Bank Millennium

Interim Short Form Financial Report of Bank Millennium S.A. Capital Group for 3rd Quarter of 2005 prepared in accordance with the International Financial Reporting Standards

MAIN FINANCIAL DATA	Amount '000 PLN		Amount '000 EUR	
	III quarters / period from 1.01.2005 - 30.09.2005	III quarters / period from 1.01.2004 - 30.09.2004	III quarters / period from 1.01.2005 - 30.09.2005	III quarters / period from 1.01.2004 - 30.09.2004
I. Interest income	996 981	892 715	245 665	193 171
II. Commission income	218 081	204 725	53 737	44 300
III. Operating income	811 240	863 894	199 897	186 934
IV. Operating result	238 877	168 443	58 861	36 449
V. Profit before taxes	239 825	169 391	59 095	36 654
VI. Net income (loss)	189 559	129 242	46 709	27 966
VII. Net cash flows from operating activities	599 091	3 065 223	147 621	663 270
VIII. Net cash flows from investing activities	-773 570	-1 325 332	-190 614	-286 783
IX. Net cash flows from financing activities	-1 160 953	3 236	-286 069	700
X. Net cash flows, total	-1 335 432	1 743 127	-329 062	377 188
XI. Total assets	22 777 591	20 347 074	5 815 654	4 642 059
XII. Amounts due to banks	1 776 160	2 067 761	453 495	471 747
XIII. Amounts due to customers	13 604 903	12 201 108	3 473 651	2 783 607
XIV. Equity	2 031 474	1 867 523	518 683	426 064
XV. Share capital	849 182	849 182	216 816	193 736
XVI. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVII. Book value per share (in PLN/EUR)	2,39	2,20	0,61	0,50
XVIII. Diluted book value per share (in PLN/EUR)	-	-	-	-
XIX. Capital adequacy ratio	18,79%	18,46%	18,79%	18,46%
XX. Earnings (losses) per ordinary share (in PLN/EUR)	0,35	0,16	0,09	0,03
XXI. Diluted earnings (losses) per ordinary share (in PLN/EUR)	-	-	-	-
XXII. 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 Q3 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 September 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 of 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 the financial standing, the Group prepared main financial reports for Q3 2004 on a pro-forma basis including all the IFRS requirements, also the aforementioned IAS 39 issues. These reports were used for managerial analysis and have formed the basis for the information about activity of the Group in the three quarters of 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 (1), and settling a specific long term agreement with one counterparty, presented below (2). Additionally in EIR calculations performed by a subsidiary running leasing operations there was increased the scope of costs constituting a component of the calculation and also commissions were taken into account collected from clients for concluding the leasing agreement. It is important to notice that the discount and premium on debt securities have been already settled by applying the exponential approach.

(1) 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 recognised 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 recognised as interest income (or commission income in the case of commissions collected on instruments with an indetermined repayment schedule. 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 adjustments has been presented further in the report.

Additionally, the following will be subject to settlement over time:

- selected commissions collected on payment cards, depreciated by linear method, taken as commission income,
- certain own costs incurred by the Group, directly connected with the conclusion of a loan agreement, such as commissions paid to internal agents or own agents and real estate appraisal expense connected with this type of agreements.

(2) The afore-mentioned agreement resulted in a simultaneous taking of a loan by the Bank and purchase of the counterparty's securities. Additionally the Bank made the prepayment of the (discounted) interest on the loan for last 10 years in advance. Such construction resulted in a major adjustment (increase) of the opening balance of own capitals at the moment of EIR application.

2. Impairment of Credit Exposures

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 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.*

(1) 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 forecasted time schedule of repayments made by the Customer, or the time schedule for the sale of collaterals

(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:

- the interest on NPLs, accrued by the Polish standards on the gross exposure amount and recognised 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.

3. The 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 since 1 January 2005 has applied 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. INFORAMTION ABOUT ACTIVITY OF BANK MILLENNIUM GROUP IN THE 3 QUARTERS OF 2005

The Management Board of Bank Millennium („Bank”) informs that after three Quarters of 2005 consolidated net profit of Bank Millennium Capital Group totalled PLN 189.6 million and was 19% higher than during the same period of 2004 (PLN 159.3 million).

In the first 9 months of 2005, Bank Millennium Group attained significant improvement of core business profitability:

- Increase of ROE from 11.6% to 12.8%
- Net interest income up by 2.1% y-o-y despite lower margins
- Impressive net commissions growth by 21%, driven by loans, credit cards and mutual funds
- Operating costs under control (-2% versus 1-3Q 2004)
- Impairment provisions dropped by 47%, while credit recoveries contributed very positively with PLN 33 m to lower provisioning needs
- Non-performing loans lower by PLN 269 million y-o-y, NPL ratio (Polish standards) decreased from 20% to 13%
- Strong solvency ratio of 18.8% (of which 15.9% Tier 1)

The Bank delivered excellent results in key business areas:

- Strong improvement in retail banking, with growth in mortgage loans, mutual funds and credit cards, cross-selling ratio improved 15% to 2.63 products per client
- Robust 26% growth of the loan portfolio, mainly driven by mortgage loans, which achieved 10.4% market share in new production (after 8 months)
- Significant 13% growth in customer funds, mainly driven by mutual funds (+163% y/y)
- Credit cards doubled reaching almost 100 thousand cards sold
- Impressive dynamics of internet users (over 250 thousand) and Millenet awarded as the „Best Consumer Internet Bank in Poland” by *Global Finance* magazine

Financial figures for 2004 stated in this chapter have been calculated on a pro-forma basis i.e. with full compliance with IAS rules. This approach permits comparability of results of the current period with the same period of last year.

Key factors impacting the financial result of the Bank Millennium Group after the first nine months of 2005

INCOME

Net operating income (PLN million)	**9 months 2005**	**9 months 2004** pro-forma	**Change**
Net Interest Income	461.7	452.4	2.1%
Net Commissions Income	196.4	162.1	21.1%
Other non-interest income	153.1	229.1	-33.2%
of which one-off events	*48.5*	*142.5*	
Net operating income	811.2	843.7	-3.8%
Net operating income excluding one-off events	***762.7***	***701.2***	***8.8%***

1.

Net interest income generated by Bank Millennium Group after three Quarters of 2005 totaled PLN 461.7 million and was 2,1% higher than in the corresponding period of the previous year (PLN 452.4 million) despite falling margins. This result was attained largely thanks to an increase of deposits as well as improvement of quality of assets.

2.

Net commissions income amounted to PLN 196.4 million (PLN 162.1 million in the homologous period of the previous year), meaning a 21,1% increase, driven by strong business growth, mainly in the areas of loans, credit cards and mutual funds.

3.

Other net non-interest income totaled PLN 153.1 million against PLN 229.1 million attained in the previous year. This item contains settlement of the dividend from PZU (in 2005) resulting from the agreement on sale of PZU SA shares to Eureko, while in 2004 it includes the result of the sale of the car loans portfolio.

4.

Net operating income reached PLN 811.2 million. If non-recurrent income is excluded its value is PLN 762.7 million, which means an increase of 8.8% compared with the same period of the previous year (PLN 701.2 million, also net of one-off events).

COSTS

Operating Costs (PLN million)	**9 months 2005**	**9 months 2004** pro-forma	**Change**
Personnel costs	239.6	229.8	+4.3%
Non-personnel costs	256.8	260.1	-1.3%
Depreciation	62.7	80.5	-22.2%
Total costs	**559.1**	**570.4**	**-2.0%**

5.

Total costs of Bank Millennium Group after three Quarters of 2005 dropped by 2.0% compared with the same period of the previous year (PLN 559.1 million versus PLN 570.4 million). This is the effect of reduction both of administrative costs (mainly due to lower cost of maintenance of fixed assets, IT and telecommunication) as well as of depreciation. **Non-personnel costs** were PLN 256.8 million (PLN 260.1 million in 2004), i.e. they decreased by 1.3%, while **depreciation** decreased by 22.2% down to the level of PLN 62.7 million (as compared to PLN 80.5 million).

Personnel costs increased, as compared to the same period of 2004, reaching PLN 239.6 million (+4.3%), driven mainly by a growing staff of the Bank's sales force. This is in line with the development of the Bank business strategy. As at 30 September 2005, Bank Millennium Group employed 4402 persons, compared to 4328 as at end of September 2004.

Cost to income ratio at the end of September 2005 was 69%

6.

Successful implementation of loans recovery programs and improvement of risk management allowed the Group to make less **provisions**. The balance of provisions created for credit risk, standing at PLN 13.2 million, was 81% lower than in the comparable period of the previous year (PLN 67.9 million). Not considering the positive impact upon provisions due to recovery of written-off receivables, the value of these provisions would stand at PLN 45.9 million, which means a decrease by 47% as compared with last year.

7.

After nine months of 2005, pre-tax profit of Bank Millennium Group was **PLN 239.8 million**, with **net profit at PLN 189.6 million** which is 19% higher compared with the pro-forma result of the three Quarters of 2004 (PLN 159.3 million).

BUSINESS FIGURES

8.

As at 30 September 2005 **total assets** were PLN **22 778 million**, growing 10.9% year on year.

Key Balance Sheet Volumes (PLN million)	**30.09.2005**	**30.09.2004** pro-forma	**Change**
Total Assets	22 778	20 536	10.9%
Total Customer funds (1)	14 872	13 132	13.2%
where deposits	*13 605*	*12 201*	*11.5%*
where mutual funds	*1 177*	*448*	*163%*
Total loans to Customers	8 612 *	6 860	25.5%
Equity	2 031	1 924	5.6%

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

As at 30 September 2005 the net value of **loans** to Customers increased by 26% as compared with one year before and stood at PLN 8 612 million. This marked yet another consecutive quarter of credit portfolio growth.

The increase in loans was mainly due to the dynamic growth of the **mortgage loans** portfolio, which now represents 31% share in the Bank's loans portfolio. In the first nine months of 2005 new production of mortgage loans was PLN 1597 million i.e. more than 4 times the value in the first three Quarters of 2004 (PLN 373 million), which allowed the Bank to sustain its 3rd position in the market (January – August 2005) with a 10.4% share in that period. These very good results were attained thanks to better branch sales performance and the successful use of such diverse distribution channels, as direct sales, brokers and internet portals.

9.

Total **Customers' funds**, including bonds and mutual funds as at 30.09.2005, totalled PLN 14 872 million, which means an increase of 13.2% when compared with 30.09.2004 (PLN 13 132 million). Strongest dynamics on an annual basis were demonstrated by **mutual funds** – increase by 163% to the amount of PLN 1 177 million, which gave the Bank market share increase from 1.3% to 2.2%. It is worth noting that Millennium Specialised Open Fund of Foreign Funds, launched in February 2005, now represents 10% of all assets accumulated in Millennium TFI funds. Since August 2005, foreign funds offer was extended to funds denominated in USD.

Products and services of Bank Millennium were highly appreciated by independent experts. In the "Best Bank for Companies" ranking of the Forbes magazine the offer of Bank Millennium available under the Millennium Biznes and Bankowość Przedsiębiorstw (Corporate Banking) brands was considered to be one of the best on the market and reached third place on the list. In the "Best Retail Bank" the Millennium network ranked 4th. Millenet - Internet banking of Bank Millennium for individual customers - has been awarded as the "Best Consumer Internet Bank in Poland" by the international *Global Finance* magazine.

In September 2005 the number of Customers using the bank's services via **internet** was 252 thousand of which 243 thousand were individual customers whose number increased by 95% as compared with end of September 2004. Today 66% of transactions of individual customers and almost 90% of transactions of business customers are done via electronic channels.

In the first nine months of 2005 the number of **credit cards** used by the Bank's customers doubled as compared with the same period of 2004 (to 99 thousand as at 30.09.2005).This growth is attributable first of all to an intensified cross-selling activity. September was the best month ever with almost 9.000 credit cards sold . Together with the growth of the number of cards their usage also increased: credit balance was up 146%, while POS transactions increased 66% in September 2005 as compared with September 2004.

10.

Loans quality

The quality of the loan portfolio of the Group (calculated using the Polish Accounting Standards) as at 30 September 2005 continued to show improvement. **The value of non-performing loans (NPL)** compared with last year was lower by PLN 269 million i.e. by 18%. Such effect was generated by a well-developed and prudent credit policy combined with highly effective recovery and restructuring efforts. During 9 months total cash recoveries of NPL's amounted to PLN 254 millions.

Loan quality indicators	30.09.2005	30.09.2004
Total NPL* (PLN million)	1 261	1 530
NPL over Total Loans	13.0%	19.6%
Total Provisions over NPL	67,2%	55,8%

* *According to Polish Accounting Standards*

The NPL to total loans ratio according to PAS improved significantly from 19.6% (as at 30.09.2004) to 13% (as at 30.09.2005), while the NPL coverage ratio went up from 55.8 % to 67.2% in the same periods.

11.

The solvency ratio of the Bank Millennium Group stood at 18.8% i.e. on a similar level to that in the previous year (18.5%).

IV. FINANCIAL DATA

CONSOLIDATED BALANCE SHEET	PLN'000	PLN'000	PLN'000	PLN'000
ASSETS	**30.09.2005**	**30.06.2005**	**31.12.2004**	**30.09.2004**
I. Cash and balances with Central Bank	740 280	666 506	872 630	516 086
II. Amounts due from other banks	2 767 324	1 298 325	3 164 034	2 402 822
III. Financial assets held for trading	3 485 475	3 796 480	3 075 104	3 434 446
IV. Other financial assets valued at fair value through financial result	0	0	0	0
V. Amounts due from customers	9 007 785	8 190 883	7 608 669	7 380 665
VI. Investments	5 114 810	4 831 286	4 412 337	4 926 478
- available for sale	5 037 358	4 755 000	4 210 085	4 729 547
- held to maturity	77 452	76 286	202 252	196 931
VII. Receivables from securities bought with sell-back clause	43 584	123 213	80 650	267 778
VIII. Investments in subordinates subject to equity method	0	0	0	2 423
IX. Tangible fixed assets	408 587	444 797	570 827	602 946
X. Intangible assets	29 362	32 201	39 239	214 377
XI. Non financial assets held for trading	66 477	68 928	0	0
XII. Deferred tax assets	301 394	268 611	273 851	241 910
XIII. Other assets	812 513	608 008	318 183	357 143
Total assets	**22 777 591**	**20 329 238**	**20 415 524**	**20 347 074**

LIABILITIES	30.09.2005	30.06.2005	31.12.2004	30.09.2004
I. Amounts due to banks	1 776 160	951 611	1 492 164	2 067 761
II. Trading liabilities	449 176	366 655	390 636	387 541
III. Amounts due to customers	13 604 903	13 518 638	13 395 850	12 201 108
IV. Liabilities from securities bought with buy-back clause	2 655 415	1 949 345	1 405 500	1 707 049
V. Certficates of deposits	0	0	0	0
VI. Other liabilities from debt securities	212 350	234 244	355 249	796 086
VII. Provisions	24 692	24 310	221 907	254 017
VIII. Deferred tax liabilities	202 677	172 306	133 969	150 858
IX. Current tax liabilities	2 921	3 867	88 695	2 590
X. Other liabilities	1 500 920	803 328	609 674	557 847
XI. Subordinated debt	316 903	323 823	326 977	354 694
Total Libilities	**20 746 117**	**18 348 127**	**18 420 621**	**18 479 551**
EQUITY				
I. Share capital	849 182	849 182	849 182	849 182
II. Revaluation reserve	48 642	58 793	21 367	5 249
III. Retained earnings	153 280	92 895	126 526	15 264
IV. Other reserves	980 370	980 241	997 828	997 828
Group Shareholders' equity	2 031 474	1 981 111	1 994 903	1 867 523
Minority interests	0	0	0	0
TOTAL EQUITY	**2 031 474**	**1 981 111**	**1 994 903**	**1 867 523**
Total liabilities and Equity	**22 777 591**	**20 329 238**	**20 415 524**	**20 347 074**
Capital adequacy ratio	**18,79%**	**20,88%**	**22,41%**	**18,46%**
Book value	**2 031 474**	**1 981 111**	**1 994 903**	**1 867 523**
Number of shares	**849 181 744**	**849 181 744**	**849 181 744**	**849 181 744**
Book value per share (in PLN)	**2,39**	**2,33**	**2,35**	**2,20**

OFF-BALANCE SHEET ITEMS	30.09.2005	30.06.2005	31.12.2004	30.09.2004
I. Contingent liabilities granted and received	**5 546 494**	**5 236 848**	**4 249 345**	**4 277 190**
1. Liabilities granted:	4 946 251	4 213 483	3 196 044	3 407 483
a) financial	4 272 485	3 620 719	2 827 709	2 987 411
b) guarantees	673 766	592 764	368 335	420 073
2. Liabilities received:	600 243	1 023 364	1 053 301	869 706
a) financial	0	0	0	0
b) guarantees	600 243	1 023 364	1 053 301	869 706
II. Current off-balance sheet transactions	**1 250 509**	**1 841 579**	**4 082 526**	**6 263 026**
III. Term off-balance sheet transactions	**43 860 169**	**34 237 611**	**31 548 666**	**36 889 322**
IV. Other	**0**	**0**	**0**	**0**
TOTAL OFF-BALANCE SHEET ITEMS	**50 657 172**	**41 316 038**	**39 880 537**	**47 429 537**

	PLN'000	PLN'000	PLN'000	PLN'000
CONSOLIDATED INCOME STATEMENT	**1.01.2005 - 30.09.2005**	**30.06.2005 -30.09.2005**	**1.01.2004 - 30.09.2004**	**30.06.2004 -30.09.2004**
I. Interest income	996 981	321 003	892 715	290 873
II. Interest expense	-535 238	-177 665	-443 625	-148 758
III. Net interest income	**461 743**	**143 338**	**449 090**	**142 115**
IV. Commission income	218 081	82 052	204 725	68 434
V. Commission expense	-21 693	-7 069	-25 621	-8 928
VI. Net commission income	**196 388**	**74 983**	**179 104**	**59 506**
VII. Income from dividends	2 078	183	1 588	1 582
VIII. Result of financial operations, including	85 910	27 631	173 780	-6 346
- result from investment securities	79 725	22 104	2 804	2 515
- result from trading securities	37 339	-2 951	-15 078	3 334
- result from other operations	-31 154	8 478	186 054	-12 195
IX. Foreign exchange result	66 465	23 779	63 937	20 914
X. Other operating income	-1 344	-2 709	-3 605	-5 517
XI. Operating income	**811 240**	**267 205**	**863 894**	**212 254**
XII. General and administrative expenses	-496 442	-163 279	-530 508	-171 868
XIII. Impairment cost	-13 241	-8 273	-84 404	9 435
XIV. Depreciation	-62 680	-19 647	-80 539	-25 566
XV. Operating expenses	**-572 363**	**-191 199**	**-695 451**	**-187 999**
XVI. Operating result	**238 877**	**76 006**	**168 443**	**24 255**
XVII. Group equity accounted earnings	948	316	948	316
XVIII. Profit before taxes	**239 825**	**76 322**	**169 391**	**24 571**
XIX. Corporate income tax	-50 266	-15 808	-40 149	-7 329
XX. Net income (loss)	**189 559**	**60 514**	**129 242**	**17 242**
Including:				
Group Shareholders' equity	189 559	60 514	129 242	17 242
Minority interests	0	0	0	0
Net income (loss)	**189 559**	**60 514**	**129 242**	**17 242**
Net profit (loss) (annualized)	300 821	300 821	133 231	133 231
Weighted average number of ordinary shares	849 181 744	849 181 744	849 181 744	849 181 744
Profit (loss) per ordinary share (in PLN)	**0,35**	**0,35**	**0,16**	**0,16**

STATEMENT OF MOVEMENTS IN CONSOLIDATED EQUITY	Total consolidated equity	Share capital	Revaluation reserve	Other reserves	Retained earnings
Equity at the beginning of the period (opening balance) 01.07.2005	1 981 111	849 182	58 793	980 241	92 895
- other appropriation of retained earnings	0	0	0	129	-129
- purchase/sale and valuation of available for sale financial assets	-10 151	0	-10 151	0	0
- net income (loss) of the period	60 514	0	0	0	60 514
Equity at the end of the period (closing balance) 30.09.2005	2 031 474	849 182	48 642	980 370	153 280

STATEMENT OF MOVEMENTS IN CONSOLIDATED EQUITY	Total consolidated equity	Share capital	Revaluation reserve	Other reserves	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2005	1 994 903	849 182	21 367	997 828	126 526
Changes in adopted accounting policies	57 508	0	0	0	57 508
Equity at the beginning of the period (opening balance) as restated to comparable data	2 052 411	849 182	21 367	997 828	184 034
- dividend payments	-237 771	0	0	0	-237 771
- other appropriation of retained earnings	0	0	0	18 293	-18 293
- loss covered from supplementary capital	0	0	0	-35 751	35 751
- purchase/sale and valuation of available for sale financial assets	27 275	0	27 275	0	0
- net income (loss) of the period	189 559	0	0	0	189 559
Equity at the end of the period (closing balance) 30.09.2005	2 031 474	849 182	48 642	980 370	153 280

STATEMENT OF MOVEMENTS IN CONSOLIDATED EQUITY	Total consolidated equity	Share capital	Revaluation reserve	Other reserves	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2004	1 734 906	849 182	1 874	958 033	-74 183
- other appropriation of retained earnings	0	0	0	75 305	-75 305
- loss covered from supplementary capital	0	0	0	-35 510	35 510
- purchase/sale and valuation of available for sale financial assets	3 375	0	3 375	0	0
- net income (loss) of the period	129 242	0	0	0	129 242
Equity at the end of the period (closing balance) 30.09.2004	1 867 523	849 182	5 249	997 828	15 264

STATEMENT OF MOVEMENTS IN CONSOLIDATED EQUITY	Total consolidated equity	Share capital	Revaluation reserve	Other reserves	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2004	1 734 906	849 182	1 874	958 033	-74 183
- other appropriation of retained earnings	0	0	0	75 305	-75 305
- loss covered from supplementary capital	0	0	0	-35 510	35 510
- purchase/sale and valuation of available for sale financial assets	19 493	0	19 493	0	0
- net income (loss) of the period	240 504	0	0	0	240 504
Equity at the end of the period (closing balance) 31.12.2004	1 994 903	849 182	21 367	997 828	126 526

CONSOLIDATED STATEMENT OF CASH FLOWS	Amount '000 PLN	Amount '000 PLN	Amount '000 PLN	Amount '000 PLN
A. CASH FLOWS FROM OPERATING ACTIVITIES	**1.01.2005 - 30.09.2005**	**30.06.2005 - 30.09.2005**	**1.01.2004 - 30.09.2004**	**30.06.2004 - 30.09.2004**
I. Net profit (loss)	**189 559**	**60 514**	**129 242**	**17 242**
II. Adjustments for:	**409 532**	**549 334**	**2 935 981**	**642 809**
1. Minority profit (loss)	0	0	0	0
2. Interests in net income (loss) of subordinated companies	-948	-316	-948	-316
3. Depreciation and amortization	62 680	19 647	80 543	25 570
4. Foreign exchange (gains) losses	-16 911	-9 906	-102 810	-48 973
5. Interest and dividends	-2 078	-183	-19 505	0
6. Changes in provisions	-11 628	698	32 909	-1 839
7. Result on sale and liquidation of investing activity assets	-10 471	-7 898	-985	1 160
8. Change in financial assets held for trading	-582 162	-417 624	459 852	382 527
9. Change in other financial assets valued at fair value through financial result	0	0	0	0
9. Change in amounts due from banks	-145 169	-471 308	80 109	69 259
10. Change in amounts due from customers	-1 894 123	-813 335	3 084 646	280 660
11. Change in receivables from securities bought with sell-back clause	37 066	79 629	-167 420	-7 654
12. Change in trading liabilities	58 540	82 521	-56 663	58 674
13. Change in amounts due to banks	1 370 551	824 555	197 557	122 998
14. Change in amounts due to customers	209 053	86 265	-388 288	-65 673
15. Change in liabilities from securities bought with buy-back clause	1 249 915	706 070	171 571	-207 318
16. Change in liabilities from debt securities	-8 291	-21 894	-198 260	21 098
17. Change in deferred tax assets/liabilities	21 820	-30	28 018	3 962
18. Change in current tax assets/liabilities	-82 685	-310	2 373	3 401
19. Change in other assets and liabilities	153 886	492 449	-267 333	4 067
20. Other	487	304	615	1 206
III. Net cash flows from operating activities	**599 091**	**609 848**	**3 065 223**	**660 051**

B. CASH FLOWS FROM INVESTING ACTIVITIES	**1.01.2005 - 30.09.2005**	**30.06.2005 - 30.09.2005**	**1.01.2004 - 30.09.2004**	**30.06.2004 - 30.09.2004**
I. Cash from investing activities	**61 606**	**38 130**	**48 852**	**30 693**
1. Sale of intangible assets and tangible fixed assets	59 353	37 947	17 068	4 787
2. Sale of shares in subsidiaries	175	0	0	0
3. Sale of financial assets valued at fair value through financial result	0	0	0	0
4. Sale of investment financial assets	0	0	0	0
5. Other	2 078	183	31 784	25 906
II. Cash used for investing activities	**-835 176**	**-331 808**	**-1 374 184**	**-370 528**
1. Purchase of intangible assets and tangible fixed assets	-19 831	-8 456	-8 941	-3 840
2. Purchase of shares in subsidiaries	0	0	-3 039	-3 039
3. Purchase of financial assets valued at fair value through financial result	0	0	0	0
4. Purchase of investment financial assets	-815 345	-323 352	-1 362 204	-363 649
5. Other	0	0	0	0
III. Net cash flows from investing activities	**-773 570**	**-293 678**	**-1 325 332**	**-339 835**

C. CASH FLOWS FROM FINANCIAL ACTIVITIES	1.01.2005 - 30.09.2005	30.06.2005 - 30.09.2005	1.01.2004 - 30.09.2004	30.06.2004 - 30.09.2004
I. Cash from financing activities	**2 944**	**2 944**	**3 236**	**3 236**
1. Long-term bank loans	0	0	0	0
2. Issue of debt securities	0	0	0	0
3. Increase in subordinated debt	2 944	2 944	3 236	3 236
4. Net proceeds from issues of shares and additional capital paid-in	0	0	0	0
5. Other	0	0	0	0
II. Cash used for financing activities	**-1 163 897**	**0**	**0**	**0**
1. Repayment of long-term bank loans	-793 053	0	0	0
2. Redemption of debt securities	-133 073	0	0	0
3. Decrease in subordinated debt	0	0	0	0
4. Issue of shares expenses	0	0	0	0
5. Redemption of shares	0	0	0	0
6. Dividends and other payments to owners	-237 771	0	0	0
7. Other	0	0	0	0
III. Net cash flows from financing activities	**-1 160 953**	**2 944**	**3 236**	**3 236**

D. NET CASH FLOWS, TOTAL (A III+B III+C III)	**-1 335 432**	**319 114**	**1 743 127**	**323 452**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4 536 011**	**2 881 465**	**1 930 420**	**3 350 095**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (D+E)	**3 200 579**	**3 200 579**	**3 673 547**	**3 673 547**

V. FINANCIAL INFORMATION BROKEN DOWN INTO OPERATIONAL SEGMENTS

Segment Reporting

Business Segments

The activity of Bank Millennium Group 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 Bank's business lines 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 as well as cross selling of Group's subsidiary companies offer, mainly Mutual Funds, leasing and brokerage services. In the area of credit the main products are mortgage loans, credit cards, overdrafts, working capital financing, investment loans and leasing products for small business. On the customer funds side the main products are: current accounts, term deposits, mutual funds (not included in Bank Millennium Group Balance Sheet), Bank's 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 provide services to Local Governments and other public sector 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 more sophisticated treasury products (including derivatives) and home-banking. The Group is also very active in cross selling of leasing and factoring products to Corporate Clients.

c) Financial markets

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

d) Investment activities

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

e) Other (unallocated incomes and costs)

Both years' results of the Group are impacted by.

a. General management costs - presented in unallocated area, as they are not originated in business areas and result from one off Management Board decisions.
b. outstanding money market operations managing excess of liquidity
c. result on car loans portfolio sale in 2004
d. extraordinary income in 2005 received from Eureko as result of sale transaction of PZU shares.

Geographical segments

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

Accounting polices

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

For each segment there is determined result, including:

- Interest result is 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.
- Share of the segment in administrative and personnel costs, excluding management costs
- Net provisions
- Net profit is presented on the whole Group level

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 nine months of 2005 shows an improvement when compared with the same period of 2004. The main reason for this evolution was: a significant increase of mortgage lending in 2005. Credit card loans and other loans also had a positive evolution. Additional income resulting from expansion of loan portfolio more than compensated decrease of margin resulting from the sale the car loan portfolio. On liabilities side Retail networks substantively increased mutual fund volumes (not included in the Group Balance Sheet). Growth of fees and commissions was driven by increased levels of lending, cross selling (sale of mutual funds) and banking cards. This increase on income side and strict cost control allowed Retail network to increase operating profit by PLN 37 mln. On the other hand, provisions created increased due to significant growth of the portfolio.

Corporate segment results improved in the first nine months of 2005, mostly due to consistent increase of deposits and improved quality of loans, despite lower spreads caused both by increased competition and market rates decline. Lower net interest income was partly compensated by higher commissions, higher FX and financial operations incomes as well as significantly lower provisions created, mainly due to positive recovery results in 2005. Strict cost control allowed Corporate network to maintain costs to income ratio at the level of 62%.

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 nine months of 2004.

Investment activities improved contribution to Group overall results in 2005, which was mainly due to higher Brokerage and Corporate Finance activities. Higher commission income came mainly from brokerage fees due to high activity and turnover on the WSE.

Part of general management costs of the Bank is not possible to allocate to segments. Profit from the sale of car loans portfolio in 2004, as well as additional income in nine months of 2005 connected with sale of PZU shares are also shown in the column 'Other unallocated costs and incomes'.

Income statement
30.09.05

PLN thousand	Retail Banking	Corporate Banking	Financial Markets	Investment Banking	Other	Total / consolidated
Net interest income	272 101	134 732	-7 243	0	62 153	461 743
Commissions (net)	118 335	54 508	0	23 546	0	196 388
Income from shares and other securities					2 078	2 078
Profits arising on financial transactions (net)	9 754	25 705	68 288	-6	48 633	152 375
Other operating income (net)	0	0	0	0	-1 344	-1 344
Operating Income	400 190	214 945	61 045	23 540	111 520	811 240
Staff costs	-120 826	-52 712	-8 406	-7 883	-49 792	-239 619
Other administrative costs	-144 747	-62 684	-9 253	-5 567	-34 573	-256 823
Depreciation	-35 300	-17 973	-607	-635	-8 165	-62 680
Operating costs	-300 872	-133 369	-18 266	-14 084	-92 531	-559 122
Operating Profit	99 318	81 576	42 779	9 456	18 989	252 118
Loan impairment provisions (net of recoveries)	-33 177	13 306	0	0	6 630	-13 241
Group Equity - accounted earnings	0	0	0	0	948	948
Profit before taxes	66 141	94 882	42 779	9 456	26 568	239 825
Income taxes						-50 266
Net profit	66 141	94 882	42 779	9 456	-23 698	189 559

Assets	Retail Banking	Commercial Banking	Capital Markets	Other	Total / consolidated
Segment assets	4 459 187	4 979 438	11 902	1 243 306	10 693 084
Assets allocated to segment	6 167 842	3 203 789	364 282	2 348 595	12 084 507
Total	10 627 029	8 183 227	376 184	3 591 901	22 777 591
Liabilities					
Segment Liabilities	10 231 220	3 579 462	0	2 186 957	15 997 639
Liabilities allocated to segment	395 809	4 603 765	376 184	1 404 943	6 779 952
Total	10 627 029	8 183 227	376 184	3 591 901	22 777 591

Income statement

30.09.2004

PLN ; thousand	Retail Banking	Corporate Banking	Financial Markets	Investment Banking	Other	Total / consolidated
Net interest income	257 225	184 255	161	0	7 449	449 090
Commissions (net)	106 192	52 591	0	20 322	0	179 104
Income from shares and other securities					1 588	1 588
Profits arising on financial transactions (net)	9 475	21 452	18 392	2 608	185 790	237 717
Other operating income (net)	0	0	0	0	-3 605	-3 605
Operating Income	**372 891**	**258 299**	**18 554**	**22 929**	**191 220**	**863 894**
Staff costs	-105 960	-64 059	-6 995	-7 973	-44 823	-229 810
Other administrative costs	-155 820	-78 476	-9 051	-8 031	-49 320	-300 698
Depreciation	-48 546	-17 039	-1 338	-866	-12 750	-80 539
Operating costs	**-310 326**	**-159 574**	**-17 383**	**-16 870**	**-106 893**	**-611 047**
Operating Profit	**62 565**	**98 725**	**1 170**	**6 059**	**84 327**	**252 847**
Loan impairment provisions (net of recoveries)	-26 534	-71 961	0	0	14 091	-84 404
Group Equity - accounted earnings	0	0	0	0	948	948
Profit before taxes	**36 031**	**26 764**	**1 170**	**6 059**	**99 366**	**169 391**
Income taxes						-40 149
Net profit	**36 031**	**26 764**	**1 170**	**6 059**	**59 217**	**129 242**

Assets	Retail Banking	Commercial Banking	Capital Markets	Other	Total / consolidated
Segment assets	3 246 393	5 103 473	26 237	1 905 506	10 281 609
Assets allocated to segment	7 239 145	2 219 631	0	606 689	10 065 465
Total	10 485 538	7 323 104	26 237	2 512 195	20 347 074
Liabilities					
Segment Liabilities	10 030 823	2 657 403	0	1 274 280	13 962 506
Liabilities allocated to segment	454 715	4 665 701	26 237	1 238 663	6 384 568
Total	10 485 538	7 323 104	26 237	2 512 944	20 347 074

VI. DIVIDEND FOR 2004

Pursuant to Resolution No. 5 of the General Shareholders' Meeting of 8 March 2005 in the matter of the distribution of profit for the 2004 financial year, the General Shareholders' Meeting decided to assign from the 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 Q3 2005 calculated on the basis of annualised consolidated profit, stand at PLN 0.35. A component of the annualised profit valued at PLN 300 821 thous. are earnings generated in the period from 1 October to 31 December 2004 standing at PLN 111 262 thous. calculated with no adjustment of comparable data for the implementation of the IFRS (this issue is described in chapter I „Introduction and Accounting Policies").

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

In the period from 1 July till 30 September 2005 under the conducted restructuring programme the following Group subsidiaries were merged: BEL Leasing Sp. z o.o with the companies BIG BG Inwestycje S.A. and Prolim S.A. In connection with the fact that all these entities until the merger were subject to consolidation, these operations had no impact on the picture of the consolidated report.

Bank Millennium S.A. is the Group's controlling entity. The Group's remaining entities covered by the consolidated financial report as of 30 September 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
BBG FINANCE B.V.	financing Group companies	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 DOMINANT GROUP - BANK MILLENNIUM SA

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 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 September 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. The case is adjourned and no time limit has been specified.

- 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.).

XIII. CREDIT BACKING OR GUARANTEES PROVIDED BY THE BANK

In the third 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. 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.

Due to the scale of business the biggest impact on consolidated tax burden comes from the calculation of tax at the dominant entity - the Bank.

For the three quarters of 2005 the Bank had an income of PLN 185 693 thous, which was mainly set off against 50% of the tax losses incurred in 2003 in the amount of PLN 138 346 thous. and donations made in the amount of PLN 135 thous.

Consequently the tax base was at the level of PLN 47 212 thous. In connection with the possibility of covering the tax liability under corporate income tax with withheld lump-sum tax on dividends received the Bank did not lead to a tax for the nine month of this year.

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

- Realised interest and swap points on derivative transactions
- Cash profit on debt security transactions and sell buy backs,
- Realised exchange risk gains on swaps
- Received and paid fees and commissions on loans settled at the effective interest rate
- Capitalised interest constituting tax revenue at the capitalisation date..

- 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 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 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 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 recognised in the consolidated P&L Account of the Group for the three quarters of 2005 stood at PLN 19.309 thous.

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

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

MOVEMENTS IN LIABILITIES FROM ISSUE OF DEBT SECURITIES	01.01.05-30.09.05
Balance at the beginning of the period	**355 249**
a) increases (of which)	5 384
- accrued interest	5 067
- discount settlement	163
- foreign exchange differences	154
b) decreases (of which)	148 283
- redemption of Bank's bonds	133 073
- decrease of debt securities issued by subsidiary	11 279
- foreign exchange differences	1 689
- repayment of interest	2 242
Balance at the end of the period	**212 350**

The drop 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).

XVI. DESCRIPTION OF TRANSACTIONS WITH RELATED ENTITIES

Any transactions performed between Group entities during 3 quarters 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 CORRECTIONS (PLN THOUSAND)	
ASSETS	**30.09.05**
Cash deposited with the Bank	425 127
Amounts due from consolidated entities in respect of: credits, loans, purchased receivables	1 716 847
Receivables from securities bought with sell-back clause	154 819
Shares in consolidated subsidiaries	98 810
Value of debt securities in SBB transaction	1 196 264
Other assets	997 395
LIABILITIES	**30.09.05**
Amounts due to consolidated entities in respect of: credits, loans, purchased receivables	2 365 008
Liabilities from securities sold with buy-back clause	1 294 952
Subordinated liabilities	22 277
Special funds and other liabilities	1 131 125

PROFIT AND LOSS ACCOUNT	1.01.05 – 30.09.05
Income of which:	
interest in respect of: accounts, deposits, credits, loans, purchased receivables	178 593
banking and brokerage commissions	8 033

intragroup dividend payments	239 145
other operating income	13 367
Expenses of which:	
interest in respect of: accounts, deposits, credits, loans, purchased receivables	172 762
banking and brokerage commissions	8 180
other operating expenses	7 777
operations of entities subject to consolidation	5 090

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 the three quarters of 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 6 555 thous., decreasing of financial operations income by PLN 6 555 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 18 566 thous. for the three quarters of 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 the first three quarters of 2004 was reduced by the amount of PLN 388 480 thous. This adjustment does not impact net interest income.

From 1 January to 30 September 2005 the Bank cancelled irrecoverable receivables against provisions created in the amount of PLN 68 480 thous.

For calculating the EURO value the following rates were applied:

- For balance sheet items the rate 3.9166 PLN/EURO of 30 September 2005 (for comparable data: 4.3832 PLN/EURO),
- For P&L items for 1 January – 30 September 2005 – 4.0583 PLN/EURO, the rate calculated as the average of rates at the end of the months covered by the report (for comparable data 4.6214 PLN/EURO).