Bank Millennium S.A.

Date of issue:20 October 2003

QUARTERLY REPORT OF Bank Millennium S.A
FOR THE 3rd QUARTER OF 2003

	PLN '000		EUR '000	
Financial highlights	*III Quarters year-to-date*	*III Quarters year-to-date*	*III Quarters year-to-date*	*III Quarters year-to-date*
	period from 03-01-01 03.09.30	*period from 02-01-01 02.09.30*	*period from 03-01-01 03.09.30*	*period from 02-01-01 02.09.30*
I. Interest income	990 644	1 456 778	227 118	380 519
II. Commission income	164 385	184 661	37 687	48 235
III. Result on banking activities	662 836	880 292	151 964	229 937
IV. Result on operating activities	46 675	55 886	10 701	14 598
V. Profit (loss) before income tax	46 675	55 887	10 701	14 598
VI. Net profit (loss)	36 906	247 151	8 461	64 557
VII. Net cash flows from operating activities	- 738 833	- 2 386 151	- 169 387	- 623 276
VIII. Net cash flows from investing activities	322 475	1 663 520	73 932	434 521
IX. Net cash flows from financing activities	331 695	469 935	76 045	122 750
X. Net cash flows, total	- 84 663	- 252 696	- 19 410	- 66 006
XI. Total assets	19 509 591	19 919 302	4 201 484	4 884 337
XII. Amounts due to the Central Bank	-	-	-	-
XIII. Amounts due to other financial institutions	2 428 613	2 517 732	523 013	617 364
XIV. Amounts due to clients and public sector	10 882 325	12 872 952	2 343 561	3 156 528
XV. Equity	1 748 464	1 714 876	376 540	420 498
XVI. Share capital	849 182	849 182	182 875	208 225
XVII. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVIII. Book value per share (in PLN / EUR)	2,06	2,02	0,44	0,50
XIX. Diluted book value per share (in PLN / EUR)				
XX. Capital adequacy ratio	11,01%	9,58%	11,01%	9,58%
XXI. Profit (loss) per ordinary share (in PLN / EUR)	- 0,03	0,37	- 0,01	0,09
XXII. Diluted profit (loss) per ordinary share (in PLN / EUR)				
XXIII. Dividends declared or paid out per ordinary share (in PLN / EUR)	-	-	-	-

Bank Millennium S.A. Balance Sheet as at:	as at 03-09-30	as at 03-06-30	as at 02-09-30	as at 02-06-30
	end of III Quarter 2003	end of previous Quarter 2003	end of III Quarter2002	end of previous Quarter 2002
Assets				
I. Cash and balances with the Central Bank	199 560	243 482	210 703	218 510
II. Debt securities eligible for rediscount at the Central Bank	10 021	16 990	12 966	19 995
III. Amounts due from other financial institutions	1 974 305	1 415 107	2 542 842	2 178 968
1. Current	14 451	10 402	22 339	45 224
2. Term	1 959 854	1 404 705	2 520 503	2 133 744
IV. Amounts due from clients	9 741 029	9 818 813	9 318 872	8 870 591
1. Current	2 041 733	2 331 276	1 160 112	1 278 792
2. Term	7 699 296	7 487 537	8 158 760	7 591 799
V. Amounts due from public sector	473 905	488 102	526 007	418 654
1. Current	5 869	5 636	7 193	16 888
2. Term	468 036	482 466	518 814	401 766
VI. Amounts due from reverse repo transactions				
VII. Debt securities	3 276 373	3 760 787	3 688 928	4 098 339
VIII. Shares in subsidiaries	1 333 176	1 354 408	1 047 096	950 404
IX. Shares in co-owned subsidiaries				
X. Shares in associated companies	7 761	7 750	9 666	9 480
XI. Shares in other companies	21 511	1 906	1 750	1 498
XII. Other securities and financial assets	536 525	499 415	428 585	324 306
XIII. Intangible assets:	228 583	235 685	230 527	237 631
goodwill				
XIV. Tangible fixed assets	657 444	670 083	616 615	624 835
XV. Other assets	241 582	200 353	605 224	669 479
1. Acquired assets for resale	3 339	6 847	7 491	8 046
2. Other	238 243	193 506	597 733	661 433
XVI. Prepayments and accrued income	807 816	702 895	679 521	764 348
1. Deferred income tax	535 651	426 920	404 820	480 266
2. Other	272 165	275 975	274 701	284 082
Total Assets	19 509 591	19 415 776	19 919 302	19 387 038

Liabilities and Equity				
I. Amounts due to the Central Bank			-	-
II. Amounts due to other financial institutions	2 428 613	3 010 670	2 517 732	2 282 549
1. Current	405 811	388 109	124 598	246 491
2. Term	2 022 802	2 622 561	2 393 134	2 036 058
III. Amounts due to clients	9 617 591	9 402 284	11 902 099	11 458 077
1. Saving accounts:				
a) current				
b) term				
2. Other:	9 617 591	9 402 284	11 902 099	11 458 077
a) current	2 854 573	2 352 360	2 669 678	2 462 421
b) term	6 763 018	7 049 924	9 232 421	8 995 656
IV. Amounts due to public sector	1 264 734	1 161 595	970 853	1 135 259
1. Current	729 002	600 546	588 136	554 889

2. Term	535 732	561 049	382 717	580 370
V. Liabilities arising from securities sold with repurchase clause (repo transactions)				
VI. Liabilities in respect of debt securities issues	1 675 915	1 509 818	239 834	236 150
1. Current	1 512 679	1 352 737	82 854	86 450
2. Long-term	163 236	157 081	156 980	149 700
VII. Other liabilities in respect of financial instruments	874 044	664 439	467 084	555 362
VIII. Special funds and other liabilities	205 587	316 967	504 071	493 377
IX. Accruals and deferred income	666 238	670 088	596 754	589 086
1. Accruals	90 398	98 718	58 516	55 516
2. Negative goodwill				
3. Other deferred income	575 840	571 370	538 238	533 570
X. Provisions	652 682	570 670	673 805	728 956
1. Deferred corporate income tax	445 609	356 573	362 519	432 541
2. Other	207 073	214 097	311 286	296 415
a) current	20 331	25 858	96 678	101 283
b) long-term	186 742	188 239	214 608	288 239
XI. Subordinated liabilities	375 723	357 257	332 196	321 728
XII. Share capital	849 182	849 182	849 182	849 182
XIII. Unpaid capital (negative value)				
XIV. Treasury stock (negative value)				
XV. Supplementary capital	542 970	542 970	560 846	560 846
XVI. Revaluation reserve	33 395	39 977	61 907	60 977
XVII. Other reserve capital	339 638	339 638	44 738	44 738
XVIII. Retained earnings (loss brought forward)	- 53 627	- 53 627	- 48 950	- 48 949
XIX. Net profit (loss)	36 906	33 848	247 151	119 700
Total Liabilities and Equity	19 509 591	19 415 776	19 919 302	19 387 038

Capital adequacy ratio	11,01	10,68	9,58	8,78
Book value	1 748 464	1 751 988	1 714 874	1 586 494
Number of share	849 181 744	849 181 744	849 181 744	849 181 744
Book value per share (in PLN)	2,06	2,06	2,02	1,87
Diluted number of shares				
Diluted book value per share (in PLN)				

Off-balance sheet items	as at 03-09-30	as at 03-06-30	as at 02-09-30	as at 02-06-30
	end of III Quarter 2003	end of previous Quarter 2003	end of III Quarter2002	end of previous Quarter 2002
I. Contingent liabilities:	3 732 934	3 729 187	3 087 197	4 696 752
1. granted:	2 716 438	2 713 677	2 486 690	3 948 899
a) financial	2 264 096	2 290 605	2 371 549	3 382 443
b) guarantees	452 342	423 072	115 141	566 456
2. received:	1 016 496	1 015 510	600 507	747 853
a) financial				3 891
b) guarantees	1 016 496	1 015 510	600 507	743 962
II. Liabilities in respect of sale/purchase transactions	16 960 875	24 497 284	20 672 612	20 535 384
III. Other, including:	16 353 330	4 787 790	4 094 291	4 102 437
- interest rate swaps	15 674 701	4 004 394	3 799 313	3 555 656
- options	265 946	358 606	244 978	221 608
- FRAs	400 000	410 000	50 000	300 000
- other	12 683	14 790		25 173
Total off-balance sheet items	37 047 139	33 014 261	27 854 100	29 334 573

Profit and Loss Account	*III Quarter /2003 period from 01.07.2003r - 30.09.2003r*	*3 Quarters /2003 year-to-date period from 01.01.2003r - 30.09.2003r*	*III Quarter /2002 period from 01.07.2002r - 30.09.2002r*	*3 Quarters /2002 year-to-date period from 01.01.2002r - 30.09.2002r*
I. Interest income	326 518	990 644	444 826	1 456 778
II. Interest cost	220 735	695 124	307 857	1 021 080
III. Net interest income(I-II)	105 783	295 520	136 969	435 698
IV. Commission income	54 869	164 385	61 354	184 661
V. Commission cost	11 296	32 371	11 553	32 952
VI. Net commission income (IV-V)	43 573	132 014	49 801	151 709
VII. Income from shares, other securities and other financial variable-income instruments	16 540	143 235	62 587	80 843
1. from subsidiaries	15 793	98 957	62 055	80 276
2. from co-owned subsidiaries				
3. from associated companies	-	478		
4. from other entities	747	43 800	532	567
VIII. Result on financial operations	- 7 686	42 694	42 346	169 553
IX. Foreign exchange result	16 766	49 373	14 682	42 489
X. Result on banking operations	174 976	662 836	306 385	880 292
XI. Other operating income	21 578	35 324	3 560	9 535
XII. Other operating cost	5 173	14 886	4 104	17 211
XIII. General and administrative expenses	154 353	521 091	218 851	633 720
XIV. Depreciation and amortization	25 368	72 815	23 464	76 421
XV. Provisions and revaluation reserve	111 938	970 131	117 592	350 128
1. Specific provisions and General Banking Risk Reserve created	111 938	968 631	117 592	350 128
2. Revaluation of financial assets	-	1 500		
XVI. Provisions and revaluation reserve (released)	90 135	927 438	66 766	243 539
1. Specific provisions and General Banking Risk Reserve released	90 135	926 676	58 566	235 339
2. Revaluation of financial assets	-	762	8 200	8 200
XVII. Net provisions and revaluation reserve (XV- XVI)	- 21 803	- 42 693	- 50 826	- 106 589
XVIII. Operating profit	- 10 143	46 675	12 700	55 886
XIX. Net extraordinary gains (losses)	-	-	-	1
1. Extraordinary gains	-		-	1
2. Extraordinary losses	-			
XX. Profit (loss) before income tax	- 10 143	46 675	12 700	55 887
XXI. Income tax	- 17 260	- 52 511	12 015	- 45 828
1. current	-	-	6 953	75 222
2. deferred	- 17 260	- 52 511	5 062	- 121 050
XXII. Other obligatory charges against profit (increases in loss)	-			
XXIII. Share in net profit (loss) of subordinated companies consolidated under the equity method	- 4 059	- 62 280	126 766	145 436
XXVI. Net profit (loss)	3 058	36 906	127 451	247 151
Net profit (loss) (annualized)	- 26 315		271 770	

Weighted average number of ordinary shares	849 181 744		743 324 842	
Profit (loss) per ordinary share (in PLN)	- 0,03		0,37	
Weighted average diluted number of ordinary shares				
Diluted profit (loss) per ordinary share (in PLN)				

Statement of Changes in Equity	*III Quarter /2003 period from 01.07.2003r - 30.09.2003r*	*3 Quarters /2003 year-to-date period from 01.01.2003r - 30.09.2003r*	*III Quarter /2002 period from 01.07.2002r - 30.09.2002r*	*3 Quarters /2002 year-to-date period from 01.01.2002r - 30.09.2002r*
I. Equity at the beginning of the period (OB)	1 751 988	1 754 571	1 567 824	1 471 171
a) changes in adopted accounting principles				42 652
b) adjustments of material errors				
I.a. Equity at the beginning of the period (OB), restated to comparable data	1 751 988	1 754 571	1 567 824	1 513 823
1. Share capital at the beginning of the period	849 182	849 182	849 182	849 182
1.1. Changes in share capital				-
a) increases				-
share issues				-
-				
b) decreases				-
redemption of shares				-
-				
1.2. Share capital at the end of the period	849 182	849 182	849 182	849 182
2. Unpaid share capital at the beginning of the period				
2.1. Changes in unpaid share capital				
a) increases				
-				
b) decreases				
-				
2.2. Unpaid share capital at the end of the period				
3. Treasury stock at the beginning of the period				
a) increases				
b) decreases				
3.1. Treasury stock at the end of the period				
4. Supplementary capital at the beginning of the period	542 970	560 846	560 846	578 721
4.1. Changes in supplementary capital		- 17 876		- 17 875
a) increases				
share premiums				
appropriation of profit (statutory)				
appropriation of profit (above the statutory minimum)				

b) decreases		17 876		17 875
to cover losses of BIG BANK for 01.10.99-04.01.01		17 876		12 322
to cover losses of BIG BANK from previous years				5 553
4.2. Supplementary capital at the end of the period	542 970	542 970	560 846	560 846
5. Revaluation reserve at the beginning of the period	39 977	76 409	60 977	30 974
changes in adopted accounting principles				77 032
5.a) revaluation reserve at the beginning of the period, restated to comparable data	39 977	76 409	60 977	108 006
5.1. Changes in revaluation reserve	- 6 581	- 43 013	931	- 46 098
a) increases			931	931
changes in adopted accounting principles				
valuation of financial assets for sale in respect of changes to accounting policies, opening balance				931
b) decreases	6 581	43 013		47 029
disposal of fixed assets				
sale of financial assets	6 581	43 013		47 029
5.2. Revaluation reserve at the end of the period	33 396	33 396	61 908	61 908
6. General Banking Risk Reserve at the beginning of the period	339 637	44 737	44 738	-
6.1. Changes in General Banking Risk Reserve		294 900		44 738
a) increases		294 900		44 738
appropriation of profit of 2002		183 930		44 738
appropriation of undistributed profit from previous years		110 970		
b) decreases				
6.2. General Banking Risk Reserve at the end of the period	339 637	339 637	44 738	44 738
7. Other reserve capital at the beginning of the period			-	
7.1. Changes in other reserve capital			-	
a) increases				
b) decreases				
7.2. Other reserve capital at the end of the period			-	
8. Retained earnings (loss brought forward) at the beginning of the period	- 53 627	39 467	- 48 949	- 32 444
8.1. Retained earnings at the beginning of the period	-	110 970	-	-
a) Changes in adopted accounting principles			56 934	56 934
b) adjustments of material errors				
8.2. Retained earnings at the beginning of the period, restated to comparable data		110 970	56 934	56 934
8.3. Changes in retained earnings		- 110 970		44 738
a) increases		183 930		44 738
- transfer of profit of 2002/ 2001		183 930		

previous year profit for acceptance				44 738
b) decreases		294 900		44 738
appropriation of profit of 2002		183 930		44 738
appropriation of undistributed profit from previous years		110 970		
valuation of assets sold				
8.4. Retained earning at the end of the period		-	56 934	56 934
8.5. Loss brought forward at the beginning of the period	53 627	71 503	105 883	89 378
a) Changes in adopted accounting principles			-	34 380
b) adjustments of material errors				
8.6. Loss brought forward at the beginning of the period, restated to comparable data	53 627	71 503	105 883	123 758
8.7. Changes in loss brought forward		- 17 876		- 17 875
a) increases			-	
- transfer of loss for coverage				
b) decreases		17 876		17 875
coverage of loss brought forward of BB		17 876		17 875
8.8. Loss brought forward at the end of the period	53 627	53 627	105 883	105 883
change of retained earning (loss brought forward)				
8.9. Retained earning (loss brought forward) at the end of the period	- 53 627	- 53 627	- 48 949	- 48 949
9. Net profit (loss)	3 058	36 906	127 451	247 151
a) net profit	3 058	36 906	127 451	247 151
b) net loss			-	
II. Equity at the end of the period (CB)	1 748 464	1 748 464	1 714 876	1 714 876
III. Equity after proposed appropriation of profit (coverage of loss)				

Statement of Cash Flows	*III Quarter /2003 period from 01.07.2003r - 30.09.2003r*	*3 Quarters /2003 year-to-date period from 01.01.2003r - 30.09.2003r*	*III Quarter /2002 period from 01.07.2002r - 30.09.2002r*	*3 Quarters /2002 year-to-date period from 01.01.2002r - 30.09.2002r*
A. Cash flows from operating activities - indirect method	- 286 838	- 738 833	- 719 132	- 2 386 151
I. Net profit (loss)	3 058	36 906	127 451	247 151
II. Adjustments for:	- 289 896	- 775 739	- 846 583	- 2 633 302
1. Share in (profits) losses of subordinated companies consolidated under the equity method	4 059	62 280	- 126 766	- 145 436
2. Depreciation and amortization	25 368	72 815	23 464	76 421
3. Foreign exchange (gains) losses	57 450	155 427	25 249	96 304
4. Interest and share in profits (dividends)	30 879	29 596	28 027	78 939
5. (Profit) loss on investing activities	- 2 668	- 69 545	- 64 454	- 63 114
6. Change in provisions	87 010	- 16 020	- 22 192	191 907

7. Change in debt securities	476 304	- 576 225	- 32 486	- 728 781
8. Change in amounts due from other financial institutions	- 555 227	- 322 989	- 355 124	- 17 781
9. Change in amounts due from clients and public sector	98 950	- 396 111	- 555 634	- 1 679 208
10 . Change in receivables from reverse repo transactions			-	
11. Change in shares, other securities and other financial assets	- 28 475	888	- 313 539	- 308 712
12. Change in amount due to other financial institutions	- 715 837	- 636 008	198 301	176 314
13. Change in amounts due to clients and public sector	318 446	- 279 826	279 616	- 489 058
14. Change in liabilities arising from securities sold with repurchase clause			-	
15. Change in liabilities arising from securities	365 058	1 486 307	65 632	347 872
16. Change in other liabilities	- 342 442	- 223 167	- 67 879	164 367
17. Change in prepayments and accruals	- 113 241	- 134 927	66 535	- 330 435
18. Change in deferred income	4 470	71 766	4 667	- 2 901
19. Other adjustments		-	-	
III. Net cash flows from operating activities (I +/- II) - indirect method	- 286 838	- 738 833	- 719 132	- 2 386 151
			-	
B. Cash flows from investing activities	115 529	322 475	721 648	1 663 520
I. Cash received from:	132 394	688 593	856 247	2 344 088
1. Sale of shares in subsidiaries	39 746	50 456	227 698	227 698
2. Sale of shares in co-owned subsidiaries			-	
3. Sale of shares in associated companies			-	
4. Sale of shares in other companies, other securities and other financial assets	82 249	563 222	486 580	1 956 017
5. Sale of fixed and intangible assets	1 258	4 710	332	516
6. Sale of investments in real estate and intangible assets	9 141	20 929	-	
7. Other cash received from investing activities	-	49 276	141 637	159 857
II. Cash paid for:	16 865	366 118	134 599	680 568
1. Purchase of shares in subsidiaries	-	217 479	126 106	616 700
2. Purchase of shares in co-owned subsidiaries			-	
3. Purchase of shares in associated companies			-	

4. Purchase of shares in other companies, other securities and other financial assets				
5. Purchase of fixed and intangible assets	12 833	138 054	2 973	55 387
6. Investments in real estate and intangible assets	4 032	10 585	5 520	8 481
7. Other cash paid for investing activities				
III. Net cash flows from investing activities (I - II)	115 529	322 475	721 648	1 663 520
			-	
C. Cash flows from financing activities	127 177	331 695	- 8 603	469 935
I. Cash received from:	133 581	1 023 014	-	764 264
1. Long-term loans from other banks	133 581	838 181	-	
2. Long-term loans from non-banking financial institutions			-	
3. Issues of debt securities			-	
4. Increase in subordinated liabilities				
5. Issue of shares (net proceeds) and additional paid-n capital	-	184 833	-	764 264
6. Other cash received from financing activities			-	
II. Cash paid for:	6 404	691 319	8 603	294 329
1. Repayment of long-term loans from other banks		584 128	-	218 358
2. Repayment of long-term loans from non-banking financial institutions			-	
3. Redemption of debt securities			-	
4. Other financial liabilities			-	
5. Payments under financial lease contracts			-	
6. Decrease in subordinated liabilities			-	
7. Dividends and other payments to owners			-	
8. Appropriations of profit, other than payments to owners			-	
9. Purchase of own shares			-	
10. Other cash paid for financing activities	6 404	107 191	8 603	75 971
III. Net cash flows from financing activities (I - II)	127 177	331 695	- 8 603	469 935
D. Net cash flows, total (A.III +/- B.III +/- C.III)	- 44 132	- 84 663	- 6 087	- 252 696
E. Change in balance sheet cash, including:			-	
change in cash in respect of foreign exchange gains and losses			-	
F. Cash at the beginning of the period	253 713	294 244	230 674	477 283
G. Cash at the end of the period (F+/- D), of which:	209 581	209 581	224 587	224 587
with limited disposability	-	-	-	-

COMMENTS TO THE QUARTERLY REPORT OF BANK MILLENNIUM ON THE 3RD QUARTER OF 2003

Information on activity in the first three quarters 2003

The Management Board of Bank Millennium ("Bank") informs that in the first three quarters of the financial year 2003 (from 1st of January to 30th of September 2003) the consolidated net profit of Bank Millennium totalled PLN 36.9 million.

For comparison, the consolidated net profit of the Bank in the first three quarters of 2002 amounted to PLN 247.2 million and was composed mostly of non-recurrent events (sale of PTE Ego and part of the Treasury securities portfolio).

In the first nine months of 2003 the activity of Bank Millennium was influenced by the following factors:

- **Perceptible signs of economic recovery in the 3rd quarter though with insignificant impact upon banking activity**
- **Positive effects of the Bank's restructuring programme, which resulted in a decrease of all the cost items by 16.4 % compared against the first three quarters of last year**
- **Positive effects of the business stimulation programme, which resulted in visible effects compared against the second quarter this year, and in particular:**

- **Increase in net interest income by 24.5 %**
- **Increase of total deposits from customer (including the Bank's bonds) by 3.1%,**

With 2.1% lower fees and commissions income owing to promotion of cheaper sales channels.

Key financial result drivers:

1.

Net interest income in the third quarter 2003 totalled PLN 105.8 million (after three quarters the figure stands at PLN 295.5 million) and was up by 24.5 % (PLN 85.0 million) against the figure of the 2nd quarter of 2003 In spite of this positive trend visible in the third quarter the Bank's interest income for the entire 2003 is still lower than in the same period of 2002 (PLN 435.7 million). This was caused by such market factors as lower average market interest rates, increased competitive pressure on commercial margins and lower average deposit balances.

2.

In the first nine months of 2003 **the net commission income** amounted to PLN 132.0 million, as compared with PLN 151.7 million in the first nine months of 2002. This change was connected with a slower pace of growth of the Bank's loan portfolio as compared with the first nine months of 2002. An additional factor stimulating this change was growth of the number of transactions in electronic distribution channels, which generate lower commissions, but at the same time – due to lower transaction costs – increase the availability of service offered by the Bank to Customers. Importantly, the net commission income for the same period of 2002 was modified by the transfer of some of the margin on the loans granted by intermediaries from commission costs to the cost of interest.

3.

Result on other non-interest income

The result on other non-interest income (the result on shares and interests, financial and FX operations) in the first nine months of 2003 totalled PLN 235.3 million against PLN 292.9 million obtained in the same period of the previous year. The decrease in this item was caused on one hand by unfavourable changes in the prices on the domestic Treasury bond market (decrease in prices in the 3rd quarter), whereas on the other hand by realisation of non-recurrent profits from the sale of part of the bonds portfolio in 2002.

Other operating costs and income amounted in the first nine months of 2003 to **PLN 20.4 million**, whereas in the third quarter of 2003 alone they totalled PLN 16.4 million.

4.

Total costs of Bank Millennium in the first three quarters of 2003 decreased by 16.4 % against the same period of the last year and totalled PLN 593.9 million (PLN 710.1 million at the end of September 2002). In the third quarter of this year total costs of the Bank amounted to PLN 179.7 million, which is 10.9 % down against the previous quarter of this year (PLN 201.8 million).

Staff costs fell 14.1% as compared with the same period of 2002 and totalled PLN 234.0 million (PLN 272.4 million in the first 9 months of 2002) thus contributing PLN 38.4 million in cost savings. This change is the result of implementation of an extensive restructuring programme and employment streamlining implemented to improve the Bank's operational efficiency.

Non-staff costs were 20.5% lower than as at the end of September 2002 and stood at PLN 287.1 million (PLN 361.4 million in the first three quarters of 2002). The greatest reduction came in the IT area due to completion of the building of a common IT platform as well as in administrative and marketing costs.

In the analysed period **depreciation** was lower by 4.7% and in the first three quarters it amounted to PLN 72.8 million as compared with PLN 76.4 million in the analogous period of 2002.

5.

Improvement of the quality of credit risk management allowed the Bank to reduce the rate of growth of specific provisions in the third quarter of 2003. The **Specific provisions** created totalled PLN 42.7 million i.e. 60% less than in the analogous period of last year (PLN 106.6 million). In the third quarter of 2003 the Bank maintained general provisions (PLN 140.7 million) on an unchanged level.

Net profit of Bank Millennium in the first three quarters of 2003 reached PLN 36.9 million.

PLN million

Key P&L Account ratios	3 quarters 2003	3 quarters 2002	3rd quarter 2003	2nd quarter 2003
Net Interest Income	295,5	435,7	105,8	85,0
Net Commission Income	132,0	151,7	43,6	44,5
Result on Banking Activity	662,8	880,3	175,0	250,2
Total Costs	593,9	710,1	179,7	201,8
Net Profit	36,9	247,2	3,1	3,9

As at 30th September 2003 **Total Assets** stood at **PLN 19,510 million** thus growing 4.8% since the beginning of the year.

As at end of September 2003 **net loans to Customers** totalled **PLN 10,852 million**, which signifies that their level was maintained as compared with the beginning of 2003 (PLN 10,831 million). Notable is the increase of the share of retail loans in the consolidated loan portfolio from 27.8% to 33.6%. Moreover the Bank recently introduced an upgraded offer of car loans.

7.

Total Deposits from Customers, including outstanding Bank Millennium bonds, totalled PLN 12,981 million in the first nine months of 2003, which signifies their growth since the beginning of the year level (PLN 12,002 million).

Key indicators	30.09.03	31.12.2002	30.09.2002	30.09.2003/ 31.12.2002
Balance-sheet total	19,510	18,613	19,919	4,82%
Total Deposits from Customers (1)	12,981	12,002	13,446	8,16%
Total Loans to Customers	10,852	10,831	11,136	0,02%
Own Funds (2)	2.023	2.030	1.715	-0,34%
			-	-
(1) Includes Bank Millennium bonds sold to Customers	-	-	-	
(2) Own Funds + subordinated debt	-	-	-	

8.

Quality of loans. In the first three quarters of 2003 Bank Millennium continued to pursue a conservative provisioning policy, reflecting the risks resulting from a still difficult macroeconomic situation and the deteriorated standing of some Customers of the Bank.

The following are the Provisions to NPL ratios, by timeliness, of the Bank Millennium, as at 30 September 2003:

Loan quality ratios		31.12.02	31.03.03	30.06.03	30.09.03
NPL ratio NPL / Total loans	by repayment timeliness	13,9%	15,3%	14,2%	14,1%
	by NBP regulations	23,6%	24,3%	24,0%	23,7%
Coverage ratio ' Provisions / NPL	by repayment timeliness	82,6%	73,0%	75,8%	76,2%
	by NBP regulations	48,9%	45,8%	44,7%	45,2%

Provisions to NPL ratios were calculated taking into account the total amount of provisions for credit risk (specific and general provisions jointly).

According to the Polish standards, the NPL ratio was reduced slightly by 10 bp since the beginning of the year improving however improving from the previous quarter by 30 bp. The coverage ratio of NPLs has deteriorated by 370 bp as compared to December 2002, increasing however by 50 bp from the end of the first half of this year.

By timeliness of repayment since the beginning of this year the share of NPL in total receivables deteriorated by 20 bp as compared with December 2002, r., increasing however by 10 bp from the end of the first half of this year. As compared with December 2002 the NPL coverage ratio declined, however as of the 1st quarter of 2003 has been growing systematically.

Capital adequacy ratio of the Bank Millennium amounted to 11.01 %, being by 1.43 % higher than in the previous year.

Closing notes

- In the first 3 quarters of 2003, Bank Millennium focused on using opportunities resulting from the implemented restructuring programs. They facilitated a significant cost reduction (by 16.4 %) throughout all the cost groups.

Q3 2003 was the first period to see effects of the Bank's business activity promotion programs. They generated interest income increase (by 24.5 %) and the volume of funds acquired from customers (by 3.1%). The Bank also modernised its offer for individual customers, and introduced new rules, better for customers, regarding sale of payment cards. First customer reactions to the undertaken actions confirmed that the decisions were right.

COMMENTS TO THE QUARTERLY REPORT OF BANK MILLENNIUM FOR 3Q 2003

NOTES

I. PRINCIPLES ADOPTED FOR DRAWING UP THE QUARTERLY REPORT

This report includes the financial data of Bank Millennium presented in the form of a balance sheet, profit and loss account, cash flow statement and the statement of changes in the equity, drawn up as of 30 September 2003 pursuant to the Regulation of the Council of Ministers dated 16 October 2001 on current and periodic information provided by issuers of securities, as amended.

The information was prepared on the basis of "Accounting principles binding in Bank Millennium", whose detailed description is presented in the annual report for 31 December 2002, published on 14 February 2003

Starting on 1 January 2003, the Bank changed the principles for creating the general risk provision, i.e. the co-efficient used to calculate general risk provisions for regular receivables from natural persons was reduced from 2.5% to 1.5% and the co-efficient for calculating general risk provisions for regular loans to corporate customers and for mortgage loans were reduced from 1.5% to 0.9% and 0.3% respectively. The creation of additional provisions (higher than required in legal regulations) for regular receivables from business entities, natural persons and on account of mortgage loans resulted from the conservative provisioning policy adopted by the Bank in 2001 – 2002, which was advised due to the bad macroeconomic condition of the country. At present, due to the symptoms of improvement of the macroeconomic condition, the Bank took a decision to change these rules. We should note that the provisioning ratio of irregular receivables (with general and specific provisions) achieved by the Bank at the end of the previous year was one of the highest in the entire banking sector (companies in the Group also create general provisions for leasing business of 2% and factoring – up to 1.5%).

Additionally, since 1 January 2003, the Bank – in specific cases, writes off receivable without their retirement.

The Bank uses the following border conditions used to determine receivables to be written off to specific provisions:

Receivables will be written off to specific provisions in cases, when it is possible to write off the entire loan. This will apply to groups of loans considered lost, especially cases, for which the uncollectability has been proven as probable.

This means that the following loans will be subject to a write-off to specific provisions:

- loans classified as lost loans, according to the criteria specified by the Finance Minister in the Regulation of 10 December 2001 on rules for provisioning the risk related to the activity of banks (Journal of Laws 01.149. item 1672 as amended),
- loans without real collateral, the process of executing collateral has been finished, and the created specific provision amounts to 100% of the due and payable principal,
- loans, for which the loss has been proven probable, especially when: the Bank has started execution proceedings in respect of the receivable, the debtor died, or the company has been removed from the commercial registry, or the company was liquidated, declared bankrupt, or if the place of the debtor's stay is unknown and his/her property has not been disclosed,

The process of writing off is preceded by the individual evaluation of the possibility to recover the receivables.

The receivables are considered uncollectible if - after 12 months after the date of classification of the receivables to the “loss” category there is no practical possibility of recovering the receivables and if the borrower’s financial condition has been permanently impaired, and the fair value of the seized collateral is close to zero.

Additionally, loans deemed uncollectable, whose value is so low that their further maintenance in the bank’s credit portfolio may not be justified, will be written off.

All cases, in which it is not practical or desirable to delay the moment of writing off the practically worthless asset, are subject to write-offs to specific provisions, even if it may be possible to recover the principal in the future, due to the bank’s right to pursue payment from the debtor.

The following FX rates were used to calculate the amounts provided in EURO:

- for balance sheet items: 4.6435 PLN/EURO, the rate of 30 September 2003 (for comparable data: 4.0782 PLN/EURO),
- for items of the profit and loss account for the period of 1 January – 30 September 2003: 4.3618 PLN/EURO, the rate calculated as the average of FX rates at the end of January, February, March, April, May, June, July, August and September 2003 (for comparable data: 3.8284 PLN/EURO).

II. EVENTS OCCURRING BETWEEN THE DATE FOR WHICH THIS REPORT IS DRAWN UP AND ITS PUBLICATION DATE, INFLUENCING THE FUTURE FINANCIAL PERFORMANCE OF THE BANK

On 1 October 2003, the Bank’s Management Board announced that in connection with the Arrangement signed on 22 September 2003 by the Bank, Bank Handlowy S.A. w Warszawie, Bank Polska Kasa Opieki S.A., Bank Przemysłowo-Handlowy PBK S.A., ING Bank Śląski S.A. and Kredyt Bank S.A. and in subsequent days by the Export Import Bank of Korea, Korea Export Insurance Corporation, Daewoo Motor Company Ltd. and Daewoo-FSO Motor S.A. ("Daewoo-FSO"), on 30 September 2003 the Arrangement was signed by the last of its parties and in result it was considered as concluded according to its clauses. The subject matter of the Arrangement is to restructure debt of Daewoo-FSO by changing terms and conditions of repayment and reducing the debt of Daewoo-FSO e.g. towards the Bank and other creditors by (i) direct or indirect exchange of such receivables to the share capital of Daewoo-FSO made by contractual deduction, (ii) reduction of debt in composition proceedings or arrangements concluded by Daewoo-FSO with its creditors. The purpose of the restructuring is to achieve the optimum recovery of amounts due from Daewoo-FSO to its creditors and at the same time to ensure that the economic activity of Daewoo-FSO will be generally continued to the earlier extent.

In the Arrangement the Parties agreed terms and conditions and the schedule for restructuring debt of Daewoo-FSO, in consideration of non-collateralized creditors of Daewoo-FSO. In the Arrangement, Daewoo-FSO undertook in particular that without a prior written approval of Preferred Creditors defined in the Arrangement (unless the Arrangement has provided for such activity): will not dispose in any way of any fixed asset or real property item with net carrying value of PLN 1,000,000 (one million), and it will not incur, take over or guarantee any long-term or short-term liability of individual net value exceeding PLN 1,000,000 (one million) and a total value exceeding PLN 4,000,000 (four million), other than within the framework of the Activity. Daewoo-FSO will take all the necessary steps to prevent the institution of any encumbrances on its assets without its consent. Additionally, Daewoo-FSO will not institute any collateral on its assets, in the manner other than pursuant to this Arrangement or in connection with the Activity it conducts. The above does not apply to collateral instituted by Daewoo-FSO on asset items specified in the Arrangement. With the exceptions specified in the Arrangement, no interest, including overdue payment interest shall accrue on Collateralized Receivables.

In the period between the date of execution of this Arrangement and the date the suspending conditions provided in the Arrangement are satisfied, the termination date or expiration date of this Arrangement for any reason, whichever occurs first, none of the Preferred Creditors specified in the Arrangement (including the Bank), in respect of receivables due to them and to the extent, in which provisions of the Arrangement are applicable, shall not request Daewoo-FSO or any of its Subsidiaries institute any additional Collateral on its assets, unless the institution of such Collateral is provided in this Arrangement, shall not institute - on assets of Daewoo-FSO or any of its Subsidiaries – any Collateral, whose institution does not require consent of Daewoo-FSO or its Subsidiary (with the exceptions specified in the Arrangement), with the reservation of specific provisions of the Arrangement: shall not initiate and shall not conduct execution proceedings against Daewoo-FSO or any of its Subsidiaries in order to satisfy receivables from Daewoo-FSO, shall not file and shall not support the motion to declare bankruptcy of Daewoo-FSO, and shall not have a third party file such motion; shall not exercise any of the rights resulting from the Collateral, especially the right to take over assets of Daewoo-FSO or any of its Subsidiaries or to sell such assets to satisfy receivables from Daewoo-FSO, without prejudice to possibilities in the above area enumerated and allowed in the Arrangement and without prejudice to activities necessary to keep the rights resulting from such Collateral; shall not exercise any rights ensuing from loan agreements concluded with Daewoo-FSO or to which it is entitled by virtue of the law, which rights may be performed if the repayment of debt is or may be delayed; and shall not take any other action with the purpose of collecting specific receivables, without prejudice to possibilities in the above area enumerated and allowed in the agreement; shall not transfer, assign or contribute to any third party and shall not undertake to transfer, assign or contribute to another third person all or part of Collateralized Receivables without prejudice to possibilities in the above area enumerated and allowed in the Arrangement; shall not compensate the whole or part of Collateralized Receivables with any receivable of Daewoo-FSO from the Preferred Creditor.

Provisions of the Arrangement shall not preclude the exercise of other rights specified in the Arrangement by Preferred Creditors. Without prejudice to specific provisions of the Arrangement, within 10 days of the execution date of the Arrangement, each Preferred Creditor shall: 1/ cause the stoppage of execution proceedings or, in the case of the State Treasury, refrain from execution activities initiated by such Preferred Creditor against Daewoo-FSO or any of its Subsidiaries to satisfy the existing receivables from Daewoo-FSO, 2/ withdraw the request to institute Collateral other than Collateral allowed pursuant to this Arrangement and cause the discontinuation of proceedings initiated upon such request.

The Arrangement provides for the following Suspending Conditions: the Collateralized Receivables, referred to in the Arrangement shall be forgiven if all the Suspending Conditions are satisfied:

1/ a decision on the legal validity of the decision made by court with jurisdiction, approving the Composition specified in the Arrangement, pursuant to art. 364 of the code of civil proceedings,
2/ the Shareholders' Meeting of Daewoo-FSO adopts a resolution about the Arrangement and the increase of the share capital of Daewoo-FSO by B series shares is entered to the Registry, and activities specified in the Arrangement are performed, and in consequence – the State Treasury and Daewoo Motor Company Ltd. acquire B and C series shares,
3/ the tax office with jurisdiction issues the legally valid acceptance for the expiry of overdue tax liabilities of Daewoo-FSO (covered with Income Tax Receivables) specified in the Arrangement,
4/ the appropriate government administration bodies issue the interpretation of regulations specified in the Arrangement,
5/ Daewoo-FSO repays all the installments and interest specified in the Arrangement,
6/ Daewoo-FSO performs its other obligations specified in detailed clauses of the Arrangement,
7/ Daewoo-FSO presents to Polish Banks and Foreign Creditors compositions, decisions and other arrangements with the State Treasury or Other Creditors not covered with Composition Proceedings, upon terms and conditions specified in the Arrangement,
8/ all local taxes on the real property constituting Encumbered Assets are paid by the day of issue of the decision determining the legal validity of the decision of the court with jurisdiction, approving the Composition pursuant to art. 364 of the code of civil proceedings.
The Arrangement provides also for the obligation of Daewoo-FSO to ensure that the Shareholders' Meeting (or Shareholders' Meetings) of Daewoo-FSO is (are) held, providing in particular for the increase of the Daewoo-FSO share capital by PLN 2.258.441.753, by issuing 35.437.655 new registered shares. The parties also agreed in the Arrangement the detailed manner of repayment or satisfaction of receivables. The signed Arrangement does not include any clauses on contractual fines. The Arrangement was considered as a significant agreement, due to the Bank's financial exposure level, which exceeds 10% of the Bank's equity.

III. SHAREHOLDERS WITH NO LESS THAN 5% OF THE TOTAL NUMBER OF VOTES AT THE SHAREHOLDERS' MEETING OF BANK MILLENNIUM S.A.

Data on the day of publishing the previous quarterly report

Shareholder	**Number of shares**	*% share in share capital*	*Number of votes*	*% share of votes at the Shareholders' Meeting*
Banco Comercial Portugues S.A.	424 624 072	50.00	424 624 072	50.00
EUREKO B.V.	169 921 267	20.01	169 921 267	20.01

Data on the day of publishing the current quarterly report

Shareholder	**Number of shares**	*% share in share capital*	*Number of votes*	*% share of votes at the Shareholders' Meeting*
Banco Comercial Portugues S.A.	424 624 072	50.00	424 624 072	50.00
EUREKO B.V.	169 921 267	20.01	169 921 267	20.01

IV. STATEMENT OF CHANGES IN THE BALANCE OF BANK MILLENNIUM S.A. SHARES HELD BY THE BANK'S MANAGERS AND SUPERVISORS

The Bank has no information about changes in holdings of Bank Millennium S.A. shares by managers and supervisors in the period since the publication of the previous consolidated quarterly report.

V. PENDING COURT PROCEEDINGS

The most significant pending court proceedings, in which the Bank is a party include:

- action filed by Mr. A. Głodek, initiated against the Bank with the statement of claim of 24 August 1994, for PLN 14,537,257.57 on account of apparent damages, including lost profit, due to the activity of the former Bank's Brokerage Office,
- action filed by the Bank with a statement of claim dated 22 July 1998 against the State Treasury for PLN 65,613,512.20 on account of the State Treasury's liability due to the purchase of the former Bank Gdański S.A. of receivables from health care units, which contrary to declarations, proved to be disputable,
- action filed by Grzegorz Jedamski against the Bank and the State Treasury dated 11 November 2000 to rule the invalidity of the agreement on the purchase of 10% shares of Powszechny Zakład Ubezpieczeń S.A. from the State Treasury. The value of the subject matter is PLN 1,006,004,295.
- action filed by Grzegorz Jedamski against the Bank in connection with the suit filed to the District Court in Warsaw to rule the amount of PLN 299,833,300 in his favor as indemnity for the claimed unlawful acquisition of BIG BANK Spółka Akcyjna (the former ŁBR S.A.).

VI. TRANSACTIONS BETWEEN LINKED ENTITIES, WHOSE EQUIVALENT EXCEEDED 500,000 EURO

From 1 June to 30 September 2003 all transactions concluded between entities of the Millennium Capital Group were concluded on the market conditions and resulted form the ongoing activity. The following transactions, whose character exceeded the ongoing activity, are the exceptions:

- On 29 August 2003,the Bank's Management Board announced that BEL Leasing Sp. z o.o. ("BEL") - the Bank's subsidiary, concluded a sale agreement with the Bank, pursuant to which BEL purchased from the Bank 43,733 (forty three thousand seven hundred thirty three) shares in Bond and Equity Trading - BET Trading Sp. z o.o. with its seat in Warsaw - the Bank's subsidiary, for the total amount of PLN 31,504,378.54. At the same time the Bank announced that on 29 August 2003, BEL concluded the share sale agreement with TBM Sp. z o.o. with its seat in Warsaw ("TBM") - the Bank's subsidiary, pursuant to which BEL purchased from TBM 1 share in Bond and Equity Trading - BET Trading Sp. z o.o., for PLN 720.38. By virtue of the above sales agreements, on 29 August 2003, BEL became the only partner holding shares of Bond and Equity Trading - BET Trading Sp. z o.o.

- On 1 October 2003, the Bank's Management Board announced that the Bank concluded a swap agreement with Banco Comercial Portugues ("BCP"), which is to neutralize the impact of dividends received from PZU S.A. and the cost of financing the investment in PZU S.A. shares on the Bank's financial result. According to the concluded agreement, the Bank will receive annually the amount equivalent to the economic cost of financing the investment in PZU S.A. shares, based on the 3-month WIBOR rate (paid quarterly) in exchange for the amount equivalent to the dividend received from PZU S.A. The agreement also regulates terms and conditions for its premature termination if shares of PZU SA are sold, and determines the settlement formula, which provides for BCP's share in the sales income if the value of the transaction exceeds PLN 1,600,000,000. The Bank shall maintain full control over PZU SA shares. The agreement was concluded for a term of 5 years.

VII. INFORMATION ABOT LOAN SURETIES OR GUARANTEES GRANTED BY THE BANK

In 3Q 2003, the Bank did not grant sureties or guarantees for a loan or bank loan, which would cause the Bank's exposure on this account to one Customer to exceed 10% of the Bank's equity.

VIII. INCOME TAX INFORMATION

- Due income tax

Due income tax, burdening the gross financial result, was determined pursuant to the Corporate Income Tax Act of 15 February 1992. The income tax burden on the consolidated result for the period of 1 January – 30 September 2003 was mainly influenced by the fact that the taxable basis in the parent company (which had the most important influence on the burden) was negative. This was caused by the fact that the value of dividends received and income on account of the share in profits of legal entities subject to taxation with a fixed rate tax was excluded from the taxable base, and the fact that realized negative FX differences and specific provisions opened for credit exposures were considered a taxable cost.

- Deferred income tax

Pursuant to art. 37 sec. 3 of the Accounting Act, business entities are obligated to open a provision for deferred tax, resulting from differences in considering the income as obtained and the cost as incurred in the light of the Corporate Income Tax Act of 15 February 1992. Due to the above, Bank Millennium creates an income tax reserve each month, assuming for its determination all transitory differences which are certain

that will not become the taxable cost or income in subsequent reporting periods. Application of this methodology facilitates a more uniform burden on the gross financial result and guarantees that cost and income of the current financial year have no impact on the financial result achieved in successive years.
In the period covered by the report, the deferred tax identified in the profit and loss account was – PLN 52 511 thousand.

IX. ADDITIONAL EXPLANTATIONS TO FINANCIAL DATA

Until 31 March 2003, the investment in PZU SA was valuated according to the equity method in the Bank's financial statements – pursuant to art. 3 sec. 1 items 36, 38 and 47 of the Accounting Act (similar guidelines are specified in MSR 28). On 15 April 2003, the Bank's Management Board, in agreement with the Supervisory Board, made a decision to discontinue – on 31 March 2003 the application of the equity method to valuate the investment in PZU S.A., maintaining the valuation level on that day as the cost.

This accounting alteration results from art. 62 sec. 5 of the Accounting Act (the equivalent clause was included in MSR 28 sec. 11), pursuant to which the investor ceases to valuate an affiliated company with the equity method since the day the material influence ceases, despite the fact that the investor maintains the entire investment or its part.

On 31 March 2003, the main shareholder of the Bank, i.e. BCP, finalized the sale transaction of 20.86% shares in EUREKO B.V. to EUREKO B.V., thus limiting its exposure to EUREKO B.V. down to 5% of the new share capital. EUREKO B.V and the Bank form a consortium, which jointly holds the 30% stake in the share capital of PZU S.A. In result of the transaction, the BCP Group ceased its control over Eureko BV, which was previously effected together with Achmea Association. This indirectly limited the capacity to exert significant influence by the BCP Group and the Bank on the 20% stake held by Eureko in PZU.

The limitation of capital links between Eureko B.V. and the BCP Group also indirectly limits the Bank's capacity to exert material influence on the financial and operational policy of PZU, despite the fact of having its representatives in the Supervisory Board and the Management Board of PZU.

By virtue of art. 62 sec. 5 of the Accounting Act, as the accounting classification of the investment in PZU S.A. changed on 31 March 2003, the Bank ceased to depreciate the goodwill created at the moment of the purchase.

In result, the shares of PZU S.A. were posted in the balance sheet item named "shares and ownership interest in other entities" at PLN 1,212,114 thousand. This amount included: value of PZU shares resulting from the equity method valuation, as on 31 March 2003 – at PLN 457,434 thousand, and non-depreciated goodwill of subordinated entities (for that day) of PLN 754,680 thousand. Due to the consolidation adjustment introduced in connection with the dividend paid out by PZU, the balance sheet value of PZU shares as on 30 September 2003 is PLN 1,199,161 thousand.

For the needs of this report, No previously published comparable data (published in the quarterly report for 30 September 2002) were adjusted in any way.

From 1 January to 30 September 2003, Bank Millennium wrote off uncollectable receivables of PLN 191,764 thousand, charging them to provisions. After the Bank's right to pursue repayment from the debtor was exercised, repayments of PLN 1,504 of these receivables were achieved.