Bank Millennium S.A. SAB-RS2004 PLN in thousands

ADDITIONAL EXPLANATORY NOTES

1. CONCENTRATION OF LENDING EXPOSURE TO ENTITIES AND GROUPS FROM FINANCIAL AND NON-FINANCIAL SECTORS BY INDUSTRY AND BY TERRITORY (INCLUDING RISK ASSESSMENT)

The structure of the Bank's exposure as of December 31, 2004 (after elimination of intragroup transactions) was as follows:

- by entity (on-balance sheet gross exposure)

No.	Name	December 31, 2004		December 31, 2003	
		Amount in PLN '000	Share in gross amounts due from clients and public sector entities	Amount in PLN '000	Share in gross amounts due from clients and public sector entities
1	Entity No. 1	307,689	5.16%	324,905	3.47%
2	Entity No. 2	218,830	3.67%	287,419	3.07%
3	Entity No. 3	196,000	3.28%	231,466	2.47%
4	Entity No. 4	148,754	2.49%	205,997	2.20%
5	Entity No. 5	116,042	1.94%	201,372	2.15%
6	Entity No. 6	107,382	1.80%	182,770	1.95%
7	Entity No. 7	93,770	1.57%	135,771	1.45%
8	Entity No. 8	88,312	1.48%	128,608	1.37%
9	Entity No. 9	72,894	1.22%	109,881	1.17%
10	Entity No. 10	64,147	1.07%	94,729	1.01%
11	Entity No. 11	59,168	0.99%	91,230	0.97%
12	Entity No. 12	56,051	0.94%	81,330	0.87%
13	Entity No. 13	51,673	0.87%	78,161	0.83%
14	Entity No. 14	51,332	0.86%	66,109	0.71%
15	Entity No. 15	40,819	0.68%	60,739	0.65%
16	Entity No. 16	40,633	0.68%	58,231	0.62%
17	Entity No. 17	39,729	0.67%	56,051	0.60%
18	Entity No. 18	39,436	0.66%	51,079	0.55%
19	Entity No. 19	38,074	0.64%	47,752	0.51%
20	Entity No. 20	37,000	0.62%	47,220	0.50%

Maximum exposure to the largest client credited by the Bank MILLENNIUM does not exceed 5.2% of gross amounts due from clients, financial institutions (excluding banks) and public sector entities. There is no excessive exposure to any particular client. Comparable data is presented by exposure amount, i.e. by largest client as of December 31, 2003 and, therefore, exposure in individual reporting periods may refer to a different entity.

- by group (on-balance sheet gross exposure):

No.	Name	December 31, 2004		December 31, 2003	
		Amount in PLN '000	Share in gross amounts due from clients and public sector entities	Amount in PLN '000	Share in gross amounts due from clients and public sector entities
1	Group No. 1	307,689	5.16%	324,905	3.47%
2	Group No. 2	218,830	3.67%	287,419	3.07%
3	Group No. 3	196,000	3.28%	242,276	2.59%
4	Group No. 4	164,146	2.75%	231,466	2.47%
5	Group No. 5	148,754	2.49%	227,478	2.43%
6	Group No. 6	116,042	1.94%	206,707	2.21%
7	Group No. 7	109,494	1.83%	182,770	1.95%
8	Group No. 8	93,770	1.57%	135,771	1.45%
9	Group No. 9	88,312	1.48%	128,608	1.37%
10	Group No. 10	64,147	1.07%	110,987	1.19%

Bank Millennium S.A. SAB-RS2004 PLN in thousands

Maximum exposure to the largest group credited by the Bank does not exceed 5.2% of gross amounts due from clients, financial institutions (excluding banks) and public sector entities. There is no excessive exposure to groups. Comparable data is presented by exposure amount, i.e. by largest client - group as of December 31, 2003 and, therefore, exposure in individual reporting periods may refer to a different group.

- by industry (on-balance sheet exposure):

No.	Industry	Amount in PLN ‘000	Share in gross amounts due from clients and public sector entities
As of December 31, 2004			
1.	Households	1,957,152	32.80,%
2.	Construction	926,801	15.52,%
3.	Wholesale trade	483,754	8.11,%
4.	Electricity, water and gas supplies	466,736	7.82,%
5.	Public administration	404,648	6.78,%
6.	Property management	249,800	4.19,%
As of December 31, 2003			
1.	Households	3,859,270	41.21,%
2.	Construction	1,132,475	12.09,%
3.	Wholesale and retail trade	532,952	5.69,%
4.	Iron and steel, engineering, shipbuilding, motor	530,293	5.66%
5.	Public administration	509,820	5.44,%
6.	Electricity, water and gas supplies	500,140	5.34,%
7.	Property management	482,078	5.15,%
8.	Financial intermediation	375,100	4.01,%

There is no excessive concentration to any particular industry since exposure to households (consumer loans) is spread over hundreds of thousands of individuals.

- on- and off-balance sheet net exposure to clients and groups (concentration amounts calculated in accordance with valid regulations of the Banking Law and Resolution of the Commission of Banking Supervision No. 7/2001)

Clients

No.	Name	December 31, 2004		December 31, 2003	
		Amount in PLN ‘000	Exposure to equity	Amount in PLN ‘000	Exposure to equity
1	Entity No. 1	243,456	14.80,%	367,907	22.12,%
2	Entity No. 2	220,193	13.39,%	351,034	21.11,%
3	Entity No. 3	196,000	11.92,%	307,417	18.49,%

Groups

No.	Name	December 31, 2004		December 31, 2003	
		Amount in PLN ‘000	Exposure to equity	Amount in PLN ‘000	Exposure to equity
1	Group No. 1	243,456	14.80,%	394,345	23.71,%
2	Group No. 2	220,193	13.39,%	367,907	22.12,%
3	Group No. 3	196,000	11.92,%	307,417	18.49,%

As of December 31, 2004, exposure to the largest client credited by the Bank did not exceed the statutory limit of liabilities contracted on demand of a customer in relations with an individual entity, i.e. 25% of equity of the Bank pursuant to Art. 71, par. 1 of the Banking Law.
As of December 31, 2004, exposure to the largest group of entities related by capital or organization did not exceed the statutory limit of liabilities contracted on demand of a customer in relations with a

Bank Millennium S.A. SAB-RS2004 PLN in thousands

group of entities related by capital or organization that take business risk together, i.e. 25% of equity of the Bank pursuant to Art. 71, par. 1 of the Banking Law.

- on-balance sheet exposure by territory (province) (financial institutions excluding banks, non-financial entities and public sector entities, after elimination of intragroup transactions)

PROVINCE	RECEIVABLES EXCLUDING ACCRUED INTEREST (GROSS)
Dolnośląskie	410,681
Kujawsko-pomorskie	221,317
Lubelskie	123,516
Lubuskie	76,019
Łódzkie	56,723
Małopolskie	143,390
Mazowieckie	2,981,723
Opolskie	48,911
Podkarpackie	40,298
Podlaskie	16,619
Pomorskie	642,356
Śląskie	517,550
Świętokrzyskie	24,025
Warmińsko-mazurskie	188,255
Wielkopolskie	280,743
Zachodnio-pomorskie	170,491
TOTAL	**5,942,618**

2. SOURCES OF DEPOSITS ATTRACTED BY BANK MILLENNIUM S.A. BY SECTOR AND BY TERRITORY (PLN ‘000; financial institutions excluding banks, non-financial entities and public sector entities after elimination of intragroup transactions)

SECTOR	CURRENT ACCOUNTS AND TERM DEPOSITS
Supportive financial institutions	18,778
Insurance companies and pension funds	45,699
Other financial intermediaries	26,005
State-owned enterprises and companies	890,985
Private enterprises and companies	2,428,862
Individual farmers	10,981
Individual entrepreneurs	306,887
Individuals	7,937,300
Non-commercial institutions for households	462,817
Governmental institutions at the central level	242,552
Self-government institutions	530,112
Social insurance funds	100,482
TOTAL	**13,001,460**

Bank Millennium S.A. SAB-RS2004 PLN in thousands

PROVINCE	CURRENT ACCOUNTS AND TERM DEPOSITS
Dolnośląskie	424,409
Kujawsko-pomorskie	1,354,694
Lubelskie	247,611
Lubuskie	114,183
Łódzkie	350,340
Małopolskie	367,217
Mazowieckie	3,597,584
Opolskie	151,501
Podkarpackie	91,818
Podlaskie	408,695
Pomorskie	3,208,148
Śląskie	757,324
Świętokrzyskie	49,028
Warmińsko-mazurskie	948,221
Wielkopolskie	562,458
Zachodnio-pomorskie	368,231
TOTAL	**13,001,460**

3. CHANGES IN FINANCIAL SUPPORT TO FOREIGN BRANCHES

Companies from the Bank Millennium Group do not have any foreign branches.

Bank Millennium S.A. SAB-RS2004 PLN in thousands

4. FINANCIAL INSTRUMENTS

4.1. Financial assets and liabilities

Information on debt securities, shares, participation units, derivatives, loans and borrowings granted is presented in notes to the balance sheet (notes 1 to 13).
Data on financial liabilities is included in notes 21 to 25 to the balance sheet.
Supplementary information to the above notes is presented in the tables below:

Debt securities (the Group, PLN '000):

	Depreciated purchase price	Fair value increases	Fair value decreases	Accrued interest	Book value
Tradable as of 31.12.2004	2,457,289	15,396	412	54,933	2,527,206
Tradable as of 31.12.2003	2,783,195	4,933	671	68,816	2,856,272
Available for sale as of 31.12.2004	4,051,136	33,729	0	101,569	4,186,433
Available for sale as of 31.12.2003	1,795,168	13,745	1,216	58,106	1,865,803
Held until maturity as of 31.12.2004	202,252				202,252
Held until maturity as of 31.12.2003	112,232	0	0	0	112,232

As of 31.12.2004 and 31.12.2003. debt securities with book value of PLN 1,450,499 thousand and PLN 1,435,800 thousand respectively were subject to sell – buy back (SBB) transactions.

Debt securities (the Group, PLN '000):

	Up to 3 months	3 moths to 1 year	1 to 5 years	Over 5 years	TOTAL
Fair value – tradable	786,697	171,425	1,125,331	443,753	2,527,206
Fair value – available for sale	17,726	697,713	2,612,819	858,176	4,186,433
Value at amortized cost – held until maturity	0	0	74,008	128,245	202,252

Participation units and investment certificates (the Bank, PLN '000);

	Purchase price	Fair value
Tradable as of 31.12.2004	4,000	4,249
Tradable as of 31.12.2003	0	0
Available for sale as of 31.12.2004	0	0
Available for sale as of 31.12.2003	288,849	289,357

Bank Millennium S.A. SAB-RS2004 PLN in thousands

Liabilities of the Bank net of accrued interest (the Bank, after elimination of intragroup transactions, PLN '000):

	Payable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	TOTAL
Financial institutions	**67,744**	**147,097**	**209**	**795,405**	**560,932**	**1,571,387**
Banks	9,074	126,370	56	795,405	550,000	**1,480,905**
Insurance companies	41,191	4,508	0	0	0	**45,699**
Other financial institutions	17,479	16,219	153	0	10,932	**44,783**
Non-financial sector	**3,039,000**	**6,009,451**	**3,290,291**	**506,363**	**65,873**	**12,910,978**
Enterprises and other	1,269,850	2,735,412	90,363	7,252	1,046	**4,103,923**
Individuals	1,258,340	2,914,450	3,197,194	499,098	64,827	**7,933,909**
Public sector entities	510,810	359,589	2,734	13	0	**873,146**
TOTAL	**3,106,744**	**6,156,548**	**3,290,500**	**1,301,768**	**626,805**	**14,482,365**

Receivables due from non-financial sector and public sector entities (gross), net of interest (the Bank, after elimination of intragroup transactions, PLN '000):

	Payable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	TOTAL
Enterprises, state-owned companies	22,316	10,244	10,324	52,332	187,594	**282,810**
Enterprises, private companies, cooperatives, individual entrepreneurs, farmers	686,414	330,178	510,079	795,219	956,440	**3,278,330**
Non-commercial institutions	1,114	1,350	364	3,247	3,997	**10,072**
Retail (mortgage loans and credit cards excluded)	143,037	78,009	23,889	23,118	920	**268,973**
Retail – mortgage loans	0	3,858	1,352	22,268	1,512,885	**1,540,363**
Retail – credit cards	0	23,456	72,465	51,895	0	**147,816**
Public sector entities	4,987	12,173	16,700	114,372	256,416	**404,648**
Total gross	**857,868**	**459,268**	**635,173**	**1,062,451**	**2,918,252**	**5,933,012**

Bank Millennium S.A. SAB-RS2004 PLN in thousands

Tradable derivatives – off-balance sheet assets (the Bank, after elimination of intragroup transactions, PLN '000):

					Trade from 1.01.04 to 31.12.04	
	Notional value as of 31.12.2004	**Security deposit**	**Notional value as of 31.12.2003**	**Security deposit**	**Increase**	**Decrease**
Interest rate contracts:	**9,594,233**	**0**	**5,050,660**	**0**	**4,543,573**	**0**
- FRAs	750,000		440,000		310,000	
- swaps	8,844,233		4,610,660		4,233,573	
- put options						
- call options						
FX contracts	**7,721,992**	**52,236**	**11,498,613**	**45,413**	**918,660**	**4,695,282**
- spot	2,026,085		1,659,790		366,295	
- forward	1,236,906		848,457		388,449	
- swaps	4,201,746	52,236	8,897,028	45,413		4,695,282
- put options	140,845		0		140,845	
- call options	116,409		93,338		23,071	
Other derivatives	**306,092**	**0**	**1,398,148**	**0**	**43,074**	**1,135,130**
- swaps with embedded FX option	65,000		21,926		43,074	
- equity swaps	200,302		1,326,222			1,125,920
- volatility swaps	40,790		50,000			9,210
TOTAL	**17,622,317**	**52,236**	**17,947,421**	**45,413**	**5,505,307**	**5,830,411**

Bank Millennium S.A. SAB-RS2004 PLN in thousands

Tradable derivatives – off-balance sheet liabilities (the Bank, after elimination of intragroup transactions, PLN ‘000):

					Trade from 1.01.04 – 31.12.04	
	Notional value as of 31.12.2004	**Security deposit**	**Notional value as of 31.12.2003**	**Security deposit**	**Increase**	**Decrease**
Interest rate contracts:	**8,994,233**	**0**	**4,810,660**	**0**	**4,233,573**	**50,000**
- FRAs	150 000		200,000			50,000
- swaps	8,844,233		4,610,660		4,233,573	
- put options						
- call options						
FX contracts	**7,605,101**	**0**	**11,502,307**	**0**	**933,493**	**4,830,699**
- spot	2,025,972		1,659,118		366,854	
- forward	1,240,712		837,989		402,723	
- swaps	4,081,163		8,911,862			4,830,699
- put options	140,845		0		140,845	
- call options	116,409		93,338		23,071	
Other derivatives	**306,092**	**0**	**1,398,148**	**0**	**43,074**	**1,135,130**
- swaps with embedded FX option	65,000		21,926		43,074	
- equity swaps	200,302		1,326,222			1,125,920
- volatility swaps	40,790		50,000			9,210
TOTAL	**16,905,426**	**0**	**17,711,115**	**0**	**5,210,140**	**6,015,829**

Derivatives as of December 31, 2004 – nominal value (total assets and liabilities), the Bank, after elimination of intragroup transactions, PLN ‘000:

FORWARDS	**Up to 3 months**	**3 months to 1 year**	**Over 1 year**	**TOTAL**
TRADABLE	**347,764**	**2,102,826**	**927,028**	**3,377,618**
- interest rate risk		900,000		900,000
- fx risk	347,764	1,202,826	927,028	2,477,618
- other risks				
HEDGING	0	0	0	0
- interest rate risk				
- fx risk				
- other risks				
TOTAL	**347,764**	**2,102,826**	**927,028**	**3,377,618**

Bank Millennium S.A. SAB-RS2004 PLN in thousands

SWAPS	Up to 3 months	3 months to 1 year	Over 1 year	TOTAL
TRADABLE	**3,531,564**	**2,289,525**	**20,762,471**	**26,583,560**
- swaps (irs, equity, volatility, with option)	**0**	**0**	**18,300,651**	**18,300,651**
- fixed leg			9,150,326	9,150,326
- floating leg			9,150,326	9,150,326
- cross currency swaps			**2,250,342**	**2,250,342**
- fx swaps	**3,531,564**	**2,289,525**	**211,478**	**6,032,567**
HEDGING	**0**	**0**	**810,300**	**810,300**
- interest rate swaps	**0**	**0**	**163,160**	**163,160**
- fixed leg			81,580	81,580
- floating leg			81,580	81,580
- cross currency swaps			**647,140**	**647,140**
TOTAL	**3,531,564**	**2,289,525**	**21,572,770**	**27,393,860**

OPTIONS	Up to 3 months	3 months to 1 year	Over 1 year	TOTAL
TRADABLE	**60,735**	**331,320**	**122,455**	**514,510**
- interest rate risk				
- fx risk	60,735	331,320	122,455	514,510
- other risks				
HEDGING				
- interest rate risk				
- fx risk				
- other risks				
TOTAL	**60,735**	**331,320**	**122,455**	**514,510**

Sell-buy-back (SBB) transactions (book value) by maturity (PLN '000):

Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	TOTAL
1,303,195	102,305	0	0	1,405,500

Buy-sell-back (BSB) transactions (book value) by maturity (PLN '000):

Up to 3 months	3 moths to 1 year	1 to 5 years	Over 5 years	TOTAL
80,651	0	0	0	80,651

4.2. Additional information on financial assets and liabilities

4.2.1.

a) Basic description, amount and value of financial instruments, important terms and conditions that could have influence on the amount, timing and certainty of future cash flows, in particular as regards derivatives

The Bank concludes transactions involving derivatives for speculative purposes and to manage foreign currency risk, interest rate risk, liquidity risk and market risk.
Settlements in respect of open positions depend on the nature of an instrument and are made on a monthly, quarterly or annual basis or at maturity.
A variable interest rate is based on an interest rate prevailing in the interbank market at the beginning of an interest period. A fixed interest rate depends on the nature of an instrument and the purpose of the transaction.
The Bank concludes the following transactions:
-FX FORWARD,
-FX SWAP,
-CCIRS,
-IRS,
-FRA,
- FX Option,
- Equity Swap,
- IRS with FX option
- volatility swap.

Cross currency interest rate swaps (CCIRS) consist in swapping flows of interest accrued on notional values denominated in different currencies. The Bank concludes transactions involving CCIRS in the interbank market and with clients.
Interest rate swaps (IRS) consist in swapping flows of interest accrued on notional values denominated in the same currency. The Bank concludes transactions involving IRS in the interbank market and with clients.
Parties to FRA (forward rate agreement) exchange the difference between the interest rate specified in FRA and a variable reference rate calculated on the agreed principal amount. The Bank concludes FRAs in the interbank market and with customers.

Bank Millennium S.A. SAB-RS2004 PLN in thousands

The buyer of an option acquires the right to purchase (call option) or sell (put option) a specified foreign currency denominated amount at the foreign exchange rate agreed in advance on a future date. The Bank concludes transactions involving foreign currency options in the interbank market and with clients.
Equity swaps consist in swapping flows of interest accrued on notional values. These flows of interest depend on a stock exchange index or dividends and stock prices. The Bank concludes equity swaps in the interbank market.
IRS with FX option consist in swapping flows of interest accrued on notional values. Interest flows depend on FX rate. The Bank concludes these transactions in the interbank market.
Volatility swaps consist in swapping flows of interest accrued on notional values. These flows of interest depend on the volatility of a given currency. The Bank concludes these transactions in the interbank market.

Data presented in the tables below is for the Bank, after elimination of intragroup transactions (in PLN):

As of December 31, 2004 Kind of instrument	Swaps (IRS, equity, volatility, with option)	FX swaps	FX options	CCSs	Asset swaps	FX forwards
Number of transaction	137	110	222	13	8	380
Fair value	19,630,785	86,110,662	704,857*	19,672,178	11,607,108	-5,531,975
Purpose	tradable/hedge	tradable	tradable	tradable/hedge	hedge	tradable
Notional value	9,231,905,692	4,269,756,996	257,254,841	1,260,696,252	204,124,070	1,048,001,956
Future revenues/payments	variable	variable	variable	variable	variable	variable
Maturity	07-02-05 to 22-10-10	03-01-05 to 22-03-06	05-01-05 to 29-03-06	05-10-04 to 01-04-09	14-02-06 to 10-12-08	03-01-05 to 05-09-06
Possible premature settlement	none	none	none	none	none	none
Price/price bracket	margin from -181 bps to +238 bps	none	premium from PLN 3,200.00 to PLN 243,095	margin from -62 bps to +100 bps	margin from 0 to 440 bps	none
Possible swap for other asset/liability	none	none	none	none	none	none
Agreed rates/amounts of interest, payment dates	variable	fixed	variable	variable	variable	fixed
Additional collateral	none	none	none	none	none	none
Other conditions	none	none	none	none	none	none
Kind of risk	interest rate/FX/equity	interest rate/FX	FX	interest rate/FX	interest rate/FX	FX

* for options the value is an adjustment to fair value

Bank Millennium S.A. SAB-RS2004 PLN in thousands

As of December 31, 2003 Kind of instrument	Swaps (IRS, equity, volatility, with option)	FX swaps	FX options	CCSs	Asset swaps	FX forwards
Number of transaction	76	134	49	23	8	288
Fair value	6,269,914.34	5,462,694.66	65,455.80*	-32,757,864	-25,268,192	10,385,711
Purpose	tradable/hedge	tradable	tradable	tradable	hedge	tradable
Notional value	6,008,809,342.39	6,634,745,534.46	186,676,613.78	2,768,340,498	224,072,450	982,206,692
Future revenues/payments	variable	variable	variable	variable	variable	variable
Maturity	13-04-04 to 22-10-10	02-01-04 to 20-12-04	02-01-04 to 07-12-04	26-01-04 to 03-09-12	14-02-06 to 10-12-08	02-01-04 to 28-02-05
Possible premature settlement	none	none	none	none	none	none
Price/price bracket	margin from -181 bps to +238 bps	none	premium from PLN 750 to 353,000	margin from -62 bps to +260 bps	margin from 0 to 440 bps	none
Possible swap for other asset/liability	none	none	none	none	none	none
Agreed rates/amounts of interest, payment dates	variable	fixed	variable	variable	variable	fixed
Additional collateral	none	none	none	none	none	none
Other conditions	none	none	none	none	none	none
Kind of risk	interest rate/FX/equity	interest rate/FX	FX	interest rate/FX	interest rate/FX	FX

* for options the value is an adjustment to fair value

Adjustments to fair value of embedded instruments (the Bank, PLN ‘000)

	January 01, 2004	Gains/Losses in the Income Statement	December 31, 2004
Options embedded in customer deposits	-10 060	6 932	-3 128

b) methods and material assumptions used to establish fair value of financial assets and liabilities valued at that value

Debt securities
Valuation of the portfolio of ‘tradable’ and ‘available for sale’ debt securities is made at the end of each month in accordance with the following assumptions:

Treasury bonds:
1. Variable interest bonds: accordingly valuation model based on market prices for fixed rate bonds and value of WIBOR (Nelson-Siegl-Svensson curve)
2. Fixed interest and zero coupon bonds: at best market BID price established by active market participants at 4:00 p.m. as published by Reuters;
3. Bonds for which the market price is not available are valued at amortized cost, in particular, the valuation covers purchase price adjusted for accrued interest, discount, premium.

Bonds issued by entities other than State Treasury:
Bonds for which market price is not available are valued at amortized cost, in particular, the valuation covers purchase price adjusted for accrued interest, discount, premium.
Treasury bills:
Market price is calculated based on the best yield offered by buyers and the best yield offered by sellers as established by active market participants. Yields are published by Reuters.
Foreign currency denominated securities:
Valuation is based on the price established in the active regulated market in which these securities are publicly traded and information on prices is readily available. In the absence of quotations in the regulated market, the price established by active market participants is deemed to be a market price. Prices are published by Reuters and Bloomberg. Bonds for which the market price is not available are valued at amortized cost, in particular, the valuation covers purchase price adjusted for accrued interest, discount, premium.

Derivatives are valued using the following models:

- *FX Forwards*

Forward rates used to value forwards are calculated based on the NBP’s current fixing for all currencies in the table and interest rates on deposits in individual currencies with reference to their maturity (taken from Reuters screens).
In case of interest rates on deposits placed for 1 week to 9 months, LIBOR rates are used for most currencies. Interest rates on deposits denominated in DKK, NOK, SEK, and CZK are taken from Reuters screens. All interest rates on PLN deposits (from 1W to 9M) are from the WIBO screen.
For maturities over 1 year to 24 months rates from a spot curve are used (for all currencies included in the table). As a starting point, actively traded swap curves are used to calculate the spot curve. These swap curves show a fixed coupon rate for each currency in a specified period (for PLN, EUR and USD they are taken from REUTERS screens: <PLNIRS>, <EURIRS>, <USDIRS> respectively) at 11.00 a.m. Warsaw time. Rate calculations are based on a 30-day month.

- *Forward Rate Agreement*

To value FRAs the Bank uses an application running in the IBIS system. In order to calculate a discounting factor, the Bank applies rates from a spot curve. As a starting point, actively traded swap curves are used to calculate the spot curve (for maturity below 1 year rates prevailing in the interbank market are applied). These swap curves show a fixed coupon rate for each currency in a specified period (for PLN, EUR and USD they are taken from REUTERS screens: <PLNIRS>, <EURIRS>, <USDIRS> respectively) at 11.00 a.m. Warsaw time. Based on these curves, implied spot curves are modeled mathematically to obtain discounting factors. The valuation consists in calculation of the difference between the agreed interest rate and the relevant market rate for FRA from REUTERS screens applied to the underlying principal. The value so calculated is discounted using discounting factors.

- *FX SWAP*

To value FX swaps the Bank has its own application developed on the model of Bloomberg's application.
Actively traded swap curves are used as a starting point of the model (for maturity below 1 year rates prevailing in the interbank market are applied). These swap curves show a fixed coupon rate for each currency in a specified period (for PLN, EUR and USD they are taken from REUTERS screens: <PLNIRS>, <EURIRS>, <USDIRS> respectively) at 11.00 a.m. Warsaw time. Based on these curves, implied spot curves are modeled mathematically to obtain discounting factors.
In market valuation, an fx swap is treated as taking a long position in one currency and a short position in another currency. Finally, the market value of the fx swap is calculated as the summation (taking into consideration signs for long and short positions) of current values of all payments. Payments in foreign currencies are translated at the current fixing rate for discounted cash flows. For points outside the spot curve, the model applies the linear interpolation method.

- *Interest rate swap*

To value PLN interest rate swaps the Bank has its own application developed on the model of Bloomberg's application. Actively traded swap curves are used as a starting point of the model (for maturity below 1 year rates prevailing in the interbank market are applied). These swap curves show a fixed coupon rate for each currency in a specified period (for PLN, EUR and USD they are taken from REUTERS screens: <PLNIRS>, <EURIRS>, <USDIRS> respectively) at 11.00 a.m. Warsaw time. Based on these curves, implied spot curves are modeled mathematically to obtain discounting factors. Spot curves also enable to calculate variable coupons as implied forward rates, which represent a current forecast.
In market valuation, a swap is treated as taking a long position in a fixed interest bond and a short position in a variable interest security (or vice versa). Each cash flow generated by this combination (fixed coupon from the underlying contract, variable coupon based on implied forward rates) is calculated at the valuation date using appropriate discounting rates. Finally, the market value of the swap is calculated as the summation (taking into consideration signs for long and short positions) of current values of all payments. For points outside the spot curve, the model applies the linear interpolation method. Terms of cash flows are established in accordance with the contract.

- *Cross currency swap*

To value cross currency swaps the Bank uses its own application developed on the model of Bloomberg's application. Actively traded swap curves are used as a starting point of the model (for maturity below 1 year rates prevailing in the interbank market are applied). These swap curves show a fixed coupon rate for each currency in a specified period (for PLN, EUR and USD they are taken from REUTERS screens: <PLNIRS>, <EURIRS>, <USDIRS> respectively) at 11.00 a.m. Warsaw time. Based on these curves, implied spot curves are modeled mathematically to obtain discounting factors. Spot curves also enable to calculate variable coupons as implied forward rates, which represent a current forecast. In market valuation, a swap is treated as taking a long position in a fixed/variable interest bond in one currency and a short position in a fixed/variable interest bond in another currency. Each cash flow generated by this combination is discounted (fixed coupons from the underlying contract are discounted using discounting factors, variable coupons are discounted using

relevant discounting factors and converted into PLN in accordance with the fixing rate of the NBP valid on the valuation date). Finally, the market value of the cross currency swap is calculated as the summation (taking into consideration signs for long and short positions) of current values of all payments.
For points outside the spot curve, the model applies the linear interpolation method for all currencies. Terms of cash flows are established in accordance with the contract.

- *Options*

Options are valued using the Garman-Kohlhagen model. A starting point of the Garman-Kohlhagen method is the option valuation model developed by Black and Scholes for shares that pay dividends on a continuous basis. One of basic assumptions of this model is that the normal distribution applies to fluctuations of price of the underlying instrument. Inferences from statistical tests do not support this assumption since tested empirical distributions are characterized by non-zero skewness and "fat tails" and, therefore, the probability of significant deviations from an expected value is higher than in case of the normal distribution. In option valuations, the market takes into account this fact on a par with a liquidity premium. The implied variation resulting from quotations is several times higher that the variation based on historical data. Hence, as the source of information on the implied variation parameter we use daily quotations of brokerage houses such as: Prebon – Marshall London, Tullet – Tokyo London, Garban Intercapital London, JP Morgan London. We also take an opportunity to obtain data on the value of this parameter from active participants in the option market, i.e.: BRE Bank Warszawa, Bank Handlowy Warszawa, Deutsche Bank London, Royal Bank of Scotland. Interest rates for the original transaction and a reverse hedging transaction are established as follows: for PLN – mid rate (arithmetic mean of WIBID/WIBOR prevailing on the trade date), for foreign currencies – relevant LIBOR rate prevailing on the trade date. The Bank adopted the linear interpolation method to establish market transaction parameters for unusual delivery terms.

Sell Buy Back (SBB) transactions are valued at amortized cost, whereas securities being subject of those transactions are recognized in balance sheet and valued in line with rules applicable to particular securities portfolios.

Buy – sell back (BSB) transactions are valued at amortized cost whereas securities being subject of those transactions are eliminated from balance sheet.

c) accounting principles adopted for financial instruments purchased in a regulated market

The Bank purchases financial instruments also in a regulated market; those financial instruments are recorded using settlement date method.

Bank Millennium S.A. SAB-RS2004 PLN in thousands

d) information on interest rate risk

Analysis of revaluation periods of on- and off-balance sheet items subject to interest rate risk (PLN '000,000)

ASSETS	revalued							Total
	up to 1 month	within 1 to 3 months	within 3 to 6 months	within 6 to 12	within 1 to 3	within 3 to 5	over 5 years	
Interbank deposits placed	2,926.82	265.56	141.02	32.14	0.00	0.00	0.00	**3,365.54**
Loans granted to financial and non-financial entities	6,916.19	0.00	0.00	669.76	0.00	0.00	0.00	**7,585.95**
Securities (resulting from buy and sell transactions)	692.43	1,308.63	322.05	1,018.59	1,493.13	540.54	39.26	**5,414.63**
Interest rate swaps	565.56	2,675.70	3,823.69	1,086.09	584.24	696.20	0.00	**9,431.47**
FRAs	0.00	346.61	439.45	97.73	0.00	0.00	0.00	**883.79**
Other assets at interest rate risk	6,421.88	3,161.94	1,043.92	776.82	649.85	50.83	93.94	**12,199.18**
Other assets	631.36	0.00	0.00	3,440.22	0.00	0.00	0.00	**4,071.58**
Total assets	**18,154.24**	**7,758.44**	**5,770.13**	**7,121.35**	**2,727.22**	**1,287.56**	**133.20**	**42,952.15**

LIABILITIES	revalued							Total
	up to 1 month	within 1 to 3 months	within 3 to 6 months	within 6 to 12 months	within 1 to 3 years	within 3 to 5 years	over 5 years	
Interbank deposits accepted	764.77	151.84	38.37	37.41	0.00	0.00	0.00	**992.39**
Deposits accepted from clients	7,866.70	2,936.39	1,631.02	1,834.97	329.24	0.00	0.00	**14,598.32**
Debt securities issued	0.00	0.00	465.85	81.04	8.33	0.00	0.00	**555.23**
Interest rate swaps	1,917.31	3,466.30	1,041.06	1,053.31	954.29	990.85	0.00	**9,423.12**
FRAs	0.00	49.52	444.56	390.95	0.00	0.00	0.00	**885.03**
Other liabilities at interest rate risk	7,678.96	2,949.50	845.29	279.24	381.15	106.21	0.00	**12,240.35**
Other liabilities	0.00	516.25	0.00	3,741.47	0.00	0.00	0.00	**4,257.72**
Total liabilities	**18,227.74**	**10,069.79**	**4,466.15**	**7,418.40**	**1,673.01**	**1,097.06**	**0.00**	**42,952.15**
Mismatch in revaluation periods	**-73.50**	**-2,311.35**	**1,303.98**	**-297.05**	**1,054.21**	**190.50**	**133.20**	**0.00**

Bank Millennium S.A. SAB-RS2004 PLN in thousands

e) information on credit risk (the Bank, PLN ‘000):

Classes of financial assets and liabilities	Amount
I. ASSETS WITH 0% RISK WEIGHT	
Cash and cash equivalents	240,831
Accrued interest disclosed in restricted income	181,545
Amounts due from class I entities	872,426
Amounts due from class II and class III entities, collateralized part	309,548
Debt securities issued by class I entities	3,787,788
Debt securities issued by class II and class III entities, part underwritten by class I entities	0
Assets on valuation of off-balance sheet liabilities	542,601
Equity decreasing assets (including assets of brokerage houses from the Bank organizational structures)	384,991
II. ASSETS WITH 20% RISK WEIGHT	
Amounts due from class II entities, part not subject to 0% risk weight	3,565,879
Amounts due from class III entities, collateralized part	339,279
Debt securities issued by class II entities	220,706
III. ASSETS WITH 50% RISK WEIGHT	
Amounts due from class III entities, part collateralized with mortgage on inhabited or leased real estate	1,024,341
Other on-balance sheet settlement accounts	311,190
IV. ASSETS WITH 100% RISK WEIGHT	
Amounts due not subject to lower risk weights	4,932,901
Securities, shares and other equity of other entities not subject to lower risk weights	1,756,840
Fixed assets	534,048
Intangible assets not decreasing equity of the Bank	0
Other assets not decreasing equity of the Bank	756
Contractor risk 0%	
1. Product risk weight 0% (low risk)	
unused loan commitments with original maturity up to 1 year or with the unconditional termination clause	590
2. Product risk weight 100% (full risk)	
guarantees granted regarded as loan substitute	2,977
Contractor risk 20%	
1. Product risk weight 0% (low risk)	
unused loan commitments with original maturity up to 1 year or with the unconditional termination clause	15,506
2. Product risk weight 50% (medium risk)	
documentary letters of credit opened and confirmed	1,005,208
unused loan commitments with original maturity over 1 year	7,400

Bank Millennium S.A. SAB-RS2004 PLN in thousands

3. Product risk weight 100% (full risk)	
guarantees granted regarded as loan substitute	52,294
agreements with buy back clause, recorded as off-balance sheet items	
forwards and options	12,992,487
Contractor risk 50%	
forwards and options	1,312,461
Contractor risk 100%	
1. Product risk weight 0% (low risk)	
unused loan commitments with original maturity up to 1 year or with the unconditional termination clause	1,946,700
2. Product risk weight 50% (medium risk)	
unused loan commitments with original maturity over 1 year	6,230
3. Product risk weight 100% (full risk)	
guarantees granted regarded as loan substitute	385,819
agreements with buy back clause, recorded as off-balance sheet items	
Assets included in the tradable portfolio of the Bank	2,531,455
Off-balance sheet liabilities included in the tradable portfolio	2,127,921

4.2.2. Tradable or available for sale financial assets valued at amortized cost if their fair value could not be reasonably obtained

Securities not valued at fair value are issued by non-financial entities. These securities are traded neither in a regulated market nor in the interbank marked and, therefore, the Bank could not reasonably establish their fair value including prevailing margin for credit risk.
In addition, the Bank does not value at fair value NBP bonds issued in connection with the reduction of a mandatory reserve (lack of reliable quotations).

4.2.3. Financial assets and liabilities not valued at fair value

The Bank values all tradable and available for sale portfolio assets as well as tradable portfolio financial liabilities at fair value, with the exception of assets presented in item 4.2.2.

4.2.4. Agreements under which financial assets are converted into securities or repurchase agreements

As of December 31, 2004, no such item was recorded. However, the Bank is involved in transactions with buy back clause (SBB) which are presented in point 4.1.

Bank Millennium S.A. SAB-RS2004 PLN in thousands

4.2.5, 6. Effects of valuation of financial assets available for sale at fair value

Available for sale financial assets at fair value (data for the Bank, tax effect not accounted for):

Debt securities in PLN '000	Valuation to the fair value at the beginning of the period	Change in fair value of portfolio securities held at the beginning and at the end of the period*	Transfer from revaluation reserve to the Income Statement (result on sale)	Charge-offs of valuation from equity due to securities maturity	Period-end fair value of debt securities purchased during the period	Fair value of debt securities at the end of the period **
available for sale	13,062	-461	4,603	76	25,806	33,728

*the amount includes the change in the value of available for sale securities subject to fair value hedge that was accounted for in the income statement
**the amount of PLN 33,728 thousand includes the value of securities available for sale amounting to PLN 25,806 thousand accounted for in equity and PLN 7,922 thousand in respect of the value of securities available for sale and pledged as collateral. Additionally revaluation reserve (opening balance) covers valuation of available for sale securities pledged as collateral amounting to PLN 573 thousand.

4.2.7. Information on revenues and expenses in respect of those financial assets sold that could not be previously valued at fair value, including the on-balance sheet value of assets as of the date of sale

In 2004, the Group sold shares in PZU S.A. that were not valued at fair value previously due to the lack of market valuation. The detailed description of this transaction is presented in Note 44 to the financial statements.

4.2.8. In case of financial assets valued at fair value reclassified to assets valued at adjusted purchase price, the reasons of adopting the new valuation method should be stated

As of December 31, 2004, no such item was recorded.

4.2.9. Information on revaluation charges in respect of permanent diminution in value of financial assets

As of December 31, 2004, the Bank did not maintain any provision for permanent diminution in value of debt securities.

4.2.10. Interest accrued on debt securities

PLN '000	up to 3 months	3 to 12 months	over 12 months
securities available for sale	36	583	100,951
tradable securities	4,997	1,915	48,020
securities held to maturity	0	0	0

Bank Millennium S.A. SAB-RS2004 PLN in thousands

4.2.11. Suspended interest

Information on suspended interest is disclosed in Note 27 to the Balance Sheet ("Other deferred income and restricted income)").

4.2.12. Interest accrued on own debt financial instruments issued (the Bank)

Liability category	up to 3 months	3 to 12 months	over 12 months
Liabilities in respect of debt securities issued	0	3,988	645

4.2.13. Nominal value of underlying instruments subject to derivative contracts

Information is disclosed in Section 4.1.

4.2.14. Risk management goals and procedures

Risk exposure is inevitably linked with operations in financial markets and is a fundamental factor determining the behavior of market players and, in particular, financial institutions. Plenty of financial decisions are made with the risk involved in mind. Therefore, the Bank developed and implemented the risk management policy and the strategy to follow this policy.
The key areas of risk management include credit, market, liquidity and operational risks.
At the strategic level, the Management Board of the Bank is in charge of formulating and monitoring risk management policies. At the operational level, the Risk Management Department, the Capital, Asset and Liability Committee, the Credit Committee, and the Operational Risk Committee are responsible for managing particular banking risk areas, their on-going control, as well as for defining current policies within the framework set out by the Management Board.
All the risks are monitored and controlled against the profitability of the Bank's operations and capital levels necessary to ensure that the Bank's operations are secure in light of capital requirements.
Risk measurement, analysis, control and management require a broad range of methods and advanced mathematical tools.
Results of risk measurements are regularly reported as part of management information.

Credit risk
In the area of credit risk management, the Bank is oriented at the formation of an optimal environment, from the perspective of acceptable credit risk, to develop sales of various credit products (including factoring and lease products) and to improve the promptness and quality of customer service through effective deployment of human resources, skills and more and more advanced electronic tools.

Therefore, in 2004 many efforts were made including:
- Principles to manage credit exposure concentrations were laid down to ensure the appropriate quality of assets from transactions subject to credit risk and their satisfactory profitability;

- Credit exposure classification rules were modified in line with updated internal regulations;
- New rules for monitoring and recovery of amounts due from individuals and business entities (special organizational units of the Bank were established to this end);
- Rules for granting mortgage loans were modified (including competences and authorizations of decision-making levels in the area of these loans);
- Risk control procedures for factoring services provided by the Bank were amended.

Scoring and rating models used by the Bank are the important element of a credit risk assessment. They are periodically reviewed to confirm their high usefulness in customer segmentation by risk class.
The Bank cooperated with customers from all the segments in the area of credit-risk transactions. The key cooperation tool in the corporate customers segment was the internal credit limit (introduced previously). The Bank prefers those customers that have an account with the Bank and realize transactions on it, as well as customers that keep their assets at the Bank. Due to such an approach, in addition to scrupulous verifications of customers in the available borrower databases, the Bank tries to know its customers by the history of their accounts.
The Bank believes that the collateral policy in respect of transactions associated with credit risk is of particular importance. The Bank negotiates collateral individually with each customer and prefers such forms of collateral that enable to decrease the base used to calculate a specific provision.
The Bank requires collateral in proportion to the assessed credit risk, which means that in some circumstances the Bank can accept different collateral to while in case of first-rate customers the Bank can put aside its collateral requirements, regarding their good financial standing and market position as a sufficient collateral.

Market risk
Market risk is the uncertainty that interest rates, foreign exchange rates and prices of securities and derivative instruments held by the Bank will depart from originally assumed levels and lead to uncontrolled gains and losses on positions maintained by the Bank.
In 2004, the Bank was still improving its market risk control system in order to both adapt it to requirements resulting from the evolution of the Bank's financial operations, e.g. increasing trade in financial instruments and their diversification, and to implement specific risk control procedures in compliance with laws and regulations in force as well as to adapt measurement tools to new methodologies and better technical capabilities.
The key tool used by the Bank for the purposes of day-to-day management of its market risk is the Value at Risk ('VaR') method, in addition to methods recommended by the NBP (Poland's central bank). The Value at Risk method is applied to trading and banking portfolios that include all on-balance sheet and off-balance sheet financial instruments.
As a supplement to the Value at Risk method, the Bank tests the historical adequacy of the adopted model (backtesting) and develops scenario analysis tools for measuring risks connected with trade portfolios. Such methods are very useful in case of extraordinary events, which cannot be anticipated by the Value at Risk method. In parallel with changes regarding the organization and methods of market risk control, the Bank implemented technical improvements in the area of IT solutions supporting risk management. Based on a new transactional system, Kondor+, handling transactions concluded by the Treasury Department, the Bank uses InVaR, an IT tool developed by its strategic investor (BCP ALM Division) in cooperation with Reuters in line with the RiskMetrics methodology (JP Morgan). From the perspective of risk control, the new transactional system offers important functionality: access to an integrated and complete transaction database, management of all positions and limit utilization in real time and daily calculation of results for all operating areas.

Interest rate risk
In the area of interest risk management, the Bank intends to maximize the market value of capital when it generates assumed net interest income within adopted risk limits. On the last day of 2004, the value at risk for the Bank amounted to nearly PLN 12,3 million whereas the global market risk limit was PLN 56,6 million.
In addition to the value at risk method (VaR), the Bank also estimates hypothetical changes of the financial result (earnings at risk – EaR) resulting from fluctuations in market interest rates.

Foreign exchange risk
The main goal of the fx risk management function is to shape the structure of assets and liabilities in foreign currencies as well as off-balance sheet items within the framework of internal and external limits as specified in the Banking Law.
In 2004, the Bank maintained a balanced fx position. At the end of the year, the value at risk for the Bank was PLN 0.4 million while the valid limit was PLN 18.9 million.

Risk connected with derivatives
Transactions on financial derivative instruments are made to secure open balance sheet positions (hedging), as well as for trading purposes (within the internal limits). Basic derivatives used by the Bank to manage interest rate risk and fx risk, and also for trading purposes, are fx forwards, forward rate agreements, interest rate swaps, fx swaps, cross currency swaps, and fx options.

Liquidity risk

The liquidity position of the Group significantly increased during 2004, due to the combined effect of the sale of the car loan portfolio, reduction of corporate loans, increase in customer funds and sale of PZU shares. The loans to deposits ratio stood at 54% as of 31 December 2004.
The most important objective of the liquidity risk management function is to manage assets held by the Bank so as to ensure that all the contractual liabilities of the Bank to its customers are met when due, taking into accounts unfavorable scenarios of changes in its environment. Liquidity risk could also arise when the Bank faced difficulties to obtain funds necessary to cover financial needs connected with its operations or when it was unable to cash its trading assets in a relatively short period and at market prices. Therefore, the liquidity reserve is composed of the portfolio of treasury securities characterized by the highest liquidity in the secondary market.
The Bank controls its liquidity risk on a daily basis using the net liquid asset method (liquidity gap). In order to ensure necessary current liquidity, the Bank keeps the mandatory reserve at levels required by the central bank, assets on nostro accounts necessary to carry out non-cash settlements, cash at the Bank's vaults, and a liquidity reserve consisting of highly marketable financial instruments.
The Bank's investment policy is in compliance with requirements set forth in the Banking Law and recommendations issued by the central bank. The Bank applies an internal structural liquidity ratio to measure total updated assets due and payable to total updated liabilities and equity. The secure level of this ratio is 100% for up to three months. The ratio of liquid assets is limited (at the level of 20%), representing the share of liquid assets in the balance sheet total of the Bank and at the end of 2004, it exceeded 44%. Limited ratios has been defined for on demand liquidity (the balance of receivables and liabilities in the money market increased by securities available to be sell immediately) and for quarterly liquidity (the lowest cumulative balance of receivables and liabilities in the money market increased by securities available to be sell immediately as of the date of such balance on a quarterly basis). To ensure current liquidity, the Bank maintains the portfolio of blocked treasury securities in the amount sufficient to satisfy short-term payment requirements. In addition, the Bank monitors concentration of liabilities due to major clients and changes in the structure of assets and liabilities (both on- and off-balance

Bank Millennium S.A. SAB-RS2004 PLN in thousands

sheet) and, therefore, is able to detect unfavorable tendencies regarding liquidity at an early stage. The Bank also performs regular analyses of the deposit base stability, premature deposit withdrawals and the scale of unauthorized overdrafts.
The Bank has implemented procedures to be followed in situations that can lead to a significant increase in liquidity risk, so-called contingency plan to be activated in case of deterioration of the Bank's liquidity.

Operational risk
Operational risk is inevitably linked with all types of risk generated in the course of the Bank's operations. This is the risk of losses incurred as a result of inappropriate or deficient internal actions or processes, acts of humans, systems, and the impact of external events. Special immeasurable aspects of that risk include the risk of fraud by an employee or a third party, inappropriate authorizations of transactions, defects of hardware and telecommunication systems, insufficient training of employees, as well as the risk of human error.
Now the Bank enhances the system of identification, assessment, monitoring and hedging of operational risk. One of the tools used to neutralize possible risks and to eliminate their results are risk self-assessment procedures, which take into account all the processes used by the Bank.
In order to improve operational risk management, in 2004 the Bank established the Operational Risk Committee. The Committee coordinates operational risk management of the Bank at a central level through specification of risk management policies, analysis of the scale and kind of operational risk of the Bank as well ass the assessment of adequacy of the operational risk management system.
In addition, the Bank is currently implementing a system and methodology for managing operational risk in conformity with recommendations of the Commission for Banking Supervision and international standards. The Bank defined tools to be implemented in order to ensure the consistency and completeness of the operational risk identification, assessment, monitoring and hedging system in line with the adopted Operational Risk Management Strategy. One of the key components of the system will be a database of operational risk events and a reporting system, also for the Operational Risk Committee.

4.2.15. Hedging instruments, including breakdown into fair value hedging, cash flows hedging, and hedging of investment in a foreign entity

Hedging instruments (the Bank, PLN '000):

	Hedging of fair value as of Dec. 31, 2004	Hedging of fair value as of Dec. 31, 2003	Hedging of cash flows as of Dec. 31, 2004	Hedging of cash flows as of Dec. 31, 2003	Hedging of shares in net assets of foreign entities as of Dec. 31, 2004	Hedging of shares in net assets of foreign entities as of Dec. 31, 2003	TOTAL as of Dec. 31, 2004	TOTAL as of Dec. 31, 2003
FX risk and interest rate risk	**390,344**	**437,868**					**390,344**	**437,868**
Interest rate risk	**163,160**	**188,680**					**163,160**	**188,680**
FX risk	**256,795**	**0**					**256 795**	**0**
TOTAL	**810,300**	**626,548**	**0**	**0**	**0**	**0**	**810,300**	**626,548**

Bank Millennium S.A. SAB-RS2004 PLN in thousands

As of December 31, 2004, the Bank reported the following hedging transactions:

- CCIRS and IRS which are deemed as the hedging of fair value of fixed-rate eurobonds. For CCIRS transactions, the hedging consists in converting a fixed interest rate into a floating interest rate, and a nominal value in a foreign currency into PLN, while for IRS transactions, the hedging consists in converting a fixed interest rate into a floating interest rate. The valuation of hedging CCIRS and IRS transactions and their supported eurobonds is disclosed in the income statement,
- CCIRS transactions which are deemed as the hedging of fair value of future payments denominated in foreign currency. These transactions hedge changes in fair value of fx payments in respect of fx risk (revaluation of items to the NBP's fixing rate). The valuation of hedging CCIRS transactions and changes in fair value of fx payments on account of fx risk are presented in the income statement.

Adjustment to fair value of hedging instruments (PLN '000):

	January 01, 2004	**Gains/losses on the Income Statement**	**December 31, 2004**
- interest rate transactions	-2 569	35	-2 534
- FX and interest rate transactions	-11 510	7 160	-4 350
- FX transactions	0	-28 157	-28 157
TOTAL	**-14 079**	**-20 962**	**-35 041**

4.2.16. Hedging of planned transactions or probable future liabilities

As of December 31, 2004, the Bank hedged future fx payments resulting from concluded contracts. This hedging is discussed in item 4.2.15.

4.2.17. Hedging of cash flows

As of December 31, 2004, the Bank had no hedging instruments for cash flows.

Bank Millennium S.A. SAB-RS2004 PLN in thousands

5. OPTIONS FOR SUBSCRIPTION OR SALE OF ORDINARY SHARES

From January 1, 2004 to December 31, 2004, entities of the Bank Millennium Group signed no contract for options for subscription or sale of ordinary shares.

6. DETAILED INFORMATION ON ASSETS USED AS SECURITY OF LIABILITIES

As of December 31, 2004, the following assets of Bank Millennium S.A. were used as security of liabilities:

- 10-year variable-rate Treasury bonds (DZ0109), total nominal value of PLN 163,480 thousand, were pledged to secure liabilities to Credit Suisse First Boston Internationa*l*.
- 10-year variable-rate Treasury bonds (DZ0109), total nominal value of PLN 97,315 thousand were pledged on behalf of the NBP (Poland's central bank) as security of the aid granted to the Bank by the NBP.
- Treasury bonds of 10-year State loan with variable interest rate (DZ0109) and nominal value PLN 75,000 thousand were blocked for purposes of a lombard loan extended by NBP to the Bank.
- Treasury bonds of 10-year State loan with variable interest rate (DZ0811) and nominal value of PLN 230,000 thousand were blocked for purposes of a lombard loan extended by NBP to the Bank.
- Treasury bills with nominal value of PLN 40,000 thousand constitute a collateral of the Fund for Protecting Guaranteed Funds within the Bank Guarantee Fund.

7. SELL-BUY-BACK TRANSACTIONS NOT INCLUDED IN THE BALANCE SHEET

Data on sell-buy-Back and buy-sell-back transactions concluded by the entities of the Bank Millennium Group is presented in the balance sheet of the Group.

8. FINANCIAL OBLIGATIONS EXTENDED, INCLUDING IRREVOCABLE OBLIGATIONS EXTENDED

Data on unused credit lines have been presented in Additional Notes to these financial statements.

9. DATA ON THE OFF-BALANCE SHEET ITEMS, IN PARTICULAR ON CONTINGENT LIABILITIES (PLN '000)

	December 31, 2004	December 31, 2003
Total contingent liabilities granted	3,422,724	2,573,894
Contingent liabilities granted to consolidated companies	226,680	282,144
Total liabilities related to financing granted	2,974,234	2,138,906
Liabilities related to financing granted to subsidiaries and associated companies:		
- consolidated	146,525	259,153
- subject to the equity method	-	281
- neither consolidated nor subject to the equity method	-	-
Total guarantees and sureties granted	448,490	434,988
Guarantees and sureties granted to subsidiaries and associated companies:		
- consolidated	80,155	22,992
- subject to the equity method	-	86
- neither consolidated nor subject to the equity method	-	0

As of December 31, 2004, the total number of guarantees and sureties issued (including bills of exchange and other guarantee type liabilities, excluding guarantees and sureties from the European Fund for Polish Country Development) was 1,539. With guarantees and warranties regarding the European Fund for Polish Country Development (Europejski Fundusz Rozwoju Wsi Polskiej) their value was as follows (after elimination of intragroup transactions):

Bank Millennium S.A. SAB-RS2004 PLN in thousands

	Expiration				
Customer - sector	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**TOTAL**
- Financial	81,737	7,998	4,946	405	**15,086**
- Non-financial	18,547	74,193	178,600	33,577	**304,917**
- Public	443	5,803	44,969	4,650	**55,865**
- Individuals	25	6,587	7,156	18	**13,786**
GROSS TOTAL	**20,752**	**94,580**	**235,671**	**38,650**	**389,654**
				PROVISION	**-28,719**
				NET TOTAL	**360,935**

Total value of contingent liabilities in respect of underwriting arrangements for issues of securities, pending as of December 31, 2004, was PLN 7,400 thousand (as shown in the table below):

Entity	Type of security - bonds	Expiration*	Liability as of Dec. 31, 2004 (PLN '000)	Affiliation to the Bank	Marketability / presence on regulated market**
Entity No. 1	coupon	28-05-2009	6,800	-	Secondary market
Entity No. 2	coupon	31-12-2008	600	-	Secondary market
TOTAL	X	X	**7,400**	X	X

* Final date of program agreement
** None of these guarantees applies to securities to be traded publicly

10. LIABILITIES TO STATE BUDGET OR LOCAL SELF-GOVERNMENT AUTHORITIES IN RESPECT OF RECEIVING AN OWNERSHIP TITLE TO BUILDINGS AND OBJECTS

As of December 31, 2004, the Group had no such liabilities.

11. REVENUE, COSTS AND RESULTS ON DISCONTINUED BUSINESS IN THE GIVEN PERIOD

From January 1 to December 31, 2004, the Group did not discontinue any business.

12. COST OF FIXED ASSETS UNDER CONSTRUCTION AND FIXED ASSETS FOR OWN USE

Fixed assets under construction of Bank Millennium S.A. increased by PLN 17,080 thousand from January 1 to December 31, 2004.

13. CAPITAL EXPENDITURE INCURRED AND PLANNED FOR THE NEXT 12 MONTHS FROM THE BALANCE SHEET DATE

As of December 31, 2004:
Bank Millennium S.A.
- incurred PLN 19,115 thousand (including purchases of fixed assets and intangible assets from FORIN Sp. z o.o. for PLN 1,705 thousand)
- planned capital expenditures of Bank MILLENNIUM for January 1, 2005 to December 31, 2005 amount to PLN 47,856 thousand

BEL Leasing Sp. z o.o.
- incurred PLN 23,307 thousand (including fixed asset purchased from PROLIM for PLN 21,415 thousand)
- planned PLN 2,843 thousand

FORIN Sp. z o.o.
- incurred PLN 50 thousand

Bank Millennium S.A. SAB-RS2004 PLN in thousands

- planned PLN 47 thousand

Millennium DOM Maklerski S.A.
- incurred PLN 393 thousand
- planned PLN 3,379 thousand

PROLIM S.A.
- incurred PLN 8 thousand
- planned PLN 400 thousand

MILLENNIUM TFI
- incurred PLN 102 thousand
- planned PLN 651 thousand

As of December 31, 2003:

Bank Millennium S.A.
- incurred PLN 212,787 thousand (including purchases of fixed assets, also from TBM Sp. z o.o. – for PLN 85,933 thousand)
- planned capital expenditures for January 1, 2004 to December 31, 2004 for investments of Bank Millennium S.A. amounts to PLN 67,900 thousand

BEL Leasing Sp. z o.o.
- incurred PLN 3,465 thousand
- planned PLN 2,180 thousand

FORINWEST Sp. z o.o.
- incurred PLN 50 thousand
- planned PLN 40 thousand

FORIN Sp. z o.o.
- incurred PLN 2,002 thousand
- planned PLN 1,840 thousand

Millennium DOM Maklerski S.A.
- incurred PLN 1,257 thousand
- planned PLN 1,354 thousand

TBM Sp. z o.o.
- incurred PLN 2,881 thousand

MILLENNIUM TFI
- incurred PLN 908 thousand
- planned PLN 1,595 thousand

14. ISSUER'S TRANSACTIONS WITH RELATED PARTIES

The table below presents material intragroup transactions and balances eliminated from the respective items of the consolidated financial statements (PLN '000).

ASSETS	**December 31, 2004**	**December 31, 2003**
Cash deposited with the Bank by:	**1,615,788**	**433,690**
Millennium DOM Maklerski S.A.	320,300	289,228
BEL Leasing Sp. z o.o.	27,736	26,758
TFI Millennium S.A.	11,763	13,430
TBM Sp. z o.o.	5,713	8,015
BIG BG Inwestycje S.A.	1,209,575	19,148
FORIN Sp. z o.o.	37,593	21,786
FORINWEST Sp. z o.o.	-	53,605
Amounts due, of which:	**1,826,234**	**1,875,489**
amounts due from the Bank from BEL Leasing Sp. z o.o.	37,870	77,586
amounts due from the Bank from FORIN Sp. z o.o.	235,526	150,574
amounts due from the Bank from FORINWEST Sp. z o.o.	-	165,318
amounts due from the Bank from Millennium DOM Maklerski S.A.	22,287	22,250

Bank Millennium S.A. SAB-RS2004 PLN in thousands

amounts due from the Bank from PROLIM S.A. (net loans and purchased receivables)	91,024	-
amounts due from FORIN Sp. z o.o. in respect of receivables purchased from BEL Leasing Sp. z o.o.	48,738	-
amounts due from FORINWEST Sp. z o.o. in respect of receivables purchased from BEL Leasing Sp. z o.o.	-	68,663
amounts due from FORIN Sp. z o.o. in respect of the borrowing from BEL Leasing Sp. z o.o.	220,000	-
amounts due from FORINWEST Sp. z o.o. in respect of the borrowing from BEL Leasing Sp. z o.o.	-	105,000
amounts due from the Bank in respect of receivables purchased from BEL Leasing Sp. z o.o.	1,030,802	1,270,087
Shares in consolidated subsidiaries	**1,156,441**	**1,186,120**
elimination of shares upon consolidation within the Group:	,	,
BEL Leasing Sp. z o.o.	20,691	20,694
FORIN Sp. z o.o.	38,577	22,833
FORINWEST Sp. z o.o.	-	15,745
Millennium DOM Maklerski S.A.	16,500	16,500
BET Trading Sp. z o.o.	-	31,820
BIG BG Inwestycje S.A.	1,058,218	1,058,218
TBM Sp. z o.o.	4,614	4,114
BBG FINANCE B.V.	4,968	5,745
TFI Millennium S.A.	10,450	10,450
PROLIM S.A.	2,423	-
Debt securities, of which:	**40,714**	**27,063**
value of debt securities in SBB transaction concluded by DOM Maklerski and Bank MILLENNIUM	40,714	-
bonds issued by companies of the Group and held by the Group	-	27,063
Other debt securities and financial assets:	**97**	**1,030**
assets on SWAP valuation at the Bank	-	798
assets on SWAP valuation at BEL Leasing Sp. z o.o.	-	232
Other assets, of which:	**61,989**	**14,426**
additional capital paid in to FORIN Sp. z o.o.	20,025	-
amounts due to PROLIM S.A. from BEL Leasing Sp. z o.o. for sale of fixed assets	26,126	-
amounts due to the Bank from BEL Leasing Sp. z o.o.	13,307	12,898

LIABILITIES AND EQUITY	December 31, 2004	December 31, 2003
Amounts payable, of which:	**3,599,926**	**2,289,313**
amounts due to the Bank to BEL Leasing Sp. z o.o.	27,832	26,863
amounts due to the Bank to Millennium DOM Maklerski S.A.	319,516	289,222
amounts due to the Bank to TBM Sp. z o.o.	5,713	8,021
amounts due to the Bank to BET Trading Sp. z o.o.	-	2,339
amounts due to the Bank to FORIN Sp. z o.o.	37,593	21,786
amounts due to the Bank to FORINWEST Sp. z o.o.	-	53,605
amounts due to the Bank to TFI Millennium S.A.	11,763	13,430
amounts due to the Bank to BIG BG Inwestycje S.A.	1,209,575	19,148
amounts due to BEL Leasing Sp. z o.o. to FORINWEST Sp. z o.o.	-	173,663
amounts due to BEL Leasing Sp. z o.o. to FORIN Sp. z o.o.	268,738	-
amounts due to BEL Leasing Sp. z o.o. to the Bank	1,081,978	1,359,311
amounts due to PROLIM S.A. to the Bank	281,019	-
amounts due to FORIN Sp. z o.o. to the Bank	235,526	150,574
amounts due to FORINWEST Sp. z o.o. to the Bank	-	165,318
Liabilities in respect of securities sold with a buy-back clause	**40,714**	**-**

Bank Millennium S.A. SAB-RS2004 PLN in thousands

debt securities in respect of SBB transaction between Millennium DOM Maklerski and Bank MILLENNIUM	40,714	-
Amounts due in respect of issues of own securities, of which:	**-**	**27,063**
commercial paper and bonds issued by the companies from the Group and held by the Group	-	27,063
Other liabilities in respect of financial instruments:	**97**	**1,030**
liabilities of BEL Leasing Sp. z o.o. on SWAP valuation	-	798
liabilities of the Bank on SWAP valuation	-	232
Special funds and other liabilities, of which:	**32,511**	**4,165**
amounts due from BEL Leasing Sp. z o.o. to the Bank	-	1,261
amounts due from BEL Leasing Sp. z o.o. to the PROLIM S.A.	26,126	-
amounts due from TFI Millennium S.A. to the Millennium DOM Maklerski SA	279	219
amounts due from Millennium DOM Maklerski S.A. to the Bank	1,203	48
amounts due from the Bank to the PROLIM S.A.	3,106	-
amounts due from the Bank to the FORINWEST Sp. z o.o.	-	746
Subordinated debt:	**22,287**	**22,250**
loan granted by the Bank to Millennium DOM Maklerski S.A.	22,287	22,250

INCOME STATEMENT	**Jan. 01 to Dec 31, 2004**	**Jan. 01 to Dec 31, 2003**
Income		
interest income, of which:	**101,602**	**129,681**
received by the Bank from BEL Leasing Sp. z o.o.	38,641	69,804
received by BEL Leasing Sp. z o.o. from the Bank	3,917	22,964
received by the Bank from FORIN Sp. z o.o.	13,493	9,993
received by the Bank from FORINWEST Sp. z o.o.	-	2,147
received by Millennium DOM Maklerski S.A. from the Bank	15,366	14,011
received by FORINWEST Sp. z o.o. from BEL Leasing Sp. z o.o.	-	2,536
received by FORIN Sp. z o.o. from BEL Leasing Sp. z o.o.	14,580	-
commission income, of which:	**9,594**	**7,806**
received by Millennium DOM Maklerski S.A. from Bank	1,505	2,631
received by Millennium DOM Maklerski S.A. from TFI Millennium S.A.	2,830	2,114
received by the Bank from TFI Millennium S.A.	3,148	733
received by the Bank from BEL Leasing Sp. z o.o.	947	1,057
other operating income, of which:	**82,832**	**46,536**
received by the Bank from BIG BG Inwestycje S.A.	32,018	19
received by FORINWEST Sp. z o.o. from the Bank	-	24,242
received by FORIN Sp. z o.o. from the Bank	21,343	-
received by TBM Sp. z o.o. from the Bank	-	9,916
received by PROLIM S.A. from BEL Leasing Sp. z o.o.	21,415	-
received by BEL Leasing Sp. z o.o. from the Bank	1,535	128
received by the Bank from BEL Leasing Sp. z o.o.	2,136	-
received by Bank from Millennium DOM Maklerski S.A.	2,100	1,290
Expenses	,	,
interest expense, of which:	**91,395**	**129,328**
paid by BEL Leasing Sp. z o.o. to the Bank	38,641	69,804
paid by Bank to BEL Leasing Sp. z o.o.	3,917	22,964
paid by Bank to Millennium DOM Maklerski S.A.	15,041	14,011
paid by FORIN Sp. z o.o. to the Bank	13,493	9,993
paid by FORINWEST Sp. z o.o. to the Bank	-	2,147
paid by BEL Leasing Sp. z o.o. to FORIN Sp. z o.o.	14,580	-
paid by BEL Leasing Sp. z o.o. to FORINWEST Sp. z o.o.	-	2,536

Bank Millennium S.A. SAB-RS2004 PLN in thousands

commission expense, of which:	**9,991**	**8,028**
paid by the Bank to Millennium DOM Maklerski S.A.	26	735
paid by the Bank to FORINWEST Sp. z o.o.	-	1,179
paid by the Bank to FORIN Sp. z o.o.	1,648	-
paid by BEL Leasing Sp. z o.o. to the Bank	947	1,057
paid by TFI Millennium S.A. to the Bank	3,148	1,567
paid by TFI Millennium S.A. to Millennium DOM Maklerski S.A.	2,827	2,068
paid by Millennium DOM Maklerski S.A. to the Bank	707	1,124
other operating expenses, of which:	**56,111**	**31,808**
paid by FORINWEST Sp. z o.o. to the Bank	-	23,182
paid by FORIN Sp. z o.o. to the Bank	18,379	-
paid by BIG BG Inwestycje S.A. to the Bank	32,000	-
general and administrative expenses, of which:	**6,542**	**14,302**
paid by the Bank to BEL Leasing Sp. z o.o.	1,535	128
paid by BEL Leasing Sp. z o.o. to Bank	2,136	-
paid by the Bank to TBM Sp. z o.o.	-	9,916
paid by the Bank to Millennium DOM Maklerski S.A.	2	414
paid by Millennium DOM Maklerski S.A. to TBM Sp. z o.o.	-	230
paid by Millennium DOM Maklerski S.A. to the Bank	2,100	1,290
paid by the Bank to BET Trading Sp. z o.o.	-	1,244

Subordinated loan granted to MILLENNIUM DOM MAKLERSKI S.A.
The Bank continues to service the subordinated loan taken over on April 21, 1998 and granted by the former Bank Gdański S.A. to MILLENNIUM DOM MAKLERSKI S.A. on April 29, 1997 for PLN 20,250 thousand until May 1, 2007 (extended on the expiration date of the previous agreement, i.e. May 1, 2002). In addition, on September 18, 2003, the Bank granted MILLENNIUM DOM MAKLERSKI S.A. a further subordinated loan of PLN 2,000 thousand until September 18, 2008.

Transactions with related companies holding shares in the Bank (as of December 31, 2003):

Bank Assets

Entity	Amounts due from financial sector	Current financial assets (valuation of derivatives)	Total
BCP	58,762	0	58,762

Liabilities and Equity of the Bank

Entity	Amounts due to financial sector	Current financial liabilities (valuation of derivatives)	Total
BCP	0	54,352	54,352

Income Statement of the Bank

Entity	Interest income	Interest expense	Profit on financial operations	Loss on financial operations	Total profit/loss
BCP	92,749	-62,872	13,358	-28 477	14,758

Off-balance sheet items

Entity	Interest rate swaps	FX swaps	Equity swaps	Total
BCP	1,163,160	297,849	12,000	1,473,009

15. JOINT VENTURES THAT ARE NOT SUBJECT TO CONSOLIDATION

The Bank Millennium Group is not engaged in such joint ventures.

Bank Millennium S.A. SAB-RS2004 PLN in thousands

16. INCOME AND COST OF THE BANK'S BROKERAGE OPERATIONS

Bank Millennium S.A. does not carry out brokerage activities. One of the members of the Bank Millennium Group is Millennium DOM Maklerski S.A., a brokerage house which operations in this area are characterized by the following data (after elimination of intragroup transactions) for the period from January 1 to December 31, 2004 (PLN '000):

1. Income on the core operational activity 35,599
2. Costs related to the core operational activity 6,871

Income from brokerage operations also includes income of TFI MILLENNIUM S.A. amounting to PLN 14,492 thousand (for the period from January 1 to December 31, 2004).

17. INFORMATION ABOUT WRITE-OFFS OF UNCOLLECTIBLE RECEIVABLES

Bank Millennium S.A.:

	Jan. 1 to Dec. 31, 2004	Jan. 1 to Dec. 31, 2003
Write-offs of uncollectible receivables	535,191	263,905
- charged to the provisions established	535,191	263,891
- charged to other operational costs	0	14

18. COSTS RELATED TO PROVISIONING AGAINST FUTURE OBLIGATIONS TOWARDS EMPLOYEES

As of December 31, 2004, costs related to provisioning against future obligations toward employees were as follows:

1) Bank Millennium S.A.
As of December 31, 2004, the total amount of provisions charged to costs was PLN 17,271 thousand.
The provisions were established in respect of:

- bonuses;
- commissions;
- vacation payments;
- retirement severance pays;
- remuneration for December 2004.

2) Other consolidated companies (PLN '000)

Provision for	BEL Leasing	Forin	DOM Maklerski	Prolim	TFI	Total
Rewards and bonuses	1,632	647	676		753	**3 707**
Vacation payments	596	195		35		**826**
Retirement severance pays	353	158			2	**513**
Remuneration (including severance pays)	278					**278**
Indemnity	1,153					**1 153**
Total	**4,012**	**1,000**	**676**	**35**	**755**	**6 478**

19. COSTS INCURRED TO FINANCE EMPLOYEE PENSION PROGRAMS

The Bank Millennium Group does not finance any employee pension programs.

20. CUSTODY OPERATIONS

As of December 31, 2004, the Custody Department maintained 1,790 investment accounts, i.e. over 100% more than at the end of 2003, on which customers deposited securities for the total value of PLN 17,039 billion, i.e. up by nearly 50% as compared with 2003. The Custody Department serves as a depositary bank and a transfer agent for six investment funds from the Millennium TFI Group. In the

Bank Millennium S.A. SAB-RS2004 PLN in thousands

2004, the Custody Department attracted five foreign customers, including three institutional customers, with total assets of over PLN 1.5 billion and 42 domestic corporate customers. From January 1 to December 31, 2004, net profit on custody operations amounted to PLN 2,653 thousand.
In 2004, Bank Millennium was awarded for its custody services with the status of Top Rated in the annual Agent Bank Survey of Emerging Markets organized by Global Custodian Magazine, a prestigious industry magazine.

20. SECURITIZATION OF ASSETS

In the reporting period the Group did not acquire any securities as a result of securitization of assets.

22. AVERAGE EMPLOYMENT BROKEN DOWN BY PROFESSIONAL GROUP

From January 1 to December 31, 2004, average employment in the Group was as follows (full-time equivalents):

BANK MILLENNIUM S.A.

Total average employment of which:	3,925
- Management	121
- Other	3,804

Other consolidated companies:

	BEL Leasing	Forin	DOM Maklerski	Prolim	TFI	TBM	Total
Employment, of which:	**178**	**29**	**125**	**11**	**20**	**1**	**364**
Management Board	3	3	2	1	3	1	**13**
Directors	3	0	6	1	0	0	**10**
Other	172	26	117	9	17	0	**341**

23. TOTAL VALUE OF SALARIES AND REWARDS (IN CASH AND IN KIND) PAID OR DUE TO MANAGERS AND SUPERVISORS

Data for the period January 1, 2004 to Dec 31, 2004 (PLN '000):
BANK MILLENNIUM S.A.

1. Remuneration, awards or benefits paid out or due to the management is presented in the table herein below (in 000's PLN)

No.	Name	2004	Comments
1.	Bogusław Kott	2 100.0	
2.	Julianna Boniuk-Gorzelańczyk	3 255.0	
3.	Wojciech Haase	3 256.0	
4.	Zbigniew Kudaś	676.6	*since VI / 2004*
5.	Wiesław Kalinowski	673.8	*since VI / 2004*
6.	Anna Rapacka	7 073.7	
7.	Jerzy Zdrzałka	5 294.9	*to I / 2004*
8.	Fernando Bicho	1 361.6	
9.	Rui Manuel Teixeira	1 589.0	
10.	Luis Coutinho	1 818.1	
	Total :	**27 098.7**	

Bank Millennium S.A. SAB-RS2004 PLN in thousands

The total amount of remuneration, awards or benefits paid out or due in 2004 and bonuses for 2003. The decision on eventual bonuses for the year 2004 has not yet been made by the Supervisory Board.

2. Remuneration for the supervisors is illustrated in the table herein below (in 000's PLN)

No.	Name	2004	Comments
1.	Maciej Bednarkiewicz	406.3	
2.	Marek Belka	55.0	*to IV / 2004*
3.	Andrzej Koźmiński	81.2	
4.	Ryszard Pospieszyński	274.2	
5.	Dariusz Rosati	47.1	*since VI / 2004*
6.	Marek Rocki	81.2	
7.	Zbigniew Sobolewski	81.2	
8.	Christopher De Beck	162.5	
9.	Francisco De Lacerda	81.3	
10.	Jorge Manuel Goncalves	162.5	
11.	Gijsbert Johannes Swalef	81.3	
	Total :	**1 513.8**	

OTHER CONSOLIDATED COMPANIES

Remuneration of Members of Management Boards of the companies	5,261.6
Remuneration of Members of Supervisory Boards of the companies	0.0

Data for January 1 to December 31, 2003 (PLN '000):
BANK MILLENNIUM S.A.

Remuneration of Members of the Management Board of the Bank	31,725.6
Remuneration of Members of the Supervisory Board of the Bank	1,632.0
Remuneration of Members of the Management Board of the Bank received from subsidiaries	28.3
Remuneration of Members of the Supervisory Board of the Bank received from subsidiaries	28.3

59% of the remuneration for the Management Board represent the bonus for achievements in 2002, while 5,6% is the compensation for resigning Members of the Management Board.

OTHER CONSOLIDATED COMPANIES

Remuneration of Members of Management Boards of the companies	4,706.8
Remuneration of Members of Supervisory Boards of the companies	0.0

24. VALUE OF UNREPAID ADVANCES, CREDIT, LOANS, GUARANTEES, SURETIES OR OTHER AGREEMENTS BINDING MANAGEMENT AND SUPERVISORY PERSONNEL AS WELL AS EMPLOYEES TO MAKE PAYMENTS TO THE ISSUER AND RELATED ENTITIES

1. Members of the Management Board have a liability in respect of unpaid amounts due for PLN 46.5 thousand in total.
2. Guarantees granted to Members of the Management Board amounted to PLN 37.0 thousand in total.

As of December 31, 2004, outstanding balance of loans granted to employees of the Bank from the Company Social Benefits Fund (ZFŚS) amounted to PLN 5,121.1 thousand.

The Bank does not maintain records of loans and borrowings granted to employees as part of on-going business, i.e. on commercial terms as for Clients of the Bank.

The item does not appear in other consolidated companies as of December 31, 2004.

25. SIGNIFICANT PRIOR YEARS EVENTS DISCLOSED IN THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE CURRENT PERIOD

- On November 5, 1999, a PZU S.A. share purchase agreement was entered into by the State Treasury, Eureko B.V. and BIG Bank GDAŃSKI S.A., based on which the Bank undertook to purchase, on its own behalf or on behalf of its subsidiary, 863,523 series A shares of PZU S.A. (Company) representing 10% of the share capital of PZU S.A. for a total price of PLN 1,006,004,295 from the State Treasury. The Bank and EUREKO B.V. has assumed a number of long-term obligations in respect of the development of PZU S.A. Pursuant to the agreement, the investors have been committed, *inter alia*, to refrain from selling PZU S.A. shares for at least five years. The investors have been also obliged to retain earnings for 1999 and 2000 and to designate them for investment and development purposes and to carry out the development program. The investors have also taken a number of obligations towards the Company's employees and its major subsidiaries, i.e. PZU Życie S.A. and PTE PZU S.A., regarding the maintenance of the Company's headcount at the level as of the agreement date, salary increases and provision of training to develop professional skills of employees. In addition, the investors have been committed to co-operate with the Minister of the State Treasury to introduce PZU S.A.'s shares to public trading by the end of 2001.

- On November 9, 1999, the Bank transferred to BIG-BG INWESTYCJE S.A., a subsidiary of the Bank, ownership of all the PZU S.A. shares acquired under the agreement. The transfer of these shares was in accordance with the provisions of the agreement entered into by the Bank and the State Treasury. The shares subject to the agreement represent 10% of PZU S.A.'s share capital and 863,523 votes at a General Meeting of Shareholders of PZU S.A., i.e. 10% of the total number of votes at this meeting. The PZU S.A. shares purchased by BIG-BG INWESTYCJE S.A. are a long-term equity investment. The purchase of PZU S.A. shares was financed by the Bank out of the funds provided by BIG-BG INWESTYCJE S.A. in the amount of PLN 1,006,004,295. The amount provided by BIG-BG INWESTYCJE S.A. represented own funds of this entity. Upon the acquisition of the PZU S.A. shares, BIG-BG INWESTYCJE S.A. assumed all the rights and duties set forth in the agreement entered into by the State Treasury and the Bank without prejudice to the liability of the Bank under the agreement.

- On December 13, 2001, the Bank's Management Board announced that on December 12, 2001, BBG Finance BV ("BBG Finance", "Company"), a limited liability company established in the Netherlands and the Bank's subsidiary, had purchased 33 A-series variable interest bonds maturing in three equal installments: in December 2005, December 2006 and December 2007, of the total nominal value of EUR 33,000,000, and 80 A-series variable interest subordinated bonds maturing in 2011, of the total nominal value of EUR 80,000,000, issued by the Bank on the same day. The nominal value of each bond is EUR 1,000,000; the purchase price is equal to the nominal value.
  The Bank issued and sold the bonds to increase its creditworthiness, also by raising supplementary capital.
  On the same day, BBG Finance issued variable interest bonds maturing in three equal installments in December 2005, December 2006 and December 2007, of the total nominal value of EUR 33,000,000, and variable interest subordinate bonds maturing in 2011, of the total nominal value of EUR 80,000,000. The bonds were issued pursuant to the custody agreement concluded on the same day by BBG Finance with the Bank and Bank of New York as the custodian acting on behalf of investors purchasing the bonds.
  At the same time, BBG Finance, the Bank and Bank of New York concluded an agency agreement, under which Bank of New York is to provide agency services to handle payments, determine interest due, maintain the bondholders' register and act as bondholders' custodian.
  To secure its obligations under the custody agreement, on December 12, 2001, BBG Finance concluded an ownership transfer agreement for bonds issued by Bank Millennium S.A. with Bank of New York.
  In order to enable BBG Finance to issue bonds, on December 12, 2001, the Bank transferred EUR 1,200,000 as a premium to the Company's share capital, pursuant to a separate agreement

concluded between the Bank and the Company. After the increase, the Company's equity accounts for 1.08% of the bond issue value.

- On February 6, 2002, the Management Board communicated that the Bank had received Decision No. 13/02 issued by the Banking Supervisory Commission on January 29, 2002 in which the Banking Supervisory Commission gave its consent to record as supplementary funds of the Bank, till December 12, 2011, PLN 275,000,000 from the issue of 10-year subordinated bonds of EUR 80,000,000 carried out by the Bank. The bonds were sold to BBG Finance B.V., the Bank's subsidiary headquartered in the Netherlands.

- On October 1, 2003 Management Board of the Bank informed that the Bank had executed a swap transaction with Banco Comercial Portugues ("BCP") to neutralize the effect of payment of dividends received from PZU S.A. and costs of carrying investments into shares of PZU S.A. upon financial result of the Bank. According to the contract executed, the Bank will annually receive an amount being the equivalent of the economic cost of financing the investment into shares of PZU S.A. based on three month WIBOR (paid quarterly) in exchange for an amount being the equivalent of dividend received from PZU S.A. This contract also provides for the conditions under which it shall be prematurely terminated as a result of selling PZU S.A., with a specific formula providing for the participation of BCP in sales revenue when value of the transaction exceeds PLN 1,600,000,000.00. The Bank retains full control over shares of PZU S.A. The Contract has been concluded for 5 years.

- On October 1, 2003, the Bank informed, referring to the Memorandum of Understanding signed on September 22, 2003 by the Bank, Bank Handlowy S.A. w Warszawie, Bank Polska Kasa Opieki S.A., Bank Przemysłowo-Handlowym PBK S.A., ING Bank Śląski S.A., and Kredyt Bank S.A. and on the next days by Export Import Bank of Korea, Korea Export Insurance Corporation, Daewoo Motor Company Ltd. and Daewoo-FSO Motor S.A. ("Daewoo-FSO"), that on September 30, 2003, the Memorandum of Understanding had been signed by the last party and, in consequence, had been deemed to be duly concluded. The subject matter of the Memorandum of Understanding is debt restructuring of Daewoo-FSO through the amendment of the terms and conditions of the repayment and reduction of Daewoo-FSO's debts towards the Bank and other creditors by way of: (i) direct or indirect swap of debt to equity of Daewoo-FSO under a contractual set-off, (ii) debt reduction in composition proceedings or agreements concluded by Daewoo-FSO with its creditors. The restructuring aims at reaching an optimum recovery of receivables due from Daewoo-FSO to its creditors while ensuring that business activities of Daewoo-FSO will be continued essentially in their scope to date.

26. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

- On January 3, 2005 the Bank informed that it had received a decision of the Office for Competition and Consumer Protection regarding its consent to concentration represented by the purchase of 10% shares in PZU S.A. by EUREKO B.V., based in Amsterdam, the Netherlands, from BIG BG Inwestycje S.A., a subsidiary of the Bank. This decision satisfies the condition specified in the agreement announced by the Bank in Communication No. 48/2004 dated December 22, 2004.

27. SIGNIFICANT EVENTS IN THE FINANCIAL YEAR

27.1 Significant agreements for operations of the Group

- **Sale of PZU S.A.**

December 21, 2004, the Bank together with its subsidiary BIG BG Inwestycje S.A. signed an agreement with Eureko B.V. on sale of 10% of shares in PZU S.A. Pursuant to the agreement, the minimum guaranteed sale price for shares in PZU S.A. amounts to PLN 1.6 billion payable in two installments. The first installment of PLN 1.2 billion was paid on the bank account of BIG BG Inwestycje on December 30, 2004.

In addition, taking into account the intended introduction of PZU S.A. to trading at the Warsaw Stock Exchange in 2005, the sale price can be increased depending on prices of PZU shares after they go public. Consolidated income before tax resulting from this agreement and disclosed by the Bank Millennium Group in 2004 amounted to PLN 382 million. The agreement was concluded upon condition to obtain a relevant consent of the Office for Competition and Consumer Protection by Eureko B.V. and this condition was satisfied.

- **Sale of the car loan portfolio and retention of the mortgage loan portfolio originated by an external intermediary**

On May 13, 2004, the Bank, in performance of the preliminary agreement of February 20, 2004, concluded an agreement with Santander Consumer Finance S.A. on transfer by the Bank on behalf of CC-Bank S.A., a company with its registered office in Poznań ("CC-Bank") receivables in respect of part of the portfolio of car loans granted by the Bank through Polskie Towarzystwo Finansowe S.A., a company with its registered office in Wrocław ("PTF"), under the cooperation agreement between the Bank and PTF of February 4, 2000 and on accession of CC-Bank to this cooperation agreement in lieu of the Bank. CC-Bank paid the Bank PLN 150 million increased by outstanding principal as of the payment date in respect of the price for the transfer of receivables under loan agreements.
On May 13, 2004, the Bank, in performance of the preliminary agreement of February 20, 2004, concluded an agreement with Santander Consumer Finance S.A. on absolving PTF from obligations under cooperation agreements concluded by the Bank and PTF on December 19, 2000 and August 28, 2003, respectively, pursuant to which PTF provided the Bank with intermediary services in the area of granting mortgage loans. In respect of mutual settlements of the parties to this agreement, the Bank paid PTF PLN 30 million for PTF's relinquishment of part of interest margin payable to PTF under the agreement.

- **Sale of claims against FSO S.A.**

On October 7, 2004 the Bank concluded an agreement on transfer of claims against Fabryka Samochodów Osobowych Spółka Akcyjna (former Daewoo FSO Motor S.A.) on behalf of OPENED JOINT STOCK COMPANY "UKRAINIAN MOTOR CORPORATION" based in Kiev. In respect of the claims sold, the Bank received PLN 27 million in the last three months of 2004.

- **Acquisition of FORIN Sp. z o.o.**

On February 6, 2004, the Bank concluded the enterprise purchase agreement (as defined in art. 55 bullet 1 of the Civil Code) with Forin Sp. z o.o. ("Forin"), an associated company of the Bank. The business of Forin's enterprise includes in particular: trading in receivables, factoring, forfeiting, accepting bills for discounting, granting loans. Pursuant to the above enterprise purchase agreement, the Bank took over employees of Forin following the procedure of transferring a work establishment to another employer as defined in art. 23 bullet 1 of the Labor Code. The enterprise was handed over on the date of the enterprise purchase agreement.

- **Loan agreement with the European Investment Bank**

On December 22, 2004, the Bank concluded a framework loan agreement with the European Investment Bank ("EIB"). The agreement provides for opening a credit facility up to EUR 100 mln or equivalent by the EIB to co-finance medium and long-term investment projects implemented by small and medium-sized enterprises and municipal infrastructural projects.

27.2 Other significant events for operations of the Group

- On January 29, 2004, the Bank's Management Board announced that Mr. Jerzy Zdrzałka had stepped down from the Management Board because of personal reasons on January 28, 2004.

- On April 29, 2004, the Management Board of the Bank informed that the Supervisory Board of the Bank on its meeting on the previous day had increased the number of members of the Management Board to 9 persons and had appointed Mr. Wiesław Kalinowski and Mr. Zbigniew Kudaś as members of the Management Board of the Bank with effect from June 1, 2004. Mr.

Wiesław Kalinowski, 52, is a graduate of Warsaw University, the Institute of Economics, with MA in economics. Then he completed post-graduate studies on application of mathematics in economy at the Finance and Statistics Faculty of the Warsaw School of Economics (SGH). From 1991 to March 2004 he served as vice-president of Bank Handlowy w Warszawie S.A. ("BHW"). In 1985 to 1991 he was a director of the economic analysis and forecast department of the National Bank of Poland (Poland's central bank), and from 1989 to 1991 he was also a member of its Management Board. He worked as an advisor to the minister at the Government Representative Office for Economic Reform (1982 to 1985), and prior to that as a senior advisor at the Planning Commission of the Council of Ministers (1976 to 1982). Mr. Zbigniew Kudaś, 52, is a graduate of Warsaw University, the Law Faculty. He also completed post-graduate studies on international economic cooperation at the Warsaw School of Economics (SGH). He entered the diplomatic service in the Ministry of Foreign Affairs (1973 to 1992), in turn, at the Legal and Consular Department, the Department of America, the Consulate of Poland in Chicago and the Embassy of Poland in Washington. In 1992 to 1995 he served as an international affairs director at HOME BUILDERS INSTITUTE in Washington and then was appointed as member of the Management Board and development director of BUDBANK S.A. (1995 to 1996). Since 1998 he has been the sales and marketing vice-president at GE Bank Mieszkaniowy S.A.

- On May 5, 2004, the Bank's Management Board announced that Mr. Marek Belka had stepped down from the Management Board on May 2, 2004.

- On May 27, 2004, the Management Board of the Bank informed that on May 27, 2004, the General Meeting of Shareholders had adopted resolutions and appointed Mr. Dariusz Rosati as a new member of the Supervisory Board of the Bank. Mr. Dariusz Rosati, 57, graduated from the Warsaw School of Economics (SGH), the foreign trade faculty, in 1969 and was employed as an assistant at SGH. In 1973, he obtained PhD presenting dissertation on decision-making theories and in 1978 he completed postdoctoral studies in foreign trade policy. In 1978 to 1979 he worked as a consultant at Citibank, New York. In 1985 to 1986 and 1987 to 1988 he founded and headed the Global Economy Institute at SGH. In 1986 to 1987 he received the Fulbright scholarship at Princeton University in the United States. In 1988 to 1991 he was a director of the Institute of Business Cycle and Prices in Foreign Trade. From 1989 to 1991 he was a partner at Ernst&Young - TKD Consultants, Ltd. in Warsaw. Since 1990 he has been a professor of economics at SGH. In 1991 to 1995 he was the head of the Central and Eastern European Countries Section of the UN European Economic Commission. From December 1995 to October 1997 he served as the Minister of Foreign Affairs of the Republic of Poland. From 1978 to 1991 he was a consultant of UNIDO and participated in many missions in developing countries. In 1988 to 1991 he was an expert on behalf of the World Bank, UN WIDER, the International Labor Organization and the Commission of the European Communities. He was a lecturer at many universities and scientific institutes in Europe and the USA. He was a member of the Economic Reform Commission (1987 to 1989), a team of economic advisors to the Prime Minister (November 1988 to June 1989), the Social and Economic Strategy Board at the Council of Ministers (1994 to 1998). Since 1997, he has been a member of the Committee of Economic Sciences of the Polish Academy of Sciences. In 1998 to 2004 he was a member of the Monetary Policy Council at the NBP. Since 2001, he has been a member of the Economic Advisors Team of the President of European Commission. Since May 15, 2003, he has been the President of the Ryszard Łazarski Higher School of Law and Commerce in Warsaw. Mr. Dariusz Rosati in an author of over 200 scientific works and publications, including five books on economic policy, foreign trade, export promotion and economic transformation in Central and Eastern Europe.

- On 25 June 2004, the Management Board of Bank Millennium S.A. announced that in the course of the „Investor's Day" held on that day in Lisbon organised by Banco Comercial Portugues ("BCP") – the Portuguese bank group with the strategic shareholding in Bank Millennium S.A. – the Management Board of BCP met with analysts and investors. In the course of that meeting Mr Bogusław Kott, Chairman of the Management Board of Bank Millennium S.A. and member of the Management Board of BCP, and Mr Luis Pereira Coutinho, Deputy Chairman of the Management Board of Bank Millennium S.A., reviewed the strategy of the Bank Millennium Group ("Group ") informing that it planned to reach in 2006 the net ROE of 12% and more than 15% in 2007 (assuming Capital Adequacy Ratio = 10%), while the cost to income ratio at the level of 65% in 2006. The Group's strategy focused on increasing profitability, above all on the retail market, and also on changes of the crediting process allowing to grow the crediting action based on the effective model of risk management. The Group is currently implementing the comprehensive project of credit portfolio restructuring. The realization of the assumed plans of strategic development should allow the Group to enhance the share on the loan market from 3,7% at end 2003 to 4,6% at end 2006, and on the market of the clients' funds (including the investment funds) from 3,8% to 4,7% over the same period of time.

- On September 6, 2004, the Bank informed that BEL Leasing Sp. z o.o., based in Warsaw, a subsidiary of the Bank, had purchased under an agreement with two individuals and the Bank 2,175 shares in PROLIM S.A., based in Sopot, each share having a nominal value of PLN 7,450.00, for PLN 3,936,349.69 in total. Before the transaction, the Bank held 25% of shares in PROLIM S.A. and valued this company under the equity method. The shares subject to the transaction represent 100% of share capital and gives 100% votes at a General Meeting of Shareholders of PROLIM S.A. The shares were paid for with own funds of BEL Leasing Sp. z o.o. The transaction is designed to intensify restructuring of PROLIM S.A. Lease operations are the core business of PROLIM S.A. The individuals who sold shares are not related to z BEL Leasing Sp. z o.o.

- On September 8, 2004, the Management Board of the Bank presented the statement that the Bank undertakes to comply with corporate governance principles presented in Good Practices of Public Companies in 2002.

- On December 15, 2004, the Bank informed that Ms. Anna Rapacka had resigned her position of Member of the Management Board of the Bank with effect from December 31, 2004. The resignation was justified with health problems.

- On 22 December 2004, the Bank announced that in preparing for the introduction of the new International Financial Reporting Standards and in pursuance to the Law on Accounting, the fixed assets and intangibles were reviewed in detail to update their economic life, and also the fair value of the real property whose sale is underway. On the basis of the tentative conclusions from the analysis, the Bank is considering the adjustment of the depreciation period of some of the assets and in consequence, a one-off depreciation in 2004 amounting to 221 million PLN, which will result in savings in the coming years.

- On December 28, 2004, the Bank announced that it had been informed by Carothers Trading Limited, based in Nicosia, Cyprus, ("Carothers") of the purchase of 46,481,652 shares by Carothers representing 5.47% of share capital of the Bank and 46,481,652 votes, i.e. 5.47% of the total number of votes at a General Meeting of Shareholders of the Bank. As a result of the purchase transaction, Carothers holds 84,833,256 shares of the Bank in total, representing 9.99% of share capital of the Bank and 84,833,256 votes at a General Meeting of Shareholders of the Bank, i.e. 9.99% of the total number of votes at a General Meeting of Shareholders of the Bank.

- On December 28, 2004, the Bank announced that it had been informed by Priory Investments Group Corp. based in Tortola, the British Virgin Islands, ("Priory") of the purchase of 52,358,278 shares by Priory, representing 6.17% of share capital of the Bank and 52,358,278 votes, i.e. 6.17% of the total number of votes at a General Meeting of Shareholders of the Bank. As a result of the purchase transaction, Priory holds 84,833,256 shares of the Bank in total, representing 9.99% of share capital of the Bank and 84,833,256 votes at a General Meeting of Shareholders of the Bank, i.e. 9.99% of the total number of votes at a General Meeting of Shareholders of the Bank.

- On December 28, 2004, the Bank announced that it had been informed by M+P Holding S.A. based in Lausanne, Switzerland, ("M+P"), of the purchase of 61,907,117 shares by M+P, representing 7.29% of share capital of the Bank and 61,907,117 of votes, i.e. 7.29% of the total number of votes at a General Meeting of Shareholders of the Bank. As a result of the purchase transaction, M+P holds 84,833,256 shares of the Bank in total, representing 9.99% of share capital of the Bank and 84,833,256 votes at a General Meeting of Shareholders of the Bank, i.e. 9.99% of the total number of votes at a General Meeting of Shareholders of the Bank.

Bank Millennium S.A. SAB-RS2004 PLN in thousands

- On December 30, 2004, the Bank announced that it had been informed by EUREKO B.V. based in Zeist, the Netherlands ("EUREKO"), of the sale, on December 28, 2004, of 160,747,047 shares of the Bank representing 18.93% of share capital of the Bank and 160,747,047 votes, i.e. 18.93% of the total number of votes at a General Meeting of Shareholders of the Bank. As a result of the concluded transactions, now EUREKO holds 9,174,220 shares of the Bank representing 1.08% of share capital of the Bank and 9,174,220 votes, i.e. 1.08% of the total number of votes at a General Meeting of Shareholders of the Bank.

28. RELATIONS BETWEEN THE LEGAL PREDECESSOR AND THE ISSUER AND ABOUT THE METHOD AND SCOPE OF TAKEOVER OF ASSETS AND LIABILITIES

In the period from January 1 to December 31, 2004, the Bank did not take over any assets and liabilities.

29. CONSOLIDATED FINANCIAL STATEMENT AND COMPARABLE CONSOLIDATED FINANCIAL DATA, RESTATED TO ACCOUNT FOR INFLATION RATE – IF THE ACCUMULATED ANNUAL AVERAGE RATE OF INFLATION FROM THE PERIOD OF LAST THREE YEARS OF THE ISSUER'S OPERATIONS REACHED OR EXCEEDED THE VALUE OF 100%

The annual average rate of inflation from last three years did not exceed 100%.

30. SPECIFICATION AND COMMENTS ON THE DIFFERENCES BETWEEN THE DATA DISCLOSED IN THE CONSOLIDATED FINANCIAL STATEMENT AND COMPARABLE CONSOLIDATED FINANCIAL DATA, AND THE FINANCIAL STATEMENTS PREVIOUSLY PREPARED AND PUBLISHED

As a result of the change in presentation of sell-buy-back and buy-sell-back transactions, for the purposes of these financial statements the following adjustments of comparable data published previously (in the annual financial statements as of December 31, 2003) were made:
- debt securities increased by PLN 1,435,800 thousand;
- receivables in respect of securities bought with sell-back clause increased by PLN 100,358 thousand;
- other securities and other financial assets decreased by PLN 809 thousand;
- liabilities from financial instruments decreased by PLN 129 thousand;
- liabilities from securities sold with buy-back clause increased by PLN 1,535,478 thousand;
- in off-balance sheet items, liabilities in respect of purchase/sale operations decreased by PLN 1,616,511 thousand.

These adjustments are presented in the table below:

Adjusted items	As of 31.12.2003 in the financial statements as of 31.12.2003	As of 31.12.2003 in the financial statements as of 31.12.2004
Receivables in respect of securities bought with sell-back clause	0	100,358
Debt securities	3,398,503	4,834,303
Other securities and other financial assets	677,728	676,919
Liabilities from securities sold with buy-back clause	0	1,535,478
Other liabilities from financial instruments	444,333	444,204
Liabilities in respect of purchase/sale operations	19,205,238	17,588,727

In addition, the presentation method was changed for some income and expense items (comparable data) in the report area of financial information by operations' segments - overheads, as well as cost and income of non-recurrent events are now not allocated to each of the segments of operations.

31. CHANGES IN THE ADOPTED ACCOUNTING POLICIES AND THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AS COMPARED TO THE PREVIOUS FINANCIAL YEAR

Information on changes in the adopted accounting policies has been contained in section 12.3) of the Introduction to these financial statements.

32. FINANCIAL INFORMATION BY BUSINESS SEGMENT

Business segments
Operations of the Bank Millennium Group are based on different business lines offering tailored products and services addressed to the following market segments:

a) Retail Segment

The Retail Segment covers operations of the Millennium Detal (retail customers market), Millennium Prestige (affluent customers market), and Millennium Biznes (small enterprises). In 2003 and partly in 2004, this segment also included the portfolio of car loans granted via external operators. In May 2004, this portfolio was sold and income and expenses were reflected in unallocated income and expenses.
Operations of the aforementioned business lines is developed with the use of a full range of banking products and services as well as cross-sales of products and services offered by subsidiaries of the Group. In the area of credit products, the offer includes, in particular, mortgage loans, credit cards and overdrafts. Key deposit products include investment funds, current accounts, term deposits and Bank Millennium bonds. In addition, the offer covers insurance products of PZU.

b) Corporate Segment

The Corporate Segment is based on the network of Medium-Sized Enterprises (corporate customers with annual sales of PLN 10 to 300 million) and the network of Large Enterprises (corporate clients with annual sales exceeding PLN 300 million, institutional customers). The offer of the network of Medium-Sized and Large Enterprises is also addressed to customers from the public sector.
Business activities in the Corporate Segment are carried out on the platform of high quality typical banking products (operating credit facilities, investment loans, current accounts, term deposits) supplemented with the offer of modern and simple products of the Treasury Department, home banking products and more sophisticated products such as derivatives. In particular, cross sales of leasing and factoring services are vigorously pursued in this segment.

c) Financial Markets

Bank Millennium expands its operations also in the Financial Market Segment that covers transactions made on account of the Bank in capital and money markets. The segment includes the portfolio of securities (Treasury bonds, shares), fx transactions, money market operations and derivatives as well as strategic operations carried out under supervision of the Capital, Asset and Liability Committee.
In 2004, sell-buy back (SBB) and buy-sell back (BSB) transactions were reclassified from off-balance sheet to on-balance sheet assets and liabilities increasing the balance sheet total.
This segment also comprises other performing assets and liabilities that are not attributed to other business lines.

d) Investment Activities

This segment covers activities of the Group in the area of investment banking, brokerage operations and asset management.

Results on consolidation of other companies consolidated under the equity method are included in investment activities.

e) Unallocated income and expenses

Results of the Group for two years are highly influenced by one-time events.

2003
1) Sale of shares in Polcard

2004
1) Sale of shareholding in PZU (a detailed description inlcuding the quantification has been provided below the financial note 44A).
2) Sale of the car loan portfolio (a detailed description inlcuding the quantification has been provided below the financial note 45A).
3) Additional depreciation of fixed assets and amortization of intangible assets resulting from the decision of the Management Board to update the value of assets and real estate being sold in line with new accounting standards (a detailed description inlcuding the quantification has been provided below the financial note 14A).

These items, including management expenses (amount to respectively: 2004 – PLN 123 million, 2003 – PLN 129 million), are disclosed as unallocated items because they do not originate from any business area and result from one-time events.

Geographical segments

The Bank Millennium Group operates exclusively on the territory of the Republic of Poland and no significant differences in risk were identified as regards the geographical location of its outlets. Therefore, the Group does not present financial statements with a breakdown into geographical areas.

Accounting polices

Accounting principles applied to the presentation of figures for individual segments are in compliance with the Accounting Laws and other relevant regulations.

Income generated by individual segments is arrived at using the transfer price system accepted by the Capital, Asset and Liability Committee and based on interest rates on purchase and sale for each currency in the portfolio of the Bank.

Expenses and income from financing commercial activities are included as eliminations regarding results of individual segments or, alternatively, they could be regarded as part of operations of the Bank in financial markets. Internal income and costs of funding assets or liabilities for a business area are aggregated under the retail segment and the corporate segment. Intragroup transactions are presented as eliminations.

Gross profit or loss is calculated for each segment and covers:
- net interest income calculated on the basis of attributed performing assets and liabilities, including internal interest income or expense based on internal transfer interest rates;
- net commission income;
- other non-interest income (mainly in the area of operations of the Treasury Department) such as income from shares and interests, derivatives and fx transactions;
- net provision expense or gain;
- share of the segment in administrative and personnel expenses, excluding management expenses.

Segment assets and liabilities cover assets and liabilities used by the segment in its operating activities. Based on rational reasons, they can be allocated to individual business segments.

Results for 2003 and 2004 (comparison)

Bank Millennium S.A. SAB-RS2004 PLN in thousands

Results of the retail segment improved in 2004 as compared with 2003. The main reason behind is a continuous growth of deposits coupled with close monitoring and management of a margin, considerable increase in housing loans and cost control, as well as higher commission income generated by growth in cross-sales. These factors fully compensated for a decrease of the margin as a result of the sale of part of the retail loan portfolio.

In 2004, the large corporate segment recorded a significant improvement, mostly due to better cost efficiency and to recovered loans previously charged to provisions in effect of work of the special team established at the beginning of the year to increase the recoverability of irregular loans.These revenues compensated for lower levels of net interest margin resulting from a reduction of the corporate loan portfolio since the Bank decided to limit major risks.

An increase in overliquidity during the year lessened pressures on the competitiveness of interest rates on large deposits and, in consequence, the growth of deposits slowed down in this segment. Results of this segment were influence by one-time provisions established in the course of adaptation of the Bank to new financial reporting standards valid from January 1, 2005.

The financial market segment showed worse results in 2004 than in 2003 due to a decline in financial markets (mainly the market of long-term treasury debt securities) in the first nine months of 2004. A higher interest margin of the segment was attributed to higher liquidity of the Group managed by this segment.

Investment activities increased its share in total results of the Group for 2004, mainly due to higher commission income from brokerage activities, corporate finance and asset management as well as lower operating expenses as a result of the implementation of the cost reduction scheme initiated in 2003.

As of December 31, 2004, PLN '000

	RETAIL BANKING	CORPORATES BANKING leasing and factoring activities	FINANCIAL MARKETS BANK	Investment activities	Eliminations	Consolidated value
Interest income	150,986	410,165	1,190,765	2,997	0	1,754,913
Net commission income	131,027	68,819	0	43,305	0	243,151
Other external income	11,792	44,718	34,246	19,898	0	110,654
Internal income	465,949	214,279	320,624	38,412	-1,039,264	0
Total income	**759,754**	**737,981**	**1,545,635**	**104,612**	**-1,039,264**	**2,108,718**
Interest expense	286,023	121,278	751,074	8,224	0	1,166,599
General and administrative expenses	407,439	202,714	27,529	32,692	0	670,374
- of which: depreciation and amortization	58,421	27,739	4,758	1,486	0	92,404
Difference in provisions	-29,790	121,760	-5,488	904	0	87,386
External expense	55,284	260,986	673,785	15,928	-1,005,983	0
Total expense	**718,956**	**706,738**	**1,446,900**	**57,748**	**-1,005,983**	**1,924,359**
Share in equity valuation	0	-874	1,287	0	0	413
Other unallocated income						521,862
Other unallocated expense						353,405
Segment income (loss)	**40,798**	**30,369**	**100,022**	**46,864**	**-33,281**	**353,229**
Income tax						112,725
Net income (loss)						**240,504**

Bank Millennium S.A. SAB-RS2004 PLN in thousands

	RETAIL BANKING	CORPORATES BANKING and leasing and factoring activities	FINANCIAL MARKETS BANK	Investment activities		Consolidated value
I. Segment assets	2,322,917	5,109,115	9,236,516	419,592	0	17,088,140
II. Investment in entities subject to the equity method	0	0	0	0	0	0
III. Assets unallocated to segments	0	0	0	0	3,352,326	3,352,326
IV. TOTAL ASSETS	**2,322,917**	**5,109,115**	**9,236,516**	**419,592**	**3,352,326**	**20,440,466**

	RETAIL BANK ING	CORPORATES BANKING and leasing and factoring activities	FINANCIAL MARKETS BANK	Investment activities		Consolidated value
I. Segment liabilities and equity	9,564,171	4,529,111	2,578,462	439,924	0	17,111,668
II. Liabilities and equity unallocated to segments	0	0	0	0	1,333,895	1,333,895
III. TOTAL LIABILITIES AND EQUITY	**9,564,171**	**4,529,111**	**2,578,462**	**439,924**	**1,333,895**	**18,445,563**

As of December 31, 2003, PLN ‘000

	RETAIL BANKING	CORPORATES BANKING and leasing and factoring activities	FINANCIAL MARKETS BANK	Investment activities	Eliminations	Consolidated value
Interest income	205,073	435,790	738,678	1,320	0	1,380,861
Net commission income	123,057	64,388	0	30,866	0	218,311
Other external income	7,477	46,438	79,217	78	0	133,210
Internal income	436,613	263,245	453,220	30,017	-1,183,095	0
Total income	**772,220**	**809,861**	**1,271,115**	**62,281**	**-1,183,095**	**1,732,382**
Interest expense	276,285	105,427	434,031	7,135	0	822,878
General and administrative expenses	403,662	223,474	49,112	48,677	0	724,925
- of which: depreciation and amortization	49,211	17,150	18,722	9,606	0	94,689
Difference in provisions	17,139	121,231	0	1,029	0	139,399
External expense	73,666	370,354	669,791	-7,324	-1,106,487	0
Total expense	**770,752**	**820,486**	**1,152,934**	**49,517**	**-1,106,487**	**1,687,202**
Share in equity valuation	0	0	-968	25,150	0	24,182
Other unallocated income						43,053
Other unallocated expense						129,226
Segment income (loss)	**1,468**	**-10,625**	**117,213**	**37,914**	**-76,608**	**-16,811**
Income tax					0	-57,706
Net income (loss)						**40,895**

Bank Millennium S.A. SAB-RS2004 PLN in thousands

	RETAIL BANK ING	CORPORATES BANKING and leasing and factoring activities	FINANCIAL MARKETS BANK	Investment activities	Eliminations	Consolidated value
I. Segment assets	4,288,105	6,179,594	5,600,575	79,512	0	16,147,786
II. Investment in entities subject to the equity method	0	0	767	0	0	767
III. Assets unallocated to segments	0	0	0	0	4,684,039	4,684,039
IV. TOTAL ASSETS	**4,288,105**	**6,179,594**	**5,601,342**	**79,512**	**4,684,039**	**20,832,592**

	RETAIL BANKING	CORPORATES BANKING and leasing and factoring activities	FINANCIAL MARKETS BANK	Investment activities	Eliminations	Consolidated value
I. Segment liabilities and equity	9,419,988	3,951,058	3,660,347	321,720	0	17,353,113
II. Liabilities and equity unallocated to segments	0	0	0	0	1,744,573	1,744,573
III. TOTAL LIABILITIES AND EQUITY	**9,419,988**	**3,951,058**	**3,660,347**	**321,720**	**1,744,573**	**19,097,686**

Since it is impossible to allocate part of management expenses to individual segments, such expenses are disclosed as unallocated income and expense together with results of one-time events: in 2003 (sale of Polcard) and in 2004 (sale of the car loan portfolio, sale of PZU and additional one-time depreciation and amortization).

33. CORRECTIONS OF FUNDAMENTAL ERRORS

No fundamental errors were made.

34. IN CASE OF UNCERTAINTY REGARDING CONTINUATION OF OPERATIONS, THE DESCRIPTION OF SUCH CONCERNS AND THE DECLARATION OF THE EXISTENCE OF SUCH UNCERTAINTY

There is no uncertainty regarding continuation of operations.

35. IN CASE OF THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD, IN WHICH THE MERGER WAS MADE, AN INDICATION THAT THESE FINANCIAL STATEMENTS WERE PREPARED AFTER THE MERGER OF THE COMPANIES, AND INDICATION OF THE CONSOLIDATION DATE, AND THE APPLIED METHOD OF SETTLING THE CONSOLIDATION

Information on mergers carried out from January 1 to December 31, 2004 is presented in section 9 of the Introduction to these financial statements.

36. DIFFERENCE BETWEEN THE BALANCE SHEET DATE, ON WHICH THE CONSOLIDATED FINANCIAL STATEMENTS WERE PREPARED, AND THE BALANCE SHEET DATE OF A SUBORDINATED COMPANY

All companies of the Bank Millennium Group subject to consolidation prepare their financial statements on the same balance sheet date.

37. INFORMATION ON ADJUSTMENTS AND VALUE OF EACH ITEM OF THE FINANCIAL STATEMENTS FOR WHICH DIFFERENT VALUATION METHODS AND PRINCIPLES WERE ADOPTED

Within the Bank Millennium Group, no different valuation methods and principles were adopted as regards individual items of the financial statements.

38. IF THE ISSUER DOES NOT PREPARE CONSOLIDATED FINANCIAL STATEMENTS, THE LEGAL GROUNDS FOR NOT PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS SHOULD BE PRESENTED IN AN ADDITIONAL EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS

Bank Millennium S.A. prepares the consolidated financial statements.

39. IF THE ISSUER PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS EXCLUDES, PURSUANT TO SEPARATE PROVISIONS, A SUBORDINATED COMPANY FROM THE CONSOLIDATION OR THE EQUITY METHOD, AN ADDITIONAL EXPLANATORY NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS SHOULD PRESENT THE LEGAL BASIS AND DATA JUSTIFYING THE EXCLUSION

The Bank Millennium Group have consolidated all entities subject to such obligation. The grounds for exclusion from consolidation due to the following criteria: sale intention and insignificance (defined in the Accounting Law of 29 September 1994, Art. 57 and 58) with the justification, were described in section 9 of the Introduction to these financial statements.

SIGNATURES:

Date	Full name	Position/ Function	Signature
....	Bogusław Kott	President of the Management Board	....
....	Luis Pereira Coutinho	Vice-President of the Management Board	....
....	Fernando Bicho	Member of the Management Board	....
....	Julianna Boniuk-Gorzelańczyk	Member of the Management Board	....
....	Anna Rapacka	Member of the Management Board	....
....	Wojciech Haase	Member of the Management Board	....
....	Rui Manuel Teixeira	Member of the Management Board	....

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