

# Bank Millennium S.A.

Date of issue: 18 October 2004

## CONSOLIDATED QUARTERLY REPORT OF BANK MILLENNIUM GROUP FOR THE 3<sup>rd</sup> QUARTER OF 2004

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EURO	
	3 quarters accrued / 2004	3 quarters accrued / 2003	3 quarters accrued / 2004	3 quarters accrued / 2003
	period from 1.01.2004 to 30.09.2004	period from 1.01.2003 to 30.09.2003	period from 1.01.2004 to 30.09.2004	period from 1.01.2003 to 30.09.2003
I. Interest income	1 275 808	1 080 988	276 067	247 830
II. Commission income	204 725	191 864	44 300	43 987
III. Result on banking activities	825 887	709 633	178 710	162 692
IV. Result on operating activities	168 957	-25 486	36 560	-5 843
V. Gross profit (loss)	168 443	-36 750	36 449	-8 425
VI. Net profit (loss)	129 242	36 906	27 966	8 461
VII. Net cash flows from operating activities	1 164 759	-1 633 320	252 037	-374 459
VIII. Net cash flows from investing activities	-1 401 420	1 406 630	-303 247	322 488
IX. Net cash flows from financing activities	-56 610	147 015	-12 250	33 705
X. Net cash flows, total	-293 271	-79 675	-63 460	-18 266
XI. Total assets	20 347 074	20 828 992	4 642 059	4 485 623
XII. Liabilities to the Central Bank	0	0	0	0
XIII. Liabilities to financial sector	2 157 579	2 113 787	492 238	455 214
XIV. Liabilities to non-financial and budget sector	12 111 289	11 105 155	2 763 116	2 391 548
XV. Own equity	1 867 523	1 731 465	426 064	372 879
XVI. Share capital	849 182	849 182	193 736	182 875
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)	2,20	2,04	0,50	0,44
XIX. Diluted book value per one stock (in PLN / EUR)	-	-	-	-
XX. Solvency ratio	18,46%	12,24%	18,46%	12,24%
XXI. Profit (loss) per one ordinary stock (in PLN / EUR)	0,16	-0,03	0,03	-0,01
XXII. Diluted Profit (loss) per one ordinary stock (in PLN / EUR)	-	-	-	-
XXIII. Declared or paid out dividend per one stock (in PLN / EUR)	-	-	-	-

<b>CONSOLIDATED BALANCE SHEET</b>	<b>as at 30.09.2004 quarter end / 2004</b>	<b>as at 30.06.2004 previous quarter end/ 2004</b>	<b>as at 30.09.2003 quarter end / 2003</b>	<b>as at 30.06.2003 previous quarter end/ 2003</b>
<b>Assets</b>				
I. Cash, operations with central Bank	516 086	649 316	200 925	244 481
II. Debt securities eligible for rediscounting in the Central Bank	11 009	11 568	10 021	16 990
III. Receivables from financial sector	2 423 658	2 141 798	1 429 976	848 714
1. Short-term receivables	2 417 746	2 116 959	1 401 125	811 261
a) in current account	684 494	445 621	14 452	10 402
b) other short-term receivables	1 733 252	1 671 338	1 386 673	800 859
2. Long-term receivables	5 912	24 839	28 851	37 453
IV. Receivables from non-financial sector	6 812 490	7 061 198	10 044 884	10 105 181
1. Short-term receivables	2 745 521	3 258 230	4 899 777	5 059 468
a) in current account	1 357 779	1 431 562	2 041 733	2 331 276
b) other short-term receivables	1 387 742	1 826 668	2 858 044	2 728 192
2. Long-term receivables	4 066 969	3 802 968	5 145 107	5 045 713
V. Receivables from the budget sector	442 190	468 322	475 990	491 340
1. Short-term receivables	33 128	128 361	155 185	189 554
a) in current account	4 996	6 979	5 869	5 636
b) other short-term receivables	28 132	121 382	149 316	183 918
2. Long-term receivables	409 062	339 961	320 805	301 786
VI . Receivables from purchased underwritten securities	267 778	260 124	131 066	363 667
VII. Debt securities	6 662 363	6 687 829	4 627 014	4 614 662
VIII. Receivables from subordinated companies valued by equity method	94 141	92 756	205 018	224 610
1. Subsidiaries	94 141	0	0	0
2. Affiliated	0	0	0	0
3. Associated	0	92 756	205 018	224 610
IX. Stock and shares in subsidiaries valued by equity method	2 423	0	490	686
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	1 208	1 299
XII. Stock and shares in other companies	1 217 290	1 216 790	1 235 836	1 217 422
XIII . Other securities and other financial assets	481 271	394 531	479 153	450 432
XIV. Intangible and legal assets, of which:	214 377	216 941	227 389	234 446
- goodwill	4 228	4 539	5 479	5 795
XV. Goodwill of subordinated companies	0	0	0	0
XVI. Tangible fixed assets	602 946	628 098	657 467	668 643
XVII. Other assets	63 419	82 889	239 769	205 985
1. Acquired assets – for divestiture	3 075	3 229	3 498	7 005
2. Inventory	233	684	896	278
3. Others	60 111	78 976	235 375	198 702
XVIII. Accruals	535 633	541 944	862 786	746 906
1. Deferred tax assets	241 910	240 949	590 819	470 670
2. Other accruals	293 723	300 995	271 967	276 236
<b>Total assets</b>	<b>20 347 074</b>	<b>20 454 104</b>	<b>20 828 992</b>	<b>20 435 464</b>
<b>Liabilities</b>				
I. Liabilities to the Central Bank	0	0	0	0
II. Liabilities to financial sector	2 157 489	2 140 506	2 113 495	2 654 887
1. Short-term liabilities	741 725	693 837	647 079	1 358 550
a) in current account	507 644	468 616	161 373	83 635
b) other short term liabilities	234 081	225 221	485 706	1 274 915

2. Long-term liabilities	1 415 764	1 446 669	1 466 416	1 296 337
III. Liabilities to non-financial sector	11 251 821	10 868 200	9 833 933	9 647 429
1. Short-term liabilities	10 496 405	10 535 582	9 138 461	8 909 249
a) in current account, of which:	3 305 166	3 177 127	3 070 458	2 561 016
- savings	0	0	0	0
b) other short-term liabilities, of which:	7 191 239	7 358 455	6 068 003	6 348 233
- savings	0	0	0	0
2. Long-term liabilities, of which:	755 416	332 618	695 472	738 180
- savings	0	0	0	0
IV. Liabilities to budget sector	859 286	1 233 579	1 264 737	1 161 596
1. Short-term liabilities	859 165	1 233 534	1 264 539	1 161 408
a) in current account	625 772	547 040	729 003	600 547
b) other short term liabilities	233 393	686 494	535 536	560 861
2. Long-term liabilities	121	45	198	188
V. Liabilities from purchased underwritten securities	1 707 049	1 914 367	1 457 814	1 193 721
VI. Liabilities from issue of debt securities	796 086	780 236	1 675 915	1 509 818
1. Short-term	560 879	539 837	1 512 679	1 352 737
2. Long-term	235 207	240 399	163 236	157 081
VII. Other liabilities from financial instruments	387 541	328 867	811 661	609 536
VIII. Liabilities to subordinated companies valued by equity method	272	264	6 777	6 590
1. Subsidiaries	272	186	6 485	6 498
2. Affiliated	0	0	0	0
3. Associated	0	78	292	92
IX. Special funds and other liabilities	184 266	207 009	256 678	356 104
X. Costs and revenues accounted for in time and deferred	376 172	372 701	602 954	601 129
1. Deferred expenses	90 024	94 098	97 011	106 024
2. Negative goodwill	0	0	0	0
3. Other deferred revenues	286 148	278 603	505 943	495 105
XI. Negative goodwill of subordinated companies	0	0	0	0
XII. Provisions	404 875	400 579	697 840	602 408
1. Deferred income tax allowance	150 858	144 407	475 862	371 852
2. Other provisions	254 017	256 172	221 978	230 556
a) short-term	527	527	20 331	25 858
b) long-term	253 490	255 645	201 647	204 698
XIII. Subordinated liabilities	354 694	364 029	375 723	357 257
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	760 716	781 348	781 094
XIX. Capital reserve from revaluation	36 257	29 743	33 430	40 017
XX. Other reserve capital	206 104	196 773	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	-113 978	-104 647	-115 078	-114 829
XXIII. Net profit (loss)	129 242	112 000	36 906	33 848
<b>Total liabilities</b>	<b>20 347 074</b>	<b>20 454 104</b>	<b>20 828 992</b>	<b>20 435 464</b>
Solvency ratio	18,46%	17,84%	12,24%	11,86%
Book value	1 867 523	1 843 767	1 731 465	1 734 989
Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
Book value per share (in PLN)	2,20	2,17	2,04	2,04

Diluted number of shares	-	-	-	-
Diluted book value per share (in PLN)	-	-	-	-

CONSOLIDATED OFF BALANCE-SHEET ITEMS	as at	as at	as at	as at
	30.09.2004 quarter end / 2004	30.06.2004 previous quarter end/ 2004	30.09.2003 quarter end / 2003	30.06.2003 previous quarter end/ 2003
I. Off balance-sheet contingent liabilities offered and received	4 277 190	3 554 271	3 439 385	3 368 811
1. Liabilities granted:	3 407 484	2 647 205	2 423 586	2 353 977
a) financial	2 987 411	2 211 080	1 971 446	1 931 102
b) guaranties	420 073	436 125	452 140	422 875
2. Liabilities received:	869 706	907 066	1 015 799	1 014 834
a) financial	0	0	0	0
b) guaranties	869 706	907 066	1 015 799	1 014 834
II. Liabilities arising from purchase/sale transactions	15 571 173	14 369 078	14 444 199	14 771 758
III. Other (on account of )	27 581 175	25 666 490	16 341 183	11 777 824
- interest rate swaps	25 526 930	23 620 463	15 674 701	11 008 682
- options	104 010	45 792	265 946	358 606
- FRAs	1 950 000	2 000 000	400 000	410 000
- other	235	235	536	536
<b>Total off balance-sheet items</b>	<b>47 429 538</b>	<b>43 589 839</b>	<b>34 224 767</b>	<b>29 918 393</b>

<b>CONSOLIDATED INCOME STATEMENT</b>	<b>quarter 3 (current year)</b>  <b>period from 1.07.2004 to 30.09.2004</b>	<b>3 quarters accrued (current year)</b> <b>period from 1.01.2004 to 30.09.2004</b>	<b>quarter 3 (previous year)</b>  <b>period from 1.07.2003 to 30.09.2003</b>	<b>3 quarters accrued (previous year)</b> <b>period from 1.01.2003 to 30.09.2003</b>
I. Interest income	451 336	1 275 808	357 459	1 080 988
II. Interest cost	313 024	836 595	213 697	672 114
III. Net interest income (I-II)	138 312	439 213	143 762	408 874
IV. Commission income	68 434	204 725	66 323	191 864
V. Commission cost	8 928	25 621	12 426	34 898
VI. Net commission income (IV-V)	59 506	179 104	53 897	156 966
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	1 590	1 596	747	43 800
1. From subsidiaries	952	952	0	0
2. From affiliated companies	0	0	0	0
3. From associated companies	0	0	0	0
4. From other companies	638	644	747	43 800
XII. Result on financial operations	-5 018	142 037	-7 584	42 899
XIII. Result on FX position	20 914	63 937	19 627	57 094
XIV. Result on banking operations	215 304	825 887	210 449	709 633
XV. Other operating revenues	33 601	173 851	40 653	95 437
XVI. Other operating costs	28 343	158 376	27 615	77 485
XVII. Overhead costs	169 401	527 186	184 347	600 741
XVIII. Depreciation of fixed assets and intangible and legal assets	25 566	80 539	26 492	83 571
XIX. Provisions and revaluation reserve	102 542	740 337	116 617	1 006 435
1. Provisions for special purpose allowances and overall banking risk	100 989	738 751	116 617	1 004 935
2. Revaluation of financial assets	1 553	1 586	0	1 500
XX. Release of provisions and revaluation	101 716	675 657	95 391	937 676
1. Release of reserves for special purpose allowances and overall banking risk	100 216	674 157	95 391	937 676
2. Revaluation of financial assets	1 500	1 500	0	0
XXI. Net provisions and revaluation reserve (XIX - XX)	826	64 680	21 226	68 759
XXII. Result on operations	24 769	168 957	-8 578	-25 486
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	514	514	0	11 264
XXV. Amortization of negative goodwill of subordinated companies	0	0	0	0
XXVI. Gross profit (loss)	24 255	168 443	-8 578	-36 750
XXVII. Income tax	7 329	40 149	-11 923	-37 280
1. Current portion	3 359	10 721	1 943	2 031
2. Deferred portion	3 970	29 428	-13 866	-39 311
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	948	-287	36 376
XXX. Minority (profits) losses	0	0	0	0
<b>XXXI. Net profit (loss)</b>	<b>17 242</b>	<b>129 242</b>	<b>3 058</b>	<b>36 906</b>
Net profit (loss) (annualized)	-	133 231	-	-26 316
Weighted average number of ordinary shares	-	849 181 744	-	845 045 077
Profit (loss) per one ordinary share (in PLN)	-	0,16	-	-0,03
Weighted average number of diluted ordinary shares	-	-	-	-
Diluted profit (loss) per one ordinary share (in PLN)	-	-	-	-

<b>STATEMENT OF CHANGES IN CONSOLIDATED EQUITY</b>	<b>quarter 3 (current year)  period from 1.07.2004 to 30.09.2004</b>	<b>3 quarters accrued (current year) period from 1.01.2004 to 30.09.2004</b>	<b>quarter 3 (previous year)  period from 1.07.2003 to 30.09.2003</b>	<b>3 quarters accrued (previous year) period from 1.01.2003 to 30.09.2003</b>
I. Own equity at beginning of period (OB)	1 843 767	1 734 906	1 734 989	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	1 843 767	1 734 906	1 734 989	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	760 716	781 348	781 094	755 449
4.1. Changes in capital reserve	0	-20 632	254	25 899
a) increases (due to)	0	14 878	254	49 932
- issue of stock in excess of par value	0	0	0	0
- profit distribution	0	14 878	249	49 817
- other	0	0	5	115
b) decreases (due to)	0	35 510	0	24 033
- loss coverage	0	35 510	0	24 033
- other	0	0	0	0
4.2. Capital reserve at end of period	760 716	760 716	781 348	781 348
5. Revaluation reserve at beginning of period	29 743	32 882	40 017	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	29 743	32 882	40 017	76 560
5.1. Changes in revaluation reserve	6 514	3 375	-6 587	-43 130
a) increases (due to)	6 514	6 740	0	0
- purchase and valuation of financial assets available for sale	6 514	6 740	0	0
b) decreases (due to)	0	3 365	6 587	43 130
- sale and valuation of financial assets available for sale		3 365	6 582	43 015
- other			5	115
5.2. Revaluation reserve at end of period	36 257	36 257	33 430	33 430

6. General bank risk fund at beginning of period	85 633	44 738	44 738	44 738
6.1. Changes in general bank risk fund	0	40 895	0	0
a) increases (due to)	0	40 895	0	0
- distribution of profits	0	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	111 140	100 939	100 939	98 953
7.1. Changes in other capital reserves	9 331	19 532	0	1 986
a) increases (due to)	9 331	19 532	0	1 986
- distribution of profits	9 331	19 532	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	120 471	120 471	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	-104 647	-115 078	-114 829	-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	-104 647	-115 078	-114 829	-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	-104 647	-115 078	-114 829	-266 410
9.7. Change in loss of previous years	-9 331	1 100	-249	151 332
a) increases (due to)	0	195 102	0	447 238
- increase on account of profit in previous year	0	125 305	0	123 272
- loss coverage by supplementary capital	0	35 510	0	24 033
- amortization of capital reserve	0	0	0	7 790
- result of de-consolidation of PTE BIG BG	0	0	0	169 407
- share in profit of associated companies	0	34 287	0	122 736
- unrealized profits from intra-group transactions	0	0	0	0
- other	0	0		0
b) decreases (due to)	9 331	194 002	249	295 906
- carryforward of the loss of previous year	0	30 497	0	41 925
- elimination of movements in provisions 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	9 331	75 305	249	51 804
- other	0	962	0	31 422

9.8. Loss of previous years at end of period	-113 978	-113 978	-115 078	-115 078
9.9. Profit (loss) of previous years at end of period	-113 978	-113 978	-115 078	-115 078
10. Net result	17 242	129 242	3 058	36 906
a) net profit	17 242	129 242	3 058	36 906
b) net loss	0	0	0	0
II. Own equity at end of period (CB )	1 867 523	1 867 523	1 731 465	1 731 465
III. Own equity after the proposed distribution of profit (coverage of loss)				

CONSOLIDATED CASH FLOWS	quarter 3 (current year)	3 quarters accrued (current year)	quarter 3 (previous year)	3 quarters accrued (previous year)
	period from 1.07.2004 to 30.09.2004	period from 1.01.2004 to 30.09.2004	period from 1.07.2003 to 30.09.2003	period from 1.01.2003 to 30.09.2003
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)	17 242	129 242	3 058	36 906
II. Joint adjustments:	352 518	1 035 517	-896 434	-1 670 226
1. Minority profits (losses)	0	0	0	0
2. Share in net (profits) losses of subordinated companies valued by equity method	-316	-948	287	-36 376
3. Amortization, of which:	26 084	81 057	26 491	94 834
- amortization of goodwill of subordinated companies and negative goodwill of subordinated companies	514	514	0	11 264
4. (Profits) losses due to FX differences	-48 973	-102 810	57 573	156 091
5. Interest and share in dividend profits	35 114	86 755	31 417	95 510
6. (Profit) loss on investing activities	1 160	-985	-28	-41 581
7. Status change of provisions	3 138	16 578	97 866	-18 547
8. Status change of surplus	451	1 246	-618	1 226
9. Status change of debt securities	553 863	-96 260	-758 498	-1 104 336
10. Status change of receivables from financial sector	-307 672	-1 117 525	-539 799	-507 719
11. Status change of receivables from non-financial sector	274 693	2 971 659	84 320	39 757
12. Status change of receivables from purchased underwritten securities	-7 654	-167 420	232 602	13 970



13. Status change of shares or stock, other securities and other financial assets	-87 160	-93 583	4 205	-21 595
14. Status change of liabilities to financial sector	28 049	-570 894	-732 353	-548 968
15. Status change of liabilities to non-financial and budget sector	9 323	349 248	289 632	-609 523
16. Status change of liabilities from sold underwritten securities	-207 318	171 571	264 094	-486 567
17. Status change of liabilities from securities	14 816	-213 761	158 798	1 101 847
18. Status change of liabilities in other liabilities	54 950	-44 895	-312 623	51 317
19. Status change of liabilities in accruals	2 236	-11 673	-276 170	-497 174
20. Status change of liabilities in deferred revenues	7 545	-221 843	475 872	647 831
21. Other corrections	189	0	498	-223
III. Net cash flows from operating activities (I +/- II) – indirect method	369 760	1 164 759	-893 376	-1 633 320
B. Cash flows from investing activities				
I. Proceeds	30 693	48 852	737 711	1 448 094
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	736 608	1 429 416
5. Sale of intangible and legal assets and tangible fixed assets	4 787	17 068	493	7 058
6. Sale of investments in real estate and intangible and legal assets	0	0	0	0
7. Other investment proceeds	25 906	31 784	610	11 620
II. Expenses	527 266	1 450 272	11 247	41 464
1. Purchase of shares or stock in subsidiaries	3 039	3 039	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	520 387	1 438 292	0	0
5. Purchase of intangible and legal assets and tangible fixed assets	3 840	8 941	11 247	41 464
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)	-496 573	-1 401 420	726 464	1 406 630
C. Cash flows from financing activities				
I. Proceeds	0	0	133 581	838 181
1. Long-term borrowing in other banks	0	0	133 581	838 181
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	5 496	56 610	6 251	691 166
1. Repayment of long-term debts to other banks	0	0	0	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	5 496	56 610	6 251	107 038
III. Net cash flows from financing activities (I - II)	-5 496	-56 610	127 330	147 015
D. Net cash flows, total (A.III +/- B.III +/- C.III)	-132 309	-293 271	-39 582	-79 675
E. Balance-sheet change in cash flow, of which:	-132 309	-293 271	-39 582	-79 675
- change in cash flow due to exchange rate differences			0	0
F. Cash flow at beginning of period	660 928	821 890	254 712	294 805
G. Cash flow at end of period (F+/- D), of which:	528 619	528 619	215 130	215 130
- with limited disposal				

**QUARTERLY REPORT OF BANK MILLENNIUM**  
**FOR THE 3<sup>rd</sup> QUARTER OF 2004**

<b>Bank Millennium S.A. Balance Sheet</b>	<b>as at</b>	<b>as at</b>	<b>as at</b>	<b>as at</b>
	<b>30.09.2004 quarter end / 2004</b>	<b>30.06.2004 previous quarter end/ 2004</b>	<b>30.09.2003 quarter end / 2003</b>	<b>30.06.2003 previous quarter end/ 2003</b>
<b>Assets</b>				
I. Cash and balances with the Central Bank	514 787	647 423	199 560	243 482
II. Debt securities eligible for rediscount at the Central Bank	11 009	11 568	10 021	16 990
III. Amounts due from other financial institutions	2 812 869	2 485 263	1 974 305	1 415 107
1. Current	1 200 059	943 772	14 451	10 402
2. Term	1 612 810	1 541 491	1 959 854	1 404 705
IV. Amounts due from clients	6 425 361	6 726 321	9 741 029	9 818 813
1. Current	1 357 779	1 431 562	2 041 733	2 331 276
2. Term	5 067 582	5 294 759	7 699 296	7 487 537
V. Amounts due from public sector	442 190	468 323	473 905	488 102
1. Current	4 996	6 979	5 869	5 636
2. Term	437 194	461 344	468 036	482 466
VI. Amounts due from reverse repo transactions	267 778	260 124	131 065	363 667
VII. Debt securities	6 662 363	6 687 829	4 605 919	4 595 798
VIII. Shares in subsidiaries	1 438 511	1 423 941	1 333 176	1 354 408
IX. Shares in affiliated subsidiaries				
X. Shares in associated companies	6 067	5 967	4 854	4 843
XI. Shares in other companies	12 811	12 780	21 511	1 906
XII. Other securities and financial assets	480 773	394 036	517 221	474 088
XIII. Intangible assets:	215 983	218 841	228 583	235 685
goodwill	6 268	6 732	8 249	8 719
XIV. Tangible fixed assets	602 460	622 090	657 444	670 083
XV. Other assets	91 016	89 760	238 636	200 353
1. Acquired assets for resale	2 917	3 071	3 339	6 847
2. Other	88 099	86 689	235 297	193 506
XVI. Prepayments and accrued income	502 014	496 910	807 816	702 895
1. Deferred income tax	210 794	200 840	535 651	426 920
2. Other	291 220	296 070	272 165	275 975
<b>Total Assets</b>	<b>20 485 992</b>	<b>20 551 176</b>	<b>20 945 045</b>	<b>20 586 220</b>

<b>Liabilities and Equity</b>				
I. Amounts due to the Central Bank				
II. Amounts due to other financial institutions	2 546 008	2 449 631	2 428 613	3 010 670
1. Current	793 277	319 171	405 811	388 109
2. Term	1 752 731	2 130 460	2 022 802	2 622 561
III. Amounts due to clients	11 005 404	10 665 520	9 617 591	9 402 284
1. Saving accounts:				
a) current				
b) term				
2. Other:	11 005 404	10 665 520	9 617 591	9 402 284
a) current	3 031 906	2 968 697	2 854 573	2 352 360
b) term	7 973 498	7 696 823	6 763 018	7 049 924
IV. Amounts due to public sector	859 284	1 233 577	1 264 734	1 161 595
1. Current	625 770	547 038	729 002	600 546
2. Term	233 514	686 539	535 732	561 049
V. Liabilities arising from securities sold with repurchase clause (repo transactions)	1 740 819	1 943 675	1 457 814	1 193 721
VI. Liabilities in respect of debt securities issues	726 292	725 334	1 675 915	1 509 818

1. Current	491 085	484 934	1 512 679	1 352 737
2. Long-term	235 207	240 400	163 236	157 081
VII. Other liabilities in respect of financial instruments	391 138	330 475	874 044	663 373
VIII. Special funds and other liabilities	141 550	145 778	205 438	316 967
IX. Accruals and deferred income	412 744	422 238	666 238	670 088
1. Accruals	78 530	81 718	90 398	98 718
2. Negative goodwill				
3. Other deferred income	334 214	340 520	575 840	571 370
X. Provisions	440 536	427 152	647 470	565 458
1. Deferred corporate income tax	130 197	114 891	440 397	351 361
2. Other	310 339	312 261	207 073	214 097
a) current	-	-	20 331	25 858
b) long-term	324 752	312 261	186 742	188 239
XI. Subordinated liabilities	354 694	364 029	375 723	357 257
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	508 095	542 970	542 970
XVI. Revaluation reserve	36 223	29 709	33 395	39 977
XVII. Other reserve capital	380 532	380 532	339 638	339 638
XVIII. Retained earnings (loss brought forward)	- 35 751	- 35 751	- 70 626	- 70 626
XIX. Net profit (loss)	129 242	112 000	36 906	33 848
<b>Total Liabilities and Equity</b>	<b>20 485 992</b>	<b>20 551 176</b>	<b>20 945 045</b>	<b>20 586 220</b>
<b>Capital adequacy ratio</b>	<b>16,12%</b>	<b>15,73%</b>	<b>11,01%</b>	<b>10,68%</b>
<b>Book value</b>	<b>1 867 523</b>	<b>1 843 767</b>	<b>1 731 465</b>	<b>1 734 989</b>
<b>Number of share</b>	<b>849 181 744</b>	<b>849 181 744</b>	<b>849 181 744</b>	<b>849 181 744</b>
<b>Book value per share (in PLN)</b>	<b>2,20</b>	<b>2,17</b>	<b>2,04</b>	<b>2,04</b>
<b>Diluted number of shares</b>				
<b>Diluted book value per share (in PLN)</b>				

<b>Off-balance sheet items</b>	<b>as at 30.09.2004 quarter end / 2004</b>	<b>as at 30.06.2004 previous quarter end/ 2004</b>	<b>as at 30.09.2003 quarter end / 2003</b>	<b>as at 30.06.2003 previous quarter end/ 2003</b>
I. Contingent liabilities:	4 485 025	3 780 377	3 732 934	3 729 187
1. granted:	3 614 782	2 872 743	2 716 438	2 713 677
a) financial	3 124 529	2 381 427	2 264 096	2 290 605
b) guarantees	490 253	491 316	452 342	423 072
2. received:	870 243	907 634	1 016 496	1 015 510
a) financial	-	-	-	-
b) guarantees	870 243	907 634	1 016 496	1 015 510
II. Liabilities in respect of sale/purchase transactions	15 616 193	14 380 575	15 383 883	14 771 758
III. Other, including:	27 694 105	25 781 407	16 340 647	12 696 271
- interest rate swaps	25 640 095	23 735 615	15 674 701	11 927 665
- options	104 010	45 792	265 946	358 606
- FRAs	1 950 000	2 000 000	400 000	410 000
- other	-	-	-	-
<b>Total off-balance sheet items</b>	<b>47 795 323</b>	<b>43 942 359</b>	<b>35 457 464</b>	<b>31 197 216</b>

<b>INCOME STATEMENT</b>	<b>quarter 3 (current year)  period from 1.07.2004 to 30.09.2004</b>	<b>3 quarters accrued (current year) period from 1.01.2004 to 30.09.2004</b>	<b>quarter 3 (previous year)  period from 1.07.2003 to 30.09.2003</b>	<b>3 quarters accrued (previous year) period from 1.01.2003 to 30.09.2003</b>
I. Interest income	413 699	1 161 499	326 518	990 644
II. Interest cost	314 937	842 520	220 735	695 124
III. Net interest income(I-II)	98 762	318 979	105 783	295 520
IV. Commission income	59 088	171 440	54 869	164 385
V. Commission cost	7 711	22 163	11 296	32 371
VI. Net commission income (IV-V)	51 377	149 277	43 573	132 014
VII. Income from shares, other securities and other financial variable-income instruments	1 046	14 470	16 540	143 235
1. from subsidiaries	951	13 655	15 793	98 957
2. from affiliated subsidiaries	-	-	-	-
3. from associated companies	- 513	207	-	478
4. from other entities	608	608	747	43 800
VIII. Result on financial operations	- 5 251	121 670	- 7 686	42 694
IX. Foreign exchange result	18 241	56 843	16 766	49 373
<b>X. Result on banking operations</b>	164 175	661 239	174 976	662 836
XI. Other operating income	13 032	32 766	21 578	35 324
XII. Other operating cost	8 040	21 293	5 173	14 886
XIII. Overhead costs	140 982	439 409	154 353	521 091
XIV. Depreciation and amortization	25 676	80 301	25 368	72 815
XV. Provisions and revaluation reserve	91 893	708 007	111 938	970 131
1. Specific provisions and General Banking Risk Reserve created	91 893	707 974	111 938	968 631
2. Revaluation of financial assets	-	33	-	1 500
XVI. Provisions and revaluation reserve (released)	95 474	653 870	90 135	927 438
1. Specific provisions and General Banking Risk Reserve released	95 474	653 870	90 135	926 676
2. Revaluation of financial assets	-	-	-	762
XVII. Net provisions and revaluation reserve (XV- XVI)	- 3 581	54 137	21 803	42 693
<b>XVIII. Operating profit</b>	6 090	98 865	- 10 143	46 675
XIX. Net extraordinary gains (losses)	-	-	-	-
1. Extraordinary gains	-	-	-	-
2. Extraordinary losses	-	-	-	-
<b>XX. Gross profit (loss)</b>	6 090	98 865	- 10 143	46 675
XXI. Income tax	3 835	22 986	- 17 260	- 52 511
1. current	-	-	-	-
2. deferred	3 835	22 986	- 17 260	- 52 511
XXII. Other obligatory charges against profit (increases in loss)	-	-	-	-
XXIII. Share in net profit (loss) of subordinated companies consolidated under the equity method	14 987	53 363	- 4 059	- 62 280
<b>XXVI. Net profit (loss)</b>	17 242	129 242	3 058	36 906
<b>Net profit (loss) (annualized)</b>		133 231		- 26 316
Weighted average number of ordinary shares	849 181 744	849 181 744	849 181 744	849 181 744
<b>Profit (loss) per ordinary share (in PLN)</b>	-	0,16	-	- 0,03
Weighted average diluted number of ordinary shares				
Diluted profit (loss) per ordinary share (in PLN)				

<b>Statement of Changes in Equity</b>	<b>quarter 3 (current year)  period from 1.07.2004 to 30.09.2004</b>	<b>3 quarters accrued (current year) period from 1.01.2004 to 30.09.2004</b>	<b>quarter 3 (previous year)  period from 1.07.2003 to 30.09.2003</b>	<b>3 quarters accrued (previous year) period from 1.01.2003 to 30.09.2003</b>
I. Equity at the beginning of the period (OB)	1 843 767	1 734 906	1 734 989	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	1 843 767	1 734 906	1 734 989	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	508 095	542 970	542 970	560 846
4.1. Changes in supplementary capital	-	34 875		17 876
a) increases				
share premiums				
appropriation of profit (statutory)				
appropriation of profit (above the statutory minimum)				
b) decreases	-	34 875		17 876
to cover losses from previous years		16 999		
to cover losses of BIG BANK from previous years		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	29 709	32 848	39 977	76 409

the period				
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	6 514	3 375	- 6 582	- 43 014
a) increases	6 514	3 375		
changes in adopted accounting principles	-			
valuation of financial assets for sale	6 514	3 375		
b) decreases	-	-	6 582	43 014
disposal of fixed assets				
-valuation, sale of financial assets			6 582	10 438
- sale of POLCARD				32 576
5.2. Revaluation reserve at the end of the period	36 223	36 223	33 395	33 395
6. General Banking Risk Reserve at the beginning of the period	380 532	339 637	339 638	44 738
6.1. Changes in General Banking Risk Reserve	-	40 895		294 900
a) increases	-	40 895		294 900
appropriation of profit of 2002 /2003	-	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	-	-		
7.1. Changes in other reserve capital				
a) increases				
b) decreases				
-	-	-		
7.2. Other reserve capital at the end of the period				
8. Retained earnings (loss brought forward) at the beginning of the period	- 35 751	- 70 626	- 70 626	27 297
8.1. Retained earnings at the beginning of the period	-	- 16 999	- 16 999	
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	-	- 16 999	- 16 999	98 800
8.3. Changes in retained earnings	-	16 999		- 115 799
a) increases		40 985		179 100
- transfer of profit of 2003/ 2002		40 895		179 100
b) decreases		23 896		294 899
- appropriation of profit of 2003/ 2002	-	40 895		183 930
-appropriation of undistributed profit from previous years	-	- 16 999		110 969
- Changes in adopted accounting principles				
8.4. Retained earning at the end of the			- 16 999	- 16 999

period				
8.5. Loss brought forward at the beginning of the period	35 751	53 627	53 627	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	35 751	53 627	53 627	71 503
8.7. Changes in loss brought forward		- 17 876	-	17 876
a) increases	-	-		
- transfer of loss for coverage				
	-			
	-			
b) decreases		17876		17 876
coverage of loss brought forward of BB	-	17876		17 876
8.8. Loss brought forward at the end of the period	35 751	35 751	53 627	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)	17 242	129 242	3 058	36 906
a) net profit	17 242	129 242	3 058	36 906
b) net loss				
II. Equity at the end of the period (CB )	1 867 523	1 867 523	1 731 465	1 731 465
III. Equity after proposed appropriation of profit (coverage of loss)				

<b>Statement of Cash Flows</b>	<b>quarter 3 (current year)  period from 1.07.2004 to 30.09.2004</b>	<b>3 quarters accrued (current year) period from 1.01.2004 to 30.09.2004</b>	<b>quarter 3 (previous year)  period from 1.07.2003 to 30.09.2003</b>	<b>3 quarters accrued (previous year) period from 1.01.2003 to 30.09.2003</b>
<b>A. Cash flows from operating activities - indirect method</b>	- 121 805	- 122 545	- 286 838	- 738 833
I. Net profit (loss)	17 242	129 242	3 058	36 906
II. Adjustments for:	- 139 047	- 251 787	- 289 896	- 775 739
1. Share in (profits) losses of subordinated companies consolidated under the equity method	- 14 987	- 53 363	4 059	62 280
2. Depreciation and amortization	25 676	80 301	25 368	72 815
3. Foreign exchange (gains) losses	- 49 168	- 103 222	57 450	155 427
4. Interest and share in profits (dividends)	28 303	83 299	30 879	29 596
5. (Profit) loss on investing activities	- 883	- 422	- 2 668	- 69 545
6. Change in provisions	11 856	29 399	87 010	- 16 020
7. Change in debt securities	38 400	- 1 736 296	- 18 231	- 92 654
8. Change in amounts due from other financial institutions	- 326 685	- 1 013 007	- 555 227	- 322 989
9. Change in amounts due from clients and public sector	327 652	2 966 358	98 950	- 396 111
10 . Change in receivables from reverse repo transactions	- 7 654	- 167 420	232 602	13 970
11. Change in shares, other securities and other financial assets	- 87 479	192 562	- 28 475	888
12. Change in amount due to other financial institutions	107 430	- 603 860	- 715 837	- 636 008
13. Change in amounts due to clients and public sector	- 34 409	394 085	318 446	- 279 826



14. Change in liabilities arising from securities sold with repurchase clause	-	202 856	205 341	264 093	-	486 567		
15. Change in liabilities arising from securities		65 839	-	299 878	365 058	1 486 307		
16. Change in other liabilities	-	5 484	18 158	-	344 602	-	234 141	
17. Change in prepayments and accruals	-	8 292	-	25 064	-	113 241	-	134 927
18. Change in deferred income	-	6 306	-	218 758	4 470	71 766		
19. Other adjustments		-						
III. Net cash flows from operating activities (I +/- II) - indirect method	-	121 805	-	122 545	-	286 838	-	738 833
<b>B. Cash flows from investing activities</b>	-	4 414	-	73 409	115 529	322 475		
I. Cash received from:		3 508	19 897	132 394	688 593			
1. Sale of shares in subsidiaries				39 746	50 456			
2. Sale of shares in co-owned subsidiaries								
3. Sale of shares in associated companies		986	986					
4. Sale of shares in other companies, other securities and other financial assets		-	12	82 249	563 222			
5. Sale of fixed and intangible assets		963	3 916	1 258	4 710			
6. Sale of investments in real estate and intangible assets		-		9 141	20 929			
7. Other cash received from investing activities		1 559	14 983		49 276			
II. Cash paid for:		7 922	93 306	16 865	366 118			
1. Purchase of shares in subsidiaries		-	4		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		5 165	84 699	-	-			
5. Purchase of fixed and intangible assets		-	1 755	12 833	138 054			
6. Investments in real estate and intangible assets		2 757	6 848	4 032	10 585			
7. Other cash paid for investing activities		-		-	-			
III. Net cash flows from investing activities (I - II)	-	4 414	-	73 409	115 529	322 475		
<b>C. Cash flows from financing activities</b>	-	5 496	-	82 128	127 177	331 695		
I. Cash received from:		-	-	133 581	1 023 014			
1. Long-term loans from other banks				133 581	838 181			
2. Long-term loans from non-banking financial institutions								
3. Issues of debt securities								
4. Increase in subordinated liabilities								
5. Issue of shares (net proceeds) and additional paid-in capital		-			184 833			
6. Other cash received from financing activities								
II. Cash paid for:		5 496	82 128	6 404	691 319			
1. Repayment of long-term loans from other banks		-			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		5 496	82 128	6 404	107 191			
III. Net cash flows from financing activities (I - II)	-	5 496	-	82 128	127 177	331 695		
<b>D. Net cash flows, total (A.III +/- B.III +/- C.III)</b>	-	131 715	-	278 082	-	44 132	-	84 663
<b>E. Change in balance sheet cash, including: change in cash in respect of foreign</b>	-	131 715	-	278 082	-	44 132	-	84 663

exchange gains and losses				
F. Cash at the beginning of the period	659 035	805 402	253 713	294 244
G. Cash at the end of the period (F+/- D), of which:	527 320	527 320	209 581	209 581

## Information about activity after three quarters of 2004

Warsaw, 18.10.2004 – The Management Board of Bank Millennium („Bank”) informs that after three quarters of 2004 accounting year (from 1 January until 30 September 2004) consolidated net profit of the Bank Millennium Group and of Bank Millennium was PLN 129,2 million.

By comparison consolidated net profit of the Group and the Bank after the first three quarters of 2003 stood at PLN 36,9 million.

**Main highlights to the results of the Bank Millennium Group after the first nine months of 2004:**

- *Increase of Net Interest Income by 7,4% (as compared with three quarters of 2003)*
- *Increase of Net Commission Income by 14,1% (as compared with three quarters of 2003)*
- *Reduction of operating costs by 11,2% as compared with three quarters of 2003)*
- *Significant improvement of credit quality – Coverage ratio of NPLs according to 90 days timeliness of payment increased from 94,7% to 122,7% year-on-year*
- *Solvency ratio at very strong level – 18,5%.*
- *Material growth of mortgage loans volume –5% share in the market of new loans in the month of August*
- *Quick growth of Internet banking for private and corporate customers (125 000 users)*
- *Marked improvement of service*

**Key factors affecting the financial result:**

<b>Breakdown of the Result on Banking Activity (PLN mln)</b>	<b><u>9 months</u> <u>2004</u></b>	<b><u>9 months</u> <u>2003</u></b>	<b><u>Change</u></b>
Net interest income	439,2	408,9	7,4%
Net commission income	179,1	157,0	14,1%
Other non-interest income	207,6	143,8	44,4%
Result on Banking Activities	825,9	709,6	16,4%

1.

**Net interest income** generated by Bank Millennium Group after nine months of 2004 totalled **PLN 439,2 million** and was **7,4 % higher** than in the corresponding period of last year (PLN 408,9 million) in result of consistent management of commercial spreads and a favourable change of the structure of deposits.

2.

**Net commission income** was **PLN 179,1 million** (PLN 157,0 million after nine months of the previous year), which means it **grew 14,1%**. This growth was driven by development of business mainly in the retail segment and by transactions done on the equity market by Millennium Dom Maklerski.

3.

**Other non interest income** (income from shares, financial transactions and F/X gains/losses) in the first nine months of 2004 was **PLN 207,6 million** as compared with PLN 143,8 million generated in the first three quarters of the previous year (**increase by 44,4 %**). The value of this item was fundamentally affected by the sale by the Bank in the second quarter of this year the portfolio of car loans granted through PTF, while the same period of the previous year was also affected by the gain on the sale of PolCard shares.

Total **Result on Banking Activities** after three quarters of 2004 stood at **PLN 825,9 million** as compared with PLN 709,6 million after three quarters of 2003. This means it **increased by 16,4%**.

**Other operating income and expenses** in the nine months of 2004 totalled **PLN 15,5 million**, standing at PLN 18 million in the first nine months of 2003.

<b><u>Breakdown of costs (PLN mln)</u></b>	<b><u>9 months</u></b> <b><u>2004</u></b>	<b><u>9 months</u></b> <b><u>2003</u></b>	<b><u>Change</u></b>
Personnel costs	229,8	263,6	-12,8%
Non-personnel costs	297,4	337,1	- 11,8%
Depreciation	80,5	83,6	-3,6%
<b>Total costs</b>	<b>607,7</b>	<b>684,3</b>	<b>-11,2%</b>

#### 4.

**Total costs** of Bank Millennium Group after three quarters of 2004 **fell 11,2%** as compared with the first nine months of last year and stood at **PLN 607,7 million** (PLN 684,3 million in the corresponding period of 2003).

**Personnel costs** stood at **PLN 229,8 million**, which signifies a **decline of 12,8 %** as compared with the first three quarters of 2003 (PLN 263,6 million).

As at 30 September 2004 the **headcount** in Bank Millennium Group is 4328 persons i.e. **6 % less** than as at end of September 2003 (4618 persons employed). Due to growth of the retail business (e.g. mortgage loans) the Bank expects that the falling trend in headcount will be halted in the coming quarters.

**Non-personnel costs** were at **PLN 297,4 million**, which means their **decline by 11,8 %** as compared with the first three quarters of the previous year (PLN 337,1 million).

**Depreciation** in the analysed period was **PLN 80,5 million** as compared with PLN 83,6 million in the first nine months of 2003.

**The cost to income ratio** after three quarters of 2004 was **71,7%**, however net of the sale of the portfolio of car loans granted through PTF it stands at 86,7%.

#### 5.

**Net provisions** created by the Bank Millennium Group in the first 9 months of 2004 were at **PLN 64,7 million**. This means a small growth compared with the amount of provisions created at the end of the first semester of 2004 of PLN 0,8 million.

#### 6.

In the first three quarters of 2004 **gross profit** of Bank Millennium Group was **PLN 168,4 million**, while **net profit** stood at **PLN 129,2 million**.

Key items	30.09.2004	30.09.2003	Change
Total assets	20 347	20 829	-2,3%
Total Customers' Funds (1)	13 042	13 138	-0,7%
Total Deposits and Bonds	12 598	12 532	0,5%
Total Deposits	12 111	11 105	9,1%
Total Loans to Customers	7 255	10 521	-31,0%
Equity	1 868	1 731	8%

(1) includes deposits from Customers, bonds and mutual funds

## 7.

As at 30 September 2004 **total assets** stood at **PLN 20 347 million**, which means a slight **decrease** as compared with the end of then third quarter of the previous year **by 2,3 %** (PLN 20 829 million).

As at the end of the third quarter 2004 **net loans to Customers** totalled **PLN 7 255 million**, which means a **reduction** from September last year **by 31%** (PLN 10 521 million). This change is caused above all by the sale by the Bank of the PTF originated car loans portfolio as well as by the conservative policy regarding corporate lending. Not considering the car loans portfolio sale the reduction of net loans was 12,6%.

It is worth to mention that the value of **mortgage loans** originated by the Bank **increased** during last 12 monts by **30,6%**. In result the share of mortgage loans in the total loans portfolio increased from 10% (as at 30.09.2003) to 18% (as at 30.09.2004). This is the effect of changes made by the Bank as regards organisation of sales (e.g. new direct sales force, sale through brokers, internet) and launch of new and attractive mortgage solutions (e.g. "Balloon" loan, Debt consolidation loan).

<b>New mortgage sale results:</b>	4Q 03	1Q 04	2Q 04	3Q 04
Quarterly sale of new loans (PLN mln)	76,4	57,7	140,2	174,6
Market share in new loans, in quarter	2,0%	2,3%	4,2%	5,1%*)

\*) during two months of the quarter

## 8.

**Total Customers' deposits** , including the issued Bank Millennium bonds, were as at 30.09 2004 **PLN 12 598 million**, which means an **increase** from the corresponding period of 2003 by **0,5 %** (PLN 12 532 million). Total Customers' funds, including mutual funds, slightly decreased by 0,7% due to redemption of closed-end funds (with anti-tax character for the clients) which took place at the end of 2003 year.

High growth of **deposits** (this category of customers' funds **increased** during one year **by 9,1%**) was possible due to offer appeal improvement (including introduction of special products prepared to commemorate the Bank's 15<sup>th</sup> anniversary and rapid growth of the volume of on-line banking -Millenet). The highest growth on the market of Internet banking (from 29 000 as at 31.12.2003 to 125 000 at the end of Q3 2004) resulted in the number of transactions done by private customers via Millenet in October 2004 for the first time ever exceeding the number of orders placed in the Bank's conventional branch network. This was accompanied by an increase of corporate customer interest in banking services provided via Millenet. Efforts taken by the Bank to facilitate access to the full range of products and services as well as service quality improvement were appreciated by customers.

## 9. Loans quality

Credit quality ratios		30.09.04	30.09.03
NPL/total loans ratio	Timeliness of payment (90 days)	8,9%	12,4%
	NBP regulations	19,6%	22,2%
Provisions/NPL ratio	Timeliness of payment (90 days)	122,7%	94,7%
	NBP regulations	55,8%	52,8%

In the first nine months of 2004 there was a marked **improvement** of the Bank's **loan portfolio quality**. The total value of Non-Performing Loans **fell by over PLN 1.1 billion** in result of restructuring and recovery efforts, write-offs against provisions and changes of loan classification regulations.

*The **NPL to total loans ratio** according to NBP regulations improved from **22,2%** (as at 30.09.2003) to **19,6%** (as at 30.09.2004), while the NPL coverage ratio increased from **52,8%** to **55,8%** in the same periods.*

*Notable is the improvement of the **NPL ratio** by timeliness of payment. This ratio improved from **12,4 %** (as at 30.09.2003) to **8,9%** (as at 30.09.2004) considering up to 90 day payment timeliness.*

In result of real improvement of the loan portfolio quality as well due to a consistent policy of maintaining provisions the **NPL (timeliness criterion) coverage ratio** improved significantly. It grew from 94,7%% (as at 30.09.2003) to **122,7 %** (as at 30.09.2004).

**Solvency Ratio** of Bank Millennium Group improved strongly reaching **18,5 %** and was higher than the year before (12,2%) in result of shrinking of the loans portfolio as well as an improved structure of risk-weighted assets.

Ratio	30.09. 2004	30.09. 2003
Net interest margin	3,5%	3,2%
Cost/income	71,7%	90,7%
ROA	0,8%	0,2%
ROE	9,5%	2,8%
CAR	18,5%	12,2 %

**Final comments:**

1. In the first nine months of 2004 the Bank Millennium Group improved its financial result thanks to increase of net interest income (by 7,4%) and commission income (by 14,1%). The attained result was positively affected by the sale in Q2 2004 of the PTF car loans portfolio.
2. The Bank Millennium Group consistently continued to cut operating costs in the past nine months, ultimately reducing them by 11.2% as compared with the same period of the previous year.
3. Sales stimulation and positive changes in the product and service offer have resulted in rapid growth of mortgage sales, of the value of deposits and of the number of Millenet on-line banking users. At the same time – in the opinion of customers – quality of service improved.
4. The Bank Millennium Group improved the quality of its loans portfolio: the NPL ratio shrunk further while the NPL coverage ratio went up



## ADDITIONAL INFORMATION

### I. PRINCIPLES ADOPTED IN PREPARATION OF THE CONSOLIDATED QUARTERLY REPORT

According to information delivered in the form of the current report of 25 March 2004 Bank Millennium, beginning with the 1<sup>st</sup> Quarter 2004 report presents extended consolidated quarterly and semi-annual reports. In effect this report contains financial data on Bank Millennium ("Bank") and consolidated financial data on the Bank Millennium Group ("Group"), presented in the form of a balance sheet, profit and loss account, cash flow statement and report on changes in equity, prepared as at 30 September 2004 in keeping with the Ordinance of the Council of Ministers of 16 October 2001 in the matter of current and regular information delivered by issuers of securities, as amended.

The data was prepared on the basis of "Accounting principles binding in Bank Millennium" and "Accounting principles binding in the Bank Millennium Group", detailed descriptions of which are contained in the annual report and consolidated annual report respectively. The reports were prepared as at 31 December 2003 and published on 27 April 2004.

In 2004 the Bank and the Group made changes to the accounting principles in the area of calculation, classification and presentation of provisions, which resulted from provisions of the Ordinance of the Minister of Finance of 10 December 2003 in the matter of principles for creation of provisions for risk connected with activity of banks.

Key aspects of the new principles:

- Retail credit and loans (except mortgage):
  - a. Exposures where delays in payment do not exceed 6 months are classified as regular,
  - b. Interest accrued on above credit/loans (regular category) is carried in the profit and loss account,
  - c. Exposures where delays in payment exceed 6 months are classified as lost.

- Remaining credit exposures (corporate and mortgage):

Classification according to the criterion of payment delay expressed in days

category	current principles	previous principles
under watch	0-90	0-30
substandard	91-180	31-90
doubtful	181-360	91-180
lost	>360	>180

In result of the coming into force as of 14 January 2004 of the Ordinance of the Minister of Finance amending the Ordinance in the matter of specific accounting principles for banks, the Bank (effective as of 1 January 2004) includes in net interest income also interest due, including discount and capitalised interest on receivables classified as "under watch".

The Bank and the Group changed their accounting policy and in effect the method of presentation in the balance sheet of Sell-Buy-Back (SBB) and Buy-Sell-Back (BSB) transactions, in adjustment to the amendment (of 23 February 2004) of the Ordinance of the Minister of Finance in the matter of specific principles of recognition, methods of valuation, scope of disclosure and method of presentation of financial instruments. According to the new wording of paragraph 11 section 2 item 2: the release or sale of financial assets does not signify loss of control by an entity if the releasing entity has the unconditional obligation to repurchase these assets in the future and the receiving entity has the unconditional obligation to resell these assets, which conditions are met in the case of SBB transactions. Moreover it must be emphasised that the risk of change of value of the asset being the object of an SBB transaction is at all times borne by the party, which is obliged to repurchase the asset at a predetermined price. At the same time the SBB formula ensures for the entity receiving the assets the remuneration that it could get by granting a loan secured with the received assets, which is reflected in another criterion of the above provision. The amendments of the Ordinance result from the new IAS 39 standard published in December 2003 and the accompanying interpretations concerning derecognition in the balance sheet of financial instruments. In this regulation paragraphs concerning derecognition in the balance sheet of financial assets/liabilities were materially reworded, which permitted easier and more definitive interpretation of provisions concerning SBB/BSB contracts. The new IAS 39 standard retained the control approach and the risk and reward approach however the requirements concerning derecognition (recognition) of financial instruments in the balance sheet were structured by introduction of a decision tree ("step by step" analysis) and definition of the hierarchy of various approaches. In effect the risk and reward approach was given clear priority before the control approach. At the same time it was described in detail how the analysis is to be performed of whether the entity after entering into the transaction has kept all risks and rewards resulting from the asset if its exposure to volatility of present value of future flows under the asset does not change materially following the transfer.

Based on above regulations the Bank, beginning with the statement prepared as at 30 June 2004, is presenting in its balance sheet financial assets (debt securities at present) resold with a buyback pledge (SBB) at the same time recognising on the payables side the liabilities resulting from the buyback pledge. In case of BSB transactions the financial assets held (also debt securities) are presented as receivables resulting from the buyback pledge.

The restatement of data is presented in item X of the Comments – "Explanations of financial data".

Following exchange rates were applied for calculation of EURO values:

- For balance sheet items 4.3832 PLN/EURO rate of 30 September 2004 (for comparatives: 4.6435 PLN/EURO),
- For profit and loss account items in the period from 1 January to 30 September 2004 – 4.6214 PLN/EURO, exchange rate calculated as the average of rates as at end of January, February, March, April, May, June, July, August and September 2004 (for comparatives: 4.3618 PLN/EURO).

## II. STRUCTURE OF THE CAPITAL GROUP OF BANK MILLENNIUM

The dominant company of the Group is Bank Millennium S.A. The following is a list of the other units comprising the Group, under the consolidated financial statement at 30 September 2004:

Entity	Core operations	Consolidation method
BEL Leasing Sp. z o.o.	leasing services	full
Millennium Dom Maklerski S.A.	brokerage	full
Forin Sp. z o.o.	management of other units	full
Forinwest Sp. z o.o.	management of other units	full
BBG FINANCE B.V.	financing companies of the Group	full
BIG BG INWESTYCJE S.A.	financial operations of capital markets and consulting	full
TBM Sp. z o.o.	financial operations of capital markets and consulting	full
Millennium TFI S.A.	investment fund creation and management	full

In addition, the following entities have been covered by the consolidated statement prepared as at 30 September 2004, valued at the equity rights method:

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

On 6 September, Bel Leasing Sp. z o.o. purchased from two natural persons and from the Bank a total of 2.175 shares of Prolim S.A., constituting 100% of its initial capital. Before the transaction the Bank Millennium Group held 25% of shares of Prolim S.A. In effect of the increased investment in Prolim S.A. the company shall be subject to consolidation as of 1 October 2004 (same as before, this statement recognizes shares of Prolim S.A. as valued by the equity rights method).

In case of affiliates whose scale of operations is minor as compared to the Group – the consolidated statement recognizes the exposure by purchase price, including permanent impairment write-offs.

Pursuant to criteria listed in part. 58 of the Accounting Act, the following units have not been included in the consolidation:

data in PLN '000

<i>Company name</i>	<i>Total assets</i>	<i>%(*)</i>	<i>Notes</i>	<i>Data as at</i>
<b>Bank Millennium S.A.- dominant company</b>	20 099 371 (**)	-		30.09.2004
Lubuskie Fabryki Mebli S.A.	23 659	0,12%		31.08.2004
Reess Trading Sp. z o.o.	110	0,00%		30.09.2004
BG Leasing S.A.		0,00%	under bankruptcy	
ACCON Services Sp. z o.o.	1 060	0,00%		30.09.2004

(\*) Percentage share of the unit's data in the total assets of Bank Millennium SA

(\*\*) Total assets without the impact of the valuation at equity rights method

### III. EVENTS THAT OCCURRED BETWEEN THE DATE AT WHICH THE STATEMENT IS BASED AND ITS PUBLICATION DATE, THAT CAN BE OF SIGNIFICANT IMPACT ON FUTURE FINANCIAL RESULTS

On 8 October 2004, the Bank communicated that on 7 October 2004 an agreement was made to transfer receivables towards Fabryka Samochodów Osobowych Spółka Akcyjna (formerly known as Daewoo FSO Motor SA), transferring the receivables onto OTWARTA SPÓŁKA AKCYJNA "UKRAIŃSKA KORPORACJA SAMOCHODOWA" with its seat in Kiev, registered in the records of Peczerska District State Administration in Kiev since 19 April 1994, at the number 1 070 105 0001 001610.

In result of the agreement the Bank has received income in an amount of the PLN equivalent of USD 8.000.000.

### IV. SHAREHOLDERS OF AT LEAST 5% VOTES AT GSM OF THE DOMINANT COMPANY – BANK MILLENNIUM S.A.

*Data as at the date of the previous consolidated quarterly report delivery*

<i>Shareholder</i>	<b>Shares</b>	<i>% share in initial capital</i>	<i>Votes</i>	<i>% of votes at GSM</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 at the date of the current quarterly report delivery*

<i>Shareholder</i>	<b>Shares</b>	<i>% share in initial capital</i>	<i>Votes</i>	<i>% of votes at GSM</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. LISTING OF CHANGES In SHARES OF BANK MILLENNIUM SA HELD BY PERSONS MANAGING AND SUPERVISING THE BANK

The Bank does not have any information on changes in position of shares of the Bank held by persons managing and supervising the bank that would take place after the previous quarterly report was delivered.

#### VI. COURT PROCEEDINGS In PROGRESS

The Bank's major proceedings in progress include:

- lawsuit brought in by A. Głodek, filed against Bank Millennium on 24 Aug 1994, for PLN 14.537.257,57 for the plaintiff-claimed losses, including lost benefit, due to operations of the Bank's Brokerage House,
- lawsuit brought in by the Bank on 22 July 1998 against the State Treasury for PLN 65.613.512,20, under the responsibility of the State Treasury in relation to former Bank Gdański S.A.'s purchase of receivables towards health care units, which – despite declarations – turned out to be disputable,
- lawsuit filed by Grzegorz Jedamski against the Bank and the State Treasury on 11 Nov 2000 to cancel a purchase agreement of 10% shares of Powszechny Zakład Ubezpieczeń SA from the State Treasury. The object of the dispute is worth PLN 1.006.004.295.
- lawsuit filed by Grzegorz Jedamski against the Bank in relation to the suit filed to the Local Court in Warsaw for the amount of PLN 299.833.300 as a compensation for the taken over – in his opinion unlawfully - BIG BANK Spółka Akcyjna (former ŁBR S.A.).

#### VII. TRANSACTIONS WITH LINKED ENTITIES, EXCEEDING EUR 500 000

Between June 30 and September 30, 2004, all transactions made between members of the Millennium Capital Group were made under market terms and conditions, and resulted from current operations.

## VIII. INFORMATION REGARDING THE BANK'S LOAN SURETIES OR GUARANTIES

In Q3 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 ABOUT INCOME TAX

### □ Income tax due

Income tax due, a charge to the gross financial result, was established in accordance with the provisions of the Act of 15 February 1992 on Corporate Income Tax.

In the light of legal provisions in force the Millennium Group does not constitute a tax group, as a result of which the amount of burdening the consolidated gross result both with tax due and deferred tax is the sum of the respective tax values for particular companies subject to consolidation. Due to the scale of operations the biggest impact on the amount of tax burden disclosed in the consolidated profit and loss account comes from the Bank, the Group's dominant entity.

At the end of Q3 2004 the Bank achieved a positive tax base in the amount of PLN 312.306 thous., which was compensated with tax losses incurred in previous tax years.

The main items which have an impact on the level of the Bank's tax base for income tax were as follows:

- accrued interest payable on derivative operations and on client deposits,
- exchange rate differences on additional payments made and received on CIRS operations constituting tax cost/revenue at the date of cash flow.
- capitalised interest taxed as of the date of capitalisation,
- valuation of financial instruments.

### □ Deferred income tax

Pursuant to art. 37 section 3 of the Accounting Act economic entities are obliged to create a provision for deferred tax, as result of differences in the manner of recognising revenue as earned and cost as incurred, pursuant to the Act of 15 February 1992 on Corporate Income Tax. Due to the above the Bank Millennium Capital Group companies create a provision for income tax every month by accepting for its establishment any transitional differences which are certain to become tax cost or revenue in next reporting periods. The employment of this methodology allows to evenly spread the burden over the gross financial result and guarantees that the current financial year's cost and revenue will not have an impact on the financial result achieved in subsequent years. The deferred part disclosed in the profit and loss account constitutes the difference between the change in the provision and the asset on deferred tax. In the consolidated balance sheet the provision and assets on deferred tax are disclosed separately.

The deferred income tax recognised in the consolidated profit and loss account for 9 months of 2004 stood at PLN 29.428 thous.

## X. ADDITIONAL EXPLANATIONS TO FINANCIAL DATA

1. On 13 May the Bank finalised transactions which had a significant impact on the non-consolidated and consolidated financial result in HY1 2004, of which the Bank informed in a current communiqué (Communiqué no 27/2004):

With reference to Communiqués no 13/2004 dated 20.02.2004 and no 15/2004 dated 22.03.2004 and in connection with the satisfaction of the condition described in Communiqué no 15/2004 dated 22 March 2004, the Management Board of Bank Millennium SA ("Bank") hereby informs that on 13 May 2004 the Bank concluded, in completion of the preliminary sale agreement, the following final agreements: 1) transfer by the Bank to CC-Bank SA, company with seat in Poznań ("CC-Bank"), the receivables from the car loan portfolio granted through Polskie Towarzystwo Finansowe SA, company with seat in Wrocław ("PTF") and CC-Bank's taking the place of the Bank in the legal relationship, on the financial terms specified in the preliminary sale agreement described in Communiqué no 13/2004,

2) PTF's exemption from the obligations resulting from the cooperation agreements concluded between the Bank and PTF, based on which PTF rendered to the Bank intermediary services in mortgage loans.

The agreements specified in item 1 satisfy the criterion of recognising these agreements as significant, their value exceeding 10% of the Bank's equity.

2. A significant growth in the balance of „other operating income” and „other operating expense” in Q2 2004 results from a premature termination of a significant leasing agreement and sale of the object of leasing.

3. As a result of the change of the accounting policies implemented as from 1 January 2003 pertaining to recognising and valuation of embedded derivatives connected with the lease agreements and the consequent adjustment of the financial data, in the current report the following changes were introduced in the comparable consolidated on-balance sheet data made out as of 30 September 2003 (with respect to the previously published reports):

Balance sheet as of 30 September 2003

- item „other securities and other financial assets” was reduced by PLN 23.287 thous.,
- value of the provision for deferred tax was reduced by PLN 6.288 thous.,
- loss carried forward was increased by the amount of PLN 16.999 thous.

4. Due to change in the manner of presentation of commission income connected with the management of investment funds (activity conducted by the Group's subsidiary), in the consolidated profit and loss account for the comparable period, i.e. for the period 1 January – 30 September 2004, the income of PLN 7.853 thous., which in previously published reports was disclosed as “other operating income”, is reclassified in this report as “commission income”.

5. As a result of change in the manner of presentation of Sell-Buy-Back and Buy-Sell-Back transactions (which was described in item I of Additional Information) the on-balance sheet and off-balance sheet data as of 30 September 2004 were adjusted in the following manner:

- item „debt securities” was increased by PLN 1.329.546 thous.,

- value of receivables on BSBs was increased by PLN 131.066 thous.,
- item „other securities and other financial assets” was decreased by PLN 2.946 thous.,
- value of liabilities on financial instruments was decreased by PLN 148 thous.,
- Item „liabilities on SBBs” was increased by PLN 1.457.814 thous.
- off-balance sheet data, item „liabilities on realisation of purchase/sale” was decreased by PLN 1.555.792 thous.,

6. In the period from 1 January till 30 September 2004 the Group wrote off uncollectible receivables against created provisions in the amount of PLN 518.976 thous.