

Bank Millennium S.A.

Date of issue: 16 February 2004

CONSOLIDATED QUARTERLY REPORT OF BANK MILLENNIUM GROUP FOR THE 4th QUARTER OF 2003

| SELECTED FINANCIAL DATA | in thousand PLN | | in thousand EURO | |
|---|---|---|---|---|
| | 4 quarters accrued / 2003 | 4 quarters accrued / 2002 | 4 quarters accrued / 2003 | 4 quarters accrued / 2002 |
| | period from 1.01.2003 to 31.12.2003 | period from 1.01.2002 to 31.12.2002 | period from 1.01.2003 to 31.12.2003 | period from 1.01.2002 to 31.12.2002 |
| I. Interest income | 1 454 846 | 1 931 636 | 327 124 | 499 171 |
| II. Commission income | 252 193 | 275 223 | 56 706 | 71 123 |
| III. Result on banking activities | 941 243 | 1 396 830 | 211 640 | 360 967 |
| IV. Result on operating activities | -40 992 | -4 522 | -9 217 | -1 169 |
| V. Gross profit (loss) | -52 256 | -41 801 | -11 750 | -10 802 |
| VI. Net profit (loss) | 40 895 | 179 100 | 9 195 | 46 283 |
| VII. Net cash flows from operating activities | 337 686 | -2 881 443 | 75 929 | -744 618 |
| VIII. Net cash flows from investing activities | 113 854 | 2 205 759 | 25 600 | 570 009 |
| IX. Net cash flows from financing activities | 75 545 | 488 816 | 16 986 | 126 319 |
| X. Net cash flows, total | 527 085 | -186 868 | 118 516 | -48 290 |
| XI. Total assets | 19 283 047 | 18 475 116 | 4 087 990 | 4 595 571 |
| XII. Liabilities to the Central Bank | 0 | 0 | 0 | 0 |
| XIII. Liabilities to financial sector | 2 762 650 | 2 338 546 | 585 679 | 581 699 |
| XIV. Liabilities to non-financial and budget sector | 11 762 040 | 11 486 672 | 2 493 543 | 2 857 239 |
| XV. Own 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 stock | 849 181 744 | 849 181 744 | 849 181 744 | 849 181 744 |
| XVIII. Book value per one stock (in PLN / EUR) | 2,04 | 2,05 | 0,43 | 0,51 |
| XIX. Diluted book value per one stock (in PLN / EUR) | - | - | - | - |
| XX. Solvency ratio | 12,26% | 10,66% | 12,26% | 10,66% |
| XXI. Profit (loss) per one ordinary stock (in PLN / EUR) | 0,05 | 0,22 | 0,01 | 0,06 |
| XXII. Diluted Profit (loss) per one ordinary stock (in PLN / EUR) | - | - | - | - |
| XXIII. Declared or paid out dividend per one stock (in PLN / EUR) | - | - | - | - |

| CONSOLIDATED BALANCE SHEET | as at 31.12.2003 quarter end / 2003 | as at 30.09.2003 previous quarter end/ 2003 | as at 31.12.2002 quarter end / 2002 | as at 30.09.2002 previous quarter end/ 2002 |
|---|--|--|--|--|
| Assets | | | | |
| I. Cash, operations with central Bank | 805 242 | 200 925 | 283 089 | 211 303 |
| II. Debt securities eligible for rediscounting in the Central Bank | 11 189 | 10 021 | 16 708 | 12 966 |
| III. Receivables from financial sector | 1 248 688 | 1 429 976 | 804 467 | 1 531 618 |
| 1. Short-term receivables | 1 207 316 | 1 401 125 | 628 738 | 1 076 687 |
| a) in current account | 60 017 | 14 452 | 11 754 | 13 929 |
| b) other short-term receivables | 1 147 299 | 1 386 673 | 616 984 | 1 062 758 |
| 2. Long-term receivables | 41 372 | 28 851 | 175 729 | 454 931 |
| IV. Receivables from non-financial sector | 9 720 687 | 10 044 884 | 9 799 252 | 9 887 630 |
| 1. Short-term receivables | 5 213 559 | 4 899 777 | 5 463 803 | 6 835 942 |
| a) in current account | 1 809 119 | 2 041 733 | 2 352 840 | 1 160 112 |
| b) other short-term receivables | 3 404 440 | 2 858 044 | 3 110 963 | 5 675 830 |
| 2. Long-term receivables | 4 507 128 | 5 145 107 | 4 335 449 | 3 051 688 |
| V. Receivables from the budget sector | 506 053 | 475 990 | 524 700 | 538 608 |
| 1. Short-term receivables | 366 253 | 155 185 | 334 535 | 390 243 |
| a) in current account | 6 872 | 5 869 | 0 | 7 193 |
| b) other short-term receivables | 359 381 | 149 316 | 334 535 | 383 050 |
| 2. Long-term receivables | 139 800 | 320 805 | 190 165 | 148 365 |
| VI. Receivables from purchased underwritten securities | 0 | 0 | 0 | 0 |
| VII. Debt securities | 3 398 503 | 3 297 468 | 3 012 772 | 3 561 425 |
| VIII. Receivables from subordinated companies valued by equity method | 155 521 | 205 018 | 302 703 | 273 976 |
| 1. Subsidiaries | 0 | 0 | 0 | 608 |
| 2. Affiliated | 0 | 0 | 0 | 0 |
| 3. Associated | 155 521 | 205 018 | 302 703 | 273 368 |
| IX. Stock and shares in subsidiaries valued by equity method | 767 | 490 | 891 | 413 |
| X. Stock and shares in affiliated companies valued by equity method | 0 | 0 | 0 | 0 |
| XI. Stock and shares in associated companies valued by equity method | 0 | 1 208 | 423 365 | 415 765 |
| XII. Stock and shares in other companies | 1 223 807 | 1 235 836 | 63 052 | 32 697 |
| XIII. Other securities and other financial assets | 677 728 | 482 099 | 513 859 | 403 827 |
| XIV. Intangible and legal assets, of which: | 225 750 | 227 389 | 230 331 | 232 803 |
| - goodwill | 5 163 | 5 479 | 0 | 0 |
| XV. Goodwill of subordinated companies | 0 | 0 | 765 944 | 777 208 |
| XVI. Tangible fixed assets | 678 854 | 657 467 | 705 465 | 704 066 |
| XVII. Other assets | 104 804 | 239 769 | 269 691 | 440 351 |
| 1. Acquired assets – for divestiture | 3 393 | 3 498 | 7 641 | 7 737 |
| 2. Inventory | 1 479 | 896 | 2 122 | 740 |
| 3. Others | 99 932 | 235 375 | 259 928 | 431 874 |
| XVIII. Accruals | 525 454 | 862 786 | 758 827 | 756 770 |
| 1. Deferred tax assets | 258 414 | 590 819 | 489 031 | 478 998 |
| 2. Other accruals | 267 040 | 271 967 | 269 796 | 277 772 |
| Total assets | 19 283 047 | 19 371 326 | 18 475 116 | 19 781 426 |
| Liabilities | | | | |
| I. Liabilities to the Central Bank | 0 | 0 | 0 | 0 |
| II. Liabilities to financial sector | 2 762 570 | 2 113 495 | 2 145 335 | 2 152 060 |

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| 1. Short-term liabilities | 1 288 615 | 647 079 | 1 595 335 | 1 602 052 |
| a) in current account | 231 131 | 161 373 | 60 379 | 31 410 |
| b) other short term liabilities | 1 057 484 | 485 706 | 1 534 956 | 1 570 642 |
| 2. Long-term liabilities | 1 473 955 | 1 466 416 | 550 000 | 550 008 |
| III. Liabilities to non-financial sector | 10 835 580 | 9 833 933 | 10 643 139 | 12 047 256 |
| 1. Short-term liabilities | 10 472 210 | 9 138 461 | 10 123 459 | 10 949 888 |
| a) in current account, of which: | 3 138 928 | 3 070 458 | 2 908 873 | 2 669 277 |
| - savings | 0 | 0 | 0 | 0 |
| b) other short-term liabilities, of which: | 7 333 282 | 6 068 003 | 7 214 586 | 8 280 611 |
| - savings | 0 | 0 | 0 | 0 |
| 2. Long-term liabilities, of which: | 363 370 | 695 472 | 519 680 | 1 097 368 |
| - savings | 0 | 0 | 0 | 0 |
| IV. Liabilities to budget sector | 920 191 | 1 264 737 | 843 183 | 970 855 |
| 1. Short-term liabilities | 919 949 | 1 264 539 | 843 150 | 970 772 |
| a) in current account | 581 065 | 729 003 | 519 705 | 588 136 |
| b) other short term liabilities | 338 884 | 535 536 | 323 445 | 382 636 |
| 2. Long-term liabilities | 242 | 198 | 33 | 83 |
| V. Liabilities from purchased underwritten securities | 0 | 0 | 0 | 0 |
| VI. Liabilities from issue of debt securities | 1 005 361 | 1 675 915 | 552 355 | 239 834 |
| 1. Short-term | 759 302 | 1 512 679 | 409 688 | 90 134 |
| 2. Long-term | 246 059 | 163 236 | 142 667 | 149 700 |
| VII. Other liabilities from financial instruments | 441 022 | 811 809 | 454 789 | 432 771 |
| VIII. Liabilities to subordinated companies valued by equity method | 6 349 | 6 777 | 193 561 | 99 826 |
| 1. Subsidiaries | 6 269 | 6 485 | 350 | 297 |
| 2. Affiliated | 0 | 0 | 0 | 0 |
| 3. Associated | 80 | 292 | 193 211 | 99 529 |
| IX. Special funds and other liabilities | 209 665 | 256 678 | 276 545 | 545 288 |
| X. Costs and revenues accounted for in time and deferred | 627 461 | 602 954 | 571 975 | 499 994 |
| 1. Deferred expenses | 119 470 | 97 011 | 127 361 | 64 717 |
| 2. Negative goodwill | 0 | 0 | 0 | 0 |
| 3. Other deferred revenues | 507 991 | 505 943 | 444 614 | 435 277 |
| XI. Negative goodwill of subordinated companies | 0 | 0 | 0 | 3 703 |
| XII. Provisions | 361 780 | 697 840 | 734 239 | 759 765 |
| 1. Deferred income tax allowance | 144 836 | 475 862 | 429 145 | 417 154 |
| 2. Other provisions | 216 944 | 221 978 | 305 094 | 342 611 |
| a) short-term | 3 285 | 20 331 | 45 811 | 96 699 |
| b) long-term | 213 659 | 201 647 | 259 283 | 245 912 |
| XIII. Subordinated liabilities | 378 162 | 375 723 | 322 423 | 332 196 |
| XIV. Minority equity | 0 | 0 | 0 | 0 |
| XV. Share capital | 849 182 | 849 182 | 849 182 | 849 182 |
| XVI. Payments due to share capital (negative value) | 0 | 0 | 0 | 0 |
| XVII. Own stock (negative values) | 0 | 0 | 0 | -80 921 |
| XVIII. Capital reserve | 781 348 | 781 348 | 755 449 | 755 432 |
| XIX. Capital reserve from revaluation | 32 882 | 33 430 | 76 560 | 62 077 |
| XX. Other reserve capital | 145 677 | 145 677 | 143 691 | 143 691 |
| XXI. Exchange rate differences from conversion of subordinated units | 0 | 0 | 0 | 0 |
| 1. Positive exchange differences | 0 | 0 | 0 | |
| 2. Negative exchange differences | 0 | 0 | 0 | |
| XXII. Profit (loss) of previous years | -115 078 | -115 078 | -266 410 | -273 904 |
| XXIII. Net profit (loss) | 40 895 | 36 906 | 179 100 | 242 321 |
| Total liabilities | 19 283 047 | 19 371 326 | 18 475 116 | 19 781 426 |

| | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|
| Solvency ratio | 12,26% | 12,24% | 10,66% | 10,24% |
| Book value | 1 734 906 | 1 731 465 | 1 737 572 | 1 701 581 |
| Number of shares | 849 181 744 | 849 181 744 | 849 181 744 | 849 181 744 |
| Book value per share (in zł) | 2,04 | 2,04 | 2,05 | 2,00 |
| Diluted number of shares | - | - | - | - |
| Diluted book value per share (in zł) | - | - | - | - |

| | as at 31.12.2003 quarter end / 2003 | as at 30.09.2003 previous quarter end/ 2003 | as at 31.12.2002 quarter end / 2002 | as at 30.09.2002 previous quarter end/ 2002 |
|--|--|---|--|---|
| CONSOLIDATED OFF BALANCE-SHEET ITEMS | | | | |
| I. Off balance-sheet contingent liabilities offered and received | 3 342 886 | 3 439 385 | 3 702 776 | 3 041 837 |
| 1. Liabilities granted: | 2 291 750 | 2 423 586 | 2 722 708 | 2 441 803 |
| a) financial | 1 879 753 | 1 971 446 | 2 275 442 | 2 328 131 |
| b) guaranties | 411 996 | 452 140 | 447 266 | 113 672 |
| 2. Liabilities received: | 1 051 136 | 1 015 799 | 980 068 | 600 034 |
| a) financial | 0 | 0 | 0 | 0 |
| b) guaranties | 1 051 136 | 1 015 799 | 980 068 | 600 034 |
| II. Liabilities arising from purchase/sale transactions | 19 205 238 | 15 999 991 | 18 549 556 | 20 182 997 |
| III. Other (on account of) | 18 844 430 | 16 434 810 | 4 211 543 | 4 272 540 |
| - interest rate swaps | 17 927 082 | 15 674 701 | 3 523 364 | 3 799 313 |
| - options | 186 677 | 265 946 | 390 411 | 244 978 |
| - FRAs | 640 000 | 400 000 | 100 000 | 50 000 |
| - liabilities arising from factoring activities | 90 135 | 80 944 | 196 822 | 178 249 |
| - other | 536 | 13 219 | 946 | 0 |
| Total off balance-sheet items | 41 392 553 | 35 874 186 | 26 463 875 | 27 497 374 |

| CONSOLIDATED INCOME STATEMENT | quarter 4 (current year) period from 1.10.2003 to 31.12.2003 | 4 quarters accrued / 2003 period from 1.01.2003 to 31.12.2003 | quarter 4 (previous year) period from 1.10.2002 to 31.12.2002 | 4 quarters accrued / 2002 period from 1.01.2002 to 31.12.2002 |
|---|--|---|---|---|
| I. Interest income | 373 858 | 1 454 846 | 426 067 | 1 931 636 |
| II. Interest cost | 224 748 | 896 862 | 255 658 | 1 262 348 |
| III. Net interest income (I-II) | 149 110 | 557 984 | 170 409 | 669 288 |
| IV. Commission income | 68 182 | 252 193 | 67 394 | 275 223 |
| V. Commission cost | 10 292 | 45 190 | 13 163 | 48 680 |
| VI. Net commission income (IV-V) | 57 890 | 207 003 | 54 231 | 226 543 |
| VII. Net income from the sale of products, commodities and materials | 0 | 0 | 0 | 0 |
| VIII. Cost of the sale of products, commodities and materials | 0 | 0 | 0 | 0 |
| IX. Sales cost | 0 | 0 | 0 | 0 |
| X. Result on sale (VII-VIII-IX) | 0 | 0 | 0 | 0 |
| XI. Income from shares and stock, other securities and other financial instruments, with variable income amount | 752 | 44 552 | -729 | 226 673 |
| 1. From subsidiaries | 0 | 0 | -1 132 | 225 677 |
| 2. From affiliated companies | 0 | 0 | 0 | 0 |
| 3. From associated companies | 0 | 0 | 29 | 29 |
| 4. From other companies | 752 | 44 552 | 374 | 967 |
| XII. Result on financial operations | 8 340 | 51 239 | 41 706 | 204 151 |
| XIII. Result on FX position | 23 371 | 80 465 | 17 893 | 70 175 |
| XIV. Result on banking operations | 239 463 | 941 243 | 283 510 | 1 396 830 |
| XV. Other operating revenues | 62 387 | 165 677 | 58 377 | 135 469 |
| XVI. Other operating costs | 30 491 | 107 976 | 29 639 | 121 431 |
| XVII. Overhead costs | 183 890 | 784 631 | 239 791 | 952 117 |
| XVIII. Depreciation of fixed assets and intangible and legal assets | 32 336 | 115 907 | 29 750 | 126 109 |
| XIX. Provisions and revaluation reserve | 522 385 | 1 528 820 | 436 187 | 879 745 |
| 1. Provisions for special purpose allowances and overall banking risk | 522 259 | 1 527 194 | 436 187 | 879 745 |
| 2. Revaluation of financial assets | 126 | 1 626 | 0 | 0 |
| XX. Release of provisions and revaluation | 451 746 | 1 389 422 | 279 034 | 542 581 |
| 1. Release of reserves for special purpose allowances and overall banking risk | 451 746 | 1 389 422 | 279 034 | 542 581 |
| 2. Revaluation of financial assets | 0 | 0 | 0 | 0 |
| XXI. Net provisions and revaluation reserve (XIX - XX) | 70 639 | 139 399 | 157 153 | 337 164 |
| XXII. Result on operations | -15 506 | -40 992 | -114 446 | -4 522 |
| XXIII. Result on extraordinary operations | 0 | 0 | 7 | -13 |
| 1. Extraordinary profits | 0 | 0 | -8 | 1 |
| 2. Extraordinary losses | 0 | 0 | -15 | 14 |
| XXIV. Amortization of goodwill of subordinated companies | 0 | 11 264 | 11 264 | 45 056 |
| XXV. Amortization of negative goodwill of subordinated companies | 0 | 0 | -1 771 | 7 790 |
| XXVI. Gross profit (loss) | -15 506 | -52 256 | -127 474 | -41 801 |
| XXVII. Income tax | -20 426 | -57 706 | -52 250 | -98 165 |
| 1. Current portion | 311 | 2 342 | -44 472 | 30 043 |
| 2. Deferred portion | -20 737 | -60 048 | -7 778 | -128 208 |
| XXVIII. Other obligatory charges on profit (additions to loss) | 0 | 0 | 0 | 0 |

| | | | | |
|--|--------------|---------------|----------------|----------------|
| XXIX. Share in profit (loss) of subordinated companies consolidated by equity method | -931 | 35 445 | 12 003 | 122 736 |
| XXX. Minority (profits) losses | 0 | 0 | 0 | 0 |
| XXXI. 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 | - | 826 430 077 |
| Profit (loss) per one ordinary share (in zł) | - | 0,05 | - | 0,22 |
| Weighted average number of diluted ordinary shares | - | - | - | - |
| Diluted profit (loss) per one ordinary share (in zł) | - | - | - | - |

| STATEMENT OF CHANGES IN CONSOLIDATED EQUITY | quarter 4 (current year) period from 1.10.2003 to 31.12.2003 | 4 quarters accrued / 2003 period from 1.01.2003 to 31.12.2003 | quarter 4 (previous year) period from 1.10.2002 to 31.12.2002 | 4 quarters accrued / 2002 period from 1.01.2002 to 31.12.2002 |
|---|--|---|---|---|
| I. Own equity at beginning of period (OB) | 1 731 465 | 1 737 572 | 1 697 877 | 1 470 648 |
| a) changes in accounting principles (policy) | 0 | 0 | 10 243 | 41 250 |
| b) corrections of basic errors | 0 | 0 | 0 | 0 |
| I.a. Own equity at beginning of period (OB), after reconciliation of comparative data | 1 731 465 | 1 737 572 | 1 708 120 | 1 511 898 |
| 1. Share capital at beginning of period | 849 182 | 849 182 | 849 182 | 849 182 |
| 1.1. Changes in share capital | 0 | 0 | 0 | 0 |
| a) increases (due to) | 0 | 0 | 0 | 0 |
| - stock issue | 0 | 0 | 0 | 0 |
| - | 0 | 0 | 0 | 0 |
| b) decreases (due to) | 0 | 0 | 0 | 0 |
| - stock depreciation | 0 | 0 | 0 | 0 |
| - | 0 | 0 | 0 | 0 |
| 1.2. Stock capital at end of period | 849 182 | 849 182 | 849 182 | 849 182 |
| 2. Due payments to share capital at beginning of period | 0 | 0 | 0 | 0 |
| 2.1. Change in due payments to share capital | 0 | 0 | 0 | 0 |
| a) increases (due to) | 0 | 0 | 0 | 0 |
| - | 0 | 0 | 0 | 0 |
| b) decreases (due to) | 0 | 0 | 0 | 0 |
| - | 0 | 0 | 0 | 0 |
| 2.2. Due payments to share capital at end of period | 0 | 0 | 0 | 0 |
| 3. Own stock at beginning of period | 0 | 0 | -80 921 | -80 921 |
| a) increases (due to) | 0 | 0 | 0 | 0 |
| - | 0 | 0 | 0 | 0 |
| b) decreases (due to) | 0 | 0 | -80 921 | -80 921 |
| - Sale of Treasury Shares | 0 | 0 | -80 921 | -80 921 |
| 3.1. Own stock at end of period | 0 | 0 | 0 | 0 |
| 4. Capital reserve at beginning of period | 781 348 | 755 449 | 755 432 | 776 889 |
| 4.1. Changes in capital reserve | 0 | 25 899 | 17 | -21 440 |
| a) increases (due to) | 0 | 49 932 | 17 | 2 026 |
| - issue of stock in excess of par value | 0 | 0 | 0 | 0 |
| - profit distribution | 0 | 49 817 | 0 | 83 |
| - moved from other capital reserve | 0 | 0 | 0 | 1 926 |
| - other | 0 | 115 | 17 | 17 |
| b) decreases (due to) | 0 | 24 033 | 0 | 23 466 |
| - loss coverage | 0 | 24 033 | 0 | 23 466 |
| - other | 0 | 0 | 0 | 0 |
| 4.2. Capital reserve at end of period | 781 348 | 781 348 | 755 449 | 755 449 |
| 5. Revaluation reserve at beginning of period | 33 430 | 76 560 | 62 077 | 31 147 |

| | | | | |
|--|----------|----------|----------|----------|
| a) changes in accounting principles (policy) | 0 | 0 | 917 | 77 949 |
| b) corrections of basic errors | 0 | 0 | 0 | 0 |
| 5.a. Revaluation reserve at beginning of period after reconciliation of comparative data | 33 430 | 76 560 | 62 994 | 109 096 |
| 5.1. Changes in revaluation reserve | -548 | -43 678 | 13 566 | -32 536 |
| a) increases (due to) | 0 | 0 | 13 584 | 32 576 |
| - valuation of POLCARD shares that are recognized as available for sale | 0 | 0 | 0 | 32 576 |
| - purchase and valuation of financial assets available for sale | | 0 | 13 584 | 0 |
| b) decreases (due to) | 548 | 43 678 | 18 | 65 112 |
| - sale and valuation of financial assets available for sale | 548 | 43 563 | 0 | 65 090 |
| - sale and liquidation of fixed assets | 0 | 115 | 18 | 22 |
| 5.2. Revaluation reserve at end of period | 32 882 | 32 882 | 76 560 | 76 560 |
| 6. General bank risk fund at beginning of period | 44 738 | 44 738 | 44 738 | 0 |
| 6.1. Changes in general bank risk fund | 0 | 0 | 0 | 44 738 |
| a) increases (due to) | 0 | 0 | 0 | 44 738 |
| - distribution of profits | 0 | 0 | 0 | 44 738 |
| - | 0 | 0 | 0 | 0 |
| b) decreases (due to) | 0 | 0 | 0 | 0 |
| - | 0 | 0 | 0 | 0 |
| 6.2. General bank risk fund at end of period | 44 738 | 44 738 | 44 738 | 44 738 |
| 7. Other capital reserves at beginning of period | 100 939 | 98 953 | 98 953 | 100 868 |
| 7.1. Changes in other capital reserves | 0 | 1 986 | 0 | -1 915 |
| a) increases (due to) | 0 | 1 986 | 0 | 11 |
| - distribution of profits | 0 | 1 986 | 0 | 11 |
| - | 0 | 0 | 0 | 0 |
| b) decreases (due to) | 0 | 0 | 0 | 1 926 |
| - moving to supplementary capital | 0 | 0 | 0 | 1 926 |
| 7.2. Other capital reserves at end of period | 100 939 | 100 939 | 98 953 | 98 953 |
| 8. Changes in foreign currency translations of subordinated shares | 0 | 0 | 0 | 0 |
| 9. Profit (loss) of previous years at beginning of period | -115 078 | -266 410 | -273 904 | -226 368 |
| 9.1. Profit of previous years at beginning of period | 0 | 0 | 0 | 0 |
| a) changes in accounting principles (policy) | 0 | 0 | 0 | 0 |
| b) corrections of basic errors | 0 | 0 | 0 | 0 |
| 9.2. Profit of previous years at beginning of period, after reconciliation of comparative data | 0 | 0 | 0 | 0 |
| 9.3. Change in profit of previous years | 0 | 0 | 0 | 0 |
| a) increases (due to) | 0 | 0 | 0 | 0 |
| - distribution of profit of previous years | 0 | 0 | 0 | 0 |
| - | 0 | 0 | 0 | 0 |
| b) decreases (due to) | 0 | 0 | 0 | 0 |
| - | 0 | 0 | 0 | 0 |
| - | 0 | 0 | 0 | 0 |
| 9.4. Profit of previous years at end of period | 0 | 0 | 0 | 0 |
| 9.5. Loss of previous years at beginning of period | -115 078 | -266 410 | -273 904 | -226 368 |
| a) changes in accounting principles (policy) | 0 | 0 | 9 326 | -36 699 |
| b) corrections of basic errors | 0 | 0 | 0 | |
| 9.6. Loss of previous years at beginning of period, after reconciliation of comparative data | -115 078 | -266 410 | -264 578 | -263 067 |
| 9.7. Change in loss of previous years | 0 | 151 332 | -1 832 | -3 343 |
| a) increases (due to) | 0 | 447 238 | 2 618 | 358 916 |
| - increase on account of profit in previous year | 0 | 123 272 | 0 | 65 664 |
| - loss coverage by capital reserve | 0 | 24 033 | 0 | 23 466 |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| - amortization of capital reserve | 0 | 7 790 | 0 | 10 099 |
| - loss of minority shareholders | 0 | 0 | 0 | 106 |
| - elimination of reserve for intra-group receivables | 0 | 0 | 0 | 15 095 |
| - result of de-consolidation of BG Leasing S.A. and Eureko Polska Sp. z o.o. | 0 | 0 | 0 | 98 634 |
| - result of de-consolidation of PTE BIG BG | 0 | 169 407 | 0 | |
| - share in profits of associated companies | 0 | 122 736 | 0 | 101 466 |
| - unrealized profits from intra-group transactions | 0 | 0 | 0 | 38 856 |
| - consolidation of TFI Millennium | 0 | 0 | 1 117 | 1 117 |
| - merger of Juvenes Invest and BEL Leasing | 0 | 0 | 1 019 | 1 019 |
| - valuation of PROLIM under equity method | 0 | 0 | 482 | 482 |
| - other | 0 | 0 | 0 | 2 912 |
| b) decreases (due to) | 0 | 295 906 | 4 450 | 362 259 |
| - carryforward of the loss of previous year | 0 | 41 925 | 0 | 265 833 |
| - elimination of movements in reserve for intra-group receivables | 0 | 103 739 | 0 | 0 |
| - unrealized profits from intra-group transactions | 0 | 21 960 | 0 | 0 |
| - depreciation of goodwill on consolidation | 0 | 45 056 | 0 | 45 084 |
| - distribution of profits | 0 | 51 804 | 0 | 44 832 |
| - losses on the sale of Treasury Shares | 0 | | 4 449 | 4 449 |
| - other consolidation amendments | 0 | 31 422 | 1 | 2 061 |
| 9.8. Loss of previous years at end of period | -115 078 | -115 078 | -266 410 | -266 410 |
| 9.9. Profit (loss) of previous years at end of period | -115 078 | -115 078 | -266 410 | -266 410 |
| 10. Net result | 3 989 | 40 895 | -63 221 | 179 100 |
| a) net profit | 3 989 | 40 895 | 0 | 179 100 |
| b) net loss | 0 | 0 | -63 221 | 0 |
| II. Own equity at end of period (CB) | 1 734 906 | 1 734 906 | 1 737 572 | 1 737 572 |
| III. Own equity after the proposed distribution of profit (coverage of loss) | | | | |

| CONSOLIDATED CASH FLOWS | quarter 4 (current year) | 4 quarters accrued / 2003 | quarter 4 (previous year) | 4 quarters accrued / 2002 |
|---|--|--|--|--|
| | period from 1.10.2003 to 31.12.2003 | period from 1.01.2003 to 31.12.2003 | period from 1.10.2002 to 31.12.2002 | period from 1.01.2002 to 31.12.2002 |
| A. Cash flows from operating activities – direct method | | | | |
| I. Proceeds | 0 | 0 | 0 | 0 |
| 1. Interest | 0 | 0 | 0 | 0 |
| 2. Commissions | 0 | 0 | 0 | 0 |
| 3. Sale | 0 | 0 | 0 | 0 |
| 4. Other operating proceeds | 0 | 0 | 0 | 0 |
| II. Expenses | 0 | 0 | 0 | 0 |
| 1. Interest | 0 | 0 | 0 | 0 |
| 2. Commissions | 0 | 0 | 0 | 0 |
| 3. Deliveries and services | 0 | 0 | 0 | 0 |
| 4. Remunerations | 0 | 0 | 0 | 0 |
| 5. Social insurance and other benefits | 0 | 0 | 0 | 0 |
| 6. Other overheads | 0 | 0 | 0 | 0 |
| 7. Taxes and public charges | 0 | 0 | 0 | 0 |
| 8. Other operating expenses | 0 | 0 | 0 | 0 |

| | | | | |
|--|----------|----------|------------|------------|
| III. Net cash flows from operating activities (I - II) – direct method | 0 | 0 | 0 | 0 |
| A. Cash flows from operating activities – indirect method | | | | |
| I. Net profit (loss) | 3 989 | 40 895 | -63 221 | 179 100 |
| II. Joint adjustments: | 964 792 | 296 791 | -196 195 | -3 060 543 |
| 1. Minority profits (losses) | 0 | 0 | 0 | 0 |
| 2. Share in net (profits) losses of subordinated companies valued by equity method | 931 | -35 445 | -12 005 | -122 738 |
| 3. Amortization, of which: | 32 336 | 127 171 | 42 785 | 163 375 |
| - amortization of goodwill of subordinated companies and negative goodwill of subordinated companies | 0 | 11 264 | 13 034 | 37 265 |
| 4. (Profits) losses due to FX differences | 21 031 | 177 122 | -56 059 | 40 234 |
| 5. Interest and share in dividend profits | 30 685 | 126 194 | 26 895 | 126 267 |
| 6. (Profit) loss on investing activities | 7 269 | -34 312 | 8 106 | -217 226 |
| 7. Status change of provisions | -336 553 | -355 100 | -33 246 | 177 591 |
| 8. Status change of surplus | -583 | 643 | -1 382 | -1 039 |
| 9. Status change of debt securities | -140 240 | -725 922 | 182 666 | -196 630 |
| 10. Status change of receivables from financial sector | 232 063 | -275 656 | 641 729 | 542 822 |
| 11. Status change of receivables from non-financial sector | 273 408 | 313 165 | -267 458 | -2 101 914 |
| 12. Status change of receivables from purchased underwritten securities | 0 | 0 | 0 | 0 |
| 13. Status change of shares or stock, other securities and other financial assets | 39 674 | 30 553 | -36 150 | -24 209 |
| 14. Status change of liabilities to financial sector | 656 387 | 107 419 | 156 902 | 306 091 |
| 15. Status change of liabilities to non-financial and budget sector | 656 885 | 47 362 | -1 187 163 | -1 921 559 |
| 16. Status change of liabilities from sold underwritten securities | 0 | 0 | 0 | 0 |
| 17. Status change of liabilities from securities | -656 497 | 445 350 | 324 326 | 240 826 |
| 18. Status change of liabilities in other liabilities | 193 230 | 243 047 | -185 156 | 144 074 |
| 19. Status change of liabilities in accruals | 492 013 | -5 161 | 5 740 | -377 427 |
| 20. Status change of liabilities in deferred revenues | -537 684 | 110 147 | 194 774 | 161 893 |
| 21. Other corrections | 437 | 214 | -1 499 | -974 |
| III. Net cash flows from operating activities (I +/- II) – indirect method | 968 781 | 337 686 | -259 416 | -2 881 443 |
| B. Cash flows from investing activities | | | | |
| I. Proceeds | 4 968 | 205 407 | 356 535 | 2 328 426 |
| 1. Sale of shares or stock in subsidiaries | 0 | 0 | 0 | 220 185 |
| 2. Sale of shares or stock in affiliated companies | 0 | 0 | 0 | 0 |
| 3. Sale of shares or stock in associated companies | 0 | 0 | 0 | 0 |
| 4. Sale of shares or stock in other companies, of other securities and other financial assets | 0 | 181 761 | 337 119 | 2 067 760 |
| 5. Sale of intangible and legal assets and tangible fixed assets | 4 358 | 11 416 | 7 759 | 10 443 |
| 6. Sale of investments in real estate and intangible and legal assets | 0 | 0 | 0 | 0 |
| 7. Other investment proceeds | 610 | 12 230 | 11 657 | 30 038 |
| II. Expenses | 295 519 | 91 553 | 43 245 | 122 667 |
| 1. Purchase of shares or stock in subsidiaries | 0 | 0 | 0 | 1 700 |
| 2. Purchase of shares or stock in affiliated companies | 0 | 0 | 0 | 0 |
| 3. Purchase of shares or stock in associated companies | 245 430 | 0 | 0 | 0 |

| | | | | |
|---|----------|---------|---------|-----------|
| 4. Purchase of shares or stock in other companies, of other securities and other financial assets | 0 | 0 | 0 | 0 |
| 5. Purchase of intangible and legal assets and tangible fixed assets | 50 089 | 91 553 | 28 569 | 97 810 |
| 6. Investments in real estate and intangible and legal assets | 0 | 0 | 14 676 | 23 157 |
| 7. Other investment expenses | 0 | 0 | 0 | 0 |
| III Net cash flows from investing activities (I - II) | -290 551 | 113 854 | 313 290 | 2 205 759 |
| C. Cash flows from financing activities | | | | |
| I. Proceeds | 65 299 | 903 480 | 153 378 | 917 642 |
| 1. Long-term borrowing in other banks | 0 | 838 181 | 76 906 | 76 906 |
| 2. Long-term borrowing from institutions of the financial sector other than banks | 0 | 0 | 0 | 0 |
| 3. Issue of debt securities | 65 299 | 65 299 | 0 | 0 |
| 4. Increased status of subordinated liabilities | 0 | 0 | 0 | 0 |
| 5. Net proceeds from issue of shares and additional payments to capital | 0 | 0 | 0 | 764 264 |
| 6. Other financial proceeds | 0 | 0 | 76 472 | 76 472 |
| II. Expenses | 136 769 | 827 935 | 137 634 | 428 826 |
| 1. Repayment of long-term debts to other banks | 0 | 584 128 | 81 059 | 299 417 |
| 2. Repayment of long-term debts to other institutions of the financial sector other than banks | 0 | 0 | 0 | 0 |
| 3. Redemption of debt securities | 84 306 | 84 306 | 5 000 | 5 000 |
| 4. On account of financial liabilities | 0 | 0 | 0 | 0 |
| 5. Payment of liabilities stemming from financial leasing contracts | 0 | 0 | 0 | 0 |
| 6. Decrease in subordinated liabilities | 0 | 0 | 0 | 0 |
| 7. Dividends and other payouts to owners | 0 | 0 | 0 | 0 |
| 8. Dividends and other profit sharing paid to minority holders | 0 | 0 | 0 | 0 |
| 9. Other than payment to owners expenses due to division of profits | 0 | 0 | 0 | 0 |
| 10. Purchase of own stock | 0 | 0 | 0 | 0 |
| 11. Other financial expenses | 52 463 | 159 501 | 51 575 | 124 409 |
| III. Net cash flows from financing activities (I - II) | -71 470 | 75 545 | 15 744 | 488 816 |
| D. Net cash flows, total (A.III +/- B.III +/- C.III) | 606 760 | 527 085 | 69 618 | -186 868 |
| E. Balance-sheet change in cash flow, of which: | 606 760 | 527 085 | 69 618 | -186 868 |
| - change in cash flow due to exchange rate differences | 0 | | | |
| F. Cash flow at beginning of period | 215 130 | 294 805 | 225 187 | 481 673 |
| G. Cash flow at end of period (F+/- D), of which: | 821 890 | 821 890 | 294 805 | 294 805 |
| - with limited disposal | | | | |

Information about business in 2003

The Management Board of Bank Millennium (the „Bank”) informs that in 2003 (from 1st January to 31st December 2003) consolidated net profit of the Bank Millennium Capital Group and 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 Group in w 2003:

- **Positive results of the program of improving costs efficiency of the Bank, leading to reduction of operating costs by 16.4% 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 Group 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.

Consolidated net interest income in 2003 was PLN 558.0 Mln (PLN 669.3 Mln in 2002), and was lower by 16.6%. 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 quarter had a growing tendency by 0.4%, 2.6% and 14.4%, respectively. 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 207 Mln, and was slightly lower than PLN 226.5 Mln in 2002.

3.

Result on other non-interest income (result on financial operations and exchange positions) in 2003 was PLN 176.3 Mln as compared with PLN 501.0 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 57.7 Mln, as compared with PLN 14.0 Mln in 2002.

4.

Total costs of Bank Millennium Group in 2003 decreased by 16.4% as compared with the previous year and amounted to PLN 901.0 Mln (PLN 1,078 Mln in 2002).

Staff costs decreased by 18.6% as compared with 2002, amounting to PLN 330.0 Mln (PLN 405.3 Mln in 2002) leading to a total of PLN 75.4 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.

Millennium Group employed a total of 4426 persons at end of 2003 (5892 in 2002, decrease by 25%), with Bank Millennium itself 3977 persons (5395 in 2002, decrease by 26%)

Non-staff costs were lower by 16.8% as compared with the end of 2002, amounting to PLN 454.7 Mln (PLN 546.8 Mln in 2002).

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

Depreciation in the analyzed period was lower by 8.1% in result of ending depreciation of important IT investments. Total depreciation was PLN 115.9 Mln as compared with PLN 126.1 Mln in 2002.

| Costs structure | 2003 | 2002 |
|------------------------|--------------|----------------|
| Staff costs | 330.0 | 405.3 |
| Non-staff costs | 454.7 | 546.8 |
| Depreciation | 115.9 | 126.1 |
| Total costs | 900.5 | 1 078.2 |

5.

Improvement in credit risk management allowed Bank Millennium Group to decrease the **provisions** increase rate in 2003. Provisions in 2003 amounted to PLN 139.4 Mln, i.e. were by PLN 197.8 Mln lower than in the previous year (PLN 337.2 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 the Bank Millennium Group in 2003 was PLN 40.9 Mln.

Total assets of the as of 31st December 2003 amounted to **PLN 19,283 Mln**, higher by PLN 808 Mln (4%) as compared with the end of 2002.

Net credits extended to Clients at the end of 2003 amounted to **PLN 10,227 Mln**, remaining at the same level as in 2002 (PLN 10,324 Mln). Note the increasing share of retail loans in the total credit portfolio of the Group, reaching 35% (increase by 7 pp) at end of 2003.

| Principal P&L account data | Q4 2003 | Q4 2002 | % | 2003 | 2002 | % |
|---------------------------------------|----------------|----------------|----------|-------------|-------------|----------|
| Net interest income | 149.1 | 170.4 | -12.5% | 558.0 | 669.3 | -16.6% |
| Net fee income | 57.9 | 54.3 | 6.6% | 207.0 | 226.5 | -8.6% |
| Other non-interest income | 32.5 | 58.9 | -44.8% | 176.3 | 501.0 | -64.8% |
| Result on banking activities | 239.5 | 283.5 | -15.5% | 941.2 | 1 396.8 | -32.6% |
| Total costs | 216.2 | 269.5 | -19.8% | 900.5 | 1 078.2 | -16.5% |
| Net provisions | 70.6 | 157.7 | -55.2% | 139.4 | 337.2 | -58.7% |
| 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 12,813 Mln on 31st December 2003, increasing by 4.4% as compared with 2002 (PLN 12,274 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 | 19.283 | 18.475 |
| Total Client funds (1) | 12.813 | 12.274 |
| Total deposits from Clients (2) | 12.510 | 11.812 |
| Total credits extended to clients | 10.227 | 10.324 |
| Own funds (3) | 2.010 | 2.013 |

(1) Includes Deposits from clients and investment funds

(2) Includes Bank Millennium bonds sold to Clients

(3) Own funds + subordinated debt

8. Credit quality

On 2003 Bank Millennium continued its conservative policy in provision creation taking into account the risks associated with still difficult macroeconomic situation and continuing difficult financial condition of some of its Clients.

As of 31st December 2003, Bank Millennium Group was characterized by the following credit 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 | 15.2% | 15.3% | 15.3% | 14.6% |
| | According to NBP requirements | 23.9% | 22.2% | 22.6% | 23.0% |
| Provisions to non-performing loans | By repayment timeliness | 77.9% | 76.7% | 77.2% | 83.2% |
| | According to NBP requirements | 49.5% | 52.8% | 52.3% | 52.8% |

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).

As compared with September 2003, NPL ratio improved by 10 base points taking the repayment default criterion into account. According to the NBP criteria, this ratio changed in result of changing principles applicable at the bank to classification of leasing receivables, in line with the newly introduced legislation (BEL Leasing).

The pro forma NPL ratio in the Millennium Group would be 22.1% when the old leasing receivables classification principles were applied, i.e., would have been better than data for the previous quarter year.

Coverage ratio decreased as compared with December 2002 due to writing off some of the old lost credits, but improved as compared with end of September 2003 (using the repayment timeliness criterion).

Solvency ratio for the Bank Millennium Group was 12,3 % and was higher as compared with end of 2002 (10.7%).

| Ratios | 2003 | 2002 |
|---------------------|-------------|-------------|
| Net interest margin | 3.7% | 4.3% |
| Costs/income | 87.2% | 72.2% |
| ROA | 0.2% | 0.9% |
| ROE | 2.3% | 11.5% |
| Solvency ratio | 12.3% | 10.7% |

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 16.4%.
- 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 CONSOLIDATED QUARTERLY REPORT

This report contains consolidated financial data of the Bank Millennium Capital Group 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 X of the comments - "Additional Remarks to Financial Data".

Beginning with the 1st of January 2003 Millennium Group 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 X 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. STRUCTURE OF THE BANK MILLENNIUM CAPITAL GROUP

Bank Millennium S.A. is the dominating entity. Other entities in the Group and included into the consolidated financial statements as of 31st December 2003 were:

| Entity | Scope of business | Consolidation method |
|-------------------------------|--|----------------------|
| BEL Leasing Sp. z o.o. | Leasing services | full |
| Millennium Dom Maklerski S.A. | Brokerage services | full |
| Forin Sp. z o.o. | Factoring | full |
| Forinwest Sp. z o.o. | Managing other entities | full |
| BBG FINANCE B.V. | Financing companies of the Group | full |
| BIG BG INWESTYCJE S.A. | Financial operations on the capital market and advisory services | full |
| BET Trading Sp. z o.o. | Financial operations on the Treasury debt instruments market | full |
| TBM Sp. z o.o. | Financial operations on the capital market and advisory services | full |
| Millennium TFI S.A. | Establishment and managing of investment funds | full |

Restructuring program of the Millennium Group in Q4 2003 involved merger of BEL Leasing Sp. z o.o. with DEBT Services Sp. z o.o. This event had no influence on the consolidated financial data because both companies were already being consolidated prior to the merger.

Moreover, the following entities were included into the consolidated financial statements prepared for 31st December 2003 using the ownership rights method:

1. Prolim S.A.
2. BESTA Sp. z o.o.

Affiliates, which are to be sold, or in case of businesses, the importance of which for the Group is marginal, are included in the consolidated statements at their purchase price with consideration of deductions for permanent loss of their value.

The following entities of the group were excluded from consolidation on the basis of criteria set forth in Arts. 57 and 58 of the Accounting Law:

PLN '000

| <i>Company name</i> | <i>Balance sheet total</i> | <i>%(*)</i> | <i>Remarks</i> | <i>Data as of</i> |
|--|----------------------------|-------------|----------------|-------------------|
| Bank Millennium S.A. - parent company | 19 068 870 (**) | - | | 31.12.2003 |
| Lubuskie Fabryki Mebli S.A. | 17 749 | 0.09% | to be sold | 31.12.2002 |
| Reess Trading Sp. z o.o. | 101 | 0.00% | | 31.12.2002 |
| Wilga Las Woda Sp. z o.o. | 86 | 0.00% | | 31.12.2002 |
| BG Leasing S.A. | | 0.00% | in bankruptcy | |
| ACCON Services Sp. z o.o. | 572 | 0.00% | | 31.12.2002 |

(*) Percentage of the given entity's share in balance sheet total of Bank Millennium S.A.

(**) Balance sheet total without considering effect of valuation made using the ownership rights method

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

One of the business lines offered by Millennium Group includes factoring business, which was so far carried on by FORIN Sp. z o.o., a subsidiary of the Bank. The Company processed a total of 560 contracts in 2002, and its share in the factoring services market was 16%. Continuation of the Capital Group restructuring process initiated in 2002 involved a decision of moving factoring business (as of 6th February 2004) into organizational structures of the Bank. This simplified management structure of the Group, reduction of administrative functions, streamlining of the risk management process and improved availability of the offer in result of selling factoring procedures in the branch network of the Bank.

IV. SHAREHOLDERS HOLDING AT LEAST 5% OF ALL VOTES AT THE GENERAL MEETING OF THE PARENT COMPANY – 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 |

V. 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.

VI. PENDING COURT LITIGATION

The largest court litigations involving the Bank are as follows:

- Proceedings brought to court by Mr. A. Głodek 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.).

VII. 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. Forinwest 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") and Agreement on opening and conducting issue account. 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 zero coupon 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.

VIII. 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.

IX. 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 CIRS 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 the Bank Millennium Capital Group (in light of the applicable regulations Bank Millennium Capital Group is not a group for tax purposes) 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 – 60,048,000.

Financial result of the Bank (and the Group) 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 X “Additional Remarks to Financial Data”.

X. 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 6,617,000,
- Tax liability has been decreased by PLN 1,787,000.

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 "other securities and other financial assets" has been decreased by PLN 23,287,000,
- Value of deferred tax provision has been decreased by PLN 6,288,000,
- 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:

Profit and loss account, cumulative for 2002:

- A portion of revenues on title of fees related with factoring business operated by a subsidiary of the Group of PLN 9,555,000, previously presented as "other operating revenue" has been moved into "fee based revenues" on title of changes in the manner of presentation.

Balance sheet and off-balance sheet items for 31st December 2002:

- The value in item receivables from non-financial sector and liabilities to the non-financial sector has been decreased by PLN 228,006,000 and off-balance sheet liabilities were increased by PLN 196,822,000 in the current report due to change in the manner of presenting receivables and liabilities on title of factoring activities performed by a subsidiary of the Group.

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.