

**Quarterly Financial Report of Bank Millennium S.A.**  
**prepared in accordance with**  
**the Polish Accounting Standards**  
**for Q3 2005**

MAIN FINANCIAL DATA	Amount '000 PLN		Amount '000 EUR	
	3 quarters/ 2005	3 quarters/ 2004	3 quarters/ 2005	3 quarters/ 2004
	period from 1.01.2005 - 30.09.2005	period from 1.01.2004 - 30.09.2004	period from 1.01.2005 - 30.09.2005	period from 1.01.2004 - 30.09.2004
I. Interest income	951 602	769 528	234 483	166 515
II. Commission income	178 709	171 440	44 035	37 097
III. Profit / (loss) on banking activity	849 094	661 239	209 224	143 083
IV. Operating profit / (loss)	361 246	98 865	89 014	21 393
V. Profit before taxes (loss)	361 246	98 865	89 014	21 393
VI. Net profit (loss)	189 969	129 242	46 810	27 966
VII. Net cash flows from operating activities	1 942 317	-122 545	478 604	-26 517
VIII. Net cash flows from investing activities	-847 144	-73 409	-208 744	-15 885
IX. Net cash flows from financing activities	-1 221 334	-82 128	-300 947	-17 771
X. Net cash flows, total	-126 161	-278 082	-31 087	-60 173
XI. Total assets	23 107 634	20 485 992	5 899 922	4 673 753
XII. Amounts due to Central Bank	0	0	0	0
XIII. Amounts due to financial sector	2 428 143	2 546 008	619 962	580 856
XIV. Amounts due to non-financial and public sector	12 837 512	11 864 688	3 277 718	2 706 855
XV. Total equity	2 023 255	1 867 523	516 585	426 064
XVI. Share capital	849 182	849 182	216 816	193 736
XVII. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVIII. Book value per share (in PLN/EUR)	2,38	2,20	0,61	0,50
XIX. Diluted book value per share (in PLN/EUR)	-	-	-	-
XX. Capital adequacy ratio	13,85%	16,12%	13,85%	16,12%
XXI. Earnings (losses) per ordinary share (in PLN/EUR)	0,35	0,16	0,09	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 September, 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 dated 10 December 2001, on Special Principles of Bank Accounting, as later amended.

According to the Bank's analyses 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 (1), and settling a specific long term agreement concluded with one of the contractors and presented below (2). 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.

- Until the end of 2004 commissions were recognised 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 recognised 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 an 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).

Additionally, there shall be settled over time:

- selected commissions collected on credit cards depreciated by linear method taken as commission income
- 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.

- (2) 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.
- (3) What has also been adjusted in the EIR methodology 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 1<sup>st</sup> 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 three quarters of 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 the reported period, 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 3,9166 PLN/EURO rate of 30 September 2005 (for comparable data: 4,3832 PLN/EURO),
- For Profit & Loss items for the period from 1 January – 30 September 2005 – 4,0583 PLN/EURO the rate having been calculated as the mean of the rates at the end of the months covered by the report (for comparable data 4,6214 PLN/EURO).

## **II. INFORMATION ABOUT ACTIVITY OF BANK MILLENNIUM S.A. IN THE THREE QUARTERS OF 2005**

The Management Board of Bank Millennium S.A. („Bank”) informs that after the three quarters of 2005 the net profit of the Bank according to Polish Accounting Standards totalled PLN 190,0 mln and was 30.8% higher than in the corresponding period of 2004 (145.2 million PLN)

Both net profits and other financial parameters for 2004 given in this chapter were calculated on a pro-forma basis. Such approach enables comparability of the current year's results with the corresponding period of the previous year.

**After the first nine month of 2005 Bank Millennium achieved considerable improvement in profitability, in particular from core business:**

- increase of ROE for the whole Bank Millennium Group from 11.6% to 12.8%
- growth of net interest income by 1.8% despite a growth in interest margin
- considerable growth of commission income by 22.2% mainly on loans and credit cards
- continued drop in operating expense (drop by 3.6% compared to the nine months of 2004)
- drop of non-performing loans (NPL) by PLN 330 million, drop of the NPL ratio (according to the Polish Accounting Standards) from 19% to 12%
- drop of created NPL provisions by 55.5% thanks to positive results of restructuring activities

**The main achievements of the Bank in the period under discussion may include:**

- growth of the credit portfolio by 24%, mainly thanks to mortgage loans, whose share in the new production market stood at 10.4% (after 8 months)
- growth of Client deposits by 8.2%
- double growth of credit cards to the level of almost 100 thousand
- Impressive dynamics of internet users (over 250 thousand) and Millenet awarded as the „Best Consumer Internet Bank in Poland” by Global Finance magazine

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

### INCOME

Result on Banking Activity (PLN million)	9 months 2005	9 months 2004 proforma	Change
Net Interest Income	364.3	357.9	1.8%
Net Commissions Income	161.7	132.3	22.2%
Other non-interest income	323.1	193.0	67.4%
<i>of which one-offs:</i>	<i>221.2</i>	<i>155.5</i>	
Result on banking activity	<b>849.1</b>	<b>683.2</b>	<b>24.3%</b>
<b>Result on Banking Activity</b> (excluding one-offs)	<i>627.9</i>	<i>527.7</i>	<i>19 %</i>

1.

**Net interest income** generated by Bank Millennium after three quarters of 2005 reached PLN 364.3 million, and was 1.8% higher than in the corresponding period of the previous year (PLN 357.9 million). This was driven by a significant growth of deposits and loans, as well as improvement of assets quality.

2.

**Net commissions income** amounted to PLN 161.7 million (PLN 132.3 million after three quarters of the previous year), meaning a 22.2% increase, driven by strong business growth, mainly in the area of loans and credit cards.

3.

**Other net non-interest income** over the first nine months of 2005 was PLN 323.1 million, compared to PLN 193.0 million in the corresponding period of the previous year. The increase includes one-off events, dividends received (in 2005) and sale of the car loan portfolio and received dividends (2004).

4.

**The result on banking operations** stood at PLN 849.1 million, nevertheless having eliminated one-off incomes it stood at PLN 627.9 million, which is tantamount to 19% growth compared to the corresponding period of the previous year (PLN 527.7 million, also net of one-off items)

### COSTS

Operating Costs (PLN million)	9 months 2005	9 months 2004 proforma	Change
Personnel costs	213.5	203.2	5.0%
Non-personnel costs	230.6	236.2	-2.4%
Depreciation	56.8	80.3	-29.3%
<b>Total costs</b>	<b>500.9</b>	<b>519.7</b>	<b>-3.6%</b>

## 5.

**Total costs** of the Bank Millennium after nine month of 2005 dropped 3.6% when compared to those of the corresponding period of 2004, and amounted to PLN 500.9 million (519.7 million in the corresponding period of 2004), due to reductions in both administrative costs (mainly decreasing maintenance costs of fixed assets, IT and telecom) and amortisation. **Non-personnel costs** were PLN 230.4 million (236.2 million in 2004), i.e. they decreased by 2.4%, while **depreciation** decreased by 29.3% to the level of PLN 56.8 million (as compared to 80.3 million after three quarters of 2004).

**Personnel costs** slightly increased, as compared to the corresponding period of 2004, to PLN 213.5 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. As at September 30, 2005, Bank Millennium employed 4041 people, compared to 3974 at the end of September 2004.

**The cost to income ratio** at the end of September 2005 for the whole Bank Millennium Group stood at 69%.

## 6.

Successful implementation of loans recovery programs and improvement of risk management allowed the Group to make less **provisions**. Net credit risk provisions at PLN 24.1 million were 55.5% lower than in the corresponding period of the previous year (PLN 54.1 million).

## 7.

After nine months of 2005, pre-tax profit of the Bank Millennium was PLN 361.2 million, with **net profit** at **190.0 million**, 30.8% higher compared to the pro-forma result for three quarters of 2004 (PLN 145.2 million).

## BUSINESS FIGURES

## 8.

At 30 September 2005, **total assets** were PLN **23 108 million**, having grown since the end of September 2004 by 14.1%.

Key Balance Sheet Volumes	30.09.2005	30.09.2004 proforma	Change
Total assets	23 108	20 258	14.1%
Total Customer deposits	12 838	11 865	8.2%
Total loans to Customers	8 469	6 832	24.0%
Equity	2 023	1 911	5.9%

As at September 30, 2005, the net value of **loans** to Customers increased by 24% as compared to the end of September of the previous year, and amounted to PLN 8 469 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, whose share in the Bank's credit portfolio now stands at 31%. In the first nine months of 2005 new production of mortgage loans was PLN 1597 million i.e. more than 4 times the value in the first three Quarters of 2004 (PLN 373 million), which allowed the Bank to sustain its 3<sup>rd</sup> position in the market (January – August 2005) with a 10.4% share in that period. These very good results were attained thanks to better branch sales performance and the successful use of such diverse distribution channels, as direct sales, brokers and internet portals.

## 9.

**Total Deposits** stood as of 30.09.2005 at PLN 12 828 million, which means their growth compared to the same period of 2004 by 8.2% (PLN 11 865 million).

Products and services of Bank Millennium have been appreciated by independent experts.

In the ranking of the Forbes monthly "Best Corporate Bank" the offer of Bank Millennium available under Millennium Biznes and Bankowość Przedsiębiorstw brands was recognised as one of the best in the market and took third place. In the "Best Retail Bank Category" the Bank Millennium network came fourth.

Millenet, Bank Millennium's retail outlet, has been recognised as one of the best in Poland by Global Finance, the international financial magazine and was named "Best Consumer Internet Bank in Poland".

September 2005 saw the number of Customers using the **Internet** to access the Bank's services grow to 252.5 thousand, of which 243 thousand were individual customers – whose number went up by 95% since the end of September 2004. By means of electronic channels 66% of electronic client operations and almost 90% of business client operations are carried out.

In the first nine months of 2005, the number of **credit cards** used by the Bank's Customers almost doubled compared to the corresponding period of 2004 (reaching 99 thousand at 30 September 2005). This growth was caused first of all by intensified cross-selling. In September a record number of 9 thousand cards were sold. The growth of the number of cards was accompanied by their level of spending; the credit balance went up by 146%, while POS spending went up in September 2005 by 66% compared to September 2004.



## 10.

### Loan quality

As at September 30, 2005 the quality of the loan portfolio of the Bank (calculated using the methodology of the National Bank of Poland) improved once again. **Total NPLs** were lower than a year before by PLN 330 million (-23%). Such effect was generated by prudential credit policy combined with highly-effective restructuring and recovery efforts. Over the nine months of this year the value of recovered receivables in the whole Bank Millennium Group stood at PLN 254 million.

Loan quality indicators	30.09.05	30.09.04
Value of irregular loans (*) (PLN mios)	1110	1440
NPLs/total loans	12%	18.8%
Provisioning ratio/NPLs	67.3%	54.7%

(\*) according to the Polish Accounting Standards

**NPLs/total loans significantly improved from** 18,8% (as at 30.09.2004) to 12% (as at 30.09.2005), and Provisioning ratio/NPLs increased from 54.7% to 67.3% in the same periods.

## 11.

**The solvency ratio** of the Bank Millennium stood at 13.85 (16.12% in the corresponding period).

### III. FINANCIAL DATA

<b>BALANCE SHEET</b> <i>(in PLN '000)</i>	as at 30.09.2005 end of quarter / 2005	as at 31.06.2005 end of quarter / 2005	as at 31.12.2004 end of quarter / 2004	as at 30.09.2004 end of quarter / 2004
<b>ASSETS</b>				
I. Cash, balances with Central Bank	738 278	664 315	871 835	514 787
II. Debt securities eligible for rediscount at Central Bank	21 855	18 288	9 993	11 009
III. Amounts due from financial sector	2 333 185	1 450 675	3 546 406	2 812 869
1. Current	66 188	403 375	80 927	1 200 059
2. Term	2 266 997	1 047 300	3 465 479	1 612 810
IV. Amounts due from non-financial sector	8 098 853	7 305 226	6 336 432	6 425 361
1. Current	1 075 224	1 031 380	852 881	1 357 779
2. Term	7 023 629	6 273 846	5 483 551	5 067 582
V. Amounts due from public sector	369 934	377 908	409 009	442 190
1. Current	5 593	6 255	4 987	4 996
2. Term	364 341	371 653	404 022	437 194
VI. Receivables from securities bought with sell-back clause	198 403	204 232	80 651	267 778
VII. Debt securities	8 260 967	8 365 606	6 915 891	6 662 363
VIII. Shares in subsidiaries	570 319	572 832	1 659 836	1 438 511
IX. Shares in affiliated subsidiaries	0	0	0	0
X. Shares in associated companies	3 605	3 524	6 227	6 067
XI. Shares in other companies	12 271	12 273	12 676	12 811
XII. Other securities and financial assets	507 487	431 531	546 850	480 773
XIII. Intangible assets:	30 385	33 346	40 626	215 983
of which: goodwill	4 410	4 875	5 804	6 268
XIV. Tangible fixed assets	486 266	498 458	534 386	602 460
XV. Other assets	999 527	1 006 341	53 920	91 016
1. Acquired assets for resale	761	757	756	2 917
2. Other	998 766	1 005 584	53 164	88 099
XVI. Prepayments and accrued income	476 299	481 007	512 388	502 014
1. Deferred income tax	249 189	222 456	228 631	210 794
2. Other	227 110	258 551	283 757	291 220
<b>Total assets</b>	<b>23 107 634</b>	<b>21 425 562</b>	<b>21 537 126</b>	<b>20 485 992</b>
<b>Liabilities and Equity</b>				
I. Amounts due to the Central Bank	0	1	1	0
II Amounts due to financial sector	2 428 143	1 601 340	1 979 583	2 546 008
1. Current	476 881	933 063	312 765	793 277
2. Term	1 951 262	668 277	1 666 818	1 752 731
III. Amounts due to non-financial sector	11 617 678	11 598 757	13 336 914	11 005 404
1. Saving accounts:	0	0	0	0
a) current	0	0	0	0
b) term	0	0	0	0
2 Others:	11 617 678	11 598 757	13 336 914	11 005 404
a) current	2 951 431	3 312 374	2 528 331	3 031 906
b) term	8 666 247	8 286 383	10 808 583	7 973 498
IV. Amounts due to public sector	1 219 834	1 193 622	874 069	859 284
a) current	582 084	669 990	510 810	625 770
b) term	637 750	523 632	363 259	233 514
V. Liabilities from securities sold with buy-back clause	3 950 367	3 228 489	1 446 214	1 740 819
VI. Liabilities from debt securities	143 924	142 852	275 544	726 292
1. Short-term	134 274	133 302	176 899	491 085
2. Long-term	9 650	9 550	98 645	235 207

VII. Liabilities from securities sold with buy-back clause	449 176	366 739	390 636	391 138
VIII. Special funds and other liabilities	192 917	213 240	154 237	141 550
IX. Accruals and deferred income	353 183	398 349	415 893	412 744
1. Accruals	81 173	83 551	91 070	78 530
2. Negative goodwill	0	0	0	0
3. Other deferred income	272 010	314 798	324 823	334 214
X. Provisions	412 254	382 684	342 154	440 536
1. Deferred corporate income tax	181 647	152 929	117 430	130 197
2. Other	230 607	229 755	224 724	310 339
a) short-term	0	0	0	0
b) long-term	230 607	229 755	224 724	310 339
XI. Subordinated debt	316 903	323 824	326 978	354 694
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	79 616	89 770	52 341	36 223
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)	189 969	132 225	240 504	129 242
<b>Total Liabilities and Equity</b>	<b>23 107 634</b>	<b>21 425 562</b>	<b>21 537 126</b>	<b>20 485 992</b>

Capital adequacy ratio	13,85%	17,98%	17,35%	16,12%
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Book value	2 023 255	1 975 665	1 994 903	1 867 523
Number of share	849 181 744	849 181 744	849 181 744	849 181 744
Book value per share (in PLN)	2,38	2,33	2,35	2,20

Diluted number of shares	-	-	-	-
Diluted book value per share (in PLN)	-	-	-	-

<b>OFF-BALANCE SHEET ITEMS</b> <i>(in PLN '000)</i>	<b>as at 30.09.2005 end of quarter / 2005</b>	<b>as at 31.06.2005 end of quarter / 2005</b>	<b>as at 31.12.2004 end of quarter / 2004</b>	<b>as at 30.09.2004 end of quarter / 2004</b>
I. Contingent liabilities granted and received	5 672 890	5 428 558	4 476 562	4 485 025
1. Liabilities granted:	5 072 574	4 404 604	3 422 724	3 614 782
a) financial	4 319 242	3 720 070	2 974 234	3 124 529
b) guarantees	753 332	684 534	448 490	490 253
2. Liabilities received:	600 316	1 023 954	1 053 838	870 243
a) financial	0	0	0	0
b) guarantees	600 316	1 023 954	1 053 838	870 243
II. Liabilities in respect of sale/purchase transactions	12 090 860	13 346 305	13 024 534	15 616 193
III. Other, including:	34 935 455	23 520 188	22 775 802	27 694 105
- interest rate swaps	25 722 579	19 336 262	21 361 292	25 640 095
- options	5 582 409	2 598 418	514 510	104 010
- FRAs	2 710 000	1 410 000	900 000	1 950 000
- other	920 467	175 508	0	0
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>	<b>52 699 205</b>	<b>42 295 051</b>	<b>40 276 898</b>	<b>47 795 323</b>

<b>PROFIT AND LOST ACCOUNT</b> <i>(in PLN '000)</i>	<b>3 quarter (current year) period from 1.07.2005 - 30.09.2005</b>	<b>3 quarters (current year) period from 1.01.2005 - 30.09.2005</b>	<b>3 quarters (last year) period from 1.04.2004 - 30.06.2004</b>	<b>3 quarters (last year) period from 1.01.2004 - 30.06.2004</b>
I. Interest income	344 144	951 602	250 382	769 528
II. Interest cost	191 534	587 296	151 620	450 549
III. Net interest income (I-II)	152 610	364 306	98 762	318 979
IV. Commission income	69 742	178 709	59 088	171 440
V. Commission cost	6 129	17 059	7 711	22 163
VI. Net commission income (IV-V)	63 613	161 650	51 377	149 277
VII. Income from shares, other securities and other financial variable-income instruments	3 214	221 381	1 046	14 470
1. from subsidiaries	2 917	219 692	951	13 655
2. from affiliated subsidiaries	0	0	0	
3. from associated companies	0	0	-513	207
4. from other entities	297	1 689	608	608
VIII. Result on financial operations	7 859	42 779	-5 251	121 670
IX. Foreign exchange gains (losses)	22 707	58 978	18 241	56 843
X. Profit / (loss) on banking activity	250 003	849 094	164 175	661 239
XI. Other operating income	9 896	51 303	13 032	32 766
XII. Other operating expenses	5 231	14 232	8 040	21 293
XIII. General and administrative expenses	146 674	444 046	140 982	439 409
XIV. Depreciation and amortization	17 919	56 804	25 676	80 301
XV. Charges to provisions and revaluation	232 513	547 395	91 893	708 007
1. Charges to provisions	232 513	543 847	91 926	708 007
2. Revaluation of financial assets	0	3 548	-33	0
XVI. Release of provisions and revaluation	215 577	523 326	95 474	653 870
1. Release of general and specific provisions	215 577	519 041	95 474	653 870
2. Revaluation of financial assets	0	4 285	0	0
XVII. Net provisions and revaluation (XV-XVI)	16 936	24 069	-3 581	54 137
XVIII. Operating profit / (loss)	73 139	361 246	6 090	98 865
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	73 139	361 246	6 090	98 865
XXI. Corporate income tax	13 938	31 707	3 835	22 986
1. Current	8 970	8 970	0	0
2. Deferred	4 968	22 737	3 835	22 986
XXII. Other obligatory charges against profit (increases in loss)	0	0	0	0
XXIII. Net income (loss) of subordinated companies subject to equity method	-1 457	-139 570	14 987	53 363
<b>XXIV. Net profit (loss)</b>	<b>57 744</b>	<b>189 969</b>	<b>17 242</b>	<b>129 242</b>
Net profit (loss) (annualized)	-	301 231	-	133 231
Weighted average number of ordinary shares	-	849 181 744	-	849 181 744
Profit (loss) per ordinary share (in PLN)	-	0,35	-	0,16
Diluted average weighted number of ordinary shares	-	-	-	-
Diluted profit (loss) per share (in PLN)	-	-	-	-

<b>STATEMENT OF CHANGES IN EQUITY</b> <b>(in PLN '000)</b>	<b>3 quarter</b> <b>(current year)</b> <b>period from</b> <b>1.07.2005</b> <b>- 30.09.2005</b>	<b>3 quarters</b> <b>(current year)</b> <b>period from</b> <b>1.01.2005</b> <b>- 30.09.2005</b>	<b>2004 (previous</b> <b>year)</b> <b>period from</b> <b>1.01.2004</b> <b>- 31.12.2004</b>	<b>3 quarters</b> <b>period from</b> <b>1.01.2004</b> <b>- 30.09.2004</b>
I. Equity at the beginning of the period (opening balance)	1 975 665	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
I.a. Equity at the beginning of the period (opening balance) as restated to comparable data	1 975 665	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 (resulting from)	0	0	0	0
-	0	0	0	0
b) decreases (resulting from)	0	0	0	0
-	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 (resulting from)	0	0	0	0
-	0	0	0	0
b) decreases (resulting from)	0	0	0	0
-	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 (resulting from)	0	0	0	0
-	0	0	0	0
b) decreases (resulting from)	0	0	0	0
-	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 (resulting from)	0	0	0	0
-	0	0	0	0
b) decreases (resulting from)	0	35 752	34 875	34 875
- to cover losses from previous years for BIG BANK S.A.	0	35 752	17 876	17 876
- to cover losses from previous years	0	0	16 999	16 999
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	89 770	52 341	32 847	32 847
b) changes in adopted accounting policies	0	0	0	0
a) correction of fundamental errors	0	0	0	0
5.a) revaluation reserve at the beginning of the period, restated to comparable data	89 770	52 341	32 847	32 847
5.1. Changes in revaluation reserve	-10 154	27 275	19 494	3 376
a) increases (resulting from)	0	27 275	19 494	3 376
- purchase and valuation of available for sale financial assets (resulting from)	0	27 275	19 494	3 376
b) decreases	10 154	0	0	0
- sale and valuation of available for sale financial assets	10 154	0	0	0

5.2 Revaluation reserve at the end of period	79 616	79 616	52 341	36 223
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 (resulting from)	0	2 733	40 895	40 895
- appropriation of profit	0	2 733	40 895	40 895
b) decreases (resulting from)	0	0	0	0
-	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 (resulting from)	0	0	0	0
-	0	0	0	0
b) decreases (resulting from)	0	0	0	0
--	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 (policies)	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 (resulting from)	0	240 504	57 894	57 894
- transfer of profit of 2004/2003	0	240 504	40 895	40 895
- coverage of previous years' earnings	0	0	16 999	16 999
b) decreases (resulting from)	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 (resulting from)	0	-35 752	0	0
- coverage of loss from supplementary capital.	0	-35 752	0	0
b) decreases (resulting from)	0	0	17 876	17 876
- covering with supplementary capital of previous years' losses of BIG BANK S.A.	0	0	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)	57 744	189 969	240 504	129 242
a) net profit	57 744	189 969	240 504	129 242
b) net loss	0	0	0	0
II. Equity at the end of the period (closing balance )	2 023 255	2 023 255	1 994 903	1 867 523

<b>STATEMENT OF CASH FLOWS</b> <i>(in PLN '000)</i>	<b>3rd quarter (current year) period from 1.07.2005 - 30.09.2005</b>	<b>3 quarters (current year) period from 1.01.2005 - 30.09.2005</b>	<b>3 quarters (previous year) period from 1.07.2004 - 30.09.2004</b>	<b>3 quarters (previous year) period from 1.01.2004 - 30.09.2004</b>
<b>A. Cash flows from operating activities - indirect method</b>				
I. Net profit (loss)	57 744	189 969	17 242	129 242
II. Total adjustments for:	335 975	1 752 348	-139 047	-251 787
1. Share in (profits) losses of subordinated companies consolidated under the equity method	1 457	139 570	-14 987	-53 363
2. Depreciation and amortization	17 919	56 804	25 676	80 301
3. Foreign exchange (gains) losses	-9 906	-16 911	-49 168	-103 222
4. Interest and share in profits (dividends)	15 504	-152 211	28 303	83 299
5. (Profit) loss on investing activities	-777	430	-883	-422
6. Change in provisions	32 775	49 507	11 856	29 399
7. Change in debt securities	471 642	-352 702	38 400	-1 736 296
8. Change in amounts due from other financial institutions	-904 479	1 208 745	-326 685	-1 013 007
9. Change in amounts due from non-financial and public sector	-785 653	-1 723 346	327 652	2 966 358
10. Change in receivables from reverse repo transactions	5 829	-117 752	-7 654	-167 420
11. Change in shares, other securities and other financial assets	-75 956	39 363	-87 479	192 562
12. Change in amounts due to other financial institutions	810 585	1 529 249	107 430	-603 860
13. Change in amounts due to non-financial and public sector	45 133	-1 373 471	-34 409	394 085
14. Change in liabilities from securities sold with buy-back option	721 878	2 504 153	-202 856	205 341
15. Change in liabilities arising from securities	0	0	65 839	-299 878
16. Change in other liabilities	68 928	100 203	-5 484	18 158
17. Change in accrued expenses and prepayments	-36 544	-47 461	-8 292	-25 064
18. Change in deferred and restricted incomes	-42 788	-92 483	-6 306	-218 758
19. Other	428	661	0	0
III. Net cash flows from operating activities (I +/- II) - indirect method	393 719	1 942 317	-121 805	-122 545
<b>B. Cash flows from investing activities</b>				
I. Cash from investing activities	47 872	49 855	3 508	19 897
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	986	986
4. Sale of shares in other companies, other securities and other financial assets	1 367	1 367	0	12
5. Sale of intangible assets and tangible fixed assets	3 151	4 959	963	3 916
6. Sale of investments in real estate and intangible assets	0	0	0	0
7. Other	43 354	43 354	1 559	14 983
II. Cash used for investing activities	386 158	896 999	7 922	93 306
1. Purchase of shares in subsidiaries	0	0	0	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	380 906	888 842	5 165	84 699
5. Purchase of intangible assets and tangible fixed assets	4 520	7 425	0	1 755
6. Investments in real estate and intangible assets	732	732	2 757	6 848
7. Other	0	0	0	0
III. Net cash flows from investing activities (I - II)	-338 286	-847 144	-4 414	-73 409
C. Cash flows from financing activities				
I. Cash from financing activities	263	931	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	263	931	0	0
II. Cash used for financing activities	130	1 222 265	5 496	82 128
1. Repayment of long-term bank loans	0	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	0	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	0	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	130	58 368	5 496	82 128
III. Net cash flows from financing activities (I - II)	133	-1 221 334	-5 496	-82 128
D. Net cash flows, total (A.III +/- B.III +/- C.III)	55 566	-126 161	-131 715	-278 082
E. Change in cash and cash equivalents	55 566	-126 161	-131 715	-278 082
- change in cash in respect of foreign exchange gains and losses				
F. Cash and cash equivalents at the beginning of the period	700 290	882 017	659 035	805 402
G. Cash and cash equivalents at the end of the period (F+/- D), of which:	755 856	755 856	527 320	527 320
- those with restrictions on their use				

#### IV. DIVIDEND FOR 2004

Pursuant to Resolution No. 5 of the General Shareholders' Meeting of 8 March 2005 in the matter of the distribution of profit for the 2004 financial year the General Shareholders' Meeting decided to assign from net profit generated in 2004 for payment of the 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 (data in PLN thous):

<b>MOVEMENTS IN LIABILITIES FROM ISSUE OF DEBT SECURITIES</b>	<b>01.01.05-30.09.05</b>
<b>Balance at the beginning of the period</b>	<b>275 544</b>
a) increases (of which)	5 384
- accrued interest	5 067
- discount settlement	163
- foreign exchange differences	154
b) decreases (of which)	137 004
- redemption of Bank's bonds	133 073
- foreign exchange differences	1 689
- repayment of interest	2 242
<b>Balance at the end of the period</b>	<b>143 924</b>

## **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 30 June 2005*

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

*Data as of the publication of the quarterly report made out as of 30 September 2005*

<b>Shareholder</b>	<b>Number of shares</b>	<b>% share in share capital</b>	<b>Number of votes</b>	<b>% share in votes at the General Meeting of Shareholders</b>
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. The case is adjourned with no time limit specified
- proceedings instituted by Grzegorz Jedamski against the Bank in connection with a statement of claim filed with the Regional Court in Warsaw for adjudicating PLN 299.833.300 in his favour as damages for the allegedly illegal take-over of BIG BANK Spółka Akcyjna (former ŁBR S.A.).

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

In the period from 1 January to 30 September 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 third quarter of 2005 the Bank did not provide any backing of any credit or loan, or any guarantee, as a result of which the total value of the Bank's exposure towards a client on such account would exceed 10% of the Bank's own funds.

## **XII. 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.

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

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

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

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

### **□ Deferred income tax**

Pursuant to the Accounting Act business entities are required to create provisions against deferred tax as a result of differences in recognising revenues as generated and costs as incurred in accordance with the Corporate Income Tax Act. Therefore, 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 recognised in the consolidated P&L Account of the Bank for the three quarters 2005 stood at PLN 22 737 thous.

### **XIII. ADDITIONAL NOTES TO FINANCIAL DATA**

- Earnings per share for the three quarters 2005 disclosed in financial data, namely PLN 0,35, were calculated on the basis of an annualised profit of PLN 301 231 thous. A component of these earnings are earnings for the period for 1 October – 31 December 2004 standing at PLN 111 262 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”).
- 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 three quarters 2004 was reduced by the amount of PLN 391 971 thous. This adjustment does not impact net interest income.
- From 1 January to 30 September 2005 the Bank cancelled irrecoverable receivables against provisions created in the amount of PLN 68 480 thous.