Annual Consolidated Financial Statement of the Bank Millennium S.A. Capital Group for the period of 12 months ending 31 December 2008

MAIN FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	period from 1.01.2008 - 31.12.2008	period from 1.01.2007 - 31.12.2007	period from 1.01.2008 - 31.12.2008	period from 1.01.2007 - 31.12.2007
I. Interest income	2 490 922	1 611 082	705 226	426 574
II. Fee and commission income	568 895	626 869	161 065	165 979
III. Operating income	1 866 651	1 741 071	528 483	460 992
IV. Operating profit / (loss)	521 736	584 555	147 713	154 776
V. Profit / (loss) before taxes	521 736	584 555	147 713	154 776
VI. Profit (loss) after taxes	413 409	461 595	117 044	122 219
VII. Net cash flows from operating activities	700 982	-1 754 882	198 461	-464 649
VIII. Net cash flows from investing activities	-389 689	951 775	-110 328	252 006
IX. Net cash flows from financing activities	455 709	1 333 043	129 020	352 956
X. Net cash flows, total	767 002	529 936	217 152	140 314
XI. Total assets	47 114 922	30 530 106	11 292 043	8 523 201
XII. Deposits from banks	3 060 550	2 568 688	733 523	717 110
XIII. Deposits from customers	31 702 279	21 800 662	7 598 092	6 086 170
XIV. Total equity	2 814 883	2 519 932	674 644	703 499
XV. Share capital	849 182	849 182	203 524	237 069
XVI. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVII. Book value per share (in PLN/EUR)	3.31	2.97	0.79	0.83
XVIII. Diluted book value per share (in PLN/EUR)	3.31	2.97	0.79	0.83
XIX. Capital adequacy ratio	10.20%	13.75%	10.20%	13.75%
XX. Basic earnings (losses) per ordinary share (in PLN/EUR)	0.49	0.54	0.14	0.14
XXI. Diluted earnings (losses) per ordinary share (in PLN/EUR)	0.49	0.54	0.14	0.14
XXII. Pledged or paid dividend per share (in PLN/EUR)	0.19	0.17	0.06	0.05

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I. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
Interest income	1	2 490 922	1 611 082
Interest expense	2	-1 510 068	-839 390
Net interest income		**980 854**	**771 692**
Fee and commission income		568 895	626 869
Fee and commission expense		-96 907	-83 662
Net fee and commission income	3	**471 988**	**543 207**
Dividend income	4	26 244	1 614
Result on investment financial assets	5	2 988	5 770
Result on financial instruments valued at fair value through profit and loss	5	146 825	85 417
Foreign exchange profit	5	198 586	240 519
Other operating income	6	39 166	92 852
Operating income		**1 866 651**	**1 741 071**
General and administrative expenses	7	-1 119 171	-969 897
Impairment losses on financial assets	8	-135 138	-66 506
Impairment losses on non financial assets	9	-2 128	-1 286
Depreciation and amortization	10	-70 427	-87 124
Other operating expenses	11	-18 051	-31 703
Operating expenses		**-1 344 915**	**-1 156 516**
Profit / (loss) before taxes		**521 736**	**584 555**
Corporate income tax	12	-108 327	-122 960
Profit / (loss) after taxes		**413 409**	**461 595**
Attributable to:			
Equity holders of the parent		413 409	461 595
Minority interests		0	0
Basic earnings per ordinary share (in PLN)	13	**0.49**	**0.54**
Diluted earnings (losses) per ordinary share (in PLN)	13	**0.49**	**0.54**

II. CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	31.12.2008	31.12.2007
Cash, balances with the Central Bank	14	1 802 594	1 257 128
Loans and advances to banks	15	1 580 027	1 053 052
Financial assets valued at fair value through profit and loss (held for trading)	16	6 279 933	3 134 582
Hedging derivatives	17	9 977	218 321
Loans and advances to customers	18	33 748 166	22 027 152
Investment financial assets	19	2 913 997	1 894 569
- available for sale		2 913 997	1 894 569
- held to maturity		0	0
Investments in associates	19	5 395	5 100
Receivables from securities bought with sell-back clause (loans and advances)	20	61 282	28 807
Property, plant and equipment	21	385 011	337 306
Intangible assets	22	21 837	18 162
Non current assets held for sale	23	1 111	1 571
Receivables from Tax Office resulting from current tax		48 710	86 427
Deferred income tax assets	24	51 253	73 609
Other assets	25	205 629	394 320
Total Assets		**47 114 922**	**30 530 106**

LIABILITIES

Amount '000 PLN	Note	31.12.2008	31.12.2007
Deposits from banks	26	3 060 550	2 568 688
Financial liabilities valued at fair value through profit and loss (held for trading)	27	4 399 498	566 821
Hedging derivatives	28	1 179 649	20 220
Deposits from customers	29	31 702 279	21 800 662
Liabilities from securities sold with buy-back clause	30	1 502 062	725 976
Debt securities	31	927 373	851 474
Provisions	32	33 881	34 660
Deferred income tax liabilities	33	0	0
Current tax liabilities		514	1 050
Other liabilities	34	532 813	614 588
Subordinated debt	35	961 420	826 035
Total Liabilities		**44 300 039**	**28 010 174**

EQUITY

Amount '000 PLN	Note		
Share capital	36	849 182	849 182
Share premium	36	472 343	471 709
Revaluation reserve	36	40 241	-2 742
Retained earnings	36	1 453 117	1 201 783
Total equity attributable to equity holders of the parent		2 814 883	2 519 932
Minority interests		0	0
Total Equity		**2 814 883**	**2 519 932**
Total Liabilities and Equity		**47 114 922**	**30 530 106**

III. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In 2008	Total consolidated equity	Share capital	Share premium	Revaluation reserve on available for sale financial assets	Revaluation reserve on derivatives designated for future cash flows hedge	Retained earnings
Equity at the beginning of the period 01.01.2008	**2 519 932**	**849 182**	**471 709**	**-1 949**	**-793**	**1 201 783**
- purchase/sale and valuation of available for sale financial assets	12 351	0	0	12 351	0	0
- effect of valuation of derivatives designated for future cash flows hedge	30 632	0	0	0	30 632	0
- profit / (loss) of the period after taxes	413 409	0	0	0	0	413 409
- dividend payment	-161 345	0	0	0	0	-161 345
- consolidation correction	0	0	634	0	0	-634
- other appropriation of profit – increase in social benefits fund of subordinated entity	-96	0	0	0	0	-96
Equity at the end of the period (closing balance) 31.12.2008	**2 814 883**	**849 182**	**472 343**	**10 402**	**29 839**	**1 453 117**

In 2007	Total consolidated equity	Share capital	Share premium	Revaluation reserve on available for sale financial assets	Revaluation reserve on derivatives designated for future cash flows hedge	Retained earnings
Equity at the beginning of the period 01.01.2007	**2 215 321**	**849 182**	**471 709**	**9 282**	**599**	**884 549**
- purchase/sale and valuation of available for sale financial assets	-11 231	0	0	-11 231	0	0
- effect of valuation of derivatives designated for future cash flows hedge	-1 392	0	0	0	-1 392	0
- profit / (loss) of the period after taxes	461 595	0	0	0	0	461 595
- dividend payment	-144 361	0	0	0	0	-144 361
Equity at the end of the period (closing balance) 31.12.2007	**2 519 932**	**849 182**	**471 709**	**-1 949**	**-793**	**1 201 783**

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

IV. CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
I. Profit (loss) after taxes	**413 409**	**461 595**
II. Adjustments for:	**287 573**	**-2 216 477**
1. Minority profit (loss)	0	0
2. Interests in net profit / (loss) of associated companies	0	0
3. Depreciation and amortization	70 427	87 124
4. Foreign exchange (gains) / losses	710 271	-165 772
5. Dividends	-26 244	-1 614
6. Changes in provisions	-779	4 473
7. Result on sale and liquidation of investing activity assets	-12 546	-53 951
8. Change in financial assets valued at fair value through profit and loss (held for trading)	-2 900 767	565 340
9. Change in loans and advances to banks	-992 875	300 488
10. Change in loans and advances to customers	-11 707 973	-7 101 692
11. Change in receivables from securities bought with sell-back clause	-32 475	-13 298
12. Change in liabilities valued at fair value through profit and loss (held for trading)	4 992 106	273 826
13. Change in deposits from banks	-670 308	-1 132 131
14. Change in deposits from customers	9 901 617	5 731 361
15. Change in liabilities from securities sold with buy-back clause	776 086	-702 158
16. Change in debt securities	-10 870	134 356
17. Change in income tax settlements	111 055	45 818
18. Income tax paid	-61 600	-86 029
19. Change in other assets and liabilities	85 053	-121 297
20. Other	57 395	18 679
III. Net cash flows from operating activities	**700 982**	**-1 754 882**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
I. Inflows:	**5 489 000**	**3 494 093**
1. Proceeds from sale of property, plant and equipment and intangible assets	18 820	77 358
2. Proceeds from sale of shares in associates	0	216
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	5 443 936	3 414 905
5. Other	26 244	1 614
II. Outflows:	**-5 878 689**	**-2 542 318**
1. Acquisition of property, plant and equipment and intangible assets	-109 533	-94 564
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	-5 769 156	-2 447 754
5. Other	0	0
III. Net cash flows from investing activities	**-389 689**	951 775

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
I. Inflows:	**674 332**	**1 535 968**
1. Long-term bank loans	587 563	275 400
2. Issue of debt securities	86 769	717 118
3. Increase in subordinated debt	0	543 450
4. Net proceeds from issues of shares and additional capital paid-in	0	0
5. Other	0	0
II. Outflows:	**-218 623**	**-202 925**
1. Repayment of long-term bank loans	0	0
2. Redemption of debt securities	0	-5 705
3. Decrease in subordinated debt	0	0
4. Issue of shares expenses	0	0
5. Redemption of shares	0	0
6. Dividends paid and other payments to owners	-161 345	-144 361
7. Other	-57 278	-52 859
III. Net cash flows from financing activities	**455 709**	1 333 043

D. NET CASH FLOWS, TOTAL (A III+B III+C III)	**767 002**	**529 936**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**2 172 683**	**1 642 747**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	**2 939 685**	**2 172 683**

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

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

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

Issuer's Core Business: banking and other financial intermediation, except insurance and pension funds,

The business of the Capital Group comprises: banking, leasing, factoring, brokerage, capital operations, investment fund management.

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

Composition of the Management Board of Bank Millennium S.A. (the Group's parent entity) as at 31 December 2008:

1. Bogusław Kott - Chairman of the Management Board,
2. Luis Pereira Coutinho – Deputy Chairman of the Management Board,
3. Fernando Bicho - Member of the Management Board,
4. Julianna Boniuk - Gorzelańczyk – Member of the Management Board,
5. Wojciech Haase - Member of the Management Board,
6. Joao Bras Jorge - Member of the Management Board,
7. Zbigniew Kudaś – Member of the Management Board
8. Piotr Romanowski – Management Board Member

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

Changes in the Management Board, which took place in February 2009 were described in Chapter XXI "Important events between the date, as at which the financial report was made and the date of its publication"

Composition of the Supervisory Board of Bank Millennium as at 31 December 2008:

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

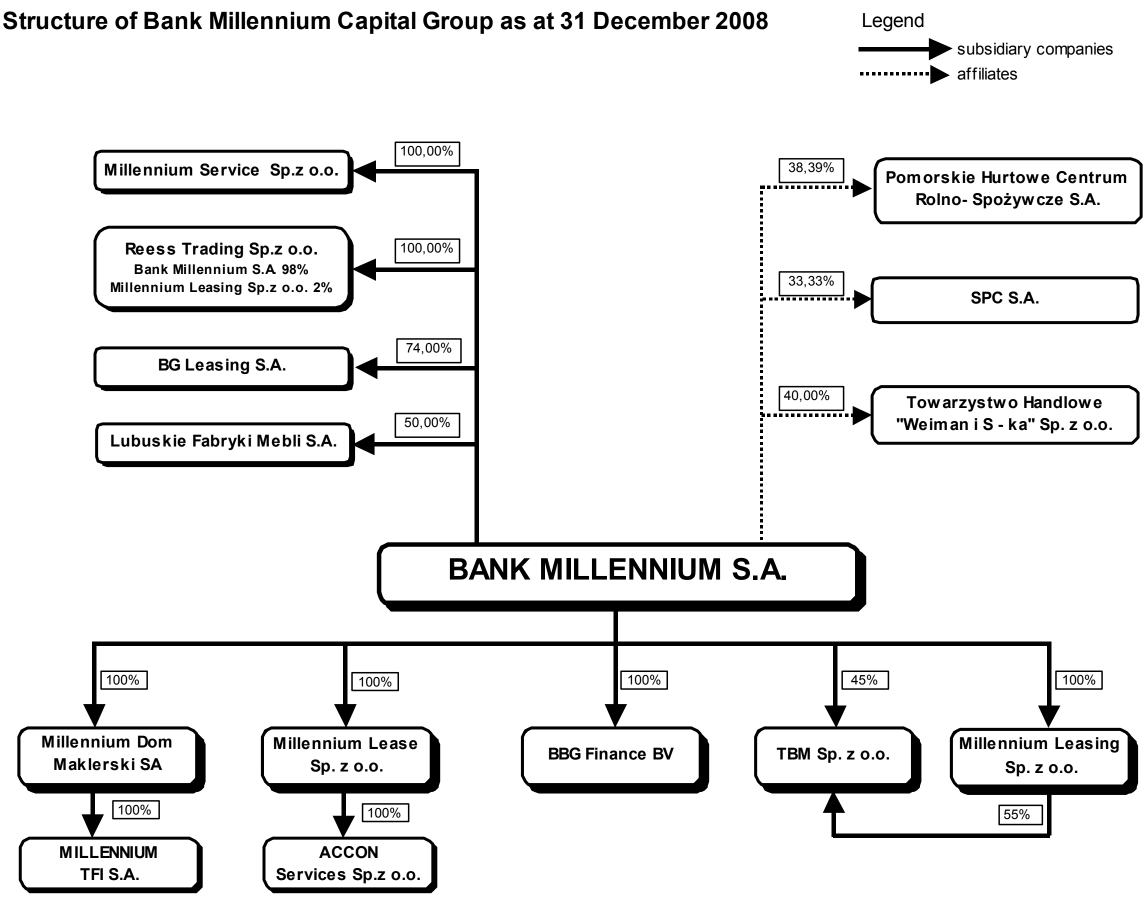
On 4 January 2008 the Bank's Management Bard informed that Mr. Jorge Jardim Goncalves tendered his resignation as Supervisory Board Member as from 31 December 2007.
On 15 February 2008 the Bank's Management Bard informed that Mr. Dimitri Contominas tendered his resignation for personal reason as Supervisory Board Member as of 13 February 2008.
On 26 March 2008 the Bank notified on receiving letters containing statements of resignation as Supervisory Bard Members from Mr Christopher de Beck, Francisco de Lacerda, Pedro Maria Duarte and Zbigniew Sobolewski, whose resignations are effective as of 26.03.2008 and letter from Mr. Marek Furtek on his resignation as Supervisory Board Member effective as of the day of the General Shareholders Meeting convoked for 28 March 2008.

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

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

The Group's parent entity is Bank Millennium S.A. The companies that belong to the Capital Group as at 31 December 2008, are presented by the diagram below:

Structure of Bank Millennium Capital Group as at 31 December 2008



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

The Group applied provisions of IAS 8 ("Accounting principles (policies), changes in value estimates and error adjustment") section 8, whereby IFRS constitute a complete set of accounting principles, which do not have to be applied if the result of their application is immaterial. By the virtue of the above, provisions of IAS 27 ("Consolidated and solo-basis financial statements") and provisions of IAS 28 ("Investment in associated companies") were not applied in relation to the financial statements of the following entities – members of the Capital Group as at 31 December 2008.

- Lubuskie Fabryki Mebli S.A.
- Reess Trading Sp. z o.o.
- BG Leasing S.A. - unit in bankruptcy (*)
- Pomorskie Hurtowe Centrum Rolno – Spożywcze S.A.
- Towarzystwo Handlowe „Weiman i S-ka" Sp. z o.o. - the unit does not conduct business operations
- SPC S.A. - the unit does not conduct business operations

(*) despite holding a majority block of shares, due to pending bankruptcy proceedings, the group is practically not exercising any control in this respect

In the first half of 2008 there were no changes in the Group's structure, as a result of which the above Group diagram presented as of 31 December 2008 is identical with the Group's diagram as of December 2007.

VI. ACCOUNTING POLICY

Compliance Statement

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

This financial report was approved for publication by the Management Board on 27 February 2009.

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

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

Standards and Interpretations approved by the European Union

Standard/ Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective for periods beginning on or after
IFRS 8 *Operating Segments*	The standard introduces the "management approach" i.e. it requires disclosure of information about segments based on components of an entity, which the managers monitor as regards taking of operational decisions. Operating segments are components of an entity, for which separate financial information is available and regularly assessed by persons taking key decisions with respect to allocation of resources and assessing operation.	The standard will not affect the Profit and Loss Account and equity, however the Group has not yet finished the analysis concerning impact of the revised standard upon the method of presentation of information in the financial statement.	1 January 2009
Revised IAS 23 *Borrowing Costs*	The Revised standard will require activation of costs of borrowing with respect to assets, which require a significant period of time essential to prepare them for use or sale.	At present the revised IAS 23 does not apply to activity of the Group because the Group does not have assets under adjustment, the borrowing costs of which would be activated.	1 January 2009
Revised IAS 1 *Presentation of Financial Statements*	The Revised standard requires aggregation of information in financial reports based on the criterion of common features and introduces the statement of comprehensive income. Revenue and cost items as well as items contributing to other comprehensive income may be presented either in a single statement of comprehensive income, presenting component sums, or in two separate statements.	The Group is now analysing whether to present an individual statement of comprehensive income or two separate statements.	1 January 2009
IFRIC 13 *Customer Loyalty Programmes*	The interpretation explains how entities, which award benefits in loyalty programmes to customers buying goods and services from them, should account for their commitments to realise such benefits in the form of sale of goods and services free of charge or at reduced prices. Such entities are required to allocate part of their sales revenue to benefits in loyalty programmes. This part of sales revenue is recognised only when the entities perform their commitments.	The Group has not yet completed an analysis concerning impact of the revised standard.	1 July 2008
Changes to IFRS 2 *Share-based Payment*	Specifying the matter of impact of conditions other that conditions of acquiring rights upon measurement of capital instruments.	The changes to IFRS 2 do not apply to activity of the Group because the Group did not conclude agreements on share-based payments.	1 January 2009

Standards and Interpretations pending approval by the EU

Standard/ Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective for periods beginning on or after
Revised IFRS 3 *Business Combinations*	The scope of the Revised standard has been extended to include formerly excluded from use of the standard combinations of business entities. The definition of a Business has been detailed. The scope was narrowed-down of conditional liabilities, which may include the cost of business combinations. The possibility was excluded of recognising transaction costs in the cost of business combination. Rules were changed of reflecting the adjustments of cost of combination, conditional; upon future events. The possibility was introduced of measuring minority interests in fair value.	Because the revised standard should not be applied to business combinations taking place before the date of the first-time adoption of the standard, it is not expected that the revised standard will affect the Group's financial, statement.	1 July 2009
Changes to IAS 27 *Consolidated and Separate Financial Statements*	In the amended standard the term "minority interests" was replaced with the term "non-controlling interests", which was defined as "equity of a subsidiary, which cannot be directly or indirectly assigned to the parent company". The amended standard also changes the method of recognition of non-controlled interests, loss of control in a subsidiary as well as assigning gains and losses as well as other revenues to controlled or non-controlled interests.	The implemented changes do not apply to the Group's financial statement, because the Group has no interests in subsidiaries, recognition of which could be affected by the revised standard.	1 July 2009
Changes to IAS 39 *Financial Instruments: Recognition and Measurement*	The changes specify the application of existing principles of determining whether a specific risk and their parts of cash flows may be determined as hedged risk. When determining the hedged link it should be possible to separate and credibly measure risk and part of cash flow.	The Group has not yet completed an analysis concerning impact of the revised standard.	1 July 2009
Changes to IAS 32: *Financial Instruments – Presentation* and IAS 1: *Presentation of Financial Statements* – Financial Instruments with an option to sell and obligations arising with	The changes introduce exemption from the principle stemming from IAS 32 with respect to classification of financial instruments with option to sell, permitting the classification of some of them as a component of capital. In keeping with requirements resulting from changes, specific financial instruments, representing final (residual) interests in net assets of an entity, which otherwise would have been classified as financial liabilities, will be classified as components of capital, of both these financial instruments as well as the overall capital structure of the entity issuing these instruments, meet the specified conditions.	The changes do not at present apply to the Group's operation.	1 January 2009

liquidation			
Changes to IFRS 1 and IAS 27 *Cost of investment in subsidiaries, jointly controlled entities or associates*	Changes to IFRS 1 permit the entity making first-time adoption, to apply as of the day of migration in individual reports of deemed cost for recognition of an investment in subsidiaries, jointly controlled entities and associates. The choice regarding use of deemed cost and its basis (balance sheet value according to previously applied, generally adopted accounting principles or fair value, determined in keeping with IAS 39), is done separately for each investment. For entities making first-time adoption of IFRS, applying deemed cost for recognition of the investment, also other disclosures are foreseen in financial statements. Changes to IAS 27 eliminate the definition of the "purchase price method" currently present in IAS 27, instead introducing the requirement that all dividends from subsidiaries, associates and jointly controlled entities are recognised in revenues in solo financial statements of the investor, when the right is determined to receive dividend. The changes also define the way of recognition in solo financial statements of newly created entities, which become the parent for another entity in the group, when specific conditions are met.	The Group has not yet completed an analysis concerning impact of the revised standard.	1 January 2009
Improvements to International Financial Reporting Standards 2008	*Improvements to IFRS 2008* contain 35 changes and were divided into two parts: Part I contains 24 changes to 15 standards, which result in changes of the presentation, recognition and measurement principles Part II contains 11 terminology and editorial changes to 9 standards, with respect to which International Accounting Standards Board expects that they will not affect accounting standards or that these changes will be minimal.	The Group has not yet completed an analysis concerning impact of the revised standard.	1 January 2009 or – in case of changes in IFRS 5 *Non-current assets held for sale* – 1 July 2009
IFRIC 15 *Agreements for the Construction of Real Estate*	The interpretation deals with determining, which standard (IAS 11 *Agreements for the Construction of Real Estate* or IAS 18 *Revenue*) should be adapted to agreements for construction of real estate, as well as defining the moment of recognition of the revenue.	IFRIC 15 does not apply to the Group's operation, because the Group is not a party to agreements for construction of real estate in the context defined in the standard.	1 January 2009
IFRIC 16 *Hedges of a Net Investment in a Foreign*	The interpretation explains following matters: type of exposure, which may be hedged, in what entities in the Group may the hedged instrument be carried, whether the applied consolidation method affects hedge effectiveness, possible form of the hedging	IFRIC 16 does not apply to the Group's operation, because the Group does not use hedging of interests in net assets in foreign operations.	1 October 2008

Operation	instrument as well as the values, which may be requalified from capital to the Profit and Loss Account upon sale of interests in the foreign operation.		
IFRIC 17 *Distribution of Non-cash Assets to Owners*	The interpretation concerns distribution to shareholders of dividend in the form of non-cash assets. In keeping with the interpretation the obligation to pay the dividend should be recognised when the dividend was properly authorised and the company has no more right to dispose of the object of the dividend. The above-mentioned liabilities are measured at fair value of the assets, which are to be distributed as at every balance-sheet day. Changes of balance-sheet value should be mirrored in capital as an adjustment of dividend value. At payment of dividend the potential difference between balance-sheet value of the distributed assets and the present value of liabilities should be mirrored in the Profit and Loss Account.	Because the interpretation is applied prospectively, it will not affect financial statements for the periods before its first-time adoption. Moreover, because the interpretation concerns future dividends, which will be decided by the General Shareholders' Meeting of the Bank, it is not possible to determine in advance its impact upon the financial statement.	1 July 2009
IFRIC 18 *Transfers of Assets from Customers*	The interpretation concerns agreements, under which the entity receives from its customer fixed assets, which it then uses either to integrate the customer in the network or to enable him to have constant access to goods or services or for both purposes. The interpretation also concerns agreements, under which the entity receives cash from the customer and these funds are assigned for producing or acquiring an asset. The entity receiving the funds recognises the fixed asset if it meets the definition of an asset. Revenues are recognised on the other side. The moment of recognition of revenue depends on the detailed terms and conditions of the agreement.	IFRIC 18 does not apply to the Group's financial statement, because the Group does not receive fixed assets from its customers.	1 July 2009

Restatements of previously published financial data

In 2008 Group changed way of provision's presentation for disputable claims in balance by moving them form "other liabilities" to "reserves".

Introduced data's correction are presented below:

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

Reclassification of debt securities

In 2008 the Bank reclassified WZ0911 seven-year floating-rate Treasury bonds from the portfolio "held for trading" to the portfolio "available for sale". This change of classification was possible based on the amendment of IAS MSR 39 and IFRS 7, implemented by virtue of Regulation No. 1004/2008 of the Commission of the European Communities of 15 October 2008. Under the invoked standard the reclassification was done at fair value – the valuation losses recognised in the Profit and Loss Account until the moment of reclassification were not reversed and the fair value of the instrument on the day of reclassification constituted new cost of acquisition. The premise justifying the above reclassification (resulting from IAS 39.50B) was change of intention to keep these securities in the Bank's portfolio; realisation of short-term gains on the investment ceased to be possible due to changes in the macroeconomic situation.

The information requirements in relation to the above transaction, enshrined in the provisions of IFRS 7 are satisfied by the data presented in the tables below:

Securities	WZ0911
Par value in a date of reclassification	PLN 120.000.000
Balance sheet value in a date of reclassification	PLN 119.132.400
Interest rate in a date of reclassification	6.64%

Data in PLN thous

	Valuation recognized in profit and loss (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 2008 (proforma)			
If the reclassification did not occur	-3 525	-	-3 525

Adopted accounting principles

1. **Basis of Financial Statements Preparation**

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

In the consolidated financial statements, the Group has adopted valuation at the fair value for financial assets and liabilities recognised at fair value through profit and loss account, including derivative instruments, and financial assets classified as available for sale, other than those whose fair value cannot be reliably determined. Other items of financial assets and liabilities (including loans and advances) are presented at amortized cost less impairment charges, or at their purchase price less impairment charges.

The preparation of financial statements in accordance with IFRS requires from the management the use of estimates and assumptions that affect the amounts (assets, liabilities, incomes and costs) reported in the financial statements and notes thereto. The respective unit of the Group is responsible for selection, application, development, and verification of adopted estimations; the assumptions are then subject to approval by the Group's management.

Estimations and assumptions applied to the presentation of value of assets, liabilities, revenues and costs, are made on basis of historical data available and other factors considered to be relevant in given circumstances. Applied assumptions related to the future and available data sources are the base for making estimations regarding carrying value of assets and liabilities, which cannot be determined explicitly on basis of other sources. The actual results may differ from those estimates.

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

The below-presented accounting principles have been applied to all reporting periods presented in the consolidated financial statements.

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

2. **Basis of Consolidation**

Purchase method

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of combination is lower that the Group's interest in net fair value of identifiable assets, liabilities, conditional liabilities of the acquired subsidiary, the Group will reassess identification and measure again the identifiable assets, liabilities and conditional liabilities of the entity being acquired as well as measurement of the cost of the combination. Any surplus remaining after the reassessment is immediately recognised in the Profit and Loss Account.

Subsidiaries

Subsidiaries are any entities (including special purpose vehicles) controlled by the Group, which means that the Group has direct or indirect influence on their financial and operating policy of the given entity to gain economic benefits. When assessing whether the Group controls a given unit or not, one shall take into account, inter alias, the existence and impact of potential voting rights that in any given moment can be exercised or changed.

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

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

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

Transactions, settlements and unrealized profits resulting from transactions among Group's entities are eliminated. The unrealised losses are also subject to elimination, as long as the transaction does not provide evidence that the transferred asset impaired.

Associates

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

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

3. Functional currency and presentation currency

Functional currency and presentation currency

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

Transactions and balances

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

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

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

4. Financial assets and liabilities

Classification

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

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

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

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

- *Held to maturity investments*

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

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

- *Loans and advances*

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

- *Financial assets available for sale*

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

- *Other financial liabilities*

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

Recognition of financial instruments in the balance sheet

The Group recognizes financial assets or liabilities on the balance sheet, when it becomes a party to the contractual provisions of the instrument. Standardized purchase and sale transactions of financial assets are recognized at the trade date.

All financial assets at their initial recognition are valued at fair value adjusted, in the case of a financial asset not valued at fair value through profit or loss, by transaction costs that are directly attributable to the acquisition or issue of the financial asset/liability.

De-recognition of financial instruments from the balance sheet

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

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

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

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

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

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

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

- *Held to maturity investments and loans and advances*

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

- *Financial asset available for sale*

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

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

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

- *Other financial liabilities*

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

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

5. Hedge Accounting and Financial Derivatives

Valuation at fair value

Derivative instruments are reported at fair value starting from the day of conclusion of the transaction. Fair value is determined on the basis of quotations of instruments on active markets, including pricing of recently concluded transactions. A market is considered active when the quoted instrument prices are regularly available and result from actual transactions on the market and represent a level, at which the Group could conclude such transactions. If the market for the instruments is not active the Group determines fair value with use of measurement techniques, including models based on discounted cash flows and options measurement models. The measurement techniques used by the

Group are based on maximum use of input data coming from the active market, such as interest rates, FX rates and implied volatilities. In case of lack of input data from the active market the Group makes use in the measurement techniques of proprietary estimates of measurement parameters, based on best knowledge and experience.

Recognition of embedded derivative instruments

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

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

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

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

Derivative instruments designated as hedging instruments – hedge accounting

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

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

Hedge accounting criteria

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

- ✓ At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged. It documents also, at the inception of the hedge and thorough the period of hedge relationship, the assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in fair value or cash flows of the hedged item.

- ✓ The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship (prospective effectiveness test);
- ✓ For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss (high probability test);
- ✓ The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
- ✓ The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated (backward-looking effectiveness test).

Cash flow hedge

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

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

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

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

Fair value hedge

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

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

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

Termination of hedge accounting

If the fair value hedge no longer meets the criteria for applying hedge accounting, the carrying value adjustment of the hedged instrument valued at amortized cost and effective interest rate, is amortized through profit and loss account over the period ending on the maturity date. The value of hedged financial assets classified as available for sale resulting from factors other than hedged risks is recognized in the revaluation reserve till the date of sale of this financial asset.

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

Derivative instruments not qualifying as hedging instruments

Derivative instruments that are not subject to hedge accounting principles are classified as instruments for trading, and valued at fair value The changes in fair value of derivative instruments held for trading are recognized in the profit and loss in item ‘Result from financial instruments valued at fair value through the profit and loss account’ or ‘Foreign exchange profit’, which was described below.

The Group uses the following principles of recognition of gain and losses resulting from the valuation of derivative instruments:

1) FX forward

Forward transactions are valued at fair value on discounted future cash flows basis. Any changes in fair value of FX forward transactions are recorded in *‘Foreign exchange profit’* of the Profit and Loss Account.

2) FX SWAP

FX SWAP transactions are measured at fair value based on the discounted future cash-flow method with use of interest rate curves based on spread reflecting current market conditions. Changes of fair value of FX SWAP transactions are reported in “Result on financial instruments measured at fair value through Profit and Loss" and "FX Gains/Losses" in the profit and Loss Account.

3) *Interest Rate SWAP (IRS)*

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

4) *Cross – Currency Swap (CCS)*

CCS transactions are measured at fair value based on the discounted future cash-flows method with use of interest rate curves adjusted with market spread for the appropriate time bracket. Changes of fair value of CCS transactions are reported in "Result on financial instruments measured at fair value thought Profit and Loss.

Moreover the Group designated selected CCS transactions as hedging instruments. The method of recognition and measurement of hedging instruments was described in the part devoted to hedge accounting.

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

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

6) *FX options*

Option transactions are measured at fair value with use of option measurement models. In case of options put by the Bank's counterparties, the model measurement is supplemented with impact on fair value of the estimated credit risk parameter. Changes of fair value of FX options are reported in "Result on financial instruments measured at fair value through the Profit and Loss Account" of the Profit and Loss Account.

7) *Forward Rate Agreement (FRA)*

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

6. Impairment of financial assets

Assets valued at amortized cost

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

The objective evidence of impairment includes, inter alias, information on one or more of the following loss- events:

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

The Group assesses in the first place, whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The Group classifies credit receivables by size of engagement, into the individual and group portfolios. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.
If there is objective evidence that an impairment loss on loans and receivables or other financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The calculation of the present value of estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is possible.

For the purpose of collective evaluation of impairment, the credit exposures are grouped on a basis of the uniformity of credit risk connected with the given portfolio. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of contractual cash flows and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. For the purposes of the calculation of the provision against balance sheet exposures analysed collectively, inter alias, the probability of default (PD) method is applied. Modification of the PD parameter takes into account characteristics of specific products and emerging periods for losses on those products.

Such an approach facilitates the identification of 1) incurred losses 2) and incurred but not reported losses (IBNR).

Impairment is presented as reduction of the balance-sheet value of an asset, while the amount of loss (of the impairment charge posted in the period) is charged against the Profit and Loss Account for the period.
When a loan is uncollectible, it is written off against the related provision for impairment. Before any loan is written off, it is necessary to conduct all the required procedures and to determine the amount of the loss. Recoveries subsequent to write – offs decrease the amount of the provision for loan impairment in the profit and loss.

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

Financial assets available for sale

At each balance sheet date the Group estimates whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.
When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity are removed from equity and recognised in the profit or loss account even though the financial asset has not been derecognised.
The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortizations) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in the profit and loss account for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

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

7. Offsetting of financial instruments

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

8. Transactions with sell/buy-back clauses

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

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

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

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

9. Receivables from leasing contracts

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

In the case of lease contracts, which result in transferring substantially all risks and rewards incidental to ownership of the asset under lease, the subject of the lease is derecognized. A receivable amount is recognized instead, however, in an amount equal to the present value of minimum lease payments. Lease payments are accounted for (apportioned between the financial income and the reduction of the balance of receivables) to reach constant periodic rate of return from the outstanding receivables.

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

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

10. Property, plant and equipment and Intangible Assets

Own property, plant and equipment and intangible assets

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

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

Fixed assets under construction are disclosed at purchase price or production costs less depreciation (amortisation) and impairment charges.

Subsequent costs

The Group recognizes as a part of the asset's carrying value, the replacement costs as incurred, only when it is probable that future economic benefits associated with these items will flow to the Group, and the cost of the item can be reliably measured.

Costs of repairs and maintenance of property, plant and equipment are charged to the profit and loss in the reporting period in which they were incurred.

Intangible Assets

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

Computer Software

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

Other Intangibles

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

Subsequent costs

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

Depreciation and amortization charges

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

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

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

Selected categories of property, plant and equipment:	
Bank buildings	2.5%
Lease holding improvements	period of the lease, hire purchase
Computer hardware	30.0%
Network devices	30.0%
Vehicles	20.0%
Telecommunication equipment:	10.0%
Intangibles (software):	
Main applications (systems)	10.0%

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

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

11. Non current assets held for sale

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

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

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

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

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

12. Impairment of non current assets

The Group assesses the existence of any indications that a non-current asset may be impaired at each balance sheet date. If such indications exist, the Group estimates the recoverable amount of the asset and if the recoverable amount of an asset is less than its carrying amount, the Group recognizes impairment charge in the profit and loss.

The impairment loss is the difference between the carrying amount and the recoverable amount of the asset. Recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is established for particular assets, if a given asset generates cash flows substantially independent of those generated by other assets or groups of assets. If such indications exist, the Group performs an estimation of recoverable value. If, and only if, the recoverable value of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable value.

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

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

13. Prepayments, Accruals and Deferred Income

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

Accruals are provisions for costs arising from services provided to the Group, which will be payable over future periods. The accruals are recognized in the caption „Other Liabilities' in the balance sheet.
Deferred income comprises among others received amounts of future services and other types of income received in advance to be settled against in the profit and loss in future reporting periods. They are presented in the caption „Other Liabilities' in the balance sheet.

14. Provisions

Provisions are established when (1) the Group has an obligation (legal or constructive) as a result of past events, and (2) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation. If the effect is material, the amount of provision is measured by discounted, expected cash flows using pre-tax rate that reflects current market assessments of the time value of money and those risks specific to the liability.

A provision for restructuring costs is recognised only when the general criteria for provisions recognition as well as specific criteria for restructuring provision recognition specified in IAS 37 are met. In particular, the constructive obligation to restructure arises only when the Group has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it would carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A detailed formal plan for the restructuring identifies at least: the business or part of a business concerned; the principal locations affected; the location, function, and approximate number of employees who will be compensated for terminating their services; the expenditures that will be undertaken; and when the plan will be implemented. A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both: (a) necessarily entailed by the restructuring; and (b) not associated with the ongoing activities of the entity. The restructuring provision does not cover future operating expenses.

15. Employee Benefits

Short-Term Employee Benefits

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

The Group recognizes the anticipated, undiscounted value of short-term employee benefits as an expense of an accounting period when an employee has rendered service (regardless of payment date) in correspondence with other on-balance liabilities.

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

Long-term employee benefits

The Group's liabilities on long-term employee benefits are equal to the amount of future benefits which the employee will receive in return for providing his services in the current and earlier periods which are not fully due within 12 months from carrying out the work.

In accordance with the Employees Remuneration By-laws and the Labour Code employees having worked a specific number of years and attained the required age are entitled to receive a pension severance payment. Retirement pension severance payments provision is calculated using an actuarial method by an independent actuary as the present value of the Group's future liabilities due to employees according to the headcount and wages as at the date of revaluation. The provision is updated on an annual basis.

Provisions for short-term and long-term employee benefits are recognized in the caption 'Other Liabilities' in balance sheet in correspondence with the 'staff costs' in the profit and loss.

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

16. Group's Equity

Equity consists of capital and funds established in compliance with the respective provisions of the law, i.e., the appropriate legislative acts, the Company by-laws, or the Articles of Association.

Equity is comprised of the share capital, share premium, revaluation reserve and retained earnings. All balances of capital and funds are presented at nominal value.

Share Capital

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

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

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

Share Premium

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

Revaluation Reserve

Revaluation of financial assets available for sale including deferred income tax resulting from above mentioned treatments are included in revaluation reserve. Revaluation reserve is not subject to distribution.

Retained Earnings

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

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

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

17. Financial guarantee

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

Financial guarantees granted are measured at the higher of:

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

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

18. Interest income

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

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

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

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

Interest income comprises interest and commissions (received or due) captured in the calculation of effective interest rate on account of: loans, interbank deposits and securities held to maturity and available for sale, measured at fair value in the Profit and Loss Account. Additionally, interest income includes the directly attributable incremental costs to the conclusion loan agreement incurred by the Bank (mainly commissions paid to external and own agents for concluding mortgage loan agreements, and costs of property valuation connected with this type of agreements) that are an integral part of the effective interest rate calculation and subject to amortization over time.
Another component of the net interest income is the effect of revaluation calculated for interest accrued, recognised in the balance-sheet and expressed in foreign currencies.
Following the recognition of an impairment loss on a financial instrument carried at amortized cost and available for sale financial assets, interest income is recognised in the profit and loss calculated on a net asset value basis (gross carrying amount less impairment amount). In this case interest income is calculated using the interest rate applied for discounting future cash flows for the purpose of impairment valuation.

19. Fee and commission income/ Fee and Commission Costs

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

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

Fees and commissions (both income and expense) directly attributable to initial recognition of financial assets with established repayment schedules are recognized in profit and loss account as effective interest rate component and are part of interest income. Other, attributed to initial recognition of financial assets without established repayment schedules are amortized on a straight-line basis through the expected life of the financial instrument. Fees and commissions on pledge to grant a loan, which is probable to be drawn, are deferred and since initial recognition of financial assets are amortized as component of effective interest rate or on a straight-line basis based on above mentioned criteria. In the case of loans and advances with undetermined instalment payments and changes in interest, e.g. overdraft facilities and credit cards commissions are settled over the duration of the card or overdraft limit by the straight-line method and included in commission income.

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

Remaining fees and commissions connected with financial services offered by the Group, such as:

- Fees for withdrawal of funds before maturity of the deposit;
- Services connected with cash management;
- Brokerage services;
- Asset management services;
- Income from participation system of remuneration of the Bank from participation in insuring bank products (The bank is paid part of the earnings generated by the insurer in cooperation with the Bank).

are recognised in the Profit and Loss Account on a cash basis.

20. Dividend Income

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

21. Result on Investment Financial Instruments

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

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

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

23. Foreign exchange profit

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

24. Other Operating Income and Expenses

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

25. Income Tax

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

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

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

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

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

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

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

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

The amount of calculated deferred tax is based on expected degree of realisation of balance-sheet values of assets and liabilities with use of tax rates, which are expected to be in force when the asset is realised or provision eliminated, assuming the tax rates (and tax provisions) legally or factually in force as of the balance sheet date. Income tax pertaining to items directly presented in equity is presented in equity.

26. Application of Estimates in connection with Accounting Policies

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

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

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

- *Impairment of loans and advances*

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

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

- *Fair value of financial instruments*

Fair value of financial instruments not quoted on active markets is determined with use of measurement techniques consistent with the Group's accounting policy. With respect to non-option derivatives and debt securities use is made of models based on discounted cash flows. Option pricing models are applied to option instruments. All models are approved prior to use and also calibrated to ensure that attained results reflect the actual fair value of the measured instruments. If possible, only observable data from the active market are used in the models.

In case of lack of measurement parameters coming from the active market, fair value is determined on the basis of application of measurement techniques using estimated input parameters.

The Group measures financial instruments using the measurement methods below in the following hierarchical order:

- Prices quoted on the active market for identical instruments for following financial instruments:
  - treasury fixed-coupon and zero-coupon debt securities;
- Techniques of measurement based on parameters coming from the market for following financial instruments:
  Treasury floating interest debt securities,
  Derivatives:
  - FRA, IRS, CIRS;
  - FX Swap, FX Forward;
  - Embedded derivatives;
  - Options placed by the Group
- Techniques of measurement with use of significant parameters not coming from the market:
  Debt securities of other issuers (e.g. municipalities),
  Derivatives:
  - Options acquired by the Group.

The most important parameter not coming from an active market and used by the Group for measurement of financial instruments is the component of credit risk on account of transactions concluded by the Group on derivatives with non-bank customers, in a situation when uncertainty with respect to future settlement of the transaction exposes the Group to potential loss.

- *Impairment of other non current assets*

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

- *Other Estimate Values*

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

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

VII. FINANCIAL INFORMATION BY BUSINESS SEGMENTS

Business Segmentation

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

a) Retail Customers Segmen

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

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

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

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

c) Treasury and investment business

This segment covers the Group's activity as regards investments by the Treasury Department, brokerage, inter-bank market transactions and taking positions in debt securities, which are not assigned to other segments. 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) Non-allocated (Other) assets and liabilities as well as income and costs

Income tax charge has been presented on Group level only.

Additionally in 2008:

- dividend received from Visa Inc. was reported in the column "other".
- Adjustment of fair value on account of measurement of credit risk component of FX derivatives concluded with Customers (the matter is described in note 5(b) in Chapter VIII „Notes to consolidated financial report") was assigned to the "Corporate Banking" segment.

Geographic segmentation

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

Accounting principles

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

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

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

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

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

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

Income statement 01.01.08 - 31.12.2008

In '000 PLN	Retail Banking	Corporate Banking	Investment and Treasury Banking	Other	Total consolidated
Net interest income	698 801	264 621	17 432	0	980 854
external income	1 298 090	521 445	671 387	0	2 490 922
external cost	-917 317	-328 251	-264 499	0	-1 510 068
External income less cost	380 773	193 193	406 888	0	980 854
internal income	1 131 956	431 309	-1 563 264	0	0
internal cost	-813 928	-359 881	1 173 809	0	0
Internal income less cost	318 028	71 428	-389 455	0	0
Net fee and commission income	347 379	104 065	20 545	0	471 989
Dividends, other income from financial operations and foreign exchange profit	211 219	-35 261	173 883	24 804	374 643
Other operating income and cost	206	1 315	19 594	0	21 115
Operating income	**1 257 604**	**334 740**	**231 453**	**24 804**	**1 848 600**
Staff costs	-447 404	-138 807	-22 805	0	-609 016
Administrative costs	-386 908	-93 992	-29 255	0	-510 155
Impairment losses on assets	-88 711	-45 707	-2 848	0	-137 266
Depreciation and amortization	-51 569	-13 858	-5 001		-70 427
Operating expenses	**-974 591**	**-292 363**	**-59 910**	**0**	**-1 326 864**
Profit / (loss) before taxes	**283 012**	**42 376**	**171 543**	**24 804**	**521 736**
Income taxes					-108 327
Profit / (loss) after taxes					**413 409**

Balance sheet 31.12.2008

In '000 PLN	Retail Banking	Corporate Banking	Investment and Treasury Banking	Other	Total consolidated
ASSETS					
Segment assets	26 299 927	9 388 884	11 426 111	0	47 114 922
- including capital investment outlays	85 454	6 477	25 613	0	117 543
Assets allocated to segment	1 671 930	885 730	-2 557 660	0	0
Total	**27 971 857**	**10 274 614**	**8 868 451**	**0**	**47 114 922**
LIABILITIES					
Segment liabilities	23 872 589	9 196 000	11 231 450	0	44 300 039
Liabilities allocated to segment	2 590 444	372 018	- 2 962 462	0	0
Equity allocated to segment	1 508 824	706 596	599 463	0	2 814 883
Total	**27 971 857**	**10 274 614**	**8 868 451**	**0**	**47 114 922**

Income statement 01.01.07 - 31.12.2007

In '000 PLN	Retail Banking	Corporate Banking	Investment and Treasury Banking	Other	Total consolidated
Net interest income	525 184	224 918	21 590	0	771 692
external income	814 658	373 005	423 419	0	1 611 082
external cost	-347 805	-201 222	-290 363	0	-839 390
External income less cost	466 853	171 783	133 056	0	771 692
internal income	465 979	295 681	-761 660	0	0
internal cost	-407 649	-242 546	650 195	0	0
Internal income less cost	58 331	53 135	-111 465	0	0
Net fee and commission income	409 247	101 692	32 268	0	543 207
Dividends, other income from financial operations and foreign exchange profit	172 581	81 019	79 720	0	333 320
Other operating income and cost	258	-100	60 991	0	61 149
Operating income	**1 107 270**	**407 529**	**194 569**	**0**	**1 709 368**
Staff costs	-369 488	-130 401	-38 936	0	-538 825
Administrative costs	-338 013	-76 499	-16 560		-431 072
Impairment losses on assets	-100 408	37 593	-4 977	0	-67 792
Depreciation and amortization	-55 711	-21 022	-10 391		-87 124
Operating expenses	**-863 620**	**-190 329**	**-70 864**	**0**	**-1 124 813**
Profit / (loss) before taxes	**243 650**	**217 199**	**123 705**	**0**	**584 555**
Income taxes					-122 960
Profit / (loss) after taxes					**461 595**

Balance sheet 31.12.2007

In '000 PLN	Retail Banking	Corporate Banking	Investment and Treasury Banking	Other	Total consolidated
ASSETS					
Segment assets	16 159 661	7 188 306	7 182 139	0	30 530 106
- including capital investment outlays	78 429	10 286	18 483	0	107 198
Assets allocated to segment	758 472	1 750 678	-2 509 150	0	0
Total	**16 918 133**	**8 938 984**	**4 672 989**	**0**	**30 530 106**
LIABILITIES					
Segment liabilities	14 142 535	8 071 241	5 796 399	0	28 010 174
Liabilities allocated to segment	1 909 813	287 604	-2 197 416	0	0
Equity allocated to segment	865 785	580 140	1 074 007	0	2 519 932
Total	**16 918 133**	**8 938 984**	**4 672 989**	**0**	**30 530 106**

VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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

(1) INTEREST INCOME

1. Interest income and other of similar nature

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Interest income and other of similar nature, including:		
Balances with the Central Bank	47 927	24 976
Loans and advances to banks	76 256	34 349
Loans and advances to customers	1 844 299	1 176 388
Transactions with repurchase agreement	17 171	2 483
Hedging derivatives	176 575	100 429
Financial assets held for trading (debt securities)	166 424	152 741
Investment securities	162 270	119 717
Total	**2 490 922**	**1 611 082**

In the line „Hedging derivatives" the Group presents net interest income from derivatives set as and being effective cash flow and fair value hedges. A detailed description of the hedging relations used by the Group is presented in note (17)

Interest income for the year 2008 contains interest accrued on impaired loans in the amount of PLN 63,332 thous. (for corresponding data in the year 2007 the amount of such interest stood at PLN 38,401 thous.). This interest income is calculated on the basis of net exposure amounts, which take into account the posted impairment charges.

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(2) INTEREST EXPENSE

2. Interest expense and other of similar nature

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Interest expense and other of similar nature, including:		
Banking deposits	-30 865	-74 746
Loans and advances	-81 019	-57 543
Transactions with repurchase agreement	-63 977	-127 059
Hedging derivatives	0	-549
Deposits from customers	-1 216 436	-555 384
Subordinated debt	-57 001	-17 812
Debt securities	-59 335	-4 935
Other	-1 435	-1 362
Total	**-1 510 068**	**-839 390**

(3) FEE AND COMMISSION INCOME

3a. Fee and commission income

	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
Resulting from accounts service	77 616	59 211
Resulting from money transfers, cash payments and withdrawals and other payment transactions	38 607	37 706
Resulting from loan activity	42 589	41 647
Resulting from guarantees and sureties granted	10 768	10 176
Resulting from payment and credit cards	146 439	110 712
Resulting from sale of insurance products	93 068	55 627
Resulting from distribution of investment funds units and other savings products	14 195	31 938
Resulting from brokerage and custody service	30 212	57 427
Resulting from investment funds managed by the Group	106 875	215 811
Other	8 526	6 614
Total	**568 895**	**626 869**

3b. Fee and commission expense

	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
Resulting from accounts service	-1 309	-891
Resulting from money transfers, cash payments and withdrawals and other payment transactions	-1 627	-1 466
Resulting from loan activity	-11 988	-11 926
Resulting from payment and credit cards	-69 183	-55 986
Resulting from brokerage and custody service	-6 005	-9 360
Resulting from investment funds managed by the Group	-3 405	-1 540
Other	-3 390	-2 493
Total	**-96 907**	**-83 662**

(4) DIVIDEND INCOME

4. Dividend income

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Securities valued at fair value through profit and loss (held for trading)	22	0
Investment securities	26 222	1 614
Total	**26 244**	**1 614**

In 2008 the Bank recognised revenue on account of dividend from Visa Inc. in the amount of PLN 24.8 million, which comprised: cash received worth USD 5.5 million (PLN 15.5 million) and 67,190 ordinary shares of Visa Inc. received free-of-charge (worth PLN 9.3 million on day of receipt). The shares were classified in the “available for sale” portfolio.

(5A) RESULT ON INVESTMENT FINANCIAL ASSETS

5a. Result on investment financial assets

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Operations on debt instruments	2 988	1 580
Operations on equity instruments	0	4 190
Total	**2 988**	**5 770**

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

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

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

In 2008 Bank transferred Treasury bonds nominally valued at 120 mln PLN from the „intended for trading” portfolio to the „available for sale” portfolio. Information on such transfer along with figures are presented in Chapter VI „Accounting Policy – *Reclassification of Debt Securities*”

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

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Operations on securities	18 314	-34 830
Operations on derivatives	130 543	132 697
Hedging operations	-2 757	523
Other financial operations	725	-12 973
Total	**146 825**	**85 417**

Due to an increase of credit risk embedded in financial derivatives concluded with non-banking clients, based on IAS 39 requirements the Bank included the credit risk component in valuation of derivatives concluded with clients as of 31 December 2008. The fair value adjustment due to valuation of credit risk component in derivatives was reduced through active management of the Bank’s foreign exchange exposure. The impact of credit risk valuation and revaluation of FX options amounted to PLN -152 million, out of which PLN -106 million was presented in Trading Result, and PLN -46 million – in Foreign Exchange Revaluation Result.

(5C) FX INCOME

5c. Foreign exchange profit

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Margin on FX Table transactions	169 601	134 426
Margin on FX negotiated transactions	26 746	76 574
Other	2 240	29 519
Total	**198 586**	**240 519**

(6) OTHER OPERATING INCOME AND EXPENSES

6. Other operating income

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Profit on sale and liquidation of property, plant and equipment, intangible assets	13 005	20 073
Profit on sale of non current assets held for sale	909	44 007
Indemnifications, penalties and fines received	10 032	12 854
Income from sale of other services	3 741	1 847
Income from collection service	436	389
Income from leasing business	1 237	311
Other	9 805	13 372
Total	**39 166**	**92 852**

(7) GENERAL AND ADMINISTRATIVE EXPENSES

7. General and administrative expenses

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Staff costs:	**-609 016**	**-538 825**
Salaries	-586 510	-518 366
Employee benefits, including:	-22 506	-20 459
- provisions for retirement benefits	-407	2 096
- provisions for unused employee holiday	64	-2 903
- other	-22 163	-19 653
General administrative costs	**-510 156**	**-431 072**
Costs of advertising, promotion and representation	-65 568	-53 565
Costs of software maintenance and IT services	-15 119	-13 528
Costs of renting	-134 911	-101 783
Costs of buildings maintenance, equipment and materials	-37 811	-51 703
ATM and cash costs	-24 107	-21 527
Costs of communications and IT	-84 222	-64 495
Costs of consultancy, audit and legal advisory and translation	-18 594	-26 163
Taxes and fees	-18 690	-16 652
KIR clearing charges	-2 703	-2 319
PFRON costs	-5 723	-4 285
BFG costs	-4 433	-3 618
Financial Supervision costs	-7 046	0
Other	-91 230	-71 434
Total	**-1 119 172**	**-969 897**

(8) *IMPAIRMENT LOSSES ON FINANCIAL ASSETS*

8. Impairment losses on financial assets

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Impairment losses on loans and advances to customers	**-131 147**	**-62 753**
- Impairment charges on loans and advances to customers	-506 127	-361 205
- Reversal of impairment charges on loans and advances to customers	363 049	269 003
- Amounts recovered from loans written off	9 097	11 273
- Result on sale of receivables	2 834	18 176
Impairment losses on investments in associates	**0**	**-1 700**
- Impairment write-offs for investments in associates	**0**	-1 700
- Reversal of impairment write-offs for investments in associates	**0**	0
Impairment losses on off-balance sheet liabilities	**-3 991**	**-2 053**
- Impairment write-offs for off-balance sheet liabilities	-20 047	-9 692
- Reversal of impairment write-offs for off-balance sheet liabilities	16 056	7 639
Total	**-135 138**	**-66 506**

(9) *IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS*

9. Impairment losses on non financial assets

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Fixed assets	163	384
Other assets	-2 290	-1 670
Total	**-2 127**	**-1 286**

(10) *DEPRECIATION AND AMORTIZATION*

10. Depreciation and amortization

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Property, plant and equipment	-62 277	-78 556
Intangible assets	-8 150	-8 568
Total	**-70 427**	**-87 124**

In keeping with IAS 38 and IAS 16 the Bank periodically reviews the length of the economic life of intangible as well as tangible fixed assets.

In 2007 the Bank's Management Board decided to change the seat of the Bank's Head Office. The relocation was planned for Q1 2008. Therefore, in 2007 the period of economic life was verified of part of non-depreciated capital expenditures at the Bank's hitherto seat and the costs connected with bringing the space being vacated to the required condition were estimated. As a result the Bank increased the initial value of non-depreciated capital expenditures by the amount of estimated costs of disassembly and removal of an asset in the amount of 11 million PLN, which was presented in ***note (21b)*** and the amount of costs on account of depreciation in 2007 was increased by 20.9 million PLN.

(11) OTHER OPERATING EXPENSE

11. Other operating expenses

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Loss on sale and liquidation of property, plant and equipment, intangible assets	-4 324	-14 199
Loss on sale of non current assets held for sale	-31	0
Indemnifications, penalties and fines paid	-2 852	-1 909
Provisions for contentious claims	-2 383	-2 432
Costs of leasing business	-971	-6 283
Donations made	-646	-343
Costs of collection service	-2392	-2 212
Costs of payments to compensation system	-697	-734
Other	-3 756	-3 591
Total	**-18 051**	**-31 703**

(12) INCOME TAX

12a. Income tax reported in income statement

	1.01.2008-31.12.2008	1.01.2007-31.12.2007
Current tax	**-96 051**	**-65 465**
Current year	-96 051	-65 465
Deferred tax	**-12 276**	**-56 723**
Appearance and reversal of temporary differences	-7 175	-24 346
Utilisation of tax loss	-5 101	-32 377
Other	**0**	**-772**
Receivables resulting from the article 38a of the CIT Act	0	-772
Total income tax reported in income statement	**-108 327**	**-122 960**

12b. Effective tax rate

	1.01.2008-31.12.2008	1.01.2007-31.12.2007
Gross profit / (loss)	521 735	584 555
Statutory tax rate	19%	19%
Income tax according to obligatory income tax rate of 19%	**-99 130**	**-111 065**
Impact of permanent differences on tax charges:	**-9 197**	**-11 123**
- Non taxable income	*2 748*	*1 426*
Dividend income	225	307
Other	2 523	1 119
- Cost which is not a tax cost	*-11 945*	*-12 549*
Loss on sale of receivables	-4 005	-5 555
PFRON fee	-1 087	-814
Other	-6 853	-6 179

Receivables resulting from the article 38a of the CIT Act	**0**	**-772**
Total income tax reported in income statement	**-108 327**	**-122 960**

12c. Deferred tax reported directly in equity

	31.12.2008	31.12.2007
Valuation of available for sale securities	-2 440	457
Valuation of cash flow hedging instruments	-6 999	187
Deferred tax reported directly in equity	**-9 439**	**644**

(13) EARNINGS PER SHARE

13. Earnings per share (PLN)

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Earnings after taxes	413 409	461 595
Weighted average number of shares in the period	849 181 744	849 181 744
Earnings per share	**0.49**	**0.54**

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

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

(14) CASH, BALANCES WITH THE CENTRAL BANK

14a. Cash, balances with the Central Bank

	31.12.2008	31.12.2007
Cash	633 457	476 155
Cash in Central Bank	1 168 905	778 861
Other funds	231	2 112
Total	**1 802 594**	**1 257 128**

In the period from 31st of December 2008 to 1st of February 2008 the Bank kept on its current account with NBP (the central bank) an average balance of PLN 1,049,543 thousand (arithmetic average of balances on the NBP current account on all days of the deposit-holding period).

The interest rate on funds on the mandatory deposit account constitutes 0.9 of the central bank's rediscount rate and in the above-mentioned period of time was 4.725%.

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

	31.12.2008	31.12.2007
a. in Polish currency	1 553 492	1 104 576
b. in foreign currencies (after conversion to PLN)	249 102	152 552
- currency: USD	29 573	23 794
- currency: EURO	171 121	95 612
- currency: GBP	22 749	16 041
- other currencies (PLN '000)	25 659	17 105
Total	**1 802 594**	**1 257 128**

(15) *LOANS AND ADVANCES TO BANKS*

15a. Loans and advances to banks

	31.12.2008	31.12.2007
Current accounts	91 343	59 838
Deposits in other banks	1 170 639	698 155
Loans	316 258	291 865
Other	212	1 255
Interest	1 575	1 939
Total (gross) loans and advances to banks	**1 580 027**	**1 053 052**
Impairment write-offs	0	0
Net loans and advances to banks	**1 580 027**	**1 053 052**

15b. Loans and advances to banks by maturity date

	31.12.2008	31.12.2007
Current accounts	91 343	59 838
- to 1 month	1 170 851	669 411
- above 1 month to 3 months	0	30 000
- above 3 months to 1 year	4	2
- above 1 year to 5 years	0	0
- above 5 years	316 254	291 862
- past due	0	0
Interest	1 575	1 939
Total (gross) loans and advances to banks	**1 580 027**	**1 053 052**

15c. Loans and advances to banks by currency

	31.12.2008	31.12.2007
in Polish currency	326 136	734 719
in foreign currencies (after conversion to PLN)	1 253 891	318 333
- currency: USD	465 706	74 317
- currency: EURO	643 088	192 188
- currency: CHF	61 709	3 617
- currency: GBP	15 285	11 802
- other currencies (PLN ‘000)	68 103	36 409
Total	**1 580 027**	**1 053 052**

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

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	0	0
Change in the period	0	0
Balance at the end of the period	**0**	**0**

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

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

	31.12.2008	31.12.2007
Debt securities	**3 471 808**	**2 331 038**
Issued by State Treasury	3 471 808	2 331 038
a) bills	933 718	353 296
b) bonds	2 538 090	1 977 742
Equity instruments	**428**	**323**
Quoted on the active market	428	323
a) financial institutions	0	60
b) non-financial institutions	428	263
Positive valuation of derivatives	**2 805 286**	**799 207**
Other financial instruments	**2 410**	**4 014**
Total	**6 279 933**	**3 134 582**

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

	31.12.2008	31.12.2007
Trading financial assets	6 279 933	3 134 582
Financial assets valued at fair value when initially recognized	0	0
Total	**6 279 933**	**3 134 582**

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

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

	31.12.2008	31.12.2007
- with fixed interest rate	3 165 591	1 674 072
- with variable interest rate	306 217	656 966
Total	**3 471 808**	**2 331 038**

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

	31.12.2008	31.12.2007
- to 1 month	59 261	12 848
- above 1 month to 3 months	44 302	96 289
- above 3 months to 1 year	1 418 681	338 630
- above 1 year to 5 years	1 712 199	1 429 085
- above 5 years	237 365	454 186
Total	**3 471 808**	**2 331 038**

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

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	2 331 361	3 372 447
Increases (purchase and accrual of interest and discount)	118 122 058	63 140 526
Reductions (sale and redemption)	-116 906 714	-64 165 115
Reclassification to investment financial assets available for sale	-119 132	0
Differences from valuation at fair value	44 663	-16 498
Balance at the end of the period	**3 472 236**	**2 331 361**

16f. Derivatives as at 31.12.2008

Amount in '000 PLN	Par value of instruments with future maturity			Fair values		
	below 3 months	from 3 months to 1 year	above 1 year	Total	Assets	Liabilities
1. Interest rate derivatives	**10 356 102**	**11 276 052**	**20 940 573**	**14 587**	**711 800**	**697 213**
Forward Rate Agreements (FRA)	2 950 000	850 000	0	-1 830	2 736	4 566
Interest rate swaps (IRS)	7 348 851	10 426 052	20 926 843	12 300	704 443	692 143
Other interest rate contracts: volatility swap, swap with FX option	57 251	0	13 730	4 117	4 621	504
2. FX derivatives*	**46 410 121**	**26 792 226**	**21 993 358**	**-1 597 016**	**1 893 509**	**3 490 525**
FX contracts	4 776 689	1 371 814	747 698	169 614	268 950	99 336
FX swaps	33 923 008	5 493 553	42 785	-1 907 547	151 674	2 059 221
Other FX contracts (CIRS)	0	1 536 548	9 341 581	-79 204	0	79 204
FX options	7 710 424	18 390 311	11 861 294	220 121	1 472 885	1 252 764
3. Commodity derivatives	**395 021**	**600 310**	**216 497**	**737**	**164 455**	**163 718**
Commodity forwards	187 289	393 134	173 803	581	126 216	125 635
Commodity options	207 732	207 176	42 694	156	38 239	38 083
4. Embedded instruments				**-9 548**	**62**	**9 610**
Options embedded in deposits				-4 907	62	4 969
Options embedded in securities issued				-4 641	0	4 641
5. Fair value measurement of items subject to hedging	**0**	**2 435**	**285 776**	**20 893**	**28 215**	**7 322**
Valuation of future FX payments subject to hedging	0	2 435	285 776	-7 322	0	7 322
Valuation of hedged consumer loans portfolio	0	0	0	28 215	28 215	0
6. Indexes options	**0**	**0**	**154 423**	**3 357**	**7 245**	**3 888**
7. Liabilities from short sale of securities				**-27 222**	**0**	**27 222**
Total derivatives	**57 161 244**	**38 671 023**	**43 590 627**	**-1 594 212**	**2 805 286**	**4 399 498**

*Notional value for double-currency derivatives constitutes the sum of both transactions expressed in PLN

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

16g. Derivatives as at 31.12.2007

W tys. zł	Par value of instruments with future maturity			Fair values		
	below 3 months	from 3 months to 1 year	above 1 year	Total	Assets	Liabilities
1. Interest rate derivatives	**3 571 492**	**9 128 010**	**14 839 852**	**70 146**	**200 048**	**129 902**
Forward Rate Agreements (FRA)	950 000	300 000	0	-102	680	782
Interest rate swaps (IRS)	2 621 492	8 793 821	14 775 838	60 867	189 987	129 120
Other interest rate contracts: volatility swap, swap with FX option	0	34 189	64 014	9 381	9 381	0
2. FX derivatives	**25 828 260**	**26 418 331**	**9 807 437**	**176 735**	**480 192**	**303 457**
FX contracts	5 525 703	4 704 972	862 067	-17 125	132 202	149 327
FX swaps	11 201 043	651 911	0	170 305	258 815	88 510
Other FX contracts (CIRS)	0	59 840	2 754 450	23 555	30 090	6 535
FX options	9 101 514	21 001 608	6 190 920	0	59 085	59 085
3. Commodity derivatives	**1 130 380**	**933 224**	**886 806**	**582**	**99 864**	**99 282**
Commodity forwards	779 666	378 842	425 414	582	44 610	44 028
Commodity options	350 714	554 382	461 392	0	55 254	55 254
4. Embedded instruments				**-11 530**	**714**	**12 244**
Options embedded in deposits				-11 530	714	12 244
5. Fair value measurement of items subject to hedging	**0**	**0**	**359 895**	**5 455**	**18 389**	**12 934**
Valuation of future FX payments subject to hedging	0	0	359 895	18 389	18 389	0
Valuation of hedged consumer loans portfolio	0	0	0	-12 934	0	12 934
6. Liabilities from short sale of securities				**-9 002**	**0**	**9 002**
Total derivatives	**30 530 132**	**36 479 565**	**25 893 990**	**232 386**	**799 207**	**566 821**

(17) DERIVATIVE HEDGING INSTRUMENTS

The Group uses the following types of hedge accounting:

- ✓ hedging the fair value of the portfolio of long-term consumer loans with respect to interest rate fluctuation risk;
- ✓ Hedge of the fair value of FX liabilities resulting from the Bank's own transactions against FX fluctuation risk
- ✓ Hedge of volatility of the cash flows generated by the portfolio of FX mortgage loans and the PLN deposits financing them;

Starting from 1 January 2006 the Group established a formal hedging relationship against cash flow volatility. One should note that as from IFRS implementation, pursuant to IAS 39 the effect of valuation of all derivatives not classified as and not being effective hedges is presented in result from financial instruments valued at fair value through the profit and loss account. The employment of such methodology resulted in the lack of coherence in the manner of presentation of financial instruments in the profit and loss account. Net interest income from derivative transactions concluded in order to hedge FX liquidity from the economic point of view constitutes an interest margin component (allows to adjust interest income from FX loans to the cost of funding such position resulting from the zloty deposit portfolio).Implementation of formal hedge accounting permitted presentation of the transactions in the Profit and Loss Account in accordance with their economic meaning.

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

Additionally within 2008 and in the reference period (i.e. 2007) the Bank employed hedge accounting for transactions hedging the fair value of FX securities against interest rate fluctuation and FX rate risk (micro fair value hedge for FX securities). As a result of the issuer's redemption of the securities in question at maturity in December 2008 the above transactions were stopped to be recognized in the Bank's books. The balance of fair value changes resulting from the hedging of the interest rate risk of the hedging and hedged instrument for the hedging transaction in question, which was moved from capitals to profit and loss within 2008 stood at 165 thous. PLN.

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

	Hedging the fair value of the long-term consumer portfolio	**Hedging the fair value of FX liabilities**	**Hedging the volatility of cash flows generated by the portfolio of FX mortgages and zloty deposits funding them**
Description of hedge transactions	The Group hedges the risk of the fair value of the long-term consumer loan portfolio denominated in PLN based on a fixed interest rate. The risk hedged results from interest rate fluctuations	The Group hedges the risk of the fair value of FX denominated liabilities relating to the Bank's own transactions. The risk hedged results from FX fluctuations.	The Group hedges the risk of the volatility of cash flows generated by FX mortgages and by PLN deposits financially underlying such loans. The volatility of cash flows results from the currency risk and interest rate risk.
Hedged items	Fixed rate PLN long-term consumer loan portfolio.	Liabilities under the Bank's own transactions, FX-denominated.	Cash flows resulting from the mortgage loan portfolio and zloty deposits funding them.
Hedging instruments	IRS transactions	CIRS transactions	CIRS transactions
Presentation of the result on the hedged and hedging transactions	Adjustment to fair value of hedged assets and of the valuation of hedging instruments is recognised in profit and loss as result on financial instruments valued at fair value through profit and loss; interest on hedging and hedged instruments is recognised in net interest income	adjustment to fair value of FX payments on FX differences is recognised in the Bank's operational costs; valuation of hedging instruments is recognised in the Bank's operational costs; interest on hedging instruments is recognised in the Bank's operational costs	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

17a. Hedge accounting 31.12.2008

Amount in '000 PLN	Par value of instruments with future maturity			Fair values			Adjustment to fair value of hedged items for hedged risk
	below 3 months	from 3 months to 1 year	above 1 year	Total	Assets	Liabilities	
1. Fair value hedging derivatives connected with interest rate risk							
- IRS contracts (macro fair value hedge for consumer loans)	0	14 422	1 224 007	-30 309	24	30 333	28 215
2. Fair value hedging derivatives connected with FX rate risk							
- CIRS contracts (micro fair value hedge for FX liabilities)	0	2 435	285 776	6 167	9 953	3 786	-6 434
3. Cash flows hedging derivatives connected with interest rate and/or FX rate							
- CIRS contracts (macro cash flow hedge for mortgages and deposits in PLN)	787 320	4 005 015	7 436 445	-1 145 530	0	1 145 530	x
4. Total hedging derivatives	**787 320**	**4 021 872**	**8 946 228**	**-1 169 672**	**9 977**	**1 179 649**	**x**

17b. Hedge accounting 31.12.2007

Amount in '000 PLN	Par value of instruments with future maturity			Fair values			Adjustment to fair value of hedged items for hedged risk
	below 3 months	from 3 months to 1 year	above 1 year	Total	Assets	Liabilities	
1. Fair value hedging derivatives connected with interest rate risk							
- IRS contracts (macro fair value hedge for consumer loans)	0	0	983 431	14 088	14 088	0	-12 933
- CIRS contracts (micro fair value hedge for securities in foreign currencies) *	0	177 257	0	27 279	27 319	40	-72
2. Fair value hedging derivatives connected with FX rate risk							
- CIRS contracts (micro fair value hedge for FX liabilities)	0	0	359 895	-18 302	0	18 302	17 750
3. Cash flows hedging derivatives connected with interest rate and/or FX rate							
- CIRS contracts (macro cash flow hedge for mortgages and deposits in PLN)	0	0	9 240 215	175 036	176 914	1 878	x
4. Total hedging derivatives	**0**	**177 257**	**10 583 541**	**198 101**	**218 321**	**20 220**	**x**

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

17c. Hedge accounting for cash flows

	31.12.2008	31.12.2007
Gross valuation recognized in revaluation reserve	36 837	-979
Period in which cash flows with hedged value are expected to occur	from 01.01.09 to 23.01.13	from 01.01.08 to 23.01.13

(18) LOANS AND ADVANCES TO CUSTOMERS

18a. Loans and advances to customers

	31.12.2008	31.12.2007
Loans and advances	**29 765 623**	**19 123 217**
- to companies	5 455 817	4 328 463
- to private individuals	24 156 905	14 581 650
- to public sector	152 901	213 104
Receivables on account of payment cards	**730 843**	**521 204**
- due from companies	8 028	6 612
- due from private individuals	722 815	514 592
Purchased receivables	**76 358**	**115 830**
- from companies	59 027	93 677
- from private individuals	0	0
- from public sector	17 331	22 153
Guarantees and sureties realised	123	106
Debt securities eligible for rediscount at Central Bank	35 691	22 649
Financial leasing receivables	3 745 868	2 757 231
Other	2 639	2 813
Interest	140 099	92 491
Total gross	**34 497 245**	**22 635 541**
Impairment write-offs	-749 078	-608 389
Total net	**33 748 166**	**22 027 152**

18b. Quality of loans and advances to customers portfolio

	31.12.2008	31.12.2007
Loans and advances to customers (gross)	**34 497 245**	**22 635 541**
- impaired	1 163 428	765 594
- not impaired	33 333 816	21 869 947
Impairment write-offs	**749 078**	**608 389**
- for impaired exposures	464 824	383 451
- for incurred but not reported losses (IBNR)	284 254	224 938
Loans and advances to customers (net)	**33 748 166**	**22 027 152**

In June 2008 the Bank performed a sale of receivables recognised in the balance sheet with an impairment of 26 482 thous. PLN. The amount of impairment charges for sold receivables stood at 21 856 thous. PLN.

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

	31.12.2008	31.12.2007
Loans and advances to customers (gross)	**34 497 245**	**22 635 541**
- case by case analysis	834 470	559 290
- collective analysis	33 662 775	22 076 251
Impairment write-offs	**749 078**	**608 389**
- on the basis of case by case analysis	264 718	245 713
- on the basis of collective analysis	484 361	362 676
Loans and advances to customers (net)	**33 748 166**	**22 027 152**

18d. Loans and advances to customers portfolio by customers

	31.12.2008	31.12.2007
Loans and advances to customers (gross)	**34 497 245**	**22 635 541**
- corporate customers	9 545 543	7 493 723
- private individuals	24 951 702	15 141 818
Impairment write-offs	**749 078**	**608 389**
- for receivables from corporate customers	425 908	371 675
- for receivables from private individuals	323 170	236 714
Loans and advances to customers (net)	**33 748 166**	**22 027 152**

18e. Loans and advances to customers by maturity

	31.12.2008	31.12.2007
Current accounts	2 108 358	1 549 322
- to 1 month	640 257	451 624
- above 1 month to 3 months	599 998	317 112
- above 3 months to 1 year	3 139 664	1 572 660
- above 1 year to 5 years	8 060 203	4 693 035
- above 5 years	19 714 947	13 839 127
- past due	93 719	119 893
Interest	140 099	92 768
Total gross	**34 497 245**	**22 635 541**

18f. Loans and advances to customers by currency

	31.12.2008	31.12.2007
in Polish currency	12 615 523	10 769 093
in foreign currencies (after conversion to PLN)	21 881 722	11 866 448
- currency: USD	393 277	268 949
- currency: EURO	1 375 173	1 085 733
- currency: CHF	19 464 729	10 319 162
- currency: JPY	648 541	192 604
- other currencies (PLN '000)	1	0
Total gross	**34 497 245**	**22 635 541**

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

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	608 389	662 513
Change in value of provisions:	140 690	-54 124
Write-offs in the period	506 127	361 205
Amounts written off	-30 036	-20 601
Reversal of write-offs in the period	-363 049	-269 003
Sale of receivables	-21 856	-93 229
Changes resulting from FX rates differences	47 872	-33 207
Other	1 631	711
Balance at the end of the period	**749 078**	**608 389**

18h. Financial leasing receivables

	31.12.2008	31.12.2007
Financial leasing receivables (gross)	4 303 460	3 197 609
Unrealised financial income	-557 592	-440 378
Financial leasing receivables (net)	**3 745 868**	**2 757 231**
Financial leasing receivables (gross) by maturity		
Under 1 year	1 546 265	1 197 039
From 1 year to 5 years	2 421 778	1 876 220
Above 5 years	335 417	124 350
Total	**4 303 460**	**3 197 609**
Financial leasing receivables (net) by maturity		
Under 1 year	1 330 531	1 011 128
From 1 year to 5 years	2 145 926	1 647 552
Above 5 years	269 411	98 551
Total	**3 745 868**	**2 757 231**

(19) INVESTMENT FINANCIAL ASSETS

19a. Investment financial assets available for sale

	31.12.2008	31.12.2007
Debt securities	**2 901 702**	**1 892 720**
Issued by State Treasury	2 627 891	1 540 449
a) bills	675 447	0
b) bonds	1 952 444	1 540 449
Issued by Central Bank	167 247	165 939
a) bills	0	0
b) bonds	167 247	165 939
Other securities	106 564	186 332
a) listed	15 760	138 106

b) not listed	90 804	48 226

Shares and interests in other entities	**12 295**	**1 849**
Other financial instruments	**0**	**0**

Total financial assets available for sale	**2 913 997**	**1 894 569**
Available for sale instruments listed on the stock exchange	2 643 651	1 679 127
Available for sale instruments not listed on the stock exchange	270 346	215 442

19b. Debt securities available for sale

	31.12.2008	31.12.2007
- with fixed interest rate	1 320 149	182 518
- with variable interest rate	1 581 553	1 710 202
Total	**2 901 702**	**1 892 720**

19c. Debt securities available for sale by maturity

	31.12.2008	31.12.2007
- to 1 month	610 403	67 924
- above 1 month to 3 months	159 527	0
- above 3 months to 1 year	593 449	329 851
- above 1 year to 5 years	1 536 918	1 491 716
- above 5 years	1 405	3 229
Total	**2 901 702**	**1 892 720**

19d. Change of investment financial assets available for sale

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	1 894 569	2 931 656
Increases (purchase and accrual of interest and discount)	6 325 996	2 447 754
Reclassification to investment financial assets available for sale	119 132	0
Reductions (sale and redemption)	-5 440 948	-3 470 974
Difference from measurement at fair value	15 248	-13 866
Balance at the end of the period	**2 913 997**	**1 894 569**

19e. Investments in associates

	31.12.2008	31.12.2007
Investments in associates	5 395	5 100

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

19f. Change of investments in associates (gross)

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	15 933	16 188
- sale of shares	0	-255
- capital paid-in	295	0
Balance at the end of the period	**16 228**	**15 933**

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

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	10 833	9 172
Impairment charges/ reversal of impairment charges	0	1 661
Balance at the end of the period	**10 833**	**10 833**

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

20. Receivables from securities bought with sell-back clause

	31.12.2008	31.12.2007
a) from banks	0	0
b) from customers	61 272	28 768
c) interest	10	39
Total	**61 282**	**28 807**

(21) PROPERTY, PLANT AND EQUIPMENT

21a. Property, plant and equipment

	31.12.2008	31.12.2007
Fixed assets:	355 807	298 083
- land	1 467	1 553
- buildings, premises, civil and hydro-engineering structures	202 730	191 285
- machines and equipment	83 827	52 371
- vehicles	30 775	25 176
- other fixed assets	37 008	27 698
Fixed assets under construction	29 204	38 690
Advances for fixed assets under construction	0	533
Total	**385 011**	**337 306**

21b. Change of balance of property, plant and equipment (by type groups) in the period 01.01.2008 – 31.12.2008

	land	buildings, premises, civil and hydro-engineering structures	machines and equipment	vehicles	other fixed assets	fixed assets under construction and advances	**TOTAL**
a) gross value of property, plant and equipment at the beginning of the period	**2 056**	**391 011**	**284 453**	**38 727**	**114 289**	**39 224**	**869 760**
b) increases (on account of)	**26**	**43 633**	**52 186**	**12 982**	**20 459**	**57 005**	**186 290**
- purchase	0	22 122	17 917	12 933	8 647	40 980	102 599
- transfer from fixed assets under construction	25	20 708	33 140	50	10 621	0	64 544
- impairment charges	0	0	0	0	0	16 013	16 013
- other	1	803	1 128	0	1 191	11	3 134
c) reductions (on account of)	**112**	**34 505**	**40 972**	**6 936**	**26 106**	**67 025**	**175 655**
- sale	99	19 344	8 087	6 327	20 865	63	54 785
- liquidation	3	1 805	19 415	43	4 132	0	25 398
- settlement of fixed assets under construction	0	0	0	0	0	64 554	64 554
- transfer of amortization**	0	2 454	11 414	0	1 033	0	14 901
- other	10	10 902*	2 055	567	76	2 407	16 017
d) gross value of property, plant and equipment at the end of the period	**1 970**	**400 139**	**295 667**	**44 773**	**108 642**	**29 204**	**880 395**
e) cumulated depreciation (amortization) at the beginning of the period	**0**	**169 685**	**232 082**	**13 551**	**83 118**	**0**	**498 436**
f) depreciation over the period (on account of)	**0**	**2 419**	**-20 242**	**447**	**-14 235**	**0**	**-31 611**
- current write-off (P&L)	0	23 519	20 344	6 490	11 924	0	62 277
- reductions on account of sale	0	-13 343	-7 769	-5 958	-19 528	0	-46 598
- reductions on account of liquidation	0	-1 460	-19 348	-6	-3 969	0	-24 783
- transfer of amortization**	0	-2 454	-11 414	0	-1 033	0	-14 901
- other	0	-3 843	-2 055	-79	-1 629	0	-7 606
g) cumulated depreciation (amortization) at the end of the period	**0**	**172 104**	**211 840**	**13 998**	**68 883**	**0**	**466 825**
h) impairment write-offs at the beginning of the period	**503**	**30 041**	**0**	**0**	**3 474**	**0**	**34 018**
- increase	0	0	0	0	738	0	738
- reduction	0	4 736	0	0	1 461	0	6 197
i) impairment write-offs at the end of the period	**503**	**25 305**	**0**	**0**	**2 751**	**0**	**28 559**
j) net value of property, plant and equipment at the end of the period	**1 467**	**202 730**	**83 827**	**30 775**	**37 008**	**29 204**	**385 011**

* The other reductions item comprises largely the write-down of expenses recognised in 2007 on disassembly and removal of assets resulting from the change of the Bank's Head Office done in 2008.

** In adjustment of records to IFRS the Bank adjusted the value of the initial balance of part of acquired fixed assets to net value.

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

	land	buildings, premises, civil and hydro-engineering structures	machines and equipment	vehicles	other fixed assets	fixed assets under construction and advances	**TOTAL**
a) gross value of property, plant and equipment at the beginning of the period	**2 078**	**367 858**	**329 656**	**31 232**	**107 165**	**31 585**	**869 574**
b) increases (on account of)	**0**	**51 181**	**29 506**	**14 802**	**19 902**	**61 063**	**176 454**
- purchase	0	21 051	8 035	14 802	6 562	53 792	104 242
- transfer from fixed assets under construction	0	18 427	16 689	0	12 489	0	47 605
- other	0	11 703*	4 782	0	851	7 271	24 607
c) reductions (on account of)	**22**	**28 028**	**74 709**	**7 307**	**12 778**	**53 424**	**176 268**
- sale	19	19 373	48 282	7 001	1 559	0	76 234
- liquidation	0	7 861	25 989	207	10 825	0	44 882
- settlement of fixed assets under construction	0	0	0	0	0	47 611	47 611
- other	3	794	438	99	394	5 813	7 541
d) gross value of property, plant and equipment at the end of the period	**2 056**	**391 011**	**284 453**	**38 727**	**114 289**	**39 224**	**869 760**
e) cumulated depreciation (amortization) at the beginning of the period	**0**	**145 389**	**286 824**	**15 538**	**81 167**	**0**	**528 918**
f) depreciation over the period (on account of)	**0**	**24 296**	**-54 742**	**-1 987**	**1 951**	**0**	**-30 482**
- current write-off (P&L)	0	40 389	19 813	4 681	13 673	0	78 556
- reductions on account of sale	0	-8 600	-48 191	-6 540	-1 111	0	-64 442
- reductions on account of liquidation	0	-7 496	-25 925	-88	-10 602	0	-44 111
- other	0	3	-439	-40	-9	0	-485
g) cumulated depreciation (amortization) at the end of the period	**0**	**169 685**	**232 082**	**13 551**	**83 118**	**0**	**498 436**
h) impairment write-offs at the beginning of the period	**503**	**38 455**	**1 141**	**0**	**3 517**	**0**	**43 616**
- increase	0	0	0	0	0	0	0
- reduction	0	8 414	1 141	0	43	0	9 598
i) impairment write-offs at the end of the period	**503**	**30 041**	**0**	**0**	**3 474**	**0**	**34 018**
j) net value of property, plant and equipment at the end of the period	**1 553**	**191 285**	**52 371**	**25 176**	**27 697**	**39 224**	**337 306**

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

(22) INTANGIBLE ASSETS

22a. Intangible assets

	31.12.2008	31.12.2007
- concessions, patents, licenses, know how and similar assets, including:	21 837	18 157
- computer software	21 837	18 157
- advances for intangible assets	0	5
Total intangible assets	**21 837**	**18 162**

22b. Change of balance of intangible assets (by type groups) in the period 01.01.2008 – 31.12.2008

	costs of completed development work	concessions, patents, licenses, know how and similar assets, including:	computer software	other intangible assets	advances for intangible assets	TOTAL
a) gross value of intangible assets at the beginning of the period	**25**	**405 517**	**195 397**	**4**	**5**	**405 551**
b) increases (on account of)	**0**	**11 833**	**11 833**	**0**	**305**	**12 138**
- purchase	0	2 300	2 300	0	142	2 442
- transfer from investments and advances	0	321	321	0	0	321
- expenditures on intangible assets	0	3 370	3 370	0	0	3 370
- other	0	5 842	5 842	0	163	6 005
c) reductions (on account of)	**2**	**13 624**	**13 624**	**0**	**310**	**13 936**
- sale	0	0	0	0	0	0
- liquidation		13 599	13 599			13 599
- other	2	25	25	0	310	337
d) gross value of intangible assets at the end of the period	**23**	**403 726**	**193 606**	**4**	**0**	**403 753**
e) cumulated depreciation (amortization) at the beginning of the period	**25**	**387 360**	**177 240**	**4**	**0**	**387 389**
f) depreciation over the period (on account of)	**-2**	**-5 470**	**-5 470**	**0**	**0**	**-5 473**
- current write-off (P&L)	0	8 150	8 151	0	0	8 150
- liquidation		-13 599	-13 599			-13 599
- other	-2	-21	-22	0	0	-24
g) cumulated depreciation (amortization) at the end of the period	**23**	**381 890**	**171 770**	**4**	**0**	**381 916**
h) impairment write-offs at the beginning of the period	**0**	**0**	**0**	**0**	**0**	**0**
i) impairment write-offs at the end of the period	**0**	**0**	**0**	**0**	**0**	**0**
j) net value of intangible assets at the end of the period	**0**	**21 837**	**21 837**	**0**	**0**	**21 837**

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

	costs of completed development work	concessions, patents, licenses, know how and similar assets, including:	computer software	other intangible assets	advances for intangible assets	TOTAL
a) gross value of intangible assets at the beginning of the period	**25**	**400 413**	**190 293**	**4**	**0**	**400 442**
b) increases (on account of)	**0**	**5 555**	**5 555**	**0**	**5**	**5 560**
- purchase	0	1 288	1 288	0	5	1 293
- transfer from investments and advances	0	6	6	0	0	6
- expenditures on intangible assets	0	1 876	1 876	0	0	1 876
- other	0	2 385	2 385	0	0	2 385
c) reductions (on account of)	**0**	**451**	**451**	**0**	**0**	**451**
- sale	0	0	0	0	0	0
- other	0	451	451	0	0	451
d) gross value of intangible assets at the end of the period	**25**	**405 517**	**195 397**	**4**	**5**	**405 551**
e) cumulated depreciation (amortization) at the beginning of the period	**25**	**378 835**	**168 715**	**4**	**0**	**378 864**
f) depreciation over the period (on account of)	**0**	**8 525**	**8 525**	**0**	**0**	**8 525**
- current write-off (P&L)	0	8 568	8 568	0	0	8 568
- other	0	-43	-43	0	0	-43
g) cumulated depreciation (amortization) at the end of the period	**25**	**387 360**	**177 240**	**4**	**0**	**387 389**
h) impairment write-offs at the beginning of the period	**0**	**0**	**0**	**0**	**0**	**0**
i) impairment write-offs at the end of the period	**0**	**0**	**0**	**0**	**0**	**0**
j) net value of intangible assets at the end of the period	**0**	**18 157**	**18 157**	**0**	**5**	**18 162**

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

23a. Change of balance of non current assets held for sale in the period 01.01.2008 – 31.12.2008

	land	buildings, premises, civil and hydro-engineering structures	machines and equipment	vehicles	other fixed assets	TOTAL
a) value at the beginning of the period	350	1 911	240	148	0	2 649
b) impairment write-offs at the beginning of the period	-349	-482	-240	-6	0	-1 077
c) net value of non current assets held for sale at the beginning of the period	**0**	**1 429**	**0**	**142**	**0**	**1 571**
d) change of value in the period, including:	**-126**	**-948**	**162**	**0**	**0**	**-912**
- sale of non current assets held for sale	-111	-847	-38	0	0	-996
e) value at the end of the period	**224**	**963**	**402**	**148**	**0**	**1 737**
f) change of impairment write-offs in the period, including:	**282**	**331**	**-162**	**0**	**0**	**451**
- sale of non current assets held for sale	64	450	22	0	0	536
g) impairment write-offs at the end of the period	**-67**	**-151**	**-402**	**-6**	**0**	**-626**
h) net value of non current assets held for sale at the end of the period	**156**	**812**	**0**	**142**	**0**	**1 111**

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

	land	buildings, premises, civil and hydro-engineering structures	machines and equipment	vehicles	other fixed assets	TOTAL
a) value at the beginning of the period	564	38 460	716	203	184	**40 127**
b) impairment write-offs at the beginning of the period	-349	-13 199	-452	-61	-159	**-14 220**
c) net value of non current assets held for sale at the beginning of the period	**214**	**25 261**	**264**	**142**	**25**	**25 907**
d) change of value in the period, including:	**-214**	**-36 549**	**-476**	**-55**	**-184**	**-37 478**
- sale of non current assets held for sale	-214	-35 027	-476	-55	-184	**-35 956**
e) value at the end of the period	**350**	**1 911**	**240**	**148**	**0**	**2 649**
f) change of impairment write-offs in the period, including:	**0**	**12 717**	**212**	**55**	**159**	**13 142**
- sale of non current assets held for sale	0	12 407	212	55	159	**12 832**
g) impairment write-offs at the end of the period	**-349**	**-482**	**-240**	**-6**	**0**	**-1 078**
h) net value of non current assets held for sale at the end of the period	**0**	**1 429**	**0**	**142**	**0**	**1 571**

(24) DEFERRED INCOME TAX ASSETS

24a. Deferred income tax assets

	31.12.2008			31.12.2007		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	23 372	-75 338	-51 966	39 349	6 474	45 822
Balance sheet valuation of financial instruments	555 120	-514 175	40 945	10 090	-39 356	-29 266
Unrealised receivables/ liabilities on account of derivatives	211 605	-204 374	7 231	117 488	-97 362	20 127
Interest on deposits and securities to be paid/ received	70 290	-106 162	-35 872	21 183	-80 404	-59 221
Interest and discount on loans and receivables	1 651	-26 992	-25 341	1 654	-24 872	-23 218
Income and cost settled at effective interest rate	0	-18 283	-18 283	0	-12 770	-12 770
Provisions for loans presented as temporary differences	92 100	0	92 100	78 391	0	78 391
Employee benefits	18 617	0	18 617	18 796	0	18 796
Provisions for future costs	6 661	0	6 661	5 926	0	5 926
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	0	-9 439	-9 439	643	0	643
Tax loss deductible in the future	10 512	0	10 512	15 614	0	15 614
Other	24 077	-7 989	16 088	18 539	-5 775	12 763
Net deferred income tax asset	**1 014 005**	**-962 752**	51 253	**327 673**	**-254 065**	**73 609**

24b. Change of temporary differences

	31.12.2007	Changes to financial result	Changes to equity	31.12.2008
Difference between tax and balance sheet depreciation	45 822	-97 788		-51 966
Balance sheet valuation of financial instruments	-29 266	70 211		40 945
Unrealised receivables/ liabilities on account of derivatives	20 127	-12 896		7 231
Interest on deposits and securities to be paid/ received	-59 221	23 349		-35 872
Interest and discount on loans and receivables	-23 218	-2 123		-25 341
Income and cost settled at effective interest rate	-12 770	-5 513		-18 283
Provisions for loans presented as temporary differences	78 391	13 709		92 100
Employee benefits	18 796	-179		18 617
Provisions for future costs	5 926	735		6 661
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	643		-10 082	-9 439
Tax loss deductible in the future	15 614	-5 102		10 512
Other	12 763	3 325		16 088
Total	**73 609**	**-12 276**	**-10 082**	51 253

24c. Change of temporary differences

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

24d. Change of deferred income tax

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Difference between tax and balance sheet depreciation	-97 788	36 449
Balance sheet valuation of financial instruments	70 211	-14 498
Unrealised receivables/ liabilities on account of derivatives	-12 896	-51 962
Interest on deposits and securities to be paid/ received	23 349	-41 716
Interest and discount on loans and receivables	-2 123	27 380
Income and cost settled at effective interest rate	-5 513	209
Provisions for loans presented as temporary differences	13 709	21 853
Employee benefits	-179	-7 360
Provisions for future costs	735	-5 238
Tax loss deductible in the future	-5 102	-32 376
Other	3 325	10 534
Change of deferred income tax recognized in financial result	**-12 276**	**-56 723**
Change on account of receivables from Tax Office resulting from the article 38c of the CIT Act	**0**	**-772**
Sale of deferred income tax asset as a part of enterprise	**0**	**0**
Change of temporary differences of the previous period - final CIT declaration	**0**	**0**
Valuation of investment assets and cash flows hedge recognized in revaluation reserve	**-10 082**	**2 960**

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

Temporary differences expiry year	31.12.2008	31.12.2007
Unlimited	9 612	7 332
Total	**9 612**	**7 332**

The value of negative temporary differences presented in the above table was recalculated with the valid tax rate.

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

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

	31.12.2008	31.12.2007
Net deferred income tax assets	51 253	73 609
Net deferred income tax provision	-	-

(25) OTHER ASSETS

25. Other assets

	31.12.2008	31.12.2007
Expenses to be settled	52 939	41 613
Income to be received	3 145	5 005
Interbank settlement accounts	525	3 882
Settlement accounts for financial instruments transactions	10 482	63 533
Receivables from sundry debtors	48 901	103 158
Settlements with the State Treasury, including:	34 850	63 294
- receivables from Tax Office resulting from the article 38a of the CIT Act	9 022	9 022
Perpetual usufruct right to land	5 155	5 155
Settlement accounts for activities of Millennium Dom Maklerski S.A.	56 247	115 964
Other	4 561	4 098
Total other assets (gross)	216 805	405 702
Provisions	-11 176	-11 381
Total other assets (net)	**205 629**	**394 320**

(26) DEPOSITS FROM BANKS

26a. Deposits from banks

	31.12.2008	31.12.2007
In current account	70 571	67 653
Term deposits	35 482	739 971
Loans and advances received	2 937 280	1 750 732
Interest	17 217	10 332
Total	**3 060 550**	**2 568 688**

On 12 September 2008 a medium-term syndicated loan agreement was signed between the Bank and a consortium of international banks. The loan amount is 175,000,000 EUR and the interest rate is variable based on the EURIBOR rate increased by a margin as per the agreement. The loan is to be

repaid in September 2010 with an option of extension – with the parties' consent – for the next annual period (i.e. until 2011).

The Bank did not note any infringements of contractual conditions connected with the liabilities on the contracted loans.

26b. Deposits from banks by maturity

	31.12.2008	31.12.2007
Current accounts	70 570	67 653
- to 1 month	26 816	612 500
- above 1 month to 3 months	8 490	76 676
- above 3 months to 1 year	1 554 952	50 797
- above 1 year to 5 years	1 066 338	1 458 945
- above 5 years	316 167	291 785
Interest	17 217	10 332
Total	**3 060 550**	**2 568 688**

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

26c. Deposits from banks by currency

	31.12.2008	31.12.2007
in Polish currency	393 964	847 715
in foreign currencies (after conversion to PLN)	2 666 586	1 720 973
- currency: USD	0	28 885
- currency: EURO	770 400	228 031
- currency: CHF	1 896 186	1 464 057
Total	**3 060 550**	**2 568 688**

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

27. Financial liabilities valued at fair value through profit and loss (held for trading)

	31.12.2008	31.12.2007
Negative valuation of derivatives	4 372 276	557 819
Short sale of securities	27 222	9 002
Financial liabilities valued at fair value through profit and loss	**4 399 498**	**566 821**

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

(28) HEDGE DERIVATIVES

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

(29) DEPOSITS FROM CUSTOMERS

29a. Structure of deposits from customers by type

	31.12.2008	31.12.2007
Amounts due to private individuals	**19 238 111**	**12 595 184**
Balances on current accounts	2 918 109	3 109 371
Term deposits	15 931 154	9 260 695
Other	155 430	147 410
Accrued interest	233 418	77 708
Amounts due to companies	**10 733 057**	**7 646 442**
Balances on current accounts	2 499 183	2 732 681
Term deposits	7 742 361	4 749 424
Other	377 928	148 026
Accrued interest	113 585	16 311
Amounts due to public sector	**1 731 112**	**1 559 036**
Balances on current accounts	1 054 587	828 457
Term deposits	662 581	703 394
Other	10 951	24 699
Accrued interest	2 993	2 486
Total	**31 702 280**	**21 800 662**

29b. Deposits from customers by maturity

	31.12.2008	31.12.2007
Current accounts	6 336 162	6 670 509
- to 1 month	10 386 329	7 496 349
- above 1 month to 3 months	6 115 505	1 910 705
- above 3 months to 1 year	8 116 595	5 486 891
- above 1 year to 5 years	397 687	138 972
- above 5 years	5	731
Interest	349 996	96 505
Total	**31 702 280**	**21 800 662**

29c. Deposits from customers by currency

	31.12.2008	31.12.2007
in Polish currency	29 439 619	19 632 033
in foreign currencies (after conversion to PLN)	2 262 661	2 168 629
- currency: USD	927 095	880 617
- currency: EURO	1 239 761	1 177 345
- currency: GBP	78 132	94 488
- currency: CHF	14 271	7 369
- other currencies (PLN ‘000)	3 402	8 810
Total	**31 702 280**	**21 800 662**

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

30. Liabilities from securities bought with buy-back clause

	31.12.2008	31.12.2007
a) from the Central Bank	1 149 723	0
b) from banks	9 991	186 003
c) from customers	336 360	537 565
d) interest	5 988	2 408
Total	**1 502 062**	**725 976**

(31) LIABILITIES FROM DEBT SECURITIES

31a. Debt securities

	31.12.2008	31.12.2007
Outstanding bonds and bills	927 373	851 474
Interest	0	0
Total	927 373	**851 474**
- to 1 month	0	134 356
- above 1 month to 3 months	0	0
- above 3 months to 1 year	11 068	0
- above 1 year to 5 years	112 418	0
- above 5 years	802 569	717 118
Interest	1 318	0
Total	**927 373**	**851 474**

31b. Change of debt securities

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	851 474	5 705
Increases, on account of:	237 297	851 474
- issue of bonds in leasing portfolio securitization transaction	85 451	717 118
- issue of short term bonds by subsidiary	0	134 356
- issue of bonds by the Bank	146 788	0
- interest accrual	5 058	
Reductions, on account of:	-161 398	-5 705
- repurchase of short term bonds by subsidiary	-138 096	0
- repurchase of bonds by the Bank	-23 302	0
- repurchase of bill of exchange from NBP	0	-5 705
Balance at the end of the period	**927 373**	**851 474**

31c. Debt securities by type

As at 31.12.2008	Balance sheet value	Interest rate	Maturity	Market
BM_2012/01	6 366	-	03.01.2012	-
BM_2012/01A	7 364	-	04.01.2012	-
BM_2010/12	7 583	-	03.12.2010	-
BM_2010/12A	1 301	-	06.12.2010	-
BM_2010/09A	2 715	-	07.09.2010	-
BM_2010/07A	6 967	-	19.07.2010	-
BM_2010/09	1 626	-	06.09.2010	-
BM_2010/07	10 015	-	07.07.2010	-
BM_2011/05	9 533	-	12.05.2011	-
BM_2011/05A	7 500	-	31.05.2011	-
BM_2009/10	5 935	-	08.10.2009	-
BM_2011/02	3 460	-	25.02.2011	-
BM_2011/04	8 927	-	15.04.2011	-
BM_2012/06	6 011	-	11.06.2012	-
BM_2009/10A	5 133	-	13.10.2009	-
BM_2011/03_1	5 675	-	14.03.2011	-
BM_2011/03_2	4 005	-	15.03.2011	-
BM_2012/04	9 673	-	10.04.2012	-
BM_2011/11	7 526	-	08.11.2011	-
BM_2011/11A	6 171	-	07.11.2011	-

* In the case of bonds issued by the Bank the formula of interest calculation is based on balances of underlying indexes in maturity date

Bonds issued in leasing portfolio securitization process:				
Orchis Sp. z o.o. - Senior Bond	347 870	5,87%	20.12.2016	-
Orchis Sp. z o.o. - Senior Bond	420 667	5,87%	20.12.2016	-
Orchis Sp. z o.o. - Mezzanine Bond	35 350	7,76%	20.12.2016	-

As at 31.12.2007	Balance sheet value	Interest rate	Maturity	Market
Millennium Leasing Sp. z o.o. - A13 Series bonds	134 356	6.17%	29.01.2008	-
Bonds issued in leasing portfolio securitization process:				
Orchis Sp. z o.o. - Senior Bond	229 118	5,78%	20.12.2016	-
Orchis Sp. z o.o. - Senior Bond	420 000	5,78%	20.12.2016	-
Orchis Sp. z o.o. - Mezzanine Bond	68 000	7,67%	20.12.2016	-

(32) PROVISIONS

32a. Provisions

	31.12.2008	31.12.2007
Provision for off-balance sheet commitments	16 433	12 351
Provision for contentious claims	17 448	22 309
Total	**33 881**	**34 660**

32b. Change of provisions

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Provision for off-balance sheet commitments		
Balance at the beginning of the period	12 351	10 400
Charge of provision	20 047	9 692
Release of provision	-16 056	-7 639
Sale of receivables	-120	0
FX rates differences	211	-102
Balance at the end of the period	**16 433**	**12 351**
Provision for contentious claims		
Balance at the beginning of the period	22 309	**19 787**
Charge of provision	2 383	2 432
Release of provision	-1 592	0
Utilisation of provision	-5 752	90
Other	100	**0**
Balance at the end of the period	**17 448**	**22 309**

(33) PROVISION FOR DEFERRED INCOME TAX

	31.12.2008	31.12.2007
33. Deferred income tax provision	**0**	**0**

(34) OTHER LIABILITIES

34a. Other liabilities

	31.12.2008	31.12.2007
Short-term	**500 941**	**577 881**
Accrued costs - bonuses, salaries	81 719	78 429
Accrued costs - other	91 181	80 650
Interbanking settlement accounts	100 453	100 347
Financial instruments transactions settlement accounts	0	24
Other creditors	95 090	89 781
Liabilities to public sector	13 587	7 658
Deferred income	24 729	22 559
Provisions for unused employee holiday	10 663	14 530
Settlement accounts for activities of Millennium Dom Maklerski S.A.	48 523	110 143
Other	34 995	73 760
Long-term	**31 870**	**36 707**
Provisions for retirement benefits	6 210	6 143
Deferred income	1 285	894
Accrued costs - other	0	183
Other	24 375	29 487
Total	**532 813**	**614 588**

34b. Change of provisions for unused employee holiday

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	**14 530**	**13 096**
Creation/reversal of provisions	-1 530	2 903
Utilisation of provisions	-2 337	-1 469
Balance at the end of the period	**10 664**	**14 530**

34c. Change of provisions for retirement benefits

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	**6 143**	**8 680**
Charge of provisions/ reversal of provisions	407	-2 096
Utilisation of provisions	-341	-441
Balance at the end of the period	**6 210**	**6 143**

(35) SUBORDINATED DEBT

35a. Subordinated debt

	31.12.2008	31.12.2007
Name of entity	-	-
Currency of the liability	EUR	EUR
Value of the liability in foreign currency	230 000	230 000
Value of the liability in PLN	959 652	823 860
Interest rate	EUR 80 million - 4.966% EUR 150 million – 4.702%	EUR 80 million - 6.360% EUR 150 million – 6.337%
Maturity	EUR 80 million - 12.12.2011 EUR 150 million – 20.12.2017	EUR 80 million - 12.12.2011 EUR 150 million – 20.12.2017
Interest	1 768	2 175
Balance sheet value of subordinated debt	**961 420**	**826 035**

35b. Change of subordinated debt

	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Balance at the beginning of the period	826 035	307 309
Increases, on account of:	192 663	562 570
- issue of subordinated bonds	0	543 450
- FX rates differences	135 662	0
- interest accrual	57 001	19 120
Reductions, on account of:	-57 278	-43 844
- interest payment	-57 278	-17 759
- FX rates differences	0	-26 085
Balance at the end of the period	**961 420**	**826 035**

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

(36) SHAREHOLDERS' EQUITY

36a. SHARE CAPITAL

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

SHARE CAPITAL Par value of one share = 1 PLN

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

In the reporting period no registered shares were converted into the bearer shares as at 31 December 2008 the number of the registered shares was 109,356 of which 62,200 are founders' shares.

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

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

Shareholders as at 31.12.2008

Shareholder	**Number of shares**	***% share in share capital***	***Number of votes***	***% share in votes at Shareholders' Meeting***
Banco Comercial Portugues S.A.	556 325 794	65.51	556 325 794	65.51
Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK	62 200 437	7.32	62 200 437	7.32

Shareholders as at 31.12.2007

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

Data on numbers of shares, percentage of shareholders' equity, number of votes and their percentage share in the total number of votes at a GSM were prepared on the basis of information contained in notifications sent to the Bank by the shareholders, under art. 69 of the Act on the Public Offer and Conditions of Introducing Financial Instruments to an Organised Trading and on Public Companies and based on annual information on the structure of the fund's assets, prepared by all Polish Pension Fund Companies at the end of the year.

In accordance with IFRS 1 (First-time adoption of the International Financial Reporting Standards) the Group is required to apply to use IAS 29 (Financial Reporting under hyperinflation) retrospectively.

On the basis of section 24 of IAS 29 „Financial Reporting under Hyperinflation" particular equity components (except retained earnings and any revaluation reserves) are required to be indexed by general price index, starting from the date on which such capitals were contributed or otherwise created for the period in which a given business's economy was a hyperinflationary economy within the meaning of IAS 29.

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

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

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

36b. REVALUATION RESERVE

Revaluation reserve arises on the recognition of:

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

Revaluation reserve

	31.12.2008	**31.12.2007**
Effect of valuation (gross)	49 679	-3 386
Deferred income tax	-9 439	644
Net effect of valuation	**40 240**	-2 742

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

Revaluation reserve on available for sale financial assets
1.01.2008 – 31.12.2008

	Gross value	**Deferred tax**	**Total**
Revaluation reserve at the beginning of the period	-2 407	457	-1 949
Transfer to income statement of the period as a result of sale	-2 989	568	-2 421
Change of capitals connected with maturity of securities	-1 104	210	-894
Profit/loss on revaluation of available for sale financial assets, recognized in equity	19 341	-3 674	15 667
Revaluation reserve at the end of the period	**12 841**	**-2 440**	**10 401**

Revaluation reserve on available for sale financial assets
1.01.2007 - 31.12.2007

	Gross value	**Deferred tax**	**Total**
Revaluation reserve at the beginning of the period	11 459	-2 177	9 282
Transfer to income statement of the period as a result of sale	-7 125	1354	-5 771
Change of capitals connected with maturity of securities	1 769	-336	1 433
Profit/loss on revaluation of available for sale financial assets, recognized in equity	-8 510	1 617	-6 893
Revaluation reserve at the end of the period	**-2 407**	**457**	**-1 949**

Revaluation reserve on cash flows hedge financial instruments 1.01.2008 – 31.12.2008

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	-979	186	-793
Profit/loss on valuation of hedging instrument, recognized in revaluation reserve during the period – for instruments designated for hedge in the reporting period	-26 306	4 998	-21 308
Profit/loss on valuation of hedging instrument, recognized in revaluation reserve during the period - for instruments designated for hedge before the reporting period	64 121	-12 182	51 939
Revaluation reserve at the end of the period	**36 837**	**-6 999**	**29 838**

Revaluation reserve on cash flows hedge financial instruments 1.01.2007 - 31.12.2007

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	739	-140	599
Profit/loss on valuation of hedging instrument, recognized in revaluation reserve during the period – for instruments designated for hedge in the reporting period	-728	138	-590
Profit/loss on valuation of hedging instrument, recognized in revaluation reserve during the period - for instruments designated for hedge before the reporting period	-990	188	-802
Revaluation reserve at the end of the period	**-979**	**186**	**-793**

36c. Retained earnings

	Supplementary capital	Reserve capital	General banking risk fund	Retained earnings	TOTAL
Retained earnings at the beginning of the period 01.01.2008	**224 439**	**100 736**	**88 366**	**788 242**	**1 201 783**
- appropriation of profit, including:	287 494	1 232	0	-450 071	**-161 345**
- dividend payment	0	0	0	-161 345	**-161 345**
- transfer to supplementary capital	287 494	0	0	-287 494	**0**
- transfer to reserve capital	0	1 232	0	-1 232	**0**
- other appropriation of profit (increase in social benefits fund of subordinated entity)	0	0	0	-96	**-96**
- reclassification of consolidation correction	0	0	0	-634	-634
- net profit/ (loss) of the period	0	0	0	413 409	**413 409**
Retained earnings at the end of the period 31.12.2008	**511 933**	**101 968**	**88 366**	**751 483**	**1 453 751**

36d. Retained earnings

	Supplementary capital	Reserve capital	General banking risk fund	Retained earnings	TOTAL
Retained earnings at the beginning of the period 01.01.2007	**224 439**	**100 736**	**88 366**	**471 008**	**884 549**
- appropriation of profit, including:	0	0	0	-144 361	**-144 361**
- dividend payment	0	0	0	-144 361	**-144 361**
- net profit/ (loss) of the period	0	0	0	461 595	**461 595**
Retained earnings at the end of the period 31.12.2007	**224 439**	**100 736**	**88 366**	**788 242**	**1 201 783**

IX. 2007 AND 2008 DIVIDEND

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

The Bank's Management Board will propose to the General Shareholders' Meeting not to pay dividend, thus retaining all of 2008 net earnings in the bank's own capital.

X. FAIR VALUE

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

Cash flows for various instruments are determined in accordance with their individual characteristics and the discounting factors take into consideration the changes over time of both interest rates and margins.

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

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

Receivables and liabilities with respect to banks (structured contract)

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

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

Other receivables and liabilities with respect to banks

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

Loans and advances granted to customers

The fair value of such instruments without maturity and with short maturities, given their short-term nature and the time-stable policy of the Group with respect to this portfolio, is close to balance-sheet value.

With respect to floating rate leasing products fair value was assessed by adjusting balance-sheet value with discounted cash flows resulting from difference of spreads

The fair value of instruments with defined long-term maturity is estimated by discounting related cash flows on contractual dates and under contractual conditions with the use of current zero-coupon rates and credit risk margins.

In case of residential mortgage loans the effect of early repayment is additionally taken into account due to their long-term nature .

Liabilities to customers

The fair value of such instruments without maturity or with maturity under 3 months is considered by the Group to be close to balance-sheet value.

Fair value of instruments due and payable in 3 or more months is determined by discounting future principal and interest cash flows with current rates contractual terms.

Subordinated liabilities

The fair value of this financial instrument is estimated on the basis of a model used for determining the market value of floating-rate bonds with the current level of market rates and credit risk margin based on current level of market rates and historical margin for credit risk.

The table below presents results of the above-described analyses as at 31.12.2008 (data in PLN thousand):

ASSETS	**Note**	**Balance sheet value**	**Fair value**
Loans and advances to banks	15	1 580 027	1 656 557
Loans and advances to customers	18	33 748 166	33 486 155
Investment financial assets	19	2 913 997	2 907 891
- available for sale		2 913 997	2 907 891

LIABILITIES	**Note**	**Balance sheet value**	**Fair value**
Amounts due to banks	26	3 060 550	3 164 947
Amounts due to customers	29	31 702 279	31 714 266
Debt securities	31	927 373	922 777
Subordinated debt	35	961 420	964 101

The table below presents data as at 31 December 2007 (data in PLN thousand):

ASSETS	Note	Balance sheet value	Fair value
Loans and advances to banks	15	1 053 052	1 083 609
Loans and advances to customers	18	22 027 152	22 160 259
Investment financial assets	19	1 894 569	1 894 679
- available for sale		1 894 569	1 894 679

LIABILITIES	Note	Balance sheet value	Fair value
Amounts due to banks	26	2 568 688	2 605 468
Amounts due to customers	29	21 800 662	21 789 746
Subordinated debt	35	826 035	826 329

The table below presents balance-sheet values of instruments measured at fair value, by applied fair value measurement technique:

In PLN ths., as at 31.12.2008				
ASSETS	note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
Financial assets valued at fair value through profit and loss (held for trading)	**16**			
- derivatives			1 332 401	1 472 885
- debt securities		3 070 448	401 360	
- shares and interests		428		
-fund units		2 410		
Hedging derivatives	**17**		9 977	
Financial assets available for sale	**19**			
- debt securities		1 396 701	1 314 768	190 233
- shares and interests		10 438		1 857
LIABILITIES				
Financial liabilities valued at fair value through profit and loss (held for trading)	**27**			
- derivatives			4 399 498	
Hedging derivatives	**28**		1 179 649	

In PLN ths., as at 31.12.2007				
ASSETS	note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
Financial assets valued at fair value through profit and loss (held for trading)	**16**			
- derivatives			799 207	
- debt securities		1 693 867	637 171	
- shares and interests		323		
-fund units		4 014		
Hedging derivatives	**17**		218 321	
Financial assets available for sale	**19**			
- debt securities		162 550	1 526 042	204 128
- shares and interests				1 849
LIABILITIES				
Financial liabilities valued at fair value through profit and loss (held for trading)	**27**			
- derivatives			566 821	
Hedging derivatives	**28**		20 220	

XI. DATA ABOUT ASSETS, WHICH SECURE LIABILITIES

As at 31 December 2008 following assets of the Bank constituted security of liabilities:

In '000 PLN

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds DZ0109	trading	Lombard credit granted to the Bank by the NBP	75 000	79 778
2.	Treasury bonds DZ0110	available for sale	Lombard credit granted to the Bank by the NBP	120 000	128 836
3.	Treasury bonds DZ0811	available for sale	Initial security deposit for bond futures	500	516
4.	Treasury bonds DZ0110	available for sale	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	45 000	48 313
5.	Treasury bonds DZ0110	trading	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	15 000	16 104
6.	Treasury bonds DZ0109	trading	Security of Guaranteed Monies Protection Fund under the Bank Guarantee Fund	60 400	64 248
7.	Cash		Payment to the Futures Settlement Guarantee Fund	70	70
8.	Deposits placed	Deposits in other banks	Settlement resulting from concluded transactions	968 085	968 085
		TOTAL		**1 284 055**	**1 305 950**

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

As at 31 December 2007 following assets of the Bank constituted security of liabilities:

In '000 PLN

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

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

As at 31 December 2008 following securities (presented in the Group's balance-sheet) were underlying Sell-buy-back transactions:

Type of security	Portfolio	Par value	Balance sheet value
Treasury bills	available for sale	202 000	200 966
Treasury bonds	available for sale	527 538	541 993
Treasury bills	trading	14 920	14 637
Treasury bonds	trading	866 550	854 419
TOTAL		**1 611 008**	**1 612 015**

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

As at 31 December 2007 following securities (presented in the Group's balance-sheet) were underlying Sell-buy-back transactions:

Type of security	Portfolio	Par value	Balance sheet value
Treasury bonds	available for sale	77 053	79 020
Treasury bonds	trading	632 806	645 713
TOTAL		**709 859**	**725 977**

XIII. ADDITIONAL EXPLANATIONS TO THE CASH FLOW STATEMENT

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

Data in '000 PLN

	31.12.2008	31.12.2007
Cash and balances with the Central Bank	1 802 594	1 257 128
Receivables from interbank deposits (*)	329 588	782 447
Debt securities issued by the State Treasury (*)	807 503	133 108
of which available for sale	703 939	27 967
of which trading	103 564	105 141
Total	**2 939 685**	**2 172 683**

(*) Financial assets with maturity below three months

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

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

"Other items" of operating cash flows in 2008 include an adjustment of PLN 57 million (PLN 18 million in 2007) on account of accrual of interest on subordinated loans, the outflow of these funds has been presented in the part concerning cash flows on financial operations.

XIV. INFORMATION ON CUSTODY ACTIVITY

As of 31 December 2008 the Custody Department ran 5 926 accounts (securities accounts, registers of foreign financial instruments and deposit accounts), in comparison to 4,586 accounts as at 31.12.2007. The value of the Clients' assets deposited on the above-mentioned accounts at year-end 2008 stood at 36 billion PLN (against 59 billion at the end of 2007). The revenue on custody activities in 2008 stood at PLN 10 million (in comparison to PLN 8 million in the previous year) and the profit was PLN 7 mln (against PLN 4 million in 2007).

The Custody Department performs the role of a depositary bank for 18 mutual funds from Millennium TFI S.A. and 18 FORUM TFI SA. mutual funds. In 2008 agreements were concluded with 4 more TFIs, which resulted in a growth from 33 to 42 funds handled by Custody Department. The assets of Closed Investment Funds, having accounts in Custody Department at year-end 2008 went up to 2 billion PLN compared to 0.6 billion PLN at year-end 2007. In 2008 TFI PZU S.A. selected Millennium S.A. as a depositary for a newly created debt fund.

XV. TRANSACTIONS WITH RELATED ENTITIES

(1) Description of the transactions with linked entities

All and any transactions between entities of the Group in 2008 were concluded on the market conditions and resulted from the current operations. Below you may find the most important amounts – eliminated in the data consolidation process – of intra-group transactions concluded between the following entities:

- BANK MILLENNIUM,
- MILLENNIUM LEASING,
- MILLENNIUM LEASE,
- MILLENNIUM DOM MAKLERSKI,
- MILLENNIUM TFI
- BBG FINANCE BV,
- MB FINANCE AB,
- ORCHIS
- MILLENNIUM SERVICE,
- TBM

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

ASSETS AND LIABILITIES FROM TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2008

	With subsidiaries	With controlling entity
ASSETS		
Loans and advances to banks – accounts and deposits	305 514	100 333
Loans and advances to customers	2 554 155	
Receivables from securities bought with sell-back clause	4 291	
Investments in associates	240 388	
Investment financial assets	15 725	
Financial assets valued at fair value through profit and loss (held for trading)	15 628	2 774
Other assets	88 018	
LIABILITIES		
Deposits from banks	2 547 832	3 375
Deposits from customers	1 141 325	
Liabilities from securities sold with buy-back clause	4 291	
Debt securities	-803 887	
Financial liabilities valued at fair value through profit and loss (held for trading)	14 420	932
Other liabilities	111 401	5

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

	With subsidiaries	With controlling entity
ASSETS		
Loans and advances to banks – accounts and deposits	528 781	106 533
Loans and advances to customers	1 574 689	0
Receivables from securities bought with sell-back clause	4 017	0
Investments in associates	199 668	0
Investment financial assets	34 000	0
Financial assets valued at fair value through profit and loss (held for trading)	3 130	14 068
Other assets	161 309	0
LIABILITIES		
Deposits from banks	1 691 701	54
Deposits from customers	1 311 181	0
Liabilities from securities sold with buy-back clause	4 017	0
Debt securities	-717 118	0
Financial liabilities valued at fair value through profit and loss (held for trading)	4 816	21 972
Other liabilities	27 150	0

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-31.12.2008

	With subsidiaries	With controlling entity
Income from:		
Interest	127 347	2 951
Commissions	75 028	0
Derivatives net	0	634
Dividends	208 806	0
Other net operating income	76 702	0
Expense from:		
Interest	130 721	320
Commissions	73 501	0
Derivatives net	1 661	0
General and administrative expenses	74 455	-3 721

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-31.12.2007

	With subsidiaries	With controlling entity
Income from:		
Interest	106 367	3 929
Commissions	146 996	0
Derivatives net	0	0
Dividends	134 804	0
Other net operating income	37 601	0
Expense from:		
Interest	105 468	937
Commissions	141 591	0
Derivatives net	1 129	3 419
General and administrative expenses	34 274	-4 903

OFF-BALANCE TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) AS AT 31.12.2008

	With subsidiaries	With controlling entity
Conditional commitments	240 454	314 276
Derivatives (par value)	1 051 757	587 450

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

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

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

Data as at 31.12.2008

	The management	**The supervising persons**
Total debt limit (in '000 PLN),	**875,0**	**90,0**
- including an unutilized limit (in '000 PLN),	**795,9**	**68,9**
Active guarantees	**-**	**-**

Furthermore, the Bank demonstrated exposure in the total of 7,858 thousand PLN towards a company related personally to an individual supervising the Bank and towards two other Capital Groups related personally to an individual supervising the Bank in the total of PLN 117,675 thousand.

Outstanding loans granted to staff from Company Social Benefits Fund:

- In the Bank - PLN 5,434.9 ths
- In Millennium Leasing - PLN 1,308.2 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.

Data as at 31 December 2007:

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

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

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

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

(3) Information on compensations and benefits of the persons supervising and managing the Bank

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

Period	**Short term salaries**	**Bonuses**	**TOTAL**
2008	20 774,7	1 004,6	**21 779,3**
2007	19 714,8	920,7	**20 635,5**

The gross value of remuneration paid or due in the period from January to December 2008 as well as the 2007 bonus paid in 2008 in the amount of PLN 11,240 thous was the stated total amount of paid or due 2008 remuneration and rewards.

The gross value of remuneration paid or due in the period from January to December 2007 as well as the 2006 bonus paid in 2007 in the amount of PLN 9,870 thous was the stated total amount of paid or due 2007 remuneration and rewards.

The amount of provisions for unused leave of Management Board Members as at 31.12.2008 remained unchanged regarding to 2007 and amounted to PLN 2 624 000.

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

Management Board Members have signed agreements banning competition after ending performance of functions in the Bank's Management Board.

Management Board Members, if not appointed for a new term of office or if recalled, are eligible for severance pay.

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

Period	Short term salaries and bonuses
2008	**2 074,4**
2007	**2 300,1**

(4) Bank's shares held by the persons managing and supervising the Bank (in office as at 31 December 2008)

Name and surname	Function	Number of shares as at 31.12.2008	Number of shares as at 31.12.2007
Bogusław Kott	Chairman of the Management Board	3 126 174	3 023 174
Luis Pereira Coutinho	Deputy Chairman of the Management Board	0	0
Fernando Bicho	Member of the Management Board	0	0
Julianna Boniuk-Gorzelańczyk	Member of the Management Board	490 000	490 000
Wojciech Haase	Member of the Management Board	5 246	5 246
Joao Bras Jorge	Member of the Management Board	0	0
Zbigniew Kudaś	Member of the Management Board	0	0
Piotr Romanowski	Member of the Management Board	0	0
Jerzy Andrzejewicz	Proxy	6 260	6 260
Maciej Bednarkiewicz	Chairman of the Supervisory Board	94	94
Ryszard Pospieszyński	Deputy Chairman of the Supervisory Board	60 470	26 200
Vitor Manuel Lopes Fernandes	Member of the Supervisory Board	0	0
Carlos Jorge Ramalho dos Santos Ferreira	Member of the Supervisory Board	0	0
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Paulo Jose de Ribeiro Moita de Macedo	Member of the Supervisory Board	0	0
Nelson Ricardo Bessa Machado	Member of the Supervisory Board	0	0
Marek Rocki	Member of the Supervisory Board	0	0
Dariusz Rosati	Member of the Supervisory Board	0	0

XVI. RISK MANAGEMENT

An effective risk management function is a key to maintaining a strategy of sustained and steady business growth supported by a proper assessment of the risk/return profile of various business lines. It is also a key element to ensuring compliance with all regulatory requirements regarding risk, especially with respect to the maintenance of an adequate level of own funds and other prudential standards necessary to maintain a stable growth by the Group.

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

With this in mind a constant effort to improve the risk management mechanisms is being undertaken by the Group.

The processes realized in the Group show a detailed and clear segregation of duties between risk origination, management and control. The Management Board is responsible for setting and monitoring the overall risk policy including the definition of the organizational structure and the approval of the maximal risk levels and limits.

The Risk Management function is at the operational level centralized in the Risk Department, which identifies, measures, analyses, monitors and reports on risk. An important task of this unit is to supply information in order to take decisions (and prepare proposed decisions) with respect to risk management by higher decision levels (Risk Control Committee, Management Board) and preparation of methods (procedures) relating to risk management.

The Risk Control Committee has responsibility for risk control with respect to all risks recognized as significant, based on the proposals prepared by the Risk Department.

The control of each risk is carried out by specialized sub-committees: Credit Committee and Liabilities at Risk Committee for credit risk, Capital, Assets and Liabilities Committee for market and liquidity risk and Processes and Operational Risk Committee for operational risk.

The risk control function is one of three elements of the internal control system within the Group, next to compliance and internal audit. The Group's three pillar system complies with the best practices in this regard and meets the statutory requirements laid down in the Banking Act and expectations of supervision through ensuring that internal control units (risk control, compliance, audit) are fully independent of the controlled business lines / units and are mutually independent.

(1) Capital Management

Regulatory capital

The management of the Group's capital, in addition to complying with own needs must fully observe statutory regulations in this regard (own funds, prudential standards, capital requirements) as set by the Banking Law and respective resolutions of the Banking Supervision Commission.

The method of calculation of those requirements for the Group is presented in the table below (in PLN thous):

Capital requirement for:	**31.12.2008**	**31.12.2007**
Credit risk	2 450 354	1 638 271
Market risk	112 694	33 371
Operating risk	208 497	0
Total capital requirement of the Group	**2 771 545**	**1 671 642**
Own funds, including:	**3 533 702**	**2 872 288**
- basic funds	***2 769 784***	***2 164 443***
- decrease in basic funds	***-29 699***	***-35 162***
- supplementary funds	***801 480***	***760 007***
- decrease in supplementary funds	***-7 863***	***-17 000***
Consolidated capital adequacy ratio	**10.20%**	**13.75%**

A decrease of the solvency ratio in 2008 was caused by growing capital requirements for all risks subject to calculation, including first of all: (a) inclusion for the first time in 2008 the capital requirements on operational risk (based on the standard method), which constituted almost 20% of the growth of the total capital requirement, (b) growth of value of the credit portfolio and (c) PLN depreciation with respect to foreign currencies. The growth of the sum of capital requirements by 66% was not fully compensated for by the 23 % growth of own funds.

In order to strengthen capital - The Bank's Management Board will propose to general meeting of shareholders not to pay the dividend, thus retaining all of 2008 net earnings in the bank's own capital

Internal capital

In the first half-year the Bank started the process of internal capital adequacy assessment based on the internal model of economic capital.

The calculation of economic capital will cover all the major risks to which the Group is exposed and is based on the set of parameters adjusted to the specificity and realities of the Polish market.

In the process of calculating internal capital particular types of risks are subject to stress testing. The total diversified economic capital is compared with the capacity to accept risk, i.e. with available financial resources, which leads to the assessment of the Group's capital adequacy. Economic capital is divided into particular business areas.

(2) Credit risk

Credit risk means uncertainty as regards the client's compliance with his agreements concluded with the Group concerning his financing, i.e. the repayment at a defined time of the principal and interest, which may cause a financial loss to the Group.

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

(2A) MEASUREMENT OF CREDIT RISK

Loans and advances

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

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

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

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

(i) The Group assesses the probability of default of individual counterparties, using internal rating models adapted to various categories of customers and transactions. Models were developed in-house or by external providers and combine statistical analysis with assessment by a credit professional. The Group's customers are divided into 15 rating classes, which for the purposes of this Report have been grouped into 6 main brackets. The Group's Master Scale, presented below, also contains the scale of probabilities of non-compliance with the liabilities specified for a given class/rating group. Rating models are subject to regular reviews and – if necessary – to relevant upgrades. The Group regularly analyses and assesses rating results and their predictive power with respect to cases of default. The process of assigning client risk assessments and transactions is supported by IT systems, obtaining and analyzing information from internal and external data bases.

The Group's internal rating scale

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

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

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

Debt Securities

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

(2B) LIMITS CONTROL AND RISK MITIGATION POLICY

The Group manages, mitigates and controls concentrations of credit risk, wherever it is identified – in particular with respect to an individual borrower or group of borrowers as well as with respect to industries, geographic regions and the real estate financing portfolio including FX loans. Information about the utilization of the limits are presented at the Risk Control Committee.

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

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

Collateral

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

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

The type and value of required collateral depends on the amount and type of credit exposure, loan maturity and customers' rating. The Group tries to use collateral to ensure an appropriate cushion against the risk, given the specificity of a transaction. The possibility of satisfying oneself from the collateral is treated as an alternative source of repaying the required receivables in case the client has not performed the repayment in the amounts and by the deadlines specified in the agreement.
The real value and possibility of satisfying oneself from the collateral may be critical to the level of the final settlement of the transaction, therefore the Group attaches much importance to specifying such value at the moment of its granting and its validation within the duration of the transaction and this is an important element of monitoring both for an individual transaction and the whole credit portfolio.
In accordance with credit policy adopted in the Group it is also allowed to grant a transaction without collateral, but this takes place according to specific principles which are different depending on the client's segment. But in the case of the deterioration of the debtor's economic and financial situation, in the documents signed with the client the Group stipulates the possibility taking additional collateral for the transaction.
Depreciation of polish zloty to main currencies influences the risk profile of assets denominated in foreign currencies in particular deterioration of LTV measure for mortgage loans and market valuation of FX options

Derivatives

The Group maintains strict control over the limits of net open derivative positions (i.e. the difference between put and call transactions), both with respect to amounts and transaction maturities. Credit risk exposures resulting from derivatives are managed as part of total credit limits defined for individual customers.

The Bank offers a broad range of Treasury products for hedging the FX risk, interest rate risk and commodity risk under Treasury limits assigned to clients. The product portfolio covers among others:
• FX Spot, Forward, FX Swap transactions
• option's structures, mainly FX
• IRS/CIRS
• Metals forwards

Most of the Bank's agreements included the possibility of calling the client to replenish the margin deposit, (if the valuation of the client's open position exceeds the threshold amount, the so-called *margin call*); and if the client does not supplement the deposit, the Bank has the right to close the position. In reaction to the sudden depreciation of the zloty in October 2008 the Bank took immediate actions in order to minimize risks connected with Treasury transactions for the Bank and its clients. The main actions covered:

• Introduction of daily monitoring of all client positions in terms of the face value, delta, market valuation, paid in margin deposit, exceeding of the threshold amount, non-coverage by the deposit margin.
• Review of all clients in the portfolio with respect to the verification of natural exposure, position in other banks, borrowing capacity compared to negative market valuation,
• Segmentation of clients into two portfolios – business and restructuring – on the basis of the size of the natural exposure compared to hedged exposure and credit capacity.
• Defining the Bank's strategy for each customer.

With exception of a deposit obtained from the client after the Bank's call in a situation of exceeding a margin call, credit exposures resulting from transactions concluded with those instruments are usually not secured. In view of the events of the last months the Bank redefined its security policy for these types of transactions: other client assets, including real estate, are accepted as collateral of the Treasury derivative transaction limits.

Reflecting credit risk component in measurement of derivatives with customers consists in performing a case-by-case analysis.

The analysis covers following components:

- Analysis of natural exposure of the customer (amount of future cash flows in currency, generated in result of operational activity conducted by the Customer as compared in connection with cash flows resulting from concluded derivative contracts),
- Analysis of the customer's financial situation in particular the possibility of generating free cash flows in the future as well as the ability to punctually pay liabilities to the Bank on account of concluded derivative contracts,
- Estimating cash flows attainable in execution of collateral of concluded derivative contracts.

In Bank's opinion there is no specific legal risk arising from treasury transactions' agreements signed with clients. All of the agreements have legal authorisation and legal analysis confirmed lack of terms and conditions that could, in their essence, result with claims from clients or with agreement's cancellation.

Credit risk-based off-balance sheet liabilities

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

Documentary and commercial letters of credit are a written, irrevocable and final obligation of the Bank to accept payments based on compliant documents within the time limits specified in the letters of credit and are connected with a guarantee-like risk.

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

However the probable loss amount is usually lower than the total value of non-utilised liabilities, because most of the undertakings to disburse credit depend on customers' particular credit conditions.

The Group monitors the period remaining to maturity of off-balance liabilities because long-term liabilities usually involve a higher degree of credit risk than short-term liabilities.

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

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

In case-by-case analysis internal rating helps to identify objective and subjective impairment triggers. At the same time, in the case of a collective analysis, internal rating is used for segmentation into homogenous portfolios and PD and LGD parameters are used to estimate revaluation charges.

Individual impairment analysis for credit receivables

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

The whole process comprises following stages:

- Identification of impairment triggers such as for instance.:
- Estimation of probability of recovery of principal and interest;
- Indication if the loan is to be repaid with the borrower's own funds or whether it is necessary to use collateral, e.g. by selling it;
- Estimation of fair value of the collateral, definition of expected sale date and estimating expected sales proceeds

As 31 December 2008 the Group's portfolio covered by case-by-case analysis was characterised by following values:

Balance sheet impairment charge: 265 million PLN.

Coverage ratio: 32%

Collective analysis of loans portfolio

The following loans are subjected to collective analysis:

- Individually immaterial receivables;
- Individually material receivables, without impairment triggers;
- Individually material receivables in case of which impairment was not recognised.

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

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

- Loans where losses occurred, but have not yet been identified at the level of individual exposures and provisions are created for risk which has been incurred but not yet reported *(IBNR portfolio)*,
- Loans where impairment was recognised, but which were not subjected to case-by-case analysis.

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

Internal rating of the Group

	31.12.2008		**31.12.2007**	
	Loans and advances (%)	**Impairment charges (%)**	**Loans and advances (%)**	**Impairment charges (%)**
1. Highest quality	Minor	Minor	Minor	Minor
2. Good quality	33.51%	4.63%	32.6%	6.6%
3. Medium quality	38.62%	12.34%	39.7%	18.4%
4. Low quality	11.59%	14.32%	8.4%	8.6%
5. Watched	1.92%	7.27%	4.1%	6.8%
6. Default	2.88%	46.50%	3.3%	50.2%
7. Clients without rating*	11.48%	14.94%	11.9%	9.3%
Total	**100.00%**	**100.00**	**100.0%**	**100.0%**

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

(2D) MAXIMUM EXPOSURE TO CREDIT RISK I.E. NET OF RISK-MITIGATING INSTRUMENTS

'000 PLN

	Maximum exposure	
	31.12.2008	**31.12.2007**
Exposures exposed to credit risk connected with balance sheet assets appear as follows:	**44 588 799**	**28 143 262**
Loans and advances to banks	**1 580 027**	**1 053 052**
Loans and advances to customers:	**33 748 166**	**22 027 152**
Loans to private individuals:	**24 628 532**	**14 905 104**
– Credit cards	678 267	476 541
– Cash loans and other loans to private individuals	1 788 360	1 336 026
– Mortgage loans	22 161 905	13 092 537
Loans to companies	**8 951 092**	**6 890 387**
Loans to public entities	**168 542**	**231 661**
Trading securities:	**3 474 646**	**2 335 375**
– Debt securities	3 471 808	2 331 038
– Shares	2 838	4 337
Derivatives	**2 805 286**	**799 207**
Financial assets valued at fair value	**0**	**0**
Investment financial assets	**2 919 392**	**1 899 669**
– Debt securities	2 901 702	1 892 720
– Shares	17 690	6 949
Receivables from securities bought with sell-back clause	**61 282**	**28 807**
Credit risk connected with off-balance sheet items appears as follows:	**8 245 876**	**7 331 787**
Financial guarantees	1 666 241	1 784 036
Credit commitments and other commitments connected with loans	6 579 635	5 547 751

The table above presents the structure of the Group's exposures to credit risk as at 31st December 2008 and 31st December 2007, not taking into account risk-mitigating instruments. As regards balance-sheet assets, the exposures presented above are based on net amounts presented in the balance sheet.

(2E) LOANS

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

Gross exposure in '000 PLN

	31.12.2008		31.12.2007	
	Loans and advances to customers	**Loans and advances to banks**	**Loans and advances to customers**	**Loans and advances to banks**
Not overdue and without impairment	31 067 488	1 580 027	20 899 198	1 053 052
Overdue, but without impairment	2 266 328		970 749	0
With impairment	1 163 428		765 594	0
Gross	**34 497 244**	**1 580 027**	**22 635 541**	**1 053 052**
Impairment write-offs together with IBNR	-749 078		-608 389	0
Net	**33 748 166**	**1 580 027**	**22 027 152**	**1 053 052**
Loans with impairment / total loans	3.37 %		3.4 %	
Total impairment write-offs / loans with impairment	64.39 %		79.5 %	

Loans and advances not past due and not impaired

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

Loans and advances not overdue and without impairment

Gross exposure in '000 PLN

	Customers 31.12.2008	**Banks 31.12.2008**	**Customers 31.12.2007**	**Banks 31.12.2007**
Rating:				
1. Highest quality	295	**1 580 027**	422	1 053 052
2. Good quality	11 423 571		7 280 779	
3. Medium quality	12 754 787		8 741 992	
4. Low quality	3 226 591		1 760 221	
5. Watched	256 935		694 905	
6. Default	235 720		132 646	
7. Clients without rating	3 169 589		2 288 234	
Total	**31 067 488**	**1 580 027**	**20 899 198**	**1 053 052**

Loans and advances past due but without impairment

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

Gross exposure in '000 PLN

31.12.2008					
	Loans and advances to customers			Loans and advances to banks	Total
	Companies	Mortgages	Other retail		
Delay till 30 days	617 653	1 258 856	160 969		2 037 478
Delay 30 - 60 days	111 713	78 855	26 936		217 504
Delay 60-90 days	2 260	1563	4 707		8 530
Delay above 90 days*	1 833	0	983		2 816
Total	**733 459**	**1 339 274**	**193 595**		**2 266 328**

Gross exposure in '000 PLN

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

* - receivables past due over 90 days, but not included in the impaired portfolio, displaying impairment triggers but not demonstrating impairment due to estimated cash flows.

Impaired loans and advances

The gross amount of impaired loans and advances broken down into customer segments is as follows:

Gross exposure in '000 PLN

31.12.2008					
	Loans and advances to customers			Loans and advances to banks	Total
	Companies	Mortgages	Other retail		
By type of analysis					
Case by case analysis	826 354	7 938	178		834 470
Collective analysis	100 753	64 414	163 791		328 958
Total	**927 107**	**72 352**	**163 969**		**1 163 428**

Gross exposure in '000 PLN

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

Loans and advances covered by case-by-case analysis

The quantification of the value of the portfolio subjected to case-by-case analysis as well as of the value of created charges, split between impaired receivables and the IBNR portfolio (and respectively charges) is presented in financial notes.

The tables below present the structure of the impaired portfolio subjected to case-by-case analysis.

- By products

Gross exposure

Loans and advances to customers

	31.12.2008			31.12.2007		
	Amount in '000 PLN	Share %	Coverage by impairment write-offs	Amount in '000 PLN	Share %	Coverage by impairment write-offs
Investment loans	316 091	37.9%	44.8%	252 322	45.1%	48.4%
Working capital loans	31 211	3.7%	49.7%	34 530	6.2%	78.8%
Current account loans	94 672	11.3%	28%	85 769	15.3%	45.6%
Revolving loans	5 246	0.6%	43.3%	691	0.1%	10.0%
Mortgage loans	7 938	1.0%	45.7%	4 361	0.8%	30.5%
Factoring	20 554	2.5%	25.5%	14 615	2.7%	27.0%
Leasing	280 288	33.6%	22%	148 992	26.6%	26.7%
Other	78 470	9.4%	10.7%	18 010	3.2%	66.9%
	834 470	**100%**	**31.7%**	**559 290**	**100.0%**	**43.9%**

- By currency

Gross exposure

Loans and advances to customers						
	31.12.2008			31.12.2007		
	Amount in '000 PLN	Share %	Coverage by impairment write-offs	Amount in '000 PLN	Share %	Coverage by impairment write-offs
PLN	355 181	42.6%	24.8%	248 617	44.5%	48.8%
CHF	79 099	9.5%	19.8%	12 494	2.2%	33.0%
EUR	78 857	9.4%	17.0%	59 367	10.6%	15.8%
USD	289 847	34.7%	47.6%	233 919	41.8%	47.0%
JPY	31 486	3.8%	30.85	4 893	0.9%	18.9%
	834 470	**100%**	**31.7%**	**559 290**	**100.0%**	**43.9%**

- By coverage ratio

Gross exposure

Loans and advances to customers				
	31.12.2008		31.12.2007	
	Amount in '000 PLN	Share %	Amount in '000 PLN	Share %
Up to 20%	333 488	40.0%	118 774	21.2%
20% - 40%	112 077	13.4%	70 590	12.6%
40% - 60%	330 322	39.6%	281 371	50.4%
60% - 80%	21 383	2.5%	27 016	4.8%
Above 80%	37 200	4.5%	61 540	11.0%
	834 470	**100.0%**	**559 290**	**100.0%**

The relatively higher share of receivables with lowest coverage with revaluation write-off in 2008 as compared with 2007 results from reflecting exposure on account of closed FX option contracts in the amount of PLN 64 million, which was reduced by the component of options credit risk measurement, presented in keeping with IAS 39, in the item of result on financial instruments measured at fair value through profit and loss. Another reason was increase of the portfolio share of non-performing leasing receivables, which involve a lower coverage ratio (due to higher collateral level). Additionally the coverage ratio fell in result of writing-off PLN 30 million of receivables fully covered by provisions in the course of 2008.

Restructured loans and advances

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

Restructuring aims at performing effective actions with respect to customers which are to minimise losses and as fast as possible mitigate risks carried by the Group.

Restructuring covers the laying down of new terms and conditions of paying the receivables acceptable to the Group (including rules for their repayment and collateralisation and potentially obtaining additional collateral).

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

As of 31 December 2008 the amount of corporate loans and advances without recognised impairment (on-balance exposure), which in the past were subject to restructuring stood at the Bank at 46.7 million PLN and went up 48 % compared to the status as of 31 December 2007 (31.5 million PLN).

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

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

Gross exposure in '000 PLN

	31.12.2008	**31.12.2007**
Loans and advances to private individuals	142 750	75 971
Loans and advances to companies	510 464	368 793
Total	**653 214**	**444 764**

Bank execution titles

In 2008 with respect to receivables from businesses, the Bank issued 57 bank execution titles ("BTE") in the total amount of PLN 133.6 million (converted at the average NBP rate of 31.12.2008), where:

- 53 BTE in PLN for the total amount of PLN 124.4 million,
- 2 BTE in EUR for the total amount of EUR 1.9 million (PLN 8.0 million),
- 2 BTE in CHF for the total amount of CHF 0.4 million (PLN 1.2 million).

Moreover in 2008 the Bank issued 2,214 bank execution titles concerning retail and small business receivables in the total amount of PLN 48.3 million (converted at the rate of 31.12.2008).

(2F) DEBT AND EQUITY SECURITIES

The table below presents the structure of securities in the Bank's portfolio as at the end of 31 December 2008.

Gross exposure in '000 PLN

Issued by	Trading debt securities	Investment debt securities	Shares and fund units	Total
State Treasury	3 471 807	2 627 891	64	**6 099 762**
Central Bank	0	167 247	0	**167 247**
Other	0	106 564	31 265	**114 843**
- listed	0	15 760	11 439	**27 199**
- not listed	0	90 804	19 826	**110 630**
Total	**3 471 807**	**2 901 702**	**31 329**	**6 404 838**

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

Gross exposure in '000 PLN

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

(2G) COLLATERAL TRANSFERRED TO THE BANK

In 2008 there were no major seizures by the Bank or sale of fixed assets constituting loan collateral. The above situation was caused by the implementation of other more cost-effective paths of satisfying oneself from transfers of title (more effective in terms of time and money with the limitation of costs), i.e. leading to the sale of the object of collateral under the Bank's supervision and with the allocation of part of the proceeds for repayment. A variety of such action is concluding agreements with official receivers on the basis of which the receiver for an agreed fee secures and stores objects of collateral and in agreement with the Bank puts them up for sale and actually sells them (as part of selling organized parts of the debtor's whole enterprise).

As a result of the above the implemented debt-collection procedure is not recorded on the so-called Fixed Assets for Sale.

(2H) POLICY FOR WRITING OFF RECEIVABLES

Credit exposures, with respect to which the Bank no longer expects any cash flows to be recovered and for which impairment provisions have been created fully covering the outstanding debt are written-off the balance sheet against said provisions and transferred off-balance. This operation does not cause the debt to be cancelled and the restructuring and recovery actions are not interrupted.

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

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

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

Industry sectors
The table below presents the Group's total credit exposure broken down into components, according to category of customers.

31.12.2008	Financial intermediation	Industry and constructions	Wholesale and retail business	Transport and communication	Public sector	Mortgage loans	Consumer loans*	Other sectors	Total
Loans and advances to banks	1 580 027	0	0	0	0	0	0	0	**1 580 027**
Loans and advances to customers	62 563	2 560 635	1 813 575	1 666 201	170 521	22 289 147	2 662 872	3 271 731	**34 497 245**
Trading securities	2 509	193	72	26	3 471 807	0	0	39	**3 474 646**
Derivatives	1 280 698	587 456	139 892	32 434	0	0	0	764 806	**2 805 286**
Investment securities	194 370	4	8 347	41	2 650 941	0	0	76 785	**2 930 488**
Financial assets valued at fair value	0	0	0	0	0	0	0	0	**0**
Receivables from securities bought with sell-back clause	61 282	0	0	0	0	0	0	0	**61 282**
As at 31 December 2008	**3 181 449**	**3 148 288**	**1 961 886**	**1 698 702**	**6 293 269**	**22 289 147**	**2 662 872**	**4 113 362**	**45 348 974**

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

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

(3) Market Risk

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

Market-risk evaluation measures

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

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

To ensure that the VaR model adopted is appropriate for the evaluation of the risks involved in the open positions, a back-testing process has been instituted and is carried out daily.
Back testing is a standard technique used to evaluate the quality of the risk measurement model, performed according to the following rules:

- In the existing system an ex-post comparison is made of the risk measure generated by the model with the verified daily changes in the portfolio value and the theoretical daily changes assuming static positions,
- The quality of the model is verified, using a three-zone statistical approach based on the number of excesses (an excess is said to happen whenever the difference between the absolute daily change value and the daily VaR measure is positive):
  - ✓ the green zone (less than 10 excesses) corresponds to a result which does not suggest any problem in the model,
  - ✓ the yellow zone (10 to 14 excesses), raises some questions about the model but the conclusion is not definitive, in this case a multiplication factor is used, to put the level of confidence of the risk measure back to 99%,
  - ✓ the red zone (more than 14 excesses), indicates a problem in the risk model.

All reported excesses are documented. This includes an explanation of their causes and their incorporation in one of the three classes of excess explanation: basic integrity of the model, insufficient model accuracy or unanticipated market movements.

In order to monitor and limit the positions in instruments for which it is not possible to properly assess market risk with the use of the VaR model (non-linear instruments), other risk ratios were defined, such as Gamma, Vega and Theta.

Parallel to the VaR calculation the trading portfolios are subject to a set of stress scenarios, in order to:

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

The following types of market scenarios are being applied in the stress test analysis: i) Parallel shifts of the yield curves; ii) More steep or flat shape of the yield curves; iii) Variations of interest rate volatility; iv) Variations of the exchange rates; v) Variations of swap spreads; vi) Historically adverse scenarios.

The VaR calculation process is carried out using Web-based software which allows the trading areas to have on-line access to the values at risk in their respective portfolios .

VaR is used as a measure in assessing the risks incurred by the trading positions, including the positions decided by the Market Risk Strategy Meetings (MRSM Portfolio).

VaR ratios presented in the table below reflect exposures to market risk worth approx. PLN 29.7 million average in 2008, with the valid limit of PLN 33.8 million.

VaR measures for market risk (‘000 PLN):

	VaR (from 31 December 2007 to 31 December 2008)				
	The end of December 2008	Average	Maximum	Minimum	The end of December 2007
General risk	40 963	29 685	174 700	4 837	5 488
Interest rate VaR	23 627	12 599	30 075	4 858	5 460
FX Risk	30 188	20 221	173 524	45	61
Diversification Effect	31%				1%

VaR measures for market risk (for Trading and Strategic portfolios) according to the methodology applied in the first half of 2007 year

'000 PLN

	VaR (from January to June 2007)				
	30.06.2007	Average	Maximum	Minimum	31.12.2006
General risk	14 424	13 945	19 075	9 713	10 756
Interest rate VaR	13 542	13 860	18 756	10 069	10 706
FX Risk	3 549	947	7 403	43	187
Diversification Effect	18%				1%

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

'000 PLN

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

Open positions mostly included interest-rate instruments and, in the fourth quarter 2008, also the FX rate instruments. The FX Risk covers all the foreign exchange exposures of the Bank, as well as open positions allowed only in Trading and MRSM areas. Until October 2008 there were no excesses of the general limit on market risk for activities in financial markets, but there were excesses for individual risk subareas, what was caused by increased market parameters' fluctuations.October 2008 saw the excession of the general VaR limit for operation on financial markets. This was connected with active FX risk management, through opening a currency position, in order to offset credit risk connected with options transactions with clients. As a result the Bank accepted non-linear risk for such instruments

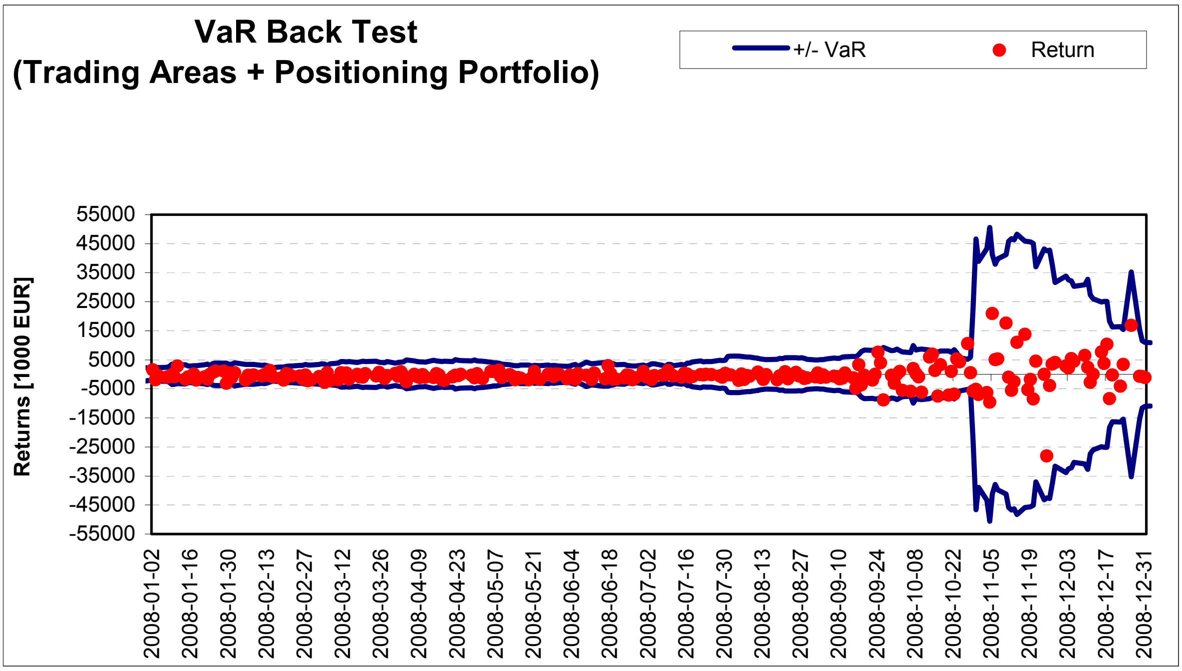
Evolution of the FX position is presented in the table below (in thousand PLN):

Total position	Period Average	Period Minimum	Period Maximum	The Last Day of Period
02/01/2007-31/12/2007	22 744	4 121	56 315	6 801
02/01/2008-31/12/2008	175 881	5 776	1 207 226	398 649

In the first 10 days of January 2009 the exposure fell below the limit.

In subordinated companies there were no exposures to market risk as the Bank takes over the risk of subordinated companies and manages it at central level.

Market risk - VaR Back Testing



VaR assessment is supplemented by monitoring the sensitivity to the above-mentioned scenarios of portfolios carrying market risk (only worst case results are being disclosed).
In keeping with principles adopted by the bank, limits for stress test results are twice as high as limits for daily management of market risk.

In case of the Bank's Book, for the purpose of interest rate risk a sensitivity analysis is carried out of non-trading portfolios, while to mitigate it hedging strategies are applied. As a result of this analysis in 2008 additional interest rate hedges were concluded connected with the fixed rate loan portfolio, in particular with the portfolio of consumer loans and leasing portfolio. As at end of December 2008 the value of BPV for the Bank's Book was approx. PLN 47 million.

Sensitivity of the Bank's Book to changes of interest rates was as follows (in thousand PLN):

BPV Banking Book	Period Average	Period Minimum	Period Maximum	The Last Day of Period
01 - 06 '2008	45 633	40 957	50 207	45 770
06 - 12 '2008	45 959	35 772	51 413	46 977

(4) Liquidity risk

The aim of liquidity risk management is to ensure and maintain the Bank's ability to meet both current as well as future liabilities with consideration of cost of acquiring liquidity.
Liquidity risk reflects the possibility of incurring significant losses as a result of deteriorated financing conditions (financing risk) and/or of the sale of assets for less than their market value (market liquidity risk) to meet the needs for funding arising from the Group's obligations.

In subsidiaries there were no exposures to liquidity risk, because the Bank takes over the risk from its subsidiaries and manages it at central level..

In September 2008 the Bank concluded a new syndicated loan transaction for the amount of 150 million EUR. In the fourth quarter 2008 the Bank issued structured bonds (about 125 million PLN) impacting the level of long-term stable sources of funding.

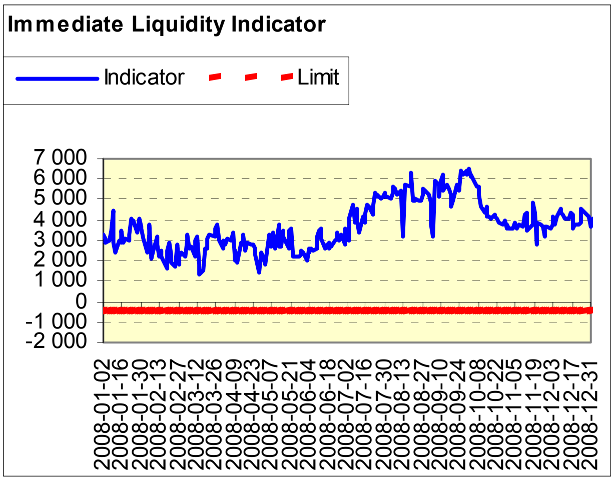
The large, diversified and stable deposits base remains the main source of financing. In 2008 it grew to approx. PLN 31 billion thanks to an appealing offer and an effective marketing campaign.

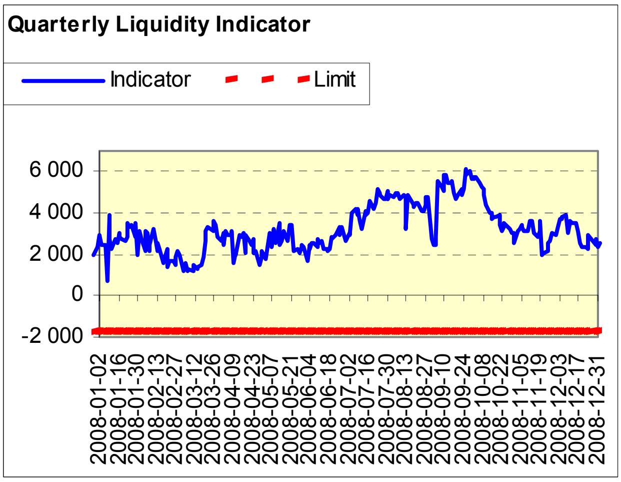
Concentration of the deposits base, measured with the share of top 5 and 20 depositors, at the end of 2008 fell to 3.2% and 6.8% respectively (in December 2007 it was 5.7% and 10.6% respectively).
The Bank ensures FX liquidity thanks to FX-denominated syndicated loans as well as subordinated debt and CCS and FX Swap transactions.

Liquidity risk evaluation measures

Evaluation of the Group's liquidity risk is carried out using both indicators defined by the Supervisory Authorities and other internal metrics for which exposure limits are also defined. The evolution of the Group's liquidity position in short-term horizons (up to 3 months) is tested daily on the basis of two internally defined indicators: immediate liquidity and quarterly liquidity. Both such indicators measure the maximum borrowing requirement which could arise on a particular day, taking into consideration the cash-flow projections for periods of 3 days and of 3 months, respectively.
The calculation of these indicators involves adding to the day's liquidity position the estimated future cash flows for each day from the respective time horizon (3 days or 3 months) for the transactions in whose conclusion markets areas participate. The amount of assets from the Bank's highly liquid securities portfolio is added, which results in the determination of the accumulated liquidity gap for each day of the period under review.
These figures are reported daily to the areas responsible for the management of the liquidity position and are compared with the exposure limits in force.

PLN





Current Liquidity indicators

PLN million

31.12.2008				
	Highly liquid assets	Spot liquidity ratio	Quarterly liquidity ratio	Liquid assets for coverage of sources of financing volatility
Exposure	3 993	3 673	2 367	5 321
Minimum limit		-434	-1 734	2 000
31.12.2007				
	Highly liquid assets	Spot liquidity ratio	Quarterly liquidity ratio	Liquid assets for coverage of sources of financing volatility
Exposure	2 891	3 301	2 344	4 723
Minimum limit		-434	-1 734	2 000

In the first half of the year a growth of the liquidity ratios was noticed, then its decline and stabilisation above the defined limits.

In 2008 both ratios were positive, which means that the Bank maintained a long liquidity position up to 3 months.

In December 2008 the decision was taken to maintain the level of limits despite a growth of the Group's own funds covered by the limits.

Additionally the Bank employs an internal structural liquidity analysis based on cumulative liquidity gaps calculated on an actuarial basis (i.e. assuming the probability of cash flow occurrence). The safe level adopted at the Bank for the ration of liquidity shortfall for each time bucket below 5 years corresponds to 25% of Total Assets.

In 2008 all the defined ratios were maintained at levels significantly exceeding the limits.

The Bank has developed a liquidity risk management tool defining stress scenarios under which liquidity gaps are calculated on a real basis assuming a conservative approach to the assessment of probability of cash flow occurrence (e.g. among others taking into account a withdrawal of deposits and delays of loans repayment, along with a deteriorated liquidity of the secondary securities market).

31.12.2008		
Real liquidity gap (PLN million)	**to 3 m.**	**ab. 3 m.**
Balance sheet gap	3 548	9 465
Accumulated balance sheet gap	3 548	13 013
Off-balance gap	-2 031	-1 705
Total gap	1 517	7 760
Total accumulated gap	1 517	9 276

Liquid assets ratio	**PLN million**
Liquid assets	9 036
Balance sheet assets	46 984
Share of liquid assets in balance sheet assets	19.2%

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

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

Stress tests are done quarterly, to determine the Bank's liquidity-risk profile, to ensure that the Bank is in a position to fulfil its obligations in the event of a liquidity crisis and to contribute to the preparation of the liquidity contingency plan and management decisions.

The results of the stress test analysis show that even in stress test conditions the liquidity indicators will be maintained above the established limits.

Considering the more restrictive and more appropriate volume liquidity measures, introduced by virtue of Resolution No. 9/2007 of Polish Financial Supervision Authority, the Bank adjusted it set of liquidity management ratios used hitherto. In the first three quarters of 2008 limits for all new measures, which apply as of July 2008, were observed. In October and November there were some cases of exceeding the limits for short-term liquidity measures, however this was associated largely with methodological assumptions contained in Resolution No. 9, which cause a significant overrating of unstable sources of financing, and not with deterioration of the Bank's liquidity position. Steppedup deposits performance allowed building a buffer, which absorbed adjustments to short-term liquidity measures introduced by virtue of the Resolution.

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

The Bank has emergency procedures for situations of increased liquidity risk – the Liquidity Contingency Plan (contingency plan in case the Bank's financial liquidity deteriorates), updated on a quarterly basis. The Liquidity Contingency Plan establishes the concepts, priorities, responsibilities and specific measures to be taken in the event of a liquidity crisis.

(5) Operational Risk

Operational risk is defined as „the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events". Operational risk resides in every aspect of the organisation's activity and is its inalienable part.

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

The management of operational risk is based on the process structure implemented in the Group superimposed on the traditional organizational structure. The on-going management of particular processes, including the management of the profile of operational risk of a process is entrusted to Process Owners who report to all the remaining units participating in the risk management process and are supported by such units.

In order to identify, analyse and monitor operational risk, the following techniques are used:

- loss data gathering
- operational risk self-assessment,
- monitoring of Key Risk Indicators.

These tools along with training are key for building operational risk awareness in the organisation.

In 2008 the Group took steps towards decreasing the likelihood of the occurrence of operational risk and mitigating the effects of potential and real events. These activities covered among the others:

- renewal of the scope of the Group's insurance policies with special emphasis on operational risk,
- continuous updating of the model of business continuity plans,
- expanded self-assessment of operational risk,
- further optimization of the system of measuring and monitoring of key risk indicators.

XVII. LIQUIDITY GAP BY MATURITY

31 December 2008							PLN '000
ASSETS	**below 1 month**	**from 1 month to 3 months**	**from 3 months to 1 year**	**from 1 year to 5 years**	**above 5 years**	**Other assets**	**TOTAL**
Cash, balances with the Central Bank	1 802 594	0	0	0	0		1 802 594
Loans and advances to banks	1 263 769	0	4	0	316 254	0	1 580 027
Trading debt securities	59 261	44 302	1 418 681	1 712 199	237 365		3 471 808
Trading derivatives	291 464	409 188	956 134	1 011 150	137 349		2 805 286
Hedging derivatives	0	0	25	9 952	0		9 977
Loans and advances to customers	2 917 672	586 969	3 071 489	7 885 182	19 286 854		33 748 166
Debt securities available for sale	610 403	159 527	593 449	1 536 918	1 405		2 901 702
Receivables from securities bought with sell-back clause	61 282	0	0	0	0		61 282
Shares and interests						20 528	20 528
Other non-financial assets						713 552	713 552
TOTAL	**7 006 445**	**1 199 986**	**6 039 782**	**12 155 402**	**19 979 227**	**734 080**	**47 114 922**

LIABILITIES	**below 1 month**	**from 1 month to 3 months**	**from 3 months to 1 year**	**from 1 year to 5 years**	**above 5 years**	**Other liabilities**	**TOTAL**
Deposits from banks	114 603	8 490	1 554 952	1 066 338	316 167		3 060 550
Deposits from customers	17 072 487	6 115 505	8 116 595	397 687	5		**31 702 279**
Trading derivatives	750 453	1 493 641	1 169 601	851 864	133 939		**4 399 498**
Hedging derivatives	0	50 637	193 140	904 435	31 437		**1 179 649**
Liabilities from securities sold with buy-back clause	1 033 591	468 471	0	0	0		1 502 062
Debt securities	1 318	0	11 068	112 418	802 569		927 373
Subordinated debt	0	0	1 768	333 792	625 860		961 420
Other non-financial liabilities						567 208	**567 208**
Equity						2 814 883	2 814 883
TOTAL	**18 972 452**	**8 136 744**	**11 047 124**	**3 666 534**	**1 909 977**	**3 382 091**	**47 114 922**

31 December 2008							PLN '000
OFF-BALANCE SHEET LIABILITIES	**below 1 month**	**from 1 month to 3 months**	**from 3 months to 1 year**	**from 1 year to 5 years**	**above 5 years**	**Other liabilities**	**TOTAL**
Liabilities from opened credit lines	5 048 724						5 048 724
Liabilities from sureties and guarantees	1 249 061						1 249 061
Balance sheet Gap	-11 966 008	-6 936 757	-5 007 343	8 488 868	18 069 250	-2 648 011	**0**
Total Gap	-18 263 792	-6 936 757	-5 007 343	8 488 868	18 069 250	-2 648 011	**-6 297 785**

In accordance with the statistical analysis of the open credit facilities and liabilities under sureties and guarantees listed in the table below their actual levels of utilisation are 10% and 5% of the presented nominal, respectively.

Time structure of liquidity gaps changed mostly due to depreciation of zloty in the second half of 2008. Depreciation of the Polish currency resulted in increase in the receivables with long maturities (loans and advances denominated in FX), that was compensated by an increase in the liabilities denominated in FX (syndicated loans and off-balance sheet transactions) with shorter maturities, which led to a change in the gap structure. The values of short-term gaps went down, whereas the values of long-term gaps increased.

31 December 2007 **PLN '000**

ASSETS	below 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	above 5 years	Other assets	TOTAL
Cash, balances with the Central Bank	1 257 128	0	0	0	0		1 257 128
Loans and advances to banks	731 188	30 000	2	0	291 862		1 053 052
Trading debt securities	12 848	96 289	338 630	1 429 085	454 186		2 331 038
Trading derivatives	104 758	262 038	225 707	174 624	32 080		799 207
Hedging derivatives	0	0	27 319	170 993	20 009		218 321
Loans and advances to customers	2 154 111	308 588	1 530 390	4 566 898	13 467 165		22 027 152
Debt securities available for sale	67 924	0	329 851	1 491 716	3 229		1 892 720
Receivables from securities bought with sell-back clause	28 807	0	0	0	0		28 807
Shares and interests						11 286	11 286
Other non-financial assets						911 395	911 395
TOTAL	**4 356 764**	**696 915**	**2 451 899**	**7 833 316**	**14 268 531**	**922 681**	**30 530 106**

LIABILITIES	below 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	above 5 years	Other liabilities	TOTAL
Deposits from banks	690 485	76 676	50 797	1 458 945	291 785		2 568 688
Deposits from customers	14 263 364	1 910 705	5 486 891	138 972	731		21 800 662
Trading derivatives	122 300	94 761	190 831	152 351	6 578		566 821
Hedging derivatives	0	0	40	20 180	0		20 220
Liabilities from securities sold with buy-back clause	589 361	136 615	0	0	0		725 976
Debt securities	134 356	0	0	0	717 118		851 474
Subordinated debt	0	0	2 175	286 560	537 300		826 035
Other non-financial liabilities						650 298	650 298
Equity						2 519 932	2 519 932
TOTAL	**15 799 866**	**2 218 757**	**5 730 734**	**2 057 008**	**1 553 512**	**3 170 229**	**30 530 106**

31 December 2007 **PLN '000**

OFF-BALANCE SHEET LIABILITIES	**below 1 month**	**from 1 month to 3 months**	**from 3 months to 1 year**	**from 1 year to 5 years**	**above 5 years**	**Other liabilities**	**TOTAL**
Liabilities from opened credit lines	4 661 345						4 661 345
Liabilities from sureties and guarantees	1 124 912						1 124 912
Balance sheet Gap	**-11 443 102**	**-1 521 842**	**-3 278 835**	**5 776 308**	**12 715 019**	**-2 247 548**	**0**
Total Gap	**-17 229 359**	**-1 521 842**	**-3 278 835**	**5 776 308**	**12 715 019**	**-2 247 548**	**-5 786 257**

Above data do not include cash flows from derivative instruments

XVIII. CONDITIONAL LIABILITIES AND ASSETS

Total value of claims in the biggest court proceedings involving companies from the Group, either as a claimant or defendant, seen before courts, arbitration authorities of appropriate jurisdiction, amounted as at 31.12.2008 to PLN 530.4 million. Total value of claims in the biggest court proceedings, in which companies from the Group appeared as defendant was PLN 481.6 million, and the total value of claims in the biggest court proceedings, in which companies from the Group appeared as plaintiff was PLN 48.8 million

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

1. **Plaintiff:** natural person

Disputed value: PLN 299 833 300

Claim: adjudication in the plaintiff's favour the compensation for BIG BANK Spółka Akcyjna (former ŁBR S.A.), acquired illegally in the plaintiff's opinion.

Description of the case: With the sentence of 04.04.2007 the lawsuit was dismissed. The Plaintiff appealed and by virtue of the sentence of 10.04.2008 the Appellate Court dismissed the appeal. Therefore the Plaintiff filed a claim for cassation, to which the Bank replied. At present the Bank is waiting for the ruling of the Supreme Court in the matter.

Prospects: the Bank estimates probability of winning the case as high.

2. **Plaintiff:** natural person

Disputed Value: PLN 5 108 036

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

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

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

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

Disputed value: PLN 159 461 349

Object: recognition as ineffective:

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

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

According to the Bank's estimations, irrespective of what the final court's verdict is going to be, there is no need for provision creation and the only financial consequences are limited to the court charges being incurred.

Irrespective of the above, the Bank is a party to court proceedings regarding penalty imposed upon the Bank by the Office of Competition and Consumer Protection (OCCP). The penalty amount has its impact upon amounts presented in the financial statements. The proceedings have been instigated by the appeal against the decision of the OCCP President. See below for detailed information about the proceedings.

Subject: By decision of 29.12.2006, the OCCP President imposed penalty upon the Bank in the amount of 12 158 370 PLN. The above penalty resulted from investigation conducted by OCCP. According to the investigation findings, the OCCP President recognised an agreement between banks, involving also Bank Millennium, designed to ensure joint determination of intercharge rates collected against transactions executed with use of Visa and MasterCard cards, as a competition limiting practice.

The Bank created the provision in the amount of the penalty (i.e. 12 158 thous. PLN) booking it to operational costs of 2006

Status of the case: on 12.01.2007 the Bank filed a complaint against the OCCP President's order to apply the clause of immediate enforceability to the said decision. On 19.01.2007 appeal against decision of the OCCP President of 29.12.2006 was filed and, subsequently, on 01.02.2007 the order by the OCCP President of 18.01.2007 regarding imposition upon the banks, including Bank Millennium of a joint and several duty to reimburse the costs of proceedings to the Polish Organisation of Trade and Distribution was challenged. By the verdict of 12.11.2008 the Court revoked the decision imposing the penalty, as made by the OCCP President against the Bank and, subsequently, the OCCP President appealed against the verdict of the Court of the first instance. The case is under way and final ruling is difficult to predict.

OFF-BALANCE ITEMS

	31.12.2008	31.12.2007
Off-balance conditional commitments granted and received	**8 961 660**	**8 032 120**
1. Commitments granted:	8 245 876	7 331 787
a) financial	6 579 635	5 547 751
b) guarantee	1 666 241	1 784 036
2. Commitments received:	715 784	700 333
a) financial	23 532	15 936
b) guarantee	692 252	684 397

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

Guarantees, sureties and avals granted to Clients

In the period from 01.01.2008 till 31.12.2008 the Bank as the Group’s dominant entity granted 2,922 guarantees, sureties and avals totalling PLN 1,453,040 thous. PLN.

The amount of such liabilities (excluding guarantees and sureties of the repayment of loans from the The European Fund for the Development of Polish Villages and open guarantee lines) as of 31.12.2007 stood at 1.209.845 thous PLN (2,742 items of active guarantees) which means a drop of their value by PLN 86,658 thous. i.e. 6,68% compared to 31.12.2007

The value of guarantees, sureties and avals issued in PLN fell by 35,156 thous. PLN i.e. by 3.26 % compared to the end of last year, while the value of such liabilities granted in foreign currency fell 50,502 thous PLN, i.e. 27.12%.

The structure of liabilities under guarantees, sureties and avals divided by particular criteria are presented by the tables below:

1. By currency	31 December 2008	31 December 2007
PLN	1 074 158	1 110 314
Other currencies	135 687	186 189
TOTAL	**1 209 845**	**1 296 503**

2. By type of commitment, as at 31.12.2008	Number	Amount in '000 PLN
Aval	1	1 050
Guarantee	2 706	1 176 314
Surety	3	15 895
Re-guarantee	32	16 586
TOTAL	**2 742**	**1 209 845**

3. By object of the commitment, as at 31.12.2008	Number	% share	Amount in '000 PLN
good performance of contract	1 692	61.70%	563 456
rent payment	357	13.02%	49 884
bid bond	267	9.74%	68 499
punctual payment for goods or services	217	7.91%	170 591
other	116	4.23%	67 281
advance return	52	1.90%	57 944
customs	34	1.24%	186 896
payment of bank loan	7	0.26%	45 294
Total	**2 742**	**100.00%**	**1 209 845**

The structure by subject of all the net guarantee liabilities, demonstrated in the off-balance sheet items, as at 31.12.2008 is presented in the table below:

Customer - sector	Amount in PLN million
- financial sector	142.8
- non-financial sector (companies)	1 560.8
- public sector	15.1
- private individuals	2.6
Total	**1 721.3**

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

Subsidiary	Amount in PLN million
Millennium Leasing Sp. z o.o.	34,0
Millennium Service Sp. z o.o.	20,9
TBM Sp. z o.o.	0,1
Total	55.0

XIX. SECURITISATION

In December 2007 Millennium Leasing Sp. z o.o. ("ML"), carried out a transaction of securitisation of the portfolio of leasing receivables with value remaining within the defined limit of up to PLN 850 million ("securitisation", "transaction"). The concluded transaction is traditional securitisation, i.e. it consists in transferring the ownership right to the securitised leasing receivables by ML to the Orchis Sp. z o.o. ("Orchis") special purpose vehicle, which issued debt securities on the basis of the securitised assets. In result of the securitisation ML obtained financing of its business and transferred credit risk connected with the securitised assets up to the junior tranche to Orchis. The terms and conditions of the transaction agreement stipulate the right of ML to sell debt receivables to Orchis within the revolving period, i.e. within three years from the day of signing the securitisation agreement. Purchase of the receivables is financed by Orchis with an issue of following series of bonds with varying hierarchy and secured with the securitised receivables.

Entities participating in financing of Orchis are the following:

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

In the light of provisions of IAS 39 the contractual terms and conditions of the ML transaction do not permit removal of the securitised assets from the Group's balance-sheet. Therefore the Group recognises the liability under the bonds issued by Orchis. The terms and conditions of the bonds were disclosed in ***note (31c).***

XX. OPERATING LEASING

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

Agreements for rental of office space concluded by other entities of the Group do not have a material impact on the total liabilities of the Group under operating lease. Therefore, the data presented below cover Bank's liabilities and are as follows (data in thousand PLN):

Balance as at:	**31.12.2008**	**31.12.2007**
- to 1 year	95 463	86 844
- above 1 year to 5 years	265 923	252 266
- above 5 years	141 542	119 916
TOTAL	**502 928**	**459 027**

XXI. IMPORTANT EVENTS BETWEEN THE DATE OF THE FINANCIAL REPORT AND THE DATE OF ITS PUBLICATION

At its meeting on 12 February 2009, the Supervisory Board recalled Mr Luis Pereira Coutinho from the function of Member of the Management Board and Deputy Chairman of the Bank, the Supervisory Board also recalled Mr Zbigniew Kudaś and Mr Piotr Romanowski from the function of Member of the Management Board.

At the same time the Supervisory Board appointed Mr Rui Manuel Teixeira and Artur Klimczak to the Management Board. Mr Rui Manuel Teixeira assumed the function of Deputy Chairman of the Bank.

Mr Rui Manuel Teixeira is connected with Millennium BCP Group since 1987. In BCP he held management positions in retail banking. He was also Head of the BCP Group's Quality Division and managed the BCP Group Mortgage Banking Division. In the years 2003 - 2006 he was Head of the Retail Banking Division and Member of the Management Board of Bank Millennium S.A.. Recently he was Director of BCP IT Global Division, responsible for worldwide organisation of IT solutions.

Mr Artur Klimczak is connected with Bank Millennium since 2005 and recently he was Director of the Retail Banking Department. He began his banking career in 1990 in the United States. He worked for Citigroup, first as loan advisor, moving up to Regional Director. Then he continued his professional career in Poland in Citigroup, where he headed the affluent customers area in Poland, Czech Republic and Hungary.

SIGNATURES:

Date	Name and surname	Position/Function	Signature
27.02.2009	Bogusław Kott	Chairman of the Management Board	....
27.02.2009	Rui Manuel Teixeira	Deputy Chairman of the Management Board	....
27.02.2009	Fernando Bicho	Member of the Management Board	....
27.02.2009	Julianna Boniuk-Gorzelańczyk	Member of the Management Board	....
27.02.2009	Wojciech Haase	Member of the Management Board	....
27.02.2009	Joao Bras Jorge	Member of the Management Board	....
27.02.2009	Artur Klimczak	Member of the Management Board	....