Bank Millennium

Quarterly Financial Report of Bank Millennium S.A.
prepared in accordance with
the Polish Accounting Standards
for Q4 2005

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	4 quarters/ 2005	4 quarters/ 2004	4 quarters/ 2005	4 quarters/ 2004
	period from 1.01.2005 - 31.12.2005	period from 1.01.2004 - 31.12.2004	period from 1.01.2005 - 31.12.2005	period from 1.01.2004 - 31.12.2004
I. Interest income	1 116 636	839 254	277 545	185 751
II. Commission income	238 364	234 505	59 247	51 903
III. Profit / (loss) on banking activity	892 069	854 997	221 728	189 235
IV. Operating profit / (loss)	413 552	-79 095	102 790	-17 506
V. Profit before taxes (loss)	413 552	-79 095	102 790	-17 506
VI. Net profit (loss)	542 119	237 544	134 746	52 575
VII. Net cash flows from operating activities	311 230	322 216	77 358	71 316
VIII. Net cash flows from investing activities	639 034	-94 637	158 835	-20 946
IX. Net cash flows from financing activities	-1 300 437	-150 964	-323 230	-33 413
X. Net cash flows, total	-350 173	76 615	-87 037	16 957
XI. Total assets	23 065 023	21 529 095	5 975 704	5 278 033
XII. Amounts due to Central Bank	0	1	0	0
XIII. Amounts due to financial sector	1 829 949	1 979 583	474 105	485 311
XIV. Amounts due to non-financial and public sector	13 322 159	14 203 277	3 451 515	3 482 049
XV. Total equity	2 346 317	1 986 840	607 886	487 090
XVI. Share capital	849 182	849 182	220 007	208 184
XVII. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVIII. Book value per share (in PLN/EUR)	2,76	2,34	0,72	0,57
XIX. Diluted book value per share (in PLN/EUR)	-	-	-	-
XX. Capital adequacy ratio	10,67%	17,35%	10,67%	17,35%
XXI. Earnings (losses) per ordinary share (in PLN/EUR)	0,64	0,28	0,16	0,06
XXII. Diluted earnings (losses) per ordinary share (in PLN/EUR)	-	-	-	-
XXIII. Pledged or paid dividend per share (in PLN/EUR)	0,28		0,06	

CONTENTS

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 statement, report on equity changes and additional information, prepared as of 31 December 2005 in accordance with the Regulation of the Council of Ministers, dated 19 October 2005 on current and periodic reporting for issuers of securities.

The data were prepared on the basis of the "Accounting Policies at Bank Millennium", the detailed description of which is contained in the semi-annual report as at 30 June 2005 published on 28 September 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

(1) 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 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 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 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 (point II "Information about the Bank's activity in 2005").

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 '000

	Valuation of financial instruments at depreciated cost with the use of EIR – commissions	Valuation of particular agreement at depreciated cost with the use of EIR	Valuation of financial instruments at depreciated cost with the use of EIR – subsidiaries	TOTAL
Value of gross adjustment	- 39.671	+ 101.881	- 1.866	+ 60.344
Value of net adjustments (after inclusion of the deferred tax effect)	- 32.133	+82.524	- 1.511	+ 48.880

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

Starting with 1 January 2005 the Bank has been recognising interest on transactions such as FX SWAP, CIRS, in the result on financial operations 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 Bank 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 the Bank 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 financial operations).
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".

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

- For balance sheet items 3,8598 PLN/EURO rate of 31 December 2005 (for comparable data: 4,0790 PLN/EURO),
- For Profit & Loss items for the period from 1 January – 31 December 2005 – 4,0233 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 4,5182 PLN/EURO).

II. INFORAMTION ABOUT ACTIVITY OF BANK MILLENNIUM IN THE YEAR 2005

SUMMARY

- In the year 2005, consolidated net profit of Bank Millennium according to Polish Accounting Standards totalled PLN 542.1 million and was 109% higher than in 2004 (PLN 259.8 million).

- The year 2005 was marked by the achievement of the highest net profit in the 16 year life of 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, intermediaries and the 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 (85% of the year net profit), which corresponds to PLN 0.54 per share and to a dividend yield of 10.3%. (according to the price of 31 Dec. 2005)

- 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 Clients 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 542 million, the highest in the 16-year history of Bank Millennium
- Net interest income slightly increased by 0.3% y-o-y despite lower market interest rates and pressure on margins
- Impressive net commissions growth by 15.9%, 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 258 million
- The recovery of PLN 39 million of written-off loans and the improvement of loan portfolio quality led to net release of PLN 161.8 million of provisions in the whole year
- NPL ratio (IFRS) decreased to 9.97%, the lowest level in the last 6 years
- Very strong share price performance, with total increase of 56% (65% including 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
Bancassurance:	PLN 323 million of gross written premium, PLN 286 million of customer funds collected
Internet:	115 ths. new individual customers registered, total 275 ths. customers

Financial figures for 2004 stated in this report have been calculated on a pro-forma basis. Such approach for presentation purposes allow a better comparability of the Bank's results of current and the previous financial year (this issue is discussed more in detail in part I "Policies employed when preparing the quarterly report").

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

1. FINANCIAL PERFORMANCE

Net Operating Income (PLN million)	**2005**	**2004 pro-forma**	**Change**
Net Interest Income	472.6	471.3	0.3%
Net Commissions Income	215.3	185.7	15.9%
Other non-interest income	204.2	226.3	-9.8%
of which one-off events	*88.5*	*153.2*	
Income on Banking Activity	892.1	883.4	1.0%
Income on Banking Activity excluding one-off events	**803.6**	**730.2**	**10.0%**

Net interest income generated by Bank Millennium in 2005 totaled **PLN 472.6** million and was 0.3% higher than in 2004 (PLN 471.3 million). This improvement was generated in a lower interest rate environment, especially during the 2^{nd} half of the year, with increased competition and margin pressure for deposits. On the other hand, the Bank started to benefit from the volumes growth and from the overall improvement in asset quality.

Net commissions income jumped 15.9% (from PLN 185.7 million to PLN 215.3 million), underpinned by strong improvement in cross selling. The main contributors to the commission growth were loans (+58%), credit cards (+29%).

Other net non-interest income totaled PLN 204.2 million against PLN 226.3 million attained in the previous year. This item contains the costs resulting from the final settlement of the PZU transaction as well as dividends from consolidated companies (these issues are discussed in more details later in additional explanations to financial data) while in 2004 it included the result of the sale of a car loans portfolio .

Income on Banking Activity reached PLN 892.1 million. If the above mentioned non-recurrent income is excluded, its value was PLN 803.6 million, which means an increase of 10% compared with the previous year (PLN 730.2 million, also with exclusion of one-off events).

COSTS

Operating Costs * (PLN million)	**2005**	**2004 pro-forma**	Change
Personnel Costs	290.4	277.7	4.6%
Other Administrative Costs	308.3	324.1	-4.9%
Total Costs without depreciation	598.7	601.8	-0.5%
Depreciation & impairment of tangibles and intangibles	102.4	339.0	-69.8%
- of which extraordinary	*29.1*	*227.3*	
Total Costs	**683.0**	**941.1**	**-27.4%**

* This item does not include “other operating incomes” and “other operating costs”

Total Costs of Bank Millennium Group in 2005 dropped by 27.4% compared with the previous year (PLN 683.0 million versus PLN 941.1 million).

Total Personnel and Other Administrative Costs were flat (PLN 598.7 million vs. 601.8 million in 2004). The decrease of PLN 15.8 million in Other Administrative Costs (-4.9% year-on-year) compensated for the PLN +12.7 million increase in Personnel Costs (+4.6% 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 4.2% to support the business growth and higher bonuses were paid as a consequence of better sales performance.

As at 31 December 2005, Bank Millennium employed 4084 persons, compared to 3919 as at end of December 2004

Depreciation (including impairment costs of fixed assets) decreased by 69.8% (from PLN 339.4 million to 102.4 million), as the level of extraordinary depreciation in 2005 (PLN 29.1 million) was significantly lower than in 2004 (PLN 227.3 million, which also contributed for a lower level of on-going depreciation charges in 2005).

The continuation of the successful implementation of loans recovery programs and adequate risk management allowed the Bank to release PLN 161.8 million of Provisions in 2005.

Pre-tax profit of Bank Millennium in 2005 stood at PLN 413.5 million, with net profit at PLN 542.1 million which more than doubled the pro-forma result of 2004 (PLN 259.8 million).

2. BUSINESS FIGURES

As at 31 December 2005, **Total Assets** were PLN 23 065 million, growing 8.2% year on year.

Key Balance Sheet Volumes (PLN million)	**31.12.2005**	**31.12.2004** (pro-forma)	**Change**
Total Assets	23 065	21 325	8.2%
Customer Deposits	13 322	14 203	-6.2%
Total Loans to Customers	9 052	6 715	34.8%
Equity	2 346	2 036	15.3%

In 2005, the net value of Loans to Customers increased by 34.8% as compared with one year before and stood at PLN 9 052 million.

The increase in loans was mainly due to the dynamic growth of the mortgage loans portfolio, which now represents 39% 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 Customer Deposits amounted to PLN 13 322 million and decreased –6.2% compared to 2004 figure of PLN 14 203 million. However taking into consideration the whole Capital Group result, total Customers' Funds, including bonds and mutual funds as at 31.12.2005, totalled PLN 15 606 million, which means an increase of 11.8% 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 Group 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

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 International Financial Reporting Standards - 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 (Polish Accounting Standards - 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 (Group)	**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 IFRS*
** *According to PAS*

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 (85% of net profit), i.e. PLN 0.54 per share representing a dividend yield of 10.3% (based on 31 Dec. 2005 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 adjusting 31 current 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.

III. FINANCIAL STATEMENTS

BALANCE SHEET	as at 31.12.2005 end of the IV quarter / 2005	as at 30.09.2005 end of the III quarter / 2005	as at 31.12.2004 end of the IV quarter / 2004
Assets			
I. Cash, balances with Central Bank	510 785	738 278	871 835
II. Debt securities eligible for rediscount at Central Bank	25 884	21 855	9 993
III. Amounts due from financial sector	2 646 800	2 333 185	3 546 406
1. Current	87 904	66 188	80 927
2. Term	2 558 896	2 266 997	3 465 479
IV. Amounts due from non-finacial sektor	8 680 109	8 098 853	6 336 432
1. Current	1 024 773	1 075 224	852 881
2. Term	7 655 336	7 023 629	5 483 551
V. Amounts due from public sector	372 220	369 934	409 009
1. Current	6 415	5 593	4 987
2. Term	365 805	364 341	404 022
VI. Receivables from securities bought with sell-back clause	331 155	198 403	80 651
VII. Debt securities	8 146 067	8 260 967	6 915 891
VIII. Shares in subsidiaries	850 409	570 319	1 659 836
IX. Shares in affiliated subsidiaries	0	0	0
X. Shares in associated companies	3 682	3 605	6 227
XI. Shares in other companies	1 432	12 271	12 676
XII. Other securities and financial assets	530 472	504 591	536 928
XIII. Intangible assets:	30 298	30 385	40 626
of which: goodwill	3 946	4 410	5 804
XIV. Tangible fixed assets	466 578	486 266	534 386
XV. Other assets	136 645	999 527	53 920
1. Acquired assets for resale	759	761	757
2. Other	135 886	998 766	53 163
XVI. Prepayments and accrued income	332 487	478 190	514 279
1. Deferred income tax	270 432	251 080	230 522
2. Other	62 055	227 110	283 757
Total assets	**23 065 023**	**23 106 629**	**21 529 095**

Liabilities and Equity			
I. Amounts due to the Central Bank	0	0	1
II Amounts due to finacial sector	1 829 949	2 428 143	1 979 583
1. Current	421 136	476 881	312 765
2. Term	1 408 813	1 951 262	1 666 818
III. Amounts due to non-financial sector	12 291 840	11 614 782	13 329 208
1. Saving accounts:	0	0	0
a) current	0	0	0
b) term	0	0	0
2 Others:	12 291 840	11 614 782	13 329 208
a) current	3 333 828	2 951 431	2 528 331
b) term	8 958 012	8 663 351	10 800 877
II Amounts due to public sector	1 030 319	1 219 834	874 069
a) current	656 358	582 084	510 810
b) term	373 961	637 750	363 259
V. Liabilities from securities sold with buy-back clause	3 472 115	3 950 367	1 446 214
VI. Liabilities from debt securities	32 587	143 924	275 544
1. Short-term	32 587	134 274	176 899
2. Long-term	0	9 650	98 645
VII. Other liabilities from financial instruments	728 672	468 534	410 683
VIII. Special funds and other liabilities	244 439	173 559	131 974
IX. Accruals and deferred income	369 370	363 137	425 847
1. Accruals	111 966	91 127	101 024
2. Negative goodwill	0	0	0
3. Other deferred income	257 404	272 010	324 823
X. Provisions	409 911	412 254	342 154
1. Deferred corporate income tax	184 967	181 647	117 430
2. Other	224 944	230 607	224 724
a) short-term	0	0	0
b) long-term	224 944	230 607	224 724
XI. Subordinated debt	309 504	316 903	326 978
XII. Share capital	849 182	849 182	849 182
XII. Unpaid share capital (negative value)	0	0	0
XIV. Treasury stock (negative value)	0	0	0
XV. Supplementary capital	472 343	472 343	508 095
XVI. Revaluation reserve	58 591	79 616	52 341
XVII. Other reserve capital	383 265	383 265	380 532
XVIII. Retained earnings	40 817	40 817	-40 854
XIX. Net profit (loss)	542 119	189 969	237 544
Total Liabilities and Equity	**23 065 023**	**23 106 629**	**21 529 095**

Capital adequacy ratio	10.67%	13.85%	17.35%

Book value	2 346 317	2 015 192	1 986 840
Number of share	849 181 744	849 181 744	849 181 744
Book value per share (in PLN)	2.76	2.37	2.34

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

OFF-BALANCE SHEET ITEMS	as at 31.12.2005 end of the IV quarter / 2005	as at 30.09.2005 end of the III quarter / 2005	as at 31.12.2004 end of the IV quarter / 2004
I. Contingent liabilities granted and received	5 824 052	5 672 890	4 476 562
1. Liabilities granted:	5 171 417	5 072 574	3 422 724
a) financial	4 399 152	4 319 242	2 974 234
b) guarantees	772 265	753 332	448 490
2. Liabilities received:	652 635	600 316	1 053 838
a) financial	0	0	0
b) guarantees	652 635	600 316	1 053 838
II. Liabilities in respect of sale/purchase transactions	10 683 268	12 090 860	13 024 534
III. Other, including:	38 367 967	34 935 455	22 775 802
- interest rate swaps	27 184 769	25 722 579	21 361 292
- currency options	7 199 938	5 582 409	514 510
- FRAs	3 600 000	2 710 000	900 000
- other	383 260	920 467	0
Total Off-balance Sheet Items	**54 875 287**	**52 699 205**	**40 276 898**

PROFIT AND LOSS ACCOUNT	IV quarter period from 1.10.2005 - 31.12.2005	IV quarters period from 1.01.2005 - 31.12.2005	IV quarter period from 1.10.2004 - 31.12.2004	IV quarters period from 1.01.2004 - 31.12.2004
I. Interest income	263 559	1 116 636	244 764	839 254
II. Interest cost	164 878	761 517	208 388	678 165
III. Net interest income (I-II)	98 681	355 119	36 376	161 089
IV. Commission income	59 655	238 364	63 065	234 505
V. Commission cost	6 046	23 105	9 457	31 620
VI. Net commission income (IV-V)	53 609	215 259	53 608	202 885
VII. Income from shares, other securities and other financial variable-income instruments	153 053	374 434	114	14 584
1. from subsidiaries	152 506	372 198	0	13 655
2. from affiliated subsidiaries	0	0	0	0
3. from associated companies	0	0	0	207
4. from other entities	547	2 236	114	722
VIII. Result on financial operations	-288 086	-137 439	89 384	405 320
IX. Foreign exchange gains (losses)	25 718	84 696	14 276	71 119
X. Profit / (loss) on banking activity	42 975	892 069	193 758	854 997
XI. Other operating income	27 089	78 392	74 991	107 757
XII. Other operating expenses	3 361	17 593	10 526	31 819
XIII. General and administrative expenses	154 626	598 672	162 358	601 767
XIV. Depreciation and amortization	27 544	84 348	228 809	309 110
XV. Charges to provisions and revaluation	127 128	674 523	201 226	909 233
1. Charges to provisions (specific & general)	127 128	670 975	201 226	909 233
2. Revaluation of financial assets	0	3 548	0	0
XVI. Release of provisions and revaluation	294 901	818 227	156 210	810 080
1. Release of provisions (specific & general)	294 775	813 816	154 710	808 580
2. Revaluation of financial assets	126	4 411	1 500	1 500
XVII. Net provisions and revaluation (XV-XVI)	-167 773	-143 704	45 016	99 153
XVIII. Operating profit / (loss)	52 306	413 552	-177 960	-79 095
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	52 306	413 552	-177 960	-79 095
XXI. Corporate income tax	-20 107	11 600	-17 774	5 212
1. Current	-8 970	0	13 395	13 395
2. Deferred	-11 137	11 600	-31 169	-8 183
XXII. Other obligatory charges against profit (increases in loss)	0	0	0	0
XXIII. Net income (loss) of subordinated companies subject to equity method	279 737	140 167	268 488	321 851
XXIV. Net profit (loss)	**352 150**	**542 119**	**108 302**	**237 544**

Net profit (loss) (annualized)	-	542 119	-	237 544
Weighted average number of ordinary shares	-	849 181 744		849 181 744
Profit (loss) per ordinary share (in PLN)	-	0,64	-	0,28
Weighted average diluted number of ordinary shares	-		-	
Diluted profit (loss) per ordinary share (in PLN)	-		-	

STATEMENT OF CHANGES IN EQUITY	IV quarter period from 1.10.2005 - 31.12.2005	IV quarters period from 1.01.2005 - 31.12.2005	2004 period from 1.01.2004 - 31.12.2004
I. Equity at the beginning of the period (opening balance)	2 015 192	1 986 840	1 734 906
a) changes in adopted accounting policies	0	48 880	-5 103
b) fundamental errors corrected	0	0	0
I.a. Equity at the beginning of the period (opening balance) as restated to comparable data	2 015 192	2 035 720	1 729 803
1. Share capital at the beginning of the period	849 182	849 182	849 182
1.1. Changes in share capital	0	0	0
a) increases	0	0	0
-	0	0	0
b) decreases	0	0	0
-	0	0	0
1.2. Share capital at the end of the period	849 182	849 182	849 182
2. Unpaid share capital at the beginning of the period	0	0	0
2.1. Changes in unpaid share capital	0	0	0
a) increases	0	0	0
-	0	0	0
b) decreases	0	0	0
-	0	0	0
2.2. Unpaid share capital at the end of period	0	0	0
3. Treasury stock at the beginning of the period	0	0	0
a) increases	0	0	0
-	0	0	0
b) decreases	0	0	0
-	0	0	0
3.1. Treasury stock at the end of the period	0	0	0
4. Supplementary capital at the beginning of the period	472 343	508 095	542 970
4.1. Changes in supplementary capital	0	-35 752	-34 875
a) increases	0	0	0
-	0	0	0
b) decreases	0	35 752	34 875
- to cover losses of BIG BANK S.A. from previous years	0	35 752	17 876
- to cover losses from previous years	0	0	16 999
- other	0	0	0
4.2. Supplementary capital at the end of the period	472 343	472 343	508 095
5. Revaluation reserve at the beginning of the period	79 616	52 341	32 848
a) changes in adopted accounting policies	0	0	0
b) fundamentals corected errors	0	0	0
5.a) revaluation reserve at the beginning of the period, restated to comparable data	79 616	52 341	32 848
5.1. Changes in revaluation reserve	-21 025	6 250	19 493
a) increases	0	6 250	19 493
- purchase and valuation of available for sale financial assets	0	6 250	19 493
b) decreases	21 025	0	0
- sale and valuation of available for sale financial assets	21 025	0	0
- other	0	0	0

5.2 Revaluation reserve at the end of period	58 591	58 591	52 341
6. General Banking Risk Reserve at the beginning of the period	383 265	380 532	339 637
6.1 Changes in General Banking Risk Reserve	0	2 733	40 895
a) increases	0	2 733	40 895
- appropriation of profit	0	2 733	40 895
-	0	0	0
b) decreases	0	0	0
-	0	0	0
6.2. General Banking Risk Reserve at the end of the period	383 265	383 265	380 532
7. Other reserve capital at the beginning of the period	0	0	0
7.1. Changes in other reserve capital	0	0	0
a) increases	0	0	0
-	0	0	0
b) decreases	0	0	0
-	0	0	0
7.2. Other reserve capital at the end of the period	0	0	0
8. Retained earnings (loss brought forward) at the beginning of the period	40 817	-40 854	-70 626
8.1. Retained earnings at the beginning of the period	40 817	-40 854	-70 626
a) changes in adopted accounting principles	0	48 880	-5 103
b) fundamental errors corrected	0	0	0
8.2. Retained earnings at the beginning of the period, restated to comparable data	40 817	8 026	-75 729
8.3. Changes in retained earnings	0	32 791	34 875
a) increases	0	273 295	75 770
- transfer of profit of 2004/2003	0	237 544	40 895
- covering losses from previous years	0	35 751	34 875
b) decreases	0	240 504	40 895
- appropriation of profit - General Banking Risk Reserve	0	2 733	40 895
- appropriation of profit - dividend payments	0	237 771	0
- other	0	0	0
8.4. Retained earning at the end of the period	40 817	40 817	-40 854
8.9. Retained earning (loss brought forward) at the end of the period	40 817	40 817	-40 854
9. Net profit (loss)	352 150	542 119	237 544
a) net profit	352 150	542 119	237 544
b) net loss	0		0
II. Equity at the end of the period (closing balance)	2 346 317	2 346 317	1 986 840
III. Equity after proposed appropriation of profit (coverage of loss)			

STATEMENT OF CASH FLOWS	IV quarter period from 1.10.2005 - 31.12.2005	IV quarters period from 1.01.2005 - 31.12.2005	IV quarter period from 1.10.2004 - 31.12.2004	IV quarters period from 1.01.2004 - 31.12.2004
A. Cash flows from operating activities - indirect method				
I. Net profit (loss)	352 150	542 119	108 302	237 544
II. Adjustments for:	-1 983 237	-230 889	336 459	84 672
1. Share in (profits) losses of subordinated companies consolidated under the equity method	-279 737	-140 167	-268 488	-321 851
2. Depreciation and amortization	27 544	84 348	259 074	339 375
3. Foreign exchange (gains) losses	-4 290	-21 201	-92 471	-195 693
4. Interest and share in profits (dividends)	-146 002	-301 401	34 752	118 051
5. (Profit) loss on investing activities	3 812	4 242	1 209	787
6. Change in provisions	-3 299	46 208	-102 162	-72 763
7. Change in debt securities	-112 536	-465 238	-226 964	-1 963 260
8. Change in amounts due from other financial institutions	-314 165	894 580	-735 888	-1 748 895
9. Change in amounts due from non-financial and public sector	-583 542	-2 306 888	121 930	3 088 288
10 . Change in receivables from reverse repo transactions	-132 752	-250 504	187 127	19 707
11. Change in shares, other securities and other financial assets	-25 139	14 224	-21 113	171 449
12. Change in amounts due to other financial institutions	-560 201	969 048	-487 157	-1 091 017
13. Change in amounts due to non-financial and public sector	486 801	-886 670	2 346 295	2 740 380
14. Change in liabilities from securities sold with buy-back option	-478 252	2 025 901	-294 605	-89 264
15. Change in liabilities arising from securities	-88 486	-85 298	-410 573	-710 451
16. Change in other liabilities	245 310	345 513	29 758	47 916
17. Change in accrued expenses and prepayments	-1 262	-48 723	5 126	-19 938
18. Change in deferred and restricted incomes	-14 606	-107 089	-9 391	-228 149
19. Other	-2 435	-1 774	0	0
III. Net cash flows from operating activities (I +/- II) - indirect method	-1 631 087	311 230	444 761	322 216
B. Cash flows from investing activities				
I. Cash from investing activities	1 494 341	1 329 974	8 351	28 236
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	986
4. Sale of shares in other companies, other securities and other financial assets	212 855	0	0	0
5. Sale of intangible assets and tangible fixed assets	2 459	7 418	8 208	12 124

6. Sale of investments in real estate and intangible assets	0	0	0	0
7. Other	1 279 027	1 322 381	143	15 126
II. Cash used for investing activities	8 163	690 940	29 579	122 873
1. Purchase of shares in subsidiaries	0	0	2	6
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	0	674 620	5 259	89 946
5. Purchase of intangible assets and tangible fixed assets	8 163	16 320	13 587	15 342
6. Investments in real estate and intangible assets	0	0	10 731	17 579
7. Other	0	0	0	0
III. Net cash flows from investing activities (I - II)	1 486 178	639 034	-21 228	-94 637
C. Cash flows from financing activities				
I. Cash from financing activities	23 081	24 012	45 687	45 687
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	22 836	22 836	45 687	45 687
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	245	1 176	0	0
II. Cash used for financing activities	102 184	1 324 449	114 523	196 651
1. Repayment of long-term bank loans	0	793 053	0	0
2. Repayment of long-term borrowings from financial institutions other than banks	10 932	10 932	0	0
3. Redemption of debt securities	45 687	178 760	75 299	75 299
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
10. Purchase of treasury stock	0	0	0	0
11. Other	45 565	103 933	39 224	121 352
III. Net cash flows from financing activities (I - II)	-79 103	-1 300 437	-68 836	-150 964

D. Net cash flows, total (A.III +/- B.III +/- C.III)	-224 012	-350 173	354 697	76 615
E. Change in cash and cash equivalents	-224 012	-350 173	354 697	76 615
- change in cash in respect of foreign exchange gains and losses				
F. Cash and cash equivalents at the beginning of the period	755 856	882 017	527 320	805 402
G. Cash and cash equivalents at the end of the period (F+/- D), of which:	531 844	531 844	882 017	882 017

IV. ADDITIONAL NOTES TO THE FINANCIAL DATA

Final settlement of the sale of PZU S.A. shares

In the current report of 7.12.2005, the Bank informed that – in a joint effort with its subsidiary BEL Leasing Sp. z o.o. (legal successor of BIG BG Inwestycje S.A.) – the Bank signed Memorandum of Understanding on the Share 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. shares.

In the Group's 2005 Profit and Loss Account the income realised in exercising the provisions of the Sales Agreement for 10% of PZU S.A. shares 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 share in net profits (losses) of subsidiaries valuated by equity method. The income described totalled in gross amounts as follows:

- 48.537.188 zlotys as a result of the dividend paid out by PZU S.A. in 2005,
- 700.000.000 zlotys as a result of the final settlement of the sale agreement. The amount of 700.000.000 zlotys constitutes an 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 financing the investment in PZU S.A. shares 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. share 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. shares, and among others it defined the settlement formula forecasting BCP's share in the sale proceeds if the value of the transaction would exceeded 1.600.000.000 zlotys. As a result of satisfying these conditions the Bank made a payment in favour of BCP in the amount of 283.500.000 zlotys. The costs resulting from this transaction were captured in the result on investment activities.

Dividends from subsidiaries

In the Bank's 2005 Profit & Loss Account dividends from subsidiaries of PLN 371 599 thous were recognised under the item „Income from shares, other securities and other variable-income financial instruments". It should be noted that the dividends in question have no impact on the Bank's net result, because in consequence of employing the equity method with respect to shares in subsidiaries, this income is eliminated from the Bank's P&L (item "Participation in net profit/losses of subsidiaries valuated by equity method").

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 the Accounting Act and IAS 37. 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 selected branches in the amount of 9,9 million zlotys,
- 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.

Adjustments to the comparable data

As a result of amending the adopted accounting policies concerning the recognition of provisions for bonuses (as presented in chapter I „Policies employed when preparing the quarterly report"), for the purpose of this report the following adjustments were made of comparable data previously published (in the annual report prepared as of 31 December 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

1) The value of the bank's costs of activity increased by 3.654 thousand zlotys,
2) The value of the gross profit encumbered with deferred tax was reduced by 694 thousand zlotys.

Additionally 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 result on financial operations (previously income and costs were presented separately in interest margin); the value of interest income as well as costs in 1-4Q 2004 was reduced by PLN 831,384,000 and PLN 566,692,000 respectively. Result on financial operations was increased by the amount of PLN 264,692,000.

Loan Loss Provisions

In the period from 1 January till 31 December 2005 the Bank created loan loss provisions in the amount of PLN 91.331 thous

V. 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 net profit generated in 2004 for payment of the dividend in 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.
Plans concerning dividend distribution in 2005 are presented in item II „Information on the Bank's Activity in 2005".

VI. 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 thous. PLN)

MOVEMENTS IN LIABILITIES FROM ISSUE OF DEBT SECURITIES	01.01.05-31.12.05
Balance at the start of period	**275 544**
a) increases (of which)	28 726
- purchase of a promissory note by the NBP	22 836
- accrued interest	5 683
- discount settlement	207
b) decreases (of which)	271 683
- redemption of the promissory note from the NBP	45 687
- redemption of bonds	214 987
- foreign exchange differences	1 545
- repayment of interest	9 464
Balance at the end of period	**32 587**

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

There were none.

VIII. 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 September 2005

Shareholder	Number of shares	% of 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 31 December 2005

Shareholder	Number of shares	% of 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

IX. POSITIONS AT BANK MILLENNIUM S.A. SHARES HELD BY PERSONS MANAGING AND SUPERVISING THE BANK

Name and surname	Function	Number of shares held as at the date of the previous quarterly report 17 Oct 2005	Number of shares held as at the date of the current quarterly report 13 Feb 2006
Bogusław Kott	Management Board Chairman	3 023 174	3 023 174
Luis Pereira Coutinho	Management Board Deputy Chairman	0	0
Fernando Bicho	Management Board Member	0	0
Julianna Boniuk-Gorzelańczyk	Management Board Member	490 000	490 000
Wojciech Haase	Management Board Member	5 246	5 246
Wiesław Kalinowski	Management Board Member	0	0
Zbigniew Kudaś	Management Board Member	0	0
Manuel Teixeira	Management Board Member	0	0
Jerzy Andrzejewicz	Proxy	6 260	6 260
Maciej Bednarkiewicz	Supervisory Board Chairman	94	94
Ryszard Pospieszyński	Supervisory Board Deputy Chairman	26 200	26 200
Andrzej Koźmiński	Supervisory Board Member	0	0
Marek Rocki	Supervisory Board Member	0	0
Dariusz Rosati	Supervisory Board Member	0	0
Zbigniew Sobolewski	Supervisory Board Member	0	0
Christopher de Beck	Supervisory Board Member	95 000	95 000
Francisco de Lacerda	Supervisory Board Member	0	0
Jorge Manuel Jardim Goncalves	Supervisory Board Member	3 000	10 000
Paulo Teixeira Pinto	Supervisory Board Member	0	0
Dimitri Contominas	Supervisory Board Member	0	0
Vasco de Mello	Supervisory Board Member	0	0

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

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

In the period from 1 January to 31 December 2005 any transactions between the Bank and related entities were concluded on market terms and resulted from on-going operations.

Below presented are key amounts related to intragroup transactions that have been eliminated in the process of the consolidated report generation.

KEY EILIMINATED INTRAGROUP TRANSACTIONS, AND THEIR CONSOLIDATION ADJUSTMENTS (PLN '000)	
ASSETS	**31 Dec 2005**
Accounts and deposits kept in the Bank	345 891
Receivables on loans, credits, and receivables traded between entities under consolidation	1 419 462
Receivables under purchased SBB	358 842
Shares in subsidiaries under consolidation	98 741
Debt securities subject to SBB transactions	60 328
Other assets	32 677
LIABILITIES	**31 Dec 2005**
Liabilities under deposits, loans, credits, and receivables traded between entities under consolidation	1 786 573
Liabilities on sold SBB	411 078
Subordinated liabilities	22 275
Special funds and other liabilities	1 756
PROFIT AND LOSS ACCOUNT	**1 Jan 05 – 31 Dec 05**
Income on:	
interest on accounts, deposits, and receivables on loans, credits and purchased receivables	216 508
banking and brokerage commissions	12 732

intragroup dividends paid	1 071 600
other operating income	14 726
Expenses on:	
interest on accounts, deposits, and receivables on loans, credits and sold receivables	212 770
banking and brokerage commissions	14 409
other operating costs	24 736
activity of entities under consolidation	6 766

XII. 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.

XIII. 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 four quarters of 2005 the Bank had an income of PLN 5,412,945 thous, with costs at PLN 5,656,189 thous, thus arriving at a tax loss of PLN 243,244 thous.

The tax loss calculation was made pursuant to the provisions of the Corporate Income Tax Act of 15 February 1992.

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

- Netting the revenues of any dividends that have been lumpsum taxed at source,
- Settling derivative financial instruments – SWAP transactions,
- Eliminating – in result of repaid credit receivables – specific provisions that previously were not recognized as cost of income,
- Netting tax revenues of any interest accrued and discount depreciated related to debt securities,
- Netting tax revenues of any income on transactions on SBBs, subject to taxation in previous year.

- 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 asset. In the balance sheet the deferred income tax provision and the asset are presented separately.

Deferred income tax recognised in the consolidated P&L Account of the Bank for the four quarters of 2005 stood at PLN 11,600 thous.