Bank Millennium

Interim Short Form Financial Report of Bank Millennium S.A. Capital Group for 2nd Quarter of 2005 Prepared in accordance with the International Financial Reporting Standards

MAIN FINANCIAL DATA	Amount '000 PLN		Amount '000 EUR	
	1.01.2005 - 30.06.2005	1.01.2004 - 30.06.2004	1.01.2005 - 30.06.2005	1.01.2004 - 30.06.2004
I. Interest income	675 978	601 842	165 662	127 209
II. Commission income	136 029	136 291	33 337	28 807
III. Profit / (loss) on banking activity	542 670	649 728	132 992	137 330
IV. Operating profit / (loss)	162 871	144 188	39 915	30 476
V. Profit before taxes	162 871	144 188	39 915	30 476
VI. Net profit (loss)	129 045	112 000	31 625	23 673
VII. Net cash flows from operating activities	1 554 565	794 999	380 977	168 036
VIII. Net cash flows from investing activities	-513 625	-904 847	-125 874	-191 254
IX. Net cash flows from financing activities	-1 222 135	-51 114	-299 509	-10 804
X. Net cash flows, total	-181 195	-160 962	-44 405	-34 022
XI. Total assets	20 329 238	20 454 104	5 031 865	4 503 127
XII. Amounts due to Central Bank	1	0	0	0
XIII. Amounts due to financial sector	1 446 490	2 140 584	358 033	471 266
XIV. Amounts due to non-financial and public sector	13 023 758	12 101 965	3 223 623	2 664 340
XV. Total equity	1 981 111	1 843 767	490 362	405 919
XVI. Share capital	849 182	849 182	210 188	186 954
XVII. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVIII. Book value per share (in PLN/EUR)	2.33	2.17	0.58	0.48
XIX. Diluted book value per share (in PLN/EUR)	-	-	-	-
XX. Capital adequacy ratio	20.88%	17.84%	20.88%	17.84%
XXI. Earnings (losses) per ordinary share (in PLN/EUR)	0.30	0.14	0.07	0.03
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 POLICIES

This financial report of the Capital Group of Bank Millennium SA (the Group) covering data for Q2 2005 and comprising the balance sheet, profit and loss account, reports on equity changes and on cash flows, as well as the notes 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 Regulation 1606/2002/EU, adopted by the European Parliament and the European Council, as well as to the guidelines of the amended Accounting Act, as from January 1, 2005. The financial report complies with the EU-adopted IFRS, as at the balance sheet date (i.e. 30 June 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. Consequently, the actual moment when IFRS were adapted by the Group was January 1, 2004. However, IFRS 1 provides for a 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 the impairment of credit exposures, and valuation of some financial instruments at depreciated cost, applying the effective interest rate. A decision has been made not to adjust the 2004 comparable data fully due to the costs and time necessary for the process resulting from the complexity and scope of problems related, scale of difficulty, and the amount of data to be computed.

However, in order to obtain the comparability of data and the ability to assess properly financial standing, the Group prepared main financial reports for Q2 2004 on a pro-forma basis including all the IAS 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 in HY1 2005, which is part of this report (chapter III)

The change of the Polish Accounting Standards made in 2002 brought the domestic rules largely into line with the IFRS. Consequently, switching to the IFRS brought about two major changes as compared to the accounting principles used by the Group in 2004, discussed in detail in the 2004 consolidated annual report, which was published on February, 17th 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 by applying the exponential approach.

- Until the end of 2004, commissions had been recognised in the profit and loss account of the Group on a cash basis when collected (except for specific commissions settled over time by 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 which due to their specific nature are a substitute for interest income. The unsettled part of the commission is presented in the balance sheet as adjustment to the value of the credit exposure, while the settled part is recognized as interest income. Depending on the type of commissions the Group spreads them over time 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 the 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). The 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, such as commissions paid to external agents and own agents for concluding a mortgage loan agreement and costs of property valuation relating to this type of agreement.

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

2. Calculation of provisions for credit exposures based on credit impairment methodology

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 the 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 based 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, the 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. The basis for the process is the splitting 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 obtain satisfaction from the 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 if it would be necessary to sell the collateral,
    - construction of a planned time schedule of repayments made by the Customer, or the time schedule for the 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 the concept of "provisions created for incurred but not reported losses" (IBNR) relating precisely to provisions created for homogenous portfolios with unidentified impairment.

Ø Apart from changes in the 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 the 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 the financial result and net assets (presentation adjustments) resulting from the 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 ('trade date') instead of the former method based on the date of transaction settlement ('settlement date'). Both methods are permitted by the IFRS. Additionally, the settlement of the discount/premium on debt securities with an interest coupon, classified as the portfolio for trading, previously reported in the interest margin, as of 1 January 2005 constitute a component of net financial operations,
- the effect of the measurement of swap transactions entered into in order to hedge transactions of lease of commercial space denominated 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 the 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 or 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 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 for net value (considering deferred tax effect)	+ 50 390	- 1 511	+ 8 629	**+ 57 508**

III. INFORMATION ABOUT ACTIVITY OF BANK MILLENNIUM GROUP IN THE 1ST HALF OF 2005

The Management Board of Bank Millennium („Bank") informs that in the 1st half of 2005 the consolidated net profit of Bank Millennium Capital Group according to International Financial Reporting Standards (IFRS) totaled PLN 129 million.

By comparison, consolidated net profit of the Group and the Bank in the 1st half of 2004 stood at PLN 118.4 million (restated according to IFRS on a pro-forma basis).

The main highlights of Bank Millennium Group activity in the first six months of 2005:

A. Significant improvement of profitability based on core business

- Increase of net profit to PLN 129 million (9% more than in first half of 2004) , and ROE on the level of 13.2%
- Increase of net interest income by 4.6% (as compared with first half of 2004)
- Increase of net commission income by 6.5%
- Reduction of operating expenses by 2.9%
- Decrease of non–performing loans (by PLN 350 million versus June 2004) and provisions created due to effective credit recovery efforts and improvements in credit risk management
- High level of solvency ratio (20.9%), reflecting strong balance sheet and capital base.

B. Strategic business segments deliver on growth:

- Strong improvement in retail banking: growth of mortgage loans, customer funds and credit cards
- Keeping the 3rd position on the market in terms of new mortgage loans, with a market share of 10.6% after 5 months; new production increased over 4 times in comparison with the 1st half of 2004, reaching PLN 914 million
- Strong increase of mutual funds by 76% (PLN 331 million) from December 2004
- Increase of credit cards number by 81% y-o-y.
- Impressive dynamics of internet users (over 220 thousand registered users) and usage growth
- Sustained, high position in leasing with a growth of 9% (as compared with first half of 2004)

Key factors impacting the financial result of the Bank Millennium Group in the first half of 2005

INCOME

Result on Banking Activity (PLN million)	**1H 2005**	**1H 2004 proforma**	**Change**
Net Interest Income	318.4	304.4	4.6%
Net Commissions Income	121.4	114.0	6.5%
Other non-interest income	102.9	218.9	-53%
of which one-offs:	*26.1*	*142.5*	
Result on banking activity	542.7	637.3	-14.9%
Result on Banking Activity (excluding one-offs)	**516.6**	**494.8**	**4.4%**

1.

Net interest income generated by Bank Millennium Group in the first half of 2005 reached PLN 318.4 million, and was 4.6% higher than in the corresponding period of the previous year (PLN 304.4 million), despite the sale of car loans in May 2004. The net interest income increase was secured thanks mainly to higher customer funds, improved assets quality and consistent pricing policy.

2.

Net commissions income amounted to PLN 121.4 million (PLN 114.0 million in the first half of the previous year), meaning a 6.5% increase, driven by business efforts, mainly in several Bank's strategic areas, such as credit cards and mutual funds.

3.

Other net non-interest income over the first six months of 2005 was PLN 102.9 million, compared to PLN 218.9 million in the homologous period of the previous year. The drop was caused by a one-off event: in 1H 2004 the Bank booked a capital gain on the sale of the car loans portfolio. Deducting the above last year's additional income, and additional income in the current year related to settling the PZU dividend, the **result on banking activity** for 1H 2005 increased by 4.4%.

COSTS

Operating Costs (PLN million)	**1H 2005**	**1H 2004 proforma**	**Change**
Personnel costs	161.4	156.4	+3.2%
Non-personnel costs	171.8	176.0	-2.4%
Depreciation	43.0	55.0	-21.7%
Total costs	**376.2**	**387.3**	**-2.9%**

4.

Total costs of the Bank Millennium Group in 1H 2005 dropped by 2.9% when compared to those of 1H 2004, and amounted to PLN 376.2 million (387.3 million in the corresponding period of 2004), due to reductions in both depreciation and administrative costs (mainly decreasing maintenance costs of fixed assets, IT and telecom). **Non-personnel costs** were PLN 171.8 million (176 million in 1H 2004), i.e. they decreased by 2.4%, while **depreciation** decreased by 21.7%, down to the level of PLN 43 million (as compared to 55 million in 1H 2004).

Personnel costs slightly increased, as compared to the first half of 2004, to PLN 161.4 million, driven mainly by a growing staff of the Bank's sales force. This is in line with the present policy for the Bank business development after the period of employment restructuring that took place over the past few years. As at June 30, 2005, Bank Millennium Group employs 4333 persons, compared to 4291 at the end of June 2004.

Cost to income ratio at the end of June 2005 was 69%, confirming the good trend in the Group operations' efficiency.

5.

Successful implementation of recoveries actions of non performing loans, and improvement in credit risk management led to lower need of **provisions**. In the first half of 2005 the Group established PLN 5 million of **net provisions**, 97.2 million less than in the first half of 2004 (102.2 million). Excluding recovered receivables that had already been written off, the balance of provisions created for credit risk in the first half of 2005 stood at PLN 34 million and was by 69% lower than in 1H 2004.

6.

In the first half of 2005, pre-tax profit of the Bank Millennium Group was PLN 162.9 million, with **net profit** at **129 million**, which exceeded by PLN 10.6 million the pro forma net income for 1H 2004 (PLN 118.4 million).

BUSINESS FIGURES

7.

At 30 June 2005, **total assets** were PLN **20 329 million**, having grown since the end of June 2004 by 1.9% (PLN 19 955 million).

Key Balance Sheet Volumes	**30.06.2005**	**30.06.2004 proforma**	**Change**
Total assets	20 329	19 955	1.9%
Total Customer funds (1)	13 888	13 049	6.4%
of which deposits	*13 024*	*12 102*	*7.6%*
of which mutual funds	*765*	*460*	*66%*
Total loans to Customers	7 772	7 032	10.5%
of which mortgage loans	*2 313*	*1 358*	*70%*
of which leasing	*1 515*	*1 448*	*4.7%*
Equity	1 981	1 877	5.5%

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

As at June 30, 2005, the net value of **loans** to Customers increased by 11% as compared to the first half of the previous year, and amounted to PLN 7 772 million. This marked a second consecutive quarter of credit portfolio growth.

The increase in loans was mainly due to the dynamic growth of the **mortgage loans** portfolio. In 1H 2005, PLN 914 million of new mortgage loans was granted, i.e. more than 4,5-fold the figure of 1H 2004 (PLN 198 million). This allowed the Bank to sustain its 3rd position in the market, with 10.6% share between January and May 2005. One of the major factors behind this success was the development of sales methods including diversified distribution channels, like direct sales, intermediaries, and internet portals. Selling via retail branches of the Bank also soared dynamically (more than two times) as compared to the previous year.

At the same time the **leasing** portfolio of the Group grew by 5%, thanks to BEL Leasing's strong activity on the leasing market: the sale of new leasing contracts increased in the first half of the year by 9% vs. that of the previous year and the market share stays on the level of 6%.

8.

Total Deposits grew 7.6% year-on-year. Total Customer Funds **(**including retail bonds and mutual funds) totaled at June 30, 2005, PLN 13 888 million, showing a 6.4% increase as compared to the corresponding period of the previous year (PLN 13 049 million). Highest dynamics of the last 6 months was that of **mutual funds** which soared by 76% as compared to the end of the year, reaching PLN 765 million, increasing Bank Millennium's market share by 40bp in the semester.

June 2005 saw the number of Customers using the **Internet** to access the Bank grow to 223.5 thousand, of which 215.6 thousand were individual customers – a group that enlarged by 140% since the end of 2004. For the first time in Poland, individual customers have been given the option to join internet auctions of term deposits, and to enjoy the MIlleSMS service – online notification of transactions made on the Customer's account.

In the first half of 2005, the number of **credit cards** used by the Bank's Customers grew rapidly – by as much as 81%, as compared to the first half of 2004, reaching 86.9 thousand at 30 June 2005. It is important to highlight that the Millennium VISA Economic credit card was ranked by the *Rzeczpospolita* daily as the best credit card in Poland. As the number of credit cards grew, so did their utilization rate: the credit balance increased by 109%, while the June's POS spending by 60%, as compared to June 2004.

9.

Loans quality

The quality of the loan portfolio of the Group (calculated using the methodology of the National Bank of Poland) improved significantly. **Total NPLs** were lower at June 30, 2005, than a year before by PLN 350 million (-21%). Such effect was generated by a well-developed and prudential credit policy combined with highly-effective restructuring and recovery efforts.

Loans quality indicators		**30.06.05**	**30.06.04**
NPLs/ total loans ratio	By delay in repayment (90 days)	6.0%	9.1%
	By NBP regulations	14.7%	20.0%
Provisions/ NPLs ratio	By delay in repayment (90 days)	161.8%	121.0%
	By NBP regulations	66.6%	54.9%

The NPL ratio, measured by repayment delays over 90 days, improved from 9.1% (at 30 June 2004) to 6.0% (at 30 June 2005).

According to NBP standards, **the NPL ratio** strongly improved from 20.0% (at 30 June 2004) to 14.7% (at 30 June 2005), while the ratio of NPLs provisioning increased over the same period from 54.9% to 66.6%.

In result of a real improvement of the credit portfolio quality, and a consistent provisioning policy, the ratio of NPL coverage by provisions (by timeliness of repayment) improved significantly, growing from 121.0% (at the end of June 2004) to 162% in the first half of 2005.

10.

The solvency ratio of the Bank Millennium Group stood 20.9% and was higher than a year earlier (17.8%) due to sale of selected assets, and a better structure of risk-weighted assets. Such a high level of the ratio strongly guarantees a safe level of equity in the light of the further planned dynamic development of the business operations.

IV. FINANCIAL DATA

CONSOLIDATED BALANCE SHEET	AMOUNT '000 PLN	AMOUNT '000 PLN	AMOUNT '000 PLN	AMOUNT '000 PLN
ASSETS	**30.06.2004**	**31.12.2004**	**31.03.2005**	**30.06.2005**
I. Cash, balances with Central Bank	**649 316**	**872 630**	**794 901**	**666 506**
II. Debt securities eligible for rediscount at Central Bank	**11 568**	**9 993**	**17 296**	**18 288**
III. Amounts due from financial sector	**2 234 553**	**3 557 877**	**3 699 010**	**1 475 644**
IV. Securities held for trading	**3 510 687**	**2 531 751**	**2 883 291**	**3 367 468**
V. Derivative instruments	**390 463**	**543 353**	**455 268**	**429 012**
VI. Other financial assets at fair value through profit and loss	**0**	**0**	**0**	**0**
VII. Amounts due from non-financial and public sector	**7 529 521**	**7 204 833**	**7 157 550**	**7 771 783**
VIII. Investment securities	**4 398 000**	**4 412 337**	**4 149 963**	**5 054 779**
- available for sale	4 206 234	4 210 085	3 864 364	4 755 000
- held to maturity	191 766	202 252	285 599	299 779
IX. Receivables from securities bought with sell-back clause	**260 124**	**80 651**	**0**	**123 213**
X. Shares in subordinated companies subject to equity method	**0**	**0**	**0**	**0**
XI. Fixed assets for sale	**0**	**0**	**24 784**	**68 929**
XII. Intangible assets	**216 941**	**39 239**	**35 713**	**32 201**
of which: goodwill	4 539	3 895	3 579	3 263
XIII. Tangible fixed assets	**628 098**	**570 827**	**520 718**	**444 797**
XIV. Tax assets	**254 894**	**281 009**	**288 843**	**273 317**
current	13 945	7 158	5 854	4 706
deferred	240 949	273 851	282 989	268 611
XV. Other assets	**369 939**	**311 025**	**614 158**	**603 301**
Total assets	**20 454 104**	**20 415 525**	**20 641 495**	**20 329 238**

LIBILITIES	30.06.2004	31.12.2004	31.03.2005	30.06.2005
I. Amounts due to Central Bank	**0**	**1**	**1**	**1**
II. Amounts due to financial sector	**2 140 584**	**1 580 267**	**1 751 708**	**1 446 490**
III. Amounts due to non-financial and public sector	**12 101 965**	**13 307 746**	**13 373 380**	**13 023 758**
IV. Liabilities from securities sold with buy-back clause	**1 914 367**	**1 405 500**	**863 985**	**1 949 345**
V. Financial liabilities held for trading	**328 867**	**390 636**	**383 705**	**366 655**
VI. Liabilities from debt securities	**780 236**	**355 249**	**397 330**	**234 244**
VII. Subordinated debt	**364 029**	**326 978**	**330 469**	**323 824**
VIII. Provisions	**256 172**	**221 907**	**39 047**	**24 310**
IX. Tax liabilities	**144 837**	**222 664**	**171 138**	**175 195**
current	430	88 695	2 210	3 867
deferred	144 407	133 969	168 928	171 328
X. Other liabilities	**579 280**	**609 674**	**1 459 555**	**804 305**
Total liabilities	**18 610 337**	**18 420 622**	**18 770 318**	**18 348 127**
EQUITY				
I. Share capital	**849 182**	**849 182**	**849 182**	**849 182**
of which: share premium	**0**	**0**	**0**	**0**
II. Unpaid share capital (negative value)	**0**	**0**	**0**	**0**
III. Treasury stock (negative value)	**0**	**0**	**0**	**0**
IV. Supplementary capital	**760 716**	**760 716**	**724 965**	**740 396**
V. Other reserves	**226 516**	**258 479**	**272 497**	**298 638**
of which: general risk fund	85 633	85 633	88 366	88 366
of which: revaluation reserve	29 743	52 375	63 660	89 801
VI. Retained earnings (including current net result)	**7 353**	**126 526**	**24 533**	**92 895**
VII. Minority interests	**0**	**0**	**0**	**0**
Total equity	**1 843 767**	**1 994 903**	**1 871 177**	**1 981 111**
Total liabilities	**20 454 104**	**20 415 525**	**20 641 495**	**20 329 238**
Capital adequacy ratio	**17,84%**	**22,41%**	**21,10%**	**20,88%**
Book value	**1 843 767**	**1 994 903**	**1 871 177**	**1 981 111**
Number of shares	**849 181 744**	**849 181 744**	**849 181 744**	**849 181 744**
Book value per share (in PLN)	**2,17**	**2,35**	**2,20**	**2,33**

OFF-BALANCE SHEET ITEMS	30.06.2004	31.12.2004	31.03.2005	30.06.2005
I. Contingent liabilities granted and received	**3 554 271**	**4 249 345**	**4 447 342**	**5 236 848**
1. Liabilities granted:	2 647 205	3 196 044	3 394 756	4 213 483
a) financial	2 211 080	2 827 709	2 999 786	3 620 719
b) guarantees	436 125	368 335	394 970	592 764
2. Liabilities received:	907 066	1 053 301	1 052 586	1 023 364
a) financial	0	0	0	0
b) guarantees	907 066	1 053 301	1 052 586	1 023 364
II. Current off-balance sheet transactions	**4 006 419**	**4 082 526**	**4 132 474**	**1 841 579**
III. Term off-balance sheet transactions	**36 029 149**	**31 548 666**	**32 848 250**	**34 237 611**
IV. Other	**0**	**0**	**0**	**0**
TOTAL OFF-BALANCE SHEET ITEMS	**43 589 839**	**39 880 537**	**41 428 066**	**41 316 038**

CONSOLIDATED INCOME STATEMENT	AMOUNT '000 PLN 1.04.2004 - 30.06.2004	AMOUNT '000 PLN 1.01.2004 - 30.06.2004	AMOUNT '000 PLN 1.04.2005 - 30.06.2005	AMOUNT '000 PLN 1.01.2005 - 30.06.2005
I. Interest income	295 881	601 842	337 197	675 978
II. Interest expense	144 556	294 867	175 725	357 573
III. Net interest income (I-II)	**151 325**	**306 975**	**161 472**	**318 405**
IV. Commission income	71 068	136 291	63 790	136 029
V. Commission expense	8 206	16 693	5 027	14 624
VI. Net commission income (IV-V)	**62 862**	**119 598**	**58 763**	**121 405**
VII. Dividend income	6	6	1 895	1 895
VIII. Profit (loss) on financial operations	172 483	180 126	33 525	58 279
- gains/losses on investment securities	302	289	35 554	57 621
- gains/losses on trading securities	-18 728	-18 412	25 678	40 290
- gains/losses on other financial operations	190 909	198 249	-27 707	-39 632
IX. Foreign exchange gains (losses)	20 901	43 023	26 014	42 686
X. Profit / (loss) on banking activity	**407 577**	**649 728**	**281 669**	**542 670**
XI. Other operating income	106 855	131 945	35 829	71 243
XII. Other operating expenses	105 922	130 033	30 133	69 878
XIII. General and administrative expenses	**171 026**	**358 640**	**166 529**	**333 163**
XIV. Depreciation and amortization	27 248	54 973	20 896	43 033
XV. Charges to provisions and revaluation	346 566	637 795	143 580	355 743
XVI. Release of provisions and revaluation	253 365	543 956	148 006	350 775
XVII. Net provisions and revaluation (XV-XVI)	**93 201**	**93 839**	**-4 426**	**4 968**
XVIII. Operating profit / (loss)	**117 035**	**144 188**	**104 366**	**162 871**
XIX. Extraordinary gains / (losses)	0	0	0	0
XX. Write-offs of negative goodwill	0	0	0	0
XXI. Profit before taxes	**117 035**	**144 188**	**104 366**	**162 871**
XXII. Corporate income tax	**25 414**	**32 820**	**20 889**	**34 458**
XXIII. Net income (loss) of subordinated companies subject to equity method	316	632	316	632
XXIV. Minority interests	0	0	0	0
XXV. Net income (loss) on discontinued operations	**0**	**0**	**0**	**0**
XXVI. Net profit (loss)	**91 937**	**112 000**	**83 793**	**129 045**

Net profit (loss) (for 12 months)	119 047	119 047	257 549	257 549
Weighted average number of ordinary shares	849 181 744	849 181 744	849 181 744	849 181 744
Earnings (losses) per ordinary share (in PLN)	**0,14**	**0,14**	**0,30**	**0,30**

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	51 096	0	-65 974
- loss covered from supplementary capital	0	0	0	-35 510	0	0		0	35 510
- purchase/sale and valuation of available for sale financial assets	-3 139	0	0	0	0	-3 139		0	0
- net income (loss) of the period	112 000	0	0	0	0	0	0	0	112 000
-	0	0	0	0	0	0		0	0
Equity at the end of the period (closing balance) 30.06.2004	1 843 767	849 182	0	507 460	253 256	29 743	196 773	0	7 353

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	35 510
- purchase/sale and valuation of available for sale financial assets	19 493	0	0	0	0	19 493		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
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) 01.04.2005	1 871 177	849 182	0	471 709	253 256	63 660	208 837	0	24 533
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	1 871 177	849 182	0	471 709	253 256	63 660	208 837	0	24 533
- dividend payments	0	0	0	0	0	0	0	0	0
- other appropriation of retained earnings	0	0	0	0	15 431	0	0	0	-15 431
- loss covered from supplementary capital	0	0	0	0	0	0	0	0	0
- purchase/sale and valuation of available for sale financial assets	26 141	0	0	0	0	26 141	0	0	0
- net income (loss) of the period	83 793	0	0	0	0	0	0	0	83 793
-	0	0	0	0	0	0	0	0	0
Equity at the end of the period (closing balance) 30.06.2005	1 981 111	849 182	0	471 709	268 687	89 801	208 837	0	92 895

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	15 431	0	2 733	0	-18 164
- 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	37 426	0	0	0	0	37 426	0	0	0
- net income (loss) of the period	129 045	0	0	0	0	0	0	0	129 045
-	0	0	0	0	0	0	0	0	0
Equity at the end of the period (closing balance) 30.06.2005	1 981 111	849 182	0	471 709	268 687	89 801	208 837	0	92 895

	AMOUNT '000 PLN	AMOUNT '000 PLN	AMOUNT '000 PLN	AMOUNT '000 PLN
CONSOLIDATED STATEMENT OF CASH FLOWS - indirect method	**1.04.2004 - 30.06.2004**	**1.01.2004 - 30.06.2004**	**1.04.2005 - 30.06.2005**	**1.01.2005 - 30.06.2005**
A. Cash flows from operating activities				
I. Net income (loss)	**91 937**	**112 000**	**83 793**	**129 045**
II. Adjusted by:	**1 161 601**	**682 999**	**1 905 231**	**1 425 520**
1. Minority profit (loss)	**0**	**0**	**0**	**0**
2. Interests in net income (loss) of subordinated companies subject to equity method	**-316**	**-632**	**-316**	**-632**
3. Depreciation and amortization	**27 248**	**54 973**	**20 896**	**43 033**
4. Foreign exchange gains/(losses)	**-62 616**	**-53 837**	**-8 453**	**-7 005**
5. Interest and dividends	**8 637**	**51 641**	**27 053**	**53 857**
6. Profit/(loss) on investing activities	**2 346**	**-2 145**	**-95**	**1 231**
7. Changes in provisions	**12 033**	**13 440**	**-15 047**	**-8 969**
8. Income tax	**6 192**	**7 362**	**8 136**	**16 049**
9. Income tax paid	**-4 699**	**-5 721**	**-5 331**	**-98 425**
10. Change in inventories	**0**	**0**	**0**	**0**
11. Change in debt securities	**-279 660**	**-650 123**	**-488 852**	**-847 951**
12. Change in amounts due from financial sector	**-843 240**	**-809 853**	**2 247 362**	**2 393 271**
13. Change in amounts due from non-financial and public sectors	**2 568 607**	**2 696 966**	**-614 230**	**-1 082 682**
14. Change in receivables from securities purchased with sell-back option	**196 456**	**-159 766**	**-123 213**	**-42 562**
15. Change in shares, other securities and other financial assets	**-73 074**	**-6 423**	**30 939**	**118 436**
16. Change in amounts due to financial sector	**-276 212**	**-598 943**	**511 697**	**957 024**
17. Change in amounts due to non-financial and public sectors	**-65 740**	**339 925**	**-349 622**	**-283 988**
18. Change in liabilities from securities sold with buy-back option	**484 215**	**378 889**	**1 085 360**	**543 845**
19. Change in liabilities from securities	**-249 911**	**-228 577**	**-28 184**	**11 795**
20. Change in other liabilities	**-49 257**	**-100 691**	**-384 935**	**-340 842**
21. Change in accrued expenses and prepayments	**-12 251**	**-13 909**	**-6 907**	**-16 615**
22. Change in deferred and restricted incomes	**-227 403**	**-229 388**	**-984**	**16 421**
23. Other	**246**	**-189**	**-43**	**229**
III. Net cash flows from operating activities (I+/-II)	**1 253 538**	**794 999**	**1 989 024**	**1 554 565**
B. Cash flows from investing activities				
I. Cash from investing activities	**5 905**	**18 159**	**6 214**	**23 476**
1. Sale of shares in subsidiaries	**0**	**0**	**0**	**0**
2. Sale of shares in jointly-controlled subsidiaries	**0**	**0**	**0**	**0**
3. Sale of shares in associated companies	**0**	**0**	**0**	**175**
4. Sale of shares in other companies, other securities and other financial assets	**0**	**0**	**0**	**0**
5. Sale of intangible assets and tangible fixed assets	**5 905**	**12 281**	**4 319**	**21 406**
6. Sale of investments in real estate and intangible assets	**0**	**0**	**0**	**0**
7. Other	**0**	**5 878**	**1 895**	**1 895**
II. Cash used for investing activities	**1 142 391**	**923 006**	**881 911**	**537 101**
1. Purchase of shares in subsidiaries	**0**	**0**	**0**	**0**
2. Purchase of shares in jointly-controlled subsidiaries	**0**	**0**	**0**	**0**
3. Purchase of shares in associated companies	**0**	**0**	**0**	**0**
4. Purchase of shares in other companies, other securities and other financial assets	**1 140 448**	**917 905**	**872 456**	**525 726**
5. Purchase of intangible assets and tangible fixed assets	**1 943**	**5 101**	**9 455**	**11 375**
6. Investments in real estate and intangible assets	**0**	**0**	**0**	**0**

7. Other	**0**	**0**	**0**	**0**
III. Net cash flows from investing activities (I-II)	**-1 136 486**	**-904 847**	**-875 697**	**-513 625**
C. Cash flows from financing activities				
I. Cash from financing activities	**0**	**0**	**0**	**0**
1. Long-term bank loans	**0**	**0**	**0**	**0**
2. Long-term borrowings from financial institutions other than banks	**0**	**0**	**0**	**0**
3. Issue of debt securities	**0**	**0**	**0**	**0**
4. Increase in subordinated debt	**0**	**0**	**0**	**0**
5. Net proceeds from issues of shares and additional capital paid-in	**0**	**0**	**0**	**0**
6. Other	**0**	**0**	**0**	**0**
II. Cash used for financing activities	**45 055**	**51 114**	**1 216 734**	**1 222 135**
1. Repayment of long-term bank loans	**0**	**0**	**793 053**	**793 053**
2. Repayment of long-term borrowings from financial institutions other than banks	**0**	**0**	**0**	**0**
3. Redemption of debt securities	**0**	**0**	**133 073**	**133 073**
4. Other financial liabilities	**0**	**0**	**0**	**0**
5. Financial leasing liabilities	**0**	**0**	**0**	**0**
6. Decrease in subordinated debt	**0**	**0**	**0**	**0**
7. Dividends and other payments to owners	**0**	**0**	**237 771**	**237 771**
8. Dividends and other shares in profit paid to minority shareholders	**0**	**0**	**0**	**0**
9. Other payments from appropriated earnings	**0**	**0**	**0**	**0**
10. Purchase of treasury stock	**0**	**0**	**0**	**0**
11. Other	**45 055**	**51 114**	**52 837**	**58 238**
III. Net cash flows from financing activities (I-II)	**-45 055**	**-51 114**	**-1 216 734**	**-1 222 135**
D. Net cash flows, total (A.III+/-B.III+/-C.III)	**71 997**	**-160 962**	**-103 407**	**-181 195**
E. Change in cash and cash equivalents	**71 997**	**-160 962**	**-103 407**	**-181 195**
F. Cash and cash equivalents at the beginning of the period	**588 931**	**821 890**	**805 024**	**882 812**
G. Cash and cash equivalents at the end of the period (F+/- D), of which:	**660 928**	**660 928**	**701 617**	**701 617**
- assets of limited availability				

V. FINANCIAL INFORMATION BROKEN DOWN INTO OPERATIONAL SEGMENTS

Business Segments

The activity of Bank Millennium Group is conducted through different business lines offering specific products and services targeted to 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 first half 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 panoply 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, mutual funds and Bank Millennium bonds. 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 a modern 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's 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 (other)

Both years' results of the Group are impacted by.

- management costs - presented in unallocated area, as they are not originated in business areas and result from one off Management Board decisions,
- outstanding money market operations managing excess of liquidity,
- result on sale of car loan portfolio in May 2004,
- additional revenue in the first half of 2005 from the settlement of PZU sale.

Geographical segments

Bank Millennium Group 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 geographical segment's reports.

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 operating profit in the 1st half of 2005 result shows an improvement when compared with 1 half of 2004. The main reasons for this evolution were: a significant increase of mortgage lending, substantive increase of deposits under strict management of spreads, growth of fees and commissions driven by increased levels of lending, cross selling, banking cards and transfers, including electronic transactions. 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 and strict cost control allows Retail network to decrease costs to income ratio from 75% to 72% in the first half of 2005. Net contribution decrease was caused by higher loans impairment provisions, of which for mortgage loans, created according to International Accounting Standards.

Corporate segment results improved in 1 half of 2005, mostly due to higher spreads on loans (resulting from improved quality of the loans portfolio), higher FX and financial operations incomes as well as significantly lower level of provisions in 1 half of 2005 (mainly due to positive recovery results in the first half of 2005). This positive results were partly eliminated by lower commission income (loans related commissions and transfers) as well as lower deposit margin. Strict cost control allows Corporate network to decrease costs to income ratio to 55% in the first half of 2005.

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 half 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 half of 2005. Higher commission income came mainly from IPOs launched in 2005.

Part of management costs of the Bank is not possible to allocate to segments. Together with result on loans sale in 1 half of 2004, as well as additional income in 1 half of 2005 connected with sale of PZU shares are shown in the column “Other”.

Income statement
30.06.2004

PLN thousand	Retail Banking	Corporate Banking	Financial Markets	Investment Banking	Other	Total consolidated
Net interest income	203 391	103 584	0	0	0	306 975
Commissions (net)	68 718	35 370	0	15 510	0	119 598
Profits arising on financial transactions (net)	6 187	14 496	14 728	21	187 723	223 155
Other operating income (net)	0	0	0	0	1 912	1 912
Operating Income	**278 295**	**153 452**	**14 728**	**15 532**	**189 634**	**651 640**
Staff costs	-70 765	-38 886	-9 145	-5 592	-32 026	-156 414
Other administrative costs	-106 292	-65 623	-7 964	-4 875	-17 472	-202 226
Depreciation	-31 279	-11 571	-1 034	-638	-10 451	-54 973
Operating costs	**-208 336**	**-116 080**	**-18 142**	**-11 105**	**-59 950**	**-413 613**
Operating Profit	**69 959**	**37 372**	**-3 414**	**4 426**	**129 684**	**238 027**
Loan impairment provisions (net of recoveries)	-4 550	-89 289	0	0	0	-93 839
Group Equity - accounted earnings	0	0	0	0	632	632
Profit before taxes	**65 409**	**-51 917**	**-3 414**	**4 426**	**130 316**	**144 820**
Income taxes	0	0	0	0	-32 820	-32 820
Net profit	**65 409**	**-51 917**	**-3 414**	**4 426**	**97 496**	**112 000**

Assets	Retail Banking	Corporate Banking	Financial Markets	Other	Total / consolidated
Segment assets	3 145 213	5 062 986	82 182	2 320 333	10 610 714
Assets allocated to segment	6 546 894	2 550 939	0	745 557	9 843 390
Total	9 692 107	7 613 925	82 182	3 065 889	20 454 104

Liabilities

Segment Liabilities	9 325 655	3 263 429	28 049	1 699 108	14 316 241
Liabilities allocated to segment	366 453	4 350 496	54 133	1 366 781	6 137 864
Total	9 692 107	7 613 925	82 182	3 065 890	20 454 104

Income statement
30.06.05

PLN thousand	Retail Banking	Corporate Banking	Financial Markets	Investment Banking	Other	Total consolidated
Net interest income	198 465	101 912	0	0	18 028	318 405
Commissions (net)	76 528	28 357	0	16 520	0	121 405
Profits arising on financial transactions (net)	6 522	15 048	53 283	12	27 995	102 860
Other operating income (net)	0	0	0	0	1 365	1 365
Operating Income	**281 515**	**145 317**	**53 283**	**16 532**	**47 389**	**544 035**
Staff costs	-69 993	-35 912	-6 432	-5 093	-43 938	-161 368
Other administrative costs	-108 575	-32 382	-6 742	-3 704	-20 393	-171 795
Depreciation	-24 824	-11 735	-549	-438	-5 488	-43 033
Operating costs	**-203 391**	**-80 028**	**-13 724**	**-9 235**	**-69 818**	**-376 196**
Operating Profit	**78 124**	**65 289**	**39 559**	**7 297**	**-22 430**	**167 839**
Loan impairment provisions (net of recoveries)	-22 755	20 486	0	0	-2 699	-4 968
Group Equity - accounted earnings	0	0	0	0	632	632
Profit before taxes	**55 369**	**85 775**	**39 559**	**7 297**	**-24 496**	**163 503**
Income taxes	0	0	0	0	-34 458	-34 458
Net profit	**55 369**	**85 775**	**39 559**	**7 297**	**-58 954**	**129 045**

Assets	Retail Banking	Corporate Banking	Financial Markets	Other	Total / consolidated
Segment assets	3 889 261	4 332 768	13 443	1 414 485	9 649 957
Assets allocated to segment	6 045 548	2 476 174	0	2 157 559	10 679 281
Total	9 934 809	6 808 942	13 443	3 572 044	20 329 238

Liabilities

Segment Liabilities	9 570 889	3 543 594	8 056	1 573 006	14 695 545
Liabilities allocated to segment	363 920	3 265 348	5 387	1 999 038	5 633 693
Total	9 934 809	6 808 942	13 443	3 572 044	20 329 238

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 a 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 April 2005.

VII. EARNINGS PER SHARE

Earnings per share for the 1st HY 2005 calculated on the basis of annualised consolidated profit, stand at PLN 0.30. A component of the annualised profit valued at PLN 257.549 thous. are earnings generated in the period from 1 July to 31 December 2004 standing at PLN 128.504 thous. calculated with no adjustment of comparable data for the implementation of the IFRS (this is described in chapter „Introduction and Accounting Policies").

When calculating a „profit per share" based on pro forma data (i.e. taking into account the adjustments for IAS in the data for 2004) the value of PLN 0,33 per share (transformed result for the period from 1 July – 31 December 2004 is PLN 152.951 thous).

VIII. STRUCTURE OF BANK MILLENNIUM S.A. CAPITAL GROUP

There were no changes in Millennium Capital Group structure during 1HY 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 30 June 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

There were none

X. SHAREHOLDERS WHO HOLD AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GSM OF BANK MILLENNIUM SA

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 Shareholde rs
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 30 June 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 shares by persons exercising management and supervision functions since the submission of the previous quarterly report.

XII. CASES OF COURT LITIGATIONS

The biggest 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 takeover of BIG BANK Spółka Akcyjna (former ŁBR S.A.).

XIII. CREDIT BACKING OR GUARANTEES PROVIDED BY THE BANK

In the second quarter of 2005 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. 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 the first HY 2005 the Bank had a positive tax base of PLN 58.883 thous, which was mainly set off against tax losses incurred in 2003. Current income tax at the end of the 1st HY did not arise. The main items which influenced the Bank's tax base at the specified level were as follows:

- Realised interest and swap points on SWAP transactions
- Cash profit on debt security transactions and sell buy backs,

- Capitalised interest constituting tax revenue at the capitalisation date.

The biggest contributor to the Group's tax due in the profit and loss account were taxes due accounted in the companies BEL Leasing Sp. z o.o. and Millennium Dom Maklerski S.A.

- 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 entities creates an income tax provision every month, assuming for its creation all temporary differences with respect to which it is certain that they will become a tax deductible or tax income in the following reporting periods. Thanks to applying this methodology it is possible to evenly 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 assets. 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 of the Group for the first HY 2005 stood at 18.409 thous.

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

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

MOVEMENTS IN LIABILITIES FROM ISSUE OF DEBT SECURITIES	**01.01.05-30.06.05**
Balance at the beginning of the period	**355 249**
a) increases (of which)	15 884
- issue of bonds - subsidiary	11 687
- accrued interest	3 934
- discount settlement	109
- foreign exchange differences	154
b) decreases (of which)	136 889
- redemption of Bank's bonds	133 073
- foreign exchange differences	1 690
- repayment of interest	2 126
Balance at the end of the period	**234 244**

A growth of liabilities on the 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).

XIII. 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 ELIMINATIONS OF INTRAGROUP TRANSACTIONS AND CONSOLIDATIVE CORECTIONS (PLN THOUSAND)	
ASSETS	**30.06.05**
Cash deposited with the Bank	339 949
Amounts due from consolidated entities in respect of: credits, loans, purchased receivables	1 780 303
Receivables from securities bought with sell-back clause	81 019
Shares in consolidated subsidiaries	101 359
Value of debt securities in SBB transaction	1 231 403
Other assets	1 125 504
LIABILITIES	**30.06.05**
Amounts due to consolidated entities in respect of: credits, loans, purchased receivables	2 312 980
Liabilities from securities sold with buy-back clause	1 279 144
Subordinated liabilities	22 282
Special funds and other liabilities	1 296 827

PROFIT AND LOSS ACCOUNT	1.01.05 – 30.06.05
Income of which:	
interest in respect of: accounts, deposits, credits, loans, purchased receivables	81 352
banking and brokerage commissions	4 819
intragroup dividend payments	236 116
other operating income	8 824
Expenses of which:	
interest in respect of: accounts, deposits, credits, loans, purchased receivables	78 761
banking and brokerage commissions	4 610
other operating expenses	4 972
general and administrative of subsidiaries	3 499

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 on-balance securities 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 HY1 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 5.219 thous., decreasing of financial operations income by PLN 5 219 thous,
- change in provisions resulting from the sale of the car loan portfolio in the amount of PLN 38.290 thous, previously accounted for in the P&L as provision elimination, for the needs of the report according to the IFRS is presented as part of the profit realised on the selling of the portfolio in the financial operations income,
- in accordance with the IFRS revenues recovered from the receivables previously charged off against provisions in the amount of PLN 8 305 thous. for the HY1 in the year 2004 were reallocated in the PLN from the previous operating revenues to provision elimination,
- As a result of changing the manner of presentation of the interest margin resulting from derivatives, as from 2005 the result on these operations is presented on a net basis (previously revenues and expenses were presented separately); the value of both revenues and expenses for HY1 2004 was reduced by the amount of PLN 227 526. This adjustment does not impact net interest income.

From 1 January to 30 June 2005 the Bank cancelled irrecoverable receivables against provisions created in the amount of PLN 68.144 thous.

For calculating the EURO value the following rates were applied:

- For balance sheet items the rate 4,0401 PLN/EURO of 30 June 2005 (for comparable data: 4,5422 PLN/EURO),
- For P&L items for 1 January – 30 June 2005 – 4,0805 PLN/EURO, the rate calculated as the average of rates at the end of month of January, February, March, April, May and June 2005 (for comparable data 4,7311 PLN/EURO).