Bank Millennium

Interim Short Form Financial Report of Bank Millennium S.A. Capital Group for 4th Quarter of 2005 prepared in accordance with the International Financial Reporting Standards

MAIN FINANCIAL DATA	in thous. PLN		In thous EUR	
	4 quarters to date /from 1.01.2005 to 31.12.2005	4 quarters to date / from 1.01.2004 to 31.12.2004	4 quarters to date / from 1.01.2005 to 31.12.2005	4 quarters to date / from 1.01.2004 to 31.12.2004
I. Interest income	1 196 583	983 516	297 416	217 680
II. Commission income	293 503	279 863	72 952	61 942
III. Operating income	1 481 037	1 491 997	368 119	330 222
IV. Operating result	709 743	349 575	176 410	77 371
V. Profit before taxes	709 743	349 575	176 410	77 371
VI. Net income (loss)	567 054	237 544	140 944	52 575
VII. Net cash flows from operating activities	347 051	3 467 089	86 261	767 366
VIII. Net cash flows from investing activities	-140 661	-831 886	-34 962	-184 120
IX. Net cash flows from financing activities	-1 186 748	-29 612	-294 972	-6 554
X. Net cash flows, total	-980 358	2 605 591	-243 673	576 692
XI. Total assets	22 315 951	20 259 507	5 781 634	4 966 783
XII. Amounts due to banks	1 067 345	1 492 164	276 529	365 816
XIII. Amounts due to customers	13 994 416	13 388 144	3 625 684	3 282 212
XIV. Equity	2 390 823	1 986 840	619 416	487 090
XV. Share capital	849 182	849 182	220 007	208 184
XVI. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVII. Book value per share (in PLN/EUR)	2,82	2,34	0,73	0,57
XVIII. Diluted book value per share (in PLN/EUR)	-	-	-	-
XIX. Capital adequacy ratio	19,07%	22,41%	19,07%	22,41%
XX. Earnings (losses) per ordinary share (in PLN/EUR)	0,67	0,28	0,17	0,06
XXI. Diluted earnings (losses) per ordinary share (in PLN/EUR)	-	-	-	-
XXII. Pledged or paid dividend per share (in PLN/EUR)	0,28	-	0,06	-

CONTENTS

I. INTRODUCTION AND ACCOUNTING POLICIES

This financial report of the Capital Group of Bank Millennium SA (the Group) covering data for Q4 2005 (and on a year-to-date basis for 2005) 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. 31 December 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 financial reports for 2004 on a pro-forma basis (with less detail) 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 the activity of the Group in the four 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 (a detailed description of the accounting policies in force since 1 January 2005 is in the Interim Consolidated Financial Report of Millennium S.A. – hereinafter the Bank – prepared for the 1st half-year 2005, published on 31 October 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 were included in the Group's P&L on a cash basis at the moment of their collection (the exception being specific commissions, which were settled over time on a straight-line basis). As from the time of switching to IFRS, selected commissions are recognised in the profit and loss account throughout the life of the loan 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 undetermined repayment schedule). Depending on the type of commissions the Group spreads them over time based on the straight-line 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 the 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, constructing the matrix defining the 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:

- general risk provision has been removed from the balance sheet – in its place provisions were opened for incurred but not reported losses (IBNR), that in the presentation reduce the credit exposure value,
- 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 by the Group at net exposure and posted in P&L Account),

- 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.

(4) National legislation regulates the way of reporting the effect of deferred tax accrued on the difference of the value of general risk provisions and the IBNR provision created upon implementation of IFRS. According to this rule this tax effect should be carried directly to equity as an adjustment of the opening balance in retained earnings.

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 2004 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 2004 constitute a component of result on financial operations,
- the interest income on swap transactions entered into in order to hedge transactions of lease of commercial space denominated in foreign currencies, previously presented in interest margin, starting with 1 January 2004 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,
- based on provisions of IAS 17 the perpetual usufruct of land rights held by the Group were classified as operational leasing and were reported in the balance-sheet as other assets (previously tangible fixed assets),
- recovery of receivables, previously written off against provisions, reported before in the P&L Account as other income is presented in the IFRS report as reversal of impairment provisions,
- since the day of passing to IFRS presentation adjustments were made in the balance-sheet and the P&L Account due to equity method valuation of one of the Bank's subsidiaries,
- due to the use of IFRS 1 as regards acceptance of balance-sheet value of real estate as costs, assumed as at the day of passing to IFRS, fixed assets revaluation capital was set off against retained earnings.

4. In order to bring accounting policies in line with IFRS adopted by the Bank's Capital Group the Bank changed adopted standards, based on provisions of IAS 19, regarding the method of recognising the provision for short-term employee benefits. The effect of this change was reported retrospectively in the financial report, by restating comparable data (which was presented *in extenso* under point V "Additional notes to financial data"). The adjustment of the opening balance item of equity (as at 1 January 2005) is presented in the table below:

Data in PLN thous.

Gross adjustment value	Tax effect	Net adjustment value
-9,954	+1,891	-8,063

5. Starting with 1 January 2005 the Group has been recognising interest on transactions such as FX SWAP, CIRS, in the result on trading activity for transactions, which are entered into for non-speculative purposes i.e. to ensure FX liquidity for FX loans granted by the Bank. These are instruments entered into for non-speculative hedging purposes, to which the Group does not apply hedge accounting, thus automatically classifying them in the portfolio of financial instruments for trading. According to IAS 39.9 all derivatives, to which a Group does not apply hedge accounting regardless of the purpose of the transaction (derivative instruments entered into for speculative purposes as well as those entered into for hedging purposes however without hedge accounting) should be classified as financial instruments for trading and the change of fair value jointly (accrued swap points with adjustment to fair value) should be presented in the same line of the P&L Account (in this case in the result on trading activity).
In the Bank's opinion net interest income on FX SWAP and CIRS transactions entered into with the purpose of securing FX liquidity (i.e. accrued swap points on the FX Swaps and accrued interest on the CIRS transactions) is a component of the economic interest margin because it permits matching interest income on FX loans (based on EURIBOR, LIBOR) with the cost of financing the position (interest on deposits in PLN based on WIBOR).
Given the above the Bank is engaged in consultations regarding the possibility of returning to the previously applied solution also in the report prepared according to IFRS.
The adequate adjustment, which was done to ensure comparability of 2004 data, was described and quantified under point V "Additional notes to financial data".

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	Tax effect of transforming general risk provision into IBNR provision	TOTAL
Adjustment gross value	+ 62.210	- 1.866	+ 10.653	+ 10.947	+ 81.944
Adjustment for net value (considering deferred tax effect)	+ 50.390	- 1.511	+ 8.629	+ 10.947	+ 68.455

III. INFORAMTION ABOUT ACTIVITY OF THE GROUP IN THE YEAR 2005

Main highlights

- In the year 2005, consolidated net profit of Bank Millennium Capital Group totalled PLN 567.1 million and was 109% higher than in 2004 (PLN 271.3 million).

- The year 2005 was marked by the achievement of the highest net profit in the 16 year life of Bank Millennium Group (Bank Millennium), as a result both of a significant improvement in the level of recurrent results and of the extraordinary results generated by the final settlement of the sale of the stake in PZU.

- At the business level, 2005 marks also a new step forward in the business development strategy of the Bank, with the simultaneous improvement of the branch based retail business and of the new and strong foothold in alternative distribution channels (direct sales forces, other intermediaries and internet) which is placing the Bank as a more powerful contender in the polish banking market.

- As a consequence, the Management Board of the Bank, with the agreement of the Supervisory Board, will submit to the General Shareholders Meeting a proposal of distribution of PLN 458.6 million (81% of the year net profit), which corresponds to PLN 0.54 per share and to a dividend yield of 10.3% (based on 31.12.05 share price).

- On 19th January 2006 the Bank also announced a new stage of its development and growth strategy, with a plan to open up to 160 new branches until 2008, to revamp the approach to affluent and small businesses and a new brand image.

As far as the significant improvement of core business profitability is concerned, the following aspects must be highlighted:

Record results, strong improvement of core earnings

- Net profit reached PLN 567 million, the highest in the 16-year history of Bank Millennium
- Net interest income up by 3.7% y-o-y despite lower market interest rates and pressure on margins
- Impressive net commissions growth by 17.9%, driven by loans, credit cards and mutual funds
- Final settlement of PZU transaction in December 2005, originating a net capital gain of PLN 337 million
- Operating costs (excluding depreciation) where flat y-o-y. In accounting terms, total costs in 2005 were lower by PLN 230 million
- The recovery of PLN 39 million of written-off loans and the improvement of loan portfolio quality led to net release of PLN 7.2 million of impairment provisions in the whole year
- NPL ratio (IFRS) decreased to 9.97%, the lowest level in the last 6 years
- Very strong solvency (19.1%), without considering the 2005 result
- Very strong share price performance, with total increase of 56% in 2005 (65% including paid dividend) outperforming the banking index and the WIG 20

Excellent business performance in 2005

Retail:	cross-selling ratio increased from 2.4 to 2.75 products per customer
Mortgage loans:	10.8% market share; PLN 2,4 billion new loans, 3 rd position in the market
Consumer loans :	39% growth
Credit cards:	82% growth, more 56 thousand cards sold; total number 124 thousand
Mutual funds:	266% growth, more PLN 1,2 billion under management, market share increased from 1.2% to 2.6%
Customer Funds:	12% growth
Bancassurance:	PLN 323 million of gross written premium, PLN 286 million of customer funds collected
Leasing:	17% growth in new contracts, movables market share of 6.7 %
Internet:	115 ths. new individual customers registered, total 275 ths. customers

Financial figures for 2004 stated in the item III of this chapter have been calculated on a pro-forma basis i.e. with full compliance with IFRS rules (which has been described in the point I dedicated to Accounting Policies). On the other hand, in order to allow a more meaningful comparison, results from FX Swaps and Cross Currency Swaps that support part of the foreign *currency loan portfolio are presented as Net Interest Income, although in accounting terms they are classified starting from 2005 as Results on Financial (Trading) Operations. In the Management Board's opinion, these adjustments for presentation purposes allow a better comparability and understanding of the results of the Group.*

Key factors impacting the financial results of the Bank Millennium Group during the 2005 year

1. FINANCIAL PERFORMANCE

Net Operating Income (PLN million)	**2005 pro-forma**	**2004 pro-forma**	**Change**
Net Interest Income (*)	620.1	598.2	3.7%
Net Commissions Income	264.8	224.7	17.9%
Other non-interest income	596.1	638.0	-6.6%
of which one-off events	*465.0*	*522.3*	
Net Operating Income	1481.0	1460.9	1.4%
Net Operating Income excluding one-off events	**1016.0**	**938,6**	**8.2%**

(*) includes margin on fx swaps and cross currency swaps

Net interest income (including margin from fx and cross currency swaps) generated by Bank Millennium Group in 2005 totaled PLN 620.1 million and was 3.7% higher than in 2004 (PLN 598.2 million). This improvement was generated in a lower interest rate environment, especially during the 2nd half of the year, with increased competition and margin pressure for deposits. On the other hand, the Group started to benefit from the volumes growth and from the overall improvement in asset quality.

Net commissions income jumped almost 17.9% (from PLN 224.7 million to PLN 264.8 million), underpinned by strong improvement in cross selling. The main contributors to the commission growth were loans (+58%), credit cards (+29%) and mutual funds (+100%).

Other non-interest income totaled PLN 596.1 million against PLN 638.0 million attained in the previous year. This item contains the result on the final settlement of the PZU transaction (PLN 416.5 million net of related swap) as well as an amount of PLN 48.5 million related to PZU dividend, while in 2004 it included the result of the sale of a car loans portfolio and the initial capital gain booked on the sale of PZU shares.

Net operating income reached PLN 1481 million. If the above mentioned non-recurrent income is excluded, its value was PLN 1016 million, which means an increase of 8.2% compared with the previous year (PLN 938.6 million, also with exclusion of one-off events).

COSTS

Operating Costs (PLN million)	**2005 pro-forma**	**2004 pro-forma**	**Change**
Personnel Costs	326.3	309.2	5.5%
Other Administrative Costs	343.8	360.4	-4.6%
Total Costs without depreciation	670.0	669.6	0.1%
Depreciation & impairment of tangibles and intangibles	108.4	339.0	-68%
- of which extraordinary	*22.1*	*221.3*	
Total Costs	**778.5**	**1008.6**	**-22.8%**

Total Costs of Bank Millennium Group in 2005 dropped by 22.8% compared with the previous year (PLN 778.5 million versus PLN 1008.6 million).

Total Personnel and Other Administrative Costs were flat (PLN 670 million vs. 669.6 million in 2004). The decrease of PLN 16.6 million in Other Administrative Costs (-4.6% year-on-year) compensated for the PLN +17.1 million increase in Personnel Costs (+5.5% y-o-y). This result is especially relevant in a year during which the business volumes strongly grew, new distribution channels started to be developed, the number of employees grew 4.1% to support the business growth and higher bonuses were paid as a consequence of better sales performance.

As at 31 December 2005, Bank Millennium Group employed 4484 persons, compared to 4306 as at end of December 2004

Depreciation (including depreciation of fixed assets) decreased by 68% (from PLN 339 million to 108.4 million), as the level of extraordinary depreciation in 2005 (PLN 22.1 million) was significantly lower than in 2004 (PLN 221.3 million, which also contributed for a lower level of on-going depreciation charges in 2005).

Cost to Income ratio in 2005 was 52.6% (or 74.4% if extraordinary items are excluded) , substantially improving when compared to 2004.

The continuation of the successful implementation of loans recovery programs and adequate risk management allowed the Group to release PLN 7.2 million of Provisions in 2005. Not considering the positive impact upon provisions due to recovery of written-off receivables, the value of these provisions would stand at PLN 31.4 million, which would represent a decrease by 73% as compared with last year (PLN 115 million provisions excluding recovery of written-off loans)

Pre-tax profit of Bank Millennium Group in 2005 stood at PLN 709.7 million, with net profit at PLN 567.1 million which more than doubled the pro-forma result of 2004 (PLN 271.3 million).

2. BUSINESS FIGURES

As at 31 December 2005, Total Assets were PLN 22 316 million, growing 14% year on year.

Key Balance Sheet Volumes **(PLN million)**	**31.12.2005 pro-forma**	**31.12.2004 pro-forma**	**Change**
Total Assets	22 316	19 583	14.0%
Total Customer Funds (1)	15 606	13 917	12.1%
- where Deposits	*13 994*	*13 388*	*4.5%*
- where Mutual Funds	*1 603*	*438*	*266%*
Total Loans to Customers	9 592	7 103	35.0%
Equity	2 391	2 044	16.9%

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

In 2005, the net value of Loans to Customers increased by 35% as compared with one year before and stood at PLN 9 592 million.

The increase in loans was mainly due to the dynamic growth of the mortgage loans portfolio, which now represents 37,5% share in the Bank's loans portfolio. In 2005, new sales of mortgage loans were PLN 2392 million, i.e. almost 4 times the value of 2004 (PLN 616 million), which allowed the Bank to sustain its strong, 3rd position in the market with 10.8% share in new production (till November). 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. Other retail loans also strongly grew by 39% reaching PLN 521 million. The main drivers were balances on credit cards, cash loans and overdrafts.

The number of credit cards sold by the Bank in 2005 increased by 82% when compared with 2004 (to 123.7 thousand as at 31.12.2005). This growth is attributable first of all to an intensified cross-selling activity. The fourth quarter was the best ever with 25.000 new credit cards. The volume of loans associated with credit cards almost doubled y/y to PLN 143.7 million.

Total Customers' Funds, including bonds and mutual funds as at 31.12.2005, totalled PLN 15 606 million, which means an increase of 12.1% when compared with 2004 (PLN 13 917 million). The strongest growth was demonstrated by Mutual Funds – increase by 266% to the amount of PLN 1603 million, which gave the Bank a market share increase from 1.2% to 2.6%. In 2005, Bank added to its offer insurance saving products prepared with co-operation of PZU Group. The total volume of these products, as at year end, reached PLN 286 million.

Products and services of Bank Millennium were highly appreciated by independent experts and specialized media. 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. 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. Millennium VISA Economic card was awarded twice as the best credit card in Poland (by *Rzeczpospolita* daily and *Forbes* magazine). Also mortgage loans gained leading position in numerous ranks provided by independent financial advisors (*Expander, Open Finance*). Consumer loan offer (MilleKredyt Winter) ranked 1st by *Businessweek* and 2nd by *Wprost* magazine.

In 2005, the number of Customers using the bank's services via internet reached 288 thousand, of which 275 thousand were individual customers whose number increased by 71% as compared with end of 2004. Currently, 70% of transactions of individual customers and almost 90% of transactions of business customers are done via electronic channels.

In 2005 Bank achieved significant growth in bancassurance activity driven mainly by linked deposits, mortgage related insurance and payment cards insurances. Value of premiums collected reached million 323 PLN that represents an estimated 8-10% market share.

3. LOANS QUALITY AND SOLVENCY

The quality of the Group's loan portfolio as at 2005 year-end reached the best level since 1999. The value of impaired loans ratio (calculated using IFRS) reached 9.97% compared to 13.06% in June 2005. This improvement was due to the drop in total impaired loans in the 2nd half year by PLN 140 million (or 12%), increase of the loan portfolio and generally better asset quality. Such effect was generated by the credit policy in place combined with highly effective recovery and restructuring efforts.

The NPL ratio presented in the former standard (PAS) also dropped from 14.7% to 10.2% in the same period. Impaired loans coverage by provisions grew in 2nd half of 2005 from 62% to 65%.

Loan quality indicators	31.12.2005	30.06.2005	31.12.2004
Total impaired loans* (PLN million)	1 023	1 163	n/a
Impaired loans over Total Loans*	9.97%	13.06%	n/a
NPL over total loans**	10.18%	14.67%	16.89%
Total Provisions over Impaired Loans*	65,1%	61.7%	n/a

** According to IAS*

*** According to PAS (Polish Accounting Standards)*

Solvency

The solvency ratio of the Bank Millennium Group stood at a very strong level of 19.1% (without considering the net profit of 2005), against 22.4% one year before.

4. DIVIDEND DISTRIBUTION PROPOSAL

Taking into consideration the record net profit of Bank Millennium in 2005, and the maintenance of a very high solvency ratio, the Management Board of the Bank will submit to shareholders a proposal to pay out as dividend from 2005 results an amount of 458.6 million PLN (81% of net profit), i.e. PLN 0.54 per share representing a dividend yield of 10.3% (based on 31.12.05 share price). This proposal is in line with the dividend policy of the Bank and with the publicly announced objective of retaining the amount of capital that can support the very ambitious growth strategy of the Bank during the next 3 years.

5. BRANCH EXPANSION AND NEW DISTRIBUTION MODEL AND IMAGE

On 19th January 2006 Bank Millennium announced significant changes to its customer-visible activities in the Polish market. These changes will include:

- Significant expansion of the branch network: 160 new branches until 2008 (including transformation of already existing 31 branches)
- Development of multi-segment branches to address different client segments in addition to those addressed today
- Revamped approach to affluent and small businesses customers,
- New brand identity standards, including new logo, colors, visual standards and brand signature: “Life Inspires Us”.

These changes are a natural evolution to the successful consolidation of the Bank’s presence in Poland. Currently Bank Millennium:

- is a leading provider of mortgages (ranking 3rd in market share);
- runs a growing Credit Cards business;
- has over 650.000 retail clients;
- is the 3rd largest seller of bancassurance products;
- significantly improved its core business results

Having successfully consolidated its presence in Poland in the years 2001-05, the Bank will now enter the second phase of its expansion strategy in the Polish market. This second phase will include:

Branch Expansion: more 160 new branches, more convenient Bank for customers

160 new branches will open over the next three years, or over 40% increase to an already robust network. The branches will further assist in covering the Polish market across its full geographic span and across all its segments.

One Network, Three Segments: more simple Bank to customers

On this foundation, the Bank will expand the branch layouts into new and improved multi-segment branches. These new branches aim to appeal to more attractive segments of the Polish population -more demanding costumers in terms of their experience with banks, affluent customers and small businesses.

BANK MILLENNIUM RENEWS ITS IDENTITY AND BRAND IMAGE

New image: more friendly Bank – “Life Inspires Us” is the new motto

The coming expansion of the branch network, multiple innovations in product and distribution, and a renewed emphasis on more attractive segments create the right time to revitalise the image of the Bank.

In a moment of significant and positive changes in the Bank's approach to the Polish market, the redesign of the brand and its values is a logical, explainable and virtuous move. The new identity process will be complete in May 2006, with the transformation of the Bank's branches around the country.

As such, we will adopt a new set of corporate colors – based on the proprietary Cerise colour – a new set of brand values – summarized in the new "Life Inspires Us" signature – and a new set of graphic standards much more in line with the perceptions and values of the demanding segments of Poland. These standards will better describe a newer, better, more elegant, more vibrant, Bank Millennium.

The Bank will heritage Millennium logo already used in Portugal and assume phrase "Life inspires us" as a motto of its activity, meaning that it is in Bank Millennium customers' lives that lies the reason of its work, investments and innovation. The new commitment of Millennium bank means that everything that is done has to be useful for the customer.

With this renewal Bank Millennium intends to reinforce its position as a modern and universal bank in the Polish society, and to attract new business opportunities enhancing the relations with other institutions of the Millennium bcp Group, in around ten countries, providing the customers with a more complete service at national and international level.

BANK MILLENNIUM - SHARE PRICE INDICATORS

	31 Dec. 05	31 Dec. 04
Shares outstanding – period end	849 181 744	849 181 744
Closing price – period end (PLN)	5.25	3.36
Book value per share (PLN)	2.82	2.34
Earnings per share basic (PLN)	0.67	0.28
Return on equity (ROE)	28,0%	14.5%

IV. FINANCIAL DATA

CONSOLIDATED BALANCE SHEET **Amount in '000 PLN**

ASSETS	31.12.2005	30.09.2005	31.12.2004
I. Cash, balances with Central Bank	510 805	740 280	872 630
II. Amounts due from other banks	2 602 815	2 267 324	3 164 034
III. Financial assets held for trading	3 304 175	3 281 330	2 924 024
IV. Hedging derivatives	14 826	15 136	20 014
V. Other financial assets valued at fair value through profit and loss	0	0	0
VI. Amounts due from customers	9 591 642	9 007 785	7 608 669
VII. Investments	4 912 455	5 114 810	4 412 337
- available for sale	4 833 819	5 037 358	4 210 085
- held to maturity	78 636	77 452	202 252
VIII. Receivables from securities bought with sell-back clause	311 127	43 584	80 650
IX. Investments in subordinates	0	0	0
X. Tangible fixed assets	232 123	219 745	395 059
XI. Intangible assets	26 998	26 487	35 414
XII. Fixed assets held for sale	239 512	250 164	0
XIII. Deferred tax assets	322 297	267 924	252 725
XIV. Other assets	247 176	615 855	493 951
Total assets	**22 315 951**	**21 850 424**	**20 259 507**

LIABILITIES	31.12.2005	30.09.2005	31.12.2004
I. Amounts due to banks	1 067 345	1 574 347	1 492 164
II. Trading liabilities	503 660	257 607	249 540
III. Hedging derivatives	22 273	24 814	39 999
IV. Amounts due to customers	13 994 416	13 602 007	13 388 144
V. Liabilities from securities sold with buy-back clause	3 061 037	2 655 415	1 405 500
VI. Liabilities from debt securities	69 436	212 350	355 249
VII. Provisions	16 468	21 817	218 082
VIII. Deferred tax liabilities	164 812	167 316	110 952
IX. Current tax liabilities	132 186	2 921	88 695
X. Other liabilities	583 991	991 516	597 365
XI. Subordinated debt	309 504	316 903	326 977
Total Liabilities	**19 925 128**	**19 827 013**	**18 272 667**
EQUITY			
I. Share capital	849 182	849 182	849 182
II. Share premium	471 709	471 709	507 460
III. Revaluation reserve	27 612	48 642	21 367
IV. Retained earnings	1 042 320	653 878	608 831
Group Shareholders' equity	2 390 823	2 023 411	1 986 840
Minority interests	0	0	0
TOTAL EQUITY	**2 390 823**	**2 023 411**	**1 986 840**
Total liabilities and Equity	22 315 951	21 850 424	20 259 507
Capital adequacy ratio	19,07%	18,79%	22,41%
Book value	2 390 823	2 023 411	1 986 840
Number of shares	849 181 744	849 181 744	849 181 744
Book value per share (in PLN)	2,82	2,38	2,34

OFF-BALANCE SHEET ITEMS	31.12.2005	30.09.2005	31.12.2004
Contingent liabilities granted and received	5 744 551	5 546 494	4 249 345
1. Liabilities granted:	5 092 292	4 946 251	3 196 044
a) financial	4 357 093	4 272 485	2 827 709
b) guarantees	735 199	673 766	368 335
2. Liabilities received:	652 259	600 243	1 053 301
a) financial	0	0	0
b) guarantees	652 259	600 243	1 053 301

Amount in '000 PLN

CONSOLIDATED INCOME STATEMENT	1.01.2005 - 31.12.2005	01.10.2005 - 31.12.2005	1.01.2004 - 31.12.2004	01.10.2004 - 31.12.2004
I. Interest income	1 196 583	298 128	983 516	284 338
II. Interest expense	-716 506	-171 925	-646 658	-203 033
III. Net interest income	**480 077**	**126 203**	**336 858**	**81 305**
IV. Commission income	293 503	75 422	279 863	75 138
V. Commission expense	-28 657	-6 964	-38 004	-12 383
VI. Net commission income	**264 846**	**68 458**	**241 859**	**62 755**
VII. Income from dividends	2 192	114	1 728	140
VIII. Result on investing activities	495 301	414 771	395 662	394 215
IX. Result on trading activities	135 648	19 960	267 083	80 029
X. Income from other financial instruments	-6 264	-3 735	176 733	-2 083
XI. Foreign exchange result	93 481	27 016	87 276	23 339
XII. Other operating income	74 625	34 267	48 507	20 288
XIII. Other operating cost	-58 869	-20 667	-63 709	-31 885
XIV. Operating income	**1 481 037**	**666 387**	**1 491 997**	**628 103**
XV. General and administrative expenses	-670 030	-173 678	-731 516	-201 008
XVI. Impairment cost of financial assets	7 166	20 407	-71 864	12 540
XVII. Impairment cost of non financial assets	-22 592	-15 469	-30 265	-17 142
XVIII. Depreciation	-85 838	-27 729	-308 777	-242 309
XIX. Operating expenses	**-771 294**	**-196 469**	**-1 142 422**	**-447 919**
XX. Operating result	**709 743**	**469 918**	**349 575**	**180 184**
XXI. Share in profit of subordinates	0	0	0	0
XXII. Profit before taxes	709 743	469 918	349 575	180 184
XXIII. Corporate income tax	-142 689	-92 423	-112 031	-71 882
XXIV. Net income (loss)	**567 054**	**377 495**	**237 544**	**108 302**
Including:				
Bank Shareholders' equity	567 054	377 495	237 544	108 302
Minority interests	0	0	0	0
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)	0,67	0,44	0,28	0,13

STATEMENT OF MOVEMENTS IN CONSOLIDATED EQUITY (for the period 01.10.2005 – 31.12.2005)	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period (opening balance) 01.10.2005	2 023 411	849 182	471 709	48 642	653 878
Changes in adopted accounting policies	10 947	0	0	0	10 947
Equity at the beginning of the period (opening balance) as restated to comparable data	2 034 358	849 182	471 709	48 642	664 825
- purchase/sale and valuation of available for sale financial assets	-21 030	0	0	-21 030	0
- net income (loss) of the period	377 495	0	0	0	377 495
Equity at the end of the period (closing balance) 31.12.2005	2 390 823	849 182	471 709	27 612	1 042 320

STATEMENT OF MOVEMENTS IN CONSOLIDATED EQUITY EQUITY (for the period 01.01.2005 – 31.12.2005)	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2005	1 986 840	849 182	507 460	21 367	608 831
Changes in adopted accounting policies	68 455	0	0	0	68 455
Equity at the beginning of the period (opening balance) as restated to comparable data	2 055 295	849 182	507 460	21 367	677 286
- dividend payments	-237 771	0	0	0	-237 771
- other appropriation of retained earnings	0	0	0	0	0
- loss covered from share premium	0	0	-35 751	0	35 751
- purchase/sale and valuation of available for sale financial assets	6 245	0	**0**	6 245	0
- net income (loss) of the period	567 054	0	0	0	567 054
Equity at the end of the period (closing balance) 31.12.2005	2 390 823	849 182	471 709	27 612	1 042 320

STATEMENT OF MOVEMENTS IN CONSOLIDATED EQUITY EQUITY (for the period 01.01.2004 – 31.12.2004)	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2004	1 734 906	849 182	542 970	1 874	340 880
Changes in adopted accounting policies	-5 103	0	0	0	-5 103
Equity at the beginning of the period (opening balance) as restated to comparable data	1 729 803	849 182	542 970	1 874	335 777
- other appropriation of retained earnings	0	0	0	0	0
- loss covered from share premium	0	0	-35 510	0	35 510
- purchase/sale and valuation of available for sale financial assets	19 493	0	0	19 493	0
- net income (loss) of the period	237 544	0	0	0	237 544
Equity at the end of the period (closing balance) 31.12.2004	1 986 840	849 182	507 460	21 367	608 831

Amount in '000 PLN

A. CASH FLOWS FROM OPERATING ACTIVITIES	1.01.2005 - 31.12.2005	01.10.2005 - 31.12.2005	1.01.2004 - 31.12.2004
I. Net profit (loss)	**567 054**	**377 495**	**237 544**
II. Adjustments for:	**-220 003**	**-580 998**	**3 229 545**
1. Minority profit (loss)	0	0	0
2. Interests in net income (loss) of associated companies	0	0	0
3. Depreciation and amortization	85 838	24 106	314 777
4. Foreign exchange (gains) losses	-21 464	-4 553	-196 505
5. Dividends	-2 192	-114	-19 505
6. Changes in provisions	-17 927	-5 349	-9 565
7. Result on sale and liquidation of investing activity assets	-454 728	-395 720	-354 499
8. Change in financial assets held for trading	55 009	579 228	634 299
9. Change in other financial assets valued at fair value through P&L	0	0	0
10. Change in amounts due from banks	-296 108	-356 515	-43 775
11. Change in amounts due from customers	-2 484 080	-590 909	3 169 379
12. Change in receivables from securities bought with sell-back clause	-230 477	-267 543	19 708
13. Change in trading liabilities	236 394	243 512	74 103
14. Change in amounts due to banks	661 736	-507 002	-318 721
15. Change in amounts due to customers	606 272	392 409	750 232
16. Change in liabilities from securities sold with buy-back clause	1 655 537	405 622	-129 978
17. Change in liabilities from debt securities	-128 354	-120 063	-599 445
18. Change in deferred tax assets/liabilities	-19 176	-40 996	-25 286
19. Change in current tax assets/liabilities	46 544	129 229	88 478
20. Change in other assets and liabilities	88 051	-64 975	-124 858
21. Other	-878	-1 365	706
III. Net cash flows from operating activities	**347 051**	**-203 503**	**3 467 089**

B. CASH FLOWS FROM INVESTING ACTIVITIES	1.01.2005 - 31.12.2005	01.10.2005 - 31.12.2005	1.01.2004 - 31.12.2004
I. Cash from investing activities	**50 438**	**593 329**	**1 264 212**
1. Sale of intangible assets and tangible fixed assets	48 071	0	32 428
2. Sale of shares in subsidiaries	175	0	0
3. Sale of financial assets valued at fair value through profit and loss	0	0	0
4. Sale of investment financial assets	0	593 215	1 200 000
5. Other	2 192	114	31 784
II. Cash used for investing activities	**-191 099**	**-8 957**	**-2 096 098**
1. Purchase of intangible assets and tangible fixed assets	-17 506	-8 957	-29 222
2. Purchase of shares in subsidiaries	0	0	0
3. Purchase of financial assets valued at fair value through P&L	0	0	0
4. Purchase of investment financial assets	-173 593	0	-2 066 876
5. Other	0	0	0
III. Net cash flows from investing activities	**-140 661**	**584 372**	**-831 886**

C. CASH FLOWS FROM FINANCIAL ACTIVITIES	1.01.2005 - 31.12.2005	01.10.2005 - 31.12.2005	1.01.2004 - 31.12.2004
I. Cash from financing activities	**22 836**	**22 836**	**45 687**
1. Long-term bank loans	0	0	0
2. Issue of debt securities	22 836	22 836	45 687
3. Increase in subordinated debt	0	0	0
4. Net proceeds from issues of shares and additional capital paid-in	0	0	0
5. Other	0	0	0
II. Cash used for financing activities	**-1 209 584**	**-48 631**	**-75 299**
1. Repayment of long-term bank loans	-793 053	0	0
2. Redemption of debt securities	-178 760	-45 687	-75 299
3. Decrease in subordinated debt	0	-2 944	0
4. Issue of shares expenses	0	0	0
5. Redemption of shares	0	0	0
6. Dividends and other payments to owners	-237 771	0	0
7. Other	0	0	0
III. Net cash flows from financing activities	**-1 186 748**	**-25 795**	**-29 612**

D. NET CASH FLOWS, TOTAL (A III+B III+C III)	**-980 358**	**355 074**	**2 605 591**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4 536 011**	**3 200 579**	**1 930 420**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (D+E)	**3 555 653**	**3 555 653**	**4 536 011**

V. ADDITIONAL NOTES TO THE FINANCIAL DATA

FINAL SETTLEMENT OF THE SALE OF PZU S.A. STOCK

In the current communiqué of 7.12.2005, the Bank informed that – together with its subsidiary BEL Leasing Sp. z o.o. (legal successor of BIG BG Inwestycje S.A.) – signed Memorandum of Understanding on the Stock Sale Agreement concluded on 21.12.2004 with Eureko B.V. The memorandum concerns the settlement of the final selling price for 10% of PZU S.A. stocks.

In the Group's 2005 Profit and Loss Account, the revenues realised in exercising provisions of the Sales Agreement for 10% of PZU S.A. stocks and received from EUREKO B.V. by the Bank's subsidiaries: BIG BG Inwestycje S.A. and BEL Leasing Sp. z o.o. (legal successor of BIG BG Inwestycje S.A.) were booked under the result on investment activities. The income described totalled in gross amounts accordingly:

- 48,537 ths. zlotys as a result of dividends paid out by PZU S.A. in 2005,
- 700,000 ths. zlotys as a result of the final settlement of the sale agreement. The amount of 700,000 ths. zlotys constitutes adjustment of the minimum guaranteed selling price received in 2004 and was calculated on the basis of an average value of the PZU Group according to the valuations prepared by two independent international investment banks.

On 1.10.2003 the Bank concluded with Banco Comercial Portugues ("BCP") a swap agreement to neutralise the impact of the dividends received from PZU S.A. and the costs of supporting PZU S.A. stock investment on the financial result of the Bank. According to the Agreement, the Bank received an amount equivalent to the economic cost of carry of the PZU S.A. stock investment per annum, based on the WIBOR 3M (paid quarterly), in return for the amount equivalent to the dividend received from PZU S.A. The Agreement (with 5 year term) stipulated also conditions for its earlier termination in case of sale of the PZU S.A. stocks, and among others it defined the settlement formula forecasting BCP's share in the sale proceeds if the value of the transaction would exceed 1,600,000 ths. zlotys. As a result of satisfying these conditions, the Bank made a payment in favour of BCP in the amount of 283,500 ths. zlotys. The costs resulting from this transaction were captured in the result on investment activities.

RESTRUCTURING ACTIONS

As a result of the decision to launch a new business model of the Bank, some restructuring actions were taken on the grounds of IAS 37, IAS 16 and IAS 36. As a result of the above actions the Bank recognised in its 2005 financial statement the following:

- costs of impairment related to the current location of the selected branches in the amount of 9.9 million zlotys captured in the Profit and Loss Account as "Costs of impairment regarding non-financial assets",

- one-off depreciation charge due to changes in the estimated fixed asset depreciation periods in the amount of 10.9 million zlotys,
- provisions for the costs related to restructuring in the amount of 2 million zlotys ("Other operating costs").

ADJUSTMENTS TO THE COMPARABLE DATA

Before you can find the key transformations of the previously presented 2004 comparable data - developed in accordance with PAS - for the purpose of this report:

- Adjustments stemming from the different reporting format under IFRS; these consisted mainly in dividing securities in the balance sheet into the categories of financial instruments as per IAS 39, (in the same manner, financial income and financial costs were divided in the Profit and Loss Account). Additionally, in the balance sheet income tax liabilities were singled out and Clients classification by subject was changed,
- In an effort to adjust to IFRS, the presentation model of the result on sales and liquidation of fixed assets, the other 2004 operating cost and income were reduced by the same amount of 155,531 thousand zlotys (previously the other operating income captured the total income form these operations, whereas the other operating costs captured the balance sheet value of the assets – presently, the result on operations only),
- According to IFRS the income from the recovery of the receivables previously written off against provisions in the amount of 53,812 thousand zlotys for 4 quarters of 2004 was reallocated in the Profit and Loss Account from the other operating income to reduce the impairment write-offs,
- The balance sheet value of the financial instruments classified as "for trading" was reduced by 121,144 thousand zlotys both on the assets and liabilities side, which results from the presentation of positive fair value calculated for the specific derivatives under assets and negative value of these instruments under liabilities (consequently, deferred income tax assets and provisions were reduced by 23,017 thousand zlotys),
- The adjustment made to the consolidated Profit and Loss Account for 4 quarters of 2004 (see broader description in item I of "Introduction and accounting principles"), concerning transfer of the settled discount/bonus from the interest margin to the result on financial operations looks as follows: increase in interest income of 7,372 thousand zlotys, decrease in the result on financial operations by 7,372 thousand zlotys,
- Change in the provisions resulting from the sale of car loan portfolio in the amount of 38,290 thousand zlotys, previously captured in the Profit and Loss Account as dissolution of provisions, for the purpose of IFRS statements is now presented as

part of the result realised on the sale of this portfolio in the net result on financial operations,

- In result of changing the method of presentation of interest margin components resulting from derivatives; starting with 2005 the result on these transactions is presented net in the net operating income (previously income and costs were presented separately in interest margin); the value of interest income as well as costs for 4 quarters of 2004 was reduced by PLN 819,643,000 and PLN 554,951,000 respectively. Net operating income was increased by the amount of PLN 264,692,000.
- Following changes in the adopted accounting principles regarding recognition of the provisions for bonuses (as presented in item I of "Introduction and accounting principles"), for the purpose of this report the following adjustments were made to the previously published comparable data (in the annual statement prepared as at December 31 2004):

BALANCE SHEET AS AT DECEMBER 31 2004

1) The value of deferred tax assets increased by 1,891 thousand zlotys,

2) The value of prepaid expenses and accruals increased by 9,954 thousand zlotys,

3) The value of the loss carried forward was augmented by 5,103 thousand zlotys. The value presents also adjustment to the opening balance under profit/loss carried forward as at January 1 2004, captured in the table of changes in the equity,

4) The value of the current profit was reduced by 2,960 thousand zlotys.

2004 PROFIT AND LOSS ACCOUNT

The value of the bank's costs of activity increased by 3,654 thousand zlotys,

The value of the gross profit encumbered with deferred tax was reduced by 694 thousand zlotys.

LOAN LOSS PROVISIONS

In the period from 1 January to 31 December 2005 the Bank wrote-off 91,331 thous. PLN receivables against provisions

EURO EXCHANGE RATES ASSUMED

The following rates were assumed for calculating EURO values:

- For on-balance values: 3,8598 PLN/EURO as of 31 December 2005 (for comparable data: 4,0790 PLN/EURO),
- For P&L items for the period from 1 January – 31 December 2005: 4,0233 PLN/EURO, rate calculated as the average of the rates at the end of the months covered by the report (for comparable data 4,5182 PLN/EURO).

VI. FINANCIAL INFORMATION BROKEN DOWN INTO ACTIVITY SEGMENTS

Business Segments

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

a) Retail Segment

This segment included the following business areas: Millennium Retail (mass market customers), Millennium Prestige (affluent individuals) and Millennium Biznes (small business and individual entrepreneurs). Figures for 2004 also included a car loan portfolio granted through an external intermediary, which was sold in May 2004.

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

b) Corporate Segment

The corporate segment includes the commercial activity managed by the Mid Corporate network (corporate Clients with annual turnover between PLN 10 mln and PLN 300 mln) and the Large Corporate network (corporate Clients with annual turnover above 300 mln PLN). Both networks also establish banking relationships 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, etc) complemented by cash management products, modern treasury products and more sophisticated derivative products. Cross selling of leasing and trade finance products is very active for Corporate Clients.

c) Treasury and Investment banking

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

d) Unallocated incomes and costs (other)

Both years' results of the Group are impacted by.

1) result on sale of car loans that were granted through external intermediary in 2004
2) income resulting from the sale of the stake in PZU both in 2004 and 2005.
3) additional depreciation in 2004 and 2005 of non financial assets, mainly tangible and intangible assets, resulting from Management Board decision to reassess their economic and useful life and the fair value of own real estates that are under selling process, based on adoption of new IFRS Accounting Standards
4) not allocated tax charge for the period

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 IAS 14.

For each segment there is determined gross result, including:

- Interest result calculated on the basis of external interest from working assets and liabilities of the segment and internal interest income or cost from allocated assets / liabilities, measured using internal transfer interest rates based on market interest rates.
- Net commissions income
- Other non-interest income (mostly affecting Investment and Treasury operations) like dividend income, result on investment and trading activity, income from FX transactions, result from other financial instruments including derivatives.
- Provisions for impairment
- Share of the segment in personnel and administrative costs as well as in depreciation.

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 considering allocation of capital to each segment. Allocation of capital is based on risk weighted assets of each segment.

Income statement 31.12.05

PLN thousand	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
Net interest income	361 487	135 443	-16 853	0	480 077
- external income	272 976	289 700	633 906	0	1 196 583
- external cost	-341 802	-116 418	-258 286	0	-716 506
External income less cost	-68 825	173 282	375 620	0	480 077
- Internal income	585 596	172 558	-758 154	0	0
- Internal cost	-155 284	-210 397	365 681	0	0
Internal income less cost allocated	430 313	-37 839	-392 473	0	0
Commissions (net)	172 654	62 458	29 734	0	264 846
Other income	55 062	33 800	164 171	467 325	720 358
Operating income	**589 203**	**231 701**	**177 052**	**467 325**	**1 465 281**
Staff costs	-206 287	-88 077	-31 902	0	-326 266
Other administrative costs	-236 469	-66 781	-24 758	0	-328 008
Depreciation and impairment of non-financial assets	-58 337	-22 485	-5 016	-22 592	-108 430
Loan and financial assets impairment provisions	-39 492	46 658	0	0	7 166
Operating costs	**-540 584**	**-130 686**	**-61 677**	**-22 592**	**-755 538**
Operating profit	48 619	101 015	115 375	444 733	709 743
Profit before taxes	48 619	101 015	115 375	444 733	709 743
Income taxes				-142 689	-142 689
Net profit	**48 619**	**101 015**	**115 375**	**302 044**	**567 054**

Balance sheet 31.12.05

	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
ASSETS					
Segment assets	5 307 006	4 657 362	12 351 584	0	22 315 951
Assets allocated to segment	4 945 039	2 087 732	-7 032 771	0	0
Total	**10 252 045**	**6 745 094**	**5 318 813**	**0**	**22 315 951**
LIABILITIES					
Segment liabilities	9 819 324	5 316 445	7 180 182	0	22 315 951
Liabilities allocated to segment	432 720	1 428 649	-1 861 370	0	0
Total	**10 252 044**	**6 745 094**	**5 318 813**	**0**	**22 315 951**

Income statement 31.12.04

PLN thousand	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
Net interest income	390 998	136 269	-190 409	0	336 858
- external income	282 661	289 400	411 454	0	983 516
- external cost	-283 167	-107 629	-255 861	0	-646 658
External income less cost	-506	181 771	155 593	0	336 858
- Internal income	551 965	178 368	-730 332	0	0
- Internal cost	-160 461	-223 870	384 332	0	0
Internal income less cost allocated	391 503	-45 502	-346 001	0	0
Commissions (net)	147 792	68 819	25 248	0	241 859
Other income	13 397	27 308	302 143	585 634	928 482
Operating income	552 186	232 396	136 984	585 634	1 507 199
Staff costs	-168 104	-104 432	-36 678	0	-309 213
Other administrative costs	-257 568	-127 644	-52 293	0	-437 505
Depreciation and impairment of non-financial assets	-68 960	-30 129	-10 824	-229 128	-339 042
Loan and financial assets impairment provisions	-8 500	-64 268	904	0	-71 864
Operating costs	-503 132	-326 473	-98 890	-229 129	-1 157 624
Operating profit	49 054	-94 078	38 093	356 505	349 575
Profit before taxes	49 054	-94 078	38 093	356 505	349 575
Income taxes	0	0	0	-112 031	-112 031
Net profit	49 054	-94 078	38 093	244 474	237 544

Balance sheet 31.12.04

	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
ASSETS					
Segment assets	3 220 935	4 501 156	12 137 416	400 000	20 259 507
Assets allocated to segment	7 195 266	1 862 931	-9 058 197		
Total	10 416 202	6 364 087	3 079 218	400 000	20 259 507
LIABILITIES					
Segment liabilities	10 073 631	3 702 633	6 455 302	27 941	20 259 507
Liabilities allocated to segment	342 571	2 661 454	-3 376 084	372 059	0
Total	**10 416 202**	**6 364 087**	**3 079 218**	**400 000**	**20 259 507**

VII. DIVIDEND FOR 2004 AND 2005

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.

The plans concerning the dividend payment out of 2005 profits were presented in item III „Information on the Group's Activity in 2005".

VIII. EARNINGS PER SHARE

Earnings per share for 2005 calculated on the basis of annualised consolidated profit, stand at 0,67 PLN.

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

In the period from 1 January till 31 December 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 31 December 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.

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

There were none.

XI. 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 September 2005

Shareholder	Number of shares	% share capital	Number of votes	% share in votes at the GSM
Banco Comercial Portugues S.A.	424.624.072	50,00	424.624.072	50,00
Carothers Trading Limited	84.833.256	9,99	84.833.256	9,99
Priory Investments Group Corp.	84.833.256	9,99	84.833.256	9,99
M+P Holding S.A.	84.833.256	9,99	84.833.256	9,99

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

Shareholder	Number of shares	% share capital	Number of votes	% share in votes at the GSM
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

XII. NUMBERS OF SHARES IN BANK MILLENNIUM SA HELD BY PERSONS MANAGING AND SUPERVING THE BANK

Name and Surname	Function	Number of shares as of submitting the previous quarterly report 17.10.2005	Number of shares as of submitting the current quarterly report 13.02.2006
Bogusław Kott	Chairman of Management Board	3.023.174	3.023.174
Luis Pereira Coutinho	Vice-chairman of the Management Board	0	0
Fernando Bicho	Member of Management Board	0	0
Julianna Boniuk-Gorzelańczyk	Member of Management Board	490.000	490.000
Wojciech Haase	Member of Management Board	5.246	5.246
Wiesław Kalinowski	Member of Management Board	0	0
Zbigniew Kudaś	Member of Management Board	0	0
Manuel Teixeira	Member of Management Board	0	0
Jerzy Andrzejewicz	Procurator	6.260	6.260
Maciej Bednarkiewicz	Chairman of Supervisory Board	94	94
Ryszard Pospieszyński	Vice-Chairman of Supervisory Board	26.200	26.200
Andrzej Koźmiński	Member of Supervisory Board	0	0
Marek Rocki	Member of Supervisory Board	0	0
Dariusz Rosati	Member of Supervisory Board	0	0
Zbigniew Sobolewski	Member of Supervisory Board	0	0
Christopher de Beck	Member of Supervisory Board	95.000	95.000
Francisco de Lacerda	Member of Supervisory Board	0	0
Jorge Manuel Jardim Goncalves	Member of Supervisory Board	3.000	10.000
Paulo Teixeira Pinto	Member of Supervisory Board	0	0
Dimitri Contominas	Member of Supervisory Board	0	0
Vasco de Mello	Member of Supervisory Board	0	0

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

XIV. CREDIT BACKING OR GUARANTEES PROVIDED BY THE BANK

In the fourth 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.

XV. 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.

For the four quarters of 2005 the Bank had an income of 5,412,945 thous. PLN and incurred expenses of 5,656,189 thous PLN., which resulted in a tax loss of 243,244 thous. PLN.

The calculation of the loss was performed in accordance with the provisions of the Act of 15 February 1992 on Corporate Income Tax.

The following were the main causes of the tax loss:

- Elimination of revenues from dividends subject to lump sum tax at source,
- Settlement of derivatives – SWAP transactions,
- Elimination in connection with the repayment of loan receivables of specific provisions which did not previously constitute revenue earning costs.
- Elimination of tax revenues on accrued interest and depreciated discount on debt revenues,
- Elimination of tax revenues from SBB transactions taxed in the preceding year.

Charges on income tax due recognised in consolidated P&L in the amount of 164 million PLN comprised first of an income tax of a subsidiary in the total amount of 158 million PLN created mainly due to a one-off event which was the final settlement of the PZU S.A. transaction (This fact is described in chapter V „Additional Notes to the Financial Data")

- Deferred Income Tax

Pursuant to the Accounting Act business entities are required to create provisions against deferred tax as a result of differences in recognising revenues as generated and costs as incurred in accordance with the Corporate Income Tax Act. Therefore, Group entities create an income tax provision every month, assuming for its creation all temporary differences with respect to which it is certain that they will become a tax deductible or tax income in future reporting periods. Thanks to applying this methodology it is possible to evenly spread the gross income and to guarantee that the expenses and revenues of the current year will not affect the financial result in future years. The deferred part disclosed in the 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 2005 stood at 21,723 thous. PLN.

XVI. 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	01.01.05-31.12.05
Balance at the of the period	**355 249**
a) increases (of which)	28 276
- purchase of promissory note by the NBP	22 836
- accrued interest	5 683
- discount settlement	207
b) decreases (of which)	314 539
- redemption of promissory note from NBP	45 687
- redemption of Bank's bonds	214 987
- decrease of debt securities issued by subsidiary	42 856
- foreign exchange differences	1 545
- repayment of interest	9 464
Balance at the end of the period	**69 436**

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 shorter than two months).

XVII. DESCRIPTION OF TRANSACTIONS WITH RELATED ENTITIES

Any transactions performed between Group entities during the whole year of 2005 were concluded on market terms and resulted from on-going operations. The most important intragroup 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	**31.12.05**
Cash deposited with the Bank	345 891
Amounts due from consolidated entities in respect of: credits, loans, purchased receivables	1 419 462
Receivables from securities bought with sell-back clause	358 842
Shares in consolidated subsidiaries	98 741
Value of debt securities in SBB transaction	60 328
Other assets	32 677
LIABILITIES	**31.12.05**
Amounts due to consolidated entities in respect of: credits, deposits, loans, purchased receivables	1 786 573
Liabilities from securities sold with buy-back clause	411 078
Subordinated liabilities	22 275
Special funds and other liabilities	1 756
PROFIT AND LOSS ACCOUNT	**1.01.05 – 31.12.05**
Income of which:	
interest in respect of: accounts, deposits, credits, loans, purchased receivables	216 508
banking and brokerage commissions	12 732
intragroup dividend payments	1 071 600
other operating income	14 726
Expenses of which:	
interest in respect of: accounts, deposits, credits, loans, purchased receivables	212 770
banking and brokerage commissions	14 409
other operating expenses	24 736
operations of entities subject to consolidation	6 766