Bank Millennium

Interim Short Form Financial Report of
Bank Millennium S.A. Capital Group for 1st Quarter of 2005
Prepared in accordance with the International Financial Reporting Standards

MAIN FINANCIAL DATA	Amount '000 PLN		Amount '000 EUR	
	1.01.2005 - 31.03.2005	1.01.2004 - 31.03.2004	1.01.2005 - 31.03.2005	1.01.2004 - 31.03.2004
I. Interest income	343 946	403 593	85 659	84 190
II. Commission income	67 074	65 223	16 705	13 606
III. Profit / (loss) on banking activity	261 001	242 151	65 002	50 513
IV. Operating profit / (loss)	58 505	27 153	14 571	5 664
V. Profit before taxes	58 505	27 153	14 571	5 664
VI. Net profit (loss)	45 252	20 063	11 270	4 185
VII. Net cash flows from operating activities	-434 458	-458 539	-108 201	-95 652
VIII. Net cash flows from investing activities	362 071	231 639	90 173	48 320
IX. Net cash flows from financing activities	-5 401	-6 059	-1 345	-1 264
X. Net cash flows, total	-77 788	-232 959	-19 373	-48 596
XI. Total assets	20 641 495	20 842 698	5 054 606	4 392 097
XII. Amounts due to Central Bank	1	0	0	0
XIII. Amounts due to financial sector	1 751 708	2 469 743	428 951	520 439
XIV. Amounts due to non-financial and public sector	13 373 380	12 167 705	3 274 819	2 564 051
XV. Total equity	1 871 177	1 755 195	458 206	369 865
XVI. Share capital	849 182	849 182	207 944	178 945
XVII. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVIII. Book value per share (in PLN/EUR)	2.20	2.07	0.54	0.44
XIX. Diluted book value per share (in PLN/EUR)	-	-	-	-
XX. Capital adequacy ratio	21.10%	14.07%	21.10%	14.07%
XXI. Earnings (losses) per ordinary share (in PLN/EUR)	0.31	0.04	0.07	0.01
XXII. Diluted earnings (losses) per ordinary share (in PLN/EUR)	-	-	-	-
XXIII. Pledged or paid dividend per share (in PLN/EUR)	0.28	-	0.07	-

CONTENTS

I. INTRODUCTION AND ACCOUNTING PRINCIPLES

The below financial report of the Capital Group of Bank Millennium SA (the Group) covers data for Q1 2005, comprises of the balance sheet, profit and loss account, reports on equity changes and on cash flows, as well as of the notes. For the first time it was generated pursuant to the International Financial Reporting Standards / International Accounting Standards (IFRS). The Group adapted to the IFRS in order to base its financial reports on pursuant to the Ordinance no. 1606/2002/WE, adopted by the European Parliament and the European Council, as well as to the guidelines of the amended Accounting Act, as of January 1, 2005. The financial report complies with the EU-adopted IFRS, as at the balance sheet date (i.e. 31 March 2005), and is an interim report, as defined by IAS 34.

Following provisions of IFRS 1 regulating the IFRS adaptation process, accounting principles in force at the reporting date must be applied to the opening balance sheet and the presented comparison data. In result, the actual moment when IFRS were adapted by the Group was January 1, 2004. However, IFRS 1 provides for waiver from the above requirement – the Group exercised the option and not converted the comparable data regarding two areas of issues of IAS 39: the way of calculating provisions related to impairment of credit exposures, and valuation of some financial instruments at depreciated cost, applying the effective interest rate. Decision has been made not to adjust the 2004 comparable data fully for the costs and time necessary for the process due to complexity and scope of problems related, scale of difficulty, and the amount of data to be computed.

However to obtain comparability of data and the ability to assess properly financial standing, the Group prepared main financial reports for Q1 2004 on a pro-forma basis including all the IFRS requirements, also the aforementioned IAS 39 issues. These reports were used for managerial analysis and have formed the basis for the information about activity of the Group's in Q1 2005 versus Q1 2004, contained herein.

Based on this analysis it is expected that the impact of full implementation of IFRS on financial standing and strategy of the Group will be insignificant (nevertheless in some reported items, and data presentation method in comprehensive report changes will be material), caused by the 2002 amendment of Polish Accounting Standards. In result the domestic rules become largely consistent with the IFRS. Switching into IFRS therefore brought two major changes as compared to accounting principles used by the Group in 2004, discussed in detail in the 2004 consolidated annual report that was published on February, 17 2005. The changes are as follows:

1. Valuation of financial instruments by depreciated cost, applying effective interest rate (EIR)

According to the Bank's analysis, the implementation of the EIR methodology for financial instruments held by the Group shall cause material adjustments only in case of spreading credit commissions over time, and settling a specific long term agreement with one of the contractors, presented below. It is important to notice that the discount and premium on debt securities have been already settled applying the exponential approach.

- Until the end of 2004, commissions had been recognized in the profit and loss account of the Group on cash basis when collected (except for specific commissions settled over time at linear method). Since the switch into IFRS, selected commissions have been recognized in the P&L Account throughout the entire period of a credit agreement. Such depreciation over time is applicable to those credit-related commissions that for their specific nature are substitute for interest income. Unsettled part of commission is presented in the balance sheet as adjustment to the value of credit exposure, while the settled part is recognized as interest income. Depending on the type of commissions, the Group spreads them over type based on the linear method, sum of digits, or EIR. As a result, compared to the previous years, there was a significant reduction in the commission income total reported, and a decline in the Group's equity at the date of converting to IFRS (an opening balance sheet adjustment driven by the separation from the previous years' profits the share of commissions on active credit agreements to be settled over time). Quantification of the opening balance sheet adjustment has been presented further in the report. Another component to be settled over time shall be some own costs of the Group, directly related to making credit agreements (the resulting adjustment is non-material).

- In effect of the aforementioned agreement the Bank took the loan while at the same time purchased the securities issued by contractor. More, the Bank made a pre-payment of (discounted) the loan interest for 10 last years of the contract upfront. Such a construction resulted in a material adjustment (increase) of the opening balance sheet position of equity when EIR was applied.

2. Pursuant to the Polish accounting standards, provisions for credit risk of the Group were created following the rules binding for its dominant entity – the Bank. Calculation of provisions was made based on two criteria: past due period and financial standing of the borrower and constructed on the matrix defining minimum level of obligatory provisioning. In order to meet the IAS 39 requirements, the Group designed a methodology, tools and procedures to appraise provisions basing on the estimated economic value of a loan. At the balance sheet date an assessment is generated if there are objective premises of credit exposures' impairment. Should the answer be affirmative, revaluation write-off is made amounting to the difference between the balance sheet value and the current value of expected future cash flows on a given credit exposure. The basis of the process is divisions of the Group's credit portfolio into *major credit exposures* (by the criterion of an exposure's amount), and other *homogenous credit groups.*

- In case of major credit exposures the impairment analysis is made based on individual assessment. Should default triggers be identified, the Group shall estimate the discounted future cash flows on a given agreement, taking into account the probability that the Customer would repay, and the ability to satisfy under collaterals.
  The process is composed of the following phases:
    - identification of objective premises of impairment,
    - assessment of probability of repayment of principal and interest,
    - estimation if the repayment would be made with the Customer's own funds, or would it be necessary to sell collaterals,
    - construction of a planned time schedule of repayments made by the Customer, or time schedule for sale of collaterals

- Other credit exposures are grouped into homogenous portfolios (i.e. portfolios of similar nature, e.g. by credit product type, collateral nature, e.g.). For each of them impairment is calculated based on collective analysis, historical indicators (regularly verified and updated), and statistical models. Additionally, exposures subject to collective analysis shall be divided into:

    - exposures with identified impairment,
    - other exposures; IFRS do not allow general risk provisioning, while IAS 39 introduces a term of „provisions created for incurred but not reported losses" (IBNR) relating precisely to provisions created for homogenous portfolios with unidentified impairment.

- Apart from changes in provisions calculation method, the IFRS implementation also revised credit exposures presentation methods:
    - the interest on NPLs, accrued by the Polish standards on the gross exposure amount and recognized in the balance sheet as suspended interest (in the profit and loss account only when repaid), have been removed from the balance sheet (under IAS 39, interest on NPL exposures shall be accrued at net exposure and posted in P&L Account),
    - general risk provision has been removed from the balance sheet – majority of the provision was transformed into provisions opened for incurred but not reported losses (IBNR), that in presentation reduce the credit exposure value,
    - unsettled discount on receivables, as well as the unsettled part of credit commissions (as discussed in sub-item 1 dedicated to EIR) shall reduce the balance sheet value of credit exposures.

Remaining changes of accounting principles, which do not affect the value of financial result and net assets (presentation adjustments) resulting from implementation of IFRS are as follows:

- in order to follow accounting principles, which are uniform with those of the capital group of the dominant entity of Bank Millennium S.A. - Banco Comercial Portugues (BCP), the Group as of

1 January 2005 has been applying the method of accounting on transaction day in place ('trade date') of the former method based on date of transaction settlement ('settlement date'). Both methods are permitted by IFRS. Additionally settlement of the discount/premium on debt securities with an interest coupon, classified as the portfolio for trading, previously reported in interest margin, as of 1 January 2005 constitute a component of result of financial operations,

- the effect of measurement of swap transactions entered into to hedge transactions of lease of commercial space expressed in foreign currencies, presented in interest margin, starting with 1 January 2005 is reported in administrative costs,
- according to the provision of IFRS 5 implemented prospectively (i.e. as of the day of implementation of IFRS without restating comparable data) the Group created a separate balance sheet category 'assets for sale'. As per the IFRS definition these assets are measured according to the lower of the two values: balance sheet value and fair value less cost of sale.

II. IMPACT OF IFRS IMPLEMENTATION UPON LEVEL OF EQUITY

In accordance with the adopted methodology for implementation of IFRS the adjustments resulting from adoption of IAS 39 were reported in the equity opening balance as at 1 January 2005 and comparable data were not restated (characteristics of the adjustments were described at length in item I dedicated to accounting principles). The adjustments concerning matters regulated in IAS 39 are in case of the Group the only adjustments affecting the arisal of a difference between consolidated net assets calculated according to Polish Accounting Standards and net assets according to IFRS and as at 1 January 2005 they are as follows:

Data in PLN thous.

	Measurement of financial instruments at depreciated cost with use of EIR-Bank	Measurement of financial instruments at depreciated cost with use of EIR – subsidiaries	Impairment of credit exposures	TOTAL
Adjustment gross value	+ 62,210	- 1,866	+ 10,653	+ 70,997
Adjustment net value (considering deferred tax effect)	+ 50,390	- 1,511	+ 8,629	**+ 57,508**

III. INFORMATION ABORT ACTIVITY OF BANK MILLENNIUM GROUP IN THE FIRST QUARTER OF 2005

The Management Board of Bank Millennium („Bank") informs that in the 1st Quarter of 2005 (from 1 January until 31 March 2005) the consolidated net profit of Bank Millennium Capital Group according to International Financial Reporting Standards (IFRS) totalled PLN 45.3 million.

By comparison, consolidated net profit of the Group in Q1 2004 stood at PLN 9.0 million (restated according to IFRS on a proforma basis in order to allow comparison more meaningful).

Moody's long term rating upgraded from A3 to A2.

The activity of Bank Millennium Group in the first three months of 2005 was marked by the following factors:

A. Continued improvement of profitability, and lower risk profile

- Substantial increase of net profit to PLN 45.3 million (405% more than in Q1 2004). Annualised ROE reached 9.2%
- Improvement of net interest income by 3.1%, despite sale of the car loans portfolio in Q2 2004
- Solid increase of net commission income by 8.6% (as compared with Q1 2004)
- Reduction of operating expenses by 7.1 % (as compared with Q1 2004)
- Decrease of non – performing loans by PLN 1 billion (year-on-year) due to effective credit recovery efforts and improvements in credit risk management
- High level of solvency ratio at 21% reflecting strong balance sheet structure allowing for sustained and fast growth

B Positive trends in focused business growth.

- Marked improvement in the retail banking segment: growth of mortgage loans, customer funds and the number of credit cards
- Bank reached 3rd place on the market of new mortgage loans, with a share of 10.8% after two months of 2005 ; newly granted mortgage loans were more than 6 times higher when compared with Q1 2004
- Increase of customers' funds by 5.4% (as compared with Q1 2004)
- Stable and attractive share in the leasing market , with growth of 10% in quarterly sale

Key components of the financial result of Bank Millennium Group in Q1 2005

REVENUES

Structure of Result on Banking Activity (PLN million)	Q1 2005	Q1 2004 pro-forma	Change
Net interest income	162.1	157.2	+ 3.1%
Net commission income	57.5	52.9	+ 8.6 %
Other non-interest income	41.4	28.2	+ 47.1%
Result on banking activity	**261.0**	**238.3**	**+ 9.5%**

1.

Net interest income generated by Bank Millennium Group in Q1 2005 totalled PLN 162.1 million and was 3.1 % higher than in the corresponding quarter of last year (PLN 157.2 million) in result of increase of customers' funds, improvement of the quality of assets, strict pricing policy and comparatively higher market interest rates.

2.

Net commission income was PLN 57.5 million (52.9 million in Q1 of last year), growing 8.6% year-on-year. This increase was driven by the business growth mainly in investment funds, card transactions and brokerage services of Millennium Dom Maklerski.

3.

Other non interest income (income from financial transactions and F/X results) in the first three months of 2005 was PLN 41.4 million, significantly higher than the PLN 28.2 million generated in Q1 of the previous year, due to good results in financial operations connected with the bank's treasury activity in the polish fixed income market.

The total **Result on Banking Activity** in Q1 2005 grew 9.5%, reaching PLN 261 million as compared with PLN 238.3 million in Q1 2004.

COSTS

Operating Costs (PLN mln)	Q1 2005	Q1 2004 proforma	Change
Personnel costs	82.8	83.2	-0.5%
Non-personnel costs	83.8	92.3	-9.2%
Depreciation	22.1	27.7	-20.2%
Total costs	**188.7**	**203.2**	**-7.1%**

4.

Total costs of Bank Millennium Group in Q1 2005 fell by 7.1% as compared with the first quarter of last year and stood at PLN 188.7 million (PLN 203.2 million in the comparable period of 2004).

Personnel costs stood at PLN 82.8 million, declining by 0.5% when compared with Q1 2004 (PLN 83.2 million).

As at 31 March 2005, the number of employees in Bank Millennium Group was 4349 persons (against 4335 on 31 March 2004).

Non-personnel costs were PLN 83.8 million (PLN 92.3 million in Q1 2004), which means a decrease by 9.2%

Depreciation in the analysed period fell 20.2%, reaching PLN 22.1 million versus PLN 27.7 million in Q1 2004.

The cost/ income ratio as at end of Q1 2005 was 74%, showing a significant improvement (10 p.p.) as compared with Q1 2004.

5.

Successful implementation of the loans restructuring programme and improvement of credit risk management permitted the Group to reduce the level of provisions being created. In Q1 2005, PLN 9.4 million of **provisions** were created, i.e. PLN 15.1 million (62%) less than in Q1 2004 (24.5 million).

6.

In Q1 2005 **profit before tax** of Bank Millennium Group was PLN 58.5 million, while **net profit** stood at PLN 45.3 million, and it was higher by PLN 36.3 million compared to pro forma 1st quarter 2004 (PLN 9 million). This growth was based on improvement of recurrent income sources and continued good management of cost base.

BUSINESS VOLUMES

7.

As at 31 March 2005 **total assets** stood at **PLN 20,641 million**, which means their increase as compared with the end of Q1 of the previous year by 1 % **(PLN 20,439 million).**

Key items	**31.03.2005**	**31.03.2004 proforma**	**Change**
Balance sheet total Assets	20 641	20 439	1.0%
Total Customers' Funds (1)	14 036	13 313	5.4%
Total Deposits from Customers (2)	13 508	12 915	4.6%
Total Loans to Customers	7 158	9 395	-23.8%
• Sold car loan portfolio	0	1 996	-
• Other loans	7 158	7 399	-3.3%
Equity	1 871	1 771	5.7%

(1) includes deposits from Customers and mutual funds

(2) includes Bank Millennium bonds sold to Customers

As of 31 March 2005, **net loans to Customers** were **PLN 7,158 million**, which means their reduction from Q1 of last year by 23.8% (9,395 million). The reason for that decrease was the sale in May 2004 of the car loans portfolio originated by an external intermediary. If this part of loan portfolio is not taken into account, the decrease would be much smaller (-3.3%).

Notable is the dynamic growth of the portfolio of mortgage loans. In Q1 2005 its value grew to **PLN 1,872 million** (26% of the entire loan portfolio), which constitutes 45% increase over Q1 2004. In the 1st Quarter of 2005 new mortgage loans worth **PLN 364 million** were granted (PLN 57.7 million in Q1 2004) which gave the Bank 3rd place on the market of new loans, with a share of 10.8%. This is largely the result of launching a new attractive product offer, improvement in the performance of the retail network and development of alternative distribution channels, including direct sales, agents and internet portals.

8.

Total Customers' Funds (including Bank Millennium bonds placed in customers) were as at 31 March 2005 **PLN 14,036 million**, which means their increase from the corresponding period of 2004 by 5.4% (PLN 13 313 million). Investment funds demonstrated the greatest dynamics in that period increasing as compared with Q1 2004 by 33% **(PLN 528 million** as at 31.03.2005).

In the end of February, Bank Millennium launched an innovative investment fund offer in the Polish market, based on a "fund of funds" concept that invests up to 100% of its assets into foreign funds offered by various top worldwide asset management companies.

In Millenet, the launch of MilleSMS – online SMS notification service for individuals – and for businesses the Online Statements and the AIPP Reports – Automatic Identification of Incoming Payments.

In respect to quality of its products and services, Millennium Biznes was awarded with the emblem “Friendly Bank for Entrepreneurs” in the competition arranged by Warsaw Banking Institute, National Economic Chamber and Polish-American Consulting Foundation for Small Business.
In the cards area,, Bank Millennium launched a new and innovative Debit Card for students – Millennium Euro<26.

Bank Millennium scored highest in Poland and was awarded the prestigious status “Top Rated” both in domestic as well as foreign customer service in the international ranking of best Banks offering custody services in 2004, published by the “Global Custodian Magazine” quarterly.

9 .

Loans quality

The value of the NPL portfolio (using Polish Reporting Standards) on 31 March 2005 was lower by PLN 1 billion than one year before, i.e. less 42%., as a result of strict lending policy and credit recovery actions launched in 2004.

Loan quality ratios		**31.03.05**	**31.03.04**
NPL/total loans ratio	Timeliness of payment (90 days)	7.5%	12.1%
	NBP regulations	16.2%	21.1%
Provisions/NPL ratio	Timeliness of payment (90 days)	147.9%	94.6%
	NBP regulations	68.2%	54.6%

NPL to total loans ratio according to NBP regulations improved significantly from **21.1%** (as at 31.03.2004) to **16.2%** (as at 31.03.2005), whereas the NPL coverage ratio increased from 54.6 % to **68.2%** in the same periods.

Notable is the improvement of the **NPL ratio** according to timeliness of payment. The ratio improved from **12.1 %** (as at 31.03.2004) to **7.5%** (as at 31.03.2005) according to 90-day timeliness of payment.

In result of real improvement of the loans portfolio quality as well as consistent provisions maintenance policy, the **NPL coverage ratio** according to timeliness of payment improved significantly. It increased from 94.6% (as at end of March 2004) to 147.9% in Q1 2005.

10 .

Solvency Ratio of Bank Millennium Group reached 21.1 % and was significantly higher than one year before (16.7%) in result of selling some non-core assets, decrease of the loan portfolio as well as a more favourable structure of risk-weighted assets.

11.

Selected ratios

Ratio	Q1 2005	Q1 2004 proforma
Net interest margin	3.7%	3.8%
Cost/income ratio	74%	84%
ROE	9.2%	2.0%
Solvency Ratio	21.1%	16.7%

IV. FINANCIAL DATA

CONSOLIDATED BALANCE SHEET	AMOUNT '000 PLN	AMOUNT '000 PLN	AMOUNT '000 PLN
ASSETS	**31.03.2004**	**31.12.2004**	**31.03.2005**
I. Cash, balances with Central Bank	**577 166**	**872 630**	**794 901**
II. Debt securities eligible for rediscount at Central Bank	**12 040**	**9 993**	**17 296**
III. Amounts due from financial sector	**1 365 088**	**3 557 877**	**3 699 010**
IV. Securities held for trading	**3 217 319**	**2 531 751**	**2 883 291**
V. Derivative instruments	**320 994**	**543 353**	**455 268**
VI. Other financial assets at fair value through profit and loss account	**0**	**0**	**0**
VII. Amounts due from non-financial and public sector	**10 098 381**	**7 204 833**	**7 157 550**
VIII. Investment securities	**3 278 209**	**4 412 337**	**4 149 963**
- available for sale	3 091 458	4 210 085	3 864 364
- held to maturity	186 751	202 252	285 599
IX. Receivables from securities bought with sell-back clause	**456 580**	**80 651**	**0**
X. Shares in subordinated companies subject to equity method	**0**	**0**	**0**
XI. Fixed assets for sale	**0**	**0**	**195 397**
XII. Intangible assets	**221 720**	**39 239**	**35 713**
of which: goodwill	4 847	3 895	3 579
XIII. Tangible fixed assets	**656 867**	**570 827**	**350 105**
XIV. Tax assets	**263 548**	**285 163**	**292 997**
current	15 420	11 312	10 008
deferred	248 128	273 851	282 989
XV. Other assets	**374 786**	**306 871**	**610 004**
Total assets	**20 842 698**	**20 415 525**	**20 641 495**

LIBILITIES	31.03.2004	31.12.2004	31.03.2005
I. Amounts due to Central Bank	**0**	**1**	**1**
II. Amounts due to financial sector	**2 469 743**	**1 580 267**	**1 751 708**
III. Amounts due to non-financial and public sector	**12 167 705**	**13 307 746**	**13 373 380**
IV. Liabilities from securities sold with buy-back clause	**1 430 151**	**1 405 500**	**863 985**
V. Financial liabilities held for trading	**360 798**	**390 636**	**383 705**
VI. Liabilities from debt securities	**1 036 640**	**355 249**	**397 330**
VII. Subordinated debt	**384 118**	**326 978**	**330 469**
VIII. Provisions	**248 785**	**221 907**	**39 047**
IX. Tax liabilities	**141 233**	**222 664**	**171 138**
current	366	88 695	2 210
deferred	140 867	133 969	168 928
X. Other liabilities	**848 330**	**609 674**	**1 459 555**
Total liabilities	**19 087 503**	**18 420 622**	**18 770 318**
EQUITY			
I. Share capital	**849 182**	**849 182**	**849 182**
of which: share premium	0	0	0
II. Unpaid share capital (negative value)	**0**	**0**	**0**
III. Treasury stock (negative value)	**0**	**0**	**0**
IV. Supplementary capital	**781 348**	**760 716**	**724 965**
V. Other reserves	**179 185**	**258 479**	**272 497**
of which: general risk fund	44 738	85 633	88 396
of which: revaluation reserve	33 108	52 375	63 660
VI. Retained earnings (including current net result)	**-54 520**	**126 526**	**24 533**
VII. Minority interests	**0**	**0**	**0**
Total equity	**1 755 195**	**1 994 903**	**1 871 177**
Total liabilities and equity	**20 842 698**	**20 415 525**	**20 641 495**
Capital adequacy ratio	**14.07%**	**22.41%**	**21.10%**
Book value	**1 755 195**	**1 994 903**	**1 871 177**
Number of shares	**849 181 744**	**849 181 744**	**849 181 744**
Book value per share (in PLN)	**2.07**	**2.35**	**2.20**

OFF-BALANCE SHEET ITEMS	31.03.2004	31.12.2004	31.03.2005
I. Contingent liabilities granted and received	**3 093 198**	**4 249 345**	**4 447 342**
1. Liabilities granted:	2 474 876	3 196 044	3 394 756
a) financial	2 047 424	2 827 709	2 999 786
b) guarantees	427 452	368 335	394 970
2. Liabilities received:	618 322	1 053 301	1 052 586
a) financial	0	0	0
b) guarantees	618 322	1 053 301	1 052 586
II. Current off-balance sheet transactions	**1 803 876**	**4 082 526**	**5 013 570**
III. Term off-balance sheet transactions	**36 707 134**	**31 548 666**	**32 848 250**
IV. Other	**0**	**0**	**0**
TOTAL OFF-BALANCE SHEET ITEMS	**41 604 208**	**39 880 537**	**42 309 162**

	AMOUNT '000 PLN	**AMOUNT '000 PLN**
CONSOLIDATED INCOME STATEMENT	**1.01.2004 - 31.03.2004**	**1.01.2005 - 31.03.2005**
I. Interest income	403 593	343 946
II. Interest expense	247 943	181 848
III. Net interest income (I-II)	**155 650**	**162 098**
IV. Commission income	65 223	67 074
V. Commission expense	8 487	9 597
VI. Net commission income (IV-V)	**56 736**	**57 477**
VII. Dividend income	0	0
VIII. Profit (loss) on financial operations	7 643	24 754
- of which: gains/losses on investment securities	-13	22 067
- of which: gains/losses on trading securities	316	14 612
IX. Foreign exchange gains (losses)	22 122	16 672
X. Profit / (loss) on banking activity	**242 151**	**261 001**
XI. Other operating income	25 090	35 414
XII. Other operating expenses	24 111	39 745
XIII. General and administrative expenses	187 614	166 634
XIV. Depreciation and amortization	27 725	22 137
XV. Charges to provisions and revaluation	**291 229**	**212 163**
1. Charges to provisions	291 229	208 615
2. Revaluation of financial assets	0	3 548
XVI. Release of provisions and revaluation	**290 591**	**202 769**
1. Release of provisions	290 591	198 484
2. Revaluation of financial assets	0	4 285
XVII. Net provisions and revaluation (XV-XVI)	**638**	**9 394**
XVIII. Operating profit / (loss)	**27 153**	**58 505**
XIX. Extraordinary gains / (losses)	0	0
XX. Write-offs of negative goodwill	0	0
XXI. Profit before taxes	**27 153**	**58 505**
XXII. Corporate income tax	**7 406**	**13 569**
XXIII. Net income (loss) of subordinated companies subject to equity method	316	316
XXIV. Minority interests	0	0
XXV. Net income (loss) on discontinued operations	**0**	**0**
XXVI. Net profit (loss)	**20 063**	**45 252**

Net profit (loss) (for 12 months)	30 995	265 693
Weighted average number of ordinary shares	849 181 744	849 181 744
Earnings (losses) per ordinary share (in PLN)	**0,04**	**0,31**

STATEMENT OF MOVEMENTS IN CONSOLIDATED EQUITY	Total consolidated equity	Share capital	Treasury stock	Supplementary capital share premium	Other supplementary capital	Revaluation reserve	Other reserves	Other financial instruments	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2004	1 734 906	849 182	0	542 970	238 378	32 882	145 677	0	-74 183
Changes in adopted accounting policies	0	0	0	0	0	0	0	0	0
Material errors corrected	0	0	0	0	0	0	0	0	0
Equity at the beginning of the period (opening balance) as restated to comparable data	1 734 906	849 182	0	542 970	238 378	32 882	145 677	0	-74 183
- dividend payments	0	0	0	0	0	0	0	0	0
- other appropriation of retained earnings	0	0	0	0	0	0	400	0	-400
- loss covered from supplementary capital	0	0	0	0	0	0	0	0	0
- purchase/sale and valuation of available for sale financial assets	226	0	0	0	0	226	0	0	0
- net income (loss) of the period	20 063	0	0	0	0	0	0	0	20 063
-	0	0	0	0	0	0	0	0	0
Equity at the end of the period (closing balance) 31.03.2004	1 755 195	849 182	0	542 970	238 378	33 108	146 077	0	-54 520

STATEMENT OF MOVEMENTS IN CONSOLIDATED EQUITY	Total consolidated equity	Share capital	Treasury stock	Supplementary capital share premium	Other supplementary capital	Revaluation reserve	Other reserves	Other financial instruments	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2004	1 734 906	849 182	0	542 970	238 378	32 882	145 677	0	-74 183
Changes in adopted accounting policies	0	0	0	0	0	0	0	0	0
Material errors corrected	0	0	0	0	0	0	0	0	0
Equity at the beginning of the period (opening balance) as restated to comparable data	1 734 906	849 182	0	542 970	238 378	32 882	145 677	0	-74 183
- dividend payments	0	0	0	0	0	0	0	0	0
- other appropriation of retained earnings	0	0	0	0	14 878	0	60 427	0	-75 305
- loss covered from supplementary capital	0	0	0	-35 510	0	0	0	0	35 510
- purchase/sale and valuation of available for sale financial assets	19 493	0	0	0	0	19 493	0	0	0
- net income (loss) of the period	240 504	0	0	0	0	0	0	0	240 504
-	0	0	0	0	0	0	0	0	0
Equity at the end of the period (closing balance) 31.12.2004	1 994 903	849 182	0	507 460	253 256	52 375	206 104	0	126 526

STATEMENT OF MOVEMENTS IN CONSOLIDATED EQUITY	Total consolidated equity	Share capital	Treasury stock	Supplementary capital share premium	Other supplementary capital	Revaluation reserve	Other reserves	Other financial instruments	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2005	1 994 903	849 182	0	507 460	253 256	52 375	206 104	0	126 526
Changes in adopted accounting policies	57 508	0	0	0	0	0	0	0	57 508
Material errors corrected	0	0	0	0	0	0	0	0	0
Equity at the beginning of the period (opening balance) as restated to comparable data	2 052 411	849 182	0	507 460	253 256	52 375	206 104	0	184 034
- dividend payments	-237 771	0	0	0	0	0	0	0	-237 771
- other appropriation of retained earnings	0	0	0	0	0	0	2 733	0	-2 733
- loss covered from supplementary capital	0	0	0	-35 751	0	0	0	0	35 751
- purchase/sale and valuation of available for sale financial assets	11 285	0	0	0	0	11 285	0	0	0
- net income (loss) of the period	45 252	0	0	0	0	0	0	0	45 252
-	0	0	0	0	0	0	0	0	0
Equity at the end of the period (closing balance) 31.03.2005	1 871 177	849 182	0	471 709	253 256	63 660	208 837	0	24 533

	AMOUNT '000 PLN	
CONSOLIDATED STATEMENT OF CASH FLOWS - indirect method	**1.01.2004 - 31.03.2004**	**1.01.2005 - 31.03.2005**
A. Cash flows from operating activities		
I. Net income (loss)	**20 063**	**45 252**
II. Adjusted by:	**-478 602**	**-479 710**
1. Minority profit (loss)	0	0
2. Interests in net income (loss) of subordinated companies subject to equity method	-316	-316
3. Depreciation and amortization	27 725	22 137
4. Foreign exchange gains/(losses)	8 779	1 448
5. Interest and dividends	43 004	26 804
6. Profit/(loss) on investing activities	-4 491	1 326
7. Changes in provisions	1 407	6 078
8. Income tax	1 170	7 913
9. Income tax paid	-1 022	-95 704
10. Change in inventories	0	0
11. Change in debt securities	-370 463	-359 099
12. Change in amounts due from financial sector	33 387	145 909
13. Change in amounts due from non-financial and public sectors	128 359	-468 452
14. Change in receivables from securities purchased with sell-back option	-356 222	80 651
15. Change in shares, other securities and other financial assets	66 651	87 497
16. Change in amounts due to financial sector	-322 731	445 327
17. Change in amounts due to non-financial and public sectors	405 665	65 634
18. Change in liabilities from securities sold with buy-back option	-105 326	-541 515
19. Change in liabilities from securities	21 334	39 979
20. Change in other liabilities	-51 434	46 703
21. Change in accrued expenses and prepayments	-1 658	-9 708
22. Change in deferred and restricted incomes	-1 985	17 405
23. Other	-435	273
III. Net cash flows from operating activities (I+/-II)	**-458 539**	**-434 458**
B. Cash flows from investing activities		
I. Cash from investing activities	**234 797**	**363 991**
1. Sale of shares in subsidiaries	0	0
2. Sale of shares in jointly-controlled subsidiaries	0	0
3. Sale of shares in associated companies	0	174
4. Sale of shares in other companies, other securities and other financial assets	222 543	346 730
5. Sale of intangible assets and tangible fixed assets	6 376	17 087
6. Sale of investments in real estate and intangible assets	0	0
7. Other	5 878	0
II. Cash used for investing activities	**3 158**	**1 920**
1. Purchase of shares in subsidiaries	0	0
2. Purchase of shares in jointly-controlled subsidiaries	0	0
3. Purchase of shares in associated companies	0	0
4. Purchase of shares in other companies, other securities and other financial assets	0	0
5. Purchase of intangible assets and tangible fixed assets	3 158	1 920
6. Investments in real estate and intangible assets	0	0
7. Other	0	0
III. Net cash flows from investing activities (I-II)	**231 639**	**362 071**
C. Cash flows from financing activities		
I. Cash from financing activities	**0**	**0**

1. Long-term bank loans	0	0
2. Long-term borrowings from financial institutions other than banks	0	0
3. Issue of debt securities	0	0
4. Increase in subordinated debt	0	0
5. Net proceeds from issues of shares and additional capital paid-in	0	0
6. Other	0	0
II. Cash used for financing activities	**6 059**	**5 401**
1. Repayment of long-term bank loans	0	0
2. Repayment of long-term borrowings from financial institutions other than banks	0	0
3. Redemption of debt securities	0	0
4. Other financial liabilities	0	0
5. Financial leasing liabilities	0	0
6. Decrease in subordinated debt	0	0
7. Dividends and other payments to owners	0	0
8. Dividends and other shares in profit paid to minority shareholders	0	0
9. Other payments from appropriated earnings	0	0
10. Purchase of treasury stock	0	0
11. Other	6 059	5 401
III. Net cash flows from financing activities (I-II)	**-6 059**	**-5 401**
D. Net cash flows, total (A.III+/-B.III+/-C.III)	**-232 959**	**-77 788**
E. Change in cash and cash equivalents	**-232 959**	**-77 788**
F. Cash and cash equivalents at the beginning of the period	**821 890**	**882 812**
G. Cash and cash equivalents at the end of the period (F+/- D), of which:	**588 931**	**805 024**
- assets of limited availability		

V. FINANCIAL INFORMATION BROKEN DOWN INTO OPERATIONAL SEGMENTS

Segment Reporting

Business Segments

The activity of Group Bank Millennium is conducted through different business lines offering specific products and services targeted to approach the following market segments:

a) Retail Segment

In this segment are considered the business areas of Millennium Retail (mass market), Millennium Prestige (affluent individuals) and Millennium Biznes (small business and individual entrepreneurs). During part of 2004 it also included the car loan portfolio granted through an external intermediary. This portfolio was sold in May 2004.
These networks activity is developed through the disposal of a complete range of banking products and services and cross selling of Group's subsidiary companies offer. In the area of credit the main products are mortgage loans, credit cards, overdrafts, working capital and investment loans, leasing products for small business. On the side of customer funds the main products are: current accounts, term deposits, Bank Millennium bonds and mutual funds. Insurance products are also commercialised in this segment.

b) Corporate Segment

The corporate segment includes the commercial activity managed by the Mid Corporate network (corporate Clients with annual turnover above 10 mln PLN and below 300 mln PLN) and the Large Corporate network (corporate Clients with annual turnover above 300 mln PLN). Both networks also run business with Local Governments and other public entities.
The commercial activity in the corporate segment is driven by a high quality base offer of typical banking products (working capital loans, investments loans, current accounts, term deposits) complemented by modern and easy treasury products, home-banking and more sophisticated derivative products. Cross selling of leasing and factoring products is very active for Corporate Clients.

c) Financial markets

In the area of Financial Markets are considered operations for the bank own account on capital and money markets, mainly results on financial operations.

d) Investment activities

The segment of investment activities consists of the Group activities in investment banking and brokerage.

e) Unallocated incomes and costs

Both years' results of the Group are impacted by.

1) management costs - presented in unallocated area, as they are not originated in business areas and result from one off Management Board decisions.
2) outstanding money market operations managing excess of liquidity
3) Impact of adoption of consolidated financial reports to IAS in 2005

Geographical segments

Group Bank Millennium operates exclusively on territory of the Republic of Poland and no significant differences in risk were identified as regard the geographical location of its outlets. Therefore, the Group does not present financial statements with a break-down into geographical areas.

Accounting polices

Accounting policies applied in segment reporting are in accordance with the Accounting Act and other regulations based on it.

For each segment there is determined gross result, including:

- Interest result calculated on the basis of assigned working assets and liabilities, including internal interest income or cost, measured using internal transfer interest rates.
- Net commissions income
- Other non-interest income (mostly affecting Financial Markets) like income from FX transactions, profits on securities and valuation of derivatives.
- Net provisions
- Share of the segment in administrative and personnel costs, excluding management costs

The segment's assets and liabilities are operational assets and liabilities used by that segment in its operating activities, allocated to a particular business segment based on rational assumptions. Gap between assets and liabilities in each business segment is covered by money market assets/liabilities and securities.

Results for 2004 and 2005 (comparison)

Retail segment in the 1st quarter of 2005 result shows an improvement when compared with 1 quarter of 2004. The main reasons for this evolution were: significant increase of deposits under strict management of spreads, a substantive increase of mortgage lending and the growth of fees and commissions driven by increased levels of cross selling. These improvements more than compensated the negative impact in the margin resulting from the sale of part of the loan portfolio. This increase on the income side allows Retail network to decrease costs to income ratio from 84% to 75% in the first quarter of 2005.

Corporate segment results deteriorated in 1 quarter 2005, mostly due to decreased loans volumes during 2004, which in great extend resulted from the Bank's decision to reduce some major exposures. On the deposit side, increased liquidity surplus of the Bank released some pressure for pricing of big deposits thus mitigating the growth in this area. Lower loans and deposits were responsible for net interest income decrease in this area. In order to improve the quality of the loans portfolio as well as increase significantly revenues, a special task force was launched in 2004 for recovery of non-performing loans. Positive results of this activity impacted directly results of this business area in the 1 quarter of 2005.

Despite of higher fees and commissions collected in 2005 and strict costs control, cost to income ratio increased in this area from 77% to 86% mainly due to lower interest on assets and liabilities.

Financial Markets segment result of 2005 was higher than in 2004, which is mostly explained by improved market conditions, especially in the long term segment of bond market. Profits arising from financial operations were also significantly higher than in the first quarter of 2004.

Investment activities improved contribution to Group overall results in 2005, which was mainly due to higher Brokerage and Corporate Finance activities in 1 quarter of 2005. Higher commission income came mainly from IPOs launched in 1 quarter of 2005.

Part of management costs of the Bank is not possible to allocate to segments. These costs are shown in the line ‘Unallocated costs and incomes’, together with the results of IAS implemented in 2005 which are not considered in data for 1 quarter 2004.

Income statement

31.Mar.04

PLN ; thousand	Retail Banking	Commercial Banking	Financial Markets	Investment Banking	Other	Total / consolidated
Net interest income	93 135	50 479	0	0	12 036	155 650
Commissions (net)	32 989	17 738	0	6 009	0	56 736
Result on financial operations (net)	0	0	7 543	100	0	7 643
Other operating income (net)	2 696	7 086	0	0	13 319	23 101
Operating Income	**128 820**	**75 303**	**7 542**	**6 110**	**25 354**	**243 130**
Staff costs	-36 966	-21 818	-3 081	-2 553	-18 802	-83 219
Other administrative costs	-57 836	-31 910	-3 050	-2 449	-9 149	-104 395
Depreciation	-14 025	-4 163	-337	-355	-8 845	-27 725
Operating costs	**-108 828**	**-57 891**	**-6 467**	**-5 357**	**-36 796**	**-215 339**
Operating Profit	**19 993**	**17 412**	**1 075**	**753**	**-11 442**	**27 791**
Loan impairment provisions (net of recoveries)	2 585	-3 223	0	0	0	-638
Group Equity - accounted earnings	0	0	0	0	316	316
Profit before taxes	**22 577**	**14 190**	**1 075**	**753**	**-11 126**	**27 469**
Income taxes	-4 290	-2 696	-204	-143	-73	-7 406
Net contribution	**18 288**	**11 494**	**871**	**610**	**-11 199**	**20 063**

Assets	Retail Banking	Commercial Banking	Financial Markets	Other	Total / consolidated
Segment assets	5 100 292	6 287 272	82 886	2 734 873	14 205 322
Assets allocated to segment	4 884 395	1 658 656	0	94 325	6 637 376
Total	9 984 687	7 945 928	82 886	2 829 198	20 842 698
Liabilities					
Segment Liabilities	9 469 432	4 876 025	22 936	2 017 558	16 233 642
Liabilities allocated to segment	515 255	3 069 903	59 950	811 640	4 609 056
Total	9 984 687	7 945 928	82 886	2 829 197	20 842 698

Income statement

31.Mar.05

PLN thousand	Retail Banking	Commercial Banking	Financial Markets	Investment Banking	Other	Total / consolidated
Net interest income	99 149	42 720	0	0	20 229	162 098
Commissions (net)	37 197	18 669	0	13 206	-11 595	57 477
Result on financial operations (net)	0	0	24 718	36	0	24 754
Other operating income (net)	2 944	5 907	0	0	3 490	12 341
Operating Income	139 290	67 296	24 717	13 243	12 123	256 670
Staff costs	-40 755	-20 079	-2 820	-2 656	-16 487	-82 797
Other administrative costs	-50 332	-31 854	-2 719	-2 691	3 759	-83 837
Depreciation	-13 066	-5 751	-216	-219	-2 885	-22 137
Operating costs	-104 153	-57 684	-5 755	-5 566	-15 613	-188 771
Operating Profit	35 137	9 612	18 962	7 677	-3 490	67 899
Loan impairment provisions (net of recoveries)	-6 681	-3 437	0	0	724	-9 394
Group Equity - accounted earnings	0	0	0	0	316	316
Profit before taxes	28 456	6 175	18 962	7 677	-2 449	58 821
Income taxes	-5 407	-1 173	-3 603	-1 459	-1 927	-13 569
Net contribution	23 049	5 002	15 360	6 218	-4 377	45 252

Assets	Retail Banking	Commercial Banking	Financial Markets	Other	Total / consolidated
Segment assets	3 545 050	4 438 711	34 315	1 915 286	9 933 362
Assets allocated to segment	7 078 328	1 342 762	0	2 287 043	10 708 133
Total	10 623 378	5 781 473	34 315	4 202 329	20 641 495
Liabilities					
Segment Liabilities	10 254 048	4 118 079	23 878	2 375 936	16 688 141
Liabilities allocated to segment	369 330	1 663 394	10 437	1 826 392	3 953 354
Total	10 623 378	5 781 473	34 315	4 202 328	20 641 495

VI. DIVIDEND FOR 2004

Pursuant to Resolution No. 5 of the General Shareholders' Meeting of 8 March 2005 in the matter of distribution of profit of 2004 accounting year, the General Shareholders' Meeting decided to assign from net profit generated in 2004 for payment of dividend the amount of PLN 237,770,888.32. The Bank's initial capital is PLN 849,181,744 and is divided into 849,181,744 shares, which gives a dividend payment of PLN 0.28 per share. The dividend was paid on 22.04.2005.

VII. EARNINGS PER SHARE

Earnings per share, calculated on the basis of annualised consolidated profit, stand at PLN 0.31. A component of the annualised profit valued at PLN 265,693 thous. are earnings generated in the period from 1 April to 31 December 2004 standing at PLN 220,441 thous. calculated with no adjustment of comparable data for the implementation of the IFRS (this is described in item I „Introduction and Accounting Policies").

The calculation the EPS ratio on the basis of the pro forma data (i.e. by adjusting 2004 data for the IFRS standards) gives the value of PLN 0.36 per share (the adjusted earnings for 1 April – 31 December 2004 stand at PLN 262,394 thous.)

VIII. STRUCTURE OF BANK MILLENNIUM'S CAPITAL GROUP

There were no changes in Millennium Capital Group structure during 1Q 2005. Bank Millennium S.A. is being the Group's controlling entity. The Group's remaining entities covered by the consolidated financial report as of 31 March 2005 are:

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

In addition, the consolidated report incorporates Besta Sp. z o.o. by equity method. For related entities, whose scale of operations is marginal with respect to the Group, the consolidated report discloses exposure to them at purchasing price allowing for impairment deduction.

IX. MATERIAL EVENTS WHICH OCCURED BETWEEN THE DATE FOR WHICH THIS REPORT IS MADE AND THE DATE OF ITS PUBLICATION

On 11.04.2005 the Bank received information that Moody's rating agency upgraded the Bank's long-term deposit rating to A2 (6th position in 21 grade scale) from A3 (7th position in 21 grade scale) with a stable outlook, since April 7th 2005.

Moody's also improved to positive from stable the Bank's D- financial strength rating outlook (10th position in 13 grade scale). The Bank's P-1 short-term deposit rating (1st position in 4 grade scale) remained unchanged.

Moody's said that this upgrade reflects the increasing operational integration of the Bank with its Portuguese parent, ongoing support and transfer of know-how provided by BCP to Bank Millennium, and the Portuguese bank's strong commitment to its European expansion strategy.

Moreover, Moody's said that the improvement to positive the Bank's financial strength outlook reflects the progress made by the Bank following its deep restructuring process. Moody's also noted that the Bank had laid in 2004 the foundations to grow organically, supported by a strong capital base, innovative products, aggressive commercial strategy, enhanced distribution capacity, strengthened risk management, as well as positive economic environment. Nevertheless, according to Moody's, the implementation of this growth strategy will be a challenge given the relative small scale of the Bank.

X. SHAREHOLDERS WHO HOLD AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GSM OF BANK MILLENNIUM SA, THE GROUP'S CONTROLLING ENTITY.

Data as of the publication of the quarterly report made out as of 31 December 2004

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at the General Meeting of Shareholders
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

Data as of the publication of the quarterly report made out as of 31 March 2005

Shareholder	**Number of shares**	**% share in share capital**	**Number of votes**	**% share in votes at the General Meeting of Shareholders**
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

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

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

XII. CASES OF COURT LITIGATIONS

The most significant proceedings involving the Bank are as follows:

- proceedings instituted 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 assurances, proved to be disputable;

- proceedings instituted by Grzegorz Jedamski against the Bank in connection with a statement of claim filed with the Regional Court in Warsaw for adjudicating PLN 299,833,300 in his favour as damages for the allegedly illegal takeover of BIG BANK Spolka Akcyjna (former LBR S.A.).

XIII. CREDIT BACKINGS OR GUARANTEES PROVIDED BY THE BANK

In the first quarter of 2005 Bank Millennium 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 this account would exceed 10% of the Bank's own funds.

XIV. INCOME TAX

- Income Tax Due

Income tax due, to be charged against 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 , both due and deferred, charged against the consolidated gross income 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&L account is exerted by the Group's controlling entity, the Bank Millennium.

At the end of the first quarter 2005 the Bank had a positive tax base of PLN 80,225 thous., which was mainly set off against tax losses incurred in 2003. There was no current income tax at the end of the quarter.

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

- interest accrued to be paid on customer deposits and Bank borrowing,
- interest accrued to be paid on REPO operations,
- realised revenues on debt security operations on a cash basis,
- realised foreign exchange differences in connection with CIRS operations representing tax revenue on a cash flow date,
- valuation of financial instruments on the accrual basis

- Deferred Income Tax

Pursuant to 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 the Corporate Income Tax Act. Therefore, Group companies create an income tax provision every month, assuming for its creation all timing differences with respect to which it is certain that they will become a tax deductible or tax revenue in the following reporting periods. Thanks to applying this methodology it is possible to evenly spread 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 assets are presented separately.

Deferred income tax recognized in the consolidated P&L Account for the 3 months of 2005 stood at PLN 5,655 thous.

XV. INFORMATION ON THE ISSUANCE/REDEMPTION/REPAYMENT OF DEBT SECURITIES AND EQUITIES

In the period under analysis there was a following change in the Group's liabilities resulting from the issuance of debt securities (data in PLN thous.):

MOVEMENTS IN LIABILITIES FROM ISSUE OF DEBT SECURITIES	01.01.05-31.03.05
Balance at the beginning of the period	**355 249**
a) additions (of which)	42 197
- issue of bonds - subsidiary	39 925
- accrued interest	2 063
- discount settlement	55
- foreign exchange differences	154
b) decreases (of which)	116
- repayment of interest	116
Balance at the end of the period	**397 330**

Growth of liabilities resulting from securities issued by the Group's subsidiary (presented as net balance) pertains to zerocoupon debt securities constituting a short-term form of financing (such securities are issued for a period below 2 months).

XVI. DESCRIPTION OF TRANSACTIONS WITH RELATED ENTITIES

Any transactions performed between Group entities in Q1 2005 were concluded on market terms and resulted from on-going operations. The most important group internal transactions eliminated in the process of data consolidation are listed below.

THE MOST IMPORTANT BALANCES OF INTRAGROUP TRANSACTIONS ELIMINATED AND CONSOLIDATION CORRECTIONS (PLN THOUSAND)	
ASSETS	**31.03.05**
Cash deposited with the Bank	332 941
Amounts due from consolidated entities in respect of: credits, loans, purchased receivables	1 746 318
Receivables from securities bought with sell-back clause	80 017
Shares in consolidated subsidiaries	1 156 497
Value of debt securities in SBB transaction	1 183 384
Other assets	55 935
LIABILITIES	**31.03.05**
Amounts due to consolidated entities in respect of: credits, loans, purchased receivables	2 264 244
Liabilities from securities sold with buy-back clause	1 263 401
Subordinated liabilities	22 285
Special funds and other liabilities	243 555

PROFIT AND LOSS ACCOUNT	1.01.05 – 31.03.05
Income of which:	
interest in respect of: accounts, deposits, credits, loans, purchased receivables	42 239
banking and brokerage commissions	2 094
intragroup dividend payments	232 998
other operating income	3 926
Expenses of which:	
interest in respect of: accounts, deposits, credits, loans, sold receivables	38 554
banking and brokerage commissions	1 916
other operating expenses	1 908
general and administrative of subsidiaries	1 883

XVII. ADDITIONAL NOTES TO FINANCIAL DATA

The following adjustments of previously published comparable data for 2004 are made for the needs of this report:

- adjustments resulting from a different report format according to IFRS standards; they consisted mainly in dividing securities on balance sheet into financial instrument categories specified in IAS 39 (there is a corresponding breakdown of incomes and costs from financial operations in the profit and loss account). In addition, income tax receivables and payables are disclosed in separate balance sheet items.
- the adjustment made in the consolidated profit and loss account for Q1 2004 (given a broader description in item I „Introduction and Accounting Policies") pertaining to the transfer of a settled discount/premium from the interest rate margin to net income from financial operations is presented as follows: increase of interest income by the amount of PLN 2,325 thous, decrease of financial operations by the amount of PLN 2,325 thous.