

Bank Millennium S.A.

Date of issue: 16 February 2004

QUARTERLY REPORT OF Bank Millennium S.A FOR THE 4th QUARTER OF 2003

	PLN '000		EUR '000	
Financial highlights	4th Quarter year-to-date	4th Quarter year-to-date	4th Quarter year-to-date	4th Quarter year-to-date
	period from 2003.01.01 to 2003.12.31	period from 2002.01.01 to 2002.12.31	period from 2003.01.01 to 2003.12.31	period from 2002.01.01 to 2002.12.31
I. Interest income	1 337 123	1 894 803	300 653	489 651
II. Commission income	223 610	245 447	50 279	63 428
III. Result on banking activities	855 660	1 298 803	192 396	335 634
IV. Result on operating activities	36 454	170 146	8 197	43 969
V. Profit (loss) before income tax	36 454	170 147	8 197	43 969
VI. Net profit (loss)	40 895	179 100	9 195	46 283
VII. Net cash flows from operating activities	430 195	-2 395 825	96 730	-619 124
VIII. Net cash flows from investing activities	-174 227	1 788 935	-39 175	462 293
IX. Net cash flows from financing activities	255 190	423 851	57 380	109 531
X. Net cash flows, total	511 158	-183 039	114 934	-47 301
XI. Total assets	19 409 960	18 590 308	4 114 895	4 624 225
XII. Amounts due to the Central Bank	0	0	0	0
XIII. Amounts due to other financial institutions	3 183 243	2 797 793	674 845	695 934
XIV. Amounts due to clients and public sector	11 470 603	11 162 151	2 431 758	2 776 516
XV. Equity	1 734 906	1 737 572	367 799	432 210
XVI. Share capital	849 182	849 182	180 026	211 229
XVII. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVIII. Book value per share (in PLN / EUR)	2,04	2,05	0,46	0,53
XIX. Diluted book value per share (in PLN / EUR)				
XX. Capital adequacy ratio	11,04%	9,36%	11,04%	9,36%
XXI. Profit (loss) per ordinary share (in PLN / EUR)	0,05	0,21	0,01	0,05
XXII. Diluted profit (loss) per ordinary share (in PLN / EUR)				
XXIII. Dividends declared or paid out per ordinary share (in PLN / EUR)	-	-	-	-

Balance Sheet	As at 2003.12.31	As at 2003.09.30	As at 2002.12.31	As at 2002.09.30
	end of 4th Quarter 2003	end of 3rd Quarter 2003	end of 4th Quarter 2002	end of 3rd Quarter 2002
Assets				
I. Cash and balances with the Central Bank	788 754	199 560	282 528	210 703
II. Debt securities eligible for rediscount at the Central Bank	11 189	10 021	16 708	12 966
III. Amounts due from other financial institutions	1 803 977	1 974 305	1 648 830	2 542 842
1. Current	427 748	14 451	11 754	22 339
2. Term	1 376 229	1 959 854	1 637 076	2 520 503
IV. Amounts due from clients	9 329 249	9 741 029	9 293 237	9 318 872
1. Current	1 809 119	2 041 733	2 352 840	1 160 112
2. Term	7 520 130	7 699 296	6 940 397	8 158 760
V. Amounts due from public sector	504 480	473 905	518 899	526 007
1. Current	6 872	5 869	0	7 193
2. Term	497 608	468 036	518 899	518 814
VI. Amounts due from reverse repo transactions				
VII. Debt securities	3 400 867	3 276 373	3 144 215	3 688 928
VIII. Shares in subsidiaries	1 382 022	1 333 176	1 163 734	1 047 096
IX. Shares in co-owned subsidiaries				
X. Shares in associated companies	6 803	4 854	6 768	6 759
XI. Shares in other companies	12 714	21 511	47 502	1 750
XII. Other securities and financial assets	678 258	517 221	515 208	409 281
XIII. Intangible assets:	227 082	228 583	228 072	230 527
goodwill	7 779	8 249		
XIV. Tangible fixed assets	666 042	657 444	608 609	616 615
XV. Other assets	105 430	241 582	420 817	605 224
1. Acquired assets for resale	3 228	3 339	7 394	7 491
2. Other	102 202	238 243	413 423	597 733
XVI. Prepayments and accrued income	493 093	807 816	695 181	679 521
1. Deferred income tax	226 091	535 651	428 061	404 820
2. Other	267 002	272 165	267 120	274 701
Total Assets	19 409 960	19 487 380	18 590 308	19 897 091

Liabilities and Equity				
I. Amounts due to the Central Bank				
II. Amounts due to other financial institutions	3 183 243	2 428 613	2 797 793	2 517 732
1. Current	585 243	405 811	274 244	124 598
2. Term	2 598 000	2 022 802	2 523 549	2 393 134
III. Amounts due to clients	10 550 414	9 617 591	10 318 970	11 902 099
1. Saving accounts:				
a) current				
b) term				
2. Other:	10 550 414	9 617 591	10 318 970	11 902 099
a) current	2 852 561	2 854 573	2 482 222	2 669 678
b) term	7 697 853	6 763 018	7 836 748	9 232 421
IV. Amounts due to public sector	920 189	1 264 734	843 181	970 853

1. Current	581 063	729 002	519 703	588 136
2. Term	339 126	535 732	323 478	382 717
V. Liabilities arising from securities sold with repurchase clause (repo transactions)				
VI. Liabilities in respect of debt securities issues	982 660	1 675 915	552 355	239 834
1. Current	736 602	1 512 679	409 688	82 854
2. Long-term	246 058	163 236	142 667	156 980
VII. Other liabilities in respect of financial instruments	441 254	874 044	486 239	467 084
VIII. Special funds and other liabilities	154 858	205 587	233 191	504 071
IX. Accruals and deferred income	660 295	666 238	616 765	596 754
1. Accruals	107 323	90 398	112 691	58 516
2. Negative goodwill				
3. Other deferred income	552 972	575 840	504 074	538 238
X. Provisions	403 979	647 470	681 819	668 593
1. Deferred corporate income tax	134 237	440 397	401 228	357 307
2. Other	269 742	207 073	280 591	311 286
a) current	2 552	20 331	45 790	96 678
b) long-term	267 190	186 742	234 801	214 608
XI. Subordinated liabilities	378 162	375 723	322 423	332 196
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	32 847	33 395	76 409	61 907
XVII. Other reserve capital	339 638	339 638	44 738	44 738
XVIII. Retained earnings (loss brought forward)	-70 626	-70 626	27 297	-61 119
XIX. Net profit (loss)	40 895	36 906	179 100	242 321
Total Liabilities and Equity	19 409 960	19 487 380	18 590 308	19 897 091

Capital adequacy ratio	11,04%	11,01%	9,36%	9,58%
Book value	1 734 906	1 731 465	1 737 572	1 697 875
Number of share	849 181 744	849 181 744	849 181 744	849 181 744
Book value per share (in PLN)	2,04	2,04	2,05	2,00
Diluted number of shares				
Diluted book value per share (in PLN)				

Off-balance sheet items	As at 2003.12.31	As at 2003.09.30	As at 2002.12.31	As at 2002.09.30
	end of 4th Quarter 2003	end of 3rd Quarter 2003	end of 4th Quarter 2002	end of 3rd Quarter 2002
I. Contingent liabilities:	3 625 665	3 732 934	3 834 213	3 087 197
1. granted:	2 573 894	2 716 438	2 853 714	2 486 690
a) financial	2 138 906	2 264 096	2 406 256	2 371 549
b) guarantees	434 988	452 342	447 458	115 141
2. received:	1 051 771	1 016 496	980 499	600 507
a) financial				
b) guarantees	1 051 771	1 016 496	980 499	600 507
II. Liabilities in respect of sale/purchase transactions	19 286 671	16 960 875	19 034 503	20 672 612
III. Other, including:	18 871 096	16 353 330	4 013 776	4 094 291
- interest rate swaps	18 044 419	15 674 701	3 523 365	3 799 313
- options	186 677	265 946	390 411	244 978
- FRAs	640 000	400 000	100 000	50 000
- other	0	12 683		
Total off-balance sheet items	41 783 432	37 047 139	26 882 492	27 854 100

Profit and Loss Account	4th Quarter / 2003 period from 01.10.2003 - 31.12.2003	4th Quarter /2003 year-to-date period from 01.01.2003 - 31.12.2003	4th Quarter /2002 period from 01.10.2002 - 31.12.2002	4th Quarter /2002 year-to-date period from 01.01.2002 - 31.12.2002
I. Interest income	346 479	1 337 123	438 025	1 894 803
II. Interest cost	234 563	929 687	262 825	1 283 905
III. Net interest income(I-II)	111 916	407 436	175 200	610 898
IV. Commission income	59 225	223 610	60 786	245 447
V. Commission cost	9 737	42 108	12 689	45 641
VI. Net commission income (IV-V)	49 488	181 502	48 097	199 806
VII. Income from shares, other securities and other financial variable-income instruments	3 370	146 605	145 136	225 979
1. from subsidiaries	2 651	101 608	144 766	225 042
2. from co-owned subsidiaries				
3. from associated companies	0	478		
4. from other entities	719	44 519	370	937
VIII. Result on financial operations	8 236	50 930	40 446	205 133
IX. Foreign exchange result	19 814	69 187	14 498	56 987
X. Result on banking operations	192 824	855 660	423 377	1 298 803
XI. Other operating income	35 306	70 630	32 533	42 068
XII. Other operating cost	4 448	19 334	3 652	20 863
XIII. General and administrative expenses	148 924	670 015	214 292	848 012
XIV. Depreciation and amortization	31 250	104 065	21 989	98 410
XV. Provisions and revaluation reserve	458 878	1 429 009	532 816	882 944
1. Specific provisions and General Banking Risk Reserve created	458 752	1 427 383	529 316	879 444
2. Revaluation of financial assets	126	1 626	3 500	3 500
XVI. Provisions and revaluation reserve (released)	405 149	1 332 587	435 965	679 504
1. Specific provisions and General Banking Risk Reserve released	405 149	1 331 825	435 426	670 765
2. Revaluation of financial assets	0	762	539	8 739
XVII. Net provisions and revaluation reserve (XV- XVI)	53 729	96 422	96 851	203 440
XVIII. Operating profit	-10 221	36 454	119 126	170 146
XIX. Net extraordinary gains (losses)	0	0	0	1
1. Extraordinary gains			0	1
2. Extraordinary losses				
XX. Profit (loss) before income tax	-10 221	36 454	119 126	170 147
XXI. Income tax	-17 803	-70 314	-33 117	-80 259
1. current	0	0	-46 216	29 006
2. deferred	-17 803	-70 314	13 099	-109 265
XXII. Other obligatory charges against profit (increases in loss)				
XXIII. Share in net profit (loss) of subordinated companies consolidated under the equity method	-3 593	-65 873	-215 464	-71 306
XXVI. Net profit (loss)	3 989	40 895	-63 221	179 100

Net profit (loss) (annualized)	40 895		179 100	
Weighted average number of ordinary shares	849 181 744		849 181 744	
Profit (loss) per ordinary share (in PLN)	0,05		0,21	
Weighted average diluted number of ordinary shares				
Diluted profit (loss) per ordinary share (in PLN)				

Statement of Changes in Equity	<i>4th Quarter / 2003 period from 01.10.2003 - 31.12.2003</i>	<i>4th Quarter /2003 year-to-date period from 01.01.2003 - 31.12.2003</i>	<i>4th Quarter /2002 period from 01.10.2002 - 31.12.2002</i>	<i>4th Quarter /2002 year-to-date period from 01.01.2002 - 31.12.2002</i>
I. Equity at the beginning of the period (OB)	1 731 465	1 737 572	1 697 876	1 470 648
a) changes in adopted accounting principles			10 243	41 250
b) adjustments of material errors				
I.a. Equity at the beginning of the period (OB), restated to comparable data	1 731 465	1 737 572	1 708 119	1 511 898
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	0	-17 876	0	-17 875
a) increases				

share premiums				
appropriation of profit (statutory)				
appropriation of profit (above the statutory minimum)				
b) decreases	0	17 876	0	17 875
to cover losses of BIG BANK for 01.10.99-04.01.01	0			12 322
to cover losses of BIG BANK from previous years		17 876		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	33 396	76 409	61 907	30 974
changes in adopted accounting principles			917	77 949
5.a) revaluation reserve at the beginning of the period, restated to comparable data	33 396	76 409	62 824	108 923
5.1. Changes in revaluation reserve	-548	-43 561	13 585	-32 514
a) increases			-931	
changes in adopted accounting principles				
valuation of financial assets for sale in respect of changes to accounting policies, opening balance			931	0
b) decreases	548	43 561	-14 516	32 514
disposal of fixed assets				
sale of financial assets	548	43 561	-14 516	32 514
5.2. Revaluation reserve at the end of the period	32 848	32 848	76 409	76 409
6. General Banking Risk Reserve at the beginning of the period	339 638	44 738	0	0
6.1. Changes in General Banking Risk Reserve	0	294 900	44 738	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	339 638	339 638	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	-70 626	27 297	-61 117	-8 081
8.1. Retained earnings at the beginning of the period	-16 999	98 800	18 713	81 297
a) Changes in adopted accounting principles			13 168	-36 699
b) adjustments of material errors				

8.2. Retained earnings at the beginning of the period, restated to comparable data	-16 999	98 800	19 712	44 598
8.3. Changes in retained earnings	0	-115 799	79 088	54 202
a) increases	0	179 100	79 088	98 940
- transfer of profit of 2002/ 2001				
previous year profit for acceptance		179 100		19 852
- sale of shares by an entity consolidated by equity method			76 471	76 471
- consolidation of other entities by equity method			1 598	1 598
- change of retained profits of the valuated entity			1 019	1 019
b) decreases		294 899	0	44 738
appropriation of profit of 2002		183 930	0	44 738
appropriation of undistributed profit from previous years		110 969		
valuation of assets sold				
8.4. Retained earning at the end of the period	-16 999	-16 999	98 800	98 800
8.5. Loss brought forward at the beginning of the period	53 627	71 503	67 661	89 378
a) Changes in adopted accounting principles			3 842	0
b) adjustments of material errors				
8.6. Loss brought forward at the beginning of the period, restated to comparable data	53 627	71 503	71 503	89 378
8.7. Changes in loss brought forward	0	-17 876	0	-17 875
a) increases				
- transfer of loss for coverage				
b) decreases	0	17 876		17 875
coverage of loss brought forward of BB	0	17 876		17 875
8.8. Loss brought forward at the end of the period	53 627	53 627	71 503	71 503
change of retained earning (loss brought forward)				
8.9. Retained earning (loss brought forward) at the end of the period	-70 626	-70 626	27 297	27 297
9. Net profit (loss)	3 989	40 895	-63 221	179 100
a) net profit	3 989	40 895		179 100
b) net loss			63 221	
II. Equity at the end of the period (CB)	1 734 906	1 734 906	1 737 572	1 737 572
III. Equity after proposed appropriation of profit (coverage of loss)				

Statement of Cash Flows	4th Quarter / 2003 period from 01.10.2003 - 31.12.2003	4th Quarter /2003 year- to-date period from 01.01.2003 - 31.12.2003	4th Quarter /2002 period from 01.10.2002 - 31.12.2002	4th Quarter /2002 year- to-date period from 01.01.2002 - 31.12.2002
A. Cash flows from operating activities - indirect method	638 948	430 195	10 209	-2 395 825
I. Net profit (loss)	3 989	40 895	-63 221	179 100
II. Adjustments for:	634 959	389 300	73 430	-2 574 925
1. Share in (profits) losses of subordinated companies consolidated under the equity method	-3 593	-65 873	-27 229	-171 387
2. Depreciation and amortization	31 251	104 066	21 989	98 410
3. Foreign exchange (gains) losses	22 847	178 274	-36 805	39 616
4. Interest and share in profits (dividends)	28 892	58 488	19 515	98 454
5. (Profit) loss on investing activities	0	-69 545	101 309	38 195
6. Change in provisions	-254 527	-270 547	-608 593	-418 005
7. Change in debt securities	-215 968	-292 193	326 749	-402 032
8. Change in amounts due from other financial institutions	172 774	-150 215	888 101	870 320
9. Change in amounts due from clients and public sector	380 037	-16 074	32 743	-1 646 465
10. Change in receivables from reverse repo transactions			0	
11. Change in shares, other securities and other financial assets	-255 984	-130 536	-86 792	-390 633
12. Change in amount due to other financial institutions	661 760	55 832	349 507	525 821
13. Change in amounts due to clients and public sector	588 278	308 452	-1 775 078	-2 264 136
14. Change in liabilities arising from securities sold with repurchase clause				
15. Change in liabilities arising from securities	-1 104 974	381 333	392 453	740 325
16. Change in other liabilities	275 386	52 219	-18 186	146 181
17. Change in prepayments and accruals	331 648	196 721	527 910	197 475
18. Change in deferred income	-22 868	48 898	-34 163	-37 064
19. Other adjustments	0		0	
III. Net cash flows from operating activities (I +/- II) - indirect method	638 948	430 195	10 209	-2 395 825
B. Cash flows from investing activities	3 298	-174 227	105 532	1 788 935
I. Cash received from:	55 522	244 115	230 574	2 594 662
1. Sale of shares in subsidiaries	0	50 456	24 302	222 000
2. Sale of shares in co-owned subsidiaries			0	
3. Sale of shares in associated companies			0	
4. Sale of shares in other companies, other securities and other financial assets	33 020	95 994	201 129	2 207 146
5. Sale of fixed and intangible assets			1 273	1 789
6. Sale of investments in real estate and intangible assets	22 502	48 141	0	
7. Other cash received from investing activities	0	49 524	3 870	163 727

II. Cash paid for:	52 224	418 342	125 042	805 727
1. Purchase of shares in subsidiaries	1 287	218 766	99 947	716 764
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	37 265	175 319	10 419	65 806
6. Investments in real estate and intangible assets	13 672	24 257	14 676	23 157
7. Other cash paid for investing activities				
III. Net cash flows from investing activities (I - II)	3 298	-174 227	105 532	1 788 935
			0	
C. Cash flows from financing activities	-46 425	255 190	-46 084	423 851
I. Cash received from:	65 299	1 088 313	0	764 264
1. Long-term loans from other banks	0	838 181	0	
2. Long-term loans from non-banking financial institutions				
3. Issues of debt securities	65 299	65 299	0	
4. Increase in subordinated liabilities				
5. Issue of shares (net proceeds) and additional paid-in capital	0	184 833	0	764 264
6. Other cash received from financing activities				
II. Cash paid for:	111 724	833 123	46 084	340 413
1. Repayment of long-term loans from other banks	0	614 208	0	218 358
2. Repayment of long-term loans from non-banking financial institutions				
3. Redemption of debt securities	84 306	84 306	0	
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	27 418	134 609	46 084	122 055
III. Net cash flows from financing activities (I - II)	-46 425	255 190	-46 084	423 851
D. Net cash flows, total (A.III +/- B.III +/- C.III)	595 821	511 158	69 657	-183 039
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	209 581	294 244	224 587	477 283
G. Cash at the end of the period (F +/- D), of which:	805 402	805 402	294 244	294 244
with limited disposability	--		-	-

Information about business in 2003

The Management Board of Bank Millennium informs that in 2003 (from 1st January to 31st December 2003) net profit of Bank Millennium was PLN 40.9 Mln.

For comparison, consolidated net profit of the Group and the Bank in 2002 was PLN 179.1 Mln* and originated from one-off events (sale of PTE Ego and a portion of Treasury securities portfolio).

The following factors had major effect on business of Bank Millennium in w 2003:

- Positive results of the program of improving costs efficiency of the Bank, leading to reduction of operating costs by 18.2% as compared with the previous year, confirming full control of this position by the Bank and strengthening the trend of further reduction of these costs in the future,
- Positive effects of the business simulation programs, which in successive quarters reversed the unfavorable trends prevailing at beginning of the year, particularly in respect to client funds,
- Symptoms of economic recovery in Q3, although their effect on banking activities was minor,
- Breakdown in Q3 2003 on the debt securities market, associated with significant increase in long-term interest rates,

* Reported net profit for 2002 was PLN 183.9 Mln, but was adjusted due to changes in accounting principles applicable to valuation of derivative transactions.

Major factors affecting the financial result:

1.

Result on interest attained by the Bank Millennium in Q4 2003 was significantly higher than in the previous quarter-year in result of an increase in client funds and persistence in managing margins. That was a turning point, at which unfavorable trends in creation of net interest income reversed, giving a chance of further improvement in this item in 2004.

Net interest income in 2003 was PLN 407.4 Mln (PLN 610.9 Mln in 2002), and was lower by 33.3%. This was caused by market factors: average market interest rates lower by more than 3 pp, increased pressure of competition on commercial margins and lower average balances of deposits and bonds.

2.

After decrease in Q1 2003, **net fee income** in successive quarters had a growing tendency. This points to a permanent growth trend of this item, reversing the unfavorable tendencies existing at the turn of 2002/2003. This growth was fueled by development of business activities, particularly in respect to: fees for account operation, card transactions, domestic transfers, investment banking and assets management. Net fee income in 2003 was PLN 181.5 Mln, and was slightly lower than PLN 199.8 Mln in 2002.

3.

Result on other non-interest income (revenues from shares, shares of stock and other securities, result on financial operations and exchange positions) in 2003 was PLN 266.7 Mln as compared with PLN 493.0 Mln in 2002. Decrease in this item was caused by abrupt, unfavorable changes in prices of State Treasury Bonds on the domestic market (decrease in prices in Q3). Note also that result in this item for 2002 was shaped primarily by one-off transactions: sale of PTE Ego (PLN 190.0 Mln) and sale of a portion of Treasury securities portfolio (PLN 93.0 Mln).

Other income and operating costs in 2003 amounted to PLN 51.3 Mln, as compared with PLN 21.2 Mln in 2002.

4.

Total costs of Bank Millennium Group in 2003 decreased by 18.2% as compared with the previous year and amounted to PLN 774.1 Mln (PLN 946.4 Mln in 2002).

Staff costs decreased by 20.9% as compared with 2002, amounting to PLN 288.7 Mln (PLN 356.0 Mln in 2002) leading to a total of PLN 67.3 Mln savings on costs. This change results from a wide-ranging program of restructuring and optimizing employment, implemented with the aim of improving efficiency of Bank's operations. Bank Millennium employed a total of 3977 persons at end of 2003 (5395 in 2002, decrease by 26%)

Non-staff costs were lower by 22.5% as compared with the end of 2002, amounting to PLN 381.3 Mln (PLN 492.0 Mln in 2002).

Most significant decreases were reported in: IT and telecommunication costs item and administrative costs item.

Depreciation in the analyzed period was higher by 5.8% and amounted to PLN 104.1 Mln as compared with PLN 98.4 Mln in 2002.

Costs structure	2003	2002
Staff costs	288.7	356.0
Non-staff costs	381.3	492.0
Depreciation	104.1	98.4
Total costs	774.1	946.4

5.

Improvement in credit risk management allowed Bank Millennium to decrease the provisions increase rate in 2003. **Provisions** in 2003 amounted to PLN 96.4 Mln, i.e. were by PLN 107.0 Mln lower than in the previous year (PLN 203.4 Mln). Taking into consideration the still difficult economic situation, in Q4 2003 the Bank established a general risk provision of PLN 31 Mln, and the balance of this provision remained at the end of the year at a level comparable with the previous year, equaling PLN 183.3 Mln.

6.

Net profit of Bank Millennium in 2003 was PLN 40.9 Mln.

Total assets of the as of 31st December 2003 amounted to **PLN 19,410 Mln**, higher by PLN 820 Mln (4.1%) as compared with the end of 2002.

Net credits extended to Clients at the end of 2003 amounted to **PLN 10,473 Mln**, being slightly lower as compared with 2002 (PLN 10,831 Mln). Note the increasing share of retail loans in the total credit portfolio of the Bank, reaching 35% (increase by 7 pp).

Principal P&L account data	Q4 2003	Q4 2002	%	2003	2002	%
Net interest income	111.9	175.2	-56.6%	407.4	610.9	-49.9%
Net fee income	49.5	48.1	2.8%	181.5	199.8	-10.1%
Other non-interest income	31.4	200.1	-84.3%	266.7	488.1	-45.4%
Result on banking activities	192.8	423.4	-54.5%	855.7	1 298.8	-34.1%
Total costs	180.2	236.3	-23.8%	774.1	946.4	-18.2%
Net provisions	53.7	96.9	-44.5%	96.4	203.2	-52.6%
Net profit	4.0	-63.2	-	40.9	179.1	-77.2%

7.

Total funds of Clients, including placing of Bank Millennium bonds amounted to PLN 13,463 Mln on 31st December 2003, increasing by 12.2% as compared with 2002 (PLN 12,002 Mln). This was caused primarily by the new offering of services to individual clients, launched by the Bank in Q4 2003.

Principal parameters	31.12.2003	31.12.2002
Balance sheet total	19.410	18.590
Total deposits from Clients (1)	13.463	12.002
Total credits extended to clients	10.473	10.831
Own funds (2)	2.010	2.013

(1) Includes Bank Millennium bonds sold to Clients

(2) Own funds + subordinated debt

8. Credit quality

* Portfolio of the Bank understood as total gross receivables without interest due from financial entities (except for banks, but with consideration of subsidiaries), non-financial entities (including purchased receivables from BEL Leasing) and budget;

As of 31st December 2003, Bank Millennium was characterized by the following loan quality ratios:

Credit quality ratios		31.12.03	30.09.03	30.06.03	31.12.02
Non-performing loans/total loans	By repayment timeliness	14.0%	14.1%	14.2%	13.9%
	According to NBP requirements	22.5%	23.7%	24.0%	23.6%
Provisions to non-performing loans	By repayment timeliness	77.5%	76.2%	75.8%	82.6%
	According to NBP requirements	48.3%	45.2%	44.7%	48.9%

Ratios characterizing the ratio of provisions to non-performing loans had been calculated on consolidated basis, using the total amounts of provisions established for credit risk (specific provisions and general risk provision).

By timeliness of repayment, the NPL ratio improved by 10 bp since September 2003. According to the NBP requirements improved by 120 bp as compared with September 2003 and by 110 bp as compared with December 2002.

Solvency ratio for the Bank Millennium Group was 11.0% and was higher as compared with end of 2002 (9.4%).

Ratios	2003	2002
Net interest margin	2.68%	3.91%
Costs/income	84.5%	71.2%
ROA	0.2%	0.9%
ROE	2.3%	11.5%
Solvency ratio	11.0%	9.4%

Final remarks

- In 2003 Bank Millennium Group took advantage of opportunities resulting from the being implemented restructuring programs. They also allowed to considerably reduce the level of costs in all cost groups, by 18.2%.
- 2003 brought visible effects of business promotion activities programs being implemented by the Bank. Unfavorable tendencies of falling results on title of interest, fees and commissions and client funds were reversed.
- Continuation of these tendencies and active promotion of the growth in retail clients, increase in deposit volumes, increase in volumes of mortgage credits and improvement of profitability in all fields of activities are the main business goals of the Bank in 2004.

SUPPLEMENTARY INFORMATION

I. PRINCIPLES ADOPTED IN PREPARING THE QUARTERLY REPORT

This report contains consolidated financial data of Bank Millennium in the form of balance sheet, profit and loss account, cash flow report and specification of changes in own equity, prepared for 31st December 2003, in line with requirements of the Ordinance of the Council of Ministers of 16th October 2001 on current and periodical information to be provided by issuers of securities, as amended.

Information has been prepared based on the "Principles of Accounting in the Bank Millennium Capital Group", the detailed description of which has been included into the consolidated annual report prepared for 31st December 2002, published on 14th February 2003.

On 1st January 2003 the Bank changed the principles of establishing the general risk provision, i.e. ratios being the basis for calculating the general risk production for receivables from individuals with normal status from 2.5% to 1.5% and general risk provision for credits of enterprises and mortgage loans with normal status - from 1.5% to 0.9% and 0.3%, respectively. Establishment of additional provisions (higher than provided for in the applicable legislation) for receivables from businesses, individuals and on title of housing loans having regular status resulted from the adopted by the Bank in 2001-2002 of a

conservative provisions establishment policy, dictated by the bad macroeconomic situation of Poland. The visible now symptoms of improving macroeconomic situation allowed the Bank to decide about changing the applicable so far principles. However, note that the ratio of covering irregular receivables with provisions (specific and general risk provisions) attained by the Bank at the end of last year was one of the highest in the banking sector (companies of the Group also establish general risk provisions for leasing and factoring business at 0.9%).

Moreover, beginning with 1st January 2004 the Bank writes of individual credit exposures to debit specific provisions in specific cases, in line with regulations of the Ordinance of the Minister of Finance of 2nd December 2003, amending the ordinance on special principles applicable to accounting in Banks. The appropriate quantitative data have been presented in Section IX of the comments - "Additional Remarks to Financial Data".

Beginning with the 1st of January 2003 Millennium Bank had ceased to separate posting (and valuation) of nested derivatives resulting from lease agreements, in which payments are expressed in a foreign currency, based on the draft ordinance of the Minister of Finance amending the Ordinance on special principles of recognizing, valuating methods, manner of disclosing and presentation of financial instruments. The possibility of applying such an approach retrospectively (i.e. beginning with 1st January 2003) has been provided for in the draft document. A similar change relating to instruments nested within lease agreements has been implemented already in International Financial Reporting Standards. In result, taking into consideration the need of maintaining comparison of presented financial data, appropriate changes had been made in the previously published reports by adjusting the opening balance sheet deferred profits item, described in detail in Section IX of the comments - "Additional Remarks to Financial Data".

The following exchange rates have been adopted to calculate amounts expressed in EURO:

- PLN/EURO 4.7170 as of 31st December 2003 for balance sheet items (PLN/EURO 4.0202 for comparative data),
- PLN/EURO 4.4474 for profit and loss account items in the 1st January 31st December 2003 period, calculated as the average for end of individual months in 2003 (PLN/EURO 3.8697 for comparative data).

II. EVENTS TAKING PLACE BETWEEN THE DATE OF PREPARING THIS REPORT AND DATE OF ITS PUBLICATION

No such events took place.

III. SHAREHOLDERS HOLDING AT LEAST 5% OF ALL VOTES AT THE GENERAL MEETING OF BANK MILLENNIUM S.A.

Data as of the transfer of previous consolidated quarterly report

<i>Shareholder</i>	Shares held	<i>% share in share capital</i>	<i>No. of votes</i>	<i>% share in votes at the GM</i>
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 as of the date of current this quarterly report

<i>Shareholder</i>	Shares held	<i>% share in share capital</i>	<i>No. of votes</i>	<i>% share in votes at the GM</i>
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. SPECIFICATION OF CHANGES IN SHAREHOLDING BY PERSONS MANAGING AND SUPERVISING THE BANK IN BANK MILLENNIUM S.A.

The Bank hereby informs that relative to the situation in Q3 2003, it has received information that Mr. Jorge Manuel Jardim Goncalves – member of the Supervisory Board, holds 3,000 shares of the Bank.

V. PENDING COURT LITIGATION

The largest court litigations involving the Bank are as follows:

- Proceedings brought to court by Mr. A. Glodek against the Bank on 24.08.1994 for PLN 14,537,257.57 compensation on title of damages supposedly incurred by the plaintiff, including lost benefits, related to activities of the Bank's former Brokerage House,
- Proceedings initiated by the Bank in statement of claim dated 22.07.1998 against the State Treasury for PLN 65,613,512.20 on title of liability of the State Treasury related with purchase by the former Bank Gdański S.A. of receivables from health case units, which turned out to be under dispute, contrary to assurances given,

- Proceedings brought to court by Mr. Grzegorz Jedamski against the Bank and the State Treasury of 11.11.2000, for stating invalidity of the purchase of 10% shares of Powszechny Zakład Ubezpieczeń S.A. from the State Treasury. Value of the object of dispute is PLN 1,006,004,295.
- Proceedings brought to court by Mr. Grzegorz Jedamski against the Bank in relation to a statement of claim submitted to the Regional Court in Warsaw for adjudging to his benefit the total amount of PLN 299,833,300 as compensation for the supposedly illegally taken over BIG BANK Spółka Akcyjna (previously ŁBR S.A.).

VI. TRANSACTIONS WITH RELATED ENTITIES, THE EQUIVALENT VALUE OF WHICH EXCEEDED EUR 500,000

All transactions by and between entities of the Millennium Capital Group in the period from 1st October to 31st December 2003 were executed on market terms and resulted from current business requirements. Exclusions have been specified below, with nature of the transactions exceeding regular scope of business:

- On 1.10.2003 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 financing 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 in 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. The Bank retains full control over shares of PZU S.A. The Contract has been executed for a period of 5 years.
- On 22.12.2003 Management Board of the Bank informed that it had executed a revolving credit agreement on market terms with Forinwest Sp. z o.o., subsidiary of the Bank, for PLN 105,000,000 to be applied to financing leasing receivables of BEL Leasing Sp. z o.o., a subsidiary of the Bank. The credit has been extended for a period from 22.12.2003 to 31.12.2006.
- On 22.12.2003 Management Board of the Bank informed that on 22.12. 2003 the Bank paid PLN 4,000,000 and registered for acquisition of participation units of Millennium FIO Stabilnego Wzrostu - a fund managed by Millennium TFI S.A., an affiliate of the Bank.
- On 23.12.2003 Management Board of the Bank informed that on 22.12.2003 BEL Leasing Sp. z o.o. ("BEL"), a subsidiary of the Bank, executed the following agreements with Forinwest Sp. z o.o., a subsidiary of the Bank: 1) Loan agreement, on the basis of which Forinwest extended to BEL a loan of PLN 105,000,000 on market terms. Repayment of the loan will take place by 31.12.2006, 2) assignment of receivables agreement to secure the said loan agreement. Total value of assigned

receivables as of the execution date was PLN 105,000,000. The agreement was executed under a condition precedent, i.e. that assignment of receivables will take place upon delivery by Forinvest to BEL of a declaration on proceeding with enforcement of the collateral. Forinvest is entitled to submit such a declaration when BEL: a) delays in repayment of the loan by more than 14 days, b) does not perform another assignment of receivables within 14 days of end of the quarter year when value of receivables comprising the collateral decreases at end of such quarter year, to restore the total value of receivables comprising collateral over the loan agreement at end of the given quarter year to at least PLN 105,000,000.

- On 30.12.2003 Management Board of the Bank informed that on 29.12.2003 BEL Leasing Sp. z o.o. ("BEL"), a subsidiary of the Bank, executed with the Bank a bonds issue agreement under which the Bank shall conduct and service a bonds issue program of BEL ("Bonds Issue Agreement"), and also executed with the Bank additional agreements related with the bonds issue program, i.e. and agreement obligating to issue a guarantee for payment of cash performance under the bonds ("Guarantee Agreement"). The Bonds Issue Agreement has been executed for the period from 29.12.2003 to 29.12.2006. Value of the Bonds Issue Agreement is PLN 135,000,000. The bonds will not be in a document form and will be issued using a non-public procedure as zepon or coupon debt securities. In accordance with the Guarantee Agreement, the Bank undertook to issue a guarantee of paying the cash performance due under the bonds of individual series issued under the Bonds Issue Agreement.

VII. INFORMATION ABOUT ISSUE OF CREDIT SURETIES OR GUARANTEES BY THE BANK

In Q4 2003 the Bank is not issue any credit or loan surety or guarantee to any single entity, in result of which the value of Bank's exposure on the title thereof would exceed 10% of Bank's own equity.

VIII. INCOME TAX INFORMATION

□ Income tax due

Income tax due on gross financial result has been determined according to provisions of the Act on Corporate Income Tax of 15th February 1992.

Consolidated result for the 1st January 31st December 2003 period with tax was affected principally by the fact that the parent company (having the largest effect on tax burdens) had a negative basis for taxation.

Major items affecting the effective tax loss of the Bank were as follows:

- Excluding of dividends received and revenues from share in profits of legal persons from the basis for taxation,
- Settled on date of incurring and receiving additional payments on title of exchange rate differences from CIRC operations,

- Recognizing provisions established for receivables, the recovery of which has become improbable under tax law regulations, as tax costs.

❑ Deferred income tax

Pursuant to Art. 37.3 of the Accounting Law, corporations are obligated to establish provisions for deferred tax due to differences in methods of recognizing revenue as attained, and cost as incurred, as provided for in the Corporate Income tax Act of 15th February 1992. Therefore, entities of Bank Millennium establish a provision for income tax every month by stating all temporary differences as to which certainty exists that they would become a taxable cost or revenue item in the following reporting periods. Use of such a methodology allows to evenly spread deductions to the gross financial result and warrants that costs and revenues of the current financial period will not affect financial result attained in the following years. Shown in the profit and loss account deferred part constitutes a difference between change in the balance of the provision and assets on title of deferred tax. The provision and assets on title of deferred tax are presented separately in the consolidated balance sheet.

Deferred income tax disclosed in the P&L account for 2003 was PLN – 70,314,000.

Financial result of the Bank is additionally increased by recognizing the discounted receivable from the Tax Office, based on a Memorandum of Understanding executed by and between representatives of the Government, National Bank of Poland and Polish Banks Association, described in more detail in Section IX “Additional Remarks to Financial Data”.

IX. ADDITIONAL REMARKS TO FINANCIAL DATA

Up until 31st March 2003 Bank's investment into PZU S.A. shares was valued in financial statements according to the ownership rights method described in Art. 3.1 items 36, 38 and 47 of the Accounting Law (same guidelines has been set forth in IAS 28). On 15th April 2003 the Management Board decided in consent with the Supervisory Board to stop use of the ownership method to value PZU S.A. investment as of 31st March 2003, maintaining the valuation made for that date as a cost.

This accounting change results from Art. 62.5 of the Accounting Law (identical provision in IAS 28 para 11), in accordance with which an investor ceases to perform valuation using ownership rights method for an affiliate from the date when significant influence ceases to exist, even though the investor retains all or any part of his investment.

On 31st March 2003 BCP, main shareholder of the Bank, completed its sales transaction of 20,86% shares in EUREKO B.V. to EUREKO B.V., thus reducing its exposure to EUREKO B.V. down to 5% of the new share capital. EUREKO B.V. and Bank form a syndicate which together owns 30% shares in the share capital of PZU S.A. In result of this transaction, BCP Group ceased to exercise control over EUREKO B.V., as it did previously together with Achmea Association. This indirectly limited the ability of the BCP and the Bank to exercise their influence on the 20% shareholding that EUREKO B.V. has in PZU.

The reduction of capital relationships between Eureka B.V. and BCP Group indirectly limits Bank's ability to exercise material influence on financial and operational policies of PZU, even though both entities continue to have their members sitting in the Supervisory Board and the Management Board of PZU.

Pursuant to Art. 62.5 of the Accounting Law, change in the method of including the PZU S.A. investment in the books as of 31st March 2003 led at the same time to ceasing depreciation of the goodwill established upon its acquisition.

In result, PZU S.A. shares have been included in the balance sheet item "shares or shares of stock in other entities" at PLN 1 212 114 000. This amount consists of: value of PZU S.A. shares resulting from the ownership title basis of valuation as of 31st March 2003 equal to PLN 457 434 000 and not amortized goodwill of the subordinated company (as of that day) equal to PLN 754 680 000. Due to consolidation adjustment introduced due to payment of dividend effected by PZU, balance sheet value of PZU shares as of 30th September 2003 was PLN 1 199 161 000.

Bank Millennium included into its ledgers the discounted for 31st December 2003 receivables from Tax office (PLN 21.7 Mln) equal to 8% of the total value of the established and not included into costs (for 31st December 2002) specific risk provisions for credits (loans) classified by the Bank into the lost and doubtful categories (which shall decrease tax liability of the Bank in 2007-2009 by 20%, 40% and 40% of these receivables respectively). The application of such a solution is based on a Memorandum of Understanding executed on 30th October 2003 by and between representatives of the Government, National Bank of Poland and Polish Banks Association. This memorandum applies to conducting of a number of regulatory changes, including solving of the problem of calculating assets on title of tax deferred at end of 2003 due to the reduction of corporate income tax rate from 27% to 19% and creating an infrastructure allowing assimilation of resources made available by EU structural funds (text of this Memorandum is available at the web site of the Ministry of Finance). Moreover, the possibility of recognizing such receivables in the made available by the Bank preliminary financial statements not subject to audit by certified auditor is confirmed by position taken by the General Inspector of Banking Supervision. Draft of the Act has been already agreed between the Ministers and will be considered by the Sejm in the forthcoming future. The Bank assumes this Act will be in force by the time the certified auditor publishes its final report from audit of financial statements for 2003.

The following adjustment of comparative data has been made in result of the accounting changes introduced as of 1st January 2003, whereby separate accounting for and valuation of embedded derivatives related with lease agreements, the payment amount of which is expressed in foreign currency, has been stopped:

Profit and loss account, cumulative for 4 quarter years of 2002:

- Result on financial operations has been decreased by PLN 4,866,000,
- share in net profits (losses) of subordinated entities valued using the ownership rights method has been decreased by PLN 1,278,000,
- Tax liability has been decreased by PLN 1,314,000.

Implementation of those adjustments decreased consolidated financial income by PLN 4,830,000, and the now comparative result for the 2002 financial year is PLN 179,100,000.

Balance sheet for 31st December 2002:

- The "shares or shares of stock in affiliates" has been decreased by PLN 2,907,000,
- The "other securities and other financial assets" has been decreased by PLN 19,304,000,
- Value of deferred tax provision has been decreased by PLN 5,212,000,

- Loss of previous years has been increased by PLN 12,169,000, what had been presented in the changes in own equity table as reduction of the adjustment value of the opening balance sheet on title of changes in accounting principles,
- profit has been reduced by PLN 4,830,000.

The following adjustments of previously published comparative data (in quarterly report for 31st December 2002) have been made for the needs of this report due to changes in the manner in which certain financial data is presented:

In the period from 1st January to 31st December 2003 Bank Millennium - dominating entity of the Group - wrote off unrecoverable receivables totaling PLN 263,752,000 into the existing provisions. In result of performing Bank's rights to claim payment from obligor it was possible to enforce repayment of receivables totaling PLN 1,656,000.