

Bank Millennium S.A.

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CONSOLIDATED QUARTERLY REPORT OF BANK MILLENNIUM GROUP FOR THE 2nd QUARTER OF 2004

SELECTED FINANCIAL DATA	in thousand zł		in thousand EURO	
	2 quarters accrued / 2004	2 quarters accrued / 2003	2 quarters accrued / 2004	2 quarters accrued / 2003
	period from 1.01.2004 to 30.06.2004	period from 1.01.2003 to 30.06.2003	period from 1.01.2004 to 30.06.2004	period from 1.01.2003 to 30.06.2003
I. Interest income	824 472	723 529	174 265	167 833
II. Commission income	136 291	125 541	28 807	29 121
III. Result on banking activities	610 583	499 184	129 056	115 793
IV. Result on operating activities	144 188	-16 908	30 476	-3 922
V. Gross profit (loss)	144 188	-28 172	30 476	-6 535
VI. Net profit (loss)	112 000	33 848	23 673	7 852
VII. Net cash flows from operating activities	794 999	-739 944	168 036	-171 640
VIII. Net cash flows from investing activities	-904 847	680 166	-191 254	157 774
IX. Net cash flows from financing activities	-51 114	19 685	-10 804	4 566
X. Net cash flows, total	-160 962	-40 093	-34 022	-9 300
XI. Total assets	20 454 104	20 435 464	4 503 127	4 585 027
XII. Liabilities to the Central Bank	0	0	0	0
XIII. Liabilities to financial sector	2 140 584	2 654 979	471 266	595 687
XIV. Liabilities to non-financial and budget sector	12 101 965	10 815 523	2 664 340	2 426 637
XV. Own equity	1 843 767	1 734 989	405 919	389 273
XVI. Share capital	849 182	849 182	186 954	190 528
XVII. Number of stock	849 181 744	849 181 744	849 181 744	849 181 744
XVIII. Book value per one stock (in zł / EUR)	2,17	2,04	0,48	0,46
XIX. Diluted book value per one stock (in zł / EUR)	-	-	-	-
XX. Solvency ratio	17,84%	11,86%	17,84%	11,86%
XXI. Profit (loss) per one ordinary stock (in zł / EUR)	0,14	0,11	0,03	0,03
XXII. Diluted Profit (loss) per one ordinary stock (in zł / EUR)	-	-	-	-
XXIII. Declared or paid out dividend per one stock (in zł / EUR)	-	-	-	-

CONSOLIDATED BALANCE SHEET	as at 30.06.2004 quarter end / 2004	as at 31.03.2004 previous quarter end/ 2004	as at 30.06.2003 quarter end / 2003	as at 31.03.2003 previous quarter end/ 2003
Assets				
I. Cash, operations with central Bank	649 316	577 166	244 481	208 077
II. Debt securities eligible for rediscounting in the Central Bank	11 568	12 040	16 990	15 201
III. Receivables from financial sector	2 175 893	1 203 100	848 714	711 370
1. Short-term receivables	2 151 054	1 171 960	811 261	597 167

a) in current account	445 621	37 369	10 402	11 129
b) other short-term receivables	1 705 433	1 134 591	800 859	586 038
2. Long-term receivables	24 839	31 140	37 453	114 203
IV. Receivables from non-financial sector	7 061 198	9 608 696	10 105 181	10 274 231
1. Short-term receivables	3 258 230	3 373 903	5 059 468	6 155 988
a) in current account	1 431 562	1 740 211	2 331 276	2 359 202
b) other short-term receivables	1 826 668	1 633 692	2 728 192	3 796 786
2. Long-term receivables	3 802 968	6 234 793	5 045 713	4 118 243
V. Receivables from the budget sector	468 322	489 685	491 340	517 691
1. Short-term receivables	128 361	142 822	189 554	405 603
a) in current account	6 979	6 997	5 636	0
b) other short-term receivables	121 382	135 825	183 918	405 603
2. Long-term receivables	339 961	346 863	301 786	112 088
VI. Receivables from purchased underwritten securities	260 124	456 580	363 667	0
VII. Debt securities	6 687 829	5 268 218	4 614 662	4 480 085
VIII. Receivables from subordinated companies valued by equity method	58 661	161 988	224 610	288 997
1. Subsidiaries	0	0		0
2. Affiliated	0	0		0
3. Associated	58 661	161 988	224 610	288 997
IX. Stock and shares in subsidiaries valued by equity method	0	0	686	328
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	0	1 299	2 720
XII. Stock and shares in other companies	1 216 790	1 223 240	1 217 422	1 275 713
XIII. Other securities and other financial assets	394 531	325 064	450 432	420 494
XIV. Intangible and legal assets, of which:	216 941	221 720	234 446	230 286
- goodwill	4 539	4 847	5 795	6 111
XV. Goodwill of subordinated companies	0	0	0	0
XVI. Tangible fixed assets	628 098	656 867	668 643	689 081
XVII. Other assets	82 889	104 579	205 985	250 944
1. Acquired assets – for divestiture	3 229	3 149	7 005	7 366
2. Inventory	684	460	278	179
3. Others	78 976	100 970	198 702	243 399
XVIII. Accruals	541 944	533 755	746 906	702 501
1. Deferred tax assets	240 949	248 128	470 670	422 212
2. Other accruals	300 995	285 627	276 236	280 289
Total assets	20 454 104	20 842 698	20 435 464	20 067 719
Liabilities				
I. Liabilities to the Central Bank	0	0	0	0
II. Liabilities to financial sector	2 140 506	2 469 403	2 654 887	2 640 283
1. Short-term liabilities	693 837	983 091	1 358 550	2 090 283
a) in current account	468 616	271 992	83 635	84 221
b) other short term liabilities	225 221	711 099	1 274 915	2 006 062
2. Long-term liabilities	1 446 669	1 486 312	1 296 337	550 000
III. Liabilities to non-financial sector	10 868 200	11 011 055	9 647 429	9 726 739
1. Short-term liabilities	10 535 582	10 659 382	8 909 249	8 922 135
a) in current account, of which:	3 177 127	3 321 093	2 561 016	2 833 190
- savings	0	0	0	0
b) other short-term liabilities, of which:	7 358 455	7 338 289	6 348 233	6 088 945
- savings	0	0	0	0
2. Long-term liabilities, of which:	332 618	351 673	738 180	804 604
- savings	0	0	0	0
IV. Liabilities to budget sector	1 233 579	1 156 357	1 161 596	987 727

1. Short-term liabilities	1 233 534	1 156 290	1 161 408	987 532
a) in current account	547 040	813 680	600 547	570 871
b) other short term liabilities	686 494	342 610	560 861	416 661
2. Long-term liabilities	45	67	188	195
V. Liabilities from purchased underwritten securities	1 914 367	1 430 151	1 193 721	1 335 808
VI. Liabilities from issue of debt securities	780 236	1 036 640	1 509 818	1 060 530
1. Short-term	539 837	789 586	1 352 737	903 627
2. Long-term	240 399	247 054	157 081	156 903
VII. Other liabilities from financial instruments	328 867	360 798	609 536	664 554
VIII. Liabilities to subordinated companies valued by equity method	264	633	6 590	11 715
1. Subsidiaries	186	293	6 498	11 623
2. Affiliated		0		0
3. Associated	78	340	92	92
IX. Special funds and other liabilities	207 009	244 532	356 104	282 601
X. Costs and revenues accounted for in time and deferred	372 701	604 164	601 129	646 736
1. Deferred expenses	94 098	98 158	106 024	126 317
2. Negative goodwill	0	0	0	0
3. Other deferred revenues	278 603	506 006	495 105	520 419
XI. Negative goodwill of subordinated companies	0	0	0	0
XII. Provisions	400 579	389 652	602 408	591 896
1. Deferred income tax allowance	144 407	140 867	371 852	343 284
2. Other provisions	256 172	248 785	230 556	248 612
a) short-term	527	1 105	25 858	30 974
b) long-term	255 645	247 680	204 698	217 638
XIII. Subordinated liabilities	364 029	384 118	357 257	357 282
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	0
XVIII. Capital reserve	760 716	781 348	781 094	785 792
XIX. Capital reserve from revaluation	29 743	33 108	40 017	70 762
XX. Other reserve capital	196 773	146 077	145 677	145 677
XXI. Exchange rate differences from conversion of subordinated units	0	0	0	0
1. Positive exchange differences	0	0	0	0
2. Negative exchange differences	0	0	0	0
XXII. Profit (loss) of previous years	-104 647	-74 583	-114 829	-119 528
XXIII. Net profit (loss)	112 000	20 063	33 848	29 963
Total liabilities	20 454 104	20 842 698	20 435 464	20 067 719
Solvency ratio	17,84%	14,07%	11,86%	11,74%
Book value	1 843 767	1 755 195	1 734 989	1 761 848
Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
Book value per share (in zł)	2,17	2,07	2,04	2,07
Diluted number of shares	-	-	-	-
Diluted book value per share (in zł)	-	-	-	-

CONSOLIDATED OFF BALANCE-SHEET ITEMS	as at	as at	as at	as at
	30.06.2004 quarter end / 2004	31.03.2004 previous quarter end/ 2004	30.06.2003 quarter end / 2003	31.03.2003 previous quarter end/ 2003
I. Off balance-sheet contingent liabilities offered and received	3 554 271	3 093 198	3 368 811	3 317 041
1. Liabilities granted:	2 647 205	2 474 876	2 353 977	2 335 778
a) financial	2 211 080	2 047 424	1 931 102	1 833 311
b) guaranties	436 125	427 452	422 875	502 467
2. Liabilities received:	907 066	618 322	1 014 834	981 263
a) financial	0	0	0	0
b) guaranties	907 066	618 322	1 014 834	981 263
II. Liabilities arising from purchase/sale transactions	14 369 078	16 634 473	14 771 758	16 102 540
III. Other (on account of)	25 666 490	21 876 537	11 777 824	9 782 583
- interest rate swaps	23 620 463	20 188 674	11 008 682	9 308 569
- options	45 792	87 628	358 606	409 068
- FRAs	2 000 000	1 600 000	410 000	64 000
- other	235	235	536	946
Total off balance-sheet items	43 589 839	41 604 208	29 918 393	29 202 164

CONSOLIDATED INCOME STATEMENT	quarter 2 (current year)	2 quarters accrued (current year)	quarter 2 (previous year)	2 quarters accrued (previous year)
	period from 1.04.2004 to 30.06.2004	period from 1.01.2004 to 30.06.2004	period from 1.04.2003 to 30.06.2003	period from 1.01.2003 to 30.06.2003
I. Interest income	423 204	824 472	347 790	723 529
II. Interest cost	275 628	523 571	225 055	458 417
III. Net interest income (I-II)	147 576	300 901	122 735	265 112
IV. Commission income	71 068	136 291	63 819	125 541
V. Commission cost	8 206	16 693	12 118	22 472
VI. Net commission income (IV-V)	62 862	119 598	51 701	103 069
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	6	6	43 053	43 053
1. From subsidiaries	0	0	0	0
2. From affiliated companies	0	0	0	0
3. From associated companies	0	0	0	0
4. From other companies	6	6	43 053	43 053
XII. Result on financial operations	137 087	147 055	29 297	50 483
XIII. Result on FX position	20 901	43 023	17 718	37 467
XIV. Result on banking operations	368 432	610 583	264 504	499 184
XV. Other operating revenues	114 784	140 250	28 641	54 784
XVI. Other operating costs	105 922	130 033	29 741	49 870
XVII. Overhead costs	170 171	357 785	205 786	416 394
XVIII. Depreciation of fixed assets and intangible and legal assets	27 248	54 973	27 662	57 079
XIX. Provisions and revaluation reserve	346 566	637 795	443 809	889 818

1. Provisions for special purpose allowances and overall banking risk	346 566	637 762	442 309	888 318
2. Revaluation of financial assets	0	33	1 500	1 500
XX. Release of provisions and revaluation	283 726	573 941	408 629	842 285
1. Release of reserves for special purpose allowances and overall banking risk	283 726	573 941	408 629	842 285
2. Revaluation of financial assets	0	0	0	0
XXI. Net provisions and revaluation reserve (XIX - XX)	62 840	63 854	35 180	47 533
XXII. Result on operations	117 035	144 188	-5 224	-16 908
XXIII. Result on extraordinary operations	0	0	0	0
1. Extraordinary profits	0	0	0	0
2. Extraordinary losses	0	0	0	0
XXIV. Amortization of goodwill of subordinated companies	0	0	0	11 264
XXV. Amortization of negative goodwill of subordinated companies	0	0	0	
XXVI. Gross profit (loss)	117 035	144 188	-5 224	-28 172
XXVII. Income tax	25 414	32 820	-8 672	-25 357
1. Current portion	6 192	7 362	-166	88
2. Deferred portion	19 222	25 458	-8 506	-25 445
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	316	632	437	36 663
XXX. Minority (profits) losses	0	0	0	0
XXXI. Net profit (loss)	91 937	112 000	3 885	33 848
Net profit (loss) (annualized)	-	119 047	-	95 663
Weighted average number of ordinary shares	-	849 181 744	-	838 840 077
Profit (loss) per one ordinary share (in zł)	-	0,14	-	0,11
Weighted average number of diluted ordinary shares	-	-	-	-
Diluted profit (loss) per one ordinary share (in zł)	-	-	-	-

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY	quarter 2 (current year)	2 quarters accrued (current year)	quarter 2 (previous year)	2 quarters accrued (previous year)
	period from 1.04.2004 to 30.06.2004	period from 1.01.2004 to 30.06.2004	period from 1.04.2003 to 30.06.2003	period from 1.01.2003 to 30.06.2003
I. Own equity at beginning of period (OB)	1 755 195	1 734 906	1 761 848	1 737 572
a) changes in accounting principles (policy)	0	0	0	0
b) corrections of basic errors	0	0	0	0
I.a. Own equity at beginning of period (OB), after reconciliation of comparative data	1 755 195	1 734 906	1 761 848	1 737 572
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	0	0
a) increases (due to)	0	0	0	0
-	0	0	0	0
b) decreases (due to)	0	0	0	0
- the sale of Treasury Shares	0	0	0	0
3.1. Own stock at end of period	0	0	0	0
4. Capital reserve at beginning of period	781 348	781 348	785 792	755 449
4.1. Changes in capital reserve	-20 632	-20 632	-4 698	25 645
a) increases (due to)	14 878	14 878	1 459	49 678
- issue of stock in excess of par value	0	0	0	0
- profit distribution	14 878	14 878	1 459	49 568
- moved from revaluation reserve	0	0	0	110
b) decreases (due to)	35 510	35 510	6 157	24 033
- loss coverage	35 510	35 510	6 157	24 033
- other	0	0	0	0
4.2. Capital reserve at end of period	760 716	760 716	781 094	781 094
5. Revaluation reserve at beginning of period	33 108	32 882	70 762	76 560
a) changes in accounting principles (policy)	0	0	0	0
b) corrections of basic errors	0	0	0	0
5.a. Revaluation reserve at beginning of period after reconciliation of comparative data	33 108	32 882	70 762	76 560
5.1. Changes in revaluation reserve	-3 365	-3 139	-30 745	-36 543
a) increases (due to)	0	226	0	0
- purchase and valuation of financial assets available for sale	0	226	0	0
b) decreases (due to)	3 365	3 365	30 745	36 543
- sale and valuation of financial assets available for sale	3 365	3 365	30 745	36 433
- sale and liquidation of fixed assets	0	0	0	110
5.2. Revaluation reserve at end of period	29 743	29 743	40 017	40 017
6. General bank risk fund at beginning of period	44 738	44 738	44 738	44 738
6.1. Changes in general bank risk fund	40 895	40 895	0	0
a) increases (due to)	40 895	40 895	0	0
- distribution of profits	40 895	40 895	0	0
-	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	85 633	85 633	44 738	44 738
7. Other capital reserves at beginning of period	101 339	100 939	100 939	98 953
7.1. Changes in other capital reserves	9 801	10 201	0	1 986
a) increases (due to)	9 801	10 201	0	1 986
- distribution of profits	9 801	10 201	0	1 986
-	0	0	0	0
b) decreases (due to)	0	0	0	0
- moving to supplementary capital	0	0	0	0
7.2. Other capital reserves at end of period	111 140	111 140	100 939	100 939
8. Changes in foreign currency translations of subordinated shares	0	0	0	0
9. Profit (loss) of previous years at beginning of period	-74 583	-115 078	-119 528	-266 410
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

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	-74 583	-115 078	-119 528	-266 410
a) changes in accounting principles (policy)	0	0	0	0
b) corrections of basic errors	0	0	0	0
9.6. Loss of previous years at beginning of period, after reconciliation of comparative data	-74 583	-115 078	-119 528	-266 410
9.7. Change in loss of previous years	-30 064	10 431	4 698	151 581
a) increases (due to)	35 510	195 102	6 157	447 240
- increase on account of profit in previous year	0	125 305	0	123 272
- loss coverage by capital reserve	35 510	35 510	6 157	24 035
- amortization of capital reserve	0	0	0	7 790
- result of de-consolidation of PTE BIG BG	0	0	0	169 407
- profit/loss of minority shareholders	0	34 287	0	122 736
- unrealized profits from intra-group transactions	0	0	0	0
- other	0	0	0	0
b) decreases (due to)	65 574	184 671	1 459	295 659
- carryforward of the loss of previous year	0	30 497	0	41 925
- elimination of movements in reserve for intra-group receivables	0	4 361	0	103 739
- unrealized profits from intra-group transactions	0	71 613	0	21 960
- depreciation of goodwill on consolidation	0	11 264	0	45 056
- distribution of profits	65 574	65 974	1 459	51 554
- other	0	962	0	31 425
9.8. Loss of previous years at end of period	-104 647	-104 647	-114 829	-114 829
9.9. Profit (loss) of previous years at end of period	-104 647	-104 647	-114 829	-114 829
10. Net result	91 937	112 000	3 885	33 848
a) net profit	91 937	112 000	3 885	33 848
b) net loss	0	0	0	0
II. Own equity at end of period (CB)	1 843 767	1 843 767	1 734 989	1 734 989
III. Own equity after the proposed distribution of profit (coverage of loss)				

CONSOLIDATED CASH FLOWS	quarter 2 (current year)	2 quarters accrued (current year)	quarter 2 (previous year)	2 quarters accrued (previous year)
	period from 1.04.2004 to 30.06.2004	period from 1.01.2004 to 30.06.2004	period from 1.04.2003 to 30.06.2003	period from 1.01.2003 to 30.06.2003
A. Cash flows from operating activities – direct method				
I. Proceeds	0	0	0	0
1. Interest				
2. Commissions				
3. Sale				
4. Other operating proceeds				
II. Expenses	0	0	0	0
1. Interest				
2. Commissions				
3. Deliveries and services				

4. Remunerations				
5. Social insurance and other benefits				
6. Other overheads				
7. Taxes and public charges				
8. Other operating expenses				
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)	91 937	112 000	3 885	33 848
II. Joint adjustments:	413 086	682 999	-53 091	-773 792
1. Minority profits (losses)	0	0	0	0
2. Share in net (profits) losses of subordinated companies valued by equity method	-316	-632	-437	-36 663
3. Amortization, of which:	27 248	54 973	27 662	68 343
- amortization of goodwill of subordinated companies and negative goodwill of subordinated companies	0	0	0	11 264
4. (Profits) losses due to FX differences	-62 616	-53 837	21 029	98 518
5. Interest and share in dividend profits	8 637	51 641	19 061	64 093
6. (Profit) loss on investing activities	2 346	-2 145	-41 553	-41 553
7. Status change of provisions	12 033	13 440	24 381	-116 413
8. Status change of surplus	-224	795	-99	1 844
9. Status change of debt securities	-1 028 175	-650 123	-110 981	-345 838
10. Status change of receivables from financial sector	-843 240	-809 853	-76 547	32 080
11. Status change of receivables from non-financial sector	2 568 607	2 696 966	415 888	-44 563
12. Status change of receivables from purchased underwritten securities	196 456	-159 766	-363 667	-218 632
13. Status change of shares or stock, other securities and other financial assets	-73 074	-6 423	-24 048	-25 800
14. Status change of liabilities to financial sector	-276 212	-598 943	-56 273	183 385
15. Status change of liabilities to non-financial and budget sector	-65 740	339 925	-131 059	-899 155
16. Status change of liabilities from sold underwritten securities	484 215	378 889	-142 087	-750 661
17. Status change of liabilities from securities	-249 911	-228 577	453 433	943 049
18. Status change of liabilities in other liabilities	-47 540	-99 845	45 018	363 940
19. Status change of liabilities in accruals	-12 251	-13 909	-99 579	-221 004
20. Status change of liabilities in deferred revenues	-227 403	-229 388	-12 512	171 959
21. Other corrections	246	-189	-721	-721
III. Net cash flows from operating activities (I +/- II) – indirect method	505 023	794 999	-49 206	-739 944
B. Cash flows from investing activities				
I. Proceeds	5 905	18 159	69 445	710 383
1. Sale of shares or stock in subsidiaries	0	0	0	0
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	0	56 842	692 808
5. Sale of intangible and legal assets and tangible fixed assets	5 905	12 281	1 593	6 565
6. Sale of investments in real estate and intangible and legal assets	0	0	0	0
7. Other investment proceeds	0	5 878	11 010	11 010

II. Expenses	393 876	923 006	12 254	30 217
1. Purchase of shares or stock in subsidiaries	0	0	0	0
2. Purchase of shares or stock in affiliated companies	0	0	0	0
3. Purchase of shares or stock in associated companies	0	0	0	0
4. Purchase of shares or stock in other companies, of other securities and other financial assets	391 933	917 905	0	0
5. Purchase of intangible and legal assets and tangible fixed assets	1 943	5 101	12 254	30 217
6. Investments in real estate and intangible and legal assets	0	0	0	0
7. Other investment expenses	0	0	0	0
III Net cash flows from investing activities (I - II)	-387 971	-904 847	57 191	680 166
C. Cash flows from financing activities				
I. Proceeds	0	0	704 600	704 600
1. Long-term borrowing in other banks	0	0	704 600	704 600
2. Long-term borrowing from institutions of the financial sector other than banks	0	0	0	0
3. Issue of debt securities	0	0	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	0
6. Other financial proceeds	0	0	0	0
II. Expenses	45 055	51 114	677 983	684 915
1. Repayment of long-term debts to other banks	0	0	584 128	584 128
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	0	0	0	0
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	45 055	51 114	93 855	100 787
III. Net cash flows from financing activities (I - II)	-45 055	-51 114	26 617	19 685
D. Net cash flows, total (A.III +/- B.III +/- C.III)	71 997	-160 962	34 602	-40 093
E. Balance-sheet change in cash flow, of which:	71 997	-160 962	34 602	-40 093
- change in cash flow due to exchange rate differences				
F. Cash flow at beginning of period	588 931	821 890	220 110	294 805
G. Cash flow at end of period (F+/- D), of which:	660 928	660 928	254 712	254 712
- with limited disposal				

QUARTERLY REPORT OF BANK MILLENNIUM
FOR THE 2nd QUARTER OF 2004

	in thousand zł		in thousand EURO	
SELECTED FINANCIAL DATA	2 quarters accrued / 2004	2 quarters accrued / 2003	2 quarters accrued / 2004	2 quarters accrued / 2003
	period from 1.01.2004 to 30.06.2004	period from 1.01.2003 to 30.06.2003	period from 1.01.2004 to 30.06.2004	period from 1.01.2003 to 30.06.2003
I. Interest income	747 800	664 126	158 060	154 054
II. Commission income	112 352	109 516	23 748	25 404
III. Result on banking activities	497 064	487 860	105 063	113 166
IV. Result on operating activities	92 775	56 818	19 610	13 180
V. Gross profit (loss)	92 775	56 818	19 610	13 180
VI. Net profit (loss)	112 000	33 848	23 673	7 852
VII. Net cash flows from operating activities	-68 995	-451 995	-156	-104 847
VIII. Net cash flows from investing activities	68 995	206 946	-14 583	48 004
IX. Net cash flows from financing activities	-76 632	204 518	-16 198	47 441
X. Net cash flows, total	-146 367	-40 531	-30 937	-9 402
XI. Total assets	20 551 176	20 586 220	4 524 498	4 618 851
XII. Amounts due to the Central Bank	0	0	0	0
XIII. Amounts due to other financial institutions	2 449 631	3 010 670	539 305	675 492
XIV. Amounts due to clients and public sector	11 899 097	10 563 879	2 619 677	2 370 177
XV. Equity	18 743 767	1 734 989	405 919	389 273
XVI. Share capital	849 182	849 182	186 954	190 528
XVII. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVIII. Book value per share (in PLN / EUR)	2,17	2,04	0,48	0,46
XIX. Diluted book value per share (in PLN / EUR)				
XX. Capital adequacy ratio	15,73%	10,68%	15,73%	10,68%
XXI. Profit (loss) per ordinary share (in PLN / EUR)	0,14	0,12	0,03	0,03
XXII. Diluted profit (loss) per ordinary share (in PLN / EUR)				
XXIII. Dividends declared or paid out per ordinary share (in PLN / EUR)	-	-	-	-

Bank Millennium S.A. Balance Sheet	as at 30.06.2004 quarter end / 2004	as at 31.03.2004 previous quarter end/ 2004	as at 30.06.2003 quarter end / 2003	as at 31.03.2003 previous quarter end/ 2003
Assets				
I. Cash and balances with the Central Bank	647 423	576 829	243 482	205 550
II. Debt securities eligible for rediscount at the Central Bank	11 568	12 040	16 990	15 201
III. Amounts due from other financial institutions	2 485 263	1 721 299	1 415 107	1 339 466
1. Current	943 772	382 925	10 402	11 129
2. Term	1 541 491	1 338 374	1 404 705	1 328 337
IV. Amounts due from clients	6 726 321	9 200 247	9 818 813	10 023 879
1. Current	1 431 562	1 740 211	2 331 276	2 359 202
2. Term	5 294 759	7 460 036	7 487 537	7 664 677
V. Amounts due from public sector	468 323	489 684	488 102	512 912
1. Current	6 979	6 997	5 636	0
2. Term	461 344	482 687	482 466	512 912

VI. Amounts due from reverse repo transactions	260 124	456 581	363 667	
VII. Debt securities	6 687 829	5 258 616	4 595 798	4 461 475
VIII. Shares in subsidiaries	1 423 941	1 399 481	1 354 408	1 165 286
IX. Shares in affiliated subsidiaries				
X. Shares in associated companies	5 967	5 946	4 843	6 108
XI. Shares in other companies	12 780	12 784	1 906	47 511
XII. Other securities and financial assets	394 036	325 854	474 088	436 421
XIII. Intangible assets:	218 841	223 709	235 685	228 289
goodwill	6 732	7 350	8 719	0
XIV. Tangible fixed assets	622 090	642 566	670 083	689 797
XV. Other assets	89 760	131 569	200 353	414 057
1. Acquired assets for resale	3 071	2 990	6 847	7 119
2. Other	86 689	128 579	193 506	406 938
XVI. Prepayments and accrued income	496 910	482 402	702 895	617 264
1. Deferred income tax	200 840	204 390	426 920	339 646
2. Other	296 070	278 012	275 975	277 618
Total Assets	20 551 176	20 939 607	20 586 220	20 163 216

Liabilities and Equity				
I. Amounts due to the Central Bank				
II. Amounts due to other financial institutions	2 449 631	2 798 585	3 010 670	3 029 923
1. Current	319 171	493 305	388 109	419 958
2. Term	2 130 460	2 305 280	2 622 561	2 609 965
III. Amounts due to clients	10 665 520	10 797 932	9 402 284	9 426 229
1. Saving accounts:				
a) current				
b) term				
2. Other:	10 665 520	10 797 932	9 402 284	9 426 229
a) current	2 968 697	3 107 720	2 352 360	2 306 175
b) term	7 696 823	7 690 212	7 049 924	7 120 054
IV. Amounts due to public sector	1 233 577	1 156 355	1 161 595	987 724
1. Current	547 038	813 678	600 546	570 869
2. Term	686 539	342 677	561 049	416 855
V. Liabilities arising from securities sold with repurchase clause (repo transactions)	1 943 675	1 430 152	1 193 721	1 330 736
VI. Liabilities in respect of debt securities issues	725 334	992 433	1 509 818	1 060 530
1. Current	484 934	745 379	1 352 737	913 627
2. Long-term	240 400	247 054	157 081	146 903
VII. Other liabilities in respect of financial instruments	330 475	360 817	663 373	716 004
VIII. Special funds and other liabilities	145 778	195 218	316 967	247 467
IX. Accruals and deferred income	422 238	653 770	670 088	729 912
1. Accruals	81 718	85 488	98 718	118 377
2. Negative goodwill				
3. Other deferred income	340 520	568 282	571 370	611 535
X. Provisions	427 152	415 032	565 458	515 561
1. Deferred corporate income tax	114 891	111 278	351 361	289 566
2. Other	312 261	303 754	214 097	225 995
a) current	0	372	25 858	30 974
b) long-term	312 261	303 382	188 239	195 021
XI. Subordinated liabilities	364 029	384 118	357 257	357 282
XII. Share capital	849 182	849 182	849 182	849 182
XIII. Unpaid capital (negative value)				

XIV. Treasury stock (negative value)				
XV. Supplementary capital	508 095	542 970	542 970	542 970
XVI. Revaluation reserve	29 709	33 073	39 977	70 721
XVII. Other reserve capital	380 532	339 638	339 638	339 638
XVIII. Retained earnings (loss brought forward)	-35 751	-29 731	-70 626	-70 626
XIX. Net profit (loss)	112 000	20 063	33 848	29 963
Total Liabilities and Equity	20 551 176	20 939 607	20 586 220	20 163 216
Capital adequacy ratio	15,73%	12,60%	10,68%	10,60%
Book value	1 843 767	1 755 195	1 734 989	1 761 848
Number of share	849 181 744	849 181 744	849 181 744	849 181 744
Book value per share (in PLN)	2,17	2,07	2,04	2,07
Diluted number of shares				
Diluted book value per share (in PLN)				

Off-balance sheet items	as at 30.06.2004 quarter end / 2004	as at 31.03.2004 quarter end / 2004	as at 30.06.2003 quarter end / 2003	as at 31.03.2003 quarter end / 2003
I. Contingent liabilities:	3 780 377	3 224 140	3 729 187	3 674 636
1. granted:	2 872 743	2 605 253	2 713 677	2 692 674
a) financial	2 381 427	2 133 103	2 290 605	2 190 003
b) guarantees	491 316	472 150	423 072	502 671
2. received:	907 634	618 887	1 015 510	981 962
a) financial	0	0	0	0
b) guarantees	907 634	618 887	1 015 510	981 962
II. Liabilities in respect of sale/purchase transactions	14 380 575	16 634 473	14 771 758	16 102 540
III. Other, including:	25 781 407	21 993 996	12 696 271	10 694 871
- interest rate swaps	23 735 615	20 306 368	11 927 665	10 221 803
- options	45 792	87 628	358 606	409 068
- FRAs	2 000 000	1 600 000	410 000	64 000
- other	0	0	0	0
Total off-balance sheet items	43 942 359	41 852 609	31 197 216	30 472 047

Profit and Loss Account	quarter 2 (current year) period from 1.04.2004 to 30.06.2004	2 quarters accrued (current year) period from 1.01.2004 to 30.06.2004	quarter 2 (previous year) period from 1.04.2003 to 30.06.2003	2 quarters accrued (previous year) period from 1.01.2003 to 30.06.2003
I. Interest income	384 472	747 800	318 208	664 126
II. Interest cost	277 459	527 583	233 247	474 389
III. Net interest income(I-II)	107 013	220 217	84 961	189 737
IV. Commission income	57 417	112 352	56 036	109 516
V. Commission cost	7 398	14 452	11 551	21 075
VI. Net commission income (IV-V)	50 019	97 900	44 485	88 441
VII. Income from shares, other securities and other financial variable-income instruments	10 137	13 424	76 849	126 695
1. from subsidiaries	10 000	12 704	33 796	83 164
2. from affiliated subsidiaries				
3. from associated companies	137	720		478

4. from other entities			43 053	43 053
VIII. Result on financial operations	117 169	126 921	29 013	50 380
IX. Foreign exchange result	17 997	38 602	14 922	32 607
X. Result on banking operations	302 335	497 064	250 230	487 860
XI. Other operating income	15 978	19 734	9 075	13 746
XII. Other operating cost	8 089	13 253	6 990	9 713
XIII. Overhead costs	139 837	298 427	175 553	366 738
XIV. Depreciation and amortization	27 228	54 625	26 207	47 447
XV. Provisions and revaluation reserve	338 234	616 114	424 446	858 193
1. Specific provisions and General Banking Risk Reserve created	338 201	616 081	422 946	856 693
2. Revaluation of financial assets	33	33	1 500	1 500
XVI. Provisions and revaluation reserve (released)	277 654	558 396	404 956	837 303
1. Specific provisions and General Banking Risk Reserve released	277 654	558 396	404 956	836 541
2. Revaluation of financial assets				762
XVII. Net provisions and revaluation reserve (XV- XVI)	60 580	57 718	19 490	20 890
XVIII. Operating profit	82 579	92 775	31 065	56 818
XIX. Net extraordinary gains (losses)	0		0	
1. Extraordinary gains	0		0	
2. Extraordinary losses				
XX. Gross profit (loss)	82 579	92 775	31 065	56 818
XXI. Income tax	15 665	19 151	-14 108	-35 251
1. current				
2. deferred	15 665	19 151	-14 108	-35 251
XXII. Other obligatory charges against profit (increases in loss)				
XXIII. Share in net profit (loss) of subordinated companies consolidated under the equity method	25 023	38 376	-41 288	-58 221
XXVI. Net profit (loss)	91 937	112 000	3 885	33 848
Net profit (loss) (annualized)		119 047		98 078
Weighted average number of ordinary shares		849 181 744		849 181 744
Profit (loss) per ordinary share (in PLN)		0,14		0,12
Weighted average diluted number of ordinary shares				
Diluted profit (loss) per ordinary share (in PLN)				

Statement of Changes in Equity	quarter 2 (current year)	2 quarters accrued (current year)	quarter 2 (previous year)	2 quarters accrued (previous year)
	period from 1.04.2004 to 30.06.2004	period from 1.01.2004 to 30.06.2004	period from 1.04.2003 to 30.06.2003	period from 1.01.2003 to 30.06.2003
I. Equity at the beginning of the period (OB)	1 755 195	1 734 906	1 761 848	1 737 572
a) changes in adopted accounting principles				
b) adjustments of material errors				
I.a. Equity at the beginning of the period (OB), restated to comparable data	1 755 195	1 734 906	1 761 848	1 737 572
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	542 970	542 970	560 846
4.1. Changes in supplementary capital	-34 875	-34 875		-17 876
a) increases				
share premiums				
appropriation of profit (statutory)				
appropriation of profit (above the statutory minimum)				
b) decreases	34 875	34 875		17 876
to cover losses from previous years	16 999	16 999		
to cover losses of BIG BANK from previous years	17 876	17 876		17 876
4.2. Supplementary capital at the end of the period	508 095	508 095	542 970	542 970
5. Revaluation reserve at the beginning of the period	33 073	32 848	70 721	76 409
changes in adopted accounting principles				
5.a) revaluation reserve at the beginning of the period, restated to comparable data				
5.1. Changes in revaluation reserve	-3 364	-3 139	-30 744	-36 432
a) increases			1 832	
changes in adopted accounting principles	0			
valuation of financial assets for sale			1 832	
b) decreases	3 364	3 139	32 576	36 432
disposal of fixed assets				
-valuation, sale of financial assets	3 364	3 139		3 856
- sale of POLCARD			32 576	32 576
5.2. Revaluation reserve at the end of the period	29 709	29 709	39 977	39 977
6. General Banking Risk Reserve at the beginning of the period	339 637	339 637	339 638	44 738

6.1. Changes in General Banking Risk Reserve	40 895	40 895		294 900
a) increases	40 895	40 895		294 900
appropriation of profit of 2002 /2003	40 895	40 895		183 930
- appropriation of undistributed profit from previous years				110 970
b) decreases				
-				
6.2. General Banking Risk Reserve at the end of the period	380 532	380 532	339 638	339 638
7. Other reserve capital at the beginning of the period	0	0		
7.1. Changes in other reserve capital				
a) increases				
b) decreases				
-	0	0		
7.2. Other reserve capital at the end of the period				
8. Retained earnings (loss brought forward) at the beginning of the period	-29 731	-70 626	-70 626	27 297
8.1. Retained earnings at the beginning of the period	23 896	-16 999		98 800
a) Changes in adopted accounting principles				
b) adjustments of material errors				
8.2. Retained earnings at the beginning of the period, restated to comparable data	23 896	-16 999		98 800
8.3. Changes in retained earnings	-23 896	16 999		-115 799
a) increases		40 985		179 100
- transfer of profit of 2003/ 2002		40 895		179 100
b) decreases	23 896	23 896		294 899
- appropriation of profit of 2003/ 2002	40 895	40 895		183 930
-appropriation of undistributed profit from previous years	-16 999	-16 999		110 969
- Changes in adopted accounting principles				
8.4. Retained earning at the end of the period				-16 999
8.5. Loss brought forward at the beginning of the period	53 627	53 627	70 626	71 503
a) Changes in adopted accounting principles				
b) adjustments of material errors				
8.6. Loss brought forward at the beginning of the period, restated to comparable data	53 627	53 627	70 626	71 503
8.7. Changes in loss brought forward	-17 876	-17 876		-17 876
a) increases	0	0		
- transfer of loss for coverage				
b) decreases	17 876	17 876		17 876
coverage of loss brought forward of BB	17 876	17 876		17 876
8.8. Loss brought forward at the end of the period	35 751	35 751	70 626	53 627

change of retained earning (loss brought forward)				
8.9. Retained earning (loss brought forward) at the end of the period	-35 751	-35 751	-70 626	-70 626
9. Net profit (loss)	91 937	112 000	3 885	33 848
a) net profit	91 937	112 000	3 885	33 848
b) net loss				
II. Equity at the end of the period (CB)	1 843 767	1 843 767	1 734 989	1 734 989
III. Equity after proposed appropriation of profit (coverage of loss)				

Statement of Cash Flows	quarter 2 (current year) period from 1.04.2004 to 30.06.2004	2 quarters accrued (current year) period from 1.01.2004 to 30.06.2004	quarter 2 (previous year) period from 1.04.2003 to 30.06.2003	2 quarters accrued (previous year) period from 1.01.2003 to 30.06.2003
A. Cash flows from operating activities - indirect method	141 306	-740	-100 930	-451 995
I. Net profit (loss)	91 937	112 000	3 885	33 848
II. Adjustments for:	49 369	-112 740	-104 815	-485 843
1. Share in (profits) losses of subordinated companies consolidated under the equity method	-11 670	-25 023	41 228	58 221
2. Depreciation and amortization	27 228	54 625	26 207	47 447
3. Foreign exchange (gains) losses	-62 797	-54 054	20 966	97 977
4. Interest and share in profits (dividends)	15 772	54 996	-7 111	-1 283
5. (Profit) loss on investing activities	248	461	-62 761	-66 877
6. Change in provisions	5 973	17 543	61 267	-103 030
7. Change in debt securities	-1 353 446	-1 774 696	-222 855	-74 423
8. Change in amounts due from other financial institutions	-764 104	-686 322	955 387	232 238
9. Change in amounts due from clients and public sector	2 495 759	2 638 706	-803 791	-495 061
10. Change in receivables from reverse repo transactions	196 457	-159 766	-363 667	-218 632
11. Change in shares, other securities and other financial assets	-151 877	266 688	-20 994	19 967
12. Change in amount due to other financial institutions	-295 400	-711 290	-90 130	79 829
13. Change in amounts due to clients and public sector	-55 190	428 494	149 926	-598 272
14. Change in liabilities arising from securities sold with repurchase clause	513 524	408 197	-137 015	-750 660
15. Change in liabilities arising from securities	-367 498	-365 717	396 249	1 121 831
16. Change in other liabilities	89 780	23 642	97 674	119 275
17. Change in prepayments and accruals	-5 628	-16 772	-105 290	-21 686
18. Change in deferred income	-227 762	-212 452	-40 165	67 296
19. Other adjustments	0			
III. Net cash flows from operating activities (I +/- II) - indirect method	141 306	-740	-100 930	-451 995
B. Cash flows from investing activities	-279	-68 995	-73 133	206 946
I. Cash received from:	12 380	16 389	169 214	556 199
1. Sale of shares in subsidiaries			10 710	10 710
2. Sale of shares in co-owned subsidiaries				

3. Sale of shares in associated companies				
4. Sale of shares in other companies, other securities and other financial assets		12	134 437	480 973
5. Sale of fixed and intangible assets	2 030	2 953	832	3 452
6. Sale of investments in real estate and intangible assets	0		8 304	11 788
7. Other cash received from investing activities	10 350	13 424	14 931	49 276
II. Cash paid for:	12 659	85 384	242 347	349 253
1. Purchase of shares in subsidiaries	4	4	216 479	217 479
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	8 850	79 534		
5. Purchase of fixed and intangible assets	210	1 958	24 013	125 221
6. Investments in real estate and intangible assets	3 595	3 888	1 855	6 553
7. Other cash paid for investing activities	0	0		
III. Net cash flows from investing activities (I - II)	-279	-68 995	-73 133	206 946
C. Cash flows from financing activities	-70 573	-76 632	211 144	204 518
I. Cash received from:			889 433	889 433
1. Long-term loans from other banks			704 600	704 600
2. Long-term loans from non-banking financial institutions				
3. Issues of debt securities				
4. Increase in subordinated liabilities				
5. Issue of shares (net proceeds) and additional paid-in capital			184 833	184 833
6. Other cash received from financing activities				
II. Cash paid for:	70 573	76 632	678 289	684 915
1. Repayment of long-term loans from other banks	0	0	584 128	584 128
2. Repayment of long-term loans from non-banking financial institutions				
3. Redemption of debt securities				
4. Other financial liabilities				
5. Payments under financial lease contracts				
6. Decrease in subordinated liabilities				
7. Dividends and other payments to owners				
8. Appropriations of profit, other than payments to owners				
9. Purchase of own shares				
10. Other cash paid for financing activities	70 573	76 632	94 161	100 787
III. Net cash flows from financing activities (I - II)	-70 573	-76 632	211 144	204 518
D. Net cash flows, total (A.III +/- B.III +/- C.III)	70 454	-146 367	37 081	-40 531
E. Change in balance sheet cash, including: change in cash in respect of foreign exchange gains and losses	70 454	-146 367	37 081	-40 531
F. Cash at the beginning of the period	588 581	805 402	216 632	294 244
G. Cash at the end of the period (F+/- D), of which:	659 035	659 035	253 713	253 713

Information about activity in 1st Semester of 2004

The Management Board of Bank Millennium („Bank”) informs that in the 1st Semester of 2004 accounting year (from 1 January until 30 June 2004) consolidated net profit of the Bank Millennium Group and of Bank Millennium totalled PLN 112 million.

By comparison consolidated net profit of the Group and the Bank in 1st Semester 2003 was PLN 33.8 million.

The activity of Bank Millennium Group in the first six months of 2004 was fundamentally affected by following factors:

- Increase of net interest income by 13.5% (as compared with 1st Semester 2003)
- Increase of net commission income by 16.0% (as compared with 1st Semester 2003)
- Reduction of operating expenses by 12.8% (as compared with 1st Semester 2003)
- Marked improvement of credit portfolio quality - value of NPL fell by PLN 1 bn in first six months of 2004
- Creation of provisions in the amount of PLN 64 million in the first half of the year
- Sale of the portfolio of car loans originated through the external intermediary (PTF)

Key factors influencing financial performance:

1.

Net interest income generated by the Bank Millennium Group in 1st Semester 2004 totalled **PLN 300.9 mln** and was **13.5%** higher than in the analogous period of the previous year (PLN 265.1 mln) in result of increase of Customers' funds and improvement of interest margin despite lower short-term interest rates.

2.

Net commission income stood at **PLN 119.6 mln** (103.1 after six months of the previous year) which signifies its growth by **16%**. This growth was driven by development of business, mainly in the retail segment and capital market transactions made by Millennium Brokerage House.

3.

Other net non-interest income (income from shares, financial operations and F/X results) in the first six months of 2004 totalled **PLN 190.1 mln** as compared with PLN 131.0 mln generated in the 1st Semester of the previous year. This item was fundamentally affected by the sale by the Bank of the car loans portfolio granted through PTF, while in the 1st half 2003 it included sale of Polcard shares.

Other operating income and expenses in the 1st Semester of 2004 stood at **PLN 10.2 mln**, while in the 1st Semester of 2003 was PLN 4.9 mln.

Total **Net Banking Income** in the 1st Semester of 2004 totalled **PLN 610.6 mln** as compared with PLN 499.2 mln in the 1st Semester of 2003. This means its increase by **22.3%**.

Breakdown of Net Banking Income (PLN mln)	<u>I Semester</u> <u>2004</u>	<u>I Semester</u> <u>2003</u>	<u>Change</u>
Net interest income	300.9	265.1	13.5%
Net commission income	119.6	103.1	16.0%
Other non-interest income	190.1	131.0	45.1%
Net Banking Income	610.6	499.2	22.3%

4.

Total costs of Bank Millennium Group in 1st Semester of 2004 fell **12.8 %** as compared with the 1st Semester of the previous year, standing at **PLN 412.8 mln** (PLN 473.5 mln in the analogous period of 2003).

Personnel costs totalled **PLN 156.4 mln**, which means their reduction by **17.4%** as compared with the 1st Semester of 2003 (PLN 189.3 mln).

As at 30 June 2004 the headcount in Bank Millennium Group is 4291 persons i.e. 12.0 % less than as compared with end of June 2003 (4877 employed).

Non-personnel costs totalled **PLN 201.4 mln**, which means their reduction by **11.3%** as compared with the 1st Semester of the previous year (PLN 227.1 mln)

In the analysed period **depreciation** stood at **PLN 55.0 mln** as compared with PLN 57.1 mln in the 1st Semester of 2003.

Cost to income ratio as at end of 1st Semester 2004 fell to **66%**, however netting out the sale of car loans portfolio granted through PTF it stands at 86%. The Bank shall strive to improve this ratio in the future.

<u>Breakdown of costs (PLN mln)</u>	<u>1st semester 2004</u>	<u>1st semester 2003</u>	<u>Change</u>
Personnel cost	156.4	189.3	-17.4%
Non-personnel cost	201.4	227.1	-11.3%
Depreciation	55.0	57.1	-3.7%
Total costs	412.8	473.5	-12.8%

5.

Net provisions established by the Bank Millennium Group over the first 6 months of the year 2004 amounted to **63,9 million PLN**.

A significant portion of these net provisions (PLN 50 m) have a non-recurrent nature, as they were based on a preliminary loan impairment review performed by the Bank aiming at adopting fully the new International Financial Reporting Standards on 1 January 2005. On this basis the Bank expects to complete the review by the end of 2004.

6.

In the 1st semester of 2004 Bank Millennium Group's **gross profit** stood at **PLN 144.2 mln**, while **net profit at PLN 112.0 million**.

7.

At 30 June 2004 **total assets** stood at **PLN 20 454 mln**, i.e. they increased by **0,1%** (PLN 20 435 mln) compared to the first semester of the previous year.

At the end of the 1st semester 2004 **net loans** extended to Clients stood at **PLN 7 530 mln**, which signifies their decrease as compared to the June 2003 by **28.9%** (PLN 10 597 mln). The change is caused first of all by the Bank's selling off the car loan portfolio extended through PTF and conservative policy in lending to the corporate segment. Not considering the sale of the portfolio of car loans, the net loans would have decreased by 10.6%.

What is worth noting is a change in the loan portfolio structure, with an increased share of mortgage loans (from 9% to 17%) and leasing (from 13% to 19%).

8.

Total Client funds, including Bank Millennium bond placements, stood as of 30.06.2004 at **PLN 13 045 mln**, which means their growth compared to the corresponding period of 2003 by **3.6%** (PLN 12 595 mln). The most vigorous growth was shown by deposits (12% growth in the period under discussion) and TFI, which went up 50% during the 1st semester of 2004

<u>Basic values</u>	<u>30.06.2004</u>	<u>30.06.2003</u>	<u>Change</u>
<u>HTotal assets</u>	<u>20 454</u>	<u>20 435</u>	<u>0.1%</u>
<u>HTotal Client funds (1)</u>	<u>13 045</u>	<u>12 595</u>	<u>3.6 %</u>
<u>HTotal Client deposits (2)</u>	<u>12 102</u>	<u>10 816</u>	<u>11.9%</u>
<u>HTotal loans to Clients</u>	<u>7 530</u>	<u>10 597</u>	<u>-28.9%</u>
<u>HEquity (2)</u>	<u>2 119</u>	<u>2 010</u>	<u>5.4%</u>

H(1) include client deposits, bonds and investment funds

H2) Equity + subordinated debt

H

9. Quality of loans

In the first six months of 2004 there was a significant improvement in the quality of the Bank's loan portfolio. Total value of non performing loans dropped by more than PLN 1 billion as a result of recovery efforts, write-offs and change of regulations regarding loans classification.

NPL-to-total loans ratio, according to NBP's regulations, was improved from **22.6%** (as at 30.06.2003) down to **20.0%** (as at 30.06.2004), whereas in the same periods the coverage ratio of NPL by provisions increased from 52.3 % to **54.9 %**.

*Importantly, the **NPL ratio**, calculated on the basis of timeliness of payments was improved. The improved ratio changed from **15.3 %** (as at 30.06.2003) to **10.6%** (as at 30.06.2004), as per 30-day timeliness of payments, and for 90-day timeliness of payments the ratio decreased even to one digit level (**9.1%**).*

As a result of the real improvement in the quality of the loan portfolio and also following consistent provisioning policy, **the coverage ratio of NPL by provisions** - calculated according to timeliness of payments - was considerably improved. The ratio increased from **77.2%** (as at 30.06.2003) to **103.8 %** (as at 30.06.2004), for the first time in a few years exceeding the level of 100%.

Credit quality ratios		30.06.04	31.12.03	30.06.03
NPL/total loans ratio	By timeliness of payments (30 days)	10.6 %	15.2%	15.3%

	By NBP's regulations	20.0 %	23.9%	22.6 %
Provisions/NPL ratio	By timeliness of payments (30 days)	103.8%	77.9%	77.2%
	By NBP's regulations	54.9%	49.6%	52.3 %

Capital Adequacy Ratio of Bank Millennium Group significantly improved, amounting to **17.8 %** and was significantly higher than a year ago (11.9 %) following reduction in the credit portfolio and also more favourable structure of risk-weighted assets.

<u>Ratios</u>	<u>30.06. 2004</u>	<u>30.06. 2003</u>
Net interest margin	3.5%	3.2%
Cost to income	65.9%	89.3%
ROA	1.1%	0.3%
ROE	12.6%	3.9%
CAR	17.8 %	11.9 %

Final comments:

- 1. In the 1st half of 2004 the Bank Millennium Group improved its financial result thanks to the growth in the interest income (up 13.5%), commission income (up 16%) and growth in customer funds. The income obtained in this period was positively driven by sale of the car loan portfolio originated through PTF.*
- 2. In this period Bank Millennium Group consistently reduced its operating expenses, which declined by 12.8% against the same period of the previous year.*
- 3. In the last semester the Group improved significantly the quality of its credit portfolio. Non-performing loans were reduced by PLN 1 bn thus reducing NPL overdue more than 30 days down to 10,6%. Simultaneously the level of coverage ratio of the above mentioned loans was improved up to 104%.*

SUPPLEMENTARY INFORMATION

I. POLICIES ADOPTED WHEN PREPARING AN EXTENDED CONSOLIDATED QUARTERLY REPORT

In accordance with the information communicated in the form of the current report of 25 March 2004 Bank Millennium, starting from the Q1 2004 report, has provided extended consolidated quarterly and half-yearly reports. Consequently, this report contains the financial data of Bank Millennium ("Bank") and consolidated financial data of the Bank Millennium Capital Group ("Group") presented in the form of a balance sheet, profit and loss account, cash flow statement and movements in capital made out as of 30 June 2004 in accordance with the Order of the Council of Ministers of 16 October 2001 concerning the current and periodic information reported by issuers of securities, as later amended.

The data are prepared based on the Accounting Policies at Bank Millennium and Accounting Policies in the Bank Millennium Capital Group, whose detailed descriptions are included in the annual report and consolidated annual report, respectively, prepared as of 31 December 2002 and published as of 14 February 2003. Additional information on changes in the accounting policies at the Bank and the Group implemented in 2003 is contained in quarterly reports (on a solo basis and consolidated report) prepared as of 31 December 2003 (for the last quarter of the financial year 2003) and published on 16 February 2004.

In 2004 the Bank and Millennium Group implemented changes of accounting policies in the field of accounting, classification and presentation of provisions, as required by the Minister of Finance Order of 10 December 2003 on Provisioning for Risk Connected with Bank Operations.

Main aspects of new policies:

- Retail loans and advances (except mortgages):
 - a. exposures whose default does not exceed 6 months are classified as standard,
 - b. interest accrued on the above loans and advances (standard category) is incorporated in the profit and loss account,
 - c. exposures whose default exceeds 6 months are classified as lost.

- The remaining loan exposures (corporate and mortgage loans):

Classification according to the criterion of default (in days)

category	current policy	old policy
watch	0-90	0-30
substandard	91-180	31-90
doubtful	181-360	91-180
lost	>360	>180

Further to the entry into force as of 14 January 2004 of the Minister of Finance Order Amending the Order Concerning Specific Accounting Rules for Banks the Bank's net interest income now includes

(effectively from 1 January 2004) also interest due, including discount and capitalised interest on watch receivables.

The Bank and the Group changed their accounting approach and, consequently, the manner of disclosing in the balance sheet of Sell-Buy-Back (SBB) and Buy-Sell-Back (BSB) transactions, thus adjusting to the amended (of 23 February 2004) Order of the Minister of Finance in the matter of Special Rules of Recognising, Methods of Valuation, Scope of Disclosure and Manner of Presentation of Financial Instruments. In accordance with the new wording of para. 11 section 2 item 2: a delivery or sale of financial assets by an entity does not constitute loss of control by the entity, if the delivering entity has an absolute obligation to buy back such assets in future, and the accepting entity has an absolute obligation to sell back such assets, such conditions being met in the case of SBB transactions. But it should be emphasised that the risk of changing the value of an asset subject to an SBB is carried all the time by the party of the transaction which is obliged to buy back the asset at a price set in advance. Simultaneously the SBB's formula guarantees to the entity which accepts the asset a reward which such entity could obtain by granting a loan secured by the accepted asset, which is reflected by the other criterion of the above-mentioned provision. Additionally, the above position is confirmed by the new IAS 39 Standard published in December 2003 and the accompanying interpretations on the issue of removing financial instruments from the balance sheet. This regulation has significantly revised paragraphs pertaining to the criteria of taking financial assets and liabilities off the balance sheet, which permitted an easier and more unique interpretation of the provisions relating to SBB/BSB contracts. The new IAS 39 standard maintained the control criterion („control approach”) and the risk and rewards criterion („risk and rewards approach”), but the requirements pertaining to removing financial instruments from the balance sheet (recognising them) have been thoroughly ordered, by introducing a decision-making tree („step by step” analysis) and specifying a hierarchy of various criteria. Consequently, the risk and rewards approach was given unique priority over the control approach. At the same time a detailed description was provided how to conduct an analysis if the entity after concluding the transaction maintained all the risk and rewards from the transferred asset. In accordance with the regulations the entity maintains the risk and rewards resulting from a given asset, if its exposure to the volatility of the present value of future flows does not significantly change after the transfer.

Based on the above regulations the Bank starting from the report made out as of 30 June 2004 presents in the balance sheet financial assets (currently debt securities) sold with the promise of a buy-back (SBB), simultaneously accounting on the liabilities side for the liabilities resulting from the promised buy-back. In the case of BSB transactions the financial assets held (also debt securities) are presented as a receivable resulting from the repurchase clause.

The conversion of the comparable data is presented in item X of the Commentary – „Explanatory Notes to Financial Data”.

In order to calculate the EURO values the following exchange rates were employed:

- For balance sheet values the 4.5422 PLN/EURO rate of 30 June 2004 (for comparable data: 4 4570 PLN/EURO),

- for P & L items for the period of 1 January – 30 June 2004 – 4 7311 PLN/EURO, the rate being calculated as the average of the rates for January, February, March, April, May and June 2004 (for comparable data 4 3110 PLN/EURO).

II. STRUCTURE OF BANK MILLENNIUM CAPITAL GROUP

Bank Millennium S.A. is the Group's dominant entity. The Group's remaining entities covered by the consolidated financial statements of 30 June 2004 are:

Entity	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.	management of other entities	full
Forinwest Sp. z o.o.	management of other entities	full
BBG FINANCE B.V.	financing of the Group's companies	full
BIG BG INWESTYCJE S.A.	financial operations on the capital market and consulting services	full
TBM Sp. z o.o.	financial operations on the capital market and consulting services	full
Millennium TFI S.A.	setting up and management of investment funds	full

Additionally, in the consolidated report prepared as of 30 June 2004 the following entities were covered by equity method valuation:

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

In the case of associated entities which are intended for sale or their scale of operations is negligible compared to the Group – the financial report discloses the exposure to such entities at purchasing price including impairment write-offs.

Pursuant to the criteria indicated in section 57 and 58 of the Accounting Act the following Group entities were excluded from consolidation.

PLN thous.

Name of company	Total assets	%(*)	Comments	Data as of
Bank Millennium S.A.- dominant entity	20 165 716 (**)	-		30.06.2004
Lubuskie Fabryki Mebli S.A.	25 227	0.13%		31.05.2004
Reess Trading Sp. z o.o.	112	0.00%		31.12.2003
BG Leasing S.A.		0.00%	insolvent	
ACCON Services Sp. z o.o.	1 211	0.00%		31.05.2004

(*) % of given entities in total assets of Bank Millennium S.A.

(**) Total assets net of the impact of the valuation of shares by the equity method

III. EVENTS WHICH OCCURED BETWEEN THE DATE AS OF WHICH THIS REPORT IS PREPARED AND THE PUBLICATION DATE WHICH MAY SIGNIFICANTLY IMPACT FUTURE EARNINGS.

The events in question did not occur

IV. SHAREHOLDERS WHO HAVE AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS OF THE DOMINANT ENTITY – BANK MILLENNIUM SA

Data as of the day of publishing the previous consolidated quarterly report

<i>Shareholder</i>	Number of shares	<i>% share in equity</i>	<i>Number of votes</i>	<i>% share in votes at the General Meeting of Shareholders</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 publishing the current consolidated report

<i>Shareholder</i>	Number of shares	<i>% share in equity</i>	<i>Number of votes</i>	<i>% share in votes at the General Meeting of Shareholders</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. MOVEMENTS IN BANK MILLENNIUM S.A. SHARES HELD BY MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES OF THE BANK.

The Bank has no information on changes in the shares held in the Bank by members of the management and supervisory bodies in the period from the publication of the previous quarterly report.

VI. JUDICIAL PROCEEDINGS

The most important judicial proceedings with the Bank's participation are:

- court case resulting from Mr A. Głodek's suit of 24.08.1994 against the Bank for PLN 14 537 257.57 in damages claimed by the plaintiff, including lost opportunity costs in connection with the operation of the former brokerage house of the Bank,
- court case resulting from the Bank's suit of 22.07.1998 against the State Treasury for PLN 65 613 512.20 in lieu of the State Treasury's liability in connection with the purchasing by former Bank Gdański S.A. of receivables from health service units, which receivables – despite assurances – proved subject a dispute,
- court case brought by Grzegorz Jedamski on 11 November 2000 against the Bank and State Treasury for rendering null and void the agreement to purchase 10% of the shares in Powszechny Zakład Ubezpieczeń S.A. from the State Treasury. The value of the subject of litigation is PLN 1 006 004 295.
- court case brought by Grzegorz Jedamski against the Bank in connection with a suit submitted to the Regional Court in Warsaw for awarding in his favour the amount of PLN 299 833 300 in damages for BIG BANK Spółka Akcyjna (ex ŁBR S.A.), subject to an unlawful - in his opinion – takeover.

VII. TRANSACTIONS WITH RELATED ENTITIES EQUIVALENT TO MORE THAN EURO 500 000

In the period from 31 January till 30 June 2004 all transactions concluded between the entities of Millennium Capital Group were concluded on market terms and resulted from on-going business.

VIII. INFORMATION ON SURETIES AND GUARANTEES GRANTED BY THE BANK

In Q2 2004 the Bank did not grant to a single entity sureties for loans or advances, or guarantees, as a result of which the total value of the Bank's exposure to the Client would exceed 10% of the Bank's own funds.

IX. INFORMATION ON INCOME TAX

□ Income tax due

The income tax due charged against gross earnings was established in accordance with the provisions of the CIT Act of 15 February 1992.

In the light of current regulations the Millennium Group does not constitute a tax group as a result of which the amount of deduction of due and deferred tax from consolidated gross earnings is the sum of the relevant tax values of particular companies subject to consolidation. Due to the scale of operations

the Group's dominant entity, the Bank, has the biggest impact on the level of tax charge recorded in the consolidated P & L account.

At the end of 1st HY 2004 the Bank achieved a positive taxation basis in the amount of PLN 302 328 thous., which was covered by tax losses incurred in previous tax years.

The main items having an impact on the level of the Bank's taxation base for income tax were:

- received and paid interest,
- FX gains and losses accounted against the P & L account on additional deposits for CIRS operations constituting the tax expense at the cash flow date,
- capitalised interest taxed at the capitalisation date

□ Deferred income tax

Pursuant to art. 37 section 3 of the Accounting Act business entities are obliged to provision for deferred tax, as a result of differences in the manner of recognising revenue as earned and cost as incurred, in the light of the 15 February 1992 CIT Act. Therefore, every month companies of the Bank Millennium Capital Group establish a provision for income tax and when establishing it they accept all the timing differences which are certain to become a tax cost or revenue in subsequent reporting periods. The employment of this methodology allows to evenly spread gross financial earnings. Moreover, it guarantees that the current financial year's expenses and revenues will have no impact on financial earnings achieved in following next years. The deferred part disclosed in the profit and loss account constitutes the difference between the movements in the provision and the deferred tax asset. In the consolidated balance sheet the provision and deferred tax assets are disclosed separately.

Deferred income tax recognised in the consolidated profit and loss account for the 1st HY 2004 stood at PLN 25 458 thous.

X. ADDITIONAL EXPLANATORY NOTES TO FINANCIAL DATA

1. On 13 May the Bank finalised transactions which had a major impact on the solo based and consolidated earnings in 1st HY 2004, the fact which it disclosed in its current communiqué (Communiqué no 27/2004):

Further to Communiqués no 13/2004 dated 20.02.2004 and no 15/2004 dated 22.03.2004, in connection with the satisfaction of the condition described in Communiqué no 15/2004 dated 22 March 2004, the Management Board of Bank Millennium S.A. ("Bank") informs hereby that as of 13 May 2004 the Bank concluded, in fulfilment of the preliminary sale agreement, the following final agreements: 1) transfer by the Bank to CC-Bank S.A., company with seat in Poznań ("CC-Bank"), of a receivable resulting from the car loan portfolio initiated by Polskie Towarzystwo Finansowe S.A., company with seat in Wrocław ("PTF") and CC-Bank's stepping into the legal relationship in place of the Bank, on the financial terms specified in the preliminary sale agreement, described in the above-mentioned Communiqué no 13/2004, 2) PTF's releasing from the liabilities resulting from the cooperation agreements concluded between the Bank and PTF, based on which PTF provided to the Bank

mortgage intermediation services. The agreements specified in item 1 meet the criterion of recognising these agreements as significant, their value exceeding 10% of the Bank's own funds.

2. A significant growth of the balance on „other operating income” and „other operating expense” in Q2 2004 resulting from the fact of a premature termination of a major leasing agreement and selling the leased object.

3. As a result of change in accounting policies with regard to the treatment and pricing of embedded derivative instruments connected with lease agreement (implemented from 1 January 2003) and adjustment of the financial data in its consequence, in the current report the following changes were introduced in the comparable consolidated balance sheet data prepared as of 30 June 2003 (compared to previously published reports).

Balance sheet at 30 June 2003:

- „other securities and other financial assets” were decreased by PLN 23 287 thous.,
- value of the provision for deferred tax was decreased by PLN 6 288 thous.,
- previous years' loss was increased by PLN 16 999 thous.

4. Due to change in the manner of presenting commission income connected with investment funds management (business conducted by the Group's subsidiary) in the consolidated profit and loss account for the comparable period, i.e. 1st HY 2003, the income in the amount of PLN 4 572 thous. (treated in previously published reports as „other operating income”) was reclassified in this report as „commission income”.

5. Due to change in the manner of presenting Sell-Buy-Back and Buy-Sell-Back transactions (as described in item I of Supplementary Information) the balance sheet and off-balance sheet data were adjusted in the following way.

as of 31 March 2003:

- „debt securities” were increased by PLN 1 335 813 thous.,
- value of receivables on BSB was not adjusted.
- „other securities and financial assets” were decreased by PLN 5 thous.
- value of liabilities on account of financial instruments was not adjusted,
- „liabilities on SBBs” were increased by PLN 1 335 808 thous.
- off-balance sheet data, item „commitments connected with the implementation of buy/sale transactions” was increased by PLN 1 331 408 thous.,

as of 30 June 2003:

- „debt securities” were increased by PLN 835 011 thous.,
- value of receivables on BSBs was increased by PLN 363 667 thous.,
- „other securities and other financial assets” were decreased by PLN 6 023 thous,
- value of liabilities on financial instruments was decreased by PLN 1 066 thous,
- „liabilities on SBBs” were increased by PLN 1 193 721 thous,

- off-balance sheet data, item „commitments connected with the implementation of buy/sell transactions” was decreased by PLN 1 783 292 thous.,
as of 31 March 2004.:
- „debt securities” were increased by PLN 975 853 thous.,
- value of BSBs was increased by PLN 456 580 thous.
- „securities and other financial assets” were decreased by PLN 2 361 thous
- value of liabilities on financial instruments was decreased PLN 79 thous.
- the SBB item was increased by PLN 1 430 151 thous.
- off-balance-sheet data, the item „commitments connected with the implementation of buy/sell transactions” was decreased by PLN 1 866 521 thous.

6. In the period from 1 January to 30 June 2004 the Group wrote off uncollectible receivables against provisions in the amount of PLN 473 665 thous.