

*** excluding fixed assets for sale*

Higher assets level resulted primarily from growth in loans and advances to customers by PLN 2,663 million, i.e. 6.9%, which was partly an effect of Polish currency depreciation versus main foreign currencies.

Loans and advances to Customers

Loans and advances to Clients constitute a dominant position in the asset structure (80.1%) and as on 30 June 2012 their net value reached PLN 41,256 million and was 6.9% higher compared to June 2011 level. The growth in loans was, to a high extent, an effect of FX changes, mainly with respect to mortgage loans in CHF. Without the FX factor, the increase of loans versus June 2011 would reach approximately 2.4%.

The structure and evolution of loans and advances to Clients is presented in the table below:

Loans and advances to Clients *(PLN million)*	30.06.2012	30.06.2011	Change (value)	Change (%)
Loans to households	30 859.1	28 805.1	2 053.9	7.1%
- mortgage loans	28 036.8	25 928.2	2 108.7	8.1%
- other loans to households	2 822.2	2 877.0	-54.7	-1.9%
Loans to businesses	10 397.4	9 787.8	609.6	6.2%
- leasing	3 361.0	3 237.9	123.1	3.8%
- other loans to businesses	7 036.3	6 549.9	486.4	7.4%
Total Loans & Advances to Clients	41 256.4	38 592.9	2 663.5	6.9%

Investment financial assets

The value of investment financial assets (including investments in associates) equalled PLN 4,807 million at the end of June 2012 and increased by PLN 711 million i.e. 17.4% compared to the balance as on 30 June 2011 mainly due to PLN 908 million increase in the portfolio of debt securities issued by the Polish central bank. The increase resulted from the normal liquidity management of the Group. Investment financial assets portfolio (including investments in associates) was composed in 97.5% of debt securities issued by the Polish State Treasury and National Bank of Poland (the central bank).

Financial assets valued at fair value through profit and loss and hedging derivatives

Value of the financial assets valued at fair value through profit and loss and hedging derivatives totalled PLN 732 million at the end of June 2012 which signifies a PLN 278 million decrease (i.e. 27.5%) compared to 30 June 2011. This was a result of a PLN 273 million decrease of State Treasury debt securities whereas assets from positive valuation of derivatives (designated for trade and hedging) did not change materially during the analysed period. The discussed assets portfolio comprised mainly State Treasury debt securities (bonds and treasury bills) that constituted 39.8% share at the end of June 2012 and positive valuation of derivatives designated for trade and hedging that together accounted for 60.2% share. The share of equity instruments in the portfolio is negligible.

Loans and advances to banks

Loans and advances to banks (including interbank deposits) amounted to PLN 1,633 million at the end of June 2012 which means a decrease by PLN 635 million (i.e. 28%) year-on-year. Collateral deposits for transactions hedging risk were a primary cause of this item’s drop, which resulted from changes in valuation of these transactions, mainly as a consequence of exchange rate changes.

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment equalled at the end of June 2012 PLN 218 million, which means a decrease by 9.9% yearly as a result of standard depreciation.

LIABILITIES

The value and structure of the Group's liabilities as at the end of June 2012 and 2011 are shown in the table below:

LIABILITIES (PLN million)	30.06.2012		30.06.2011		Change 2012/2011
	Value	Structure	Value	Structure	(%)
Deposits from banks	2 137.0	4.6%	1 916.0	4.3%	11.5%
Deposits from customers	39 887.7	85.1%	36 498.8	82.6%	9.3%
Liabilities from securities sold with buy-back clause	620.1	1.3%	784.8	1.8%	-21.0%
Financial liabilities valued at fair value through P&L and hedging derivatives	2 108.3	4.5%	2 384.6	5.4%	-11.6%
Liabilities from issue of debt securities	675.3	1.4%	936.0	2.1%	-27.9%
Provisions	27.0	0.1%	19.5	0.0%	38.4%
Subordinated debt	639.7	1.4%	918.1	2.1%	-30.3%
Other liabilities*	755.7	1.6%	747.4	1.7%	1.1%
Total liabilities	46 850.9	100.0%	44 205.2	100.0%	6.0%
Total equity	4 655.7		4 134.7		12.6%
Total liabilities and equity	51 506.5		48 340.0		6.6%

** including tax liabilities*

As at the end of June 2012, liabilities accounted for 91.0%, while Group's equity accounted for 9.0% of the total liabilities and equity.

As on 30 June 2012, Group's liabilities amounted to PLN 46,851 million and increased by PLN 2,646 million i.e. 6.0% relative to the figure reported as on 30 June 2011. The increase resulted, primarily, from a considerable growth in customer deposits (by PLN 3,389 million), which had a positive impact on Group's liquidity.

Deposits from Customers

As on 30 June 2012 deposits from customers amounted to PLN 39,888 million and recorded an increase of PLN 3,389 million i.e. 9.3% relative to the balance as on 30 June 2011. Deposits from customers constituted the Group's main liability item accounting for 85.1% of the Group's total liabilities.

The structure and evolution of Clients Deposits is presented in the table below:

Deposits of Clients *(PLN million)*	30.06.2012	30.06.2011	Change (value)	Change (%)
Deposits of individuals	23 210,3	21 670,2	1 540,1	7,1%
Deposits of companies and public sector	16 677,4	14 828,6	1 848,8	12,5%
Total Deposits	39 887,7	36 498,8	3 388,9	9,3%

Deposits from banks

Deposits from banks, as on 30 June 2012, amounted to PLN 2,137 million accounting for 4.6% of the Group's liabilities. Their value increased by PLN 221 million (i.e. 11.5%) relative to the balance as on 30 June 2011. The main items of wholesale medium-term funding received by the Group included loans from European Investment Bank totalling EUR 100 million and loans from European Bank for Reconstruction and Development (EBRD) of the total balance of EUR 118,3 million.

Liabilities from securities sold with buy-back clause

Under its liquidity management activity, the Group concludes short-term transactions with buy-back clause both with banks and Customers (mainly financial institutions). The transactions are based on the State Treasury debt securities. As on 30 June 2012, liabilities from securities sold with buy-back clause amounted to PLN 620 million decreasing by PLN 165 million i.e. 21% relative to the balance as on 30 June 2011.

Financial liabilities valued at fair value through profit and loss and hedging derivatives

Financial liabilities valued at fair value through profit and loss and hedging derivatives included, primarily, negative valuation of derivatives designated for trading or hedging. The value of this item amounted to, as on 30 June 2012, PLN 2,108 million and decreased by PLN 276 million i.e. 11.6% relative to the balance of 30 June 2011.

Debt securities issued

As on 30 June 2012 liabilities from issue of debt securities amounted to PLN 675 million and recorded a decrease by PLN 261 million relative to the balance recorded as on 30 June 2011 due to decreasing value of liabilities from leasing receivables securitisation, which are being gradually amortised in line with the agreed scheme until their final maturity in October 2015. The value of liabilities from leasing receivables securitisation as at the end of June 2012 was PLN 241 million. Besides that, "debt securities" also include liabilities from bonds and bank securities issued by the Bank to be offered to individual customers in connection with savings products, which amounted to PLN 434 million, showing an increase by 17.9% compared to the balance of 30 June 2011.

Subordinated debt

The value of subordinated debt amounted to PLN 640 million as at 30 June 2012, which means a decrease during 12 month period by 30.3% due to the repayment in December 2011 of the ten-year subordinated bonds of the total nominal value of EUR 80 million (issued by the Bank in December 2001). Consequently, as at the end of June 2012 this item includes only the liabilities from ten-year subordinated bonds of nominal value of EUR 150 million, issued by the Bank in December 2007.

Equity

The equity of the Group as at the end of June 2012 amounted to PLN 4,656 million and grew compared to the end of June 2011 by 12.6%. Net profit generated during the 12 month period (no dividend paid from the 2011 net profit) was the main reason of the growth of equity. Moreover, the growth of revaluation reserve during the analysed period driven by positive revaluation of hedge instruments portfolio contributed also to the growth of equity. For the purpose of capital adequacy calculation, 65% of 1st half year profit was included into own funds of the Group. The Group presented the following capital ratios at the end of June 2012: total consolidated CAR at 12.7% and Core Tier 1 ratio at 11.2%. The ratios confirm adequate capitalisation of the Group, however they cannot be compared to the ratios reported as at 30 June 2011 because the regulatory authority (Polish Financial Supervision Authority) imposed higher risk weight for FX mortgage loans at 100% (75% before 30 June 2012).

The main capital ratios of the Group were the following:

Capital ratios	30.06.2012	30.06.2011	Change 2012/2011
Total consolidated equity (in PLN m)	4 656	4 135	12.6%
Book Value Per Share (in PLN)	3.84	3.41	12.6%
Capital Adequacy Ratio (consolidated)	12.7%	13.8%	-1.1 p.p.
Core Tier 1 ratio (consolidated)	11.2%	11.9%	-0.7 p.p.

II.3. Share price main indicators and ratings

During 1st half 2012 the main index WIG grew by 8.6%, banking index WIG-Banks by 11.1% while mWIG 40, which comprises the shares of Bank Millennium gained 5.8%. In the same time Bank Millennium shares decreased by 2.9%.

In the yearly horizon the same indexes recorded a decrease from 11.5% to 19.3%. In the same time Millennium Bank shares fell by 31.7%.

Also the turnover on the Warsaw Stock Exchange recorded a decrease in 2012 compared to last year. In the case of the Bank's shares the turnover fell by 38% compared with 1st half of 2011 and 25% compared with the second half of last year.

	29.06.2012	31.12.2011	Change (%) in 1H 2012	30.06.2011	Change (%) Yearly
Number of shares of the Bank (in ths.)	1 213 117	1 213 117	0.0	1 213 117	0.0
Daily trading (PLN ths, avg. ytd)	3 813	5 102 (*)	-25.3	6 180	-38.3
Price of the Bank shares (PLN)	3.69	3.80	-2.9	5.40	-31.7
Market cap. (PLN million)	4 476	4 610	-2.9	6 551	-31.7
WIG - main index	40 811	37 595	8.6	48 414	-15.7
WIG Banks	6 021	5 421	11.1	6 801	-11.5
mWIG 40	2 300	2 174	5.8	2 851	-19.3

(*) turnover for the second half of the year

During the first half of 2012 there have been no changes in ratings of the two basic ratings of Bank Millennium shares. Current Bank Millennium ratings were confirmed in relevant reports published by Moody's on 29 March 2012 and by Fitch on 20 April 2012.

Type of rating	FITCH	MOODY'S
Long-term deposit rating/IDR	BBB- (stable outlook)	Baa3 (negative outlook)
National Long-term IDR	A-(pol) (stable outlook)	-
Short-term deposit rating	F-3	Prime-3
Individual rating / financial strength	bbb- (*) (without outlook)	D (negative outlook)
Support	3	

(*) Viability rating - new rating introduced by Fitch in July 2011.

II.4. Main drivers which may affect financial situation of the Group in 2 half of 2012

The most important external factors that could influence financial standing of Bank Millennium Group in the second half of the year include:

- High uncertainty connected with fiscal problems of some euro area countries might translate into higher volatility in the financial markets. Risk aversion in the global markets may lead to depreciation of Polish Zloty and increased costs of financing, which in turn may increase liquidity needs of the Bank and in consequence cost of funding. Possible ECB operations might stabilize market sentiment.
- Financial situation of Polish companies should remain pretty healthy, although further deterioration in the construction sector can happen, leading to necessity of creating additional provisions for this sector. Uncertainty regarding economic situation in Poland and Eurozone is expected to reduce corporates' willingness to invest in fixed assets. Diminishing infrastructure investments will reduce demand for loans from the local governments.
- Market interest rates are likely to remain stable during second half of 2012 and MPC probably will not change interest rates in this year. The central bank might cut rates in Q4 if economic growth slows down more than expectations.
- Expected deceleration in private consumption might reduce demand for consumer loans. Companies refrain from increasing employment, however due to seasonal factors the unemployment rate might go down in next months.

III. RESULTS BY BUSINESS SEGMENTS

III.1. Introduction

Results of Bank Millennium Group for the 1st half of 2012, broken down into segments of activity, i.e. retail banking (including micro-businesses), corporate banking and treasury plus investment banking compared with the 1st half of 2011, is presented in the table below.

(PLN million)	Retail segment			Companies segment			Treasury and Investment Banking segment		
	1H 2012	1H 2011	change	1H 2012	1H 2011	change	1H 2012	1H 2011	change
Net interest income	505.6	485.3	4.2%	130.0	128.0	1.5%	(46.5)	(69.5)	-
Net commission income	208.5	221.7	-6.0%	65.9	62.3	5.8%	4.3	10.0	-57.5%
Other income *	48.5	42.2	14.8%	17.8	14.0	27.3%	13.1	18.4	-28.7%
Total operating income	762.6	749.1	1.8%	213.7	204.3	4.6%	(29.1)	(41.1)	-
Total operating expense **	(424.2)	(418.4)	1.4%	(103.6)	(103.3)	0.2%	(31.8)	(33.2)	-4.1%
Cost/Income	55.6%	55.9%	-0.3 p.p.	48.5%	50.6%	-2.1 p.p.	-	-	-
Net provisions	(42.1)	(43.7)	-3.7%	(73.0)	(37.5)	94.7%	3.5	0.7	-
Pre-tax income	296.3	287.0	3.2%	37.1	63.4	-41.5%	(54.0)	(73.7)	-

** including FX income*

*** without impairment charges*

The financial results of **Retail segment** recorded improvement in the 1st half of 2012 compared to 1st half of 2011. The total operating income increased by 1.8% to PLN 762.6 million thanks to 4.2% growth of net interest income. Net commission income recorded 6% decrease versus 1H'11 due to lower income from investment and capital market related products. Operating costs of retail segment grew modestly by 1.4% so it allowed to improve slightly operating efficiency measured by Cost/Income ratio from 55.9% in 1st half of 2011 to 55.6% in 1st half 2012. Risk provisions in retail segment were on similar level as one year ago: PLN 42.1 million which means a 3.7% decrease versus corresponding period of 2011. As a result of the above tendencies, pre-tax income of the retail segment achieved PLN 296.3 million in 1st half 2012 and grew by 3.2% versus 1st half 2011.

Corporate segment presented in 1st half of 2012 an improvement of total operating income by 4.6% in yearly terms to the level of PLN 213.7 million. The growth was achieved in all income items: net interest income grew by 1.5% y/y, net commissions grew by 5.8% y/y and other income (FX gains mainly) increased by 27% versus 1H'11. Operating cost remained flat in 1st half 2012 at the level of PLN 103.6 million. As a result, Cost/Income ratio of the Corporate segment improved visibly from 50.6% in 1st half of 2011 to 48.5% in 1st half of 2012. However, corporate segment brought almost two times more provisions in 2012 (PLN 73 million) than year ago, mainly in connection with new impairment in the construction sector. The increased provisions were responsible for the drop of pre-tax income to PLN 37.1 million in 1st half of 2012.

Total operating income of **Treasury and Investment Banking** segment for 1st half of 2012 was negative and amounted to PLN -29.1 million. This was mainly the result of negative valuation of hedging instruments, which is assigned to this segment. In consequence, pre-tax profit of Treasury and Investment Banking segment was negative and amounted to PLN -54.0 million for 1st half 2012. Operating cost of this segment dropped by 4.1% compared to the previous year. Risk provisions showed small positive value as a results of gain from sale of NPL portfolio, which is assigned to this segment (PLN + 3.5 million).

Description of activity of two main businesses (retail and corporates), along with discussion of the main products and segment sub-areas, is presented in the following sections.

III.2. Retail banking

Bank Millennium is one of the leading universal banks in Poland and retail banking constitutes an important area of its business operations. The Bank has a retail product offer, systematically adjusted to meet customer needs, offered to customers serviced within specialist business lines: individual customers, affluent customers (Prestige), private banking and Business Line created to support self-employed individuals and small companies. The product offer is made universally available through the network of 449 outlets, Internet banking, direct banking, network of ATMs and telephone banking.

As on 30 June 2012, Bank Millennium serviced 1 721 thous. current accounts of individual customers and the number increased relative to corresponding period of the previous year by 202 thous. accounts (13.3%).

Classic banking offer directed towards individual customers and small businesses was supplemented by services offered by Millennium TFI (mutual funds), Millennium Dom Maklerski (brokerage business) and Millennium Leasing (leasing products). The fact that the Bank strived to comprehensively meet customer needs is illustrated by the cross-selling ratio level i.e. 3,78 product per customer, as on 30.06.2012.

In the 1H of 2012, the Bank continued its activities, launched in 2011, aiming to improve service quality. These activities were embraced within institutional framework and actions implemented were no longer of a project type but became an important components of the Bank's quality system. These activities are particularly important in the retail segment where service quality level is a key factor of developing market competitive advantage.

Retail banking for individual customers

In the first half of 2012 customers opened, in Bank Millennium, nearly 160 thous. new personal accounts. Among all types of accounts offered to individuals the most popular is "Dobre Konto", chosen by more than 115 thous. customers. In total 95% of customers opening the "Dobre Konto" account have also a debit card to the account and 70% of the customers show monthly inflows to the account in the amount higher than 1000 PLN.

Mortgage banking

In the first half of 2012, mortgage loan offer was changed. In March of this year the Bank introduced a list of developers potentially offering financing of real property purchase in case the implementation progress of a construction project is higher than 0% (to that date, minimum progress of a construction project was 20% or 10%). In April of this year the process of real property valuation was also changed. Besides having the option to appraise property using the Bank's intermediation, a list of preferred property appraisers was introduced. The new process allows customers to order directly the appraiser from the list to appraise property intended to constitute credit collateral without restrictions regarding the a loan amount applied for. In order to adjust credit offer to prevailing market conditions, since 7 May of the current year, the Bank introduced a 1% fee for granting a mortgage loan (payable at disbursement of loan proceeds – there is an option to include the fee in the credit amount). At the same time, spreads applied to loans with LtV higher than 80% were raised.

Payment cards

The Bank offers its customers a broad range of payment cards: debit cards, credit cards issued under three different payment systems: Visa, MasterCard and American Express. The Bank offers its cards, inter alia, to retail banking customers representing all segments.

At the end of June 2012, Bank Millennium had, in its portfolio, the total of 1 564 thous. payment cards including nearly 0.5 million credit cards. The Bank's share in the total market of payments with use of credit cards amounted to 8.9%, while with debit cards – to 4.2% (as at the end of the first quarter of 2012).

As of the beginning of March 2012, Bank Millennium introduced into its offer a new Millennium Maestro Voyager debit card settled in EUR via Foreign Currency Account assigned to this card and maintained in the same currency.

To encourage customers to more frequent use of cards, the Bank promoted payments with Millennium MasterCard credit card and Millennium Maestro debit card. In weekly cycles, the Bank provided incentives to the most frequent card users in the form of awards in kind and vouchers paying for holidays of their dreams. In addition, Bank Millennium customers were given the opportunity to cancel payment cards also via electronic and mobile banking channels.

Consumer finance

In the first half of 2012, the bank focused on changes in its product offer to facilitate streamlining and significantly shorten the process of consumer finance granting to new customers. During the period from March until June of the current year, a lot of improvements were introduced to limit the scope and number of documents required for the customer applying for cash loan to provide. Customers have also been given an opportunity to have direct access to printouts of selected documents in the Bank's branch.

During the same period, the Bank introduced two special offers for selected customer segments. The offer addressed to post-graduate doctoral students with the objective to facilitate access for this group of customers to financing by accepting scholarship as a source of income, from the minimum amount of as low as 500 PLN net. In case of an offer addressed to employees of public administration, health service and teachers, simplified document requirements were applied as well as income calculation principles.

In the first half of 2012, the Bank introduced new special price offers for customers employed in the banking sector offering nominal interest rates at 10.9% and fee of 1% of the loan amount granted as well as offer for Prestige segment customers with nominal interest rate of 9.9%.

The Bank continued to actively offer cash loans to Bank customers both in branches and through electronic channels by, inter alia, given the customers access to cash without requiring them to visit branches.

Bank's efforts undertaken in the first half of the year, generated an increase of the cash loan portfolio by 4% year-on-year, while retaining both the level of revenue streams and inherent credit risk.

Prestige and Private Banking

During the period from 1 January until 30 June 2012, Bank Millennium expanded its product offer addressed to the affluent segment i.e. Prestige and private banking customers. During the period, the Bank issued 11 series of banking securities with 100% principal guarantee (all in PLN), with different tenors, underlying assets and disbursement forms. Subscriptions of banking securities based on entire WIG 20 Index or on six Polish companies quoted within the WIG 20 index turned out to be very popular among customers. Hence, both types of securities were subscribed for, respectively, three and two times. The offer for Private Banking customers, under "open architecture", was expanded by adding new funds of selected TFI associations, representing full spectrum of investment strategies from conservative to aggressive as well as both geographic and sectorial diversification, investing in capital, commodity, currency, property and other markets.

Retail banking – business segment

Business segment includes business entities generating annual total revenues up to PLN 5 million. The first half of the year was marked by continuing the development direction defined earlier and strengthening of product offer delivered to this segment. Bank Millennium offers its Business segment customers a broad range of products and services meeting their business operation needs, such as:

- current accounts in PLN and in four foreign currencies (EUR, USD, GBP, CHF),
- credit products including renewable overdraft facility, cash loan, investment loan,
- leasing,
- trade finance products (factoring, L/C, guarantee, and surety line),
- debit, credit and charge cards,
- MilleZdrowie insurance,
- a range of services connected with account servicing such as: service by phone, Internet service, closed payments, car collection or payment terminals.

As at the end of the 1H 2012, the Business segment portfolio had, in total, more than 111.2 thous. customers (increase by 2.2% relative to corresponding period of the last year), including more than 62.1 thous. actively conducting transactions with the Bank. The number of accounts maintained within the Business segment amounted, at the end of 1H 2012, to more than 128 thous.

III.3. Corporate Banking

Bank Millennium, on the basis of its own potential and that of subsidiary companies creating the Bank Millennium Group (Millennium TFI, Dom Maklerski Millennium, Millennium Leasing) provides its corporate customers with comprehensive and modern banking product and service offer. The Bank cooperates with SME segment companies representing annual turnovers of from 5 to 30 million PLN and with large corporates with annual turnovers exceeding PLN 30 million. As on 30.06.2012, the Bank provided services to almost 10 thous. active corporate customers.

Visible symptoms of economic slowdown in 1H 2012, particularly visible in relationships with companies constituted an stimulus for the Bank to undertake efforts to strengthen customer relations by adjusting offer to their needs and rapidly changing market environment.

In 2012, development of Corporate Banking business remains one of the major strategic objectives for the Bank. The overriding objective of the Bank in this segment is to develop sustainable customer relations, providing customers with advice of highest level (value added in the area of banking products and services used) and consistently adjust its offer to current and long-term needs of the customers.

In 2012, striving to achieve the said objectives, the Bank has been systematically expanding its product offer directed at corporate customers and developing the network of professional advisors rendering services to the customers within the segment.

Distribution channels

Corporate Banking Customer service is rendered through an expanded nation-wide sales network. Customers had, as on 30 June 2012, access to 140 bank Advisors and 72 Consultants operating from 33 Corporate Centres. In 1H of 2012, a new Corporate Centre in Płock was opened. Furthermore, corporate customers could use support provided by 52 Product Advisors – specialists in leasing, factoring, trade finance, treasury transactions and transactional banking.

Besides direct contacts with Bank staff, customers also have access to electronic banking channels, such as:

- Internet banking system Millenet for companies,
- systems supporting factoring and treasury transactions,
- Helpdesk,
- Telemillennium telephone services.

Credit products

The main objective of the credit offer prepared by the Bank is to meet, in a comprehensive manner, financial needs of customers. These needs include financing of on-going business operations and capital projects. The offer includes, primarily, credits supporting current operations – both renewable and repaid in convenient instalments – and investment loans supporting long-term, sustainable development of a company.

In the first half of the year, the Bank continued to develop a solution, introduced in December 2010, known under the name of THE FAST FINANCING AREA, characterised, specifically, by ensuring opportunity for the customer to obtain funding without collateral within 1 day only.

It was also a period of intensive work on providing customers with an “Eko Energia” credit or leasing product, launched in 2011, granted under the Polish Sustainable Energy Financing Facility programme. The Programme facilitates applying for subsidies from funds provided by the European Bank for Reconstruction and Development (EBRD) to investment projects connected with energy efficiency improvement in enterprises.

Further to amendments of the law the technological loan offered by Bank was modified. The changes strongly contributed to increased popularity of the product among customers and helped beneficiaries generate greater benefits. Bank Millennium is one of a more than ten banks in Poland to grant technological loans.

Factoring and trade finance

In the first half of 2012, the Bank Millennium factoring offer was expanded by adding Factoring without Recourse with Customer’s Policy. The product is addressed to customers having one of the following insurance agreements providing for insurance of trade receivables (Policy) concluded with TU Euler Hermes SA:

- Trade Receivables’ Insurance Agreement All Inclusive or
- Merchant Credit Insurance Agreement with Enforced Collection Option 2004.

In the first half of 2012, the Bank made a number of changes in trade finance products improving their performance. These changes included, as follows:

- Extending the time scale of the fast-track implementation of bank guarantees and documentary L/Cs issued outside of a product line under the programme „Order-Contract”. The programme may be used whenever transfer of ownership title to deposit is accepted as collateral or transaction is unsecured.
- Introduction of new forms and simplifying existing forms for customers
- Introduction of forms for customers in Polish and English language version
- Changes to the Service Price List involving structuring and improvement of legibility and adjustment of fees and commissions charged on trade finance products to the market levels

Furthermore, the Bank launched implementation process of the electronic platform to support customers in servicing trade finance transactions. This state-of-the-art and technologically most advanced platform available on the market will support more effective execution of transactions without the need to submit additional paper instruction in the Bank. The platform will be made available to the customers via the Internet banking system Millenet and customers will be able to use the platform before the end of this year.

Leasing

In the first half of 2012, Millennium Leasing developed product and service offer by introducing new solutions involving launching of Electronic Customer Service Office within which a free of charge service eBOK supporting al customers concluding leasing agreements will be provided.

Since April 2012, Life Insurance Millennium CPI has been launched in cooperation with MetLife Amplico. Leasign repayment insurance constitutes a guarantee of continuity of repayment of financial liabilities in case of accidents and unexpected developments rendering continuation, by the customer, of repayment of due payments under leasing agreement impossible. This way, lessee, his/her family or partners are protected against financial effects of accidents and adverse developments such as: permanent inability to work, hospital treatment or death.

Bank Millennium Group offer in leasing area is highly respected by customer and received market appreciation in the form of:

- reward for the Best Leasing Offer in the sixth round of a competition „Perły Rynku FMCG 2012" ('Market Pearls') for the Eko Energia leasing product under PolSEFF programme,
- award, by the magazine Home&Market, of the financial order for Leasing EkoEnergia product in the category „Leasing for business customers" under the PolSEFF programme,
- 1st place among leasing companies in Poland for net profit generated in 2011 – ranking of „Rzeczpospolita" daily.

Transactional banking

Changes implemented in the area of Transactional Banking in 2012 involve, primarily, changes of functionalities generating value added in for customers using products already in place and, thereby, building the bank's competitive advantage on the transactional banking market.

In the first half of 2012, the Bank provided access to functionality ensuring flexible adjustment of domestic bank transfer price in PLN to KIR (National Clearing House) tariff stipulated for every clearing session. This way, transfer prices are conditional upon time when instruction has been submitted and a given clearing session. This highly innovative solution is offered to the customers by only a limited number of banks and allows to flexibly manage price of a transfer and, thus, optimise costs.

Another innovative solution incorporated into the offer in June of the current year involves immediate transfers executed via Express ELIXIR operated by the KIR. The system provides for execution of immediate inter-bank transfers, within seconds, round the clock for 365 days a year. Bank Millennium was the first bank on the market to undertake cooperation with KIR in this project and the first bank to launch this service for its customers.

In the area of cash collection, in May, the Bank launched the Electronic Cash Withdrawal service facilitating submission of withdrawal orders via the Internet banking system to receivers having no bank account in Bank Millennium branches to be credited. Solution offered by Bank Millennium is one of the most advanced on the market as it helps customers freely define validity terms and order execution time.

The Bank adjusted its escrow account offer to the new regulation introducing housing escrow accounts designated to accumulate funds from buyers of houses/housing units with disbursements made subject to meeting specific conditions provided for in the account agreement.

Treasury products

In January 2012, the Treasury Department product offer addressed to customers representing big and strategic company segment was expanded by adding CAP and FLOOR interest rate options. Bank customers may purchase options from the Bank (Bank Millennium being an option issuer) with option to resell before maturity in case of a change of customer's exposure and expiry of the need to hedge against interest rate risk.

Interest rate option purchase transaction was developed mainly for customers interested in cooperating with the Bank in the area of interest rate risk hedges, who would like to hedge against increase (in case of CAP option) or decrease (In case of purchase of FLOOR option) of interest rates.

Marketing activities

The first half of 2012 was marked with building Bank Millennium brand awareness as a corporate bank. The Bank has been building its position on the basis of long-term relations and the best product solutions available on the market.

In the first half of 2012, the bank organised 10 free Business seminars on specific themes attended by ca. 200 persons. Meetings were held in different locations throughout the country and their formula facilitated entrepreneurs to freely discuss important, from the point of view of their business operations, issues. In the second half of the year, the bank intends to continue this initiative already enjoying a vast interest on the part of customers.

IV. RISK MANAGEMENT IN BANK MILLENNIUM GROUP

Bank Millennium Group attaches particular importance to risk management, which is an essential part of the Group's development strategy. In order that effective management and consistent policy for risk are ensured, the Group implemented a comprehensive risk management model, which integrates all types of risk, constituting main areas of threat to the Group's activity, i.e. credit, market, liquidity and operational risk.

During the 1st half of 2012 Bank Millennium Group implemented a number of initiatives with a view to improving the risk management function; these initiatives have been presented in greater detail in the Group Consolidated Financial Report for the period until 30.06.2012.

IV.1. Capital management

Until Financial Regulatory approval is obtained for using an advanced approach for calculating capital requirements, Bank Millennium Group will continue with the standard approach. The capital requirements for Bank Millennium Group, calculated as at 30.06.2012 with use of the standard approach in compliance with valid regulations, are as follows, compared with 30.06.2011 and 31.12.2011:

Capital requirements (PLN million) and solvency ratios:	30.06.2012	31.12.2011	30.06.2011
Credit risk (including counterparty risk)	3 035.2	2 617.4	2 415.0
Operational risk	226.5	225.5	225.5
Market risk	32.9	38.7	48.8
Total capital requirements	3 294.5	2 881.6	2 689.3
Own funds	5 225.3	4 766.6	4 642.4
Consolidated solvency ratio	12.7%	13.2%	13.8%
Consolidated Core Tier 1	11.2%	11.4%	11.9%

At end of June 2012 Bank Millennium Group saw a deterioration of solvency ratio - by 1.1 p.p. per annum and 0.5 p.p. from December 2011. This was mainly caused by a stricter regulatory environment, namely the June 2012 introduction of risk weight increased from 75% to 100% for FX-denominated retail exposures, regardless of the product. This change was felt by the Group due to the high, although decreasing, Balance-Sheet share of FX-denominated residential mortgage loans (especially in CHF). The Group emphasises that the increase of capital requirements for credit risk on the above account (a single leap of over 13%, which caused a single drop of solvency ratio by approx. 1.7 p.p. as compared with Q1 2012) does not mean that the level of risk in its activity has increased. FX-denominated residential mortgage loans are not being granted since Q4 2008, with quality ratios of this portfolio remaining high. On the other hand the aggregated impact of change of the regulatory environment was mitigated by an increase of own funds by 10% in the 1st half of 2012. In line with KNF recommendations all of 2011 net profit was retained in equity. In parallel part of the net earnings of the 1st half of 2012 fuelled the capital base (considering 65% of the 1H net profit in own funds).

In 2012 the Group continues the process of internal assessment of capital adequacy, based on an internal model of economic capital. The internal capital calculation covers all material types of risk, to which the Group is exposed and is based on a set of parameters, build with consideration of the unique characteristics and reality of the Polish market. In the process of calculating internal capital the individual types of risk as well as the result of diversification are stress tested. In assessing economic capital adequacy of the Group internal capital is matched against risk appetite, i.e. the available financial resources.

IV.2. Credit risk

Credit risk means the uncertainty of performance by a customer of agreements signed with the Group, regarding his financing, i.e. repayment in a specified period of principal and interest, which may cause financial loss of the Group.

Credit risk is the most important type of risk borne by Bank Millennium Group. Capital requirement to cover credit risk was PLN 3,035 million, with the total requirement being PLN 3,294 million as at 30.06.2012. The key portfolio quality ratio – share of impaired loans in total loans (calculated according to International Accounting Standards) – remains at the level from a year ago and stood at 5.2% at end of June 2012. This means that the impaired loans ratio in Bank Millennium Group remains well below the ratio for the entire market, which at the end of May 2012 was 8.3%.

During the 1st semester of 2012 the value of impaired loans grew PLN 106 million, which with a slight decrease of the entire portfolio (by PLN 12 million) during the period in question resulted in increase of the impaired loans ratio to 5.2% (4.9% on 31.12.2011).

The mortgage portfolio remains stable and with very good quality, although the impaired loans ratio increased insignificantly from 0.9% a year ago through 1% at end of 2011, to the level of 1.1% today. Notable in the last semester was the improvement of quality of the consumer loans portfolio: impaired loans ratio was down from 17.2% in December 2011 to 16.8% on 30.06.2012. During the same period the quality of the corporate loans portfolio deteriorated from 11.7% to 12.1%. This comes from the financial problems seen in the recent period in the construction sector. Despite diverse trends in the last semester, the quality of the consumer and business loans remained at practically the same level at end of June last year (16.8% and 12.3% respectively).

The ratio of loans above 90 days past due (DPD) grew insignificantly (2.6%) as compared with end of December 2011 (2.3%), however it was lower as compared with end of June 2011, at which time it had stood at 3.0%. In the past semester the biggest growth was seen in the corporate loans portfolio (from 4.4% to 5.4%) owing to the aforementioned problems of the construction sector.

It is worth noting that more than 90 DPD ratios remain much lower in Bank Millennium Group than the impaired loans ratios for appropriate segments. This may be proof of a prudential approach to classifying impaired loans (the Bank uses a number of loan impairment triggers, not only the fact of payment delay beyond due date). More than 90 DPD ratios for individual loan portfolios (mortgage, consumer and corporate) as at 30.06.2012 stood at 0.46%, 12.1% and 5.4% respectively.

The situation of Bank Millennium Group as regards quality of the loans portfolio is illustrated by the following values:

Key loan quality ratios	30.06.2012	31.12.2011	30.06.2011
Total impaired loans (PLN million)	2 209.8	2 104.1	2 087.3
Loans over 90 days past due (PLN million)	1 124.3	989.6	1 213.5
Impaired/total loans	5.2%	4.9%	5.2%
Loans >90 DPD/total loans	2.6%	2.3%	3.0%
Total provisions*/impaired loans	58.0%	57.9%	59.3%
Total provisions*/ Loans >90 DPD	114.0%	123.0%	102.0%

** including IBNR provision*

The coverage ratio of the impaired loans portfolio with provisions has not changed significantly in June 2012 as compared with December 2011 and June 2011, standing at 58%. The coverage ratio is adversely affected by the fact of writing-off against provisions of receivables, which are 100% covered by provisions. During the 12 months ending in June 2012 wrote-off the loans in the total amount of PLN 139 million. The ratio of coverage of loans more than 90 DPD with total provisions remained at end of June 2012 at the high level of 114%, 12 percentage points higher than a year ago.

The Group's loans portfolio is well diversified, both from the point of view of individual exposure size as well as overall exposure to industry sectors. Concentration of credit risk in 20 largest customers (understood to mean groups of companies related in economic and financial terms) remains at the relatively low level of 5.3% of total loans portfolio of the Group.

The share of individual sectors in the companies portfolio of the Group as at 30.06.2012 has been shown in the table below:

Sector of activity	Gross balance exposure (PLN million)	% share of total portfolio	% share of non-financial portfolio
Manufacturing	2 244.6	20.2	22.8
Construction*	1 371.6	12.4	13.9
Developers and other RE services	589.7	5.3	6.0
Wholesale & retail trade	2 659.2	24.0	27.0
Transport	1 267.9	11.4	12.9
Other services	1 519.5	13.7	15.4
Other sectors	211.0	1.9	2.1
Non-financial portfolio	9 863,5	88,9	100.0
Financial services	438.2	4.0	
Public sector	788.1	7.1	
Total companies portfolio	11 089.8	100.0	

** comprises infrastructure (inc. road construction) and other construction services*

The total balance sheet exposure of the Group to the construction sector as at the end of June 2012 was 12.4% of entire companies portfolio (and 3.2% of total portfolio). With the available information the Bank believes this is a level below the average for the entire Polish banking system. It comprises various sub-segments of this sector such as: road and other infrastructure construction, construction of buildings as well as other specialised construction services. Combined loan portfolio to construction, developers and other real-estate services is well diversified by size of an exposure: top 6 capital groups with individual on-balance exposure above PLN 50 million make 37% of this portfolio.

IV.3. Market risk

See the Consolidated Condensed Interim Financial statement, page 30.

IV.4. Liquidity risk

See the Consolidated Condensed Interim Financial statement, page 31.

IV.5. Operational risk

See the Consolidated Condensed Interim Financial statement, page 31.

V. IMPORTANT CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY EVENTS

V.1. Annual General Meeting

On 20 April 2012 Annual General Meeting was held. 107 Shareholders took part in the meeting, representing 75.2% of Bank's share capital, including the two largest Shareholders: Banco Comercial Portugues (65.51% of share capital) and ING Otwarty Fundusz Emerytalny (5.08% of share capital). Following to the Financial Supervision Commission's (KNF) recommendation and Management Board proposal, the Annual General Meeting decided to retain entire 2011 profit to increase reserve capital.

V.2. Changes in the Bank's authorities

On 20 April 2012 the Annual General Meeting have chosen the following persons to the Supervisory Board of the Bank (alphabetical order):

1. Mr. Nuno Manuel da Silva Amado,
2. Mr. Maciej Bednarkiewicz,
3. Mr. Miguel de Campos Pereira de Braganca,
4. Mr. Luis Maria Franca de Castro Pereira Coutinho,
5. Ms. Maria da Conceicao Mota Soares de Oliveira Calle Lucas,
6. Mr. Marek Furtek,
7. Mr. Bogusław Kott,
8. Mr. Krzysztof Kwiatkowski,
9. Mr. Andrzej Koźmiński,
10. Mr. Marek Rocki,
11. Mr. Dariusz Rosati,
12. Mr. Rui Manuel da Silva Teixeira.

Mr Bogusław Kott has been appointed, conditional on his resignation from the position of Chairman of the Management Board of the Bank, however not earlier than 1 July 2013. While Chairman of the Management Board, Mr. Bogusław Kott shall act in close cooperation with the Supervisory Board's Personnel Committee conducting the search and selection of a candidate to succeed him as Chairman of the Management Board, in a way which is in line with the corporate culture and the Bank's best interest. This process shall be conducted in a manner ensuring continuity of management at the highest standards and keeping Bank Millennium S.A. medium term strategic and business goals.

On 20 April 2012 the Supervisory Board appointed the following 8 persons to the Management Board for the new term:

1. Bogusław Kott for Chairman of the Management Board,
2. Joao Bras Jorge for First Deputy Chairman of the Management Board,
3. Fernando Bicho and Artur Klimczak for Deputy Chairmen of the Management Board,
4. Julianna Boniuk-Gorzelańczyk, Wojciech Haase, Andrzej Gliński and Maria Jose Campos as remaining Members of the Management Board.

V.3. Bank Millennium in RESPECT index

Bank Millennium was again confirmed in the composition of RESPECT Index of WSE - the first socially responsible companies index in CEE region. The Bank views its selection to the RESPECT index as a confirmation of the very high standards in area of corporate social responsibility and investor relations.

V.4. Report "Corporate Responsibility" according to the GRI[1] standards

The "Corporate Responsibility" report of Bank Millennium is being published since 2006. It provides a summary of the company's corporate social responsibility and complements financial information contained in the Bank's "Annual Report". During the years the scope of information presented was regularly extended to include new groups of topics. The last report for 2011 was checked by Global Reporting Initiative (GRI), which confirms that the report fulfils the requirement of Application Level C.

[1] GRI is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organization can use to measure and report their economic, environmental, and social performance www.globalreporting.org

VI. REPRESENTATIONS OF THE MANAGEMENT BOARD

VI.1. Presentation of asset and financial position of the Capital Group of Bank Millennium in the financial report

According to the best knowledge, the Condensed Interim Consolidated Financial Statement of the Capital Group of Bank Millennium S.A., in 6 month period ending 30th June 2012 and the comparable data as well and the Condensed Interim Unconsolidated Financial Statement of Bank Millennium S.A. for the period of 6 month ending 30th June 2012 and the comparable data, were prepared in line with the accounting principles, and reflect, truly, reliably, and clearly, the asset and financial position of the Capital Group and its financial result. This Semi-annual Management Board Report on the Activity of Bank Millennium Group contains a true picture of development, success, and condition of the Capital Group (including description of key risks and threats).

VI.2. Selection of an entity authorized to financial reports auditing

The entity authorized to audit financial reports, reviewing this Condensed Interim Consolidated Financial Statement of the Capital Group of Bank Millennium S.A. for the 6 month period ending 30th June 2012 and the Condensed Interim Unconsolidated Financial Statement of Bank Millennium S.A. for the 6 month period ending 30th June 2012 was selected in accordance with the binding regulations of law. The entity and chartered accountants who performed the review, met all the conditions required to issue an unbiased and independent review report, as required by the national law.

SIGNATURES:

Date	Name and Surname	Position/Function	Signature
23.07.2012	Bogusław Kott	Chairman of the Management Board	....
23.07.2012	Joao Bras Jorge	First Deputy Chairman of the Management Board	....
23.07.2012	Fernando Bicho	Deputy Chairman of the Management Board	....
23.07.2012	Artur Klimczak	Deputy Chairman of the Management Board	....
23.07.2012	Julianna Boniuk-Gorzelańczyk	Member of the Management Board	....
23.07.2012	Wojciech Haase	Member of the Management Board	....
23.07.2012	Andrzej Gliński	Member of the Management Board	....
23.07.2012	Maria Jose Campos	Member of the Management Board	....

III. CONDENSED INTERIM FINANCIAL STATEMENTS OF BANK MILLENNIUM S.A. FOR THE SIX MONTHS ENDED 30 JUNE 2012

CONTENTS

I. INTRODUCTION AND ACCOUNTING PRINCIPLES

This condensed interim financial statement has been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. The condensed interim financial statement does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2011.

The accounting policies applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in the financial statements of Bank Millennium S.A. for the year ended 31 December 2011.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with later amendments) the Bank is required to publish the financial results for the six months ended 30 June 2012.

Condensed financial statements of the Bank prepared for the period from 1 January 2012 to 30 June 2012:

- are prepared on the basis of the assumption of business continuity by the Bank, namely scale of business is not to be reduced substantially in a period of not less than one year from the balance sheet date;
- have been prepared in PLN, and all values, unless otherwise indicated, are given in PLN rounded to one thousand.

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank’s economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the six months period ended 30 June 2012. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the six months period ended 30 June 2012 contain all important information, which also serves as explanatory data to these unconsolidated statements of the Bank.

The Board of Directors approved this condensed unconsolidated interim financial statement on 23 July 2012.

II. UNCONSOLIDATED FINANCIAL DATA (BANK)

INCOME STATEMENT

Amount '000 PLN	1.01.2012 - 30.06.2012	1.04.2012 - 30.06.2012	1.01.2011 - 30.06.2011	1.04.2011 - 30.06.2011
Interest income	1 449 089	722 641	1 200 807	626 440
Interest expense	(921 483)	(460 987)	(718 525)	(368 609)
Net interest income	527 606	261 654	482 282	257 831
Fee and commission income	299 161	158 055	295 605	148 989
Fee and commission expense	(41 526)	(22 320)	(27 815)	(17 247)
Net fee and commission income	257 635	135 735	267 790	131 742
Dividend income	40 856	27 836	12 790	12 773
Result on investment financial assets	5 213	3 787	2 030	968
Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	71 192	42 733	79 835	46 431
Other operating income	14 607	6 533	14 449	7 424
Operating income	**917 109**	**478 278**	**859 176**	**457 169**
General and administrative expenses	(502 910)	(248 811)	(491 446)	(250 260)
Impairment losses on financial assets	(93 646)	(62 032)	(76 102)	(41 724)
Impairment losses on non financial assets	(113)	(40)	709	891
Depreciation and amortization	(27 091)	(13 516)	(32 617)	(15 994)
Other operating expenses	(17 855)	(8 708)	(19 223)	(11 734)
Operating expenses	**(641 615)**	**(333 107)**	**(618 679)**	**(318 821)**
Operating profit	**275 494**	**145 171**	**240 497**	**138 348**
Profit / (loss) before taxes	**275 494**	**145 171**	**240 497**	**138 348**
Corporate income tax	(49 830)	(24 215)	(50 454)	(27 737)
Profit / (loss) after taxes	**225 664**	**120 956**	**190 043**	**110 611**
Weighted average number of ordinary shares	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Earnings (losses) per ordinary share (in PLN)	0.19	0.10	0.16	0.09

TOTAL COMPREHENSIVE INCOME STATEMENT

Amount '000 PLN	1.01.2012 - 30.06.2012	1.04.2012 - 30.06.2012	1.01.2011 - 30.06.2011	1.04.2011 - 30.06.2011
Profit / (loss) after taxes	225 664	120 956	190 043	110 611
Other elements of total comprehensive income, including:				
Effect of valuation of available for sale debt securities	4 810	(2 367)	(8 745)	630
Effect of valuation of available for sale shares	0	0	1 615	1 305
Hedge accounting	(192 438)	11 160	(56 257)	11 511
Other elements of total comprehensive income before taxes	(187 628)	8 793	(63 387)	13 446
Corporate income tax on other elements of total comprehensive income	35 649	(1 671)	12 044	(2 555)
Other elements of total comprehensive income after taxes	(151 979)	7 122	(51 343)	10 891
Total comprehensive income of the period	73 685	128 078	138 700	121 502

BALANCE SHEET

ASSETS

Amount '000 PLN	30.06.2012	31.12.2011
Cash, balances with the Central Bank	2 129 853	2 017 550
Loans and advances to banks	1 633 484	2 660 366
Financial assets valued at fair value through profit and loss (held for trading) and adjustment from fair value hedge	630 463	729 029
Hedging derivatives	102 643	130 636
Loans and advances to customers	40 171 217	39 832 055
Investment financial assets	4 791 703	3 133 585
- available for sale	4 791 703	3 133 585
- held to maturity	0	0
Investments in associates	309 700	311 303
Receivables from securities bought with sell-back clause (loans and advances)	192 468	2 209
Property, plant and equipment	184 091	206 525
Intangible assets	28 987	31 895
Non-current assets held for sale	0	0
Receivables from Tax Office resulting from current tax	6 312	86 342
Deferred tax assets	119 907	66 750
Other assets	410 110	405 032
Total Assets	**50 710 938**	**49 613 277**

LIABILITIES AND EQUITY

Amount '000 PLN	30.06.2012	31.12.2011
LIABILITIES		
Deposits from banks	1 838 719	1 522 406
Financial liabilities valued at fair value through profit and loss (held for trading)	491 844	574 418
Hedging derivatives	1 616 547	2 298 099
Deposits from customers	39 993 837	37 549 802
Liabilities from securities sold with buy-back clause	625 673	1 622 335
Debt securities	434 238	394 775
Provisions	23 886	34 970
Deferred income tax liabilities	0	0
Current tax liabilities	13 159	0
Other liabilities	699 476	693 048
Subordinated debt	639 678	663 228
Total Liabilities	46 377 057	45 353 081
EQUITY		
Share capital	1 213 117	1 213 117
Share premium	1 147 241	1 147 241
Revaluation reserve	(52 114)	99 865
Retained earnings	2 025 637	1 799 973
Total Equity	4 333 881	4 260 196
Total Liabilities and Equity	**50 710 938**	**49 613 277**

Book value	4 333 881	4 260 196
Number of shares	1 213 116 777	1 213 116 777
Book value per share (in PLN)	3.57	3.51

STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2012	4 260 196	1 213 117	1 147 241	99 865	1 799 973
- total comprehensive income for I half 2012	73 685	0	0	(151 979)	225 664
Equity at the end of the period 30.06.2012	4 333 881	1 213 117	1 147 241	(52 114)	2 025 637

Amount '000 PLN	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2011	3 816 045	1 213 117	1 147 241	(50 256)	1 505 943
- dividend for 2010	(121 312)	0	0	0	(121 312)
- total comprehensive income of 2011	565 463	0	0	150 121	415 342
Equity at the end of the period 31.12.2011	4 260 196	1 213 117	1 147 241	99 865	1 799 973

Amount '000 PLN	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2011	3 816 045	1 213 117	1 147 241	(50 256)	1 505 943
- dividend for 2010	(121 312)	0	0	0	(121 312)
- total comprehensive income for I half 20111	138 700	0	0	(51 343)	190 043
Equity at the end of the period 30.06.2011	3 833 433	1 213 117	1 147 241	(101 599)	1 574 674

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount ‘000 PLN	1.01.2012 - 30.06.2012	1.01.2011 - 30.06.2011
Profit (loss) after taxes	225 664	190 043
Adjustments for:	945 175	3 672
Interests in net income (loss) of associated companies	0	0
Depreciation and amortization	27 091	32 617
Foreign exchange (gains) losses	(55 844)	16 098
Dividends	(38 772)	(12 790)
Changes in provisions	(11 084)	(1 125)
Result on sale and liquidation of investing activity assets	(11 287)	(1 292)
Change in financial assets valued at fair value through profit and loss (held for trading)	(100 042)	716 475
Change in loans and advances to banks	718 756	(783 493)
Change in loans and advances to customers	(337 937)	(1 771 727)
Change in receivables from securities bought with sell-back clause (loans and advances)	(190 259)	(18 148)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(764 126)	264 379
Change in deposits from banks	134 625	350 188
Change in deposits from customers	2 444 035	1 384 357
Change in liabilities from securities sold with buy-back clause	(996 662)	114 098
Change in debt securities	39 463	(16 118)
Change in income tax settlements	117 440	46 847
Income tax paid	(41 759)	(48 488)
Change in other assets and liabilities	1 350	(282 270)
Other	10 187	14 064
Net cash flows from operating activities	**1 170 839**	**193 715**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2012 - 30.06.2012	1.01.2011 - 30.06.2011
Inflows:	389 362	2 029 189
Proceeds from sale of property, plant and equipment and intangible assets	2 037	485
Proceeds from sale of shares in associates	7 274	0
Proceeds from sale of financial assets valued at fair value through profit and loss	0	0
Proceeds from sale of investment financial assets	341 279	2 015 914
Other	38 772	12 790
Outflows:	(3 583)	(3 084)
Acquisition of property, plant and equipment and intangible assets	(3 583)	(3 084)
Acquisition of shares in associates	0	0
Acquisition of financial assets valued at fair value through profit and loss	0	0
Acquisition of investment financial assets	0	0
Other	0	0
Net cash flows from investing activities	**385 779**	**2 026 105**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2012 - 30.06.2012	1.01.2011 - 30.06.2011
Inflows:	298 750	0
Long-term bank loans	298 750	0
Issue of debt securities	0	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other	0	0
Outflows:	(94 755)	(942 867)
Repayment of long-term bank loans	(72 372)	(787 520)
Redemption of debt securities	0	0
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	(121 312)
Other	(22 383)	(34 035)
Net cash flows from financing activities	**203 995**	**(942 867)**

D. NET CASH FLOWS, TOTAL (A + B + C)	1 760 613	1 276 953
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	3 642 752	3 258 828
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	5 403 365	4 535 781

III. SUPPLEMENTARY INFORMATION FOR UNCONSOLIDATED FINANCIAL DATA

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

	01.01.2012 - 30.06.2012	01.01.2011 - 31.12.2011
Balance at the beginning of the period	1 078 603	1 028 761
Change in value of provisions:	61 672	49 842
Write-offs in the period	305 566	432 714
Amounts written off	(44 394)	(65 910)
Reversal of write-offs in the period	(190 534)	(278 074)
Write-offs decrease due to sale of receivables	(6 023)	(61 657)
Changes resulting from FX rates differences	(2 964)	22 563
Other	22	206
Balance at the end of the period	**1 140 276**	**1 078 603**

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Investments in associates	Property, plant and equipment	Intangibles	Other assets
Balance as at 01.01.2012	16 637	5 184	24 849	0	9 103
- Write-offs created	0	0	0	0	225
- Write-offs released	0	(3 781)	0	0	(111)
- Utilisation	0	0	0	0	(231)
- Other changes	0	0	0	0	0
Balance as at 30.06.2012	16 637	1 403	24 849	0	8 986

Impairment write-offs:	Investment securities	Investments in associates	Property, plant and equipment	Intangibles	Other assets
Balance as at 01.01.2011	16 637	3 800	25 760	0	9 798
- Write-offs created	0	3 084	0	0	1 026
- Write-offs released	0	(1 700)	0	0	(1 588)
- Utilisation	0	0	(911)	0	(133)
- Other changes	0	0	0	0	0
Balance as at 31.12.2011	16 637	5 184	24 849	0	9 103

Impairment losses on financial assets

	01.01.2012 - 30.06.2012	01.01.2011 - 31.12.2011
Impairment losses on loans and advances to customers	(109 474)	(140 895)
- Impairment charges on loans and advances to customers	(305 566)	(432 714)
- Reversal of impairment charges on loans and advances to customers	190 534	278 074
- Amounts recovered from loans written off	1 143	4 053
- Result from sale of receivables portfolio	4 415	9 692
Impairment losses on investment securities	0	0
- Impairment write-offs for investment securities	0	0
Impairment losses on investments in associates	3 781	(1 384)
- Impairment write-offs for investments in associates	0	(3 084)
- Reversal of impairment write-offs for investments in associates	3 781	1 700
Impairment losses on off-balance sheet liabilities	12 047	(7 998)
- Impairment write-offs for off-balance sheet liabilities	(4 148)	(17 226)
- Reversal of impairment write-offs for off-balance sheet liabilities	16 195	9 228
Total	**(93 646)**	**(150 277)**

Creation, charge, utilisation and release of provisions

	01.01.2012 - 30.06.2012	01.01.2011 - 31.12.2011
Provision for off-balance sheet commitments		
Balance at the beginning of the period	22 271	14 273
Charge of provision	4 148	17 226
Release of provision	(16 195)	(9 228)
FX rates differences	(16)	0
Balance at the end of the period	10 208	22 271
Provision for contentious claims		
Balance at the beginning of the period	12 699	6 230
Charge of provision	3 024	11 134
Release of provision	(2 005)	(4 138)
Utilisation of provision	(40)	(527)
Balance at the end of the period	13 678	12 699
Total	**23 886**	**34 970**

Assets and provision from deferred income tax

	30.06.2012			31.12.2011		
	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	6 973	0	6 973	7 243	0	7 243
Balance sheet valuation of financial instruments	546 532	(548 772)	(2 240)	668 692	(674 712)	(6 020)
Unrealised receivables/ liabilities on account of derivatives	74 783	(95 742)	(20 959)	86 083	(112 753)	(26 670)
Interest on deposits and securities to be paid/ received	52 822	(82 229)	(29 407)	52 288	(78 615)	(26 327)
Interest and discount on loans and receivables	0	(20 089)	(20 089)	0	(19 975)	(19 975)
Income and cost settled at effective interest rate	3 994	(2 387)	1 607	5 510	(4 224)	1 286
Provisions for loans presented as temporary differences	138 740	0	138 740	131 992	0	131 992
Employee benefits	10 689	0	10 689	10 507	0	10 507
Provisions for future costs	19 161	0	19 161	14 261	0	14 261
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	12 487	(262)	12 225	652	(24 077)	(23 425)
Other	4 207	(1 000)	3 207	5 005	(1 127)	3 878
Net deferred income tax asset	870 388	(750 481)	119 907	982 233	(915 483)	66 750

IV. STATEMENT OF RELATED PARTY TRANSACTIONS

All the transactions concluded between Group entities in the period from 1 January 2012 to 30 June 2012 resulted from their ongoing activity. Below, we are presenting amounts of the most important intra-group transactions concluded between the following entities:

- MILLENNIUM LEASING Sp. z o.o.,
- MILLENNIUM DOM MAKLERSKI S.A.,
- MILLENNIUM TFI S.A.,
- MB FINANCE A.B.,
- ORCHIS Sp. z o.o.
- MILLENNIUM SERVICE Sp. z o.o.,
- MILLENNIUM TELECOMMUNICATION SERVICES,
- TBM Sp. z o.o.

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

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

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN ‘000 PLN) AS AT na 30.06.2012

	With subsidiaries	With parent Group
ASSETS		
Loans and advances to banks – accounts and deposits	0	28 366
Loans and advances to customers	2 277 551	0
Investments in associates	295 303	0
Investment financial assets	639 678	0
Financial assets valued at fair value through profit and loss (held for trading)	2 695	0
Hedging derivatives		2 908
Other assets	233 288	84
LIABILITIES		
Deposits from banks	0	221 543
Deposits from customers	201 741	0
Liabilities from securities sold with buy-back clause	5 531	0
Hedging derivatives	0	222 151
Financial liabilities valued at fair value through profit and loss (held for trading)	52	261
Subordinated debt	639 678	0
Other liabilities	103 602	501
- including liabilities from financial leasing	71 310	0

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN ‘000 PLN) AS AT 31.12.2011

	With subsidiaries	With parent Group
ASSETS		
Loans and advances to banks – accounts and deposits	0	248 655
Loans and advances to customers	1 757 548	0
Investments in associates	300 687	0
Investment financial assets	663 228	0
Financial assets valued at fair value through profit and loss (held for trading)	3 021	0
Hedging derivatives	0	0
Other assets	261 857	105

LIABILITIES		
Deposits from banks	0	74 971
Deposits from customers	228 926	0
Liabilities from securities sold with buy-back clause	15 707	0
Hedging derivatives	0	304 263
Financial liabilities valued at fair value through profit and loss (held for trading)	203	91
Subordinated debt	663 228	0
Other liabilities	118 599	469
- including liabilities from financial leasing	72 469	0

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.06.2012

	With subsidiaries	With parent Group
Income from:		
Interest	40 410	60 591
Commissions	24 504	76
Derivatives net	0	0
Dividends	37 465	0
Other net operating income	0	509
Expense from:		
Interest	4 365	14 222
Commissions	16	1 359
Derivatives net	58	325
Other net operating income	818	0
General and administrative expenses	48 316	2 165

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.06.2011

	With subsidiaries	With parent Group
Income from:		
Interest	37 698	44 379
Commissions	25 675	0
Derivatives net	295	4 332
Dividends	11 619	0
Other net operating income	1 750	1 155

Expense from:		
Interest	7 201	22 708
Commissions	14	4 300
Derivatives net	32 740	2 270

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 30.06.2012

	With subsidiaries	With parent Group
Conditional commitments	68 922	968 655
Derivatives (par value)	62 243	5 243 852

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2011

	With subsidiaries	With parent Group
Conditional commitments	123 238	986 570
Derivatives (par value)	154 177	5 361 126

V. ADDITIONAL INFORMATION

V.1. Seasonality and business cycles

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

V.2. Description of non-standard factors and events

The Bank's unconsolidated profit and loss account includes dividends received from subsidiaries, which, for the purposes of the Group's consolidated statements are eliminated as intra-group transactions. The value of such dividends for I half 2012 and I half 2011 (comparative data) was PLN 37,465 thousand and PLN 11,619 thousand, respectively.

V.3. Issue, redemption or repayment of debt or equity instruments

During the 6 months ended 30 June 2012, the Bank's liabilities on account of a debt securities issues increased by PLN 39.5 million. The bonds were issued under the Banks' Bond Issue Scheme, under which the Bank may issue multiple bond series (private placement issues) in the total nominal value not exceeding PLN 2,000,000,000 or its equivalent in EUR, USD, CHF. Additionally Bank offers new structured products in the form of Bank Securities, which are issued under Banking Law and are restricted to banks only.

V.4. Off-balance sheet liabilities

As at 30 June 2012 and 31 December 2011, the structure of off-balance sheet liabilities was as follows:

OFF-BALANCE ITEMS

Amount '000 PLN	30.06.2012	31.12.2011
Off-balance conditional commitments granted and received	**9 133 158**	**10 159 264**
Commitments granted:	8 160 521	8 817 765
- financial	6 407 505	6 691 362
- guarantee	1 753 016	2 126 403
Commitments received:	972 637	1 341 499
- financial	862 426	883 360
- guarantee	110 212	458 139

SIGNATURES:

Date	Name and Surname	Position/Function	Signature
23.07.2012	Bogusław Kott	Chairman of the Management Board	....
23.07.2012	Joao Bras Jorge	First Deputy Chairman of the Management Board	....
23.07.2012	Fernando Bicho	Deputy Chairman of the Management Board	....
23.07.2012	Artur Klimczak	Deputy Chairman of the Management Board	....
23.07.2012	Julianna Boniuk-Gorzelańczyk	Member of the Management Board	....
23.07.2012	Wojciech Haase	Member of the Management Board	....
23.07.2012	Andrzej Gliński	Member of the Management Board	....
23.07.2012	Maria Jose Campos	Member of the Management Board	....