



Report of the Bank Millennium S.A. Capital Group for 1 half 2010

MAIN CONSOLIDATED FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	I semester / period from 1.01.2010 – 30.06.2010	I semester / period from 1.01.2009 – 30.06.2009*	I semester / period from 1.01.2010 – 30.06.2010	I semester / period from 1.01.2009 – 30.06.2009*
I. Interest income	1 166 370	1 200 177	291 284	265 619
II. Fee and commission income	314 915	276 423	78 646	61 177
III. Operating income	853 935	749 440	213 258	165 863
IV. Operating profit	173 144	15 579	43 240	3 448
V. Profit / (loss) before taxes	173 144	22 579	43 240	4 997
VI. Profit (loss) after taxes	137 618	21 036	34 368	4 656
VII. Total comprehensive income of the period	144 056	33 517	35 976	7 418
VIII. Net cash flows from operating activities	-2 423 838	-1 579 358	-605 319	-349 538
IX. Net cash flows from investing activities	-612 543	-242 593	-152 974	-53 690
X. Net cash flows from financing activities	1 096 274	856 101	273 779	189 469
XI. Net cash flows, total	-1 940 107	-965 850	-484 514	-213 759
XII. Total Assets	46 317 048	44 913 824	11 172 041	10 932 726
XIII. Deposits from banks	3 559 171	4 909 370	858 500	1 195 017
XIV. Deposits from customers	33 267 054	31 558 664	8 024 279	7 681 871
XV. Equity	3 970 486	2 787 336	957 713	678 481
XVI. Share capital	1 213 117	849 182	292 613	206 704
XVII. Number of shares	1 213 116 777	849 181 744	1 213 116 777	849 181 744
XVIII. Book value per share (in PLN / EUR)	3.27	3.28	0.79	0.80
XIX. Diluted book value per share (in PLN / EUR)	3.27	3.28	0.79	0.80
XX. Capital adequacy ratio	13.96%	11.29%	13.96%	11.29%
XXI. Earnings (losses) per ordinary share (in PLN / EUR)	0.13	0.02	0.03	0.01
XXII. Diluted earnings (losses) per ordinary share (in PLN / EUR)	0.13	0.02	0.03	0.01
XXIII. Pledged or paid dividend per share (in PLN/EUR)	-	-	-	-

* Comparative balance sheet data (items XII-XX and XXIII) were presented, in compliance with IFRS requirements, as at 31 December 2009. Other comparative data are presented for the period from 1 January 2009 to 30 June 2009.

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: 4.1458 PLN/EURO – the exchange rate of 30 June 2010 (for comparative data as at 31.12.2009: 4.1082 PLN/EURO),
- for profit and loss account items for the period from 1 January – 30 June 2010 – 4.0042 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 for the 1 half 2009: 4.5184 PLN/EURO).

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**I. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
MILLENNIUM S.A. CAPITAL GROUP FOR THE 6 MONTHS ENDED 30 JUNE 2010**

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I. GENERAL INFORMATION ON THE ISSUER

Name (business name) and seat: Bank Millennium S.A., ul. Stanisława Żaryna 2 a, Warsaw, Poland

Registration court and register entry no.: 13th Business Division of the National Court Register, District Court for the Capital City of Warsaw, no. 0000010186

Issuer's primary line of business: banking activity and other financial intermediation activity, excluding insurance and pension funds,

The Capital Group's line of business includes: banking, leasing, factoring, brokerage, capital activity and management of mutual funds.

Composition of the Supervisory Board of the Bank Millennium S.A. as at 30 June 2010 was as follows:

1. Maciej Bednarkiewicz – Chairman of the Supervisory Board,
2. Ryszard Pospieszynski – Deputy Chairman of the Supervisory Board,
3. Carlos Jorge Ramalho dos Santos Ferreira – Deputy Chairman of the Supervisory Board,
4. Marek Furtek – Secretary of the Supervisory Board,
5. Luis Maria Franca de Castro Pereira Coutinho – Supervisory Board Member,
6. Vitor Manuel Lopes Fernandes – Supervisory Board Member,
7. Andrzej Koźmiński – Supervisory Board Member,
8. Paulo José de Ribeiro Moita de Macedo – Supervisory Board Member,
9. Nelson Ricardo Bessa Machado – Supervisory Board Member,
10. Marek Rocki – Supervisory Board Member,
11. Dariusz Rosati – Supervisory Board Member,

On 22 April 2010 the Bank's Supervisory Board held a meeting, where the Supervisory Board acknowledged the resignation of Mr. Rui Manuel da Silva Teixeira from the position as Vice-Chairman of the Management Board of Bank Millennium S.A and the Member of the Management Board due to personal reasons, effective as of 22 April 2010.

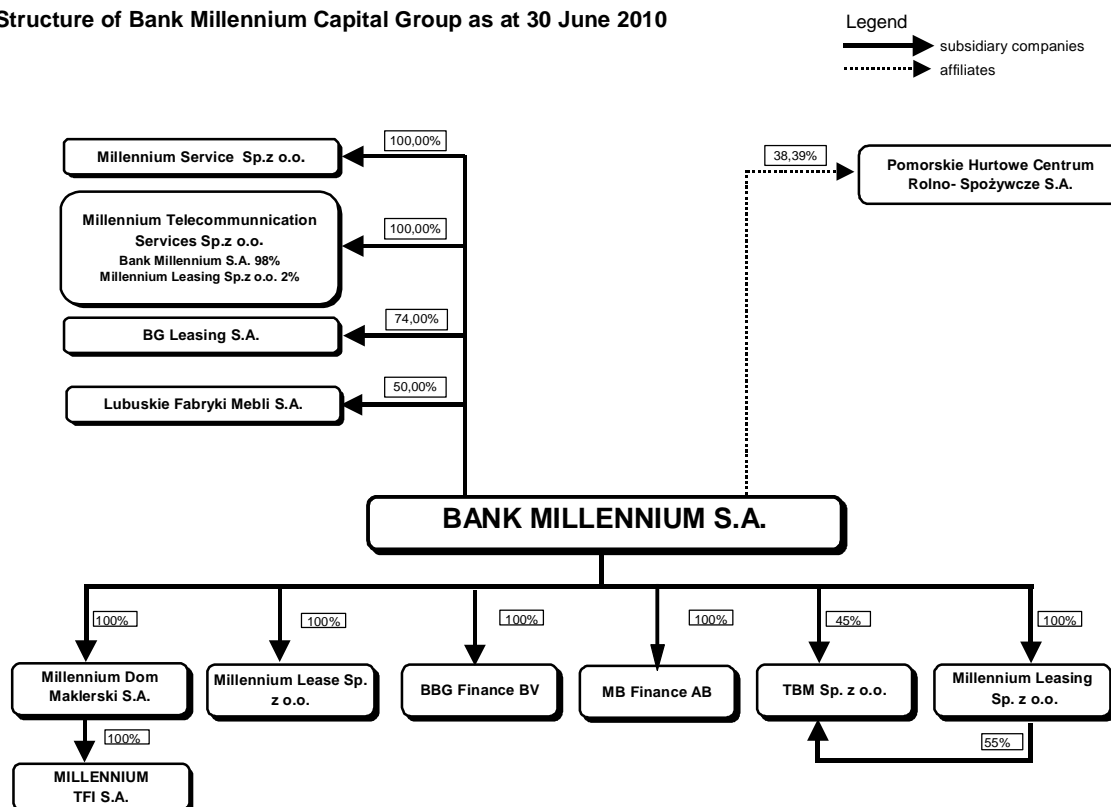
Moreover, the Supervisory Board changed the composition of the Management Board of the current term in office, increasing the number of the Management Board members from 7 to 8 members. The Supervisory Board appointed one of the Members of the Management Board Mr. Joao Nuno Lima Bras Jorge as Vice-Chairman of Bank Millennium S.A. Management Board and appointed Mr. Andrzej Gliński and Mr. Antonio Pinto Junior for posts of Management Board Members of the current term in office.

Composition of the Management Board of the Bank Millennium S.A. as at 30 June 2010 was as follows:

1. Bogusław Kott – Chairman of the Management Board,
2. Joao Bras Jorge – Deputy Chairman of the Management Board,
3. Fernando Bicho – Member of the Management Board,
4. Andrzej Gliński - Member of the Management Board,
5. Julianna Boniuk-Gorzelańczyk – Member of the Management Board,
6. Wojciech Haase – Member of the Management Board,
7. Artur Klimczak – Member of the Management Board,
8. Antonio Pinto – Member of the Management Board.

Bank Millennium S.A. ("Bank") is the parent company of the Group Millennium S.A. ("Group"). The companies comprising the Group as at 30 June 2010 are presented below:

Structure of Bank Millennium Capital Group as at 30 June 2010



Moreover, the Group consolidates a special purpose vehicle Orchis Sp. z o.o., which was established to support a securitization transaction carried out by the Group in 2007. According to IAS 27, IAS 39 and SIC 12, the Company is consolidated despite the fact that the Group has no capital exposure (for this reason it has not been included in the above structure of the Group).

The Group applied provisions of paragraph 8 of IAS 8 ("Accounting Policies, Changes In Accounting Estimates And Errors") according to which IFRS is a complete collection of accounting policies, which do not have to be used if their effect is insignificant. In accordance with the above, provisions of IAS 27 ("Consolidated And Separate Financial Statements") were not applied to the financial statements of BG Leasing S.A. where despite holding the majority stake, due to the bankruptcy proceedings, the Group has practically no control over that entity.

There were no changes in Group's structure during 1half 2010.

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 2009.

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) the Bank is required to publish the financial results for the six months ended 30 June 2010 which is deemed to be the current interim financial reporting period.

The Board of Directors approved this condensed consolidated interim financial statement on 26 July 2010.

L-SERIES SHARE ISSUE

In connection with implementation of resolution No. 2 of the Extraordinary Annual Meeting of 3 December 2009 as well as resolution No. 5/2010 of the Management Board of the Bank dated 13 January 2010 on increasing initial capital through an issue of ordinary bearer shares, the L-series share issue took place. 722,222,644 shares were duly subscribed and paid for, therefore on 8 February 2010 the number of 363,935,033 L-series shares were allocated. During the subscription period there were 6,410 primary subscriptions for 361,796,921 shares and 804 additional subscriptions for 360,425,723 shares. The reduction of additional subscriptions was 99.41 %. On 26 February 2010 the Court registered the Bank's share capital increase from PLN 849,181,744 up to PLN 1,213,116,777 and respective change in Bank's Statute.

The effect of L-shares issue recognised in unconsolidated and consolidated equity as at 30 June 2010 was as follows (data in PLN):

30.06.2010 (data in PLN)	Unconsolidated equity (Bank)	Consolidation adjustments	Consolidated equity (Group)
Number of L-shares issued	363 935 033		363 935 033
PLN per share	2.90		2.90
Income from L-shares issue	1 055 411 596		1 055 411 596
Share capital	363 935 033		363 935 033
Income from National Depository for Securities	1 162 694		1 162 694
Costs of issue	-17 741 425	261 000	-17 480 425
Share premium	674 897 832	261 000	675 158 832

Costs of Bank's series L shares issue

In connection to current report no 19/2010 dated February 11 2010, the final costs of Bank's series L shares issue are presented below.

As at 30 June 2010 the final costs of the issue calculated on the grounds of the invoices received and accepted by the Bank totalled 17,741,424.73 PLN gross, including:

- a) Preparation, conducting of the offer and underwriting the issue: 9,590,929.81 PLN;
- b) Preparation of the issue prospectus: 2,203,306.26 PLN;
- c) Promotion of the offer: 2,460,357.17 PLN; and
- d) Taxes (including VAT): 3,486,831.49 PLN.

The method of relevant accounting in the books and capturing in the financial report: the costs of the Bank's series L shares issue were accounted in the books through reduction of the share premium - surplus of the value of the shares issued over their nominal value. These costs were reflected in the financial statement under "Share premium".

According to the costs calculated on the basis of the invoices received and accepted by the Bank, average cost of conducting the series L share issue per share of series L under the subscription was 0.05 PLN.

RECLASSIFICATION OF DEBT SECURITIES

In 2008, the Bank reclassified 7-year variable income treasury bonds WZ0911 from the "held for trading" portfolio to the "available for sale" portfolio. This reclassification was possible based on the updated IAS 39 and IFRS 7 implemented by the Directive of the Commission Regulation (EC) No 1004/2008 of 15 October 2008. According to the aforementioned standard, the reclassification was done according to the fair value – revaluation losses recognized in the profit and loss account until reclassification were not reversed and the fair value of the instrument on the reclassification date became the new cost of acquisition. The reason for this reclassification (resulting from IAS 39.50B) was a changed intention concerning keeping such securities in the Bank's portfolio; short-term investment profits were no longer available due to changes in macroeconomic environment.

Disclosure requirements for this transaction, which result from provisions of IFRS 7, are satisfied by the data presented in the following tables:

Name	WZ0911
Notional value as at reclassification date	PLN 120,000,000
Book value as at reclassification date	PLN 119,132,400
Interest rate as at reclassification date	6.64%

Data in PLN ths.	Valuation recognized in P&L (with tax effect)	Valuation recognized in revaluation reserve (with tax effect)	Total effect recognized in equity
Year 2007			
Before reclassification in "trading" portfolio	-3	-	-3
Year 2008			
Before reclassification in "trading" portfolio	-1 016	-	-1 016
After reclassification in "available for sale" portfolio		-2 509	-2 509
TOTAL 2008	-1 016	-2 509	- 3 525
Year 2009			
After reclassification in "available for sale" portfolio	-	- 461	- 1 477
Year 2010			
After reclassification in "available for sale" portfolio	-	512	-507
Year 2010 (proforma)			
If the reclassification did not occur	973	-	-507

III. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2010 - 30.06.2010	1.04.2010 - 30.06.2010	1.01.2009 - 30.06.2009	1.04.2009 - 30.06.2009
I. Interest income	1	1 166 370	590 530	1 200 177	568 649
II. Interest expense	2	-731 002	-372 581	-987 357	-483 722
III. Net interest income		435 368	217 949	212 820	84 927
IV. Fee and commission income	3	314 915	153 016	276 423	130 853
V. Fee and commission expense	4	-30 896	-16 775	-43 925	-24 303
VI. Net fee and commission income		284 019	136 241	232 498	106 550
VII. Dividend income		1 918	1 699	2 102	2 101
VIII. Result on investment financial assets		3 389	2 905	10 907	5 274
IX. Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	5	100 759	44 916	249 568	111 721
X. Other operating income		28 482	12 450	41 545	23 048
XI. Operating income		853 935	416 160	749 440	333 621
XII. General and administrative expenses	6	-485 765	-250 265	-479 713	-241 760
XIII. Impairment losses on financial assets	7	-130 020	-46 762	-185 209	-55 889
XIV. Impairment losses on non financial assets		539	336	-206	90
XV. Depreciation and amortization		-38 404	-18 976	-39 894	-20 393
XVI. Other operating expenses		-27 141	-12 834	-28 839	-13 405
XVII. Operating expenses		-680 791	-328 501	-733 861	-331 357
XVIII. Operating profit		173 144	87 659	15 579	2 264
XIX. Share of profit of associates		0	0	7 000	7 000
XX. Profit / (loss) before taxes		173 144	87 659	22 579	9 264
XXI. Corporate income tax	8	-35 526	-18 141	-1 543	-324
XXII. Profit / (loss) after taxes		137 618	69 518	21 036	8 940
Attributable to:					
Equity holders of the parent		137 618	69 518	21 036	8 940
Minority interests		0	0	0	0
Weighted average number of ordinary shares		1 098 507 402	1 213 116 777	849 181 744	849 181 744
Earnings (losses) per ordinary share (in PLN)		0.13	0.06	0.02	0.01

CONSOLIDATED TOTAL COMPREHENSIVE INCOME STATEMENT	1.01.2010 - 30.06.2010	1.04.2010 - 30.06.2010	1.01.2009 - 30.06.2009	1.04.2009 - 30.06.2009
Profit / (loss) after taxes	137 618	69 518	21 036	8 940
OTHER ELEMENTS OF TOTAL COMPREHENSIVE INCOME, INCLUDING:				
Effect of valuation of available for sale debt securities	3 397	-13 791	6 117	3 494
Effect of valuation of available for sale shares	-1 765	-2 360	961	1 339
Hedge accounting	6 316	3 415	8 332	-193 297
OTHER ELEMENTS OF TOTAL COMPREHENSIVE INCOME BEFORE TAXES	7 948	-12 736	15 410	-188 464
Corporate income tax on other elements of total comprehensive income	-1 510	2 420	-2 929	35 809
OTHER ELEMENTS OF TOTAL COMPREHENSIVE INCOME AFTER TAXES	6 438	-10 316	12 481	-152 655
TOTAL COMPREHENSIVE INCOME OF THE PERIOD	144 056	59 202	33 517	-143 715
Attributable to:				
Equity holders of the parent	144 056	59 202	33 517	-143 715
Minority interests				

CONSOLIDATED BALANCE SHEET

ASSETS

<i>Amount '000 PLN</i>	Note	30.06.2010	31.12.2009
I. Cash, balances with the Central Bank		1 220 961	2 191 227
II. Loans and advances to banks	9	1 756 618	695 697
III. Financial assets valued at fair value through profit and loss (held for trading)	10	2 621 652	3 032 081
IV. Hedging derivatives	11	62 817	377 334
V. Loans and advances to customers	12	36 466 135	33 484 935
VI. Investment financial assets	13	3 229 837	4 163 657
- available for sale		3 229 837	4 163 657
- held to maturity		0	0
VII. Investments in associates		12 000	12 000
VIII. Receivables from securities bought with sell-back clause (loans and advances)		309 402	208 781
IX. Property, plant and equipment		266 578	346 671
X. Intangible assets		15 860	22 821
XI. Non-current assets held for sale		700	869
XII. Receivables from Tax Office resulting from current tax		12 091	37 475
XIII. Deferred tax assets		149 164	140 325
XIV. Other assets		193 233	199 951
Total Assets		46 317 048	44 913 824

LIABILITIES

<i>Amount '000 PLN</i>		30.06.2010	31.12.2009
I. Deposits from banks	14	3 559 171	4 909 370
II. Financial liabilities valued at fair value through profit and loss (held for trading)	15	1 052 615	682 203
III. Hedging derivatives	16	1 496 452	122 813
IV. Deposits from customers	17	33 267 054	31 558 664
V. Liabilities from securities sold with buy-back clause		244 886	2 342 684
VI. Debt securities	18	1 132 052	1 024 335
VII. Provisions		21 696	24 577
VIII. Deferred income tax liabilities		0	0
IX. Current tax liabilities		4 282	2 080
X. Other liabilities		613 890	513 967
XI. Subordinated debt		954 464	945 795
Total Liabilities		42 346 562	42 126 488

EQUITY

<i>Amount '000 PLN</i>			
I. Share capital		1 213 117	849 182
II. Share premium		1 147 502	472 343
III. Revaluation reserve		17 637	11 199
IV. Retained earnings		1 592 230	1 454 612
Total equity attributable to equity holders of the parent company		3 970 486	2 787 336
Minority interests		0	0
Total Equity		3 970 486	2 787 336
Total Liabilities and Equity		46 317 048	44 913 824
Book value		3 970 486	2 787 336
Number of shares		1 213 116 777	849 181 744
Book value per share (in PLN)		3.27	3.28

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2010	2 787 336	849 182	472 343	11 199	1 454 612
- L-shares issue*	1 039 094	363 935	675 159	0	0
- total comprehensive income of the I half of 2010	144 056	0	0	6 438	137 618
Equity at the end of the period 30.06.2010	3 970 486	1 213 117	1 147 502	17 637	1 592 230

* Detailed description (including quantification) of L-shares issue has been presented in Chapter II 'Introduction and accounting principles'.

	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2009	2 814 883	849 182	472 343	40 241	1 453 117
- total comprehensive income of 2009	-27 547	0	0	-29 042	1 495
Equity at the end of the period 31.12.2009	2 787 336	849 182	472 343	11 199	1 454 612

	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2009	2 814 883	849 182	472 343	40 241	1 453 117
- total comprehensive income of the I half of 2009	33 517	0	0	12 481	21 036
Equity at the end of the period 30.06.2009	2 848 400	849 182	472 343	52 722	1 474 153

CONSOLIDATED CASH FLOW

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2010 - 30.06.2010	1.01.2009 - 30.06.2009
I. Profit (loss) after taxes	137 618	21 036
II. Adjustments for:	-2 561 456	-1 600 394
1. Minority profit (loss)	0	0
2. Interests in net income (loss) of associated companies	0	-7 000
3. Depreciation and amortization	38 404	39 894
4. Foreign exchange (gains)/ losses	75 581	187 321
5. Dividends	-1 918	-2 102
6. Changes in provisions	-2 881	-12 153
7. Result on sale and liquidation of investing activity assets	-846	-9 634
8. Change in financial assets valued at fair value through profit and loss (held for trading)	1 136 144	1 410 170
9. Change in loans and advances to banks	-884 558	777 811
10. Change in loans and advances to customers	-2 932 099	-1 176 596
11. Change in receivables from securities bought with sell-back clause (loans and advances)	-100 621	-132 440
12. Change in financial liabilities valued at fair value through profit and loss (held for trading)	1 744 051	-4 227 667
13. Change in deposits from banks	-1 482 480	26 046
14. Change in deposits from customers	1 708 390	1 385 039
15. Change in liabilities from securities sold with buy-back clause	-2 097 798	104 628
16. Change in debt securities	103 127	38 410
17. Change in income tax settlements	35 368	-77 912
18. Income tax paid	-18 131	-40 473
19. Change in other assets and liabilities	106 112	89 653
20. Other	12 699	26 611
III. Net cash flows from operating activities	-2 423 838	-1 579 358

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2010 - 30.06.2010	1.01.2009 - 30.06.2009
I. Inflows:	4 459	35 782
1. Proceeds from sale of property, plant and equipment and intangible assets	2 541	33 680
2. Proceeds from sale of shares in associates	0	0
3. Proceeds from sale of financial assets valued at fair value through profit and loss	0	0
4. Proceeds from sale of investment financial assets	0	0
5. Other	1 918	2 102
II. Outflows:	-617 002	-278 375
1. Acquisition of property, plant and equipment and intangible assets	-6 329	-63 418
2. Acquisition of shares in associates	0	0
3. Acquisition of financial assets valued at fair value through profit and loss	0	0
4. Acquisition of investment financial assets	-610 673	-214 957
5. Other	0	0
III. Net cash flows from investing activities	-612 543	-242 593

C. CASH FLOWS FROM FINANCING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2010 - 30.06.2010	1.01.2009 - 30.06.2009
I. Inflows:	1 109 127	914 960
1. Long-term bank loans	65 443	914 960
2. Issue of debt securities	4 590	0
3. Increase in subordinated debt	0	0
4. Net proceeds from issues of shares and additional capital paid-in	1 039 094	0
5. Other	0	0
II. Outflows:	-12 853	-58 859
1. Repayment of long-term bank loans	0	0
2. Redemption of debt securities	0	-33 477
3. Decrease in subordinated debt	0	0
4. Issue of shares expenses	0	0
5. Redemption of shares	0	0
6. Dividends paid and other payments to owners	0	0
7. Other	-12 853	-25 382
III. Net cash flows from financing activities	1 096 274	856 101
D. NET CASH FLOWS, TOTAL (A III+B III+C III)	-1 940 107	-965 850
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	4 128 608	2 939 685
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	2 188 501	1 973 835

IV. NOTES TO CONSOLIDATED FINANCIAL DATA

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

	1.01.2010 - 30.06.2010	1.04.2010- 30.06.2010	1.01.2009 - 30.06.2009	1.04.2009- 30.06.2009
Balances with the Central Bank	17 063	8 817	21 921	10 421
Deposits, loans and advances to banks	9 038	7 632	3 982	1 162
Loans and advances to customers	787 466	398 424	815 937	383 466
Transactions with repurchase agreement	5 369	3 260	7 366	3 794
Hedging derivatives	170 659	82 412	186 959	89 969
Financial assets held for trading (debt securities)	64 840	34 061	80 257	39 288
Investment securities	111 935	55 924	83 755	40 549
Total	1 166 370	590 530	1 200 177	568 649

Interest income for 1half 2010 year-to-date includes interest accrued on loans with recognized impairment of PLN 54,334 thousand (for the comparative data for 1half 2009 year-to-date, such interest was PLN 42,556 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:

	1.01.2010 - 30.06.2010	1.04.2010- 30.06.2010	1.01.2009 - 30.06.2009	1.04.2009- 30.06.2009
Banking deposits	-11 521	-3 723	-3 802	-2 001
Loans and advances	-40 723	-21 295	-48 524	-24 829
Transactions with repurchase agreement	-26 164	-11 670	-49 972	-20 785
Deposits from customers	-616 474	-317 811	-836 635	-413 269
Subordinated debt	-12 779	-6 888	-24 457	-11 897
Debt securities	-21 653	-10 492	-23 138	-10 491
Other	-1 688	-702	-828	-450
Total	-731 002	-372 581	-987 357	-483 722

Note (3) Fee and commission income

	1.01.2010 - 30.06.2010	1.04.2010- 30.06.2010	1.01.2009 - 30.06.2009	1.04.2009- 30.06.2009
Resulting from accounts service	51 258	25 653	35 698	17 460
Resulting from money transfers, cash payments and withdrawals and other payment transactions	19 845	10 623	18 366	9 671
Resulting from loans granted	18 519	10 581	20 138	9 102
Resulting from guarantees and sureties granted	7 411	3 760	5 547	2 790
Resulting from payment and credit cards	87 823	44 258	79 583	41 895
Resulting from sale of insurance products	50 075	15 492	67 166	24 614
Resulting from distribution of investment funds units and other savings products	20 908	12 149	3 415	1 500
Resulting from brokerage and custody service	15 888	8 598	13 608	7 304
Resulting from investment funds managed by the Group	38 627	19 787	27 900	14 380
Other	4 561	2 115	5 002	2 137
Total	314 915	153 016	276 423	130 853

Note (4) Fee and commission expense

	1.01.2010 - 30.06.2010	1.04.2010- 30.06.2010	1.01.2009 - 30.06.2009	1.04.2009- 30.06.2009
Resulting from accounts service	-613	-398	-609	-236
Resulting from money transfers, cash payments and withdrawals and other payment transactions	-1 037	-843	-758	-710
Resulting from loans granted	-3 859	-2 420	-8 003	-7 348
Resulting from payment and credit cards	-19 005	-9 657	-29 769	-13 450
Resulting from brokerage and custody service	-3 193	-1 638	-2 864	-1 533
Resulting from investment funds managed by the Group	-2 065	-1 167	-968	-423
Other	-1 124	-652	-954	-602
Total	-30 896	-16 775	-43 925	-24 303

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

	1.01.2010 - 30.06.2010	1.04.2010- 30.06.2010	1.01.2009 - 30.06.2009	1.04.2009- 30.06.2009
Operations on securities	2 975	-3 696	25 646	6 752
Operations on derivatives	50 673	29 724	201 538	10 738
Hedge accounting operations	-5 797	-2 180	-555	-2 279
Foreign exchange result	53 444	21 441	22 666	96 359
Other financial operations	-536	-373	273	151
Total	100 759	44 916	249 568	111 721

Note (6) General and administrative expenses

	1.01.2010 - 30.06.2010	1.04.2010 - 30.06.2010	1.01.2009 - 30.06.2009	1.04.2009 - 30.06.2009
Staff costs:	-255 455	-133 117	-242 400	-124 430
Salaries	-249 153	-129 843	-234 898	-120 762
Employee benefits, including:	-6 302	-3 274	-7 502	-3 668
- provisions for retirement benefits	0	0	0	0
- provisions for unused employee holiday	-20	-20	0	0
- other	-6 282	-3 254	-7 502	-3 668
General administrative costs	-230 310	-117 148	-237 313	-117 330
Costs of advertising, promotion and representation	-18 579	-10 925	-10 090	-8 164
Costs of software maintenance and IT services	-10 460	-5 219	-10 147	-5 439
Costs of renting	-83 875	-42 112	-87 342	-42 252
Costs of buildings maintenance, equipment and materials	-13 425	-6 812	-13 760	-6 005
ATM and cash costs	-8 993	-4 603	-11 311	-5 081
Costs of communications and IT	-32 431	-16 144	-34 890	-19 189
Costs of consultancy, audit and legal advisory and translation	-7 536	-4 065	-7 021	-2 239
Taxes and fees	-8 831	-4 773	-7 853	-3 993
KIR clearing charges	-1 345	-665	-1 409	-725
PFRON costs	-2 864	-1 452	-2 978	-1 476
Banking Guarantee Fund costs	-6 811	-3 406	-7 574	-3 786
Financial Supervision costs	-4 638	-2 330	-4 889	-2 474
Other	-30 522	-14 642	-38 049	-16 507
Total	-485 765	-250 265	-479 713	-241 760

Note (7) Impairment losses on financial assets

	1.01.2010 - 30.06.2010	1.04.2010 - 30.06.2010	1.01.2009 - 30.06.2009	1.04.2009 - 30.06.2009
Impairment losses on loans and advances to customers	-130 797	-45 590	-186 082	-53 175
- Impairment write-offs created in the period	-486 878	-243 685	-508 776	-45 778
- Impairment write-offs released in the period	353 720	196 126	321 211	-7 933
- Amounts recovered from loans written off	2 361	1 969	1 482	536
Impairment losses on securities	-1 592	-1 592	0	0
- Impairment write-offs created in the period	-1 592	-1 592	0	0
- Impairment write-offs released in the period	0	0	0	0
Impairment losses on off-balance sheet liabilities	2 369	420	873	-2 714
- Impairment write-offs for off-balance sheet liabilities	-7 567	-2 748	-12 080	-1 651
- Reversal of impairment write-offs for off-balance sheet liabilities	9 936	3 168	12 953	-1 063
Total	-130 020	-46 762	-185 209	-55 889

Note (8a) Income tax reported in income statement

	1.01.2010 - 30.06.2010	1.04.2010- 30.06.2010	1.01.2009 - 30.06.2009	1.04.2009- 30.06.2009
Current tax	- 45 875	-20 094	-102 285	-19 349
Current year	- 45 875	-20 094	-102 285	-19 349
Deferred tax:	10 349	1 953	101 742	20 025
Recognizing and reversal of temporary differences	18 580	2 566	73 800	-5 419
Appearance / (Utilisation) of tax loss	-8 231	-613	7 320	4 822
Adjustment of CIT-8 declaration for the previous years	0	0	20 622	20 622
Other:	0	0	-1 000	-1 000
Receivables resulting from the article 38a of CIT Act	0	0	-1 000	-1 000
Total income tax reported in income statement	-35 526	-18 141	-1 543	-324

Note (8b) Effective tax rate

	1.01.2010 - 30.06.2010	1.04.2010- 30.06.2010	1.01.2009 - 30.06.2009	1.04.2009- 30.06.2009
Gross profit / (loss)	173 144	87 659	22 578	9 263
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	-32 898	-16 656	-4 290	-1 760
Impact of permanent differences on tax charges:	-2 628	-1 485	3 747	2 436
- Non taxable income	524	323	6 458	2 422
Dividend income	357	318	399	399
Reversal of other provisions	0	0	5 832	3 470
Other	167	5	227	-1 447
- Cost which is not a tax cost	-3 152	-1 808	-2 711	14
Loss on sale of receivables	0	0	-69	-66
PFRON fee	-544	-276	-712	-427
Other	-2 608	-1 532	-1 930	507
Receivables resulting from the article 38a of CIT Act	0	0	-1 000	-1 000
Total income tax reported in income statement	-35 526	-18 141	-1 543	-324

Note (8c) Deferred tax reported directly in equity

	30.06.2010	31.12.2009
Valuation of available for sale securities	-2 659	-2 349
Valuation of cash flow hedging instruments	-1 478	-278
Deferred tax reported directly in equity	-4 137	-2 627

In light of the binding legal regulations, the Group does not constitute a fiscal group, and as a result the burden to the consolidated gross result with both current and deferred tax is the sum of respective tax values of individual consolidated companies.

In the consolidated balance sheet, the deferred tax liability and deferred tax assets are offset in accordance with IAS 12.

Note (9) Loans and advances to banks

	30.06.2010	31.12.2009
Current accounts	268 186	87 647
Deposits in other banks	1 131 601	265 347
Loans	356 488	342 610
Interest	343	93
Total (gross) loans and advances to banks	1 756 618	695 697
Impairment write-offs	0	0
Net loans and advances to banks	1 756 618	695 697

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

	30.06.2010	31.12.2009
Debt securities	2 193 212	2 320 318
Issued by State Treasury	2 193 212	2 320 318
a) bills	319 341	511 977
b) bonds	1 873 871	1 808 341
Equity instruments	615	430
Quoted on the active market	615	430
a) financial institutions	83	32
b) non-financial institutions	532	398
Positive valuation of derivatives	427 825	710 797
Other financial instruments	0	536
Total	2 621 652	3 032 081

Note (10)/Note (15) Valuation of derivatives and Liabilities from short sale of securities 30.06.2010

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	-79 388	280 367	359 755
Forward Rate Agreements (FRA)	126	3 213	3 087
Interest rate swaps (IRS)	-68 912	277 131	346 043
Other interest rate contracts: volatility swap, swap with FX option	-10 602	23	10 625
2. FX derivatives	-463 689	86 875	550 564
FX contracts	-36 861	19 061	55 922
FX swaps	10 283	14 637	4 354
Other FX contracts (CIRS)	-435 432	38 084	473 516
FX options	-1 679	15 093	16 772
3. Commodity derivatives	259	14 405	14 146
Commodity forwards	74	7 734	7 660
Commodity options	185	6 671	6 486
4. Embedded instruments	-16 447	10 187	26 634
Options embedded in deposits	3 703	10 187	6 484
Options embedded in securities issued	-20 150	0	20 150
5. Fair value measurement of items subject to hedging	19 150	19 568	418
Valuation of future FX payments subject to hedging	-418	0	418
Valuation of hedged consumer loans portfolio	19 568	19 568	0
6. Indexes options	14 611	16 423	1 812
Valuation of derivatives	-525 504	427 825	953 329
Liabilities from short sale of securities			99 286
Financial assets and liabilities valued at fair value through profit and loss (held for trading) - TOTAL		427 825	1 052 615

Note (10)/Note (15) Valuation of derivatives and Liabilities from short sale of securities 31.12.2009

	Fair value		
	Total	Assets	Liabilities
1. Interest rate derivatives	-1 026	342 786	343 812
Forward Rate Agreements (FRA)	141	194	53
Interest rate swaps (IRS)	3 701	342 536	338 835
Other interest rate contracts: volatility swap, swap with FX option	-4 868	56	4 924
2. FX derivatives	128 646	331 384	202 738
FX contracts	61 351	65 450	4 099
FX swaps	80 884	110 356	29 472
Other FX contracts (CIRS)	-17 669	78 261	95 930
FX options	4 080	77 317	73 237
3. Commodity derivatives	288	6 854	6 566
Commodity forwards	139	6 003	5 864
Commodity options	149	851	702
4. Embedded instruments	-19 478	8 118	27 596
Options embedded in deposits	637	8 118	7 481
Options embedded in securities issued	-20 115	0	20 115
5. Fair value measurement of items subject to hedging	6 853	6 853	0
Valuation of future FX payments subject to hedging	0	0	0
Valuation of hedged consumer loans portfolio	6 853	6 853	0
6. Indexes options	13 512	14 802	1 290
Valuation of derivatives	128 795	710 797	582 002
Liabilities from short sale of securities			100 201
Financial assets and liabilities valued at fair value through profit and loss (held for trading) - TOTAL		710 797	682 203

The Group applies the following types of hedge accounting:

	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	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 Bank 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 Bank 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.	The Group hedges (in time horizon limited to maturity of hedging instruments) currency risk and interest rate risk resulted from volatility in cash flows generated by mortgage loans with floating rate denominated in foreign currency.	The Group hedges FX risk resulted from future revenues and expenditures denominated in foreign currency by exchange of aforementioned flows into PLN ones.
Hedged items	Fixed rate PLN long-term consumer loan portfolio.	Cash flows resulting from the mortgage loan portfolio and PLN deposits funding them.	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	IRS transactions	CIRS transactions	FX Swap transactions	FX Forward 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; 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 the net FX income	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;

Note (11)/Note (16) Hedge accounting 30.06.2010

	Fair values			Adjustment to fair value of hedged items for hedged risk
	Total	Assets	Liabilities	
1. Fair value hedging derivatives connected with interest rate risk				
- IRS contracts	-35 082	0	35 082	19 568
2. Cash flows hedging derivatives connected with interest rate and/or FX rate				
- CIRS contracts	-1 189 218	0	1 189 218	x
- FX Forward contracts	49 453	49 453	0	x
- FX SWAP contracts	-258 788	13 364	272 152	x
3. Total hedging derivatives	-1 433 635	62 817	1 496 452	x

Note (11)/Note (16) Hedge accounting 31.12.2009

	Fair values			Adjustment to fair value of hedged items for hedged risk
	Total	Assets	Liabilities	
1. Fair value hedging derivatives connected with interest rate risk				
- IRS contracts	-7 617	3 862	11 479	6 853
2. Cash flows hedging derivatives connected with interest rate and/or FX rate				
- CIRS contracts	157 787	269 121	111 334	x
- FX SWAP contracts	104 351	104 351	0	x
3. Total hedging derivatives	254 521	377 334	122 813	x

Note (12) Loans and advances to customers

	30.06.2010	31.12.2009
Loans and advances	33 051 587	30 249 097
- to companies	5 528 798	5 404 678
- to private individuals	26 956 456	24 334 758
- to public sector	566 333	509 661
Receivables on account of payment cards	875 425	854 798
- due from companies	12 958	8 896
- due from private individuals	862 467	845 902
Purchased receivables	13 904	19 325
- from companies	8 932	16 479
- from private individuals	0	0
- from public sector	4 972	2 846
Guarantees and sureties realised	792	2 496
Debt securities eligible for rediscount at Central Bank	21 254	22 826
Financial leasing receivables	3 532 455	3 332 506
Other	2 757	2 595
Interest	147 651	107 783
Total gross	37 645 825	34 591 426
Impairment write-offs	-1 179 690	-1 106 491
Total net	36 466 135	33 484 935

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

	30.06.2010	31.12.2009
Loans and advances to customers (gross)	37 645 825	34 591 426
- impaired	2 221 808	2 032 835
- not impaired	35 424 017	32 558 591
Impairment write-offs	1 179 690	1 106 491
- for impaired exposures	960 547	819 383
- for incurred but not reported losses (IBNR)	219 143	287 108
Loans and advances to customers (net)	36 466 135	33 484 935

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

	30.06.2010	31.12.2009
Loans and advances to customers (gross)	37 645 825	34 591 426
- case by case analysis	1 436 421	1 403 552
- collective analysis	36 209 404	33 187 874
Impairment write-offs	1 179 690	1 106 491
- on the basis of case by case analysis	508 906	482 172
- on the basis of collective analysis	670 784	624 319
Loans and advances to customers (net)	36 466 135	33 484 935

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

	30.06.2010	31.12.2009
Loans and advances to customers (gross)	37 645 825	34 591 426
- corporate customers	9 750 309	9 348 166
- private individuals	27 895 516	25 243 260
Impairment write-offs	1 179 690	1 106 491
- for receivables from corporate customers	676 061	672 910
- for receivables from private individuals	503 629	433 581
Loans and advances to customers (net)	36 466 135	33 484 935

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

	01.01.2010 – 30.06.2010	1.01.2009 - 31.12.2009
Balance at the beginning of the period	1 106 491	749 078
Change in value of provisions:	73 199	357 413
Impairment write-offs created in the period	486 878	894 460
Amounts written off	-100 144	-73 970
Impairment write-offs released in the period	-353 720	-457 631
Sale of receivables	0	-77
Changes resulting from FX rates differences	40 185	-6 269
Other	0	900
Balance at the end of the period	1 179 690	1 106 491

Note (13) Investment financial assets available for sale

	30.06.2010	31.12.2009
Debt securities	3 216 886	4 150 277
Issued by State Treasury	3 171 845	2 462 341
a) bills	969 976	539 287
b) bonds	2 201 869	1 923 054
Issued by Central Bank	0	1 499 417
a) bills	0	1 499 417
b) bonds	0	0
Other securities	45 041	188 519
a) listed	16 067	55 459
b) not listed	28 974	133 060
Shares and interests in other entities	12 951	13 380
Other financial instruments	0	0
Total financial assets available for sale	3 229 837	4 163 657

Note (14) Deposits from banks

	30.06.2010	31.12.2009
In current account	51 970	45 670
Term deposits	729 146	2 221 768
Loans and advances received	2 771 986	2 625 839
Interest	6 069	16 093
Total	3 559 171	4 909 370

Note (17) Deposits from customers by type structure

	30.06.2010	31.12.2009
Amounts due to private individuals	21 144 668	19 583 888
Balances on current accounts	7 959 085	5 442 404
Term deposits	12 814 904	13 673 853
Other	143 452	125 565
Accrued interest	227 227	342 066
Amounts due to companies	9 771 880	9 841 049
Balances on current accounts	2 879 074	2 384 458
Term deposits	6 634 444	7 196 292
Other	225 712	224 316
Accrued interest	32 651	35 983
Amounts due to public sector	2 350 506	2 133 727
Balances on current accounts	762 982	954 505
Term deposits	1 552 229	1 161 374
Other	29 388	14 923
Accrued interest	5 907	2 925
Total	33 267 054	31 558 664

Note (18) Change of debt securities

	01.01.2010 – 30.06.2010	01.01.2009 – 31.12.2009
Balance at the beginning of the period	1 024 335	917 094
- change of bonds issued in leasing portfolio securitization transaction	4 590	-42 018
- change of bonds issued by the Bank	103 127	149 259
Balance at the end of the period	1 132 052	1 024 335

V. CHANGES IN RISK MANAGEMENT PROCESS

Credit risk

Credit policy

Visible change of economic situation confirmed by the improvement of macroeconomic indicators and improving condition of enterprises in the first quarter of 2010, allowed the Bank to conduct an internal review of the Bank's credit policy adopted in late 2008 and 2009.

As a result and keeping a conservative approach to credit risk, the Bank revised the reasons for maintaining selected anti-crisis actions that were implemented in the past to prevent the negative effects of the crisis.

In the first half of 2010 several changes to corporate credit policy have been implemented:

- decrease the number of restrictions regarding financing purpose,
- restore the possibility of funding developers projects,
- modify the restrictions on investment loans,
- modify some rules of transactions required collateral,
- modify some rules concerning required level of decision-making,
- extend the possibility of making simple treasury FX transactions for periods up to 12 months.

In the retail segment, the following changes were also implemented:

- introduction of "Family at home" product to the mortgage loans offer,
- modify the minimum acceptable levels of indicators that relates to credit capacity to be dependant on the LTV,
- modify the rules of granting loans for the purchase of the property being built by developers and housing associations.

The above-mentioned policy changes have been made selectively and supported by individual evaluation of the current level of risk and the targeted risk/return. The Bank also initiated a project to adapt the principles of the bank's activities to the requirements of recommendation T issued by the Polish Financial Supervision Commission (KNF).

Redefinition of impairment parameters

In the first half of 2010, the Bank reviewed the process of estimating loan impairment in the collective analysis in order to create a more comprehensive methodology for estimating the parameters used.

As a result of this review, there have been introduced the following changes in these main areas:

- Impaired exposures definition, leading to higher consistency in the definition of impaired exposures with the definitions of default used in other processes, such as the estimation of capital requirements and the risk models calibration.
- Loss estimation (LGI - Loss Given Impaired) for each homogeneous group of impaired exposures, taking into account the relation of impairment of the given exposure to the number of days of delay. As a result, for each impaired exposure there were defined separate values of LGI parameters and also the period above which the LGI is 100%.
- Probability of Impaired (PI) for IBNR portfolio, where the Loss Identification Period (LIP) and the respective observation period that are used to calculate the losses associated to the IBNR portfolio were revised to a more homogeneous and updated definition.

The referred changes were implemented in June 2010.

In '000 PLN	30.06.2010		31.12.2009	
	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	33 141 598	1 756 618	30 785 445	695 697
Overdue, but without impairment	2 282 419	0	1 773 146	0
With impairment	2 221 808	0	2 032 835	0
Gross	37 645 825	1 756 618	34 591 426	695 697
Impairment write-offs together with IBNR	-1 179 690	0	-1 106 491	0
Net	36 466 135	1 756 618	33 484 935	695 697

Market risk

In the first half of 2010 the Bank did not change conservative approach to market risk management, adopted in year 2009. As a result, VaR indicators for Trading Book and Banking Book presented average exposition on market risk respectively at the level of approx. PLN 7.3 m (25% of the limit) and PLN 12.5 m (29% of the limit). Expositions divided into risk types are presented in following tables.

VaR measures for market risk (PLN million)

Trading Book	31.12.2009	1 st half of 2010			30.06.2010
		Average	Maximum	Minimum	
General risk	6 534	7 308	10 431	4 598	5 791
Interest rate VaR	6 391	7 123	11 238	4 595	5 646
FX risk	721	1 146	7 903	112	282
Effect of diversification	9%				2%

Banking Book	31.12.2009	1 st half of 2010			30.06.2010
		Average	Maximum	Minimum	
General risk	11 987	12 492	18 433	6 972	7 245
Interest rate VaR	11 987	12 492	18 433	6 972	7 245
FX risk	0	0	0	0	0
Effect of diversification	0%				0%

Open positions contained mainly interest rate and FX risk instruments. FX risk covers all FX exposures of the Bank, because open positions are permitted only in the Trading and Market Risk Strategy areas, which belong to Trading Book. FX exposures were immaterial during the period.

In the first half of 2010 VaR limits were not exceeded.

In case of the Banking Book, for the purpose of managing interest rate risk sensitivity analysis is carried out of non-trading portfolios, meanwhile for the purpose of mitigating it hedging strategies are used. Monthly the Bank transfers interest rate risk from the Commercial area to Funding and ALM areas.

According to implementation of the procedure of interest rate risk transfer from Commercial area, the analysis of the changes on values of hedged portfolios (cash loans and leasing) was launched, through a series of additional stress tests conducted for hedging structures. These tests are aimed on interest rate risk hedging effectiveness validation.

Additionally, in VaR measurement system was implemented functionality, which extended possibility of stress tests analysis on all the risk areas covered by this system.

In the second quarter of 2010 the Bank launched the hedging process of FX position resulting from future interest margin and future costs denominated in foreign exchange.

According to Capital, Assets and Liabilities Committee decision on 25th June 2010, which came into force on 1st July 2010, the market risk limits were adjusted to current level of Bank's own funds and EUR/PLN foreign exchange.

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:

a) Retail Customer Segment

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

The activity of the above business lines is developed with use of the full offer of banking products and services as well as sales of specialised products offered by subsidiaries in the group. In the credit products area the key portfolio growth factors are mortgage loans, retail credit products, credit card revolving credit as well leasing products for small companies.

Meanwhile key Customers funds include: current accounts, savings 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.

b) Corporate Customer Segment

The Corporate Customers Segment is based on activity targeted at Small and Medium 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.

c) 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 and deferred income tax assets not assigned to any of the segments.

d) Unallocated (Other) assets and liabilities and revenues and expenses

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

Accounting principles

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

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

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

Adjustment of fair value on account of measurement of credit risk component of FX derivatives concluded with Customers is assigned to the "Corporate Banking" segment.

Income statement 01.01.10 – 30.06.2010

In '000 PLN	Retail Banking	Corporate Banking	Investment and Treasury Banking	Other	Total consolidated
Net interest income	381 998	110 722	-57 352	0	435 368
external income	587 170	249 462	329 738	0	1 166 370
external cost	-430 722	-179 305	-120 975	0	-731 002
External income less cost	156 448	70 157	208 763	0	435 368
internal income	422 823	170 117	-592 940	0	0
internal cost	-197 273	-129 552	326 825	0	0
Internal income less cost	225 550	40 565	-266 115	0	0
Net fee and commission income	223 588	51 110	9 321	0	284 019
Dividends, other income from financial operations and foreign exchange profit	-8 929	22 819	92 176	0	106 066
Other operating income and cost	-4 285	-4 712	10 338	0	1 341
Operating income	592 372	179 939	54 483	0	826 794
Staff costs	-180 797	-56 459	-18 199	0	-255 455
Administrative costs	-182 858	-32 672	-14 780	0	-230 310
Impairment losses on assets	-63 814	-64 115	-1 552	0	-129 481
Depreciation and amortization	-32 480	-4 649	-1 275	0	-38 404
Operating expenses	-459 949	-157 895	-35 806	0	-653 650
Share in net profit of associated companies	0	0	0	0	0
Profit / (loss) before taxes	132 423	22 044	18 677	0	173 144
Income taxes	0	0	0	0	-35 526
Profit / (loss) after taxes	0	0	0	0	137 618

Balance sheet 30.06.2010

In '000 PLN	Retail Banking	Corporate Banking	Investment and Treasury Banking	Other	Total consolidated
ASSETS					
Segment assets	29 002 308	8 596 618	8 718 121	0	46 317 048
Assets allocated to segment	266 134	2 567 479	-2 833 613	0	0
Total	29 268 442	11 164 097	5 884 508	0	46 317 048
LIABILITIES					
Segment liabilities	24 562 677	10 395 744	7 388 140	0	42 346 561
Liabilities allocated to segment	3 117 964	190 372	-3 308 336	0	0
Equity allocated to segment	1 587 801	577 981	1 804 705	0	3 970 487
Total	29 268 442	11 164 097	5 884 508	0	46 317 048

Income statement 01.01.09 – 30.06.2009

In '000 PLN	Retail Banking	Corporate Banking	Investment and Treasury Banking	Other	Total consolidated
Net interest income	268 594	86 675	-142 449	0	212 820
external income	577 056	247 131	375 990	0	1 200 177
external cost	-663 982	-234 374	-89 001	0	-987 357
External income less cost	-86 926	12 757	286 989	0	212 820
internal income	610 903	222 862	-833 764	0	0
internal cost	-255 382	-148 945	404 327	0	0
Internal income less cost	355 520	73 917	-429 437	0	0
Net fee and commission income	172 788	51 185	8 525	0	232 498
Dividends, other income from financial operations and foreign exchange profit	47 979	40 746	173 852	0	262 577
Other operating income and cost	437	10	12 259	0	12 705
Operating income	489 797	178 616	52 187	0	720 601
Staff costs	-175 957	-53 894	-12 549	0	-242 400
Administrative costs	-189 099	-34 272	-13 942	0	-237 313
Impairment losses on assets	-5 740	-179 283	-392	0	-185 415
Depreciation and amortization	-27 972	-8 288	-3 633		-39 894
Operating expenses	-398 769	-275 737	-30 515	0	-705 022
Share in net profit of associated companies			7 000		7 000
Profit / (loss) before taxes	91 028	-97 121	28 672	0	22 579
Income taxes					-1 543
Profit / (loss) after taxes					21 036

Balance sheet 31.12.2009

In '000 PLN	Retail Banking	Corporate Banking	Investment and Treasury Banking	Other	Total consolidated
ASSETS					
Segment assets	26 376 319	10 293 886	8 243 619	0	44 913 824
Assets allocated to segment	433 163	2 280 126	-2 713 290	0	0
Total	26 809 482	12 574 012	5 530 329	0	44 913 824
LIABILITIES					
Segment liabilities	22 371 437	11 774 305	7 980 748	0	42 126 490
Liabilities allocated to segment	2 984 296	204 001	-3 188 297	0	0
Equity allocated to segment	1 453 750	595 706	737 878	0	2 787 334
Total	26 809 482	12 574 012	5 530 329	0	44 913 824

VII. DATA ON ASSETS SECURING LIABILITIES

As at 30 June 2010, 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 DZ0811	available for sale	Lombard credit granted to the Bank by the NBP	65 000	67 703
2.	Treasury bonds OK0711	available for sale	Lombard credit granted to the Bank by the NBP	75 000	71 674
3.	Treasury bonds DZ0811	available for sale	Initial security deposit for bond futures	500	521
4.	Treasury bonds DS1110	trading	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	67 279	70 212
5.	Treasury bonds DZ0811	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	30 000	31 247
6.	Treasury bonds OK0112	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	85 000	79 258
7.	Cash		Payment to the Futures Settlement Guarantee Fund	70	70
8.	Deposits	Deposits on other banks	Settlement on transactions entered	911 601	911 601
TOTAL				1 234 450	1 232 286

As at 31 December 2009, 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 DZ0811	available for sale	Lombard credit granted to the Bank by the NBP	65 000	66 250
2.	Treasury bonds OK0711	available for sale	Lombard credit granted to the Bank by the NBP	75 000	69 795
3.	Treasury bonds DZ0811	available for sale	Initial security deposit for bond futures	500	510
4.	Treasury bonds DS1110	trading	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	67 279	68 759
5.	Treasury bonds DZ0811	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	30 000	30 577
6.	Treasury bonds OK0710	trading	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	70 000	68 506
7.	Cash		Payment to the Futures Settlement Guarantee Fund	70	70
8.	Deposits	Deposits on other banks	Settlement on transactions entered	41 055	41 055
TOTAL				348 904	345 522

VIII. DIVIDEND FOR 2009

Accordingly decision of Ordinary General Meeting of Shareholders taking place 22 April 2010, the Bank will not pay dividend from profits generated in financial year ending 31 December 2009.

IX. EARNINGS PER SHARE

Profit per share calculated for 1 half 2010 on the basis of the consolidated data, with effect of issue of L-shares considered in weighted average amount of shares calculation (value presented in P&L) amounted to PLN 0.13.

X. 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", as well as 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).

Data as at the delivery date of the report for 1H 2010

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
AVIVA Otwarty Fundusz Emerytalny Aviva BZ WBK	96 341 239	7.94	96 341 239	7.94

Data as at the delivery date of the quarterly report for 1Q 2010

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
AVIVA Otwarty Fundusz Emerytalny Aviva BZ WBK	96 341 239	7.94	96 341 239	7.94

XI. INFORMATION ABOUT LOAN SURETIES OR GUARANTEES EXTENDED BY THE GROUP

In 2Q 2010, 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 2010 to exceed 10% of the Group's equity as at the balance sheet date.

XII. DESCRIPTION OF RELATED PARTY TRANSACTIONS

(1) DESCRIPTION OF RELATED PARTY TRANSACTIONS

All the transactions concluded between Group entities in the period from 1 January 2010 to 30 June 2010 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 LEASE Sp. z o.o.,
- MILLENNIUM DOM MAKLERSKI S.A.,
- MILLENNIUM TFI S.A.,
- BBG FINANCE B.V.,
- 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 transaction amounts with the Bank Millennium's parent – Banco Comercial Portugues.

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 30.06.2010

	With subsidiaries	With controlling entity
ASSETS		
Loans and advances to banks – accounts and deposits	236 507	148 740
Loans and advances to customers	2 509 157	
Receivables from securities bought with sell-back clause	3 557	
Investments in associates	261 489	
Investment financial assets	15 725	
Financial assets valued at fair value through profit and loss (held for trading)	5 771	32 532
Other assets	13 692	



LIABILITIES		
Deposits from banks	2 360 309	1 247 469
Deposits from customers	1 030 618	
Liabilities from securities sold with buy-back clause	3 557	
Debt securities	-766 459	
Hedging derivatives		61 450
Financial liabilities valued at fair value through profit and loss (held for trading)	3 267	11 051
Other liabilities	159 916	4
- including liabilities from financial leasing	145 502	

**ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN)
AS AT 31.12.2009**

	With subsidiaries	With controlling entity
ASSETS		
Loans and advances to banks – accounts and deposits	229 807	70 542
Loans and advances to customers	2 220 036	
Receivables from securities bought with sell-back clause	3 506	
Investments in associates	263 720	
Investment financial assets	15 725	
Financial assets valued at fair value through profit and loss (held for trading)	4 160	53 043
Hedging derivatives		74 839
Other assets	12 761	
LIABILITIES		
Deposits from banks	2 219 232	2 892 670
Deposits from customers	1 020 686	
Liabilities from securities sold with buy-back clause	3 506	
Debt securities	-761 869	
Financial liabilities valued at fair value through profit and loss (held for trading)	2 644	757
Other liabilities	164 187	5
- including liabilities from financial leasing	150 320	

**PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN)
FOR THE PERIOD OF 1.01-30.06.2010**

	With subsidiaries	With controlling entity
Income from:		
Interest	46 816	42 958
Commissions	26 575	
Derivatives net	988	14 665
Dividends	28 822	
Other net operating income	38 895	
Expense from:		
Interest	46 917	32 463
Commissions	26 395	
General and administrative expenses	39 686	50



**PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN)
FOR THE PERIOD OF 1.01-30.06.2009**

	With subsidiaries	With controlling entity
Income from:		
Interest	54 583	10 006
Commissions	18 715	
Derivatives net	1 191	
Dividends	119 798	
Other net operating income	56 256	
Expense from:		
Interest	59 960	15 708
Commissions	19 080	
Derivatives net		1 028
General and administrative expenses	50 736	47

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 30.06.2010

	With subsidiaries	With controlling entity
Conditional commitments	149 914	121 788
Derivatives (par value)	386 593	4 594 622

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2009

	With subsidiaries	With controlling entity
Conditional commitments	274 008	160 481
Derivatives (par value)	439 504	4 316 181

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

Information on total exposure towards the managing and supervising persons as at 30.06.2010:

	The managing persons	The supervising persons
Total debt limit (in '000 PLN),	1 080,0	150,0
- including an unutilized limit (in '000 PLN)	280,0	134,0
Mortgage loans and credits	3 381,9	-
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 Group's opinion these transactions are concluded on market terms and conditions.

Information on total exposure towards companies and groups personally related as at 30.06.2010:

Entity	Amount (PLN'000)	Relation
Company No 1	5 968	Personal with a supervising person
Company No 2	317	Personal with a supervising person
Group No 1	79 470	Personal with a supervising person
Group No 2	8 823	Personal with a supervising person

Outstanding loans granted to staff from Company Social Benefits Fund:

- In the Bank - 4 339,0 (PLN ths.)
- In Millennium Leasing - 1 479,2 (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 managing and supervising persons as at 31.12.2009:

	The managing persons	The supervising persons
Total debt limit (in '000 PLN),	1 055,0	160,0
- including an unutilized limit (in '000 PLN),	253,4	125,3
Mortgage loans and credits	3 070,0	-
Active guarantees	-	-

Information on total exposure towards companies and groups personally related as at 31.12.2009:

Entity	Amount (PLN'000)	Relation
Company No 1	6 838	Personal with a supervising person
Company No 2	315	Personal with a supervising person
Group No 1	80 634	Personal with a supervising person
Group No 2	10 519	Personal with a supervising person

Outstanding loans granted to staff from Company Social Benefits Fund:

- In the Bank - 4 666,7 (PLN ths.)
- In Millennium Leasing - 1 404,5 (PLN ths.)

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

1. Remuneration costs of the Members of the Management Board of the Bank (data in thousand PLN):

Period	Short term salaries and bonuses	Benefits	TOTAL
1.01-30.06.2010	7 529	528	8 057
1.01-30.06.2009	7 048	476	7 524

Benefits consist mainly of accommodation costs of foreign Management Board Members.

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

Period	Short term salaries and benefits
1.01-30.06.2010	880
1.01-30.06.2009	895

(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 reporting date for quarterly report prepared as at 31.03.2010	Number of shares as of reporting date for quarterly report prepared as at 30.06.2010
Bogusław Kott	Chairman of the Management Board	4 465 791	4 465 791
Joao Bras Jorge	Deputy Chairman of the Management Board	0	0
Fernando Bicho	Member of the Management Board	0	0
Julianna Boniuk-Gorzelańczyk	Member of the Management Board	492 248	492 248
Wojciech Haase	Member of the Management Board	7 494	7 494
Artur Klimczak	Member of the Management Board	0	0
Antonio Pinto Junior	Member of the Management Board	0	0
Andrzej Gliński	Member of the Management Board	0	0
Jerzy Andrzejewicz	Proxy	6 260	6 260
Maciej Bednarkiewicz	Chairman of the Supervisory Board	134	134
Carlos Jorge Ramalho dos Santos Ferreira	Deputy Chairman of the Supervisory Board	0	0
Ryszard Pospieszynski	Deputy Chairman of the Supervisory Board	86 300	86 300
Marek Furtek	Secretary of the Supervisory Board	1	1
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Marek Rocki	Member of the Supervisory Board	0	0
Dariusz Rosati	Member of the Supervisory Board	0	0
Paulo Jose de Ribeiro Moita de Macedo	Member of the Supervisory Board	0	0
Vitor Manuel Lopes Fernandes	Member of the Supervisory Board	0	0
Nelson Ricardo Bessa Machado	Member of the Supervisory Board	0	0
Luis Pereira Coutinho	Member of the Supervisory Board	0	0

XIII. CONTINGENT ASSETS AND LIABILITIES

The total value of the largest lawsuits as at 30 June 2010, in which Group companies acted as claimants or defendants before courts and arbitration bodies, was PLN 488.3 million. The total value of the largest lawsuits, in which Group companies acted as defendants was PLN 287.3 million and the total value of the largest lawsuits, in which Group companies acted as claimants was PLN 201.0 million.

The largest lawsuits in which Group companies are defendants:

1. **Plaintiff:** joint stock company in bankruptcy

Value of the subject matter of the dispute: PLN 159,461,349

Re: 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.

Description of the case: Currently, the case is pending at the District Court in Gdańsk – at evidence proceedings. The Court allowed evidence in the form of expert's opinion as regards property appraisal as at October 25 2002 and next expanded the evidence thesis by its decision of September 2008. The experts appointed by the Court addressed a letter drafted on February 22 2010, in which they informed that it was impossible to prepare an opinion pursuant to the evidence decision. Following this letter, a letter was sent to the Court with comments and reservations concerning the position presented by the experts. In response to the procedural letter of the plaintiff dated 15.03.2010 with application for change in the evidence thesis, a procedural letter was filed by the defendant applying for dismissal of the plaintiff's application for changing the decision of the District Court dated September 8 2008.

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.

2. **Plaintiff:** legal person

Value of the subject matter of the dispute: PLN 31,049,160

Re: The Plaintiff raised in his claim that transaction, which is the subject of dispute, was not concluded effectively due to the failed agreement of significant items. The Plaintiff additionally says that he avoided legal consequences of his declarations of will, which were placed under the impact of a mistake.

Case status: Reply to the suit was submitted.

In the Bank's opinion the above arguments are ungrounded, and raised arguments are not justified by the collected evidence materials in the case under consideration.

OFF-BALANCE ITEMS

<i>Amount '000 PLN</i>	30.06.2010	31.12.2009
Off-balance conditional commitments granted and received	8 709 902	8 118 413
1. Commitments granted:	7 976 760	7 134 510
a) financial	6 336 650	5 647 744
b) guarantee	1 640 110	1 486 766
2. Commitments received:	733 142	983 903
a) financial	251 238	480 398
b) guarantee	481 904	503 505

XIV. MATERIAL EVENTS OCCURRING BETWEEN THE DATE OF THIS REPORT AND THE PUBLICATION DATE, WHICH COULD IMPACT GROUP'S FUTURE FINANCIAL RESULTS

There were no such events.

SIGNATURES:

Date	Name and surname	Position/Function	Signature
26.07.2010	Bogusław Kott	Chairman of the Management Board	.....
26.07.2010	Joao Bras Jorge	Deputy Chairman of the Management Board	.....
26.07.2010	Fernando Bicho	Member of the Management Board	.....
26.07.2010	Andrzej Gliński	Member of the Management Board	.....
26.07.2010	Julianna Boniuk-Gorzelańczyk	Member of the Management Board	.....
26.07.2010	Wojciech Haase	Member of the Management Board	.....
26.07.2010	Artur Klimczak	Member of the Management Board	.....
26.07.2010	Antonio Pinto	Member of the Management Board	.....

II. MANAGEMENT BOARD REPORT OF THE BANK MILLENNIUM CAPITAL GROUP FOR THE 6 MONTHS ENDED 30 JUNE 2010

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I. MARKET CONDITIONS AND BANK STRATEGY

I.1. Macroeconomic situation in 1H 2010

First half of 2010 showed continuation of the economic recovery in Poland. In the first quarter the economic activity was subdued by extremely difficult weather conditions. Despite these negative factors the economic growth deteriorated only slightly to 3.0 % yoy from 3.3% yoy in the fourth quarter of 2009 and compared with 0.7% yoy in the first three months of 2009. The slowdown of the economic growth was driven by a sharp decline of gross fixed assets formation by 12.4% yoy that could be partially explained by low temperatures and heavy snowfall during winter that stopped some building works. Private consumption dynamics increased to 2.2% yoy from 1.7% yoy in the fourth quarter of 2009 and the acceleration was achieved despite the winter-related deterioration of retail sales. In the first half of the year retail sales increased by 3.4% in nominal terms, but the real dynamics was equal to only 0.7%. Monthly data were however influenced by negative one-off factors in almost every month of 2010. Poor retail sales do not have to mean the slowdown of consumption dynamics. Labour market conditions improved in the first half of 2010. Thanks to seasonal factors and recovery in manufacturing and construction, registered unemployment decreased from 12.7% in January to 10.6% in June. The employment in corporate sector is increasing each month since March and its annual growth was equal to 1.1% in June. This along with stable wage growth may translate into growing disposable income from work that should support individual consumption growth.

On the supply side of the GDP industry was still the main engine of growth in the first quarter of 2010 when its value added increased by 11.2% yoy. The increase was achieved due to strong external demand, confirmed by increasing external trade real volumes in the first quarter of 2010. The picture did not change in the second quarter, and in the first half of the year sold industrial output increased by 10.6% yoy in real terms. After difficult beginning of the year, when construction and assembly production declined by more than 15% yoy, the second quarter showed some recovery in the construction sector. In the first half of the year construction output was by 6.1% lower than in the corresponding period of 2009, but in the second quarter one could observe growth of ca 2.5% yoy. The GDP growth in the second quarter was probably similar to one recorded in the first three months of the year. The flood that plagued Poland in May and June does not seem to have strong negative impact on the results in the second quarter. The reconstruction of the flood damages along with public infrastructure investments should be the engine of the economic growth in the remainder of the year.

In the first half of the year the CPI inflation was gradually decreasing and in April it fell below the central bank target set at 2.5%. The price increase slowed down from 3.5% yoy in January to 2.3% in June, on the back of the statistical base effects connected with the hikes of administrative prices and PLN depreciation at the beginning of 2009. At the same time the core inflation excluding food and energy fell to 1.5% from 2.4% in January. In the coming period, inflation will be further lowered by negative base effects stemming from a strong increase in the prices of excise goods in 2009. Data for June showed the risk of growing inflation stemming from food prices, particularly the prices of fruits and vegetables, the harvest of which was reduced by cold and rainy spring and floods.

The Monetary Policy Council did not change the parameters of the monetary policy in the first half of 2010. Under the chair of Marek Belka, new governor of the NBP, the Council changed the construction of the information from the meeting. In June the MPC resigned from the informal monetary policy bias. Instead they included the sentence that the Council has discussed factors that may fuel inflationary pressures in the medium term. The press release was more “hawkish” than the previous ones, what may suggest possible rate hike in the nearest future.

When it comes to monetary aggregates in the first half of 2010 one could observe further increase of households deposits, supported by the stable wage growth and gradual improvement of the labour market conditions. The annual growth rate was not as high as in 2009, what can be partially explained by increasing popularity of more risky saving products and lower interest rates. The nominal value of households’ deposits in June was by 8 billion zlotys higher than in March and by 16 billion zlotys higher compared with December 2009. The annual growth rate declined to 9.3% in June from 15.1% yoy at the end of 2009. Corporate deposits were growing in the months following a sharp decline in January. At the end of June their nominal value was by 2.9 billion zlotys higher than in December, and the annual growth rate was equal to 6.1% compared with 4.3% yoy in December 2009. The deposit growth was observed mainly among non-financial corporations and was supported by improved financial standing of the companies. At the same time high liquidity and low investment activity reduced demand for corporate loans, the annual dynamics of which was negative between February and May and increased to 0.1% in June, mainly due to Polish Zloty depreciation. The portfolio of the households’ credits is still strongly influenced by FX factors. Annual dynamics of households’ credit was equal to 13.1% in June as compared with 12% yoy in December 2009.

I.2. Bank Strategy

Having concluded successfully the Millennium 2010 program one year ahead of schedule, by the end of 2009 Bank Millennium approved and started implementing a new strategy for the period 2010-2012. The new strategy is aimed at balancing a strong volume growth with an adequate and sustainable level of profitability through increasing the pace of customer acquisition, exploiting the potential of the cross-selling “machine”, focusing on strengthening relationships with our customer base and developing initiatives aimed at improving revenues, while maintaining a conservative risk approach and ensuring discipline in liquidity and capital management. In order to implement this strategy, the Bank plans to leverage on its main strengths, namely one of the largest retail network in Poland, the 1,1 million active customers, the high awareness of the Millennium brand, the better than average quality of the loan portfolio and the clear commitment of BCP to the development of the Polish operations. Along with the definition of the new strategy, Bank Millennium set new medium term targets for 2012. On the financial front, the main objectives consist in reaching an ROE of 15%, a Cost-to-Income Ratio below 60% and a loan to deposit ratio not higher than 105%, whereas in business terms the main targets consist in achieving a 7% market share in retail banking and a 5% market share in corporate banking. To support the ambitious growth targets, in February 2010 the Bank concluded a capital raise through rights issue, which proceeds exceeded PLN 1 billion, positioning Bank Millennium as one of the best capitalized institutions in the Polish banking sector.

After a year of 2009 that was mainly devoted to the internal reorganization and to the adjustment of the business model to the new reality, in 2010 the Bank has been totally focused in the development of the business and in the improvement of the profitability levels based on sustainable revenues, while keeping costs under control and maintaining a conservative risk profile.

In terms of business development, the Bank came back during 1H 2010 to a growth mode, both in loans and deposits. On loans side, Bank devoted particular attention to the recovery of its market share in mortgage loans. Thanks to an effective marketing campaign, an adjustment of several features in the offer and to the participation in the state subsidized program "Family at Home", the Bank has achieved significant market share gains. Bank launched also a new credit card - *Visa Impresja* – particularly oriented to the women's segment, being one of the major innovations of the Bank in this area up to now. In accordance to the strategy of bigger focus on lending to companies, Bank Millennium significantly expanded its activity in leasing and factoring, in which reached respectively the 4th and 6th position in the country-wide ranking after 1st half of 2010. On deposits side a successful campaign of savings account and a launch of the 1st internet-only current account, which was supported by a campaign based on a purpose-designed Millennium channel in You Tube, should be highlighted.

The rational management of the time deposits spread and the impact from the efforts done in 2009 to adjust the corporate loans spread to the actual market conditions, together with the significant increase of the cross-selling ratio, enabled the Bank to increase significantly the core revenues, which went up more than 40% in comparison with the same period of 2009. Despite the increase of the activity levels, costs remained practically flat, thanks to the impact of the savings initiatives implemented during 2009. Moreover, the cost of risk significantly decreased in comparison with the 1st half of 2009, partially due to the maintenance of conservative underwriting criteria. The significant growth of core revenues, the control of operating costs and the reduction of the cost of risk enabled Bank Millennium to improve significantly all profitability indicators. Despite the growth of deposits, the impact in the loan portfolio from the recent depreciation of the zloty, led to the increase of the loans-to-deposits ratio, which, even though, remained relatively close to 100%. In what concerns capital, following the above-mentioned rights issue concluded in the beginning of the year, main solvency indicators remained at a very high level.

In the 2nd half of the year, Bank Millennium will continue implementing the strategy recently approved, which is aimed at expanding its activity both in retail and corporate areas in order to keep growing core revenues while keeping a tight control of the cost base and a conservative risk profile, having in mind the medium term targets announced for 2012. The increase of the amount of medium-term-funding, the reduction of the share of loans in foreign currency in the total portfolio, the conciliation between the growth of deposits and a rational spread policy, the acceleration of the pace of the customer acquisition while increasing the cross-selling ratio and the maintenance of the positive trends in important areas such as mortgage loans, leasing and factoring will be key challenges for the next periods.

II. FINANCIAL SITUATION OF BANK MILLENNIUM GROUP

In the first half of 2010 Bank Millennium acted in the environment of gradual economic recovery. The most important external factors influencing banking activity in the last six months include:

- Low investment activity reduced demand for corporate loans while better financial results increased corporates' deposits.
- Lower unemployment improved financial situation of households and increased their financial savings.
- Depreciation of Polish Zloty, especially against the Swiss Franc, inflated valuation of FX denominated loans.
- Escalation of fiscal crisis in some EMU countries renewed risk aversion in financial markets and increased cost of financing in foreign currencies.

II.1. Group profit and loss account after 1st half 2010

Operating Income (PLN million)	1H 2010	1H 2009	Change y/y	
			value	(%)
Net Interest Income *	473.6	296.5	177.1	59.7%
Net Commissions Income	284.0	232.5	51.5	22.2%
CORE INCOME**	757.7	529.0	228.7	43.2%
Other Non-Interest Income ***	69.1	191.6	-122.5	-63.9%
Operating Income	826.8	720.6	106.2	14.7%

(*) 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 38.3 million in 1H 2010 and PLN 83.7 m in 1H 2009) 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 net "other operating income and costs"

Net Interest Income (on pro-forma basis) of Bank Millennium Group grew remarkably in the 1st half 2010 by 60% (or PLN 177 million) in comparison to the 1st half of the previous year, when it was under strong pressure of two negative factors: the price "war" on deposits and high cost of FX swaps for Polish currency. Despite still high competition for deposits, Bank Millennium average deposit margin slightly improved to -0.11% during 2Q' 2010.

2nd quarter 2010 marked a return of higher prices of FX swaps after improvement seen during 2nd half 2009 and 1 quarter 2010 but Bank tries to manage them in order to keep stable average cost of FX funding.

On the assets side the Bank managed to gradually increase average margin on loans from 2.6% in 1H 2009 to 2.9% in 1 half 2010. Total Net Interest Margin increased to 2.2% in 1H 2010 compared to 1.4% in 1H 2009.

Net Commissions Income of the Group amounted to PLN 284 million in the 1st half 2010, which means a 22% increase compared to the corresponding period of the previous year. The growth was recorded in many items such as: payment cards, mutual funds and third party savings products and accounts, which more than compensated drop of insurance related fees.

Other non-interest income (including net balance of other operating income and costs) reached in 1st half 2010 the amount of PLN 69.1 million and was 64% lower than in the 1st half of 2009, during which there were exceptionally higher income connected with market volatility and results in fixed income portfolio.

Total operating income of the Group reached PLN 826.8 million in 1st half 2010 and was 14.7% higher than in the corresponding period of the previous year thanks to a 43.2% growth in core income (net interest income and net commission income).

Operating Costs (PLN million)	1H 2010	1H 2009	Change y/y	
			Value	(%)
Personnel Costs	255.5	242.4	13.1	5.4%
Other Administrative Costs	230.3	237.3	-7.0	-3.0%
Depreciation*	37.9	40.1	-2.2	-5.6%
Total Operating Costs	523.6	519.8	3.8	0.7%
Cost/Income	63.3%	72.1%	-8.8 p.p.	

(*) includes impairment of non-financial assets

Total costs in 1st half 2010 amounted to PLN 523.6 million and were similar to the level of costs in 1st half 2009 (PLN 519.8 million).

Personnel costs grew by 5.4% versus 1st half 2009 on the basis of higher level of bonuses payments and accruals connected with higher income level. Total number of employees in the Group at the end of June 2010 reached 6180 and was lower than one year ago, when it stood at 6 414.

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

Employment structure (in FTEs)	30.06.2010	30.06.2009	Change
Bank Millennium S.A.	5 791	6 028	-237
Millennium Leasing Sp. z o.o.	240	233	7
Millennium Dom Maklerski S.A.	113	109	4
Millennium TFI S.A.	30	30	0
Other subsidiaries	6	14	-8
Total Bank Millennium Group	6 180	6 414	-234

Other administrative costs decreased during 1H'2010 by 3% y/y and the only growing items were marketing costs (+88%). This was associated with recent promotional campaigns of banking products (e.g. mortgage loans and saving accounts). The other administrative costs items decreased in average by 7% y/y.

Depreciation (together with impairment charges for non-financial assets) decreased by 5.6% yearly.

Cost to Income ratio decreased to 63% in 1H 2010 compared to 72% recorded in 1H 2009 reflecting visible improvement in Group's efficiency.

Total net impairment provisions created by the Group during the 1st half 2010 amounted to PLN 130.0 million and were 30% lower than the amount of PLN 185.2 million created during the 1st half 2009. In relative terms, provisions created during the 1st half 2010 represented 76 basis points of average loan portfolio (on yearly basis), which means a decrease versus 106 basis points during the 1st half 2009.

Profit before tax of Bank Millennium Group in the 1st half 2010 amounted to PLN 173.1 million and **net profit** amounted to PLN 137.6 million, which means a significant increase versus the previous 1st half-year results (PLN 22.6 million gross and 21.0 million net profit).

II.2. Balance sheet after 1st half 2010

ASSETS

As of 30 June 2010, Bank Millennium Group's total assets amounted to PLN 46,317 million and were 1.7% higher compared to the end of June 2009. Evolution of the Group's key asset items during the 12 months and their structure is presented in the table below:

ASSETS (PLN million)	30.06.2010		30.06.2009		change
	Value	Structure	Value	Structure	2010/2009
Cash and balances with Central Bank	1 221.0	2.6%	974.0	2.1%	25.4%
Loans and advances to other banks	1 756.6	3.8%	780.0	1.7%	125.2%
Loans and advances to Clients	36 466.1	78.7%	34 908.4	76.7%	4.5%
Receivables under purchased buy-sell-back securities	309.4	0.7%	193.7	0.4%	59.7%
Financial assets carried at fair value through P&L and hedging derivatives	2 684.5	5.8%	4 993.5	11.0%	-46.2%
Investment financial assets*	3 241.8	7.0%	2 956.1	6.5%	9.7%
Intangible assets, property, plant and equipment**	282.4	0.6%	382.3	0.8%	-26.1%
Other assets	355.2	0.8%	351.4	0.8%	1.1%
Total assets	46 317.0	100.0%	45 539.4	100.0%	1.7%

* including investments in subordinated entities, ** without non-current assets to be sold

Loans and advances to Clients are the dominating group in the assets structure (78.7%). As of 30 June 2010, net loans and advances granted to Clients reached PLN 36,466 million, which reflects their limited annual growth of 4.5% y/y.

The two other items having material share in total assets were, as at 30 June 2010, “Financial assets carried at fair value through profit and loss and hedging derivatives” (5.8% share or PLN 2,684 million in nominal terms) and “Investment financial assets” (7% share or PLN 3,242 million). In these both asset items, debt securities issued by the State Treasury and the Central Bank play dominating role: 82% in the first and 98% in the second mentioned portfolio. Important part of “Financial assets carried at fair value through profit and loss and hedging derivatives” was the positive valuation of derivatives held for trading and hedging derivatives, which reached at the end of June 2010 PLN 491 million and its share in this asset group made 18%. This share was much higher one year ago (35%) as derivatives recorded strong decrease by 72% (or PLN 1,244 million) resulted mainly from maturing FX option portfolio. The value of debt securities in both mentioned items of the Group’s assets was PLN 5,410 million as at the end of June 2010, which means a decrease by 12.5% (or PLN 774 million) compared to the end of June 2009. Equity instruments had negligible share in both analysed groups of assets.

Loans and advances to banks amounted at the end of June 2010 PLN 1,757 million, which means an increase by 125.2% (or PLN 977 million) compared to the end of June 2009 and an increase of share in total assets from 1.7% to 3.8%.

LIABILITIES AND EQUITY

The value and structure of the Group's liabilities as at the end of 1st half 2010 and 1st half 2009 are shown in the table below:

LIABILITIES AND EQUITY (PLN million)	30.06.2010		30.06.2009		Change 2010/2009
	Value	Structure	Value	Structure	
Deposits and loans from banks	3 559.2	8.4%	4 120.3	9.7%	-13.6%
Deposits from Clients	33 267.1	78.6%	32 925.2	77.1%	1.0%
Liabilities from securities sold with buy-back clause	244.9	0.6%	1 606.7	3.8%	-84.8%
Financial liabilities carried at fair value through P&L and hedging derivatives	2 549.1	6.0%	1 513.6	3.5%	68.4%
Liabilities on the issue of debt securities	1 132.1	2.7%	932.3	2.2%	21.4%
Reserves	21.7	0.1%	21.7	0.1%	-0.1%
Subordinated debt	954.5	2.3%	1 029.1	2.4%	-7.3%
Other liabilities*	618.2	1.5%	542.1	1.3%	14.0%
Total liabilities	42 346.6	100.0%	42 691.0	100.0%	-0.8%
Total equity	3 970.5		2 848.4		39.4%
Total liabilities and equity	46 317.0		45 539.4		1.7%

(*) including tax liabilities

At the end of June 2010, liabilities represented 91.4% and the equity 8.6% of Group's total liabilities and equity.

Clients deposits, which reached PLN 33,267 million at the end of June 2010, dominated the structure of liabilities (78.6%). The deposits increased by 1% (or PLN 342 million) during one-year time.

Deposits and loans from banks were the second biggest item of Liabilities (8.4%). This item decreased in value by 13.6% (or PLN 561 million) compared to the end of June 2009 to the amount of PLN 3,559 million as at the end of June 2010. The decrease was caused primarily by the fact that the Bank repaid in November 2009 a CHF 555 million syndicated loan.

Liabilities from securities sold with a buy-back clause (sell-buy-back) reached PLN 245 million as at the end of June 2010 and recorded strong decrease by 84.8% (or PLN 1,362 million) compared to the end of June 2009. The decrease resulted from the comfortable liquidity position connected mainly with increase of the own funds at the beginning of 2010 and this item of liabilities, aimed at the operational liquidity management, is generally very volatile. It includes mainly short-term funds acquired from Clients, financial institutions and National Bank of Poland (the Central Bank).

Financial liabilities carried 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 at the end of June 2010, PLN 2,549 million, which means significant increase by 68.4% (or PLN 1,035 million) relative to the balance of 30 June 2009 mainly due to PLN depreciation in the first half of 2010.

As on 30 June 2010 liabilities from issue of debt securities amounted to PLN 1,132 million recording an increase by 21.4% (or PLN 200 million) relative to the balance recorded as on 30 June 2009 in effect of increase in the value of liabilities from bonds issued by the Bank to be offered to individual customers. The value of the above mentioned bonds as at 30 June 2010 was PLN 366 million. Besides the above-mentioned bonds, the item liabilities from issue of debt securities includes also liabilities from agreements, entered into by the Group in December 2007, regarding securitisation of receivables under the leasing portfolio, which as at the end of June 2010 amounted to PLN 766 million. As on 30 June 2010 liabilities from issue of debt securities represented 2.7% of total liabilities.

Subordinated liabilities represented as on 30 June 2010 2.3% of all liabilities (PLN 954 million) and included debt resulting from the issue of long-term bonds with par value of EUR 80 million maturing in 2011 as well as subordinated bonds with par value of EUR 150 million maturing in 2017. Some decrease of that item as compared to the end of June 2009 (by 7.3%) was mainly caused by changes in the currency exchange rate.

At the end of June 2010, the Group's equity was PLN 3,970 million, which means an increase by 39.4% (or PLN 1,122 million) when compared to the end of June 2009. That change was caused first of all by the L series shares issue concluded in February 2010 and also by net profit retention.

II.3. Rating and share price main indicators

The main indexes of the Warsaw Stock Exchange did not materially change during the first half of 2010: WIG index lost 1.5%, the WIG Banks sector index was down -1.4% and mWIG40 index, which comprises the shares of Bank Millennium, grew 1.2%. In the same period Bank Millennium share price grew also by 1.2%. This change of Bank Millennium price is related to TERP¹ price which considers the rights issue of 363 935 033 shares concluded in February 2010. Change of share price and the new issue brought together market capitalization of Bank Millennium to the level of 5.2 billion as at the end of June 2010.

¹ TERP – theoretical ex-right price

	30.06.2010	31.12.2009	Change (%) in 1H 2010	29.06.2009	Change (%) yearly
Number of shares of Bank Millennium (in ths.)	1 213 117	849 182	+42.9	849 182	+42.9
Average daily trading of Bank's shares for a semester (PLN ths)	8 827	11 278*	-21.7	6 098	+44.8
Price of Bank Millennium shares (PLN)	4.28	4.23**	+1.2**	2.92	+46.6
Market capitalisation (PLN million)	5 192	4 076	+27.4	2 480	+109.4
WIG - main index	39 392	39 986	-1.5	30 419	+29.5
WIG Banki	5 787	5 869	-1.4	3 717	+55.7
mWIG 40	2 374	2 346	+1.2	1 769	+34.2

(*) turnover for the second half of the year

(**)share price and its change is based on TERP

During the 1st half of 2010, ratings of Moody's agency remained unchanged but from 5th of May to 2nd of June the Bank's ratings were under review for possible downgrade due to the Moody's rating action on Millennium bcp and other Portuguese banks in light of the review of the sovereign rating and expected deteriorating of operating environment. Finally on June 2nd, Moody's agency affirmed the long-term deposit rating of Bank Millennium at Baa2, with negative outlook.

Fitch rating agency affirmed on 31st March 2010 all ratings assigned to Bank Millennium but changed the outlook of long-term Issuer Default Rating (IDR) from stable to negative as a consequence of an earlier revision of the outlook of the Parent company - Millennium bcp. On 8th of June 2010 Fitch agency assigned to Bank Millennium a national long-term IDR of AA+(pol) with negative outlook and at the same time reaffirmed other ratings.

After first half of 2010, on 22 of July Fitch agency downgraded Bank's rating (Long-term Issuer Default Rating and short term IDR) from A/F1/AA+(pol) to A-/F2/AA (pol) as a consequence of changes made by Fitch on 21 of July 2010 to ratings of Millennium bcp. Individual rating for the Bank remained at the same level C/D.

Shown below are the current ratings assigned to the Bank by both agencies: Moody's and Fitch.

Type of rating	FITCH	MOODY'S
Long-term deposit rating/IDR	A-	Baa2 (negative outlook)
National Long-term IDR	AA(pol)	-
Short-term deposit rating	F-2	Prime-3
Financial strength rating	C/D	D (stable outlook)
Support	1	"high probability" support from the Parent
Outlook	negative	

II.4. Main drivers which may affect financial situation of the Bank in 2H 2010

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

- We expect that the labour market conditions will improve driven by both seasonal factors and further economic recovery. Falling unemployment rate in the next quarter may limit credit risk associated with household loans. At the end of the year the unemployment rate may increase to the level observed at the end of 2009. Stable wage growth and inflation along with growing employment may support demand for deposits and mutual funds.
- Improved financial standing of the companies may reduce credit risk associated with corporate loans.
- Growing production and trade may increase demand for corporate banking services (factoring, export loans, etc).
- NBP rate hike expected in the fourth quarter will translate into higher market rates.
- High infrastructural investment activity may increase local governments' financing needs.
- The decline of risk aversion on the global markets may lead to Polish Zloty appreciation, especially against the Swiss Franc, what may reduce liquidity needs of domestic banks and the valuation of FX denominated loans and reduce the cost of funding in foreign currencies.

III. RESULTS BY BUSINESS SEGMENTS

III.1. Introduction

Results of Bank Millennium Group for the 1st half of 2010, broken down into segments of activity, i.e. retail banking (including micro-businesses), corporate banking and treasury plus brokerage operations compared against the 1st half of 2009, is presented in the table below.

Segment: (PLN million)	Retail Banking	Corporate Banking	Treasury and Investment Banking	Total Group
Net interest income*	382,0	110,7	-57,4	435,4
<i>Change compared to 1H 2009</i>	<i>42,2%</i>	<i>27,7%</i>	<i>-</i>	<i>104,6%</i>
Net commission income	223,6	51,1	9,3	284,0
<i>Change compared to 1H 2009</i>	<i>29,4%</i>	<i>-0,1%</i>	<i>9,3%</i>	<i>22,2%</i>
CORE INCOME**	605,6	161,8	-48,0	719,4
<i>Change compared to 1H 2009</i>	<i>37,2%</i>	<i>17,4%</i>	<i>-</i>	<i>61,5%</i>
Other non-interest income	-13,2	18,1	102,5	107,4
Total operating income	592,4	179,9	54,5	826,8
<i>Change compared to 1H 2009</i>	<i>20,9%</i>	<i>0,7%</i>	<i>4,4%</i>	<i>14,7%</i>
Personnel cost	-180,8	-56,5	-18,2	-255,5
<i>Change compared to 1H 2009</i>	<i>2,8%</i>	<i>4,8%</i>	<i>45,0%</i>	<i>5,4%</i>
Administrative and depreciation cost	-215,3	-37,3	-16,1	-268,7
<i>Change compared to 1H 2009</i>	<i>-0,8%</i>	<i>-12,3%</i>	<i>-8,6%</i>	<i>-3,1%</i>
Total operating cost*	-396,1	-93,8	-34,3	-524,2
<i>Change compared to 1H 2009</i>	<i>0,8%</i>	<i>-2,8%</i>	<i>13,7%</i>	<i>0,9%</i>
Net provisions	-63,8	-64,1	-1,6	-129,5
Gross profit	132,4	22,0	18,7	173,1
<i>Change compared to 1H 2009</i>	<i>45,5%</i>	<i>-</i>	<i>-34,9%</i>	<i>666,8%</i>

* without interest on swap transactions

** sum of Net Interest Income and Net Commission Income

*** without impairment losses on financial and non-financial assets

Increased income generated by the Group, up 14.7% against the previous year, and in particular higher core income (net interest and net commission income) – up 61.5%, was observed in all the three segments of Group's business activity.

In retail, the operating income grew by 20.9% versus the previous year, including increase in the core income by 37.2%. The core operating income in the corporate area grew by 17.4% y/y, while the total operating income increased 0.7%. Also in the treasury and investment activity areas the Group recorded a slight increase in income, up by 4.4% versus the 1st half of 2009.

On the cost side, the Group maintained the total cost level close to the previous half of the year (+0.9%), however increase in staff costs was observed in all the segments whereas administrative costs (depreciation included) decreased as a result of saving programmes implemented last year.

Although in the 1st half of 2010 the total value of credit risk write-offs in the Group decreased by 30% versus the previous year, the proportion of the provisions debited to the operating profit of specific segments was changed. While in the last 1st half of the year the large majority of provisions burdened the corporate banking area, in the current period the value of provisions in the retail area increased and was close to the value of corporate provisions (where a decline was recorded versus the previous year).

As a result of the above, the gross profit value increased against the 1st half of 2009 in both core areas of activity. In the retail segment the gross profit grew 45.5% y/y reaching 132.4 million PLN. The corporate area, which in the 1st half of 2009 recorded a loss (due to provisioning), booked in 1H 2010 profit of 22 million PLN. Profit in the Treasury and investment banking (mostly brokerage) areas totalled in the 1st half of 2010 18.7 million PLN.

Description of activity, along with discussion of the main products and business sub-areas, in the specific segments of operations of Bank Millennium Group is presented in the next chapters.

III.2. Retail banking

General description

Bank Millennium Group offers a high quality financial services dedicated to all retail customers groups including affluent Clients and small businesses. The main offer comprises a wide range of loans, payment cards, deposits and accounts, which enables a customer to conduct a variety of banking operations. The offer provided by the Bank is supplemented by products offered by Millennium Dom Maklerski (brokerage services), Millennium TFI (mutual funds) and Millennium Leasing (leasing for small businesses).

Small Business offer is dedicated to companies with yearly turnover up to 5 million zloty. The offer is tailored to customer needs and covers broad range of financial solutions: Current accounts, Surplus management, Payment cards, Financing day-to-day operations and projects, Electronic banking channels.

Prestige offer is dedicated for affluent Clients, who expect the best service quality and financial products prepared for a measure of their individual needs. Konto Osobiste Prestige is a connection of advanced solutions and tools needed for effective management of personal finances. It enables saving, investing, gaining additional asset and managing of capital, furthermore, it gives the access to many other offers of Bank's cooperators.

During 1st half 2010 Bank Millennium Group grew by 10.4% in loans to individuals and by 6.9% in deposits from individuals. In loans to households the fastest growth was achieved for mortgage loans (+11%) although it was supported to a big extent by the FX (especially CHF) revaluation effect. Other retail loans, which are granted only in PLN (no FX effect) grew by 6.1% during 1st half 2010 thus continuing positive trend from the previous year. Total loans to individuals amounted to PLN 27.4 billion as at the end of June, giving the Group the market share of 6.7%*.

As at 30 June 2010 the Group collected PLN 21.5 billion deposits from individuals, which constitutes 5.5%* share of entire Polish market. Additionally, the Group kept PLN 3.8 billion of other investment products on its customers' accounts, including PLN 2.5 billion of mutual funds managed by Millennium TFI. The combined total growth of customers' funds during 1st half 2010 was 7.7%.

As at the end of June 2010, the Group is offering its service to 1,105 thousand active retail Clients, including over 57 thousand active Small Business Customers.

The Bank continues cross-selling initiatives, which influence on increase of sale of products among Millennium clients both in basic offer as well as deposits and credits. Average number of products per client is consistently improving from 3.07 in June 2009 to 3.34 in June 2010.

Distribution channels

The Bank Millennium Group sells its products and services to individual customers through its nationwide distribution network made up of 465 branches. Moreover, Customers have access to telephone banking, Internet banking and multi-function ATMs.

Bank's Customers can use their cards in all ATMs in Poland including 569 Millennium ATMs. The Bank Customers can execute banking transactions also in foreign ATMs accepting VISA and MasterCard cards. Multi-function Millennium ATMs provide the functionalities other than simple cash withdrawal, such as: checking the account balance, checking the last 10 transactions, PIN change, loading up mobile phone prepaid cards and execution of transfers to pre-defined receiver accounts i.e. payment of bills. In May 2010, the Bank launched a service in its ATMs supporting interaction with Customers. The first service to be provided, for a selected Customer group, involves defining, via ATM, of the MilleSMS message service.

Millenet – internet banking

The Bank has been developing – intending to meet Customer demand for expansion of distribution network outreach – remote service channels using new technologies: Internet service – Millenet, telephone service - TeleMillennium®, mobile services – MilleSMS. As on 30 June 2010 the Bank serviced more than 1 million of registered Internet on-line accounts (accounting for more than 7% share in e-banking market in Poland), and ca. 44% of Millenet Customers were defined as active

* market share defined on the basis of NBP data, as at the end of June 2010

Customers i.e. using access to their on-line account at least once during the last 30 days. The number of active Customers in Internet has been growing month after month. In June 2010, transfers executed by individual Customers via Millenet accounted for ca. 71% of all transfers executed by individual Customers and in the area of external transfers – ca. 94% of all transactions executed in the Bank..

Responding to Customer expectations, the Bank has launched a new Internet Account offer opened on-line for new and existing Bank Customers. Customers with Internet account have been provided with option to set up Maestro Paypass card ensuring refund of 1% of non-cash transactions executed by the card, to the Customer account.

In the first quarter of 2010, the new version of Internet site was launched. The new version of the site is consistent with modern standards focusing on greater usefulness and availability. The information architecture was totally changed to facilitate users to more intuitively search for specific information.

Mortgage loans

Since the beginning of 2010 the Bank has intensified its activity on mortgage market, gradually improving its offer and competitive position. Mortgage sales in the first half of 2010 totalled at PLN 868 million in new agreements (vs. PLN 237 million in 1H 2009), resulting in annual growth of 266%. Mortgage loan disbursements reached the amount of PLN 793 mln, i.e. 36% more than last year. While target set up for 2012 was 6%, in 2Q 2010 Millennium reached 4.8% market share in new sale of mortgage loans (based on data from Polish Banks Association). With mortgage portfolio worth PLN 24.3 billion, the Bank maintains its strong, second position among the largest mortgage lenders in Poland (9.8% market share)*.

In March 2010 the Bank successfully launched a new product – preferential, state budget subsidized housing loans granted within 'Family at home' programme. Within 3 months of the launch of these loans, they account for over 30% of total new sales, and the Bank's market share in this product category in period May – June reached 11%.

Strengthening of mortgage lending activity was largely possible thanks to successful spring marketing campaign. The Customers and other participants of the market appreciated the Bank's efforts. Alongside 'Laur Klienta 2009', in 2010 the Bank won numerous mortgage rankings and received many acknowledgements:

- § the 1st position in the ranking of PLN mortgage loans by financial advisory company Money Expert and 'Polska' daily (Jan 2010)
- § the 1st place in PLN mortgage ranking by 'Dziennik Gazeta Prawna' and Open Finance (Feb 2010)
- § the 2nd position in mortgage ranking by 'Gazeta Wyborcza' (May 2010).

* market share defined on the basis of NBP data, as at the end of June 2010

In the second half-year efforts will be made to build strong relations with mortgage customers and improve cross-sell rate. Other priorities include providing for more efficient loan granting process, as well as tighter cooperation with financial advisory companies.

Other retail loans and cards

Bank Millennium offers debit and credit cards to all Customer segments and cooperates closely with key partners in payment cards area such as payment systems Visa, Mastercard and American Express continuously acting to improve the quality of Customer service. In May 2010 the Bank issued to its first Customers the new Maestro debit card operating with the Internet Current Account. This is the first Millennium's payment card with contactless payment technology MasterCard PayPass.

In June 2010 the Bank launched a new credit card Millennium Visa Impresja giving the Customer the benefit of 5% return of spending on the card in selected Partners' points of sales – all of them being recognized retail brands preferred by Bank's Customers. This international payment card offers stands as a secure payment vehicle for both cash and non-cash transactions up to the limit granted by the Bank and provides a wide range of additional services within the framework of rich Assistance package.

As of June 30, 2010, Bank issued over 1.3 million payment cards, including almost 0.5 million credit cards. The Bank remains one of the biggest issuers of credit cards on the Polish market with market share in the volume of transactions with credit cards as of 31 March 2010 reaching 9.2% (data by NBP).

The Bank offers to Individual Customers a multifunctional, Cash loan which is sold along with additional insurance package mostly to Bank's existing Customers based on their history of collaboration.

For Business customers main credit products that help increase working capital and maintain financial liquidity are: cash loan and overdraft facility while investment credit is assigned for financing and refinancing of upgrading, development projects as well as for the purchase of fixed assets. During first half of 2010 a new user friendly credit solution for Small Business was developed, which is based on scoring model and enables a Customer get simulation of so-called multi offer i.e limits for different credit products (cash loan, overdraft, credit card, charge card) depending on Customer choice.

Customer funds

In 1H 2010 the main driver of deposits volumes growth was Saving Account. The Bank modified existing product, and launched a promotion of new money on Saving Account. The product was supported by main deposit campaign in media. This successful campaign resulted in very positive results: 62 tsd Clients benefited from this promotion during May and total Customer Funds increased in this month by over PLN 750 million. A new deposit with daily capitalisation was also introduced.

To prolong average maturities of deposits portfolio, the Bank has been promoting also longer deposits. The 2 years Lokata Wyjątkowa was launched with attractive rate of 6%.

The Bank's retail deposit offer was enriched by a new products well received by clients. New Structured Deposits have been issued every month, with different assets class behind in order to mitigate Clients risk. Clients could choose from World Giants (product based on global companies), US Giants (US biggest companies), "Power of Zloty" linked to currency or Precious Basket linked to precious metals. The products were also offered in Millenet, allowing Clients to buy those products on-line in quick and very convenient way.

Wide range of products and services for the current financial management is available also for affluent Clients: savings accounts - clearing PLN and foreign currency, savings account, term deposits, debit and credit cards. The Bank also offers a wide range of investment products and insurance - investment, including domestic and foreign investment funds (Millennium, ING, Legg Mason, DWS, Arka, BlackRock), Prestige Investment Program available in PLN, EUR and USD, Prestige Endowment Policy and structured notes.

In the first half of 2010, Bank Millennium issued in the private placement structured notes with 100% capital guarantee (all in PLN), with different time horizon, the underlying assets and the payment formulas. Customers enjoyed great interest to 3-year bond based on the six companies that are official sponsors of the Olympic Games. Since June 2010, the Bank successfully launched the emission of Banking Securities. In June, customers were offered two structured products in the legal form of Bank Securities.

In April 2010 Bank has improved Current Account offer thanks to introduction of free ATMs for Konto Osobiste Premium (dedicated for more active Clients).

In February 2010 Bank has introduced mobility process that enables individual Clients migration of current accounts between banks in Poland. The client that wants to open current account in Bank Millennium can easily at the same time put disposal to close account in other bank or Bank will proceed with all formalities related to closing account in Bank Millennium and moving balance with account services related to other bank upon Client's request.

The Bank's offer for businesses in terms of current accounts includes accounts in PLN segmented in three main groups: for Start Ups, Free Professions and standard offer for other companies as well as current accounts in 4 foreign currencies (EUR, USD, CHF, GBP).

III.3. Corporate Banking

General description

The Bank Millennium Group offers wide range of products and services in response to current and long-term financial needs of corporate Customers. Corporate banking area provides professional and comprehensive support to small, medium size and large enterprises having annual sales revenue exceeding 5 million PLN.

The Bank has divided its Corporate Customers into two groups:

- Small and medium size enterprises (SME) with annual turnovers from 5 million PLN to 30 million PLN
- Big enterprises having annual turnovers exceeding 30 million PLN.

Corporate banking area renders services also to public sector entities.

As on 30 June 2010, the Bank cooperated with almost 10 thous. active corporate Customers.

In the first half of 2010, the Bank Millennium Group recorded an increase of its loan portfolio (including leasing) in the corporate banking area of 4.6% and increase in Customer funds of 2.9%.

Growth in the area of corporate deposits followed in the path of increasing trend recorded last year. Relative to June 2009, corporate deposits increased by more than 20% to reach the level of 12.1 bln. PLN as at the end of June 2010. This change provided the Bank Millennium Group with 4.5% ^{*} share in the overall corporate and public sector deposits.

In credit area the declining trend of the last year reversed in line with assumptions of the new strategy and plans for use of share issue proceeds expecting an increase in the area of the Bank's corporate lending. As at the end of June 2010, the corporate loan portfolio (including leasing) reached the level of 9.1 bln. PLN i.e. 3.1% ^{*} of the market share (partially the growth resulted from the currency loan revaluation effects). The growth was particularly strong in leasing and factoring.

The supportive factor in SME financing was funding obtain for that particular purpose from EBRD in November 2009 in the amount EUR 100 million.

^{*} market share defined on the basis of NBP data, as at the end of June 2010

Distribution channels

The Bank has been conducting its corporate banking activities via its nation-wide sales network made up of, as on 30 June 2010, 31 Corporate Centres employing 266 employees including 160 relationship managers and 71 consultants, focusing on providing Customers with ongoing service and attracting new Customers. Moreover, corporate Customers have access to 96 product specialists including specialists in leasing, factoring, treasury and transaction banking supporting them in developing specific products and services tailor-made to meet specific needs of the Customers.

Corporate Customers may also execute transactions through nation-wide network of Bank Millennium retail branches or through the Bank's electronic banking platform: Millenet for Companies (specialist Internet platform designated for corporate Customers), Intranet system ESOBIG and services provided by call centre TeleMillennium®.

Main corporate banking products

The Bank Millennium Group has a comprehensive deposit, transactional and credit product offer addressed to corporate Customers. The Bank analyses corporate Customer needs and defines product and service prices looking at the nature of overall cooperation with a given Customer. To corporate Customers the Bank offers overdrafts, working capital and investment loans as well as broad range of leasing products, both in PLN and other currencies. In addition, the Bank offers credits co-financed with EU funding („EUROMillennium” loans, Technological Loan), tailor-made to match specific Customer needs, often having terms and conditions significantly different due to requirements of individual EU programmes.

The basic Bank's offer directed towards corporate Customers includes, in the area of deposits, PLN and FX deposits (standard and negotiated), automatic deposits and other investment products including Treasury bills and bonds as well as sell-buy-back and buy-sell-back transactions.

Description of corporate banking product offer appeared, during the first half of 2010, in many specialist media publications and, additionally, advertising campaigns in country-wide and specialist press supported sales of these products.

Leasing

The Bank Millennium Group offers a wide range of leasing products meeting the needs of all corporate banking Customer segments and micro-enterprises. Servicing and development of leasing of movables falls under responsibility of a specialist subsidiary in the Group i.e. Millennium Leasing Sp. z o.o. (one of the leading leasing companies in Poland with one of the longest histories of operations). On the other hand, real property leasing is provided by Millennium Lease Sp.z o.o. (both companies are 100% held by the Bank Capital Group). Leasing services are rendered by leasing advisors through 57 outlets throughout Poland and by relationship managers operating within the Bank branch network.

During the first half of 2010, the Group focused, particularly, on developing motor-car leasing as well as leasing of machines and equipment for all sectors of economy thereby increasing the value of assets under lease by 37% relative to the first half of 2009.

According to the Polish Leasing Association, Millennium Leasing is ranked 3rd among leasing companies in Poland in terms of the value of movable assets under lease in the first half of 2010 and 4th in terms of the total value of real properties and movables with market share of 7% - increase by 1.7 percentage point relative to the same period of the last year (after the first half of 2009, the Company was ranked 7th with market share of 5.3%).

New credit products

The bank will soon introduce new credit products: multi-product / multi-currency lines and loans secured by mortgages. New credit products have been developed in response to the needs of the enterprise sector relative to innovative approach to financing. Multi-product and multi-currency line provide flexible financing of company needs using overdrafts, revolving loans, charge cards as well as support issuance of guarantees or documentary letters of credit (L/Cs) under guarantee and L/C lines. Combination of all above products into a single and coherent offer gives Customers flexibility in use of individual products and choice of currencies to meet Customer requirements. This is ensured by a new system functionality implemented in the Bank. In terms of documents required, a single agreement and a single set of collaterals will suffice.

Loans secured by mortgage are excellent for companies having their own real properties and willing to use their value to obtain long-term financing of company operations and further development. Loan amount is largely conditional upon the real property value while long period of repayment allows the Customer to optimise monthly debt service costs.

Transactional banking

Together with growth of the corporate banking segment, Bank Millennium developed a range of transactional banking products offered to enterprises. Transactional banking services provide, primarily, access to basic services such as: bank accounts, deposits, outgoing transfers, settlement of incoming payments, cash payments and withdrawals, payment cards or access to information about account turnovers.

In the first half of 2010, Bank Millennium introduced new services and improvements. The Bank introduced mass payments, extended cut-off time for outgoing transfers, new procedures for placing foreign transfer orders: urgent (d+1) and express (d+0). In the area of payment cards, chip cards have been implemented in EMV system and in the area of specialist services the bank introduced the individual deposit system designed for institutions accepting third party deposits e.g. developers, institutions announcing public procurement tenders (e.g. municipal offices) notary public offices as well as courts.

Factoring

Bank Millennium factoring offer incorporates a range of useful and flexible solutions in the area of financing, administration and insurance of trade receivables generated from trade with customers and suppliers located both at home and abroad. Bank Customers have access to the following factoring services:

- factoring with recourse,
- factoring without recourse with insurance,
- reverse factoring,
- maturity factoring (mille-link),
- self-government factoring,
- payment collections.

In January 2010, Bank Millennium, first in Poland, became a member of the Polish Factors Association bringing together the largest factoring institutions. Bank's membership in the Association confirms high standards of factoring services rendered by the Bank.

Bank Millennium is one of the leaders among dynamically growing factoring institutions in Poland. With respect to factoring turnover, after the end of the first half of 2010, the bank recorded growth of 64% (relative to market growth of 26%), thereby further strengthening the bank's market position. As at the end of June of the current year Bank Millennium was ranked sixth in the entire factoring market with the market share of 6,6% (increase by more than 1,5 percentage point in the course of the year).

Treasury products

In its offer, Bank Millennium has a package of basic treasury products and plans to further develop this product mix. This applies, in particular, to forward transactions although the offered mix was narrowed down in the wake of market turbulences of 2008.

Treasury products are sold by well-trained Treasury Department staff and via the Bank network. Since November 2009 FX transactions have been sold to corporate Customers also via the Internet platform (*Millennium Forex Trader Platform*). *Millennium Forex Trader* is a tool ensuring fast and safe access to financial markets. This way, Customers can efficiently execute transactions without the need to contact Bank dealers by phone. Entrepreneurs have an option to execute, at any time and location, FX market transactions. Transactions are concluded in real time, at current FX rates obtained directly from the market. *Millennium Forex Trader* is an effective currency position management tool minimising service costs by providing direct access to inter-bank market quotations.

III.4. Treasury and Investment Banking

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. Treasury Department of Bank Millennium is responsible for Group's liquidity management, trading activity and hedging in particular in relation to risks associated with FX and interest rate instruments. It also supports the sale of treasury products to Bank's Clients, mostly of corporate segment.

Brokerage activities – Millennium DM

Brokerage in the Bank Millennium Group is run by Millennium Dom Maklerski S.A. which offers a full scope of brokerage services, in particular the offering of securities on the primary market and initial public offerings, buying and selling financial instruments for own account, buying and selling financial instruments for the account of third parties, advisory services with respect to trading in securities and running securities and cash accounts for the needs of servicing such securities.

In the first half of 2010 the Stock Exchange trading of Millennium DM on the equities market stood at 3.7 billion PLN. As of 30 June 2010 Millennium DM ran 64.5 thousand investment accounts and acted as market maker for 13 companies listed on the Warsaw Stock Exchange.

In the first half of 2010 Millennium DM conducted the first initial public offering of shares in Ferro S.A.. It also participated as a member of syndication in initial public offerings of PZU S.A. and Tauron S.A. shares and conducted a call for selling shares in the Pemug SA company.

IV. RISK MANAGEMENT IN BANK MILLENNIUM GROUP

Bank Millennium Group attaches special importance to risk management, which is an essential part of the Group's growth strategy. In order to assure an effective risk management and a consistent policy in the Group, a risk management model was implemented, which integrates all types of risks that constitute the main areas of threat to the Bank's activity, i.e. credit, market, liquidity and operational risk.

During the 1st half of 2010 Bank Millennium Group implemented a number of initiatives to improve the risk management function, which are presented below and in details in the financial part of Semi-annual report.

IV.1. Capital management

Until supervisory consent is obtained for advanced approaches to calculating capital requirements, Bank Millennium Group applies the standard approach to capital requirement calculation.

Capital requirements for Bank Millennium Group, calculated as at 30 June 2010 with the standard approach in line with the New Capital Accord, compared to 30.06.2009 and 31.12.2009, is presented below:

In PLN million

Capital requirements by risk type:	30.06.2010	31.12.2009	30.06.2009
Credit risk (including counterparty risk)	2 318,1	2 194,8	2 338,8
Operational risk	222,4	222,4	218,3
Market risk	64,6	56,4	49,3
Total capital requirements	2 605,1	2 473,7	2 606,4
Own funds	4 545,5	3 491,4	3 634,9
Consolidated solvency ratio	13,96%	11,29%	11,16%

As at end of June 2010 Bank Millennium Group noted the improvement of the capital adequacy ratio by 267 basis points from the end of 2009. Growth of the ratio is caused by raising of regulatory own funds by 30% (new issue of L series shares), accompanying by increasing of total capital requirements by 5% (mainly for mortgage loans).

Meanwhile, the raise of the capital adequacy ratio with respect to June 2009 is determined by the increase of regulatory own funds (new issue of shares), while total capital requirements remained stable.

In 2010 the Group is continuing the process of internal assessment of capital adequacy based on the internal model of economic capital. Calculation of internal capital covers all major risk types, to which the Group is exposed and is based on a set of parameters, which reflect the specifics and reality of the

Polish market. In the process of calculating internal capital, individual types of risk as well as the effect of diversification are subjected to stress tests. In the assessment of the Group's capital adequacy, internal capital is compared with the ability to accept risk i.e. with available financial resources.

IV.2. Credit risk

Credit risk means the uncertainty regarding meeting by the customer of his contractual commitments to the Group regarding his financing, i.e. repayment in specific time of principal and interest, which may cause the financial loss to the Group.

Credit risk is the most important type of risk incurred by Bank Millennium Group. Capital requirement to cover credit risk was PLN 2 318 million from a total requirement of PLN 2 605 million as at 30.06.2010.

The key indicator of portfolio quality – share of impaired loans in total loans (calculated in keeping with International Accounting Standards) – increased from 4,8% a year ago to 5,9% at end of June 2010 and remained much lower than the ratio for entire market (8.8% in May 2010). During 1st half of 2010 the volume of impaired loans grew by PLN 188 million but the total loans also grew in the same period, thus the impaired loans ratio was stable at 5.9% level when compared to the end of December 2009.

Also the ratio of loans past-due over 90 days remained unchanged (2.6%) when comparing to December 2009 and deteriorated in comparison to June 2009, when it stood at 1,8% level. Thus it remains much lower than the ratio of impaired loans, which is proof of a very conservative approach of the Bank with respect to classification of impaired loans.

The situation of Bank Millennium Group with respect to loans portfolio quality is illustrated by the following figures:

Main loan quality indicators	30.06.2010	31.12.2009	30.06.2009
Total impaired loans (PLN million)	2 221,8	2032,8	1721,4
Loans past-due over 90 days (PLN million)	982,1	884,5	630,6
Impaired loans/total loans	5,9%	5,9%	4,8%
Past-due loans (>90 d)/total loans	2,6%	2,6%	1,8%
Total provisions/impaired loans	53,1%	54,4%	53,8%
Total provisions/past-due loans (>90 d)	120,1%	125,1%	146,9%

The coverage level of the impaired loans portfolio by impairment provisions decreased only slightly, by 1 p.p. to 53.1% in June 2010, when compared to December and June 2009, despite the write-off during 1st half year of PLN 100 million receivables fully covered by provisions. When excluding leasing portfolio, which by its nature has lower coverage due to strong physical collateral, the coverage of impaired loans by total provisions would stay at 60% as at the end of June 2010. The coverage by total provisions of loans, which are past-due more than 90 days, remained on very solid level of 120% as at the end of June 2010.

During 1H 2010 the Group modified and updated credit policy and parameters to calculate impairment in collective analyses. (see more details in the Financial Part of this Semi-Annual Report of Bank Millennium Group).

IV.3. Market risk

Market risk covers current or potential impact on results or capital, coming from changes of the value of the Group's portfolios in result of unfavourable changes of prices of bonds, shares or commodities, interest or FX rates. The Bank controls market risk and manages it in a centralised way, with use of the concepts and measures that are used in all companies of the Millennium BCP Group.

The main measure of estimating market risk used in the Group is a parametric VaR (Value at Risk) model. In order to ensure adequacy of the applied VaR model for assessing risks generated by open positions, the process of back-testing was established, which is done daily. In parallel to VaR calculations, for the purpose of estimating potential economic loss resulting from extreme changes of market risk factors, a series of stress tests for the Trading and Market Risk Strategy portfolios are carried out.

Calculations of value at Risk are done with use of software based on Internet technology. It gives commercial areas direct access to information about risk exposures in their portfolios. Additionally, there was a functionality implemented in VaR measurement system, which extended possibility of stress tests analysis on all the risk areas covered by this system.

In the first half of 2010 the Bank did not change the conservative approach to market risk management, adopted in year 2009. As a result, VaR indicators for Trading Book and Banking Book presented average exposition on market risk respectively at the level of approx. PLN 7.3 m (25% of the limit) and PLN 12.5 m (29% of the limit). Expositions divided into risk types are presented in following tables.

VaR measures for market risk (PLN million)

Trading Book	31.12.2009	1 st half of 2010			30.06.2010
		Average	Maximum	Minimum	
General risk	6 534	7 308	10 431	4 598	5 791
Interest rate VaR	6 391	7 123	11 238	4 595	5 646
FX risk	721	1 146	7 903	112	282
Effect of diversification	9%				2%

Banking Book	31.12.2009	1 st half of 2010			30.06.2010
		Average	Maximum	Minimum	
General risk	11 987	12 492	18 433	6 972	7 245
Interest rate VaR	11 987	12 492	18 433	6 972	7 245
FX risk	0	0	0	0	0
Effect of diversification	0%				0%

In the first half of 2010 VaR limits were not exceeded. Open positions contained mainly interest rate and FX risk instruments.

IV.4. Liquidity risk

Liquidity risk reflects the possibility of incurring significant losses in result of deterioration of financial conditions (financial risk) and/or sale of assets below their market value (market liquidity risk) for purpose of satisfying financing needs resulting from the Group's liabilities.

Estimating the Group's liquidity risk is done both with use of indicators defined by supervisory authorities as well as proprietary measures, for which also exposure limits have been defined. Short-term (up to 3 months) evolution of the Group's liquidity situation is examined daily on the basis of two internal indicators: current and quarterly liquidity ratios. These ratios measure maximum liquidity needs (negative value), which may arise on the given day, considering cash flow projections for 3-day and 3-month periods respectively. The structural liquidity position is measured on the basis of cumulative liquidity gap calculated with use of revaluated flows.

All the liquidity limits, both internal and supervisory, were observed during the first half of 2010. In the first quarter of 2010 within all liquidity measures, including supervisory, systematic improvement was visible, which was connected with PLN appreciation and increase on Bank's own funds for about PLN 1 bn in February 2010. In the second quarter liquidity measures stabilized, mainly due to PLN depreciation, which bridged positive effect of increasing deposit base.

The main source of financing of the Bank is the large and well-diversified deposits base. Deposit base concentration, measured by the top 5 and top 20 depositors share in all deposits, since years remain at the level of respectively about 5% and 10%. To hedge itself against deposit base fluctuations, the Bank holds liquid assets buffer in the form of securities portfolio. Moreover, agreement on stand-by credit concluded with Millennium bcp on 3rd June 2009 for one year period, was renewed on 2nd June 2010 and is valid till February 2011.

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. In analysed period the Bank supplemented structural liquidity measurement model by additional stress tests, which are aimed at early identification of potential warnings. The Bank has also contingency procedures for an increased liquidity risk situation – the Liquidity Contingency Plan, which is updated every quarter.

IV.5. Operational risk

In order to identify and assess operational risk in its activity the Group uses three complementary instruments:

- collecting information about losses, both internal and external;
- monitoring key risk indicators; and
- conducting risk self-assessment in processes.

In the first half of 2010 the Group continued its activities aiming at highlighting and perfecting the awareness of threats among all the employees, in particular among employees who have an impact on the running of processes inside the organization. In this area in the previous half year the Group put special emphasis on identifying risk by all employees and especially the reporting units.

V. ADDITIONAL INFORMATION

V.1. Share issue series L

In December 2009, General Meeting of Shareholders of the Bank adopted resolution on increase of the bank capital by way of closed issue with drawing rights granted to present shareholders, of not more than 425.000.000 L-series ordinary bearer shares of the nominal value of 1,00 PLN each. The Bank Management Board set up issue price for a single L-series share at 2,90 PLN and final number of shares offered at 363.935.033.

During the subscription period i.e. 20 – 28 January 2010, in exercise of the drawing rights, the total of 6.410 subscriptions were submitted for 361.796.921 shares. At the same time 804 subscriptions were submitted for 360.425.723 shares. Thus, the total of 722.222.644 shares were duly subscribed for and paid up and the additional subscription was reduced by 99,41%. On 8 February 2010, all subscribers were allocated with the total of 363.935.033 shares.

On 26 February 2010, the Court registered the bank's capital increase from the amount of 849.181.744 PLN to 1.213.116.777 PLN and registered a change to the Bank's Articles of Association. This way the issue of rights to L-series shares under public offering was effectively concluded.

The Bank Millennium share issue was a success. The part of the issue made available to the minority shareholders (Banco Comercial Portugues the dominating shareholder, holding 65,5% of the bank's shares exercised its drawing rights in full and declined to subscribe for additional shares) was taken up in full, oversubscribed four times.

The entire process of the issue of bank's shares was conducted efficiently and in a short time – ca. 3 months. In effect of the issue, the bank increased its own capital by more than 1 bln PLN thus strengthening solvency ratios, for both the bank solo and the Group, to support implementation of the new business strategy for 2010-2012.

V.2. Changes in the Management Board composition

On 22 April 2010 the Bank's Supervisory Board held a meeting, where the Supervisory Board acknowledged the resignation of Mr. Rui Manuel da Silva Teixeira from the position as Deputy Chairman of the Management Board of Bank Millennium S.A and the Member of the Management Board due to personal reasons, effective as of 22 April 2010.

Moreover, the Supervisory Board changed the composition of the Management Board of the current term in office, increasing the number of the Management Board members from 7 to 8 members. The Supervisory Board appointed one of the Members of the Management Board Mr. Joao Nuno Lima Bras Jorge as Vice-Chairman of Bank Millennium S.A. Management Board and appointed Mr. Andrzej Gliński and Mr. Antonio Pinto Junior for posts of Management Board Members for the current term in office.

VI. REPRESENTATIONS OF THE MANAGEMENT BOARD

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 2010, and the comparable data as well as the Condensed Interim Unconsolidated Financial Statement of Bank Millennium S.A. for the period of 6 month ending 30th June 2010 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).

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 2010 and the comparable data as well as the Condensed Interim Unconsolidated Financial Statement of Bank Millennium S.A. for the 6 month period ending 30th June 2010 and the comparable data, 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
26.07.2010	Bogusław Kott	Chairman of the Management Board	.....
26.07.2010	Joao Bras Jorge	Deputy Chairman of the Management Board	.....
26.07.2010	Fernando Bicho	Member of the Management Board	.....
26.07.2010	Andrzej Gliński	Member of the Management Board	.....
26.07.2010	Julianna Boniuk-Gorzelańczyk	Member of the Management Board	.....
26.07.2010	Wojciech Haase	Member of the Management Board	.....
26.07.2010	Artur Klimczak	Member of the Management Board	.....
26.07.2010	Antonio Pinto	Member of the Management Board	.....

**III. CONDENSED INTERIM FINANCIAL STATEMENTS OF BANK MILLENNIUM S.A. FOR THE
6 MONTHS ENDED 30 JUNE 2010**

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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 2009.

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) the Bank is required to publish the financial results for the six months ended 30 June 2010 which is deemed to be the current interim financial reporting period.

The Board of Directors approved this condensed unconsolidated interim financial statement on 26 July 2010.

II. BANK'S UNCONSOLIDATED FINANCIAL DATA

INCOME STATEMENT				
<i>Amount '000 PLN</i>	1.01.2010 - 30.06.2010	1.04.2010 - 30.06.2010	1.01.2009 - 30.06.2009	1.04.2009 - 30.06.2009
I. Interest income	1 087 723	550 765	1 109 243	531 879
II. Interest expense	-716 437	-365 066	-968 522	-474 891
III. Net interest income	371 286	185 699	140 721	56 988
IV. Fee and commission income	287 272	138 365	253 495	117 240
V. Fee and commission expense	-24 063	-12 867	-37 839	-20 086
VI. Net fee and commission income	263 209	125 498	215 656	97 154
VII. Dividend income	20 125	2 227	101 388	13 556
VIII. Result on investment financial assets	3 317	2 833	10 907	5 274
IX. Result on financial instruments valued at fair value through profit and loss (held for trading) and Foreign exchange result	96 372	41 377	248 628	111 806
X. Other operating income	15 120	5 699	25 613	19 419
XI. Operating income	769 429	363 333	742 913	304 197
XII. General and administrative expenses	-458 945	-236 224	-465 541	-236 498
XIII. Impairment losses on financial assets	-78 305	-8 264	-154 672	-48 365
XIV. Impairment losses on non financial assets	11	72	-187	90
XV. Depreciation and amortization	-36 986	-18 247	-25 985	-12 907
XVI. Other operating expenses	-11 862	-6 125	-10 448	-6 983
XVII. Operating expenses	-586 087	-268 788	-656 833	-304 663
XVIII. Operating profit	183 342	94 545	86 080	-466
XIX. Profit / (loss) before taxes	183 342	94 545	86 080	-466
XX. Corporate income tax	-28 832	-14 529	911	2 770
XXI. Profit / (loss) after taxes	154 510	80 016	86 991	2 304
Weighted average number of ordinary shares	1 098 507 402	1 213 116 777	849 181 744	849 181 744
Earnings (losses) per ordinary share (in PLN)	0.14	0.07	0.10	0.00
TOTAL COMPREHENSIVE INCOME STATEMENT				
Profit / (loss) after taxes	154 510	80 016	86 991	2 304
OTHER ELEMENTS OF TOTAL COMPREHENSIVE INCOME, INCLUDING:				
Effect of valuation of available for sale debt securities	3 397	-13 791	6 117	3 494
Effect of valuation of available for sale shares	-1 765	-2 286	961	1 339
Hedge accounting	6 316	3 415	8 332	-193 297
OTHER ELEMENTS OF TOTAL COMPREHENSIVE INCOME BEFORE TAXES	7 948	-12 662	15 410	-188 464
Corporate income tax on other elements of total comprehensive income	-1 510	2 406	-2 929	35 809
OTHER ELEMENTS OF TOTAL COMPREHENSIVE INCOME AFTER TAXES	6 438	-10 256	12 481	-152 655
TOTAL COMPREHENSIVE INCOME OF THE PERIOD	160 948	69 760	99 472	-150 351

BALANCE SHEET

ASSETS

<i>Amount '000 PLN</i>	30.06.2010	31.12.2009
I. Cash, balances with the Central Bank	1 220 743	2 191 027
II. Loans and advances to banks	1 756 613	695 689
III. Financial assets valued at fair value through profit and loss (held for trading)	2 620 282	3 029 253
IV. Hedging derivatives	62 818	377 334
V. Loans and advances to customers	35 440 410	32 482 473
VI. Investment financial assets	3 229 255	4 163 076
- available for sale	3 229 255	4 163 076
- held to maturity	0	0
VII. Investments in associates	262 352	262 288
VIII. Receivables from securities bought with sell-back clause (loans and advances)	309 402	208 781
IX. Property, plant and equipment	260 744	285 490
X. Intangible assets	15 597	18 458
XI. Non-current assets held for sale	0	0
XII. Receivables from Tax Office resulting from current tax	11 301	36 548
XIII. Deferred tax assets	109 540	102 660
XIV. Other assets	118 499	116 073
Total Assets	45 417 556	43 969 150

LIABILITIES

<i>Amount '000 PLN</i>	30.06.2010	31.12.2009
I. Deposits from banks	3 559 171	4 909 356
II. Financial liabilities valued at fair value through profit and loss (held for trading)	1 053 650	683 378
III. Hedging derivatives	1 496 452	122 813
IV. Deposits from customers	33 379 935	31 653 587
V. Liabilities from securities sold with buy-back clause	248 443	2 346 190
VI. Debt securities	365 593	262 466
VII. Provisions	20 314	23 196
VIII. Deferred income tax liabilities	0	0
IX. Current tax liabilities	0	0
X. Other liabilities	622 128	504 744
XI. Subordinated debt	954 464	945 795
Total Liabilities	41 700 150	41 451 525

EQUITY

<i>Amount '000 PLN</i>	30.06.2010	31.12.2009
I. Share capital	1 213 117	849 182
II. Share premium	1 147 241	472 343
III. Revaluation reserve	17 637	11 199
IV. Retained earnings	1 339 411	1 184 901
Total Equity	3 717 406	2 517 625

Total Liabilities and Equity	45 417 556	43 969 150
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Book value	3 717 406	2 517 625
Number of shares	1 213 116 777	849 181 744
Book value per share (in PLN)	3.06	2.96

STATEMENT OF CHANGES IN EQUITY

	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2010	2 517 625	849 182	472 343	11 199	1 184 901
- L-shares issue	1 038 833	363 935	674 898	0	0
- total comprehensive income of the I half 2010	160 948	0	0	6 438	154 510
Equity at the end of the period 30.06.2010	3 717 406	1 213 117	1 147 241	17 637	1 339 411

	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2009	2 462 552	849 182	472 343	40 241	1 100 786
- total comprehensive income of 2009	55 073	0	0	-29 042	84 115
Equity at the end of the period 31.12.2009	2 517 625	849 182	472 343	11 199	1 184 901

	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period 01.01.2009	2 462 552	849 182	472 343	40 241	1 100 786
- total comprehensive income of the I half 2009	99 472	0	0	12 481	86 991
Equity at the end of the period 30.06.2009	2 562 024	849 182	472 343	52 722	1 187 777

CASH FLOWS

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2010 - 30.06.2010	1.01.2009 - 30.06.2009
I. Profit (loss) after taxes	154 510	86 991
II. Adjustments for:	-2 589 987	-1 841 380
1. Interests in net income (loss) of associated companies	0	0
2. Depreciation and amortization	36 986	25 985
3. Foreign exchange (gains) losses	75 517	186 944
4. Dividends	-20 125	-101 388
5. Changes in provisions	-2 882	-12 153
6. Result on sale and liquidation of investing activity assets	-3 110	-22 162
7. Change in financial assets valued at fair value through profit and loss (held for trading)	1 134 685	1 430 286
8. Change in loans and advances to banks	-884 561	777 810
9. Change in loans and advances to customers	-2 959 509	-1 261 417
10. Change in receivables from securities bought with sell-back clause (loans and advances)	-100 621	-132 440
11. Change in financial liabilities valued at fair value through profit and loss (held for trading)	1 743 911	-4 066 353
12. Change in deposits from banks	-1 482 466	26 046
13. Change in deposits from customers	1 722 201	1 127 018
14. Change in liabilities from securities sold with buy-back clause	-2 097 747	103 840
15. Change in debt securities	103 127	38 410
16. Change in income tax settlements	28 833	-8 827
17. Income tax paid	-11 976	-39 159
18. Change in other assets and liabilities	114 958	59 899
19. Other	12 792	26 281
III. Net cash flows from operating activities	-2 435 477	-1 754 389

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2010 - 30.06.2010	1.01.2009 - 30.06.2009
I. Inflows:	20 212	139 211
1. Proceeds from sale of property, plant and equipment and intangible assets	87	37 823
2. Proceeds from sale of shares in associates	0	0
3. Proceeds from sale of financial assets valued at fair value through profit and loss	0	0
4. Proceeds from sale of investment financial assets	0	
5. Other	20 125	101 388
II. Outflows:	-616 283	-240 275
1. Acquisition of property, plant and equipment and intangible assets	-5 539	-2 282
2. Acquisition of shares in associates	0	-23 000
3. Acquisition of financial assets valued at fair value through profit and loss	0	0
4. Acquisition of investment financial assets	-610 744	-214 993
5. Other	0	0
III. Net cash flows from investing activities	-596 071	-101 064

C. CASH FLOWS FROM FINANCING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2010 - 30.06.2010	1.01.2009 - 30.06.2009
I. Inflows:	1 104 276	914 960
1. Long-term bank loans	65 443	914 960
2. Issue of debt securities	0	0
3. Increase in subordinated debt	0	0
4. Net proceeds from issues of shares and additional capital paid-in	1 038 833	0
5. Other	0	0
II. Outflows:	-12 853	-25 382
1. Repayment of long-term bank loans	0	0
2. Redemption of debt securities	0	0
3. Decrease in subordinated debt	0	0
4. Issue of shares expenses	0	0
5. Redemption of shares	0	0
6. Dividends paid and other payments to owners	0	0
7. Other	-12 853	-25 382
III. Net cash flows from financing activities	1 091 423	889 578
D. NET CASH FLOWS, TOTAL (A III+B III+C III)	-1 940 125	-965 875
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	4 128 408	2 939 493
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	2 188 283	1 973 618

ADDITIONAL EXPLANTATIONS TO FINANCIAL DATA***WRITING OFF UNCOLLECTABLE RECEIVABLES TO IMPAIRMENT PROVISIONS***

In the period from 1 January to 30 June 2010, the Bank wrote off uncollectable receivables of PLN 80,006 thousand and charged them to impairment provisions established.

RECLASSIFICATION OF DEBT SECURITIES

This information was presented in the Abbreviated Consolidated Statements, in Chapter II "Introduction and Accounting Principles".

III. SEASONALITY AND BUSINESS CYCLES

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

IV. 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 1 half of 2010 and 1 half of 2009 (comparative data) was PLN 18,207 thousand and PLN 99,287 thousand, respectively.

V. ISSUE, REDEMPTION OR REPAYMENT OF DEBT OR EQUITY INSTRUMENTS

During the 6 months ended 30 June 2010, the Bank's liabilities on account of a debt securities issues increased by PLN 103,127 thousand as a result of commercial bond issues. 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.

VI. DIVIDEND FOR 2009

Accordingly decision of Ordinary General Meeting of Shareholders taking place 22 April 2010, the Bank will not pay dividend from profits generated in financial year ending 31 December 2009.

VII. OFF-BALANCE SHEET LIABILITIES

As at 30 June 2010 and 31 December 2009, the structure of off-balance sheet liabilities was as follows:

OFF-BALANCE ITEMS

<i>Amount '000 PLN</i>	30.06.2010	31.12.2009
Off-balance conditional commitments granted and received	8 859 816	8 392 421
1. Commitments granted:	8 125 407	7 407 330
a) financial	6 412 085	5 867 405
b) guarantee	1 713 322	1 539 925
2. Commitments received:	734 409	985 091
a) financial	251 238	480 398
b) guarantee	483 171	504 693

VIII. STATEMENT OF RELATED PARTY TRANSACTIONS

All the transactions concluded between Group entities in the period from 1 January 2010 to 30 June 2010 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 LEASE Sp. z o.o.,
- MILLENNIUM DOM MAKLERSKI S.A.,
- MILLENNIUM TFI S.A.,
- BBG FINANCE B.V.,
- MB FINANCE A.B.,
- ORCHIS Sp. z o.o.
- MILLENNIUM SERVICE Sp. z o.o.,
- MILLENNIUM TELECOMMUNICATION SERVICES,
- TBM Sp. z o.o.

and transaction amounts with the Bank Millennium's parent – Banco Comercial Portugues.

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 30.06.2010

	With subsidiaries	With controlling entity
ASSETS		
Loans and advances to banks – accounts and deposits		148 740
Loans and advances to customers	2 355 589	
Receivables from securities bought with sell-back clause		
Investments in associates	252 772	
Financial assets valued at fair value through profit and loss (held for trading)	5 054	32 532
Other assets	13 367	
LIABILITIES		
Deposits from banks		1 247 469
Deposits from customers	242 801	
Liabilities from securities sold with buy-back clause	3 557	
Hedging derivatives		61 450
Debt securities		
Financial liabilities valued at fair value through profit and loss (held for trading)	1 453	11 051
Other liabilities	146 345	
- including liabilities from financial leasing	144 300	

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2009

	With subsidiaries	With controlling entity
ASSETS		
Loans and advances to banks – accounts and deposits		70 542
Loans and advances to customers	2 193 055	
Investments in associates	252 772	
Financial assets valued at fair value through profit and loss (held for trading)	4 093	53 043
Hedging derivatives		74 839
Other assets	12 264	
LIABILITIES		
Deposits from banks		2 892 670
Deposits from customers	235 627	
Liabilities from securities sold with buy-back clause	3 506	
Financial liabilities valued at fair value through profit and loss (held for trading)	1 175	757
Other liabilities	151 155	
- including liabilities from financial leasing	149 057	

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.06.2010

	With subsidiaries	With controlling entity
Income from:		
Interest	29 507	42 958
Commissions	26 186	
Derivatives net	1 265	14 665
Dividends	18 206	
Other net operating income	1 657	
Expense from:		
Interest	3 296	32 463
Commissions	17	
General and administrative expenses	35 194	9

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-30.06.2009

	With subsidiaries	With controlling entity
Income from:		
Interest	40 238	10 006
Commissions	18 603	
Dividends	99 287	
Other net operating income	1 605	
Expense from:		
Interest	3 583	15 708
Commissions	5	
Derivatives net	8 238	1 028
General and administrative expenses	45 898	

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 30.06.2010

	With subsidiaries	With controlling entity
Conditional commitments	149 914	121 788
Derivatives (par value)	386 593	4 594 622

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2009

	With subsidiaries	With controlling entity
Conditional commitments	274 008	160 481
Derivatives (par value)	439 504	4 316 181

SIGNATURES:

Date	Name and surname	Position/Function	Signature
26.07.2010	Bogusław Kott	Chairman of the Management Board	.....
26.07.2010	Joao Bras Jorge	Deputy Chairman of the Management Board	.....
26.07.2010	Fernando Bicho	Member of the Management Board	.....
26.07.2010	Andrzej Gliński	Member of the Management Board	.....
26.07.2010	Julianna Boniuk-Gorzelańczyk	Member of the Management Board	.....
26.07.2010	Wojciech Haase	Member of the Management Board	.....
26.07.2010	Artur Klimczak	Member of the Management Board	.....
26.07.2010	Antonio Pinto	Member of the Management Board	.....