Extended Interim Financial Statement of
Bank Millennium S.A. Capital Group for Q1 2006
Prepared in accordance with the International Financial Reporting Standards

MAIN FINANCIAL DATA

	In thous. PLN		In thous. EUR	
	Q1 YTD from 1.01.2006 to 31.03.2006	Q1 YTD from 1.01.2005 to 31.03.2005*	Q1 YTD from 1.01.2006 to 31.03.2006	Q1 YTD from 1.01.2005 to 31.03.2005*
I. Interest income	312 626	310 465	81 294	77 320
II. Fee and commission income	88 571	72 239	23 032	17 991
III. Operating income	287 862	260 170	74 855	64 795
IV. Operating profit / (loss)	86 914	58 821	22 601	14 649
V. Gross profit /(loss)	86 914	58 821	22 601	14 649
VI. Net profit (loss)	69 744	45 252	18 136	11 270
VII. Net cash flows from operating activities	-1 476 760	-557 998	-384 013	-138 968
VIII. Net cash flows from investing activities	226 576	638 270	58 918	158 959
IX. Net cash flows from financing activities	0	0	0	0
X. Net cash flows, total	-1 250 184	80 272	-325 095	19 992
XI. Total assets	22 301 580	22 151 139	5 666 484	5 738 934
XII. Deposits from banks	1 217 622	1 067 345	309 379	276 529
XIII. Deposits from customers	14 139 313	13 994 416	3 592 579	3 625 684
XIV. Total equity	2 463 300	2 390 823	625 886	619 416
XV. Share capital	849 182	849 182	215 764	220 007
XVI. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVII. Book value per share (in PLN/EUR)	2,90	2,82	0,74	0,73
XVIII. Diluted book value per share (in PLN/EUR)	2,90	2,82	0,74	0,73
XIX. Capital adequacy ratio	19,24%	19,07%	19,24%	19,07%
XX. Basic earnings (losses) per ordinary share (in PLN/EUR)	0,08	0,05	0,02	0,01
XXI. Diluted earnings (losses) per ordinary share (in PLN/EUR)	0,08	0,05	0,02	0,01
XXII. Pledged or paid dividend per share (in PLN/EUR)	0,54	0,28	0,13	0,06

* Comparable balance sheet data (items XI-XIX and XXII) are presented, as required by IFRS, at 31.12.2005. Other comparable data are presented for the period from 1.01.2005 till 31.03.2005.

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I. INTRODUCTION AND ACCOUNTING PRINCIPLES

This extended financial statement covering the data of Bank Millennium S.A. Capital Group (Group) and Bank Millennium S.A. (Bank) for Q1 2006 comprising balance sheets, income statements, statement of changes in equity and additional explanatory notes has been prepared in accordance with the International Financial Reporting Standards/International Accounting Standards (IFRS). The Group implemented IFRS as the basis for preparing financial statements in accordance with the Regulation of the European Parliament and Council no 1606/2002/WE and guidelines in the amended Accounting Act starting from 1 January 2005, while the Bank's standalone statement has been prepared from 1 January 2006, pursuant to the decision of the General Shareholders' Meeting of 6 April 2006. The financial statement in question complies with the EU-adopted IFRS, which are described in the Group's consolidated statement for the year 2005 published on 10 March 2006 and constitutes an interim report pursuant to IAS 34.

Pursuant to the provisions of IFRS 1 governing the process of IFRS adoption the accounting policies in force on the reporting day should be applied with respect to the opening balance sheet and presented comparable data. Consequently, the actual date of adopting IFRS for the Group would be 1 January 2004 and for the Bank 1 January 2005.

For the needs of the standalone financial statement the Bank fully adjusted its comparable data for 2005 in order to assure compliance with IFRS.

The most important changes implemented at the Bank (standalone statement) as a result of implementing IFRS are as follows:

1. Equity Method Valuation

In accordance with the amended version of IAS 27 (effective since 1 January 2005 r.) in a standalone statement the equity method must not be used for the valuation of shares held by the reporting entity in subsidiaries. On the other hand the Polish Accounting Standards (PAS) in their current wording (Ordinance of the Minister of Finance dated 10 December 2001 concerning detailed principles of bank accounting, as later amended) mandate precisely such valuation methodology with respect to shares in subsidiaries. Consequently, on adopting IFRS the Bank ceased to employ the equity method and replaced it, with respect to shares in subsidiaries, with the principle of valuation at amortised cost.

2. Impairment of Credit Exposures

Pursuant to the Polish Accounting Standards provisions for credit risk of the Bank were created on the basis of two criteria: past due period and financial standing of the borrower constructed on the matrix defining minimum level of obligatory provisioning. In order to meet the IAS 39 requirements the Bank designed a methodology, tools and procedures to appraise provisions based on the estimated economic value of a loan. At the balance sheet date an assessment is generated if there are objective triggers of credit exposures' impairment. Should the answer be affirmative, a revaluation write-off is made amounting to the difference between the balance sheet value and the current value of the expected future cash flows on a given credit exposure (including the possibility of seizing the collateral). The basis for the process is the splitting of the Bank's credit portfolio into major credit exposures (by the criterion of an exposure's amount), and other homogenous credit groups.

(1) In case of major credit exposures an impairment analysis is made based on individual assessment. Should default triggers be identified, the Bank 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 obtain satisfaction from the collateral.

   The process is composed of the following phases:
   - identification of objective impairment triggers,
   - assessment of probability of repayment of the principal and interest,
   - estimation if the repayment would be made with the Customer's own funds, or if it would be necessary to sell the collateral,
   - construction of a forecasted time schedule of repayments made by the Customer, or the time schedule for the sale of the collateral

(2) Other credit exposures are grouped into homogenous portfolios (i.e. portfolios of similar characteristics, e.g. by credit product type, collateral type, e.g.). For each of them impairment is calculated based on collective analysis, based on historically calculated 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, however IAS 39 introduces the concept of "provisions created for incurred but not reported losses" (IBNR) relating precisely to provisions created for homogenous portfolios with unidentified impairment.

(3) Apart from changes in the provisions calculation method, the IFRS implementation also revised credit exposures presentation methods:
   - general risk provision has been eliminated and replaced by incurred but not reported losses (IBNR), which in the presentation reduce the credit exposure value,
   - interest on NPLs, accrued by the Polish standards on the gross exposure amount and recognised in the balance sheet as suspended interest (in the income statement 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 the Income Statement),
   - unsettled discount on receivables, as well as the unsettled part of credit commissions (resulting from the use of the effective interest rate) reduce the balance sheet value of credit exposures.

3. Tax effect of eliminating the general risk provision and creating the IBNR provision

Domestic legislation lays down the manner of recognising the deferred tax effect accrued on the difference between the value of general risk provisions and IBNR provision created on IFRS implementation. Pursuant to this principle this tax effect should be recognised directly in equity as an adjustment of the opening balance of retained earnings.

4. Separation of the „non-current assets held for sale" balance sheet category

The Bank classifies non-current assets as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable, i.e., the appropriate level of management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price which is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non current assets held for sale are priced at the lower of: its carrying value or fair value less cost to sell. Assets classified in this category are not depreciated.

Impact of IFRS Implementation upon the Level of Equity

In accordance with the adopted methodology for IFRS implementation the adjustments resulting from the Bank's adoption of new standards were reported in the equity opening balance at 1 January 2005.

It should be noted that this description does not take into account changes in the Bank's equity resulting from the implementation of the effective interest rate methodology performed on 1 January 2005, but in accordance with the Polish Accounting Standards (this issue was given a broader treatment in the Bank's financial statement for 2005 published on 10 March 2006). The requirement of employing the above-mentioned EIR methodology also follows from IFRS provisions.

The adjustments as of 1 January 2005 are as follows (numbers of adjustments correspond to the above-presented descriptions):

Data in PLN thous.

	(1) Discontinuing the equity method with respect to shares in subsidiaries	(2) Impairment of credit exposures	(3) Tax effect of converting the general risk provision to IBNR provision	(4) Effect of valuing an asset included in the „non-current assets held for sale" category	**TOTAL**
Net adjustment value (including the deferred tax effect)	- 596 077	+ 8 629	+ 10 947	- 14 890	**- 591 391**

II. INFORMATION ABOUT THE ACTIVITY OF THE GROUP IN THE FIRST QUARTER 2006

In the 1st quarter of 2006, the consolidated net profit of Bank Millennium Capital Group totaled PLN 69.7 million and was 54% higher than in the 1st quarter of 2005 (PLN 45.3 million).

The first quarter of 2006 was very positive for Bank Millennium Group both in terms of the profitability and business growth. This quarter results are continuing and improving the trends that were registered in the previous quarters:

- Net profit reached PLN 69.7 million, meaning an annualized ROE of 11.6%
- Net interest income up by 3.2% year on year (y/y)
- Excellent net commissions growth by 23.5%, driven by mutual funds, asset management / savings products and loans
- Total operating costs were flat y/y
- Continued improvement of loan quality: impaired to total loans ratio at 9.1%
- Strong solvency ratio at 19.2%
- Further strong share price performance: +37% in 1 quarter 2006 after total increase of 65% (including dividend) in 2005

As a consequence of its focused business plan, the Group is already showing significant growth in business volumes in strategic products and segments:

Cross-selling:	number of products per customer in Retail increased to 2.83
Mortgage loans:	13.9% market share in new production, PLN 4.2 billion portfolio
Credit cards:	119% growth y/y, more 34 thousand cards in 1Q 06; total number 157 thousand
Consumer loans:	122% growth y/y, PLN 743 million portfolio
Mutual funds:	293% growth y/y, PLN 2.1 billion under management, market share increased to 2.9%
Customer Funds:	15% growth y/y
Leasing:	16% growth of leasing portfolio, total market share of 6.3 %
Internet:	more than 300 ths. individual customers registered

The Bank went ahead at fast pace with the projects announced in January regarding the expansion of the branch network, changing the Retail Banking business model and introducing a new corporate image. After three months, the Bank:

- is about to finish the change of the corporate image, including the branches outdoor panels and merchandising, one month in advance of the planned date;
- merged in one network the previously separated business lines of Retail, Prestige and Biznes
- strongly progressed in the development of a new offer to the affluent customers segment

- is in line with the plan to open 21 new and to upgrade 36 branches until the end of the year.

On April 10th 2006, Moody's rating agency increased Bank Millennium financial strength rating to D as a recognition of increasing recurring profitability and continued ability to deliver on strategic objectives.

FINANCIAL RESULTS - 1st Quarter 2006

Operating Income (PLN million)	**1Q 2006**	**1Q 2005 pro-forma**	**Change**
Net Interest Income	162.0	156.9 *	3.2%
Net Commissions Income	77.4	62.6	23.5%
Other Non-Interest Income	48.5	40.6	19.5%
Operating Income	**287.9**	**260.2**	**10.6%**

(*) includes margin on fx swaps and cross currency swaps which hedge part of FX loan portfolio

The Bank started to treat under hedge accounting principles, from 1st January 2006, the combination of mortgage floating rate foreign currency loans, floating rate PLN deposits and related cross currency interest rate swaps. The margin from these operations is reflected in Net Interest Income. Until the end of 2005, the Bank has not applied formal hedge accounting, but having in mind comparativeness of the data, the information for 2005 has been adjusted in this chapter in order to reflect in interest margin already existing economic hedging relationship (although in accounting terms in comparable data it is presented in Result on Trading Activity).

Net interest income generated by the Group in 1Q 2006 totalled PLN 162.0 million and was 3.2% higher than last year's (PLN 156.9 million). Growing business volumes and improvement in asset quality positively supported this growth, offsetting the effect of lower net interest margin due to lower interest rate environment and strong competition.

Net commissions income soared almost 24% mainly thanks to mutual funds, asset management / savings products and loans.

Operating income reached PLN 287.9 million, which means an increase of 10.6% compared with 1Q 2005.

Operating Costs (PLN million)	**1Q 2006**	**1Q 2005 pro-forma**	**Change**
Personnel Costs	90.3	82.8	9.0%
Other Administrative Costs	87.5	83.8	4.4%
Total Costs without depreciation	177.8	166.6	6.7%
Depreciation & impairment of tangibles	16.5	27.3	-39.5%
Total Operating Costs	**194.3**	**193.9**	**0.2%**

Total Costs of the Group in 1Q 2006 were on a similar level (PLN 194 million) as on comparable period last year, which is a positive achievement taking into consideration the strong business growth in the past 12 months. Total Personnel costs grew 9% due to increase of number of employees by 4.5% during the period (to 4 542 persons). The increase was concentrated in fast growing segments of business, such as mortgage and credit cards. Other Administrative Costs grew 4.4%. Depreciation and impairment of tangibles decreased by 39.5%.

Cost to Income ratio in 1Q 2006 reached 67.5%, strongly improving when compared to 1Q 2005 (74.5%).

During 1Q 2006, the Group created **net provisions** of PLN 6.7 million, which means 11% less than in the 1Q 2005 (7.5 million). Not considering the positive impact of provisions due to recovery of written-off receivables, the value of these provisions would stand at PLN 11.2 million, which means annualized 45 b.p. in relation to average volume of loans (during 1Q 2005 this ratio stood at 60 b.p.).

Pre-tax profit of the Group in 1Q 2006 stood at PLN 86.9 million, (+48% y/y), with net profit at PLN 69.7 million.

BUSINESS RESULTS

As at 31 March 2006, **Total Assets** of the Group were PLN 22 302 million, growing 12.6% y/y. The net value of Loans to Customers soared 39% as compared with one year before, and stood at PLN 10 548 million.

Key Balance Sheet Volumes (PLN million)	**31.03.2006**	**31.03.2005 pro-forma**	**Change**
Total Assets	22 302	19 814	12.6%
Total Customer Funds (1)	16 223	14 167	14.5%
- where Deposits	*14 139*	*13 504*	*4.7%*
- where Mutual Funds	*2 075*	*528*	*293%*
Total Loans to Customers	10 548	7 579	39.2%
- where Mortgage loans	*4 197*	*1 872*	*124%*
Equity (2)	2 463	1 874	31.4%

(1) include Customers' deposits, retail bonds and mutual funds

(2) in 2006 includes PLN458.6 million to be distributed as dividends

The increase in **loans** was mainly due to the dynamic growth of the mortgage loans portfolio, which now represents 40% share in the Bank's consolidated loan book. Total mortgage portfolio reached

PLN 4.2 billion, i.e. more than double the value of March 2005 (PLN 1.9 billion). After first two months of 2006 Bank's market share in new mortgages sold was 13.9%. Other retail loans also strongly grew by 122% reaching PLN 743 million. On the companies side, the Group increased its market position in leasing reaching after first quarter the fourth position (according to "Rzeczpospolita") with PLN 233 million of new contracts.

The number of **credit cards** sold by the Bank after 1Q 2006 reached 157 thousand, which means a strong 119% growth when compared with 1Q 2005. This growth was achieved by strong cross-selling activity, but also by the start of direct sale outside banks' customer base through a network of 250 agents. This quarter was the best ever with almost 34 thousand new credit cards sold. The volume of loans associated with credit cards more than doubled y/y to PLN 159 million.

Total **Customers' Funds**, including bonds and mutual funds as at 31.03.2006, totalled PLN 16 223 million, which means an increase of 14.5% y/y. As previously the strongest growth came from mutual funds – increase by 293% to the amount of PLN 2 075 million, which allowed the Group to increase market share from 1.3% to 2.9%. The bancassurance business continued to strongly grow.

The number of individual Customers using the bank's services via **internet** reached 304.6 thousand growing strongly by 57% y/y. Additionally there were 16 thousand users among companies, which is three times more than year before. Currently, 72% of transactions of individual customers are done via electronic channels.

LOANS QUALITY AND SOLVENCY

The quality of the Group's loan portfolio (calculated using International Financial Reporting Standards) as at 31.03.2006 improved again versus previous periods. Value of impaired to total loans ratio dropped to 9.11%. This improvement was due to the drop in total impaired loans by PLN 141 million (12%) since June 2005 and an increase of the loan portfolio. Impaired loans coverage by provisions grew to 66%.

Loan quality indicators (IFRS)	**31.03.2006**	**31.12.2005**	**30.06.2005**
Total impaired loans (PLN million)	1 022	1 023	1 163
Impaired Loans over Total Loans	9.11%	9.97%	13.06%
Total Provisions over Impaired Loans	66.0%	65,1%	61.7%

The **solvency ratio** of the Group stood at a very strong level of 19.2% (including the retained part of 2005 profit), against 21.1% one year before.

BRANCH EXPANSION, NEW DISTRIBUTION MODEL AND IMAGE – STATUS

Bank Millennium is implementing at a fast pace the significant changes announced in January:

- Significant expansion of the branch network: 160 new branches until 2008
- Development of multi-segment branches
- Revamped approach to affluent and small businesses customers,
- New brand identity standards, including new logo, colors, visual standards and brand signature: "Life Inspires Us".

Change of the Bank's visual identity

In 1Q 2006 the Bank, as announced earlier, changed its visual identity. These changes are part of a wider branch network expansion, new business model and new image project now being implemented in the Bank.

The change programme, planned in several stages, assumed the introduction of a new logo, new corporate colours and graphic standards together with accompanying marketing materials and new motto "Life Inspires Us". In stage one (January – March), new uniform identification of retail branches was introduced by replacing outdoor panels in 275 outlets (95%) and merchandising in the windows of all branches. Also all the Bank's marketing materials were changed, signage on the Head Office building was replaced, the website and all internal materials were revamped. Moreover, new payment cards issued by the Bank also had their appearance changed.

The Bank informed Customers about the changes by direct mail and via a television campaign, promoting the new image and motto "Life Inspires Us".

In the second stage, which is planned to be completed on 30 June 2006, changes will be made in the interiors of branches, ATM space, information for individual Customer segments will be exchanged as well as signage on remaining Head Office buildings in Warsaw and Gdańsk.

The new visual identity, based on the same set of corporate colours, will also be introduced by subsidiaries of the Bank Millennium Group: Millennium Brokerage House, Millennium Investment Funds and Millennium BEL Leasing.

SHARE PRICE INDICATORS

	31.03.2006	31.12.2005
Shares outstanding – period end	849 181 744	849 181 744
Closing price – period end (PLN)	7.20	5.25
Book value per share (PLN)	2.90	2.82
Earnings per share basic (PLN)	0.08	0.67(*)
Return on equity (ROE)	11.6% (*)	28.0% (*)
Recurrent ROE	11.6% (*)	10.5%(*)

(*) full year

III. CONSOLIDATED FINANCIAL DATA (GROUP)

ASSETS

Amount '000 PLN	**31.03.2006**	**31.12.2005**
I. Cash, balances with the Central Bank	614 076	510 805
II. Loans and advances to banks	1 524 591	2 602 815
III. Financial assets held for trading	3 336 252	3 304 175
IV. Hedging derivatives	18 207	14 826
V. Other financial assets valued at fair value through profit and loss	0	0
VI. Loans and advances to customers	10 548 421	9 591 642
VII. Investments securities	4 974 148	4 910 529
- available for sale	4 894 310	4 831 893
- held to maturity	79 838	78 636
VIII. Investments in associates	1 926	1 926
IX. Receivables from securities bought with sell-back clause	17 496	311 127
X. Property, plant and equipment	228 636	232 123
XI. Intangible assets	21 672	26 998
XII. Non-current assets held for sale	65 517	239 512
XIII. Deferred income tax assets	143 839	157 485
XIV. Other assets	806 799	247 176
Total Assets	**22 301 580**	**22 151 139**

LIABILITIES

Amount '000 PLN	**31.03.2006**	**31.12.2005**
I. Deposits from banks	1 217 622	1 067 345
II. Financial liabilities held for trading	283 099	503 660
III. Hedging derivatives	37 374	22 273
IV. Deposits from customers	14 139 313	13 994 416
V. Liabilities from securities sold with buy-back clause	2 798 583	3 061 037
VI. Debt securities	32 685	69 436
VII. Provisions	17 815	16 468
VIII. Deferred income tax liabilities	0	0
IX. Current tax liabilities	4 106	132 186
X. Other liabilities	988 787	583 991
XI. Subordinated debt	318 896	309 504
Total Liabilities	**19 838 280**	**19 760 316**

EQUITY

I. Share capital	849 182	849 182
II. Share premium	471 709	471 709
III. Revaluation reserve	30 345	27 612
IV. Retained earnings	1 112 064	1 042 320
Total equity attributable to equity holders of the parent company	2 463 300	2 390 823
Minority interests	0	0
Total Equity	**2 463 300**	**2 390 823**
Total Liabilities and Equity	**22 301 580**	**22 151 139**

Capital adequacy ratio	**19.24%**	**19.07%**

Book value	**2 463 300**	**2 390 823**
Number of shares	**849 181 744**	**849 181 744**
Book value per share (in PLN)	**2.90**	**2.82**

OFF-BALANCE SHEET ITEMS

Amount '000 PLN	**31.03.2006**	**31.12.2005**
Contingent liabilities granted and received	**5 964 238**	**5 744 551**
1. Liabilities granted:	5 272 301	5 092 292
a) financial	4 542 342	4 357 093
b) guarantees	729 959	735 199
2. Liabilities received:	691 937	652 259
a) financial	0	0
b) guarantees	691 937	652 259

CONSOLIDATED INCOME STATEMENT

Amount ‘000 PLN	**1.01.2006 - 31.03.2006**	**1.01.2005 - 31.03.2005**
I. Interest income	312 626	310 465
II. Interest expense	-150 627	-190 778
III. Net interest income	**161 999**	**119 687**
IV. Fee and commission income	88 571	72 239
V. Fee and commission expense	-11 191	-9 597
VI. Net fee and commission income	**77 380**	**62 642**
VII. Dividend income	0	0
VIII. Result on investment activity	8 878	22 067
IX. Result on trading activity	8 459	40 528
X. Result from other financial instruments	-1 361	-595
XI. Foreign exchange profit	30 139	16 672
XII. Other operating income	22 983	7 655
XIII. Other operating expenses	-20 615	-8 486
XIV. Operating income	**287 862**	**260 170**
XV. General and administrative expenses	-177 780	-166 634
XVI. Impairment losses on financial assets	-6 670	-7 453
XVII. Impairment losses on non financial assets	-108	-6 806
XVIII. Depreciation and amortization	-16 390	-20 456
XIX. Operating expenses	**-200 948**	**-201 349**
XX. Operating profit	**86 914**	**58 821**
XXI. Share of profit of associates	0	0
XXII. Gross profit (loss)	**86 914**	**58 821**
XXIII. Corporate income tax	-17 170	-13 569
XXIV. Net profit (loss)	**69 744**	**45 252**
Attributable to:		
Equity holders of the parent	69 744	45 252
Minority interests	0	0
Weighted average number of ordinary shares	849 181 744	849 181 744
Earnings (losses) per ordinary share (in PLN)	**0.08**	**0.05**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2006	**2 390 823**	**849 182**	**471 709**	**27 612**	**1 042 320**
Changes in adopted accounting policies	0	0	0	0	0
Equity at the beginning of the period (opening balance) as restated to comparable data	**2 390 823**	**849 182**	**471 709**	**27 612**	**1 042 320**
- purchase/sale and valuation of available for sale financial assets	1 832	0	0	1 832	0
- effect of valuation of derivatives designated as future cash flows hedge	901	0	0	901	0
Net profit (loss) not recognized in income statement	2 733	0	0	2 733	0
- net income (loss) of the period	69 744	0	0	0	69 744
Total net profit (loss) of 2006	72 477	0	0	2 733	69 744
Equity at the end of the period (closing balance) 31.03.2006	**2 463 300**	**849 182**	**471 709**	**30 345**	**1 112 064**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2005	**1 986 840**	**849 182**	**507 460**	**21 367**	**608 831**
Changes in adopted accounting policies	68 455	0	0	0	68 455
Equity at the beginning of the period (opening balance) as restated to comparable data	**2 055 295**	**849 182**	**507 460**	**21 367**	**677 286**
- purchase/sale and valuation of available for sale financial assets	11 288	0	0	11 288	0
Net profit (loss) not recognized in income statement	11 288	0	0	11 288	0
- net income (loss) of the period	45 252	0	0	0	45 252
Total net profit (loss) of 2005	56 540	0	0	11 288	45 252
- dividend payments	-237 771	0	0	0	-237 771
- loss covered from share premium	0	0	-35 752	0	35 752
Equity at the end of the period (closing balance) 31.03.2005	**1 874 064**	**849 182**	**471 708**	**32 655**	**520 519**

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 31.03.2006**	**1.01.2005 - 31.03.2005**
I. Net profit (loss)	**69 744**	**45 252**
II. Adjustments for:	**-1 546 504**	**-603 250**
1. Minority profit (loss)	0	0
2. Interests in net income (loss) of associated companies	0	0
3. Depreciation and amortization	16 389	20 456
4. Foreign exchange (gains)/ losses	6 087	1 448
5. Dividends	0	0
6. Changes in provisions	1 347	1 073
7. Result on sale and liquidation of investing activity assets	-8 584	-719
8. Change in financial assets held for trading	-449 080	-23 577
9. Change in other financial assets valued at fair value through profit and loss	0	0
10. Change in loans and advances to banks	-25 358	-61 714
11. Change in loans and advances to customers	-966 058	-469 229
12. Change in receivables from securities bought with sell-back clause	293 631	80 650
13. Change in financial liabilities held for trading	-205 460	-55 834
14. Change in deposits from banks	150 278	329 621
15. Change in deposits from customers	144 897	116 087
16. Change in liabilities from securities sold with buy-back clause	-262 454	-541 515
17. Change in debt securities	-36 751	41 926
18. Change in income tax settlements	19 995	20 638
19. Income tax paid	-135 070	-95 704
20. Change in other assets and liabilities	-94 417	29 682
21. Other	4 104	3 461
III. Net cash flows from operating activities	**-1 476 760**	**-557 998**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 31.03.2006**	**1.01.2005 - 31.03.2005**
I. Inflows:	**227 721**	**640 190**
1. Proceeds from sale of property, plant and equipment and intangible assets	114 938	17 087
2. Proceeds from sale of shares in associates	0	175
3. Proceeds from sale of financial assets valued at fair value through profit and loss	0	0
4. Proceeds from sale of investments	112 783	622 928
5. Other	0	0
II. Outflows:	**-1 145**	**-1 920**
1. Acquisition of property, plant and equipment and intangible assets	-1 145	-1 920
2. Acquisition of shares in associates	0	0
3. Acquisition of financial assets valued at fair value through profit and loss	0	0
4. Acquisition of investments	0	0
5. Other	0	0
III. Net cash flows from investing activities	**226 576**	**638 270**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 31.03.2006**	**1.01.2005 - 31.03.2005**
I. Inflows:	**0**	**0**
1. Long-term bank loans	0	0
2. Issue of debt securities	0	0
3. Increase in subordinated debt	0	0
4. Net proceeds from issues of shares and additional capital paid-in	0	0
5. Other	0	0
II. Outflows:	**0**	**0**
1. Repayment of long-term bank loans	0	0
2. Redemption of debt securities	0	0
3. Decrease in subordinated debt	0	0
4. Issue of shares expenses	0	0
5. Redemption of shares	0	0
6. Dividends paid and other payments to owners	0	0
7. Other	0	0
III. Net cash flows from financing activities	**0**	**0**

D. NET CASH FLOWS, TOTAL (A III+B III+C III)	**-1 250 184**	**80 272**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**3 555 653**	**4 536 011**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	**2 305 469**	**4 616 283**

ADDITIONAL EXPLANATIONS TO THE FINANCIAL DATA

HEDGE ACCOUNTING

Starting from 1 January 2006 the Bank (followed by the Group) established a formal hedge (hedge accounting) against cash flow volatility. The hedged positions of this hedge are the FX mortgage portfolio and the zloty deposit portfolio (which funds it), while the hedging instruments are derivatives. It should be noted that from the moment of IFRS implementation, in accordance with IAS 39, the effect of pricing all derivatives, even those concluded for non-speculative, hedging reasons, for which the Bank (Group) does not employ formal hedge accounting (and thus automatically classifies them as financial instruments for trading), is presented as result on trading activities. The employment of such methodology resulted in lack of cohesion in the manner of presentation of the above instruments in the income statement, because net interest income from derivatives concluded for hedging liquidity in foreign currency is, in economic terms, an interest margin component (in as much as it allows to match interest income from FX lending with the expense on funding such position resulting from the zloty deposit portfolio). The implementation of formal hedge accounting for made it possible to present most of the transactions in question in the income statement in accordance with their economic sense. It should be emphasised that hedge accounting was formally introduced at the beginning of this year, so in the income statement for Q1 2005 for both the Bank and the Group (comparable data) the total effect of derivative valuation (including accrued interest) is presented in result on trading activity (and it is merely for data comparability of the financial earnings description contained in Chapter II that a pro forma income statement is made, as if hedge accounting had been used also in the comparable period)

NON-CURRENT ASSETS HELD FOR SALE

A drop in non-current assets held for sale in Q1 2006 results mostly from the Bank's realisation of the transaction of selling the perpetual usufruct on land in Wilanów, the net value of such asset having been PLN 170 613 thous.

EXCHANGE RATES ADOPTED FOR CONVERTING FINANCIAL DATA TO EURO

The following rates were adopted for converting EURO values::

- For balance sheet items 3,9357 PLN/EURO – exchange rate of 31 March 2006 (for comparable data: 3,8598 PLN/EURO),
- For income statement items for the period of 1 January – 31 March 2006 r. – 3,8456 PLN/EURO, the rate calculated as the average of rates at the end of the months covered by the statement (for comparable data 4,0153 PLN/EURO).

IV. FINANCIAL DATA (BANK)

ASSETS

Amount '000 PLN	**31.03.2006**	**31.12.2005**
I. Cash, balances with the Central Bank	614 064	510 785
II. Loans and advances to banks	1 524 586	2 602 777
III. Financial assets held for trading	3 337 357	3 302 666
IV. Hedging derivatives	16 138	14 826
V. Other financial assets valued at fair value through profit and loss	0	0
VI. Loans and advances to customers	9 963 911	9 014 322
VII. Investments securities	4 964 334	4 909 751
- available for sale	4 884 496	4 831 115
- held to maturity	79 838	78 636
VIII. Investments in associates	95 185	94 142
IX. Receivables from securities bought with sell-back clause	37 681	331 155
X. Property, plant and equipment	220 965	224 184
XI. Intangible assets	24 609	30 298
XII. Non-current assets held for sale	49 150	222 349
XIII. Deferred income tax assets	77 566	89 121
XIV. Other assets	1 308 099	256 862
Total Assets	**22 233 645**	**21 603 238**

LIABILITIES

Amount '000 PLN	**31.03.2006**	**31.12.2005**
I. Deposits from banks	1 217 622	1 067 404
II. Financial liabilities held for trading	306 575	504 185
III. Hedging derivatives	13 898	22 273
IV. Deposits from customers	14 221 690	14 084 704
V. Liabilities from securities sold with buy-back clause	2 999 189	3 472 115
VI. Debt securities	32 685	32 587
VII. Provisions	16 878	15 843
VIII. Deferred income tax liabilities	0	0
IX. Current tax liabilities	0	0
X. Other liabilities	939 391	457 406
XI. Subordinated debt	318 896	309 504
Total Liabilities	**20 066 824**	**19 966 021**

EQUITY	31.03.2006	31.12.2005
I. Share capital	849 182	849 182
II. Share premium	472 343	472 343
III. Revaluation reserve	30 349	27 617
IV. Retained earnings	814 947	288 075
Total Equity	**2 166 821**	**1 637 217**
Total Liabilities and Equity	**22 233 645**	**21 603 238**

Capital adequacy ratio	**11.80%**	**19.03%**

Book value	**2 166 821**	**1 637 217**
Number of shares	**849 181 744**	**849 181 744**
Book value per share (in PLN)	**2.55**	**1.93**

OFF-BALANCE SHEET ITEMS

Amount '000 PLN	**31.03.2006**	**31.12.2005**
Contingent liabilities granted and received	**6 165 803**	**5 893 164**
1. Liabilities granted:	5 405 657	5 171 417
a) financial	4 675 532	4 399 152
b) guarantees	730 125	772 265
2. Liabilities received:	760 146	721 747
a) financial	0	0
b) guarantees	760 146	721 747

INCOME STATEMENT

Amount '000 PLN	**1.01.2006 - 31.03.2006**	**1.01.2005 - 31.03.2005**
I. Interest income	274 651	281 427
II. Interest expense	-154 655	-206 539
III. Net interest income	**119 996**	**74 888**
IV. Fee and commission income	69 843	53 204
V. Fee and commission expense	-8 949	-6 801
VI. Net fee and commission income	**60 894**	**46 403**
VII. Dividend income	491 007	213 059
VIII. Result on investment activity	8 878	22 067
IX. Result on trading activity	11 169	40 411
X. Result from other financial instruments	-1 361	-595
XI. Foreign exchange profit	27 650	13 920
XII. Other operating income	16 209	3 527
XIII. Other operating expenses	-12 463	-2 469
XIV. Operating income	**721 979**	**411 211**
XV. General and administrative expenses	-161 826	-150 057
XVI. Impairment losses on financial assets	-6 133	5 394
XVII. Impairment losses on non financial assets	-108	-5 441
XVIII. Depreciation and amortization	-16 233	-19 943
XIX. Operating expenses	**-184 300**	**-170 047**
XX. Operating profit	**537 679**	**241 164**
XXI. Share of profit of associates	0	0
XXII. Gross profit (loss)	**537 679**	**241 164**
XXIII. Corporate income tax	-10 806	-8 200
XXIV. Net profit (loss)	**526 873**	**232 964**
Weighted average number of ordinary shares	849 181 744	849 181 744
Earnings (losses) per ordinary share (in PLN)	**0.62**	**0.27**

STATEMENT OF CHANGES IN EQUITY

	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2006	**1 637 216**	**849 182**	**472 343**	**27 617**	**288 074**
Changes in adopted accounting policies	0	0	0	0	0
Equity at the beginning of the period (opening balance) as restated to comparable data	**1 637 216**	**849 182**	**472 343**	**27 617**	**288 074**
- purchase/sale and valuation of available for sale financial assets	1 831	0	0	1 831	0
- effect of valuation of derivatives designated as future cash flows hedge	901	0	0	901	0
Net profit (loss) not recognized in income statement	2 732	0	0	2 732	0
- net income (loss) of the period	526 873	0	0	0	526 873
Total net profit (loss) of 2006	529 605	0	0	2 732	526 873
Equity at the end of the period (closing balance) 31.03.2006	**2 166 821**	**849 182**	**472 343**	**30 349**	**814 947**

STATEMENT OF CHANGES IN EQUITY

	Total equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2005	**1 986 840**	**849 182**	**508 095**	**21 367**	**608 196**
Changes in adopted accounting policies - EIR implementation*	48 880	0	0	0	48 880
Changes in adopted accounting policies - IFRS implementation **	-591 391	0	0	0	-591 391
Equity at the beginning of the period (opening balance) as restated to comparable data	**1 444 329**	**849 182**	**508 095**	**21 367**	**65 685**
- purchase/sale and valuation of available for sale financial assets	11 288	0	0	11 288	0
Net profit (loss) not recognized in income statement	11 288	0	0	11 288	0
- net income (loss) of the period	232 964	0	0	0	232 964
Total net profit (loss) of 2005	244 252	0	0	11 288	232 964
- coverage of loss from previous years	0	0	-35 752	0	35 752
- dividend payment	-237 771	0	0	0	-237 771
Equity at the end of the period (closing balance) 31.03.2005	**1 450 810**	**849 182**	**472 343**	**32 655**	**96 630**

* EIR – effective interest rate methodology binding in identical form both according to PAS and IFRS was implemented at the Bank as of 1 January 2005 under domestic legal regulations (for 2005 the Bank prepared standalone financial statements based on PAS)

** Description of the opening balance sheet adjustments of the Bank's equity resulting from IFRS implementation is presented in Chapter I

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 31.03.2006**	**1.01.2005 - 31.03.2005**
I. Net profit (loss)	**526 873**	**232 964**
II. Adjustments for:	**-2 018 068**	**-778 788**
1. Minority profit (loss)	0	0
2. Interests in net income (loss) of associated companies	0	0
3. Depreciation and amortization	16 233	19 943
4. Foreign exchange (gains) losses	5 994	1 446
5. Dividends	-491 007	-213 059
6. Changes in provisions	1 035	937
7. Result on sale and liquidation of investing activity assets	-8 563	1 302
8. Change in financial assets held for trading	-449 625	-64 791
9. Change in other financial assets valued at fair value through profit and loss	0	0
10. Change in loans and advances to banks	-30 774	-61 714
11. Change in loans and advances to customers	-958 869	-458 741
12. Change in receivables from securities bought with sell-back clause	293 474	634
13. Change in financial liabilities held for trading	-205 985	-15 771
14. Change in deposits from banks	150 218	334 741
15. Change in deposits from customers	136 986	-1 115 419
16. Change in liabilities from securities sold with buy-back clause	-472 926	681 172
17. Change in debt securities	98	0
18. Change in income tax settlements	10 914	12 625
19. Income tax paid	0	0
20. Change in other assets and liabilities	-18 576	97 890
21. Other	3 304	17
III. Net cash flows from operating activities	**-1 491 195**	**-545 824**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	**1.01.2005 - 31.03.2005**	**1.01.2005 - 31.03.2005**
I. Inflows:	**236 640**	**626 247**
1. Proceeds form sale of property, plant and equipment and intangible assets	114 823	1 087
2. Proceeds form sale of shares in associates	0	175
3. Proceeds form sale of financial assets valued at fair value through profit and loss	0	0
4. Proceeds form sale of investments	121 817	624 985
5. Other	0	0
II. Outflows:	**1 005**	**13**
1. Acquisition of property, plant and equipment and intangible assets	55	13
2. Acquisition of shares in associates	950	0
3. Acquisition of financial assets valued at fair value through profit and loss	0	0
4. Acquisition of investments	0	0
5. Other	0	0
III. Net cash flows from investing activities	**235 635**	**626 234**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 31.03.2006**	**1.01.2005 - 31.03.2005**
I. Inflows:	**0**	**0**
1. Long-term bank loans	0	0
2. Issue of debt securities	0	0
3. Increase in subordinated debt	0	0
4. Net proceeds from issues of shares and additional capital paid-in	0	0
5. Other	0	0
II. Outflows:	**0**	**0**
1. Repayment of long-term bank loans	0	0
2. Redemption of debt securities	0	0
3. Decrease in subordinated debt	0	0
4. Issue of shares expenses	0	0
5. Redemption of shares	0	0
6. Dividends paid and other payments to owners	0	0
7. Other	0	0
III. Net cash flows from financing activities	**0**	**0**

D. NET CASH FLOWS, TOTAL (A III+B III+C III)	**-1 255 560**	**80 410**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	3 576 692	4 535 216
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	**2 321 132**	**4 615 626**

ADDITIONAL EXPLANATIONS TO FINANCIAL DATA

HEDGE ACCOUNTING

The hedging against cash flow volatility established at the Bank as of 1 January 2006 is presented in additional explanations to financial data in Chapter IIII .

WRITE-OFFS OF UNCOLLECTIBLE RECEIVABLES AGAINST PROVISIONS

Between 1 January and 31 March 2006 the Bank wrote off uncollectible receivables against provisions equal to PLN 1 298 thous.

Balance sheet at 31 December 2005 – PAS-IFRS conversion

The table below illustrates changes made in the last published statement of the Bank made out according to PAS as of 31 December 2005 to assure data comparability for the needs of this statement.

ASSETS

Amount '000 PLN	31.12.2005 PAS	No of adjustment (adjustments)	Value of adjustment (adjustments)	31.12.2005 IFRS
Cash, balances with Central Bank	510 785			510 785
Loans and advances to banks	2 602 777			2 602 777
Financial assets held for trading	3 504 760	(6) (8)	-202 094	3 302 666
Hedging derivatives	14 826			14 826
Other financial assets valued at fair value through profit and loss	0			0
Loans and advances to customers	9 370 870	(2) (5)	-356 548	9 014 322
Investment securities:	4 909 751			4 909 751
- available for sale	4 831 115			4 831 115
- held to maturity	78 636			78 636
Investment in subsidiaries	854 091	(1)	-759 949	94 142
Receivables from securities bought with sell-back clause	331 155			331 155
Property, plant and equipment	466 578	(4)	-242 394	224 184
Intangible assets	30 298			30 298
Non – current assets held for sale	0	(4)	222 349	222 349
Deferred income tax assets	270 432	(2) (3) (6) (7)	-181 311	89 121
Other assets	198 700	(4) (8)	58 162	256 862
Total Assets	**23 065 023**		**-1 461 785**	**21 603 238**

LIABILITIES

Amount '000 PLN	31.12.2005 PAS	No of adjustment (adjustments)	Value of adjustment (adjustments)	31.12.2005 IFRS
Deposits from banks	1 067 404			1 067 404
Financial liabilities held for trading	706 399	(6)	-202 214	504 185
Hedging derivatives	22 273			22 273
Deposits from customers	14 084 704			14 084 704
Liabilities from securities sold with buy-back clause	3 472 115			3 472 115
Debt securities	32 587			32 587
Provisions	224 944	(1) (2)	-209 101	15 843
Deferred income tax liabilities	184 967	(2) (6) (7)	-184 967	0
Current tax liabilities	0			0
Other liabilities	613 809	(5) (8)	-156 403	457 406
Subordinated liabilities	309 504			309 504
Total Liabilities	**20 718 706**		**-752 685**	**19 966 021**

EQUITY

Share capital	849 182			849 182
Share premium	472 343			472 343
Revaluation reserve	27 617			27 617
Retained earnings	997 175	(1) (2) (3) (4)	-709 100	288 075
Total equity	**2 346 317**			**1 637 217**
Total equity and liabilities	**23 065 023**		**-1 461 785**	**21 603 238**

(1) The end of usage of the equity method with respect to shares in subsidiaries (as described in Chapter I)

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Investments in subsidiaries	(1)	-759 949
Provisions	(1)	-23 706
Retained earnings	(1)	-736 243

(2) Adjustment resulting from the Bank's implementation of the credit exposure impairment calculation methodology – this issue is presented in Chapter I.

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Loans and advances to customers	(2)	-195 033
Deferred income tax assets	(2)	-4 894
Provisions	(2)	-185 395
Provision for deferred income tax	(2)	2 397
Other liabilities	(2)	-48 015
Retained earnings	(2)	31 086

(3) Recognition of the deferred tax effect on the difference between the value of general risk provision and IBNR - issue described in Chapter I.

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Deferred income tax assets	(3)	10 947
Retained earnings	(3)	10 947

(4) Separation of the “non-current assets held for sale” in balance sheet category as of 1 January 2005 (issue described in Chapter I) and classification (pursuant to IAS 17) of the right of land perpetual usufruct held by the Bank as operating leasing and captured in the balance sheet as other assets (previously presented as property, plant and equipment).

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Property, plant and equipment	(4)	-242 394
Non-current assets held for sale	(4)	222 349
Other assets	(4)	5 155
Retained earnings	(4)	-14 890

(5) Elimination from the balance sheet of suspended interest accrued under PAS, reducing the receivables balance by the discount to be settled due to the application of IAS 39 for calculating and recognition of loan impairment. The issue is presented in Chapter I.

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Loans and advances to customers	(5)	-161 515
Other liabilities	(5)	-161 515

(6) Presentation of derivative instruments in the balance sheet broken down into particular instruments (instruments with positive fair value are recognised in assets and with negative fair value in liabilities of the balance sheet). Previously the analogous breakdown relied on a valuation performed on the basis of derivative portfolios (types).

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Financial assets held for trading	(6)	-202 214
Deferred income tax assets	(6)	-38 421
Financial liabilities held for trading	(6)	-202 214
Deferred income tax liabilities	(6)	-38 421

(7) Based on IAS 12 the Bank set off the deferred income tax asset against deferred tax provisions.

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Deferred income tax assets	(7)	-148 943
Provision for deferred income tax assets	(7)	-148 943

(8) Implementation of the method of accounting for financial instruments on the day of concluding the transaction in place of the previously adopted method based on the transaction settlement date. In order to unify the accounting policies with the capital group of the parent company of the Bank starting from 1 January 2005 the Bank used the accounting method on the day of concluding the transaction instead of the previously used method based on the transaction settlement date. Both methods are acceptable under IFRS.

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Financial assets held for trading	(8)	120
Other assets	(8)	53 007
Other liabilities	(8)	53 127

Income statement for Q1 2005 – PAS- IFRS conversion

The above table illustrates changes made in the last published income statement of the Bank made out in accordance with the Polish Accounting Standards for the quarter ending 31 March 2005 in order to assure comparability of data for the needs of this report.

INCOME STATEMENT

Amount '000 PLN	**01.01.2005 - 31.03.2005 PAS**	**No of adjustment (adjustments)**	**Value of adjustment (adjustment)**	**01.01.2005 -31.03.2005 IFRS**
Interest income	314 390	(3) (4) (7)	-34 112	280 278
Interest expense	-199 740	(4) (7)	-6 799	-206 539
Net interest income	**114 650**		**-40 911**	**73 739**
Fee and commission income	48 039	(3)	5 165	53 204
Fee and commission expense	-6 801			-6 801
Net commission income	**41 238**		**5 165**	**46 403**
Dividend income	213 059			213 059
Result on investment activity	22 067			22 067
Result on trading activity	4 314	(4)	37 246	41 560
Income from other financial instruments	-595			-595
Foreign exchange profit	13 920			13 920
Other operating income	7 213	(5) (8)	-3 686	3 527
Other operating expenses	-6 218	(5) (6)	3 749	-2 469
Operating income	**409 648**		**1 563**	**411 211**
General and administrative expenses	-148 557	(7)	-1 500	-150 057
Impairment losses on financial assets	1 633	(2) (8)	3 761	5 394
Impairment losses on non financial assets	-1 941	(6)	-3 500	-5 441
Depreciation and amortization	-19 943			-19 943
Operating expenses	**- 168 808**		**-1 239**	**-170 047**
Operating profit	**240 840**		**324**	**241 164**
Share of profit of associates	-187 712	(1)	187 712	0
Gross profit / (loss)	**53 128**		**188 036**	**241 164**
Corporate income tax	-8 138	(2)	-62	-8 200
Net profit / (loss)	**44 990**		**187 974**	**232 964**

(1) Referring the adjustment to balance sheet no (1) to income statement

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Share of profits of associates	(1)	187 712
Net earnings	(1)	187 712

(2) Referring the adjustment to balance sheet no (2) to income statement

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Expense on financial asset impairment	(2)	324
Income tax	(2)	-62
Net earnings	(2)	262

(3) Moving - from the interest margin to fee and commission income settled over time – commissions on loans with an unspecified repayment schedule for which commissions are amortised on a straight line basis

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Interest income	(3)	-5 165
Interest income	(3)	5 165

(4) Moving of the interest margin components resulting from derivatives for trading to result on trading activities. Since 1 January 2005 the Bank has been recognising interest on FX SWAP and CIRS operations in result on trading activity for transactions made for non-speculative purposes, i.e. to ensure liquidity in foreign currencies for FX loans made by the Bank. For these transactions in 1st quarter 2005 the Bank did not apply hedge accounting. According to IAS 39 all derivatives for which the Bank does not apply hedge accounting regardless of the purpose of their conclusion should be qualified as financial instruments held for trading and change in their fair value should be presented together in the same line of income statement (in this case in result on trading activities).

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Interest income	(4)	-28 316
Interest expense	(4)	-8 930
Result on trading activity	(4)	37 246

(5) As an adjustment to IFRS standards of the manner of presenting the result from sale and liquidation of fixed assets, other expense and income were reduced by the same amount of PLN 249 thous (previously other operating income included total income from such operations, while other operating expense included the carrying value of an asset),

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Other operating income	(5)	-249
Other operating expenses	(5)	249

(6) Separation from the depreciation expense charges for the impairment of non current assets held for sale.

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Other operating expenses	(6)	3 500
Impairment losses on financial assets	(6)	-3 500

(7) Moving the effect of the hedging transactions valuation from the interest margin to general administrative expense. Starting from 1 January 2005 net interest income from swap transactions concluded in order to hedge an FX-denominated transaction of renting office space presented previously in interest margin is included in general administrative expense.

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Interest income	(7)	-631
Interest expense	(7)	2 131
General administrative expense	(7)	-1 500

(8) Moving the amounts of recovered loan receivables captured under PAS as other operating income (earlier written off against provisions) to the “impairment charges” item.

Quantification:

INCOME STATEMENT ITEM	NUMBER OF ADJUSTEMENT	VALUE OF ADJUSTEMENT
Other operating income	(8)	-3 437
Impairment losses on financial assets	(8)	3 437

V. FINANCIAL INFORMATION BROKEN DOWN INTO ACTIVITY SEGMENTS

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

This segment includes the following business areas: mass market individuals, affluent individuals and small business and individual entrepreneurs.

The activity of the above mentioned networks is developed through the disposal of a complete panoply of banking products, complemented by specialized products developed by the Group's subsidiary companies. In the area of credit, mortgage loans, consumer loans, credit cards and leasing for small business constitute the major drives of volumes increase. On the side of customer funds, the main products are: current accounts, term deposits, mutual funds and structured products. Bancassurance products are also commercialised in this segment, especially together with loans and credit cards.

b) Corporate Segment

The corporate segment includes the commercial activity made with medium and large corporate companies, as well as 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 a modern and easy set of cash management products, treasury product and more sophisticated derivative products. Cross selling of leasing and factoring is very active for Corporate Clients.

c) Investment and treasury activities

The segment of investment activities consists of the Group activities in investment banking and brokerage, capital investment for the bank own account, including as well interbank and debt securities market operations that are not allocated to other segments.

Tax charge for the period is presented only at total level.

Geographical segments

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

Accounting polices

Accounting policies applied in segment reporting are in accordance with IAS 14 and other regulations based on it.

For each segment there is determined gross result, including:

- Interest result calculated on the basis of external interest from working assets and liabilities of the segment and internal interest income or cost from allocated assets / liabilities, measured using internal transfer interest rates based on market interest rates.
- Net commissions income
- Other income from financial operations and FX transactions (mostly affecting Investment and Treasury operations) like dividend income, result on investment and trading activity, income from FX transactions, result from other financial instruments including derivatives.
- Provisions for impairment of financial and non financial assets
- Share of the segment in depreciation
- Share of the segment in personnel and administrative 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. Assets /liabilities of Treasury and Investment banking include money market assets /liabilities, securities and other assets/liabilities not allocated to commercial segments. Allocation of capital is based on risk weighted assets of each segment.

Other unallocated assets and liabilities in the first quarter of 2005 relate to:

- Receivable from second instalment of sale price of PZU shares payable by the end of 2005 and unamortized discount of this instalment (PLN 17.0 million)

Fixed assets for resale in amount of PLN 271.5 mln as at 31 March 2005 are presented by the Group according to IFRS 5 . Major item (land in Wilanów) of PLN 170.6 million is presented as investment banking and treasury asset. Other buildings and lands, that according to the current optimisation process will not be used in the future by the Bank are presented in Retail banking. Tangible assets for resale – fixed assets coming from terminated leasing agreements are presented as Corporate Banking assets.

Income statement

31.032006 PLN thousand	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
Net interest income	92 683	37 108	32 208	0	161 999
external income	71 713	68 003	172 909	0	312 625
external cost	-64 380	-76 268	-9 979	0	-150 626
External income less cost	7 332	-8 264	162 930	0	161 998
internal income	121 373	90 014	-211 387	0	0
internal cost	-36 023	-44 642	80 665	0	0
Internal income less cost allocated	85 350	45 372	-130 722	0	0
Commissions (net)	48 345	20 714	8 321	0	77 380
Other income	20 169	13 226	15 088	0	48 483
Operating Income	**161 197**	**71 048**	**55 617**	**0**	**287 862**
Staff costs	-57 268	-20 708	-12 278	0	-90 254
Other administrative costs	-63 847	-19 210	-4 469	0	-87 526
Loan and financial assets impairment provisions	-7 803	-1 185	-52	0	-6 670
Impairment of non financial assets			-108	0	-108
Depreciation	-12 468	-3 390	-531	0	-16 390
Operating costs	**-141 386**	**-42 123**	**-17 439**	**0**	**-200 948**
Operating Profit	**19 811**	**28 925**	**38 178**	**0**	**86 914**
Profit before taxes	**19 811**	**28 925**	**38 178**	**0**	**86 914**
Income taxes					-17 170
Net profit					**69 744**

31.03.2006
PLN thousand

Assets	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total / consolidated
Segment assets	6 192 975	4 767 428	11 341 177	0	22 301 580
Assets allocated to segment	4 356 658	3 503 087	-7 859 746	0	0
Total	10 549 633	8 270 515	3 481 432	0	22 301 580
Liabilities					
Segment Liabilities	10 135 046	6 588 223	3 115 012	0	19 838 280
Liabilities allocated to segment	102 875	1 251 282	-1 354 157	0	0
Capital allocated to segment	311 712	431 011	1 720 577	0	2 463 300
Total	10 549 633	8 270 515	3 481 432	0	22 301 580

Income statement

31.03.2005 PLN thousand	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
Net interest income	96 564	37 947	-22 788	7 964	119 687
external income	67 151	73 720	161 629	7 964	310 464
external cost	-88 367	-70 357	-32 054	0	-190 777
External income less cost	-21 216	3 363	129 575	7 964	119 687
internal income	159 599	85 710	-245 309	0	0
internal cost	-41 819	-51 126	92 945	0	0
Internal income less cost allocated	117 779	34 584	-152 363	0	0
Commissions (net)	32 375	17 061	13 206	0	62 642
Other income from financial operations and fx transactions	8 954	8 930	59 956	0	77 841
Operating Income	**137 893**	**63 938**	**50 374**	**7 964**	**260 170**
Staff costs	-53 850	-20 079	-8 867	0	-82 796
Other administrative costs	-48 854	-30 345	-4 639	0	-83 838
Loan and financial assets impairment provisions	-6 681	-772	0	0	-7 453
Impairment of non financial assets	0	0	-1 941	-4 865	-6 806
Depreciation	-14 074	-5 751	-631	0	-20 456
Operating costs	**-123 459**	**-56 947**	**-16 078**	**-4 865**	**-201 349**
Operating Profit	**14 434**	**6 991**	**34 296**	**3 099**	**58 821**
Profit before taxes	**14 434**	**6 991**	**34 296**	**3 099**	**58 821**
Income taxes					-13 569
Net profit					**45 252**

31.03.05
PLN thousand

Assets	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total / consolidated
Segment assets	3 545 050	4 502 117	11 374 344	392 036	19 813 548
Assets allocated to segment	7 121 294	1 179 656	-8 300 950	0	0
Total	10 666 345	5 681 773	3 073 394	392 036	19 813 548

Liabilities

Segment Liabilities	10 254 048	4 354 859	3 313 600	16 977	17 939 484
Liabilities allocated to segment	120 407	989 465	-1 484 930	375 059	0
Capital allocated to segment	291 890	337 450	1 244 724	0	1 874 064
Total	10 666 345	5 681 773	3 073 394	392 036	19 813 548

VI. DIVIDEND FOR 2005

Pursuant to Resolution no 4 of the ordinary General Shareholders' Meeting of 6 April 2006 in the matter of the distribution of the profit for the financial year of 2005 the General Shareholders' Meeting decided to assign from the net profit generated in 2005 the amount of PLN 458 558 141,76 for payment of a dividend. The Bank's share capital is PLN 849,181,744 and is divided into 849,181,744 shares, which results in a dividend payment of PLN 0.54 per share. The dividend will be paid on 19 July 2006. The right to the dividend shall be exercised by persons being the Bank's shareholders on 5 July 2006.

VII. EARNINGS PER SHARE

Earnings per share (and diluted earnings per share) for Q1 2006 (non-annualised) calculated on the basis of the consolidated profit are PLN 0,08.

VIII. STRUCTURE OF THE BANK'S CAPITAL GROUP

In the period from 1 January till 31 March 2006 there were no changes in the Group's structure (the Group's organigram was presented in the consolidated financial statement for 2005 published on 10 March 2006).

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

- On 5 April 2006 the Bank's Management Board published a communiqué of the Bank's shareholder - Banco Comercial Portugues, reading as follows:

  "COMMUNIQUE

  Banco Comercial Portugues has applied to the Commission for Banking Supervision for consent to increasing its share in Bank Millennium SA.

  Lisbon, 5 April 2006 - Banco Comercial Portugues hereby informs that it decided to apply to the Polish Commission for Banking Supervision for consent to increasing its share in the equity and voting rights in Bank Millennium S.A., from the current 50% to maximum 66%. BCP will decide in due course how, and when and up to how much it will increase its share in Bank Millennium, in view of adequate economic, legal and market conditions.

  Pursuant to recent changes in the Polish law such increasing of a shareholding does not entail the obligation to publish a call for all shares".

- On 6 April 2005 the Bank informed about the resolutions taken by GSM, the meeting of the Bank's Supervisory Board appointed by the ordinary General Shareholders' Meeting and appointing of the Bank's Management Board. Moreover, the Bank sent information on „Good Governance in Public Companies in 2005".

- On 10 April the Bank's Management Board informed that the Bank had received information from the Moody's Investors Service Ltd., the rating agency ("Moody's") about increasing the Bank's financial strength rating to D (with a stable prospect) from D- (with a positive prospect). The Bank's long- and short-term deposit rating remained at an unchanged level of A2 and P-

1, respectively. Moody's find that increasing the Bank's financial strength rating reflects the growing profitability of its core business and decreasing risk profiles. Moody's have also incorporated the challenges which the Bank encounters in its cost-cutting exercise (under the assumed expansion of the branch network and maintaining the quality of assets given the growth of retail portfolio). Moreover, Moody's found that the Bank had been successful in promoting selected retail products, developing activities oriented towards increasing cross-selling and further improvement of effectiveness, which improved the Bank's financial fundamentals in 2005.

- On 19 April 2006 the Bank published information on Bank Millennium Group's preliminary results after Q1 2006

X. SHAREHOLDERS WHO HOLD AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GSM OF THE GROUP'S DOMINANT ENTITY - BANK MILLENNIUM S.A.

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

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at the General Shareholders' Meeting
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 this quarterly report made out as of 31 March 2006

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at the General Shareholders' Meeting
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. BANK MILLENNIUM S.A. SHARES HELD BY PERSONS MANAGING AND SUPERVISING THE BANK (who exercised their functions on 31 march 2006)

Name and surname	Function	Number of shares as of the date of publishing the quarterly report made out as of 31 December 2005	Number of shares as of the date of publishing this quarterly report made out as of 31 March 2006
Bogusław Kott	Chairman of the Management Board	3 023 174	3 023 174
Luis Pereira Coutinho	Vice-Chairman of the Management Board	0	0
Fernando Bicho	Management Board Member	0	0
Julianna Boniuk-Gorzelańczyk	Management Board Member	490 000	490 000
Wojciech Haase	Management Board Member	5 246	5 246
Wiesław Kalinowski	Management Board Member	0	0
Zbigniew Kudaś	Management Board Member	0	0
Manuel Teixeira	Management Board Member	0	0
Jerzy Andrzejewicz	Procurator	6 260	6 260
Maciej Bednarkiewicz	Chairman of the Supervisory Board	94	94
Ryszard Pospieszyński	Vice-Chairman of the Supervisory Board	26 200	26 200
Christopher de Beck	Supervisory Board Member	95 000	95 000
Dimitrios Contominas	Supervisory Board Member	0	0
Jorge Manuel Jardim Goncalves	Supervisory Board Member	10 000	10 000
Andrzej Koźmiński	Supervisory Board Member	0	0
Francisco de Lacerda	Supervisory Board Member	0	0
Vasco de Mello	Supervisory Board Member	0	0
Paulo Teixeira Pinto	Supervisory Board Member	0	0
Marek Rocki	Supervisory Board Member	0	0
Dariusz Rosati	Supervisory Board Member	0	0
Zbigniew Sobolewski	Supervisory Board Member	0	0

XII. CASES OF COURT LITIGATION

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 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 take-over of BIG BANK Spółka Akcyjna (former ŁBR S.A.). Proceedings suspended.

XIII. INFORMATION ON CREDIT BACKING OR GUARANTEES PROVIDED BY THE BANK

In the first quarter of 2006 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.

XIV. INFORMATON ABOUT 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.

At the end of Q1 2006 the Bank achieved a positive tax base of PLN 228 424 thous, which was compensated for by a half of the tax loss incurred in 2003 and in part by the loss incurred in 2005. No current income tax arose at the end of the quarter.

The main items which had an impact on the determination of the tax base at the above-indicated level were as follows:

- Cash profit realised on Sell Buy Back operations,
- Realised cash income on securities,
- Co-payments to capital received (realised FX gains) on SWAP operations concluded by the Bank,
- Premiums on option contracts received in advance.

The income tax due of PLN 4,3 million recognised in the income statement came mainly from the tax burden of BEL Leasing Sp. z o.o. (a leasing subsidiary).

- Deferred income tax

Pursuant to the Accounting Act business entities are required to create provisions against deferred tax as a result of differences in recognising revenues as generated and costs as incurred in accordance with the Corporate Income Tax Act. Therefore, Group entities 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 future 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 Income Statement is the difference between a change in the provision balance and deferred income tax assets. In the consolidated balance sheet the deferred income tax provision and assets are compensated under the provisions of IAS 12.

Deferred income tax recognised in the consolidated Income Statement of the Group for Q1 2006 stood at PLN 12 913 thous.

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

In the analysed period there were following changes in the Group's liabilities on issued debt securities (data in PLN thous.):

MOVEMENTS IN LIABILITIES FROM ISSUE OF DEBT SECURITIES

	01.01.2006-31.03.2006
Balance at the beginning of the period	**69 436**
a) increases (of which)	155
- accrued interest	155
b) decreases (of which)	36 906
- reduction of the balance of issued securities by a subsidiary	36 849
- repayment of interest	57
Balance at the end of the period	**32 685**

The drop of liabilities on securities issued by the Group's subsidiary (presented by the balance) pertains to zero coupon debt securities which constitute a short-term form of funding (these securities are issued for a period below two months).

XVI. TRANSACTIONS WITH RELATED ENTITIES

Any transactions made between the Group's entities in Q1 2006 were concluded on market terms and resulted from current operations. Below please find the significant elements of group-internal transactions eliminated in the process of consolidation.

MOST IMPORTANT ELIMINATIONS OF GROUP-INTERNAL TRANSACTIONS AND CONSOLIDATION ADJUSTMENTS (PLN thous.)

ASSETS	31.03.2006
Accounts and deposits kept in the Bank	451 855
Loans, advances, purchased receivables between entities subject to consolidation	1 476 530
Receivables from purchased securities with a buy-back clause	200 605
Shares in subsidiaries subject to consolidation	98 884
Other assets	31 123
Accrued and deferred costs and incomes	576 608

LIABILITIES	
Liabilities from accepted deposits, loans, advances, sold receivables between entities subject to consolidation	1 950 591
Liabilities from sold securities with a buy-back clause	200 605
Subordinated debt	22 275
Special funds and other liabilities	508 079
Accrued and deferred costs and incomes	59 414

INCOME STATEMENT

	1.01.2006 - 31.03.2006
Income from:	
Interest on accounts, deposits loans, advances and purchased receivables	13 830
Bank and brokerage commissions	6 559
Internal group's dividends	491 007
Other operating income	4 134
Expense from:	
Interest on accounts, deposits loans, advances and purchased receivables	18 108
Bank and brokerage commissions	6 975
Other operating expense	2 059
Operations of entities subject to consolidation	2 481