

Quarterly Financial Report of Bank Millennium S.A.
prepared in accordance with
the Polish Accounting Standards
for Q2 2005

| MAIN FINANCIAL DATA | Amount '000 PLN | | Amount '000 EUR | |
|---|--|--|--|--|
| | II quarters/ 2005 | II quarters/ 2004 | II quarters/ 2005 | II quarters/ 2004 |
| | period from 1.01.2005 - 30.06.2005 | period from 1.01.2004 - 30.06.2004 | period from 1.01.2005 - 30.06.2005 | period from 1.01.2004 - 30.06.2004 |
| I. Interest income | 607 458 | 519 146 | 148 870 | 109 730 |
| II. Commission income | 108 967 | 112 352 | 26 705 | 23 747 |
| III. Profit / (loss) on banking activity | 599 091 | 497 064 | 146 819 | 105 062 |
| IV. Operating profit / (loss) | 288 107 | 92 775 | 70 606 | 19 609 |
| V. Profit before taxes (loss) | 288 107 | 92 775 | 70 606 | 19 609 |
| VI. Net profit (loss) | 132 225 | 112 000 | 32 404 | 23 673 |
| VII. Net cash flows from operating activities | 1 548 598 | -740 | 379 515 | -156 |
| VIII. Net cash flows from investing activities | -508 858 | -68 995 | -124 706 | -14 583 |
| IX. Net cash flows from financing activities | -1 221 467 | -76 632 | -299 345 | -16 197 |
| X. Net cash flows, total | -181 727 | -146 367 | -44 536 | -30 937 |
| XI. Total assets | 21 425 562 | 20 551 176 | 5 303 226 | 4 524 498 |
| XII. Amounts due to Central Bank | 1 | 0 | 0 | 0 |
| XIII. Amounts due to financial sector | 1 601 340 | 2 449 631 | 396 361 | 539 305 |
| XIV. Amounts due to non-financial and public sector | 12 792 379 | 11 899 097 | 3 166 352 | 2 619 677 |
| XV. Total equity | 1 975 665 | 1 843 767 | 489 014 | 405 919 |
| XVI. Share capital | 849 182 | 849 182 | 210 188 | 186 954 |
| XVII. Number of shares | 849 181 744 | 849 181 744 | 849 181 744 | 849 181 744 |
| XVIII. Book value per share (in PLN/EUR) | 2,33 | 2,17 | 0,58 | 0,48 |
| XIX. Diluted book value per share (in PLN/EUR) | - | - | - | - |
| XX. Capital adequacy ratio | 17,98% | 15,73% | 17,98% | 15,73% |
| XXI. Earnings (losses) per ordinary share (in PLN/EUR) | 0,31 | 0,14 | 0,07 | 0,03 |
| XXII. Diluted earnings (losses) per ordinary share (in PLN/EUR) | - | - | - | - |
| XXIII. Pledged or paid dividend per share (in PLN/EUR) | 0,28 | - | 0,07 | - |

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I. POLICIES EMPLOYED WHEN PREPARING THE QUARTERLY REPORT

This report contains financial data of Bank Millennium ("Bank") prepared in the form of a balance sheet, profit and loss account, cash flow, report on equity changes and additional information, prepared as of 30 June, 2005 in accordance with the Regulation of the Council of Ministers, dated 21 March, 2005 on current and periodic reporting for issuers of securities (Regulation).

The data were prepared on the basis of the "Accounting Policies at Bank Millennium", the detailed description of which is contained in the annual report as of December 31 2004 published on 17 February, 2005.

In 2005 the Bank modified its accounting policies in as much as it started to employ the effective interest rate method (EIR) in the case of certain financial instruments priced at depreciated cost. This followed from the Minister of Finance Regulation of the Minister of Finance, dated 10 December 2001, on Special Principles of Bank Accounting, as later amended.

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

- Ø Until the end of 2004 commissions were recognized in the Bank's profit and loss account on the cash basis when collected (except for specific commissions settled over time by linear method). Since 1 January 2005 selected commissions have been recognized in the P&L Account throughout the entire life of a credit agreement. Such depreciation over time is applicable to those credit-related commissions which – due to their specific nature - are an interest income substitute. The unsettled share of commissions is presented in the balance sheet as adjustment of the value of credit exposure, while the settled part constitutes interest income (or commission income in case of commissions charged on instruments with undefined repayment schedule). Depending on the type of commissions the Bank spreads them over time based on the linear method, sum of digits, or EIR. As a result, compared to the previous years, there is a significant reduction of commission income in the presented report, and a decline in the Bank's own capitals at the date of EIR implementation (an opening balance sheet adjustment driven by a detachment from the previous years' profits of the share of commissions on active credit agreements to be settled over time). Another component to be settled over time shall be some of the Bank's own costs, directly related to making credit agreements such as commissions paid to external and internal agents for conclusion of a mortgage agreement or costs of property appraisal related to this type of agreements.
- Ø In effect of the aforementioned agreement the Bank took the loan and at the same time purchased the securities issued by the counterparty. Moreover, the Bank made a pre-payment of the (discounted) loan interest for the 10 last years on the loan upfront. Such a construction resulted in

a material adjustment (increase) of the opening balance sheet position of own capitals when the EIR was applied.

- Ø What has also been adjusted in the EIR methodology area are the accounting policies in the Bank's subsidiary, namely the use of equity method valuation with respect to stocks and shares in subsidiaries resulted in the adjustment of the opening balance of the Bank's own capitals.

The process of adapting the legal changes laid down in the Regulation (which the EIR methodology is part of) was initiated in 2002 (the implementation of the EIR method due to the complexity of issues and necessary scope of adjustments was delayed till 2005). Based on the same assumptions (i.e. using the possibility of relying on the IAS in default of an appropriate domestic regulation) the Bank in implementing as of 1st January the EIR principle employed an analogous approach as in the case of the provisions of the Regulation identical with the IAS 39 regulations and did not adjust the comparable 2004 data.

However, in the interest of data comparability and possibility of a correct assessment of the financial situation the Bank prepared pro-forma financial reports for HY1 2004 (with less detail) in accordance with EIR requirements. Such reports were used for the needs of management analysis and also were used for preparing information about the Bank's operations in HY1 2005, which is part of this report (chapter II)

The adjustment concerning the Bank's own capitals as of 1 January 2005 as a result of taking up the EIR is as follows:

| Data in PLN thous. | | | |
|---|---|---|-----------------|
| | Valuation of financial instruments at depreciated cost with the use of EIR – Bank | Valuation of financial instruments at depreciated cost with the use of EIR – subsidiary | TOTAL |
| Value of gross adjustment | + 62.210 | - 1.866 | + 60.344 |
| Value of net adjustments (after inclusion of the deferred tax effect) | + 50.391 | - 1.511 | + 48.880 |

The following exchange rates were used for EURO-denominated rates:

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

II. INFORMATION ABOUT ACTIVITY OF BANK MILLENNIUM S.A. IN THE FIRST HY 2005

The Management Board of Bank Millennium S.A. („Bank”) informs that in the 1st HY 2005 the net profit of the Bank according to Polish Accounting Standards totalled PLN 132,2 mln.

By comparison, net profit of the Bank in first HY 2004 stood at PLN 125,2 mln (pro-forma result calculated on the comparable basis).

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

A. Significant improvement of profitability based on core business

- Increase of net profit to PLN 132.2 million (5.6% more than in first half of 2004)
- Increase of net commission income by 6.2%
- Reduction of operating expenses by 4.8%
- Decrease of non-performing loans (by PLN 391 million versus June 2004) and provisions created due to effective credit recovery efforts and improvements in credit risk management
- High level of solvency ratio (18.0%), reflecting strong balance sheet and capital base.
- ROE on the level of 13.2% for Bank Millennium Group

B. Strategic business segments deliver on growth:

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

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

INCOME

| Result on Banking Activity (PLN million) | 1H 2005 | 1H 2004 proforma | Change |
|--|----------------|-----------------------------|---------------|
| Net Interest Income | 211.7 | 240.8 | -12.1% |
| Net Commissions Income | 98.0 | 92.3 | +6.2% |
| Other non-interest income | 289.4 | 178.9 | +61.7% |
| <i>of which one-offs:</i> | <i>218.0</i> | <i>155.5</i> | |
| Result on banking activity | 599.1 | 512.0 | +17.0% |
| Result on Banking Activity (excluding one-offs) | 381.1 | 356.5 | +6.9% |

1.

Net interest income generated by Bank Millennium in the first half of 2005 reached PLN 211.7 million, and was 12.1% lower than in the corresponding period of the previous year (PLN 240.8 million). This was caused by a significant decrease of loans mainly in respect of sale of car loans portfolio in May 2004.

2.

Net commissions income amounted to PLN 98.0 million (PLN 92.3 million in the first half of the previous year), meaning a 6.2% increase, driven by business efforts, mainly in several Bank's strategic areas, such as credit cards.

3.

Other net non-interest income over the first six months of 2005 was PLN 289.4 million, compared to PLN 178.9 million in the homologous period of the previous year. The increase was caused by a one-off events in 1H 2005 when the Bank achieved capital gains from received dividends.

Deducting one-off events income (2005 – dividends, 2004 – profit on sale of car loans portfolio), the **result on banking activity** for 1H 2005 increased by 6.9%

COSTS

| Operating Costs (PLN million) | 1H 2005 | 1H 2004 proforma | Change |
|-------------------------------|--------------|---------------------|--------------|
| Personnel costs | 143.9 | 138.1 | +4.2% |
| Non-personnel costs | 153.4 | 160.3 | -4.3% |
| Depreciation | 38.9 | 54.6 | -28.8% |
| Total costs | 336.3 | 353.1 | -4.8% |

4.

Total costs of the Bank Millennium in 1H 2005 dropped by 4.8% when compared to those of 1H 2004, and amounted to PLN 336.3 million (353.1 million in the corresponding period of 2004), due to reductions in both depreciation and administrative costs (mainly decreasing maintenance costs of fixed assets, IT and telecom). **Non-personnel costs** were PLN 153.4 million (160.3 million in 1H 2004), i.e. they decreased by 4.3%, while **depreciation** decreased by 28.8%, down to the level of PLN 38.9 million (as compared to 54.6 million in 1H 2004).

Personnel costs slightly increased, as compared to the first half of 2004, to PLN 143.9 million, driven mainly by a growing staff of the Bank's sales force. This is in line with the present policy for the Bank business development after the period of employment restructuring that took place over the past few years. As at June 30, 2005, Bank Millennium employs 3938 persons, compared to 3896 at the end of June 2004.

5.

Successful implementation of recoveries actions of non performing loans, and improvement in credit risk management led to lower need of **provisions**. In the first half of 2005 the Bank established PLN 7.1 million of **net provisions**, 50.6 million lower than in the first half of 2004 (57.7 million).

6.

In the first half of 2005, pre-tax profit of the Bank Millennium was PLN 288.1 million, with **net profit** at **132.2 million**, 7 million higher than the pro forma net income for 1H 2004 (PLN 125.2 million).

BUSINESS FIGURES

7.

At 30 June 2005, **total assets** were PLN **21 426 million**, having grown since the end of June 2004 by 5.4% (PLN 20 321 million).

| Key Balance Sheet Volumes | 30.06.2005 | 30.06.2004 proforma | Change |
|--------------------------------|--------------|------------------------|------------|
| Total assets | 21 426 | 20 321 | 5.4% |
| Total Customer deposits | 12 792 | 11 899 | 7.5% |
| Total loans to Customers | 7 683 | 7 162 | 7.3% |
| <i>of which mortgage loans</i> | <i>2 313</i> | <i>1 358</i> | <i>70%</i> |
| Equity | 1 976 | 1 884 | 4.9% |

As at June 30, 2005, the net value of **loans** to Customers increased by 7.3 % as compared to the first half of the previous year, and amounted to PLN 7 683 million. This marked a second consecutive quarter of credit portfolio growth.

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

8.

Total Deposits grew 7,5% year-on-year.

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

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

utilization rate: the credit balance increased by 109%, while the June's POS spending by 60%, as compared to June 2004.

9.

Loans quality

As at June 30, 2005 the quality of the loan portfolio of the Bank (calculated using the methodology of the National Bank of Poland) improved significantly. **Total NPLs** were lower than a year before by PLN 391 million (-25%). Such effect was generated by a well-developed and prudential credit policy combined with highly-effective restructuring and recovery efforts.

| Loans quality indicators | | 30.06.05 | 30.06.04 |
|--------------------------|----------------------------------|----------|----------|
| NPLs/ total loans ratio | By delay in repayment (90 days) | 5.5% | 8.9% |
| | By NBP regulations | 13.7% | 19.4% |
| Provisions/ NPLs ratio | By delay in repayment (90 days) | 157.2% | 116.7% |
| | By NBP regulations | 63.1% | 53.7% |

The NPL ratio, measured by repayment delays over 90 days, improved from 8.9% (at 30 June 2004) to 5.5% (at 30 June 2005).

According to NBP standards, the NPL ratio strongly improved from 19.4% (at 30 June 2004) to 13.7% (at 30 June 2005), while the ratio of NPLs provisioning increased over the same period from 53.7% to 63.1%.

In result of a real improvement of the credit portfolio quality, and a consistent provisioning policy, the ratio of NPL coverage by provisions (by timeliness of repayment) improved significantly, growing from 116.7% (at the end of June 2004) to 157.2% in the first half of 2005.

10.

The solvency ratio of the Bank Millennium Group stood 18.0% and was higher than a year earlier (15.7%) due to sale of selected assets, and a better structure of risk-weighted assets. Such a high level of the ratio strongly guarantees a safe level of equity in the light of the further planned dynamic development of the business operations.

III. FINANCIAL DATA

| BALANCE SHEET | as at 30.06.2005 end of the II quarter / 2005 | as at 31.03.2005 end of the I quarter / 2005 | as at 31.12.2004 end of the IV quarter / 2004 | as at 30.06.2004 end of the II quarter / 2004 |
|--|--|---|--|--|
| ASSETS | | | | |
| I. Cash, balances with Central Bank | 664 315 | 794 244 | 871 835 | 647 423 |
| II. Debt securities eligible for rediscount at Central Bank | 18 288 | 17 296 | 9 993 | 11 568 |
| III. Amounts due from financial sector | 1 450 675 | 3 238 402 | 3 546 406 | 2 485 263 |
| 1. Current | 403 375 | 1 238 745 | 80 927 | 943 772 |
| 2. Term | 1 047 300 | 1 999 657 | 3 465 479 | 1 541 491 |
| IV. Amounts due from non-financial sector | 7 305 226 | 6 758 325 | 6 336 432 | 6 726 321 |
| 1. Current | 1 031 380 | 964 011 | 852 881 | 1 431 562 |
| 2. Term | 6 273 846 | 5 794 314 | 5 483 551 | 5 294 759 |
| V. Amounts due from public sector | 377 908 | 389 253 | 409 009 | 468 323 |
| 1. Current | 6 255 | 4 998 | 4 987 | 6 979 |
| 2. Term | 371 653 | 384 255 | 404 022 | 461 344 |
| VI. Receivables from securities bought with sell-back clause | 204 232 | 80 017 | 80 651 | 260 124 |
| VII. Debt securities | 8 365 606 | 7 050 772 | 6 915 891 | 6 687 829 |
| VIII. Shares in subsidiaries | 572 832 | 1 472 765 | 1 659 836 | 1 423 941 |
| IX. Shares in affiliated subsidiaries | 0 | 0 | 0 | 0 |
| X. Shares in associated companies | 3 524 | 3 438 | 6 227 | 5 967 |
| XI. Shares in other companies | 12 273 | 12 542 | 12 676 | 12 780 |
| XII. Other securities and financial assets | 431 531 | 459 563 | 546 850 | 394 036 |
| XIII. Intangible assets: | 33 346 | 36 952 | 40 626 | 218 841 |
| of which: goodwill | 4 875 | 5 339 | 5 804 | 6 732 |
| XIV. Tangible fixed assets | 498 458 | 517 042 | 534 386 | 622 090 |
| XV. Other assets | 1 006 341 | 60 487 | 53 920 | 89 760 |
| 1. Acquired assets for resale | 757 | 756 | 756 | 3 071 |
| 2. Other | 1 005 584 | 59 731 | 53 164 | 86 689 |
| XVI. Prepayments and accrued income | 481 007 | 482 791 | 512 388 | 496 910 |
| 1. Deferred income tax | 222 456 | 237 618 | 228 631 | 200 840 |
| 2. Other | 258 551 | 245 173 | 283 757 | 296 070 |
| Total assets | 21 425 562 | 21 373 889 | 21 537 126 | 20 551 176 |
| Liabilities and Equity | | | | |
| I. Amounts due to the Central Bank | 1 | 1 | 1 | 0 |
| II. Amounts due to financial sector | 1 601 340 | 1 983 119 | 1 979 583 | 2 449 631 |
| 1. Current | 933 063 | 724 985 | 312 765 | 676 162 |
| 2. Term | 668 277 | 1 258 134 | 1 666 818 | 1 773 469 |
| III. Amounts due to non-financial sector | 11 598 757 | 12 208 908 | 13 336 914 | 10 665 520 |
| 1. Saving accounts: | 0 | 0 | 0 | 0 |
| a) current | 0 | 0 | 0 | 0 |
| b) term | 0 | 0 | 0 | 0 |
| 2 Others: | 11 598 757 | 12 208 908 | 13 336 914 | 10 665 520 |
| a) current | 3 312 374 | 3 339 024 | 2 528 331 | 2 968 697 |
| b) term | 8 286 383 | 8 869 884 | 10 808 583 | 7 696 823 |
| IV. Amounts due to public sector | 1 193 622 | 922 514 | 874 069 | 1 233 577 |
| a) current | 669 990 | 692 666 | 510 810 | 547 038 |
| b) term | 523 632 | 229 848 | 363 259 | 686 539 |
| V. Liabilities from securities sold with buy-back clause | 3 228 489 | 2 127 386 | 1 446 214 | 1 943 675 |
| VI. Liabilities from debt securities | 142 852 | 277 700 | 275 544 | 725 334 |
| 1. Short-term | 133 302 | 178 952 | 176 899 | 484 934 |
| 2. Long-term | 9 550 | 98 748 | 98 645 | 240 400 |

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| VII. Liabilities from securities sold with buy-back clause | 366 739 | 383 769 | 390 636 | 330 475 |
| VIII. Special funds and other liabilities | 213 240 | 424 747 | 154 237 | 145 778 |
| IX. Accruals and deferred income | 398 349 | 455 584 | 415 893 | 422 238 |
| 1. Accruals | 83 551 | 93 201 | 91 070 | 81 718 |
| 2. Negative goodwill | 0 | 0 | 0 | 0 |
| 3. Other deferred income | 314 798 | 362 383 | 324 823 | 340 520 |
| X. Provisions | 382 684 | 397 403 | 342 154 | 427 152 |
| 1. Deferred corporate income tax | 152 929 | 153 447 | 117 430 | 114 891 |
| 2. Other | 229 755 | 243 956 | 224 724 | 312 261 |
| a) short-term | 0 | 0 | 0 | 0 |
| b) long-term | 229 755 | 243 956 | 224 724 | 312 261 |
| XI. Subordinated debt | 323 824 | 330 469 | 326 978 | 364 029 |
| XII. Share capital | 849 182 | 849 182 | 849 182 | 849 182 |
| XIII. Unpaid share capital (negative value) | 0 | 0 | 0 | 0 |
| XIV. Treasury stock (negative value) | 0 | 0 | 0 | 0 |
| XV. Supplementary capital | 472 343 | 472 343 | 508 095 | 508 095 |
| XVI. Revaluation reserve | 89 770 | 63 629 | 52 341 | 29 709 |
| XVII. Other reserve capital | 383 265 | 383 265 | 380 532 | 380 532 |
| XVIII. Retained earnings | 48 880 | 48 880 | -35 751 | -35 751 |
| XIX. Net profit (loss) | 132 225 | 44 990 | 240 504 | 112 000 |
| Total Liabilities and Equity | 21 425 562 | 21 373 889 | 21 537 126 | 20 551 176 |

| | | | | |
|------------------------|--------|--------|--------|--------|
| Capital adequacy ratio | 17,98% | 19,03% | 17,35% | 15,73% |
|------------------------|--------|--------|--------|--------|

| | | | | |
|-------------------------------|-------------|-------------|-------------|-------------|
| Book value | 1 975 665 | 1 862 289 | 1 994 903 | 1 843 767 |
| Number of share | 849 181 744 | 849 181 744 | 849 181 744 | 849 181 744 |
| Book value per share (in PLN) | 2,33 | 2,19 | 2,35 | 2,17 |

| OFF-BALANCE SHEET ITEMS | as at 30.06.2005 end of the II quarter / 2005 | as at 31.03.2005 end of the I quarter / 2005 | as at 31.12.2004 end of the IV quarter / 2004 | as at 30.06.2004 end of the II quarter / 2004 |
|--|--|---|--|--|
| I. Contingent liabilities granted and received | 5 428 558 | 4 721 259 | 4 476 562 | 3 780 377 |
| 1. Liabilities granted: | 4 404 604 | 3 668 097 | 3 422 724 | 2 872 743 |
| a) financial | 3 720 070 | 3 152 965 | 2 974 234 | 2 381 427 |
| b) guarantees | 684 534 | 515 132 | 448 490 | 491 316 |
| 2. Liabilities received: | 1 023 954 | 1 053 162 | 1 053 838 | 907 634 |
| a) financial | 0 | 0 | 0 | 0 |
| b) guarantees | 1 023 954 | 1 053 162 | 1 053 838 | 907 634 |
| II. Liabilities in respect of sale/purchase transactions | 13 346 305 | 15 795 654 | 13 024 534 | 14 380 575 |
| III. Other, including: | 23 520 188 | 22 103 358 | 22 775 802 | 25 781 407 |
| - interest rate swaps | 19 336 262 | 19 399 024 | 21 361 292 | 23 735 615 |
| - options | 2 598 418 | 760 630 | 514 510 | 45 792 |
| - FRAs | 1 410 000 | 1 910 000 | 900 000 | 2 000 000 |
| - other | 175 508 | 33 704 | 0 | 0 |
| TOTAL OFF-BALANCE SHEET ITEMS | 42 295 051 | 42 620 271 | 40 276 898 | 43 942 359 |

| PROFIT AND LOST ACCOUNT | II quarter period from 1.04.2005 - 30.06.2005 | II quarters period from 1.01.2005 - 30.06.2005 | II quarter period from 1.04.2004 - 30.06.2004 | II quarters period from 1.01.2004 - 30.06.2004 |
|--|--|---|--|---|
| I. Interest income | 298 233 | 607 458 | 253 398 | 519 146 |
| II. Interest cost | 196 022 | 395 762 | 146 385 | 298 929 |
| III. Net interest income (I-II) | 102 211 | 211 696 | 107 013 | 220 217 |
| IV. Commission income | 55 763 | 108 967 | 57 417 | 112 352 |
| V. Commission cost | 4 129 | 10 930 | 7 398 | 14 452 |
| VI. Net commission income (IV-V) | 51 634 | 98 037 | 50 019 | 97 900 |
| VII. Income from shares, other securities and other financial variable-income instruments | 5 108 | 218 167 | 10 137 | 13 424 |
| 1. from subsidiaries | 3 716 | 216 775 | 10 000 | 12 704 |
| 2. from affiliated subsidiaries | 0 | 0 | 0 | 0 |
| 3. from associated companies | 0 | 0 | 137 | 720 |
| 4. from other entities | 1 392 | 1 392 | 0 | 0 |
| VIII. Result on financial operations | 9 134 | 34 920 | 117 169 | 126 921 |
| IX. Foreign exchange gains (losses) | 22351 | 36 271 | 17 997 | 38 602 |
| X. Profit / (loss) on banking activity | 190 438 | 599 091 | 302 335 | 497 064 |
| XI. Other operating income | 34194 | 41 407 | 15 978 | 19 734 |
| XII. Other operating expenses | 2783 | 9 001 | 8 089 | 13 253 |
| XIII. General and administrative expenses | 148815 | 297 372 | 139 837 | 298 427 |
| XIV. Depreciation and amortization | 18942 | 38 885 | 27 228 | 54 625 |
| XV. Charges to provisions and revaluation | 115 009 | 314 882 | 338 234 | 616 114 |
| 1. Charges to provisions | 115 009 | 311 334 | 338 201 | 616 081 |
| 2. Revaluation of financial assets | 0 | 3 548 | 33 | 33 |
| XVI. Release of provisions and revaluation | 108 184 | 307 749 | 277 654 | 558 396 |
| 1. Release of provisions | 108 184 | 303 464 | 277 654 | 558 396 |
| 2. Revaluation of financial assets | 0 | 4 285 | 0 | 0 |
| XVII. Net provisions and revaluation (XV-XVI) | 6 825 | 7 133 | 60 580 | 57 718 |
| XVIII. Operating profit / (loss) | 47 267 | 288 107 | 82 579 | 92 775 |
| XIX. Net extraordinary gains (losses) | 0 | 0 | 0 | 0 |
| 1. Extraordinary gains | 0 | 0 | 0 | 0 |
| 2. Extraordinary losses | 0 | 0 | 0 | 0 |
| XX. Profit before taxes | 47 267 | 288 107 | 82 579 | 92 775 |
| XXI. Corporate income tax | 9 631 | 17 769 | 15 665 | 19 151 |
| 1. Current | 0 | 0 | 0 | 0 |
| 2. Deferred | 9 631 | 17 769 | 15 665 | 19 151 |
| XXII. Other obligatory charges against profit (increases in loss) | 0 | 0 | 0 | 0 |
| XXIII. Net income (loss) of subordinated companies subject to equity method | 49599 | -138 113 | 25 023 | 38 376 |
| XXIV. Net profit (loss) | 87 235 | 132 225 | 91 937 | 112 000 |

| | | | | |
|--|---|-------------|---|-------------|
| Net profit (loss) (annualized) | - | 260 729 | - | 119 047 |
| Weighted average number of ordinary shares | - | 849 181 744 | - | 849 181 744 |
| Profit (loss) per ordinary share (in PLN) | - | 0,31 | - | 0,14 |

| Statement of Changes in Equity | II quarter period from 1.04.2005 - 30.06.2005 | II quarters period from 1.01.2005 - 30.06.2005 | 2004 period from 1.01.2004 - 31.12.2004 | II quarters period from 1.01.2004 - 30.06.2004 |
|---|--|---|--|---|
| Equity at the beginning of the period (opening balance) | 1 862 289 | 1 994 903 | 1 734 906 | 1 734 906 |
| a) Changes in adopted accounting policies | 0 | 48 880 | 0 | 0 |
| b) Fundamental errors corrected | 0 | 0 | 0 | 0 |
| Equity at the beginning of the period (opening balance) as restated to comparable data | 1 862 289 | 2 043 783 | 1 734 906 | 1 734 906 |

| | | | | |
|--|---------|---------|---------|---------|
| 1. Share capital at the beginning of the period | 849 182 | 849 182 | 849 182 | 849 182 |
| 1.1. Changes in share capital | 0 | 0 | 0 | 0 |
| a) increases | 0 | 0 | 0 | 0 |
| - share issues | 0 | 0 | 0 | 0 |
| b) decreases | 0 | 0 | 0 | 0 |
| - redemption of shares | 0 | 0 | 0 | 0 |
| 1.2. Share capital at the end of the period | 849 182 | 849 182 | 849 182 | 849 182 |
| 2. Unpaid share capital at the beginning of the period | 0 | 0 | 0 | 0 |
| 2.1. Changes in unpaid share capital | 0 | 0 | 0 | 0 |
| a) increases | 0 | 0 | 0 | 0 |
| - | | | | |
| b) decreases | 0 | 0 | 0 | 0 |
| 2.2. Unpaid share capital at the end of period | 0 | 0 | 0 | 0 |
| 3. Treasury stock at the beginning of the period | 0 | 0 | 0 | 0 |
| a) increases | 0 | 0 | 0 | 0 |
| - | | | | |
| b) decreases | 0 | 0 | 0 | 0 |
| - | | | | |
| 3.1. Treasury stock at the end of the period | 0 | 0 | 0 | 0 |
| 4. Supplementary capital at the beginning of the period | 472 343 | 508 095 | 542 970 | 542 970 |
| 4.1. Changes in supplementary capital | 0 | -35 752 | -34 875 | -34 875 |
| a) increases | 0 | 0 | 0 | 0 |
| - appropriation of profit (above the statutory minimum) | 0 | 0 | 0 | 0 |
| - appropriation of profit (statutory) | 0 | 0 | 0 | 0 |
| b) decreases | 0 | 35 752 | 34 875 | 34 875 |
| - to cover losses from previous years | 0 | 35 752 | 34 875 | 34 875 |
| 4.2. Supplementary capital at the end of the period | 472 343 | 472 343 | 508 095 | 508 095 |
| 5. Revaluation reserve at the beginning of the period | 63 629 | 52 341 | 32 847 | 32 847 |
| b) changes in adopted accounting policies | 0 | 0 | 0 | 0 |
| a) fundamentals corected errors | 0 | 0 | 0 | 0 |
| 5.a) revaluation reserve at the beginning of the period, restated to comparable data | 63 629 | 52 341 | 32 847 | 32 847 |
| 5.1. Changes in revaluation reserve | 26 141 | 37 429 | 19 494 | -3 138 |
| a) increases | 26 141 | 37 429 | 19 494 | 0 |
| - purchase and valuation of available for sale financial assets | 26 141 | 37 429 | 19 494 | 0 |
| b) decreases | 0 | 0 | 0 | 3 138 |
| - sale and valuation of available for sale financial assets | 0 | 0 | 0 | 3 138 |
| 5.2 Revaluation reserve at the end of period | 89 770 | 89 770 | 52 341 | 29 709 |
| 6. General Banking Risk Reserve at the beginning of the period | 383 265 | 380 532 | 339 637 | 339 637 |
| 6.1 Changes in General Banking Risk Reserve | 0 | 2 733 | 40 895 | 40 895 |
| a) increases | 0 | 2 733 | 40 895 | 40 895 |
| - appropriation of profit | 0 | 2 733 | 40 895 | 40 895 |
| b) decreases | 0 | 0 | 0 | 0 |
| 6.2. General Banking Risk Reserve at the end of the period | 383 265 | 383 265 | 380 532 | 380 532 |
| 7. Other reserve capital at the beginning of the period | 0 | 0 | 0 | 0 |
| 7.1. Changes in other reserve capital | 0 | 0 | 0 | 0 |
| a) increases | 0 | 0 | 0 | 0 |
| - appropriation of profit (statutory) | 0 | 0 | 0 | 0 |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| b) decreases | 0 | 0 | 0 | 0 |
| 7.2. Other reserve capital at the end of the period | 0 | 0 | 0 | 0 |
| 8. Retained earnings (loss brought forward) at the beginning of the period | 48 880 | -35 752 | -70 626 | -70 626 |
| 8.1. Retained earnings at the beginning of the period | 48 880 | 0 | -16 999 | -16 999 |
| a) changes in adopted accounting principles | 0 | 48 880 | 0 | 0 |
| b) fundamental errors corrected | 0 | 0 | 0 | 0 |
| 8.2. Retained earnings at the beginning of the period, restated to comparable data | 48 880 | 48 880 | -16 999 | -16 999 |
| 8.3. Changes in retained earnings | 0 | 0 | 16 999 | 16 999 |
| a) increases | 0 | 240 504 | 57 894 | 57 894 |
| - transfer of profit of 2004/2003 | 0 | 240 504 | 57 894 | 57 894 |
| b) decreases | 0 | 240 504 | 40 895 | 40 895 |
| - appropriation of profit - General Banking Risk Reserve | 0 | 2 733 | 40 895 | 40 895 |
| - appropriation of profit - dividend payments | 0 | 237 771 | 0 | 0 |
| 8.4. Retained earning at the end of the period | 48 880 | 48 880 | 0 | 0 |
| 8.5. Loss brought forward at the beginning of the period | 0 | 35 752 | 53 627 | 53 627 |
| a) changes in adopted accounting principles | 0 | 0 | 0 | 0 |
| b) fundamental errors corrected | 0 | 0 | 0 | 0 |
| 8.6. Loss brought forward at the beginning of the period, restated to comparable data | 0 | 35 752 | 53 627 | 53 627 |
| 8.7. Changes in loss brought forward | 0 | -35 752 | -17 876 | -17 876 |
| a) increases | 0 | 0 | 0 | 0 |
| - transfer of profit from previous year | 0 | 0 | 0 | 0 |
| b) decreases | 0 | 35 752 | 17 876 | 17 876 |
| - covering losses from supplementary capital | 0 | 35 752 | 17 876 | 17 876 |
| 8.8. Loss brought forward at the end of the period | 0 | 0 | 35 751 | 35 751 |
| 8.9. Retained earning (loss brought forward) at the end of the period | 48 880 | 48 880 | -35 751 | -35 751 |
| 9. Net profit (loss) | 87 235 | 132 225 | 240 504 | 112 000 |
| a) net profit | 87 235 | 132 225 | 240 504 | 112 000 |
| b) net loss | 0 | 0 | 0 | 0 |
| II. Equity at the end of the period (closing balance) | 1 975 665 | 1 975 665 | 1 994 903 | 1 843 767 |

| Statement of Cash Flows | II quarter period from 1.04.2005 - 30.06.2005 | II quarters period from 1.01.2005 - 30.06.2005 | II quarter period from 1.04.2004 - 30.06.2004 | II quarters period from 1.01.2004 - 30.06.2004 |
|---|--|---|--|---|
| A. Cash flows from operating activities - indirect method | | | | |
| I. Net profit (loss) | 87 235 | 132 225 | 91 937 | 112 000 |
| II. Adjustments for: | 1 881 937 | 1 416 373 | 49 369 | -112 740 |
| 1. Share in (profits) losses of subordinated companies consolidated under the equity method | -49 599 | 138 113 | -11 670 | -38 376 |
| 2. Depreciation and amortization | 18 942 | 38 885 | 27 228 | 54 625 |
| 3. Foreign exchange (gains) losses | -8 451 | -7 005 | -62 797 | -54 054 |
| 4. Interest and share in profits (dividends) | 18 835 | -167 715 | 15 772 | 54 996 |
| 5. (Profit) loss on investing activities | -95 | 1 207 | 248 | 461 |
| 6. Change in provisions | -14 918 | 16 732 | 5 973 | 17 543 |

| | | | | |
|---|-----------|------------|------------|------------|
| 7. Change in debt securities | -427 403 | -824 344 | -1 353 446 | -1 774 696 |
| 8. Change in amounts due from other financial institutions | 1 812 584 | 2 113 224 | -764 104 | -686 322 |
| 9. Change in amounts due from non-financial and public sector | -535 556 | -937 693 | 2 495 759 | 2 638 706 |
| 10 . Change in receivables from reverse repo transactions | -124 215 | -123 581 | 196 457 | -159 766 |
| 11. Change in shares, other securities and other financial assets | 28 032 | 115 319 | -151 877 | 280 041 |
| 12. Change in amounts due to other financial institutions | 441 240 | 718 664 | -295 400 | -711 290 |
| 13. Change in amounts due to non-financial and public sector | -339 043 | -1 418 604 | -55 190 | 428 494 |
| 14. Change in liabilities from securities sold with buy-back option | 1 101 103 | 1 782 275 | 513 524 | 408 197 |
| 15. Change in liabilities arising from securities | 0 | 0 | -367 498 | -365 717 |
| 16. Change in other liabilities | 11 970 | 31 275 | 89 780 | 23 642 |
| 17. Change in accrued expenses and prepayments | -4 120 | -10 917 | -5 628 | -16 772 |
| 18. Change in deferred and restricted incomes | -47 585 | -49 695 | -227 762 | -212 452 |
| 19. Other | 216 | 233 | 0 | 0 |
| III. Net cash flows from operating activities (I +/- II) - indirect method | 1 969 172 | 1 548 598 | 141 306 | -740 |
| | | | | |
| B. Cash flows from investing activities | | | | |
| I. Cash from investing activities | 721 | 1 983 | 12 380 | 16 389 |
| 1. Sale of shares in subsidiaries | 0 | 0 | 0 | 0 |
| 2. Sale of shares in jointly-controlled subsidiaries | 0 | 0 | 0 | 0 |
| 3. Sale of shares in associated companies | 0 | 175 | 0 | 0 |
| 4. Sale of shares in other companies, other securities and other financial assets | 0 | 0 | 0 | 12 |
| 5. Sale of intangible assets and tangible fixed assets | 721 | 1 808 | 2 030 | 2 953 |
| 6. Sale of investments in real estate and intangible assets | 0 | 0 | 0 | 0 |
| 7. Other | 0 | 0 | 10 350 | 13 424 |
| II. Cash used for investing activities | 857 553 | 510 841 | 12 659 | 85 384 |
| 1. Purchase of shares in subsidiaries | 0 | 0 | 4 | 4 |
| 2. Purchase of shares in jointly-controlled subsidiaries | 0 | 0 | 0 | 0 |
| 3. Purchase of shares in associated companies | 0 | 0 | 0 | 0 |
| 4. Purchase of shares in other companies, other securities and other financial assets | 854 661 | 507 936 | 8 850 | 79 534 |
| 5. Purchase of intangible assets and tangible fixed assets | 2 892 | 2 905 | 210 | 1 958 |
| 6. Investments in real estate and intangible assets | 0 | 0 | 3 595 | 3 888 |
| 7. Other | 0 | 0 | | 0 |
| III. Net cash flows from investing activities (I - II) | -856 832 | -508 858 | -279 | -68 995 |
| | | | | |
| C. Cash flows from financing activities | | | | |
| I. Cash from financing activities | 317 | 668 | 0 | 0 |
| 1. Long-term bank loans | 0 | 0 | 0 | 0 |
| 2. Long-term borrowings from financial institutions other than banks | 0 | 0 | 0 | 0 |
| 3. Issue of debt securities | 0 | 0 | 0 | 0 |
| 4. Increase in subordinated debt | 0 | 0 | 0 | 0 |
| 5. Net proceeds from issues of shares and additional capital paid-in | 0 | 0 | 0 | 0 |
| 6. Other | 317 | 668 | 0 | 0 |
| II. Cash used for financing activities | 1 216 734 | 1 222 135 | 70 573 | 76 632 |

| | | | | |
|---|------------|------------|---------|---------|
| 1. Repayment of long-term bank loans | 793 053 | 793 053 | 0 | 0 |
| 2. Repayment of long-term borrowings from financial institutions other than banks | 0 | 0 | 0 | 0 |
| 3. Redemption of debt securities | 133 073 | 133 073 | 0 | 0 |
| 4. Other financial liabilities | 0 | 0 | 0 | 0 |
| 5. Financial leasing liabilities | 0 | 0 | 0 | 0 |
| 6. Decrease in subordinated debt | 0 | 0 | 0 | 0 |
| 7. Dividends and other payments to owners | 237 771 | 237 771 | 0 | 0 |
| 8. Appropriations of profit, other than payments to owners | 0 | 0 | 0 | 0 |
| 9. Purchase of treasury stock | 0 | 0 | 0 | 0 |
| 10. Other | 52 837 | 58 238 | 70 573 | 76 632 |
| III. Net cash flows from financing activities (I - II) | -1 216 417 | -1 221 467 | -70 573 | -76 632 |

| | | | | |
|---|----------|----------|---------|----------|
| D. Net cash flows, total (A.III +/- B.III +/- C.III) | -104 077 | -181 727 | 70 454 | -146 367 |
| E. Change in cash and cash equivalents | -104 077 | -181 727 | 70 454 | -146 367 |
| - change in cash in respect of foreign exchange gains and losses | 0 | 0 | 0 | 0 |
| F. Cash and cash equivalents at the beginning of the period | 804 367 | 882 017 | 588 581 | 805 402 |
| G. Cash and cash equivalents at the end of the period (F+/- D), of which: | 700 290 | 700 290 | 659 035 | 659 035 |

IV. DIVIDEND FOR 2004

Pursuant to Resolution No. 5 of the General Shareholders' Meeting of 8 March 2005 in the matter of distribution of profit of the 2004 accounting year the General Shareholders' Meeting decided to assign from net profit generated in 2004 for payment of dividend the amount of PLN 237,770,888.32. The Bank's initial capital is PLN 849,181,744 and is divided into 849,181,744 shares, which gives a dividend payment of PLN 0.28 per share. The dividend was paid on 22 April 2005.

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

Change in the balance of own security liabilities in the period under description is presented by the table below (days in PLN thous):

| MOVEMENTS IN LIABILITIES FROM ISSUE OF DEBT SECURITIES | 01.01.05-30.06.05 |
|--|-------------------|
| Balance at the beginning of the period | 275 544 |
| a) increases (of which) | 4 197 |
| - accrued interest | 3 934 |
| - discount settlement | 109 |
| - foreign exchange differences | 154 |
| b) decreases (of which) | 136 889 |
| - redemption of Bank's bonds | 133 073 |
| - foreign exchange differences | 1 690 |
| - repayment of interest | 2 126 |
| Balance at the end of the period | 142 852 |

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

There were none.

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

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

| Shareholder | Number of shares | % share in share capital | Number of votes | % share in votes at the General Meeting of Shareholders |
|--------------------------------|-------------------------|---------------------------------|------------------------|--|
| Banco Comercial Portugues S.A. | 424 624 072 | 50.00 | 424 624 072 | 50.00 |
| Carothers Trading Limited | 84 833 256 | 9.99 | 84 833 256 | 9.99 |
| Priory Investments Group Corp. | 84 833 256 | 9.99 | 84 833 256 | 9.99 |
| M+P Holding S.A. | 84 833 256 | 9.99 | 84 833 256 | 9.99 |

Data as of the publication of the quarterly report made out as of 30 June 2005

| Shareholder | Number of shares | % share in share capital | Number of votes | % share in votes at the General Meeting of Shareholders |
|--------------------------------|-------------------------|---------------------------------|------------------------|--|
| Banco Comercial Portugues S.A. | 424 624 072 | 50.00 | 424 624 072 | 50.00 |
| Carothers Trading Limited | 84 833 256 | 9.99 | 84 833 256 | 9.99 |
| Priory Investments Group Corp. | 84 833 256 | 9.99 | 84 833 256 | 9.99 |
| M+P Holding S.A. | 84 833 256 | 9.99 | 84 833 256 | 9.99 |

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

The Bank 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.

IX. CASES OF COURT LITIGATIONS

The biggest proceedings involving the Bank are as follows:

- proceedings instituted by the Bank by filing a statement of claim on 22.07.1998 against the State Treasury for PLN 65 613 512.20 on account of the State Treasury's liability in connection with the acquisition by the former Bank Gdański S.A. of receivables from health care institutions, which, despite assurances, proved disputable;
- proceedings instituted by Grzegorz Jedamski against the Bank in connection with a statement of claim filed with the Regional Court in Warsaw for adjudicating PLN 299.833.300 in his favour as damages for the allegedly illegal takeover of BIG BANK Spółka Akcyjna (former ŁBR S.A.).

X. TRANSACTIONS WITH RELATED ENTITIES WHICH EXCEEDED THE EQUIVALENT OF 500 000 EURO

In the period from 1 January to 30 June 2005 any transactions between the Bank and related entities were concluded on market terms and resulted from on-going operations.

XI. CREDIT BACKING OR GUARANTEES PROVIDED BY THE BANK

In the first HY 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.

XII. INCOME TAX

q 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.

At the end of the first HY 2005 the Bank had a positive tax base of PLN 58 883 thous, which was mainly set off against tax losses incurred in 2003. Current income tax at the end of the quarter did not arise..

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

- Ø Realised interest and swap points on SWAP transactions
- Ø Cash profit on debt security transactions and sell buy backs,
- Ø Capitalised interest constituting tax revenue at the capitalisation date..

q Deferred income tax

Pursuant to the Accounting Act business entities are required to create provisions against deferred tax as a result of differences in recognizing revenues as generated and costs as incurred in accordance with the Corporate Income Tax Act. Therefore, Bank Millennium creates an income tax provision every month, assuming for its creation all temporary differences with respect to which it is certain that they will become a tax deductible or tax income in the following reporting periods. Thanks to applying this methodology it is possible to evenly spread the gross income and to guarantee that the expenses and revenues of the current year will not affect the financial result in future years. The deferred part disclosed in the P&L Account is the difference between a change in the provision balance and deferred income tax assets. In the consolidated balance sheet the deferred income tax provision and assets are presented separately.

Deferred income tax recognized in the consolidated P&L Account of the Bank for the first HY 2005 stood at PLN 17 769 thous.

XIII. ADDITIONAL NOTES TO FINANCIAL DATA

- Ø Earnings per share for the 1st HY 2005 disclosed in financial data, namely PLN 0,31, were calculated on the basis of an annualised profit of PLN 260 729 thous A component of these earnings are earnings for the period for 1 June – 31 December 2004 standing at PLN 128 504 thous, calculated with no adjustment of comparable data for the implementation of the EIR methodology (this adjustment treatment is described in item I „ Policies Employed when Preparing the Quarterly Report”).

The calculation the EPS ratio on the basis of the pro forma data (i.e. by adjusting 2004 data for the ESP) yields the value of PLN 0.32 per share.

- Ø 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 1st HY 2004 was reduced by the amount of PLN 230 156 thous. This adjustment does not impact net interest income.
- Ø From 1 January to 30 June 2005 the Bank cancelled irrecoverable receivables against provisions created in the amount of PLN 68 144 thous.