

# Bank Millennium S.A.

Date of issue: 20 January 2004

## CONSOLIDATED QUARTERLY REPORT OF BANK MILLENNIUM GROUP FOR THE 4<sup>th</sup> QUARTER OF 2004

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EURO	
	4 quarters accrued / 2004	4 quarters accrued / 2003	4 quarters accrued / 2004	4 quarters accrued / 2003
	period from 1.01.2004 to 31.12.2004	period from 1.01.2003 to 31.12.2003	period from 1.01.2004 to 31.12.2004	period from 1.01.2003 to 31.12.2003
I. Interest income	1 797 813	1 454 846	427 183	309 272
II. Commission income	279 863	263 501	66 499	56 015
III. Result on banking activities	1 463 981	952 551	347 860	202 494
IV. Result on operating activities	352 822	-40 992	83 835	-8 714
V. Gross profit (loss)	351 942	-52 256	83 626	-11 109
VI. Net profit (loss)	240 504	40 895	53 230	8 693
VII. Net cash flows from operating activities	1 069 145	-973 003	254 042	-206 841
VIII. Net cash flows from investing activities	-862 212	1 424 543	-204 872	302 830
IX. Net cash flows from financing activities	-145 895	75 545	-34 666	16 059
X. Net cash flows, total	61 038	527 085	14 503	112 048
XI. Total assets	20 440 466	20 832 592	5 011 146	4 416 492
XII. Liabilities to the Central Bank	1	0	0	0
XIII. Liabilities to financial sector	1 580 267	2 762 650	387 415	585 679
XIV. Liabilities to non-financial and budget sector	13 307 746	11 762 040	3 262 502	2 493 543
XV. Own equity	1 994 903	1 734 906	489 067	367 799
XVI. Share capital	849 182	849 182	208 184	180 026
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)	2,35	2,04	0,58	0,43
XIX. Diluted book value per one stock (in PLN / EUR)	-	-	-	-
XX. Solvency ratio	22,41%	12,15%	22,41%	12,15%
XXI. Profit (loss) per one ordinary stock (in PLN / EUR)	0,28	0,05	0,06	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 31.12.2004 quarter end / 2004</b>	<b>as at 30.09.2004 previous quarter end/ 2004</b>	<b>as at 31.12.2003 quarter end / 2003</b>	<b>as at 30.09.2003 previous quarter end/ 2003</b>
<b>Assets</b>				
I. Cash, operations with central Bank	872 630	516 086	805 242	200 925
II. Debt securities eligible for rediscounting in the Central Bank	9 993	11 009	11 189	10 021
III. Receivables from financial sector	3 182 818	2 423 658	1 248 688	1 429 976
1. Short-term receivables	3 112 338	2 417 746	1 207 316	1 401 125
a) in current account	19 775	684 494	60 017	14 452
b) other short-term receivables	3 092 563	1 733 252	1 147 299	1 386 673
2. Long-term receivables	70 480	5 912	41 372	28 851
IV. Receivables from non-financial sector	6 795 824	6 812 490	9 720 687	10 044 884
1. Short-term receivables	2 407 754	2 745 521	5 213 559	4 899 777
a) in current account	852 881	1 357 779	1 809 119	2 041 733
b) other short-term receivables	1 554 873	1 387 742	3 404 440	2 858 044
2. Long-term receivables	4 388 070	4 066 969	4 507 128	5 145 107
V. Receivables from the budget sector	409 009	442 190	506 053	475 990
1. Short-term receivables	40 017	33 128	366 253	155 185
a) in current account	4 987	4 996	6 872	5 869
b) other short-term receivables	35 030	28 132	359 381	149 316
2. Long-term receivables	368 992	409 062	139 800	320 805
VI . Receivables from purchased underwritten securities	80 651	267 778	100 358	131 066
VII. Debt securities	6 915 891	6 662 363	4 834 303	4 627 014
VIII. Receivables from subordinated companies valued by equity method	0	94 141	155 521	205 018
1. Subsidiaries	0	94 141	0	0
2. Affiliated	0	0	0	0
3. Associated	0	0	155 521	205 018
IX. Stock and shares in subsidiaries valued by equity method	0	2 423	767	490
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	0	1 208
XII. Stock and shares in other companies	23 948	1 217 290	1 223 807	1 235 836
XIII . Other securities and other financial assets	547 602	481 271	676 919	479 153
XIV. Intangible and legal assets, of which:	39 239	214 377	225 750	227 389
- goodwill	3 895	4 228	5 163	5 479
XV. Goodwill of subordinated companies	0	0	0	0
XVI. Tangible fixed assets	570 827	602 946	678 854	657 467
XVII. Other assets	434 907	63 419	91 048	239 769
1. Acquired assets – for divestiture	1 022	3 075	3 393	3 498
2. Inventory	184	233	1 479	896
3. Others	433 701	60 111	86 176	235 375
XVIII. Accruals	557 127	535 633	553 406	862 786
1. Deferred tax assets	273 447	241 910	286 366	590 819
2. Other accruals	283 680	293 723	267 040	271 967
<b>Total assets</b>	<b>20 440 466</b>	<b>20 347 074</b>	<b>20 832 592</b>	<b>20 828 992</b>
<b>Liabilities</b>				
I. Liabilities to the Central Bank	1	0	0	0
II. Liabilities to financial sector	1 580 267	2 157 489	2 762 570	2 113 495
1. Short-term liabilities	223 930	741 725	1 288 615	647 079
a) in current account	70 100	507 644	231 131	161 373
b) other short term liabilities	153 830	234 081	1 057 484	485 706
2. Long-term liabilities	1 356 337	1 415 764	1 473 955	1 466 416
III. Liabilities to non-financial sector	12 433 476	11 251 821	10 835 580	9 833 933

1. Short-term liabilities	11 861 253	10 496 405	10 472 210	9 138 461
a) in current account, of which:	2 843 621	3 305 166	3 138 928	3 070 458
- savings	0	0	0	0
b) other short-term liabilities, of which:	9 017 632	7 191 239	7 333 282	6 068 003
- savings	0	0	0	0
2. Long-term liabilities, of which:	572 223	755 416	363 370	695 472
- savings	0	0	0	0
IV. Liabilities to budget sector	874 071	859 286	920 191	1 264 737
1. Short-term liabilities	874 058	859 165	919 949	1 264 539
a) in current account	510 812	625 772	581 065	729 003
b) other short term liabilities	363 246	233 393	338 884	535 536
2. Long-term liabilities	13	121	242	198
V. Liabilities from purchased underwritten securities	1 405 500	1 707 049	1 535 478	1 457 814
VI. Liabilities from issue of debt securities	355 249	796 086	1 005 361	1 675 915
1. Short-term	256 604	560 879	759 302	1 512 679
2. Long-term	98 645	235 207	246 059	163 236
VII. Other liabilities from financial instruments	390 636	387 541	444 204	811 661
VIII. Liabilities to subordinated companies valued by equity method	199	272	6 349	6 777
1. Subsidiaries	199	272	6 269	6 485
2. Affiliated	0	0	0	0
3. Associated	0	0	80	292
IX. Special funds and other liabilities	287 124	184 266	198 882	256 678
X. Costs and revenues accounted for in time and deferred	436 186	376 172	627 461	602 954
1. Deferred expenses	105 185	90 024	119 470	97 011
2. Negative goodwill	0	0	0	0
3. Other deferred revenues	331 001	286 148	507 991	505 943
XI. Negative goodwill of subordinated companies	0	0	0	0
XII. Provisions	355 876	404 875	383 448	697 840
1. Deferred income tax allowance	133 969	150 858	166 504	475 862
2. Other provisions	221 907	254 017	216 944	221 978
a) short-term	906	527	3 285	20 331
b) long-term	221 001	253 490	213 659	201 647
XIII. Subordinated liabilities	326 978	354 694	378 162	375 723
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	781 348
XIX. Capital reserve from revaluation	52 375	36 257	32 882	33 430
XX. Other reserve capital	206 104	206 104	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	-113 978	-115 078	-115 078
XXIII. Net profit (loss)	240 504	129 242	40 895	36 906
<b>Total liabilities</b>	<b>20 440 466</b>	<b>20 347 074</b>	<b>20 832 592</b>	<b>20 828 992</b>
Solvency ratio	22,41%	18,46%	12,15%	12,24%
Book value	1 994 903	1 867 523	1 734 906	1 731 465
Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
Book value per share (in PLN)	2,35	2,20	2,04	2,04
Diluted number of shares	-	-	-	-
Diluted book value per share (in PLN)	-	-	-	-

<b>CONSOLIDATED OFF BALANCE-SHEET ITEMS</b>	as at	as at	as at	as at
	<b>31.12.2004 quarter end / 2004</b>	<b>30.09.2004 previous quarter end/ 2004</b>	<b>31.12.2003 quarter end / 2003</b>	<b>30.09.2003 previous quarter end/ 2003</b>
I. Off balance-sheet contingent liabilities offered and received	4 249 345	4 277 190	3 342 886	3 439 385
1. Liabilities granted:	3 196 044	3 407 484	2 291 750	2 423 586
a) financial	2 827 709	2 987 411	1 879 753	1 971 446
b) guaranties	368 335	420 073	411 996	452 140
2. Liabilities received:	1 053 301	869 706	1 051 136	1 015 799
a) financial	0	0	0	0
b) guaranties	1 053 301	869 706	1 051 136	1 015 799
II. Liabilities arising from purchase/sale transactions	12 855 155	15 571 173	17 588 727	14 444 199
III. Other (on account of )	22 776 037	27 581 175	18 754 295	16 341 183
- interest rate swaps	21 361 292	25 526 930	17 927 082	15 674 701
- options	514 510	104 010	186 677	265 946
- FRAs	900 000	1 950 000	640 000	400 000
- other	235	235	536	536
<b>Total off balance-sheet items</b>	<b>39 880 537</b>	<b>47 429 538</b>	<b>39 685 907</b>	<b>34 224 767</b>

<b>CONSOLIDATED INCOME STATEMENT</b>	<b>quarter 4 (current year)  period from 1.10.2004 to 31.12.2004</b>	<b>4 quarters accrued (current year) period from 1.01.2004 to 31.12.2004</b>	<b>quarter 4 (previous year)  period from 1.10.2003 to 31.12.2003</b>	<b>4 quarters accrued (previous year) period from 1.01.2003 to 31.12.2003</b>
I. Interest income	522 005	1 797 813	373 858	1 454 846
II. Interest cost	372 904	1 209 499	224 748	896 862
III. Net interest income (I-II)	149 101	588 314	149 110	557 984
IV. Commission income	75 138	279 863	71 637	263 501
V. Commission cost	11 091	36 712	10 292	45 190
VI. Net commission income (IV-V)	64 047	243 151	61 345	218 311
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	382 412	384 008	752	44 552
1. From subsidiaries	0	952	0	0
2. From affiliated companies	0	0	0	0
3. From associated companies	0	0	0	0
4. From other companies	382 412	383 056	752	44 552
XII. Result on financial operations	19 195	161 232	8 340	51 239
XIII. Result on FX position	23 339	87 276	23 371	80 465
XIV. Result on banking operations	638 094	1 463 981	242 918	952 551
XV. Other operating revenues	83 999	257 850	58 932	154 369
XVI. Other operating costs	61 276	219 652	34 121	111 606
XVII. Overhead costs	194 456	721 642	180 260	781 001
XVIII. Depreciation of fixed assets and intangible and legal assets	259 790	340 329	32 336	115 907
XIX. Provisions and revaluation reserve	199 764	940 101	522 385	1 528 820
1. Provisions for special purpose allowances and overall banking risk	199 764	938 515	522 259	1 527 194
2. Revaluation of financial assets	0	1 586	126	1 626
XX. Release of provisions and revaluation	177 058	852 715	451 746	1 389 422
1. Release of reserves for special purpose allowances and overall banking risk	177 058	851 215	451 746	1 389 422
2. Revaluation of financial assets	0	1 500	0	0
XXI. Net provisions and revaluation reserve (XIX - XX)	22 706	87 386	70 639	139 398
XXII. Result on operations	183 865	352 822	-15 506	-40 992
XXIII. Result on extraordinary operations	-6	-6	0	0
1. Extraordinary profits	4	4	0	0
2. Extraordinary losses	10	10	0	0
XXIV. Amortization of goodwill of subordinated companies	360	874	0	11 264
XXV. Amortization of negative goodwill of subordinated companies	0	0	0	0
XXVI. Gross profit (loss)	183 499	351 942	-15 506	-52 256
XXVII. Income tax	72 576	112 725	-20 426	-57 706
1. Current portion	120 696	131 417	311	2 342
2. Deferred portion	-48 120	-18 692	-20 737	-60 048
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	339	1 287	-931	35 445
XXX. Minority (profits) losses	0	0	0	0

<b>XXXI. Net profit (loss)</b>	<b>111 262</b>	<b>240 504</b>	<b>3 989</b>	<b>40 895</b>
Net profit (loss) (annualized)	-	240 504	-	40 895
Weighted average number of ordinary shares	-	849 181 744	-	849 181 744
Profit (loss) per one ordinary share (in PLN)	-	0,28	-	0,05
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 4 (current year)  period from 1.10.2004 to 31.12.2004</b>	<b>4 quarters accrued (current year) period from 1.01.2004 to 31.12.2004</b>	<b>quarter 4 (previous year) period from 1.10.2003 to 31.12.2003</b>	<b>4 quarters accrued (previous year) period from 1.01.2003 to 31.12.2003</b>
I. Own equity at beginning of period (OB)	1 867 523	1 734 906	1 731 465	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	1 867 523	1 734 906	1 731 465	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	781 348	755 449
4.1. Changes in capital reserve	0	-20 632	0	25 899
a) increases (due to)	0	14 878	0	49 932
- issue of stock in excess of par value	0	0	0	0
- profit distribution	0	14 878	0	49 817
- other	0	0	0	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	36 257	32 882	33 430	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	36 257	32 882	33 430	76 560
5.1. Changes in revaluation reserve	16 118	19 493	-548	-43 678

a) increases (due to)	16 118	22 858	0	0
- purchase and valuation of financial assets available for sale	16 118	22 858	0	0
b) decreases (due to)	0	3 365	548	43 678
- sale and valuation of financial assets available for sale	0	3 365	548	43 563
- other	0	0	0	115
5.2. Revaluation reserve at end of period	52 375	52 375	32 882	32 882
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	120 471	100 939	100 939	98 953
7.1. Changes in other capital reserves	0	19 532	0	1 986
a) increases (due to)	0	19 532	0	1 986
- distribution of profits	0	19 532	0	1 986
-	0	0	0	0
b) decreases (due to)	0	0	0	0
-	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	-113 978	-115 078	-115 078	-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	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	-113 978	-115 078	-115 078	-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	-113 978	-115 078	-115 078	-266 410
9.7. Change in loss of previous years	0	1 100	0	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 capital reserve	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
- 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
b) decreases (due to)	0	194 002	0	295 906
- carry forward 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	0	75 305	0	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	111 262	240 504	3 989	40 895
a) net profit	111 262	240 504	3 989	40 895
b) net loss	0	0	0	0
II. Own equity at end of period (CB )	1 994 903	1 994 903	1 734 906	1 734 906
III. Own equity after the proposed distribution of profit (coverage of loss)				

CONSOLIDATED CASH FLOWS	quarter 4 (current year)	4 quarters accrued (current year)	quarter 4 (previous year)	4 quarters accrued (previous year)
	period from 1.10.2004 to 31.12.2004	period from 1.01.2004 to 31.12.2004	period from 1.10.2003 to 31.12.2003	period from 1.01.2003 to 31.12.2003
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)	111 262	240 504	3 989	40 895
II. Joint adjustments:	-212 001	828 641	656 328	-1 013 898
1. Minority profits (losses)	0	0	0	0
2. Share in net (profits) losses of subordinated companies valued by equity method	-339	-1 287	931	-35 445
3. Amortization, of which:	260 146	341 203	32 337	127 171
- amortization of goodwill of subordinated companies and negative goodwill of subordinated companies	360	874	0	11 264
4. (Profits) losses due to FX differences	-93 695	-196 505	21 031	177 122
5. Interest and share in dividend profits	13 444	108 307	30 684	126 194
6. (Profit) loss on investing activities	-377 777	-378 762	7 269	-34 312
7. Status change of provisions	-63 144	-46 566	-336 553	-355 100
8. Status change of surplus	49	1 295	-583	643
9. Status change of debt securities	425 326	329 066	-554 958	-1 659 294
10. Status change of receivables from financial sector	-758 528	-1 876 053	232 063	-275 656
11. Status change of receivables from non-financial sector	80 829	3 052 488	273 408	313 165



12. Status change of receivables from purchased underwritten securities	187 127	19 707	30 707	44 677
13. Status change of shares or stock, other securities and other financial assets	-65 880	-159 463	37 538	15 943
14. Status change of liabilities to financial sector	-546 301	-1 120 178	656 387	107 419
15. Status change of liabilities to non-financial and budget sector	1 196 458	1 545 706	656 885	47 362
16. Status change of liabilities from sold underwritten securities	-301 549	-129 978	77 664	-408 903
17. Status change of liabilities from securities	-386 392	-600 153	-656 497	445 350
18. Status change of liabilities in other liabilities	153 872	108 977	186 965	238 282
19. Status change of liabilities in accruals	1 079	-10 594	498 297	1 123
20. Status change of liabilities in deferred revenues	62 424	-159 419	-537 684	110 147
21. Other corrections	850	850	437	214
III. Net cash flows from operating activities (I +/- II) – indirect method	-100 739	1 069 145	660 317	-973 003
B. Cash flows from investing activities				
I. Proceeds	1 215 360	1 264 212	68 002	1 516 096
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	1 200 000	1 200 000	63 034	1 492 450
5. Sale of intangible and legal assets and tangible fixed assets	15 360	32 428	4 358	11 416
6. Sale of investments in real estate and intangible and legal assets	0	0	0	0
7. Other investment proceeds	0	31 784	610	12 230
II. Expenses	679 135	2 126 424	50 089	91 553
1. Purchase of shares or stock in subsidiaries	0	56	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	658 854	2 097 146	0	0
5. Purchase of intangible and legal assets and tangible fixed assets	20 281	29 222	50 089	91 553
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)	536 225	-862 212	17 913	1 424 543
C. Cash flows from financing activities				
I. Proceeds	45 687	45 687	65 299	903 480
1. Long-term borrowing in other banks	0	0	0	838 181
2. Long-term borrowing from institutions of the financial sector other than banks	0	0	0	0
3. Issue of debt securities	45 687	45 687	65 299	65 299
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	126 864	191 582	136 769	827 935
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	75 299	75 299	84 306	84 306
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	51 565	116 283	52 463	159 501
III. Net cash flows from financing activities (I - II)	-81 177	-145 895	-71 470	75 545
D. Net cash flows, total (A.III +/- B.III +/- C.III)	354 309	61 038	606 760	527 085
E. Balance-sheet change in cash flow, of which:	354 309	61 038	606 760	527 085
- change in cash flow due to exchange rate differences			0	0
F. Cash flow at beginning of period	528 619	821 890	215 130	294 805
G. Cash flow at end of period (F+/- D), of which:	882 928	882 928	821 890	821 890
- with limited disposal				

**QUARTERLY REPORT OF BANK MILLENNIUM**  
**FOR THE 4<sup>th</sup> QUARTER OF 2004**

Selected Financial Data	in thousand PLN		in thousand EURO	
	4 quarters accrued / 2004	4 quarters accrued / 2003	4 quarters accrued / 2004	4 quarters accrued / 2003
	period from 1.01.2004 to 31.12.2004	period from 1.01.2003 to 31.12.2003	period from 1.01.2004 to 31.12.2004	period from 1.01.2003 to 31.12.2003
I. Interest income	1 646 220	1 337 123	364 353	300 653
II. Commission income	234 505	223 610	51 902	50 279
III. Result on banking activities	854 997	855 660	189 234	192 396
IV. Result on operating activities	- 75 441	36 454	- 16 697	8 197
V. Gross profit (loss)	- 75 441	36 454	- 16 697	8 197
VI. Net profit (loss)	240 504	40 895	53 230	9 195
VII. Net cash flows from operating activities	322 216	456 490	71 315	102 642
VIII. Net cash flows from investing activities	- 94 637	-200 522	- 20 946	- 45 087
IX. Net cash flows from financing activities	- 150 964	255 190	- 33 412	57 380
X. Net cash flows, total	76 615	511 158	16 957	114 934
XI. Total assets	21 537 126	20 944 203	5 280 001	4 440 153
XII. Amounts due to the Central Bank	1	-	0	-
XIII. Amounts due to other financial institutions	1 979 583	3 183 243	485 311	674 845
XIV. Amounts due to clients and public sector	14 210 983	11 470 603	3 483 938	2 431 758
XV. Equity	1 994 903	1 734 906	489 067	367 799
XVI. Share capital	849 182	849 182	208 184	180 026
XVII. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVIII. Book value per share (in PLN / EUR)	2,35	2,04	0,52	0,46
XIX. Diluted book value per share (in PLN / EUR)				
XX. Capital adequacy ratio	17,35%	11,05%	17,35%	11,05%
XXI. Profit (loss) per ordinary share (in PLN / EUR)	0,28	0,05	0,06	0,01
XXII. Diluted profit (loss) per ordinary share (in PLN / EUR)				
XXIII. Dividends declared or paid out per ordinary share (in PLN / EUR)	-	-	-	-

Bank Millennium S.A. Balance Sheet as at:	as at 31.12.2004 quarter end / 2004	as at 30.09.2004 previous quarter end/ 2004	as at 31.12.2003 quarter end / 2003	as at 30.09.2003 previous quarter end/ 2003
<b>Assets</b>				
I. Cash and balances with the Central Bank	871 835	514 787	788 754	199 560
II. Debt securities eligible for rediscount at the Central Bank	9 993	11 009	11 189	10 021
III. Amounts due from other financial institutions	3 546 406	2 812 869	1 803 977	1 974 305
1. Current	80 927	1 200 059	427 748	14 451
2. Term	3 465 479	1 612 810	1 376 229	1 959 854
IV. Amounts due from clients	6 336 432	6 425 361	9 329 249	9 741 029
1. Current	852 881	1 357 779	1 809 119	2 041 733
2. Term	5 483 551	5 067 582	7 520 130	7 699 296
V. Amounts due from public sector	409 009	442 190	504 480	473 905

1. Current	4 987	4 996	6 872	5 869
2. Term	404 022	437 194	497 608	468 036
VI. Amounts due from reverse repo transactions	80 651	267 778	100 358	131 065
VII. Debt securities	6 915 891	6 662 363	4 836 667	4 605 919
VIII. Shares in subsidiaries	1 659 836	1 438 511	1 382 022	1 333 176
IX. Shares in affiliated subsidiaries				
X. Shares in associated companies	6 227	6 067	6 803	4 854
XI. Shares in other companies	12 676	12 811	12 714	21 511
XII. Other securities and financial assets	546 850	480 773	677 449	514 275
XIII. Intangible assets:	40 626	215 983	227 082	228 583
goodwill	5 803	6 268	7 779	8 249
XIV. Tangible fixed assets	534 386	602 460	666 042	657 444
XV. Other assets	53 920	91 016	91 674	241 582
1. Acquired assets for resale	756	2 917	3 228	3 339
2. Other	53 164	88 099	88 446	238 243
XVI. Prepayments and accrued income	512 388	502 014	505 743	807 816
1. Deferred income tax	228 631	210 794	238 741	535 651
2. Other	283 757	291 220	267 002	272 165
<b>Total Assets</b>	<b>21 537 126</b>	<b>20 485 992</b>	<b>20 944 203</b>	<b>20 945 045</b>

<b>Liabilities and Equity</b>				
I. Amounts due to the Central Bank	1			
II. Amounts due to other financial institutions	1 979 583	2 546 008	3 183 243	2 428 613
1. Current	312 765	793 277	585 243	405 811
2. Term	1 666 818	1 752 731	2 598 000	2 022 802
III. Amounts due to clients	13 336 914	11 005 404	10 550 414	9 617 591
1. Saving accounts:				
a) current				
b) term				
2. Other:	13 336 914	11 005 404	10 550 414	9 617 591
a) current	2 531 722	3 031 906	2 852 561	2 854 573
b) term	10 805 192	7 973 498	7 697 853	6 763 018
IV. Amounts due to public sector	874 069	859 284	920 189	1 264 734
1. Current	510 810	625 770	581 063	729 002
2. Term	363 259	233 514	339 126	535 732
V. Liabilities arising from securities sold with repurchase clause (repo transactions)	1 446 214	1 740 819	1 535 478	1 457 814
VI. Liabilities in respect of debt securities issues	275 544	726 292	982 660	1 675 915
1. Current	176 899	491 085	736 602	1 512 679
2. Long-term	98 645	235 207	246 058	163 236
VII. Other liabilities in respect of financial instruments	390 636	391 138	444 436	873 895
VIII. Special funds and other liabilities	154 237	141 550	144 075	205 588
IX. Accruals and deferred income	415 893	412 744	660 295	666 238
1. Accruals	91 070	78 530	107 323	90 398
2. Negative goodwill				
3. Other deferred income	324 823	334 214	552 972	575 840
X. Provisions	342 154	440 536	410 345	647 470
1. Deferred corporate income tax	117 430	130 197	140 603	440 397
2. Other	224 724	310 339	269 742	207 073
a) current	-	-	2 552	20 331
b) long-term	224 724	310 339	267 190	186 742
XI. Subordinated liabilities	326 978	354 694	378 162	375 723
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	52 341	36 223	32 848	33 395
XVII. Other reserve capital	380 532	380 532	339 637	339 637
XVIII. Retained earnings (loss brought forward)	-35 751	-35 751	-70 626	-70 626
XIX. Net profit (loss)	240 504	129 242	40 895	36 906
<b>Total Liabilities and Equity</b>	<b>21 537 126</b>	<b>20 485 992</b>	<b>20 944 203</b>	<b>20 945 045</b>

Capital adequacy ratio	17,35%	16,12%	11,05%	11,01%
Book value	1 994 903	1 867 523	1 734 906	1 731 464
Number of share	849 181	849 181	849 181	849 181
	744	744	744	744
Book value per share (in PLN)	2,35	2,20	2,04	2,04
Diluted number of shares				
Diluted book value per share (in PLN)				

<b>Off-balance sheet items</b>	<b>as at 31.12.2004 quarter end / 2004</b>	<b>as at 30.09.2004 previous quarter end/ 2004</b>	<b>as at 31.12.2003 quarter end / 2003</b>	<b>as at 30.09.2003 previous quarter end/ 2003</b>
I. Contingent liabilities:	4 476 562	4 485 025	3 625 665	3 732 934
1. granted:	3 422 724	3 614 782	2 573 894	2 716 438
a) financial	2 974 234	3 124 529	2 138 906	2 264 096
b) guarantees	448 490	490 253	434 988	452 342
2. received:	1 053 838	870 243	1 051 771	1 016 496
a) financial	-	-	-	-
b) guarantees	1 053 838	870 243	1 051 771	1 016 496
II. Liabilities in respect of sale/purchase transactions	13 024 534	15 616 193	17 646 900	15 383 883
III. Other, including:	22 775 802	27 694 105	18 871 096	16 340 647
- interest rate swaps	21 361 292	25 640 095	18 044 419	15 674 701
- options	514 510	104 010	186 677	265 946
- FRAs	900 000	1 950 000	640 000	400 000
- other	-	-	-	-
<b>Total off-balance sheet items</b>	<b>40 276 898</b>	<b>47 795 323</b>	<b>40 143 661</b>	<b>35 457 464</b>

<b>Income Statement</b>	<b>quarter 4 (current year)</b>	<b>4 quarters accrued (current year)</b>	<b>quarter 4 (previous year)</b>	<b>4 quarters accrued (previous year)</b>
	<b>period from 1.10.2004 to 31.12.2004</b>	<b>period from 1.01.2004 to 31.12.2004</b>	<b>period from 1.10.2003 to 31.12.2003</b>	<b>period from 1.01.2003 to 31.12.2003</b>
I. Interest income	484 721	1 646 220	346 479	1 337 123
II. Interest cost	377 919	1 220 439	234 563	929 687
III. Net interest income(I-II)	106 802	425 781	111 916	407 436
IV. Commission income	63 065	234 505	59 225	223 610
V. Commission cost	9 457	31 620	9 737	42 108
VI. Net commission income (IV-V)	53 608	202 885	49 488	181 502
VII. Income from shares, other securities and other financial variable-income instruments	114	14 584	3 370	146 605
1. from subsidiaries	-	13 655	2 651	101 608
2. from affiliated subsidiaries	-	-	-	-
3. from associated companies	-	207	-	478
4. from other entities	114	722	719	44 519
VIII. Result on financial operations	18 958	140 628	8 236	50 930

IX. Foreign exchange result	14 276	71 119	19 814	69 187
X. Result on banking operations	193 758	854 997	192 824	855 660
XI. Other operating income	74 991	107 757	35 306	70 630
XII. Other operating cost	10 526	31 819	8 078	22 964
XIII. Overhead costs	158 704	598 113	145 294	666 385
XIV. Depreciation and amortization	259 074	339 375	31 250	104 065
XV. Provisions and revaluation reserve	170 961	878 968	458 878	1 429 009
1. Specific provisions and General Banking Risk Reserve created	170 961	878 968	448 178	1 416 809
2. Revaluation of financial assets			10 700	12 200
XVI. Provisions and revaluation reserve (released)	156 210	810 080	405 149	1 332 587
1. Specific provisions and General Banking Risk Reserve released	154 710	808 580	405 149	1 331 825
2. Revaluation of financial assets	1 500	1 500	-	762
XVII. Net provisions and revaluation reserve (XV- XVI)	14 751	68 888	53 729	96 422
XVIII. Operating profit	- 174 306	- 75 441	- 10 221	36 454
XIX. Net extraordinary gains (losses)	-	-	-	-
1. Extraordinary gains	-	-	-	-
2. Extraordinary losses	-			
XX. Gross profit (loss)	-174 306	- 75 441	-10 221	36 454
XXI. Income tax	17 080	- 5 906	-17 803	- 70 314
1. current	- 13 395	- 13 395		
2. deferred	30 475	7 489	-17 803	- 70 314
XXII. Other obligatory charges against profit (increases in loss)	-			
XXIII. Share in net profit (loss) of subordinated companies consolidated under the equity method	268 488	321 851	- 3 593	- 65 873
XXVI. Net profit (loss)	111 262	240 504	3 989	40 895
Net profit (loss) (annualized)		240 504		40 895
Weighted average number of ordinary shares	849 181 744	849 181 744	849 181 744	849 181 744
Profit (loss) per ordinary share (in PLN)		0,28		0,05
Weighted average diluted number of ordinary shares				
Diluted profit (loss) per ordinary share (in PLN)				

<b>Statement of Changes in Equity</b>	<b>quarter 4 (current year)</b>	<b>4 quarters accrued (current year)</b>	<b>quarter 4 (previous year)</b>	<b>4 quarters accrued (previous year)</b>
	<b>period from 1.10.2004 to 31.12.2004</b>	<b>period from 1.01.2004 to 31.12.2004</b>	<b>period from 1.10.2003 to 31.12.2003</b>	<b>period from 1.01.2003 to 31.12.2003</b>
I. Equity at the beginning of the period (OB)	1 867 523	1 734 906	1 731 464	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	1 867 523	1 734 906	1 731 464	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 the period	36 223	32 848	33 395	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	16 118	19 493	- 547	-43 561
a) increases	16 118	19 493	-	-
changes in adopted accounting principles	-			
valuation of financial assets for sale	16 118	19 493		
b) decreases	-	-	547	43 561
disposal of fixed assets				
-valuation, sale of financial assets			547	10 985
sale POLCARD				32 576
5.2. Revaluation reserve at the end of the period	52 341	52 341	32 848	32 848
6. General Banking Risk Reserve at the beginning of the period	380 532	339 637	339 637	44 737
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	339 637	339 637
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		27 297
8.1. Retained earnings at the beginning of the period	-	-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		98 800
8.3. Changes in retained earnings	-	16 999	-	- 115 799
a) increases	-	40 895	-	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 period				-16 999
8.5. Loss brought forward at the beginning of the period	35 751	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	35 751	53 627	70 626	71 503
8.7. Changes in loss brought forward	-	- 17 876	-	- 17 876
a) increases	-	-		
- transfer of loss for coverage				
b) decreases	-	17 876	-	17 876
coverage of loss brought forward of BIG BANK	-	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)	111 262	240 504	3 989	40 895
a) net profit	111 262	240 504	3 989	40 895
b) net loss				
II. Equity at the end of the period (CB )	1 994 903	1 994 903	1 734 906	1 734 906
III. Equity after proposed appropriation of profit (coverage of loss)				



<b>Statement of Cash Flows</b>	<b>quarter 4 (current year)</b>	<b>4 quarters accrued (current year)</b>	<b>quarter 4 (previous year)</b>	<b>4 quarters accrued (previous year)</b>
	<b>period from 1.10.2004 to 31.12.2004</b>	<b>period from 1.01.2004 to 31.12.2004</b>	<b>period from 1.10.2003 to 31.12.2003</b>	<b>period from 1.01.2003 to 31.12.2003</b>
A. Cash flows from operating activities - indirect method	444 761	322 216	611 171	456 490
I. Net profit (loss)	111 262	240 504	3 989	40 895
II. Adjustments for:	333 499	81 712	607 182	415 595
1. Share in (profits) losses of subordinated companies consolidated under the equity method	- 268 488	- 321 851	3 593	65 873
2. Depreciation and amortization	259 074	339 375	31 251	104 066
3. Foreign exchange (gains) losses	- 92 471	- 195 693	22 847	178 274
4. Interest and share in profits (dividends)	34 752	118 051	35 243	64 839
5. (Profit) loss on investing activities	1 209	787	17 210	- 52 335
6. Change in provisions	- 102 162	- 72 763	- 239 089	- 255 109
7. Change in debt securities	- 226 964	- 1 963 260	- 236 375	85 125
8. Change in amounts due from other financial institutions	- 735 888	- 1 748 895	172 774	-150 215
9. Change in amounts due from clients and public sector	121 930	3 088 288	386 724	- 16 074
10 . Change in receivables from reverse repo transactions	187 127	19 707	30 707	44 677
11. Change in shares, other securities and other financial assets	- 21 113	171 449	- 295 052	- 294 164
12. Change in amount due to other financial institutions	- 487 157	- 1 091 017	552 644	66 764
13. Change in amounts due to clients and public sector	2 346 295	2 740 380	588 278	308 452
14. Change in liabilities arising from securities sold with repurchase clause	- 294 605	- 89 264	77 663	- 408 904
15. Change in liabilities arising from securities	- 410 573	- 710 451	- 1 126 701	386 163
16. Change in other liabilities	29 758	47 916	283 049	48 908
17. Change in prepayments and accruals	2 166	- 22 898	325 284	190 357
18. Change in deferred income	- 9 391	- 228 149	- 22 868	48 898
19. Other adjustments	-			
III. Net cash flows from operating activities (I +/- II) - indirect method	444 761	322 216	611 171	456 490
B. Cash flows from investing activities	- 21 228	- 94 637	61 155	- 200 522
I. Cash received from:	8 447	28 344	109 687	198 001
1. Sale of shares in subsidiaries				50 456
2. Sale of shares in co-owned subsidiaries				
3. Sale of shares in associated companies		986		
4. Sale of shares in other companies, other securities and other financial assets	96	108	59 394	95 994
5. Sale of fixed and intangible assets	8 208	12 124	769	2 027
6. Sale of investments in real estate and intangible assets				
7. Other cash received from investing activities	143	15 126	49 524	49 524
II. Cash paid for:	29 675	122 981	48 532	398 523
1. Purchase of shares in subsidiaries	2	6	1 287	218 766

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	5 355	90 054	-	-
5. Purchase of fixed and intangible assets	13 587	15 342	47 245	179 757
6. Investments in real estate and intangible assets	10 731	17 579		
7. Other cash paid for investing activities	-		-	-
III. Net cash flows from investing activities (I - II)	- 21 228	- 94 637	61 155	- 200 522
C. Cash flows from financing activities	- 68 836	- 150 964	- 76 505	255 190
I. Cash received from:	45 687	45 687	65 299	1 088 313
1. Long-term loans from other banks				838 181
2. Long-term loans from non-banking financial institutions				
3. Issues of debt securities	45 687	45 687	65 299	65 299
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:	114 523	196 651	141 804	833 123
1. Repayment of long-term loans from other banks	-		30 080	614 208
2. Repayment of long-term loans from non-banking financial institutions				
3. Redemption of debt securities	75 299	75 299	84 306	84 306
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	39 224	121 352	27 418	134 609
III. Net cash flows from financing activities (I - II)	- 68 836	-150 964	- 76 505	255 190
D. Net cash flows, total (A.III +/- B.III +/- C.III)	354 697	76 615	595 821	511 158
E. Change in balance sheet cash, including:	354 697	76 615	595 821	511 158
change in cash in respect of foreign exchange gains and losses				
F. Cash at the beginning of the period	527 320	805 402	209 581	294 244
G. Cash at the end of the period (F+/- D), of which:	882 017	882 017	805 402	805 402

## **Bank Millennium information about activity in 2004**

Warsaw, 20.01.2004 – The Management Board of Bank Millennium (the “Bank”) informs that 2004 consolidated net profit of the Bank Millennium Group was PLN 240.5 million and proposes a PLN 237,8 million dividend, corresponding to a pay-out ratio of 99% and a dividend yield of 8,3%

**The main highlights of Bank Millennium Group activity in 2004 are the following:**

### **A. Profitability improvement and lower risk profile**

- Net profit reached PLN 240,5 million (+ 488%) and ROE of 13%
- Total recurrent earnings increased from PLN 9 million in 2003 to PLN 75 million in 2004
- Net interest income up by 5.4% y/y
- Solid increase of net commissions by 11.4% y/y
- Significant reduction of operating costs by 6.3% y/y (before extraordinary depreciation)
- Reduction of non-performing loans by PLN 1.3 billion, which contributed to sharp improvement of both NPL and coverage ratios.

### **B. Positive trends in business growth**

- Strong improvement in retail banking, with growth in mortgage loans, customer funds and credit cards
- New mortgage loans more than doubled vs. previous year (+115%), representing more than 4% market share
- Strong 6% market share in leasing, with increased weight in loan portfolio

### **C. Disposal of non-core assets and high solvency ratio, allowing high dividend distribution**

- Sale of 10% of PZU shares, with significant capital gain
- Solvency ratio jumped to 22.4%, after sale of non-core banking assets and better asset mix
- Dividend proposal: PLN 237,8 million (PLN 0.28 per share) corresponding to a 99% pay-out and 8.3% dividend yield

### Key Factors Influencing the Financial Result:

<u>Structure of Result on Banking Activity (PLN million)</u>	<u>2004</u>	<u>2003</u>	<u>Change</u>
Net interest income	588.3	558.0	+ 5.4%
Net commission income	243.2	218.3	+11.4%
Other non-interest income	632.5	176.3	+258,8%
Result on Banking Activity	1 464.0	952.6	+ 53,7%

#### 1.

Net interest income generated by the Bank Millennium Group in 2004 was noticeably higher than in the previous year as a result of an increase in clients' funds, consistent margin management and an increase in market interest rates.

**Net interest income** in 2004 was **588.3 million PLN** (in 2003: 558,0 million PLN), which means an increase by **5.4%** in relation to 2003. Such increase was achieved despite a reduction by 30% of the total lending portfolio.

#### 2.

**Net commission income** increased significantly in 2004, reaching 243.2 million PLN (218 million PLN in 2003). The increase by 11,4% (year to year) was achieved thanks to an increase in fees and commissions in various areas of operations, in particular in retail banking and capital market operations (Millennium Brokerage House).

#### 3.

**Other non-interest income** (income from securities, results on financial operations and FX results) in 2004 was 632.5 million PLN (in 2003: 176.3 million PLN). The major impact on an increase in this position was exerted by the sale of a block of PZU shares and of the car loan portfolio.

**Total result on banking activity in 2004 was** 1,464 million PLN in comparison to 952.6 million PLN in 2003, which means an increase by 53.7%

**Balance of other operating income and expenses** in 2004 was 38.2 million PLN, and in 2003: 42.8 million PLN.

<u>Cost structure (million PLN)</u>	<u>2004</u>	<u>2003</u>	<u>Change</u>
Personnel costs	309.2	330.0	-6,3%
Non-personnel costs	412.4	451.0	-8.6%
Depreciation	119,0	115.9	2,6%
<b>Recurrent costs</b>	<b>840.7</b>	<b>896,9</b>	<b>-6,3%</b>
<i>Extraordinary depreciation</i>	221.3	-	-
<b>Total costs</b>	<b>1062,0</b>	<b>896.9</b>	<b>18,4%</b>

#### 4.

**Recurrent costs** of the Bank Millennium Group in 2004 went down by 6,3% in comparison to the last year and amounted to 840,7 million PLN (896,9 million PLN during 2003), excluding extraordinary depreciation charge.

**Personnel costs fell** by 6.3% in comparison to 2003 and amounted to 309.2 million PLN (330 million PLN in 2003). This change is a result of the final stage of implementing a restructuring and employment rationalization program conducted in order to improve the Bank's operational efficiency.

At the end of the year, the Bank Millennium Group had 4306 employees (in 2003: 4426 – a reduction by 2.7%), and Bank Millennium had 3919 employees (in 2003: 3977 – a reduction by 1.4%)

**Non-personnel costs** were lower by 8.6% than at the end of 2003 and amounted to 412.4 million PLN (451 million PLN in 2003).

During the analyzed period, normal depreciation was higher by 2,6%, but the total amount was increased as a result of a one-time charge of 221.3 million PLN related to the adjustment of depreciation periods for certain assets in connection with the Bank's preparations for introducing the new International Financial Reporting Standards.

**Cost/income ratio** in 2004 was 69,9% as compared to 87,4% in 2003.

#### 5.

The successful implementation of a credit recovery program, together with improved quality of credit risk management, allowed the Bank in 2004 to reduce the provisions needs. **Net provisions** created were **87.4 million PLN** (of which 50 million was a one-time provision for adjustment to the new International Accounting Standards), i.e. 52 million PLN (37.3%) less than in the previous year (139.4 million PLN).

## 6.

As at 31 December 2004, **the total assets** were 20 440 **million PLN**, which means a slight decline in comparison to the end of last year's 20 833 million PLN (-2%).

<u>Balance Sheet items</u>	<u>2004</u>	<u>2003</u>	<u>Change</u>
<u>Balance sheet total</u>	<u>20 440</u>	<u>20 833</u>	<u>-1,9%</u>
<u>Total client funds (1)</u>	<u>13 877</u>	<u>12 813</u>	<u>8,3%</u>
<u>Total loans to clients</u>	<u>7 205</u>	<u>10 227</u>	<u>-29,5%</u>
<u>Own funds</u>	<u>1 995</u>	<u>1 735</u>	<u>15,0%</u>

(1) Includes Client deposits, bonds and investment funds

At the end of 2004 **net loans granted to clients** were 7 205 **million PLN**, decreasing by 30% in comparison to 2003 (10 227 million PLN).

The reason for such decrease is the sale by the bank of a car loan portfolio originated by an external intermediary and a conservative corporate lending policy.

Attention needs to be drawn to the increase of mortgage loans by **115%** in 2004 as compared with previous year. As a result, the share of mortgage loans in the total loans portfolio increased from 15.3% as at 31.12.2003 to **21.3%** as at 31.12.2004. This is a result of changes in sale organizations introduced by the bank and the launch of a new and attractive product range. In the 4th quarter 2004, the Bank granted 243 million PLN in new mortgage loans.

<b>Sales of new mortgage loans</b>	<b>2003</b>	<b>1Q 04</b>	<b>2Q 04</b>	<b>3Q 04</b>	<b>4Q 04</b>	<b>2004</b>
Quarterly sales of new loans (in million PLN)	<b>287</b>	57.7	140.2	174.6	243.5	<b>616</b>
New loans market share	<b>2,7%</b>	2.3%	4.2%	5.2%	More than 5%	<b>More than 4%</b>

## 7.

**Total client funds**, including Bank Millennium bonds placed in clients, as at 31.12 2004, were **13 877 million PLN**, which means an increase by **8%** in comparison to 2003 (12 813 million PLN).

The increase was achieved primarily thanks to the development of client operations in the retail banking segment, including deposits placed through internet banking Millenet and growth in investment funds. It is

important to point out that over the last year the number of clients having an access to their account via Internet increased six times, exceeding the level of 160 thousand. According to the December 2004 data, some 40% of transactions were carried out through electronic channels (Internet, phone and electronic banking).

## 8. Quality of Loans

In 2004, the Bank's lending portfolio quality remarkably improved. The total value of the NPL portfolio went down **by 1.3 billion PLN** as a result of recovery and restructuring efforts.

The Bank Millennium Group, as at 31 December 2004, had the following loan quality indicators:

Loan Quality Ratios		2004(*)	2003
NPL/Total loans	Timely repayment criterion (90 days)	7.9%	12.6%
	According to NBP regulations	16.9%	23.9%
Provisions/NPL	Timely repayment criterion (90 days)	143.9%	93.8%
	According to NBP regulations	67.0%	49.6%

(\*) includes irregular receivables presented as a fixed assets  
in the consolidated report

*The **NPL to Total loans ratio** according to NBP regulations strongly improved **from 23.9%** (as at 31.12.2003) to **16.9%** (as at 31.12.2004), whereas the NPL coverage ratio increased from 49,6% to **67%** over the same period.*

*It is important to emphasize the enormous improvement in the **NPL ratio** based on the timeliness of repayment. The ratio improved **from 12.6%** (as at 31.12.2003) to **7,9%** (as at 31.12.2004), based on the criterion of 90-day timeliness of repayment.*

As a result of the actual improvement of the loans portfolio and a consistent provision maintenance policy, the **coverage of NPL with provisions** measured by timeliness of repayment significantly improved. It went up from 93.8% (at the end of 2003) to 143.9% in 2004.

## 9.

The **gross income** of Bank Millennium Group in 2004 was **351.9 million PLN**, and net profits were **240.5 million PLN**.

Bank Millennium Group's **solvency ratio** was **22.4%** and was significantly higher than a year ago (12.2%). The reason for that change is the improved structure of assets, the sale of the car loans portfolio, the sale of PZU shares and effect of extraordinary depreciation.

High net profits of Bank Millennium in 2004, and increase in the solvency ratio to 22.4% enable Management Board of the Bank to submit to shareholders a proposal to pay out the dividend for 2004 in an amount of 237,8 million PLN (99% of net profit), i.e. PLN 0.28 per share representing a dividend yield of 8.3%

<u>Indices</u>	<u>2004</u>	<u>2003</u>
Net interest margin	3.5%	3.4%
Cost/income	69,9%	87,4%
ROA	1.2%	0.2%
ROE	13.1%	2.3%
Solvency ratio	22.4%	12.2%

#### **Final comments:**

1. In 2004, the Bank Millennium Group improved its operational efficiency thanks to: an increase in net interest income by 5.4% (despite the lower loans portfolio), an increase in net commission income by 11.4%, more active retail operations including mortgages, credit cards and customers' funds.
2. In 2004, the Bank continued to strictly control its costs, which were reduced by 6.3% in comparison to the previous year, excluding extraordinary depreciation.
3. The Bank significantly improved the quality of the credit portfolio, reducing the non performing portfolio by 1.3 billion PLN.
4. Last year, the Bank demonstrated a major improvement in profits in recurrent categories.



## ADDITIONAL INFORMATION

### I. PRINCIPLES ADOPTED FOR DRAWING UP AN EXTENDED CONSOLIDATED QUARTERLY REPORT

According to information provided in the form of a current report on 25 March 2004 Bank Millennium, starting from the report for the first quarter of 2004, prepares extended quarterly and interim (semi-annual) reports. In consequence, this report contains the financial data of Bank Millennium (the "Bank") and consolidated financial data of the Bank Millennium Group (the "Group"), presented in the form of a balance sheet, a P&L account, a cash flow statement and statement on changes in equity drawn up as at 31 December 2004 in accordance with the Ordinance of the Council of Ministers dated 16 October 2001 concerning current and periodic reports provided by issuers of securities, as amended.

The data has been prepared based on the *Accounting Principles of Bank Millennium* and *Accounting Principles of the Bank Millennium Group*, which are described in detail in annual stand-alone and consolidated reports, respectively, made 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:

Ø 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.

Ø 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 the above regulations, the Bank presents in its balance sheet financial assets (at present, debt securities) resold with a repurchase clause (SBB), while at the same time recognizing liabilities arising from the repurchase commitment on the liabilities side. In the case of BSB transactions, financial assets held (again, debt securities) are also presented as a receivable arising from the repurchase clause.

In order to calculate amounts in Euro, the following exchange rates were applied:

- for balance sheet items: 4.079 PLN/EURO, the exchange rate as of 31 December 2004 (for comparable data: 4.717 PLN/EURO),
- for items from the P&A account for the period from 1 January to 31 December 2004: 4.5182 PLN/EURO, an exchange rate calculated as the average of exchange rates at the end of all months in 2004 (for comparable data: 4.4474 PLN/EURO).

## II. MILLENNIUM BANK GROUP STRUCTURE

The parent entity within the Group is Bank Millennium S.A. The remaining companies in the Group, included into the consolidated financial statement as at 31 December 2004 are as follows:

Company	Business	Consolidation method
BEL Leasing Sp. z o.o.	leasing	full
Millennium Dom Maklerski S.A.	brokerage services	full
Forin Sp. z o.o.	managing other entities	full
Prolim S.A.	leasing	full
BBG FINANCE B.V.	financing Group companies	full
BIG BG INWESTYCJE S.A.	financial transactions in the capital market and advisory services	full
TBM Sp. z o.o.	financial transactions in the capital market and advisory services	full
Millennium TFI S.A.	creating and managing investment funds	full

In addition, the consolidated report made as at 31 December 2004 includes Besta Sp. z o.o. based on the equity method.

On 6 September this year Bel Leasing Sp. z o.o. acquired in total 2,175 shares in Prolim S.A. from two natural persons and the Bank, representing 100% of the share capital of that company. Before the transaction, the Millennium Group (the Bank) held 25% of Prolim S.A. shares. As a result of increased participation in Prolim S.A., the company has been included into consolidation starting from 1 October 2004 (previously Prolim S.A. shares were valued based on the equity method).

As part of the Group restructuring, on 1 October 2004 two companies, Forin Sp. z o.o. and Forinwest Sp. z o.o., merged. The transaction was settled based on the uniting of interests method. Since both companies were consolidated before the merger, the merger did not affect the consolidated report.

In the case of affiliates whose scale of activity is marginal in relation to the Group, in the consolidated report the participation in such entities is shown at the purchase price subject to revaluation write-offs following permanent value impairment.

According to the criteria defined in Section 58 of the Accounting Act, the following Group entities were excluded from consolidation:

data in '000 PLN

Name	Balance sheet total	%(*)	Comment	Data as at
<b>Bank Millennium S.A. – the controlling entity</b>	20.914.236 (**)	-		31.12.2004
Lubuskie Fabryki Mebli S.A.	24.358	0,12%		30.10.2004
Reess Trading Sp. z o.o.	115	0,00%		31.11.2004
BG Leasing S.A.		0,00%	in bankruptcy	
ACCON Services Sp. z o.o.	1.148	0,00%		31.11.2004

(\*) The percentage share of the entity's data in the balance sheet total of Bank Millennium S.A.

(\*\*) Balance sheet total without an impact of valuation of shares with equity method

III. EVENTS WHICH TOOK PLACE BETWEEN THE DATE OF DRAWING UP THIS REPORT AND THE DATE OF ITS PUBLICATION WHICH CAN HAVE A MATERIAL IMPACT ON FUTURE FINANCIAL RESULTS

There were no such events.

IV. SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS OF THE PARENT COMPANY – BANK MILLENNIUM S.A.

*Data as at the time of the delivery of the extended consolidated quarterly report made as at 30 September 2004*

<i>Shareholder</i>	<b>Number of shares</b>	<i>% share in share capital</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 at the time of the delivery of the current extended consolidated quarterly report made as at 31 December 2004*

<i>Shareholder</i>	<b>Number of shares</b>	<i>% share in share capital</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
Carothers Trading Limited	84.833.256	9.99	84.833.256	9.99
Priory Investments Group Corp.	84.833.256	9.99	84.833.256	9.99
M+P Holding S.A.	84.833.256	9.99	84.833.256	9.99

V. CHANGES AS REGARDS BANK MILLENNIUM S.A. SHARES HELD BY PERSONS MANAGING AND SUPERVISING THE BANK

The Bank has no information on any changes in the holding of Bank shares by persons exercising management and supervision functions since the submission of the previous quarterly report.

## VI. LITIGATION

The most significant proceedings involving the Bank are as follows:

- proceedings initiated by Mr. A. Głodek against the Bank by filing a statement of claim on 24.08.1994 for PLN 14.537.257,57 on account of alleged damage suffered in the plaintiff's opinion, including lost profits, in connection with the operations of the former Brokerage Office of the Bank;
- proceedings initiated by the Bank by filing a statement of claim on 22.07.1998 against the State Treasury for PLN 65.613.512,20 on account of the State Treasury's liability in connection with the acquisition by the former Bank Gdański S.A. of receivables from health care institutions, which, despite warranties, proved to be disputable;
- proceedings initiated by Grzegorz Jedamski against the Bank in connection with a statement of claim filed with the Regional Court in Warsaw for assessing PLN 299.833.300 in his favor as damages for the allegedly illegal takeover of BIG BANK Spółka Akcyjna (former ŁBR S.A.).

## VII. TRANSACTIONS WITH AFFILIATES THE EQUIVALENT OF WHICH EXCEED 500.000 EURO

*From 30 September to 31 December 2004, all transactions made among Millennium Group companies were made on an arm's length basis and resulted from ongoing business. Transactions described below were an exception because they went beyond day-to-day operations:*

- On 30.12.2004, the Bank announced that the account of BIG BG Inwestycje S.A. with its seat in Warsaw ("BBGI"), the Bank's subsidiary, has been credited with the amount of PLN 1.2 billion as an advance payment towards the selling price of PZU S.A. shares, in accordance with agreement of 21.12 this year, whose conclusion was announced by the Bank in Current Report No. 48/2004 of 22.12.2004. In connection with the payment of the above-mentioned amount, and in the implementation of the earlier concluded agreement with the Bank for the Bank to conduct on behalf and in the name of BBGI negotiations concerning the sale by BBGI of PZU S.A. shares (the "Shares") and to perform other operations connected with the sale of the Shares, under which agreement the Bank's fee depended on the outcome of the negotiations and the level of selling price obtained, BBGI has paid to the Bank the amount of commission equal to PLN 32 million.
- On 31.12.2004, the Bank announced that BEL Leasing Sp. z o.o. ("BEL"), the Bank's subsidiary, entered into a purchase agreement with PROLIM S.A. ("PROLIM"), the Bank's subsidiary, whereby BEL purchased an undeveloped real property in Gdańsk from PROLIM. The gross purchase price for that real property was PLN 26.126.300.

## VIII. CREDIT BACKING OR GUARANTEES PROVIDED BY THE BANK

In the fourth quarter of 2004 the Bank did not provide any backing of any credit or loan, or any guarantee, as a result of which the total value of the Bank's exposure towards a client on such account would exceed 10% of the Bank's own funds.

## IX. INCOME TAX

### q Income Tax Due

Income tax due, to be charged against the gross income, was determined in accordance with the Corporate Income Tax Act of 15 February 1992.

In the light of applicable regulations, the Millennium Group does not constitute a tax group, therefore tax charged against the consolidated gross income, both due and deferred, is the sum total of appropriate taxes of individual companies consolidated. Owing to the scale of operations, the largest impact on the overall tax charged to the consolidated P&A account is exerted by the Group's controlling entity, the Bank.

At the end of the fourth quarter of 2004 the Bank had a positive tax base of 420.216 thousand PLN, which was mainly set off against tax losses incurred in previous tax years. In the final settlement, income tax due charged against the Bank's gross income was 13.396 thousand PLN.

The main items which influenced the tax base at that level were as follows:

- Ø interest accrued to be paid on operations with derivatives and customer deposits;
- Ø foreign exchange differences in connection with additional payments made and received in CIRS operations representing tax cost/income on a cash flow date,
- Ø negative valuation of financial instruments.

In addition, as a result of the sale of shares (the transaction is described in more detail in Section X of these Comments – "Additional Notes to Financial Data"), the Group's subsidiary included in its P&L Account income tax of 93.653 thousand PLN.

### q Deferred Income Tax

Pursuant to Article 37.3 of the Accounting Act, business entities are required to create provisions against deferred tax as a result of differences in recognizing revenues as generated and costs as incurred in accordance with Corporate Income Tax Act of 15 February 1992. Therefore, the Bank Millennium Group companies create an income tax provision every month, assuming for its creation all temporary differences with respect to which it is certain that they will become a tax deductible or tax income in the following reporting periods. Thanks to applying this methodology, it is possible to evenly burden the gross income and to guarantee that the expenses and revenues of the current year will not affect the financial result in future years. The deferred part disclosed in the P&L Account is the difference between a change in the

provision balance and deferred income tax asset. In the consolidated balance sheet, the deferred income tax provision and asset are presented separately.

Deferred income tax recognized in the consolidated P&L Account for the 12 months of 2004 was -18.692 thousand PLN.

#### X. ADDITIONAL NOTES TO FINANCIAL DATA

In the fourth quarter of 2004 the Bank finalized a transaction which had a one-time material effect on the consolidated financial result achieved during that period, as announced in the current report (48/2004), reading as follows:

“On 22.12.2004 the Bank announced that together with its subsidiary, BIG BG Inwestycje S.A., signed an agreement with Eureko B.V. concerning selling of 10% shareholding in PZU S.A. The agreement is conditional on Eureko obtaining the approval from the Polish Office of Competition and Consumer Protection.

The minimum guaranteed price for the sale of the shareholding under the agreement is PLN 1.6 billion, to be paid in two tranches. Additionally, considering the intention of PZU S.A. shareholders to float and list PZU S.A. in the Warsaw Stock Exchange during 2005, the sale price may be increased depending on the performance of PZU S.A. stock price after listing.

The gross consolidated capital gain to be recognized in the accounts of the current year amounts to PLN 382 million.

Additionally, Bank Millennium S.A. informs that, as part of the preparation for adoption of new IFRS Accounting Standards and in accordance with Polish Accounting Act, has performed a detailed review of the tangible and intangible assets in order to reassess their economic useful life and the fair value of own real estates that are under selling processes.

Based on the preliminary conclusions of this analysis, Bank Millennium S.A. considers adjusting the periods of depreciation of some of its assets and, consequently, charging in 2004 a non-recurrent amortization of PLN 221 million, which will correspond to equivalent savings in forthcoming years.

The accounting net pre-tax impact of the above mentioned items in Bank Millennium S.A. consolidated accounts will amount to PLN 161 million.

In reference to the above Announcement:

“On 3.01.2005 the Bank announced that it received a decision from the Polish Office of Competition and Consumer Protection consenting to concentration consisting in the acquisition by EUREKO B.V. with its registered office in Amsterdam, The Netherlands, from BIG BG Inwestycje S.A., the Bank’s subsidiary, of 10% of shares in Powszechny Zakład Ubezpieczeń S.A. The issuance of that decision means that the condition set out in the agreement which the Bank revealed in the Current Report No. 48/2004 of 22.12.2004, has been met.”

From 1 January to 31 December 2004 the Bank cancelled irrecoverable receivables against provisions created in the amount of 535.191 thousand PLN.