Bank Millennium S.A. SAB-P2005 PLN in thousands

Semi-Annual Financial Report of Bank Millennium S.A. Prepared in accordance with the Polish Accounting Standards for the First Half Year 2005

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

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I. INTRODUCTION TO THE FINANCIAL REPORT AND COMPARABLE FINANCIAL DATA

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1. INFORMATION ABOUT THE ISSUER

Commercial Name and Principal Office: Bank Millennium S.A., Warszawa, Al. Jerozolimskie 123 a
Registration Court and Register Number: 19th Business Registration Division of the National Court Register, Regional Court for the Capital City of Warsaw, no 0000010186
Issuer's Basic Business: banking and other financial intermediation, except insurance and pension funds,

2. DURATION OF THE ISSUER'S BUSINESS, IF SPECIFIED

Bank Millennium S.A. is not a company with a specified duration.

3. INDICATION OF PERIODS FOR WHICH THE FINANCIAL REPORT AND COMPARABLE FINANCIAL DATA ARE DISCLOSED

The financial report is presented for the period 1.01.05 – 30.06.05 and the comparable data for the period 1.01.04 – 30.06.04 and additionally balance sheet data as of 31 December 2004

4. COMPOSITION OF THE ISSUER'S MANAGEMENT BOARD AND SUPERVISORY BOARD

Composition of the Management Board of Bank Millennium S.A., as of 30.06.05:
1. Bogusław Kott - Chairman of the Bank's Management Board,
2. Luis Pereira Coutinho – Vice-Chairman of the Bank's Management Board,
3. Fernando Bicho - Management Board Member,
4. Julianna Boniuk - Gorzelańczyk – Management Board Member,
5. Wojciech Haase - Management Board Member,
6. Wiesław Kalinowski – Management Board Member,
7. Zbigniew Kudaś – Management Board Member,
8. Rui Manuel Teixeira - Management Board Member.

Composition of Bank Millennium S.A.'s Supervisory Board as of 30.06.05:
1. Maciej Bednarkiewicz – Chairman of the Supervisory Board,
2. Ryszard Pospieszyński – Vice-Chairman and Secretary to the Supervisory Board,
3. Christopher de Beck - Member of the Supervisory Board,
4. Dimitrios Contominas - Member of the Supervisory Board,
5. Jorge Manuel Jardim Goncalves - Member of the Supervisory Board,
6. Andrzej Koźmiński - Member of the Supervisory Board,
7. Francisco de Lacerda - Member of the Supervisory Board,
8. Vasco Maria Guimaraes Jose de Mello - Member of the Supervisory Board,
9. Paulo Teixeira Pinto - Member of the Supervisory Board,
10. Marek Rocki - Member of the Supervisory Board,
11. Dariusz Rosati - Member of the Supervisory Board,
12. Zbigniew Sobolewski - Member of the Supervisory Board

Mr Gijbert J. Swalef as of 8 March 2005 r. stepped down from the office of the Bank's Supervisory Board Member.
The Bank's General Shareholder Meeting held on the 8th of March took the resolution to increase the number of the Bank's Supervisory Board Members from 10 to 12 at the same time electing new Supervisory Board Members in the persons of:
Mr. Dimitrios Contominas
Mr. Vasco Maria Guimaraes Jose de Mello
Mr Paulo Teixeira Pinto

5. INDICATION IF THE FINANCIAL REPORT AND COMPARABLE FINANCIAL DATA CONTAIN AGGREGATE DATA

Bank Millennium S.A. does not have internal organisation units which make out their own financial reports

6. INDICATION IF THE ISSUER IS A DOMINANT ENTITY OR A SIGNIFICANT INVESTOR AND IF IT MAKES OUT A CONSOLIDATED FINANCIAL REPORT

Bank Millennium S.A. is the dominant unit of Bank Millennium Capital Group and prepares a consolidated financial report.

7. IF THIS FINANCIAL REPORT IS MADE FOR THE PERIOD IN WHICH A MERGER TOOK PLACE - INDICATION THAT THIS IS A FINANCIAL REPORT PREPARED AFTER THE MERGER OF THE COMPANIES AND INDICATION OF THE METHOD EMPLOYED FOR THE SETTLEMENT OF THE MERGER

In the period from 1 January till 30 June 2005 no merger was effected in which Bank Millennium would participate.

8. INDICATION IF THE FINANCIAL REPORT WAS MADE UNDER THE ASSUMPTION OF THE ISSUER'S GOING CONCERN

The financial report was prepared under the going concern assumption. There are no circumstances indicative of any risk to its continued activity.

9. INDICATION IF THE FINANCIAL REPORT WAS TRANSFORMED IN ORDER TO ENSURE DATA COMPARABILITY

As a result of changing the manner of presentation of interest margin components resulting from derivatives, starting from 2005 net income on such operations is presented as a net value (previously the income and expense were presented separately). Further to this change the financial report prepared as of 30 June 2004 was transformed in order to ensure comparability of data, as explained in item. 30 „Additional Explanatory Notes”.

10. INDICATION IF THE PRESENTED FINANCIAL REPORT OR COMPARABLE FINANCIAL DATA WERE ADJUSTED FOR QUALIFICATIONS CONTAINED IN THE OPINIONS OF ENTITITES AUTHORISED TO PERFORM AN AUDIT

There were no qualifications in question.

11. DESCRIPTON OF THE ADOPTED ACCOUNTING POLICY

1) Principles of Presenting the Financial Report

The financial report was prepared with the observance of the following principles:
- continuity principle,
- going concern principle,
- proportionality principle,
- prudential valuation principle,
- accruals principle.

The financial report was prepared on the basis:
- The Accounting Act dated 29 September 1994, as later amended,
- The Banking Act of 29 August 1997, as later amended,
- Council of Ministers' Ordinance dated 11 August 2004 in the matter of detailed conditions to be satisfied by an issue prospectus and an abridged prospectus, as later amended,
- Council of Ministers' Ordinance dated 21 March 2005 in the matter of current and periodic information communicated by securities issuers, as later amended,
- Minister of Finance Ordinance dated 10 December 2001 in the matter of specific principles of bank accounting, as later amended,
- Council of Ministers Ordinance dated 10 December 2003 in the matter of provisioning for risk connected with bank activities,
- Ministry of Finance Ordinance dated 12 December 2001 in the matter of detailed principles of recognition, methods of valuation, scope of disclosure and manner of presentation of financial instruments, as later amended.

In matters not regulated by the Accounting Law dated 29 September 1994 (as amended) the Bank applies domestic accounting standards published by the statutorily authorised Accounting Standards Committee and in case of absence of a national standard – International Financial Reporting Standards in the version approved by the European Union.

2) Accounting Policy in Preparing the Financial Statement

In 2005 the Bank amended its accounting policy by starting to employ the method of an effective interest rate (EIR) in the case of certain financial instruments valued at amortised cost. This followed from the provisions of the Minister of Finance Ordinance dated 10 December 2001 in the matter of specific principles of bank accounting, as later amended.
It follows from the analyses conducted by the Bank that the implementation of the EIR methodology with respect to its financial instruments results in material corrections only in the case of: spreading over time commissions connected with credit activity (1) and in the case of settling a specific long-term agreement (described below) concluded with one counterparty (2). It should be noted that the discount and premium on debt securities were settled by the exponential method already earlier.

(1) Until the end of 2004 commissions were included in the Bank's profit and loss statement on the cash basis, at the moment of collection (the exception being specific commissions which were settled over time by linear method). Since 1 January 2005 selected commissions have been recognised in the profit and loss statement throughout the duration of the loan agreement. Such over-the-time-depreciation pertains to these loan-related commissions (commission on preparation, commissions for change in terms and conditions, etc.), which due to their features constitute a substitute for interest income. The unsettled part of the commission is presented in the balance sheet as an adjustment of the credit exposure value, while the settled part constitutes interest income (or commission income in the case of commissions collected on instruments with an unspecified repayment schedule). Depending on the nature of the commissions the Bank spreads them over time based on the linear, sums of digits or EIR method. Consequently, compared to previous years the amount of commission income presented in the financial report dramatically decreased. What went also down were the Bank's own capitals on the day of EIR implantation (correction of the opening balance resulting from the detachment from the previous years' profits of the part of the commissions on active loan agreements which will be settled over time). In addition, the following will be settled over time:
   a. selected commissions collected on payment cards, depreciated by linear method treated as commission income (represented in the balance sheet as deferred income)
   b. certain own expenses incurred by the Bank, directly connected with the conclusion of a loan agreement, such as commissions paid to own and external agents for the conclusion of a mortgage loan agreement and real estate appraisal costs connected with such type of agreements.

(2) The earlier-mentioned agreement resulted in a simultaneous contracting of a loan by the Bank and purchasing of the counterparty's security. In addition, the Bank pre-payed (discounted) interest on the loan for the last 10 years in advance. Such construction caused an important adjustment (increase) of the opening balance of own capitals at the moment of EIR implementation.

(3) There was also adjustment in the area of EIR methodology and accounting policies at the Bank's subsidiary, which by using equity valuation with respect to the Bank's shares and stocks in subsidiaries resulted in the adjustment of the opening balance of the Bank's own capitals.

The process of implementing the amended legal regulations specified in the Ordinance which contains EIR methodology as its part, was initiated in 2002 (adoption of the EIR methodology due to the complexity of the problem and necessary readjustments was delayed until 2005). Based on the same premises (i.e. option of resorting to the International Accounting Standards in default of an appropriate domestic regulation) the Bank in implementing as of 1 January 2005 the EIR principle used an analogous approach as in the case of the previous changes resulting from the Ordinance's provisions identical to IAS 39 and did not perform transformations of comparable data for 2004.

However, due to the requirement of data comparability and possibility of a correct assessment of the financial situation, the Bank prepared pro forma financial reports for the 1st half-year 2004 (with a reduced degree of detail) in accordance with the EIR requirements. These reports were used exclusively for management purposes and as a basis for preparing information on the Bank's activity in the 1st HY 2005 presented in the Management Board's narrative report constituting an integral part of this report.

Adjustments of the Bank's own capitals as of 1 January 2005 as a result of EIR adaptations are as follows (numbers in column headings correspond to the above-presented description:

Bank Millennium S.A. SAB-P2005 PLN in thousands

Data in PLN thous.

	(1) Valuation of financial instruments according to the amortised cost with the use of EIR – commissions	(2) Valuation of unit agreement according to the amortised cost with the use of ESP	(3) Valuation of financial instruments according to the amortised cost with the use of EIR – subsidiary	TOTAL
Gross adjustment value	-39.671	+101.881	- 1.866	+ 60.344
Net adjustment value (having incorporated the deferred tax effect)	-32.133	+82.524	- 1.511	+ 48.880

Receivables and payables

- receivables and payables are disclosed at the price which must be paid including the accrued interest,
- in strictly specified cases the Bank writes off credit exposures against specific provisions in accordance with the Ordinance of the Minister of Finance dated 2 December 2003 amending the Ordinance on the Specific Accounting Principles for Banks. Bridging conditions specifying the receivables intended for writing off against the specific provisions adopted by the Bank are as follows:
  Cases in which it is possible to write off a loan in full shall be written off. This pertains to groups of loans considered loss, especially the cases for which non-collectibility has been determined as plausible.
  This means that in particular such loans shall be written off against specific provisions which:
  - have been classified loss in accordance with the criteria specified by the Minister of Finance in the Ordinance of 10 December 2001 in the matter of Provisioning for Risk connected with Bank Activities (Dz. U. 01.149. item. 1672 as later amended),
  - do not have real collateral, the process of seizing the collateral has been completed and the created specific provision is 100% of the required principal,
  - with respect to which loss has been determined as plausible, in particular in the situation when the Bank has sent the receivable for enforcement proceedings, the debtor has died, the company has been struck off the register or put into liquidation, its bankruptcy has been declared or the debtor's place of abode is unknown and his assets have not been disclosed.

  The process of writing off is preceded by an individual assessment of recoverability.
  A receivable shall be considered uncollectible when upon the lapse of 12 months from the date of classifying the receivable as loss there is practically no possibility of recovering the receivable and if the borrower's financial situation has irrevocably impaired and the fair value of the receivables taken over is close to zero.
  Also such loans shall be written off which can be considered uncollectible and whose value is so low that their further keeping in the Bank's credit portfolio cannot be justified.
  Subject to writing off against specific provisions shall be all the cases in which it is not practical nor even desirable to postpone the writing off an asset which has in principle no value even if in future it is possible to partially recover the loan amount, in connection with the Bank's right to sue the debtor for payment.
  Income from the recovery of receivables previously written off against provisions is included in the profit and loss statement as other operating income,

- in financial reports receivables are presented in the net amount, i.e. decreased by specific provisions created in accordance with binding regulations and the unsettled part of credit provisions resulting from the employment of valuation with the use of the effective interest rate (as described above in the passage on changes of the accounting policies),
- in accordance with regulations in force specific provisions are established for granted off-balance sheet irrevocable commitments bearing the risk of the client's non-performingity

Securities

- **Debt securities**

Debt securities are classified on the day of purchase into the following categories:

- intended for trading

These are debt securities which were purchased for gains from short-term price volatility. As of balance-sheet date debt securities intended for trading are valued at fair price and the valuation effect is included in net income from financial operations.

- kept to maturity:

This group includes debt securities which have been purchased to be kept to maturity. Securities from this portfolio are appraised at amortised cost taking into account impairment provisions.

- available for sale

As available for sale there shall be classified debt securities not included in the category „intended for trading” or „kept to maturity”. Such securities are appraised at fair value and the difference resulting from the valuation is transferred to supplementary capital. As of the day of taking off books the whole or part of a financial asset component (sale) the hitherto valuation is excluded from capitals and transferred to the profit and loss statement for the period.
Debt securities classified in a category for which a fair value method was adopted and for which no fair value can be credibly established shall be valued at depreciated cost.
Impairment deductions of debt securities included in the "kept to maturity" category and available for sale categories are made against the profit and loss statement.
Discount on debt securities is settled over time by exponential method.

- **Stocks and shares**

Stocks and shares are classified in the following categories:

- intended for trading,
- available for sale,

The criteria used for classification and methodology of the valuation of shares and stocks are analogous to the corresponding debt security categories (the exception being stocks and shares in subsidiaries), as described above.
Investments in stocks and shares of subsidiaries in the Bank's solo report are valued by equity method based on the guidelines of Art. 63 of the Accounting Act and the following assumptions:

- all profits and losses realised on group-internal transactions are eliminated in proportion to the Bank's (Group's) involvement in a given entity. No matter if the profits/losses are realised "from top downwards" (by dominant entity) or "from bottom up" (by subsidiary) adjustments for this reason in the profit and loss statement are included in the item "participation in profits/ losses of subsidiaries", and in the balance sheet as the change of value of stocks and shares in subsidiaries,
- if the value of stocks and shares in a subsidiary due to the inclusion of the valuation effects assumes a negative value the report includes the total value of the adjustment (i.e. also part of the adjustment in excess of the purchasing price) in correlation with the Bank's profit and loss statement. In the balance sheet the part of the adjustment in excess of the purchasing price is presented on the liabilities side as a provision for the valuation of subsidiaries by equity method.
- in order to perform a valuation of stocks and shares of entities not directly in the Bank's portfolio and constituting part of the Bank Millennium Capital Group (i.e. entities over which the Bank exercises control by means of other entities) a two-step procedure is conducted: entities directly subordinated to the Bank perform the valuation by equity method of stocks/shares which they hold in Capital Group companies and only thus adjusted net assets are used for the calculation of the value of stocks and shares in the Bank,

Stocks and shares in subordinated entities not valued by equity method (whose scale of operations is not significant) are included in the balance sheet at purchasing prices, taking into account impairment provisions.

Derivatives and Other Financial Instruments

Derivatives are classified as assets or liabilities intended for trading and priced at fair value. Embedded derivatives are taken and valued separately from the underlying agreement, if the following conditions jointly arise.

§ the financial instrument is not included in assets intended for trading whose revaluation effects are included in the profit and loss statement,

§ the nature of the embedded instrument and risks connected with it are not strictly correlated with the nature of the underlying agreement and risks resulting from it,

§ it is possible to credibly establish the fair value of the derivative instrument

The fair value of derivative instruments is presented in the balance sheet on the assets side as "other securities and other financial assets" and on the liabilities side in the item "other liabilities on the financial instruments", if the result of the valuation is negative. In the profit and loss statement the adjustment to fair value is recognised in the item "net income from financial operations" or "foreign exchange gains" (additionally in the case of swaps accrued interest is included in net interest income)

In the case of fair value hedges the respective profits or losses from the valuation of the derivative instrument are appropriately compensated for in P & L by the effects of changes in the fair value of the hedged instruments.

The Bank has the following derivatives:

1) FX forwards
Underlying amounts of open FX forwards (currencies purchased and currencies sold) are disclosed in off-balance sheet items and presented in the item "Liabilities connected with the implementation of buy/sell operations". Amounts in foreign currencies are converted at average NBP rate at balance sheet date. FX forwards are priced at fair value based on the method of discounting future cash flows at the end of each month. Fair value is booked in other assets/liabilities in correspondence with exchange rate gains.

2) FX SWAPs
Underlying amounts of open FX SWAPs (currencies purchased and currencies sold)) are disclosed in off-balance sheet items and presented in the item "Liabilities connected with the implementation of buy/sell operations". Amounts in foreign currencies are converted at average NBP rate at balance sheet date. At the end of each month FX SWAPs are valued at fair value based on the method of discounting future cash flows. Adjustment to fair value consists in the inclusion in the profit and loss statements the suspended exchange rate gains accrued between the date of concluding the transaction and the balance sheet date and in adjusting the settled swap points booked in net interest income. Fair value is booked in the item "other securities and other financial assets"/"other liabilities on financial instruments" in correspondence with net income from financial operations.

3) Interest Rate Swaps (IRS)
The underlying amounts of open IRS transactions (foreign exchange purchased and sold) are disclosed in off-balance sheet items and presented in item "other OBS items". At the end of each month IRS transactions are valued at fair price based on the method of discounting future cash flows. Adjustment to fair value consists in adjusting interest to be paid and to be received accrued in net interest income. Such adjustment is booked in the item "other securities and other financial assets"/"other liabilities on financial instruments" in correspondence with net income from financial operations.

4) Cross – Currency Swaps (CCS)
The underlying amounts of open CCS transactions (currencies purchased and currencies sold) are disclosed in off-balance sheet items and presented in the item "Liabilities connected with the implementation of buy/sell operations". Amounts in foreign currencies are converted at the average NBP rate as of the balance sheet date. CCS transactions are priced at fair value at the end of each month based on the method of discounted future cash flows. Adjustment to fair value consists in the inclusion in the profit and loss statement the suspended exchange rate gains accrued between the date of concluding transactions and the balance sheet date and adjusting the interest accrued in the net interest income from interest to be paid/to be received. Such adjustment is booked in the item "other securities and other financial assets"/"other liabilities on financial instruments" in correspondence with net income from financial operations.

5) Transactions: Equity Swap, Volatility Swap, Swap with an embedded currency option.
Underlying amounts on open swap transactions (currencies purchased and currencies sold) are disclosed in off-balance sheet items and presented in the item „other OBS items”. At the end of each month swap transactions are valued at fair value with the use of the method of discounting future cash flows. Adjustment to fair value consists in the adjustment of interest to be paid and received accrued in net interest income. Such adjustment is booked in the item "other securities and other financial assets"/"other liabilities on financial instruments" in correspondence with net income from financial operations.

6) Currency options
Underlying amounts on open option transactions (foreign currency only) converted at the average NBP rate at balance sheet date are disclosed in off-balance sheet items and presented in the item „other OBS items”. Option transactions are priced at fair value at the end of each month. Adjustment to fair value consists in the adjustment of premium received and paid. Fair value is booked in the item "other securities and other financial assets"/"other liabilities on financial instruments" in correspondence with net income from financial operations.

7) Forward Rate Agreements (FRAs)
The amounts of capital resulting from the concluded transactions are disclosed in off-balance sheet items and presented in the item "other OBS items". FRAs are priced at fair value at the end of each month and the valuation is presented in the item "other securities and other financial assets"/"other liabilities on financial instruments" in correspondence with net income on financial operations.

8) Certificates of investment and participation units retained in the Bank's portfolio which have been purchased with the intention of selling them back within a short period of time or in order to realise the margin are classified in the trading portfolio and are priced at fair value and the effect of valuation is referred to the profit and loss statement. Such instruments are included in the balance sheet position "other securities and other financial assets".

9) The Bank presents in the balance sheet financial assets sold on a Sell-Buy-Back (SBB) basis and simultaneously includes on the liabilities side certain obligations resulting from the granted buyback promise. The condition of using such solution is to retain by the Bank the risks and advantages resulting from a given asset despite its transfer. In the case of Buy-Sell-Back (BSB) transactions financial assets held are presented as a receivable resulting from the buyback clause. SBB and BSB transactions are priced at amortised cost and securities subject to SBB transactions are not removed from the balance sheet and are subject to valuation according to the principles specified for particular securities portfolios.

Fixed Assets and Intangibles

Accounting for fixed assets and intangible assets is run at purchasing or production prices or (with respect to fixed assets) according to the value established as a result of revaluation decreased by depreciation (amortisation) and impairment deductions.

The adopted depreciation rates are established based on the anticipated period of fixed assets' economically useful life. Depreciation is conducted by a linear method

Depreciation rates employed by Bank Millennium S.A.:

Selected groups of fixed assets:	
bank buildings	2,5%
investments in external premises	10,0%
computer units	30,0%
network devices	30,0%
means of transport	20,0%
telecom devices:	
- cable	10,0%
- wireless	20,0%
Intangible assets (software):	
main applications (systems)	10,0%

for other computer software the rate no higher than 50% is adopted, depending on the planned utilisation period.

Fixed assets under construction are disclosed at purchasing price or production cost and are not subject to depreciation.

The adaptation and modernisation of purchased or rented premises of fixed assets is accounted in fixed assets under construction and included in the balance sheet.

Assets Taken Over for Sale

Assets taken over for debt are disclosed at the price constituting the amount of the debt for which the assets have been taken over less revaluations made up to the level of the difference between the debt and the net selling price possible to obtain for the assets taken over.

Assets and Liabilities in Foreign Currencies

Assets and liabilities constituting on and off-balance currency items are disclosed as recalculated into zlotys acc. to the average rate for particular currencies established by the NBP Chairman for the balance sheet date. The exchange rate differences resulting from the conversion of on-balance assets and liabilities are included in the profit and loss statement.

Description of Selected P & L Items

- **Interest income**

Interest receivables are accrued on an accumulating basis until the last day of the financial period. The profit and loss statement does not include matured and non-matured due interest, nor capitalised interest on non-performing receivables. Such interest is considered interest income at the moment of its receiving. Meanwhile, it is treated in the balance sheet as unearned interest.

Discount interest on purchased receivables is booked on settlement accounts as income received in advance and settled over time on an accrual basis to the profit and loss statement.

Commissions settled over time on scheduled loans priced at amortised cost with the use of the method of an effective interest rate are treated as interest income. Additionally, interest margin includes the Bank's own costs settled over time in connection with concluding a loan agreement such as commissions paid to external and own agents for concluding a mortgage loan agreement and costs of property appraisal connected with such type of agreements (this issue was described in the part of this material on accounting policy changes implemented in 2005).

- **Interest expense**

Interest liabilities are accrued on an accumulating basis until the last day of the reporting period. Accrued liabilities for a given reporting period are included in expenses and recognised in the profit and loss account.

- **Bank Fees/Commissions Received/Paid**

Income/expense from fees/commissions are included in the profit and loss statement on the cash basis, i.e. at the moment of payment, with the exception of the commissions which due to their nature are settled over time (this issue is described in the part of this material devoted to accounting changes implemented in the year 2005)

- **Income from Dividends**

Income from dividends is included in the Bank's profit and loss statement on the day of declaring a dividend for payout.

- **Other Operating Incomes and Expenses**

Other operating incomes and expenses include expenses and incomes not directly connected with the bank's operations. In particular these are incomes (selling price) and expenses (net value at the moment of sale) on account of selling and liquidating fixed assets, income from received compensations, fines and penalties and income from recovering receivables previously written off against provisions.

3) Provisions for NPLs and General Risk

Classification and specific provisioning covers credit exposures based on the individual review of transactions in accordance with the principles specified in the Minister of Finance Ordinance dated 10 December 2003 in the matter of principles of provisioning for risk connected with bank activities.
A provision for general risk is created as expensed against the current period in order to cover risks connected with bank operations.
A transfer of provisions for general risks to specific provisioning is treated as a change in balance sheet items.

4) Provision for Pension Severance Payments and Employee Holidays

- **Pension severance payments**

In accordance with the Byelaws of Remunerating Bank Employees and the Labour Code the employees who have worked a specific number of years and attained the required age are entitled to receiving a specific pension severance payment. The provision for severance payment is calculated as the value of future Bank liabilities to employees according to the number of employees and current wages as of the revaluation day.

- **Non-utilised Employee Holidays**

The status of provisions on non-utilised holidays of Bank employees is calculated as the sum of non-utilised holidays constituting the entitlements of particular employees of the Bank.

5) Income Tax and Provision and Assets on Deferred Income Tax

Income tax is calculated based on the gross book income adjusted for the revenues which in accordance with tax regulations are not accounted in the income for taxation and expenses not recognised in the light of tax provisions as deductible. Moreover, in order to calculate the current tax obligation the net book income is adjusted by previous years' incomes and expenses realised for tax purposes in a given financial period and deductions from income on donations and previous years' tax losses settled from the current year's income.

At the end of each month, identification is conducted for balance sheet fixed income and expenses that are tax-related (fixed differences), as well as income and expenses that are tax-related however applicable to a different reporting period. The difference is caused by the difference in moment when the income is recognized as earned, or the expense as incurred, pursuant to the Accounting Act and tax regulations. The Bank shall create provision for the temporary difference in income tax due to be paid in the following reporting period. Positive difference shall be posted to net financial result charges as provision towards income tax. Negative difference shall be posted to pre-payments, should it be likely that it would be settled within the following reporting period.

Bank Millennium S.A. SAB-P2005 PLN in thousands

Permanent differences shall include:
- contributions towards State Fund for Rehabilitation of the Disabled, made pursuant to other regulations,
- expenses in favour of other shareholders,
- depreciation write-offs on cars, in the part on the excess over EUR 20 thousand,
- premiums for car insurance, in amounts exceeding their part, in proportion of the EUR 20 thousand,
- costs incurred in the current year however related to income of the previous years,
- costs incurred in relation to investments in foreign fixed assets, not used anymore by the unit,
- membership contributions in favour of organisations of voluntary membership,
- donations.

The temporary differences include a.o.:
- accrued interest, settled discount on securities which at the accrual date create a gross result, but in accordance with the Income Tax Act are a cost or income at the date of their realising,
- changes in the fair value of securities and financial instruments,
- provisions established for receivables on granted loans and provisions for the impairment of securities, as to which there is a likelihood that they will be become (tax deductible) revenue earning costs,
- differences between the depreciation of fixed assets and intangible assets for accounting and tax purposes,
- provisions for costs to be incurred,
- previous years' losses for which there is likelihood that they will be settled in future periods.

In the process of establishing the value of assets on deferred tax the Bank performs an individual assessment of the probability if the specified specific provision (and in what amount) becomes a tax expense in future.
The provision and assets on deferred income tax are presented in the balance sheet separately. The tax loss is disclosed as an asset on deferred tax, if there is a probability that it will be settled in later reporting periods.

Pursuant to Art. 38 of the Income Tax Act Bank Millennium discloses in its books discounted receivables from the Tax Office in the amount of 8% of the total value of specific provisions - created and not accounted as of 31 December 2002 as revenue earning cost for the coverage of risk on receivables and loans qualified by the Bank as doubtful and loss. As a result of terminating earlier provisions the Bank updates the value of its receivables from the Tax Office including the effect of such revaluation in the profit and loss account.

6) Value Added Tax (VAT)
In accordance with the binding regulations bank operations are VAT exempt. Bank Millennium S.A. does not deduct due VAT, except the purchases connected with sales subject to VAT.

7) Net Earnings per Share

The Bank's net earnings per share was calculated by dividing the net profits for the period 30.06.04 – 30.06.05 r. (annualised profit by the average weighted number of the Bank's shares in the period).

12. INDICATION OF AVERAGE NBP ZLOTY EURO EXCHANGE RATES, IN PERIODS SUBJECT TO THE FINANCIAL REPORT AND COMPARABLE FINANCIAL DATA

	1.01.05 – 30.06.05	1.01.04 – 30.06.04
rate prevailing at the period's last date	4,0401	4,5422
average rate in the period (arithmetic mean of the rates prevailing on the last day of each previous month in a given period)	4,0805	4,7311
exchange rate in the period (at the end of month):		
- high	4,2756	4,8746
- low	3,9119	4,5422

Bank Millennium S.A. SAB-P2005 PLN in thousands

13. INDICATION OF AT LEAST THE KEY ITEMS OF THE BALANCE SHEET, PROFIT AND LOSS ACCOUNT AND CASH FLOW STATEMENT FROM THE FINANCIAL REPORT AS WELL AS COMPARABLE DATA RESTATED IN EURO

KEY FINANCIAL DATA (EURO '000)	1.01.05 – 30.06.05	1.01.04 – 30.06.04
Interest income	148 870	109 730
Commission income	26 705	23 747
Profit on banking activity	146 819	105 062
Operating profit	70 606	19 609
Gross profit (loss)	70 606	19 609
Net profit (loss)	32 404	23 673
Balance sheet total	5 303 226	4 524 498
Receivables from financial sector	359 069	547 150
Receivables from non-financial and budgetary sector	1 901 719	1 583 956
Liabilities to Central Bank	0	0
Liabilities to financial sector	396 361	539 305
Liabilities to non-financial and budgetary sector	3 166 352	2 619 677
Own capital, including:	489 014	405 919
- Share capital	210 188	186 954
Net cash flow on operations	379 515	-156
Net cash flow on investment activity	-124 706	-14 583
Net cash flow on financial activity	-299 345	-16 197

Balance sheet data were restated using the average NBP exchange rate from the day ending the period. Data from the profit and loss account and the cash flow statement were rested at the average rate in the period, calculated as the arithmetic average of average NBP rates from the day of closing each month covered by the report

14. INDICATION AND EXPLANATION OF DIFFERENCES BETWEEN FINANCIAL REPORT AND COMPARABLE DATA ACCORDING TO PAS AND THE FINANCIAL REPORT AND COMPARABLE DATA, WHICH WOULD BE MADE ACCORDING TO IFRS OR US GAAP

This report of the Bank was prepared on the basis of Polish Accounting Standards (PAS), additionally the Bank as the dominant entity makes a consolidated financial report according to International Financial Reporting Standards (IFRS) beginning with 2005.
Presented below is a description of key areas of difference and quantification of the Bank's net assets and net profit (loss) calculated according to IFRS:

1. the rules of creating provisions for impairment of credit exposures according to Polish Accounting Standards (PAS) are based on legal regulations stipulated by the Ordinance of the Minister of Finance dated 10 December 2001 in the matter of rules for creating provisions for risk connected with activity of banks (as amended), while provisions of IFRS stipulate the obligation to determine the value of revaluation writeoff as the difference between balance-sheet value of receivables and the value – discounted with effective interest rate – of future cash flows resulting from these receivables. One of the implications of this approach is the need to eliminate suspended interest from the balance sheet, with simultaneous treatment of their part as interest income,

2. According to the amended version of IAS 27 (valid since 1 January 2005) in a solo report the shares and interests held by the reporting units in subsidiaries cannot be valued with the equity rights method while PAS in their current wording in the Ordinance of the Minister of Finance dated 10 December 2001 in the matter of special accounting rules for banks, as amended) impose the obligation to apply this very methodology of valuation with respect to shares and interests in subsidiaries.

3. PAS contain detailed regulations concerning the rules for creating generic risk provisions, MSSF do not allow generic provisions, however IAS 39 contains a term *provisions for incurred but not reported losses - IBNR*) applicable to provisions created for the homogenous with unidentified impairment.

4. The method and scope of presentation of data in the financial report according to IFRS and PAS are different in some areas, these in particular include (other than presented above):

Bank Millennium S.A. SAB-P2005 PLN in thousands

- in an IFRS-based report, balance sheet section shows a separate category "assets to be sold". Following the definition of IFRS, the assets shall be valued at the lower of the two: balance sheet value, or fair value minus costs of sale,
- For the report, in line with the IFRS, investment real estates are separated (allowed appraisal models: fair value, historical cost)

Table (1) presents reconciliation of the balance of the Bank's equity funds, calculated according to PAS and IFRS as at 31 December 2004. The amount of equity according to PAS reflects correction of the opening balance on account of implementation of the Effective Interest Rate method (this matter was described in item 11.2 of the Introduction). The numbers of corrections correspond to the areas of differences between PAS and IFRS described above; data in PLN thous.

Table 1

	PAS	Correction 1	Correction 2	IFRS
Net equity as at 31 December 2004	2,043,783	8,627	-596,076	1,456,334

Table (2) presents reconciliation of the Bank's net result in the reporting period from 1 January to 30 June 2005 according to PAS and IFRS. The numbers of corrections correspond to the areas of differences between PAS and IFRS described above; data in PLN thous.

Table 2

	PAS	Correction 1	Correction 2	IFRS
Net result of current period	132.225	-3.180	138.113	267.158

Table (3) presents reconciliation of the balance of the Bank's equity funds, calculated according to PAS and IFRS as at 30 June. The numbers of corrections correspond to the areas of differences between PAS and IFRS described above; data in PLN thous.

Table 3

	PAS	Correction 1	Correction 2	IFRS
Net equity as at 30 June 2005	**1.975.665**	**5.447**	**-457.963**	**1.523.149**

Bank Millennium S.A. SAB-P2005 PLN in thousands

II. 1ST HALF 2005 FINANCIAL REPORT

BALANCE SHEET

as at	Note	30.06.2005	31.12.2004	30.06.2004
ASSETS				
I. Cash and balances with Central Bank	1	664 315	871 835	647 423
II. Debt securities eligible for rediscount at Central Bank		18 288	9 993	11 568
III. Amounts due from financial sector	2	1 450 675	3 546 406	2 485 263
1. Current		403 375	80 927	943 772
2. Term		1 047 300	3 465 479	1 541 491
IV. Amounts due from non-financial sector (Customers)	3	7 305 226	6 336 432	6 726 321
1. Current		1 031 380	852 881	1 431 562
2. Term		6 273 846	5 483 551	5 294 759
V. Amounts due from public sector	4	377 908	409 009	468 323
1. Current		6 255	4 987	6 979
2. Term		371 653	404 022	461 344
VI. Receivables from securities bought with sell-back clause	5	204 232	80 651	260 124
VII. Debt securities	6	8 365 606	6 915 891	6 687 829
VIII. Shares in subsidiaries	7, 10	572 832	1 659 836	1 423 941
IX. Shares in jointly controlled subsidiaries	8, 10	0	0	0
X. Shares in associated companies	9, 10	3 524	6 227	5 967
XI. Other shares	11	12 273	12 676	12 780
XII. Other securities and other financial assets	12	431 531	546 850	394 036
XIII. Intangible assets of which:	14	33 346	40 626	218 841
- goodwill		4 875	5 804	6 732
XIV. Tangible fixed assets	16	498 458	534 386	622 090
XV. Other assets	17	1 006 341	53 920	89 760
1. Repossessed assets - for resale		757	756	3 071
2. Other		1 005 584	53 164	86 689
XVI. Accrued costs and prepayments	18	481 007	512 388	496 910
1. Deferred income tax		222 456	228 631	200 840
2. Other		258 551	283 757	296 070
TOTAL ASSETS		**21 425 562**	**21 537 126**	**20 551 176**
LIABILITIES AND EQUITY				
I. Amounts due to Central Bank		1	1	0
II. Amounts due to financial sector	21	1 601 340	1 979 583	2 449 631
1. Current		933 063	312 765	676 162
2. Term		668 277	1 666 818	1 773 469
III. Amounts due to non-financial sector (Customers' deposits)	22	11 598 757	13 336 914	10 665 520
1. Savings accounts, of which:		0	0	0
a) Current		0	0	0
b) Term		0	0	0
2. Other, of which:		11 598 757	13 336 914	10 665 520
a) Current		3 312 374	2 528 331	2 968 697
b) Term		8 286 383	10 808 583	7 696 823
IV. Amounts due to public sector	23	1 193 622	874 069	1 233 577
1. Current		669 990	510 810	547 038
2. Term		523 632	363 259	686 539
V. Liabilities from securities sold with buy-back clause	24	3 228 489	1 446 214	1 943 675

Bank Millennium S.A. SAB-P2005 PLN in thousands

VI. Liabilities from debt securities	25	142 852	275 544	725 334
1. Short-term		133 302	176 899	484 934
2. Long-term		9 550	98 645	240 400
VII. Other liabilities from financial instruments		366 739	390 636	330 475
VIII. Special funds and other liabilities	26	213 240	154 237	145 778
IX. Accrued & deferred costs, other deferred and restricted incomes	27	398 349	415 893	422 238
1. Accrued and deferred costs		83 551	91 070	81 718
2. Negative goodwill	28	0	0	0
3. Other deferred & restricted incomes		314 798	324 823	340 520
X. Provisions	29	382 684	342 154	427 152
1. Provision for deferred income tax		152 929	117 430	114 891
2. Other		229 755	224 724	312 261
a) short-term		0	0	0
b) long-term		229 755	224 724	312 261
XI. Subordinated liabilities	30	323 824	326 978	364 029
XII. Share capital	32	849 182	849 182	849 182
XIII. Unpaid share capital (negative value)		0	0	0
XIV. Treasury stock (negative value)	33	0	0	0
XV. Supplementary capital	34	472 343	508 095	508 095
XVI. Revaluation reserve	35	89 770	52 341	29 709
XVII. Other reserves	36	383 265	380 532	380 532
XVIII. Unappropriated earnings or uncovered loss from prior years		48 880	-35 751	-35 751
XIX. Net income (loss)		132 225	240 504	112 000
TOTAL LIABILITIES AND EQUITY		**21 425 562**	**21 537 126**	**20 551 176**
Capital adequacy ratio	37	**17,98%**	**17,35%**	**15,73%**

Book value		**1 975 665**	**1 994 903**	**1 843 767**
Number of shares		**849 181 744**	**849 181 744**	**849 181 744**
Book value per share (in PLN)	38	**2,33**	**2,35**	**2,17**

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

OFF-BALANCE SHEET ITEMS		**30.06.2005**	**31.12.2004**	**30.06.2004**
I. Contingent liabilities		5 428 558	4 476 562	3 780 377
1. liabilities granted:	39	4 404 604	3 422 724	2 872 743
a) financial		3 720 070	2 974 234	2 381 427
b) guarantees		684 534	448 490	491 316
2. liabilities received:	39	1 023 954	1 053 838	907 634
a) financial		0	0	0
b) guarantees		1 023 954	1 053 838	907 634
II. Commitments resulting from sale/purchase transactions		13 346 305	13 024 534	14 380 575
III. Other off-balance sheet items		23 520 188	22 775 802	25 781 407
- interest rate swaps		19 336 262	21 361 292	23 735 615
- options		2 598 418	514 510	45 792
- FRAs		1 410 000	900 000	2 000 000
- other		175 508	0	0
TOTAL OFF-BALANCE SHEET ITEMS		**42 295 051**	**40 276 898**	**43 942 359**

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INCOME STATEMENT			
for the period	**Note**	**01.01.05-30.06.05**	**01.01.04-30.06.04**
I. Interest income	40	607 458	519 146
II. Interest expense	41	395 762	298 929
III. Net interest income (I-II)		211 696	220 217
IV. Commission income	42	108 967	112 352
V. Commission expense		10 930	14 452
VI. Net commission income (IV-V)		98 037	97 900
VII. Income from shares, other securities and other variable-income financial instruments, of which from:	43	218 167	13 424
1. Subsidiaries		216 775	12 704
2. Jointly-controlled subsidiaries		0	0
3. Associated companies		0	720
4. Other		1 392	0
VIII. Profit (loss) on financial operations	44	34 920	126 921
IX. Foreign exchange gains (losses)		36 271	38 602
X. Profit / (loss) on banking activity		599 091	497 064
XI. Other operating income	45	41 407	19 734
XII. Other operating expenses	46	9 001	13 253
XIII. General and administrative expenses	47	297 372	298 427
XIV. Depreciation and amortization		38 885	54 625
XV. Charges to provisions and revaluation	48	314 882	616 114
1. Charges to specific provisions and general banking risk provisions		311 334	616 081
2. Revaluation of financial assets		3 548	33
XVI. Release of provisions and decreases resulting from revaluation	49	307 749	558 396
1. Release of specific provisions and general banking risk provisions		303 464	558 396
2. Revaluation of financial assets		4 285	0
XVII. Net provisions and revaluation (XV- XVI)		-7 133	-57 718
XVIII. Operating profit		288 107	92 775
XIX. Extraordinary gains / (losses)		0	0
1. Extraordinary gains	51	0	0
2. Extraordinary losses	52	0	0
XX. Profit before taxes		288 107	92 775
XXI. Corporate income tax	55	17 769	19 151
1. Current		0	0
2. Deferred		17 769	19 151
XXII. Other obligatory charges to profit / (loss)	56	0	0
XVII. Share in net income of subordinated entities subject to equity method	57	-138 113	38 376
XXIII. Net Income		**132 225**	**112 000**

Net income (loss) (for 12 months)		**260 729**	**119 047**
Weighted average number of ordinary shares		**849 181 744**	**849 181 744**
Earnings (losses) per ordinary share (in PLN)	58	**0,31**	**0,14**

Estimated weighted average number of ordinary shares			
Diluted earnings (losses) per ordinary share (in PLN)			

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STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

for the period	01.01.05-30.06.05	01.01.04-31.12.04	01.01.04-30.06.04
I. Equity - opening balance	**1 994 903**	**1 734 906**	**1 734 906**
a) movements in adopted accounting policies	48 880	0	0
b) correction of basic errors	0	0	0
I.a. Equity - opening balance, after adjustment to comparable data	**2 043 783**	**1 734 906**	**1 734 906**
1. Initial capital - opening balance	849 182	849 182	849 182
1.1. Movements in initial capital	0	0	0
a) increase (due to)	0	0	0
- share issue	0	0	0
b) decrease (due to)	0	0	0
- share redemption	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. Movements in unpaid share capital	0	0	0
a) increase (due to)	0	0	0
b) decrease (due to)	0	0	0
2.2. Unpaid share capital at the end of the period	**0**	**0**	**0**
3. Own shares - opening balance	**0**	**0**	**0**
a) increase (due to)	**0**	**0**	**0**
b) decrease (due to)	**0**	**0**	**0**
3.1. Own shares - closing balance	**0**	**0**	**0**
3. Supplementary capital - opening balance	508 095	542 970	542 970
3.1. Movements in supplementary capital	-35 752	-34 875	-34 875
a) increase (due to)	0	0	0
-	0	0	0
b) decrease (due to)	35 752	34 875	34 875
- cover of loss from previous years	35 752	34 875	34 875
3.2. Supplementary capital - closing balance	**472 343**	**508 095**	**508 095**
4. Asset revaluation capital - opening balance	52 341	32 848	32 848
a) movements in adopted accounting policies	0	0	0
b) correction of basic errors	0	0	0
4a. Asset revaluation capital - opening balance after adjustment to comparable data	52 341	32 848	32 848
4.1. Movements in asset revaluation capital	37 429	19 493	-3 139
a) increase (due to)	37 429	19 493	0
- purchase and change of valuation of financial assets available for sale	37 429	19 493	0
b) decrease (due to)	0	0	3 139
- sale and change of valuation of financial assets available for sale	0	0	3 139
4.2. Asset revaluation capital - closing balance	**89 770**	**52 341**	**29 709**
5. General banking risk fund - opening balance	380 532	339 637	339 637
5.1. Movements in the general banking risk fund	2 733	40 895	40 895
a) increase (due to)	2 733	40 895	40 895
- distribution of profit	2 733	40 895	40 895
b) decrease (due to)	0	0	0
-	0	0	0
5.2. General banking risk fund - closing balance	**383 265**	**380 532**	**380 532**
6. Other reserve capitals - opening balance			
6.1. Movements in other reserve capital	0	0	0

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a) increase (due to)	0	0	0
b) decrease (due to)	0	0	0
6.2. Other reserve capitals - closing balance	**0**	**0**	**0**
7. Retained profit (loss) - opening balance	-35 751	**-70 626**	**-70 626**
7.1. Retained profit - opening balance	**-35 751**	**-70 626**	**-70 626**
a) movements in adopted accounting policies	48 880	0	0
b) correction of basic errors	0	0	0
7.2. Retained profit - opening balance, after adjustment to comparable data	**13 129**	**-70 626**	**-70 626**
7.3. Movements in retained profit	**35 751**	**34 875**	**34 875**
a) increase (due to)	276 255	75 770	75 770
- profit of previous year under approval	240 504	40 895	40 895
- cover of profit from previous years	35 751	34 875	34 875
b) decrease (due to)	240 504	40 895	40 895
- distribution of profit	2 733	40 895	40 895
- distribution of profit from previous years	0	0	
- payment of dividend	237 771	0	0
7.4. Retained profit - closing balance	**48 880**	**-35 751**	**-35 751**
7.5. Retained profit (loss) - closing balance	**48 880**	**-35 751**	**-35 751**
8. Net earnings	132 225	240 504	112 000
a) net profit	132 225	240 504	112 000
b) net loss	0	0	0
II. Equity - closing balance	**1 975 665**	**1 994 903**	**1 843 767**

STATEMENT OF CASH FLOWS

for the period	01.01.05-30.06.05	01.01.04-30.06.04
A. NET CASH FLOWS FROM OPERATING ACTIVITIES (I-II) - indirect method*	**1 548 598**	**-740**
I. Net income (loss)	**132 225**	**112 000**
II. Adjusted by:	**1 416 373**	**-112 740**
1. Share in net income of subsidiaries subject to equity method	138 113	-38 376
2. Depreciation and amortization	38 885	54 625
3. Foreign exchange gains/(losses)	-7 005	-54 054
4. Interest and dividends	-167 715	54 996
5. Profit/(loss) on investing activities	1 207	461
6. Changes in other provisions	16 732	17 543
7. Change in debt securities	-824 344	-1 774 696
8. Change in amounts due from financial sector	2 113 224	-686 322
9. Change in amounts due from non-financial and public sectors	-937 693	2 638 706
10. Change in receivables from securities purchased with sell-back option	-123 581	-159 766
11. Change in shares, other securities and other financial assets	115 319	280 041
12. Change in amounts due to financial sector	718 664	-711 290
13. Change in amounts due to non-financial and public sectors	-1 418 604	428 494
14. Change in liabilities from securities sold with buy-back option	1 782 275	408 197
15. Change in liabilities from securities	0	-365 717
16. Change in other liabilities	31 275	23 642
17. Change in accrued expenses and prepayments	-10 917	-16 772

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18. Change in deferred and restricted incomes	-49 695	-212 452
19. Other	233	0
III. Net cash from (used for) operating activities (I+/-II) - indirect method	**1 548 598**	**-740**
B. NET CASH FLOWS FROM INVESTING ACTIVITIES (I-II)	**-508 858**	**-68 995**
I. Cash from investing activities	**1 983**	**16 389**
1. Sale of shares in subsidiaries	0	0
2. Sale of shares in jointly-controlled subsidiaries	0	0
3. Sale of shares in associated companies	175	0
4. Sale of shares in other companies, other securities (including tradable ones) and other financial assets	0	12
5. Sale of intangible assets and tangible fixed assets	1 808	2 953
6. Sale of investments in real estate and intangible assets	0	0
7. Other	0	13 424
8.Increase in cash held by BIG BANK	0	0
II. Cash used for investing activities	**510 841**	**85 384**
1. Purchase of shares in subsidiaries	0	4
2. Purchase of shares in jointly-controlled subsidiaries	0	0
3. Purchase of shares in associated companies	0	0
4. Purchase of shares in other companies, other securities (including tradable ones) and other financial assets	507 936	79 534
5. Purchase of intangible assets and tangible fixed assets	2 905	1 958
6. Capital expenditure in real estate and intangible assets	0	3 888
7. Purchase of treasury stock for resale	0	0
8. Other	0	0
III. Net cash from (used for) investing activities (I+/-II)	**-508 858**	**-68 995**
C. NET CASH FLOWS FROM FINANCING ACTIVITIES (I-II)	-1 221 467	**-76 632**
I. Cash from financing activities	**668**	**0**
1. Long-term bank loans	0	
2. Long-term borrowings from financial institutions other than banks	0	0
3. Issue of bonds or other debt securities for other financial institutions	0	0
4. Increase in subordinated debt	0	0
5. Issue of share capital and contributions to capital	0	0
6. Contributions to capital	0	0
7. Other	668	0
II. Cash used for financing activities	**1 222 135**	**76 632**
1. Repayment of long-term bank loans	793 053	0
2. Repayment of long-term borrowings from financial institutions other than banks	0	0
3. Redemption of bonds or other debt securities from other financial institutions	133 073	0
4. Decrease in subordinated debt	0	0
5. Cost of issue of share capital	0	0
6. Redemption of treasury stock	0	0
7. Dividends and other payments to owners	237 771	0
8. Expenses on account of the distribution of profits other than payments to owners	0	0
9. Purchase of own shares	0	0
10. Other	58 238	76 632
III. Net cash from (used for) financing activities (I+/-II)	-1 221 467	-76 632
D. NET CASH FLOWS, TOTAL (A+/-B+/-C)	-181 727	-146 367

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F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**882 017**	**805 402**
G. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F+/- D)	**700 290**	**659 035**

For the purposes of the Statement of Cash Flows, cash and cash equivalents as of 30 June 2005 were as follows (in PLN '000):

1. Cash in hand and at Central Bank 664 315
2. Current accounts at banks 35 975

TOTAL 700 290

For the purposes of this statement, the following classification of operations was adopted:

1. Operating activities include core operations related to rendering services by companies from the Group, i.e. business activities carried out for profit that are neither investing activities nor financing activities.

2.Investing activities include buying and selling various fixed assets, in particular financial assets that are not earmarked for trading, tangible fixed assets and intangible assets.

3. Financing activities include operations carried out to obtain funds in form of capital or liabilities, as well as to serve sources of funding.

Significant differences between movements in on-balance sheet items and changes in such items recognized in the statement of cash flows resulted from: - change in amounts due to financial institutions – interest and foreign exchange gains and losses related to these liabilities were eliminated and additionally repayment of loans taken in other banks were recognised in the part devoted to financial activity, - assets available for sale - results of revaluation allocated to revaluation reserve were eliminated;

EXPLANATORY NOTES

EXPLANATORY NOTES TO BALANCE SHEET

Information on encumbrance of assets is presented in item 6 of Additional Notes.

Note 1

1.1. CASH AND CENTRAL BANK OPERATIONS	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Current account	451 022	630 933	425 038
2. Deposits	0	0	0
3. Cash in bank	213 040	240 703	222 295
4. Interest	0	0	0
5. Other funds	253	199	90
Total cash and central bank funds	**664 315**	**871 835**	**647 423**

1.2. CASH (BY CURRENCY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
a. in Polish currency	592 285	819 396	603 519
b. in foreign currencies (by currency and after zloty translation)	72 030	52 439	43 904
b1. Unit /currency 1000/USD	5 334	6 903	4 672
PLN '000	17 847	20 644	17 506
b3. Unit/currency 1000./JPY	11 402	2 777	8 224
PLN '000	345	81	283
b4 .Unit/currency 1000/GBP	314	95	97
PLN '000	1 894	546	658
b6. Unit/currency 1000/CHF	954	758	568
PLN '000	2 486	2 002	1 689
b7. Unit/currency 1000/EUR	10 897	6 584	4 646
PLN '000	44 025	26 856	21 102
b8. Other currencies (PLN '000)	5 432	2 310	2 666
Total cash	**664 315**	**871 835**	**647 423**

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Note 2

2.1. RECEIVABLES FROM FINANCIAL SECTOR (BY TYPES)	30.06.2005	31.12.2004	30.06.2004
1. Receivables from banks, of which:	1 054 370	3 155 143	2 083 683
a. Current nostro accounts, loro overdrafts	35 975	10 182	11 612
b. Loans	70 084	70 033	40 000
c. Deposits	947 948	3 074 496	2 030 078
d. Purchased receivables	363	432	1 993
e. Realised guarantees	0	0	0
f. Other receivables	0	0	0
2. Receivables from other financial entities, of which:	556 024	566 058	582 261
a. Loans	555 954	550 643	556 654
b. Purchased receivables	0	15 415	25 607
c. Realised guarantees	0	0	0
d. Commercial papers	0	0	0
e. Other receivables	70	0	0
3. Other receivables from financial institutions	0	30	197
4. Interest:	53 635	56 656	45 856
a) accrued	11 034	14 043	10 017
b) due, not received	42 601	42 613	35 839
Total (gross) receivables from financial sector	**1 664 029**	**3 777 887**	**2 711 997**
7. Reserve for non-performing receivables from financial sector (negative value)	-213 354	-231 481	-226 734
Total (net) receivables from financial sector	**1 450 675**	**3 546 406**	**2 485 263**

2.2. RECEIVABLES FROM FINANCIAL SECTOR (AS PER MATURITY)	30.06.2005	31.12.2004	30.06.2004
1. On current account	403 375	80 927	943 772
2. Term receivables, time from balance sheet date to maturity:	1 207 019	3 640 304	1 722 369
a) up to one month	583 947	2 870 084	804 665
b) over 1 month to 3 months	224 067	265 654	592 116
c) over 3 months to 1 year	76 095	176 057	269 141
d) over 1 year to 5 years	316 311	321 760	53 705
e) over 5 years	0	0	0
f) past due	6 599	6 749	2 742
3. Interest	53 635	56 656	45 856
- accrued	11 034	14 043	10 017
- due, not received	42 601	42 613	35 839
Total (gross) receivables from financial sector	**1 664 029**	**3 777 887**	**2 711 997**

The Bank made an agreement with a subsidiary, according to which receivables from the subsidiary shall not be made due and payable during the restructuring period (despite the fact that they have already matured), and that contractual interest shall not be accrued.

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2.3. RECEIVABLES FROM FINANCIAL SECTOR (AS PER ORIGINAL MATURITY)	30.06.2005	31.12.2004	30.06.2004
1. On current account	403 375	80 927	943 772
2. Term receivables, time of repayment:	1 207 019	3 640 304	1 722 369
a) up to one month	490 426	2 646 395	705 418
b) over 1 month to 3 month	153 897	343 654	460 435
c) over 3 months to 1 year	239 637	288 980	453 399
d) over 1 year to 5 years	302 809	304 473	55 936
e) over 5 years	20 250	56 802	47 181
3. Interest	53 635	56 656	45 856
- accrued	11 034	14 043	10 017
- due, not received	42 601	42 613	35 839
Total (gross) receivables from financial sector	**1 664 029**	**3 777 887**	**2 711 997**

2.4. RECEIVABLES FROM FINANCIAL SECTOR (BY CURRENCY)	30.06.2005	31.12.2004	30.06.2004
a. in Polish currency	1 080 951	2 482 849	1 010 092
b. in foreign currencies (by currency and after zloty translation)	583 078	1 295 038	1 701 905
b1. Unit/currency1000/USD	86 422	361 469	314 492
PLN '000	289 178	1 080 937	1 178 400
b3. Unit/currency1000/JPY	14 139	26 262	12 276
PLN '000	428	766	422
b4.Unit/currency1000/GBP	2 436	423	109
PLN '000	14 675	2 440	736
b6. Unit/currency1000/CHF	13 207	8 510	4 694
PLN '000	34 434	22 485	13 953
b7. Unit/currency1000/EUR	52 065	45 213	110 124
PLN '000	210 347	184 425	500 204
b8. Other currencies (w PLN '000)	34 016	3 985	8 190
Total (receivables) from non-financial sector	**1 664 029**	**3 777 887**	**2 711 997**

2.5. (GROSS) RECEIVABLES FROM FINANCIAL SECTOR	30.06.2005	31.12.2004	30.06.2004
1. Standard	1 380 750	3 457 340	2 384 695
2. Watch	1	75	0
3. non-performing, of which:	229 643	263 816	281 446
- substandard	4	7	6
- doubtful	0	3	15
- loss	229 639	263 806	281 425
3. Interest	53 635	56 656	45 856
- accrued	11 034	14 043	10 017
- due, not received	42 601	42 613	35 839
- on standard and watch receivables	0	1	0
- on non-performing receivables	42 601	42 612	35 839
Total (gross) receivables from financial sector	**1 664 029**	**3 777 887**	**2 711 997**

2.6. VALUE OF COLLATERAL REDUCING PROVISIONING BASE FOR NON-PERFORMING RECEIVABLES FROM FINANCIAL SECTOR	30.06.2005	31.12.2004	30.06.2004
a) Watch	1	75	0
b) non-performing, of which:	16 289	32 334	54 708
- substandard	4	7	6
- doubtful	0	1	6

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- loss	16 285	32 326	54 696
Total value of collateral reducing provisioning base for non-performing receivables from financial sector	**16 290**	**32 409**	**54 708**

2.7. PROVISIONS FOR RECEIVABLES FROM FINANCIAL SECTOR	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) Watch	0	0	0
b) non-performing, of which:	213 354	231 481	226 734
- substandard	0	0	0
- doubtful	0	1	5
- loss	213 354	231 480	226 729
Total	**213 354**	**231 481**	**226 734**

2.8. CHANGE IN PROVISIONS FOR NON-PERFORMING RECEIVABLES FROM FINANCIAL SECTOR	**01.01.05-30.06.05**	**01.01.04-31.12.04**	**01.01.04-30.06.04**
1. Opening balance	231 481	174 935	174 935
a) increase (due to)	305	110 123	102 612
- provisions for non-performing receivables from financial entities	305	110 123	102 612
b) used for (due to)	0	23 158	23 119
- writing off receivables	0	23 158	23 119
c) release (due to)	18 432	30 419	27 694
- provisions for receivables from other financial entities	18 432	30 424	27 699
- exchange differences	0	-5	-5
2. Provisions for non-performing receivables from financial sector at period end	**213 354**	**231 481**	**226 734**
3. Statutory provisioning level required for receivables from financial sector at period end	**213 354**	**231 481**	**226 734**

Total non-performing receivables constitute 5,4 % of total assets.

Note 3

3.1. RECEIVABLES FROM NON-FINANCIAL SECTOR (BY TYPES)	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Receivables from non-financial sector	7 511 418	6 572 993	6 973 604
a) loans	6 291 270	5 365 411	5 640 267
b) purchased receivables	1 200 342	1 194 758	1 332 294
c) realised guarantees	19 161	11 776	181
d) other receivables	645	1 048	862
2. Interest	129 445	138 434	151 865
a) non-accrued	26 051	36 237	24 869
b) accrued	103 394	102 197	126 996
Total (gross) receivables from non-financial sector	**7 640 863**	**6 711 427**	**7 125 469**
7. Provisions created for non-performing receivables from non-financial sector (negative value)	-335 637	-374 995	-399 148
Total (net) receivables from non-financial sector	**7 305 226**	**6 336 432**	**6 726 321**

3.2. RECEIVABLES FROM NON-FINANCIAL SECTOR (BY MATURITY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. On current account	1 031 380	852 881	1 431 562
2. Term receivables, time from balance sheet date to maturity:	6 480 038	5 720 112	5 542 042
a) up to one month	67 156	129 210	201 734
b) over 1 month to 3 months	94 052	118 853	196 254

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c) over 3 months to 1 year	693 010	666 006	835 150
d) over 1 year to 5 years	1 824 282	1 668 307	1 423 891
e) over 5 years	3 646 265	2 935 122	2 680 086
f) past due	155 273	202 614	204 927
3. Interest	129 445	138 434	151 865
- due, not received	26 051	36 237	24 869
- accrued	103 394	102 197	126 996
Total (gross) receivables from non-financial sector	**7 640 863**	**6 711 427**	**7 125 469**

3.3. RECEIVABLES FROM NON-FINANCIAL SECTOR (AS PER ORIGINAL MATURITY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. On current account	1 031 380	852 881	1 431 562
2. Term receivables, time of repayment:	6 480 038	5 720 112	5 542 042
a) up to one month	66 070	159 503	61 485
b) over 1 month to 3 months	33 824	12 814	13 966
c) over 3 months to 1 year	465 721	298 284	428 394
d) over 1 year to 5 years	1 668 665	1 815 778	1 971 089
e) over 5 years	4 245 758	3 433 733	3 067 108
3. Interest	129 445	138 434	151 865
- accrued	26 051	36 237	24 869
- due, not received	103 394	102 197	126 996
Total (gross) receivables from no financial sector	**7 640 863**	**6 711 427**	**7 125 469**

3.4. RECEIVERS FROM NON-FINANCIAL SECTOR (BY CURRENCY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
a. in Polish currency	3 151 828	3 026 919	2 647 115
b. in foreign currencies (by currency and after zloty translation)	4 489 035	3 684 508	4 478 354
b1. Unit/currency1000/USD	245 156	276 635	341 324
PLN '000	820 316	827 250	1 278 942
b3. Unit/currency1000/JPY	1 590 845	1 273 965	1 367 372
PLN '000	48 155	37 159	47 054
b4. Unit/currency1000/GBP	11	0	0
PLN '000	68	0	0
b6.Unit/currency1000/CHF	996 097	673 242	604 570
PLN '000	2 597 024	1 778 774	1 797 144
b7.Unit/currency1000/EUR	253 329	255 289	298 361
PLN '000	1 023 473	1 041 325	1 355 214
b8. Other currencies (w PLN '000)	0	0	0
Total receivables from non-financial sector	**7 640 863**	**6 711 427**	**7 125 469**

3.5. (GROSS) RECEIVABLES FROM NON-FINANCIAL SECTOR	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Standard	6 008 278	5 035 000	4 968 900
2. Watch	578 299	571 132	750 189
3. non-performing, of which:	924 841	966 861	1 254 515
- substandard	583 177	518 701	669 875
- doubtful	97 322	108 910	133 329
- loss	244 342	339 250	451 311
3. Interest	129 445	138 434	151 865
- accrued	26 051	36 237	24 869
- due, not received	103 394	102 197	126 996
- on regular and watch	4 922	385	1 307

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- on non-performing receivables	98 472	101 812	125 689
Total (gross) receivables from non-financial sector	**7 640 863**	**6 711 427**	**7 125 469**

3.6. VALUE OF COLLATERAL REDUCING PROVISIONING BASE FOR NON-PERFORMING RECEIVABLES FROM NON-FINANCIAL SECTOR	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) Regular	0	0	0
b) Watch	545 311	486 089	241 337
c) non-performing, of which:	134 810	248 542	469 103
- substandard	57 522	113 306	236 506
- doubtful	28 644	45 372	45 658
- loss	48 644	89 864	186 939
Total	**680 121**	**734 631**	**710 440**

3.7. PROVISIONS FOR NON-PERFORMING RECEIVABLES FROM NON-FINANCIAL SECTOR	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) Regular	0	0	0
a) Watch	469	2 223	2 993
b) non-performing, of which:	335 168	372 772	396 155
- substandard	105 131	89 847	86 674
- doubtful	34 339	33 539	45 109
- loss	195 698	249 386	264 372
Total	**335 637**	**374 995**	**399 148**

3.8. CHANGE IN PROVISIONS FOR NON-PERFORMING RECEIVABLES FROM NON-FINANCIAL SECTOR	**01.01.05-30.06.05**	**01.01.04-31.12.04**	**01.01.04-30.06.04**
1. Opening balance	374 995	839 634	839 634
a) increase (due to)	284 004	748 120	501 958
- provisions for non-performing receivables	273 613	685 435	443 324
- for standard and watch loans and receivables	70	1 596	810
- transfer from FORIN (as a result of purchase)	0	57 824	57 824
- other	0	3 265	0
- exchange differences resulting from provisions for foreign currency receivables	10 321	0	0
b) used for (due to)	68 144	507 367	445 791
- writing off receivables	68 144	507 367	445 791
c) release (due to)	255 218	705 392	496 653
- non-performing loans and receivables	251 375	689 863	491 693
- regular and watch loans and receivables	2 036	2 704	2 040
- exchange differences resulting from provisions for foreign currency receivables	0	12 825	2 920
- transfer to provisions for OBS liabilities	1 807	0	0
- other	0	0	0
2. Provisions for non-performing receivables from non-financial sector at period end	**335 637**	**374 995**	**399 148**
3. Statutory provisioning level required for receivables from non-financial sector at period end	**335 637**	**374 995**	**399 148**

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Note 4

4.1. RECEIVABLES FROM PUBLIC SECTOR (BY TYPES)	30.06.2005	31.12.2004	30.06.2004
1. Receivables from public sector	372 273	404 648	465 656
a) loans from central government institutions	6 298	5 016	6 979
- loans	6 284	5 002	6 979
- purchased receivables	14	14	0
- other receivables	0	0	0
b) receivables from local government institutions	365 975	399 632	458 677
- loans	365 668	399 345	456 779
- purchased receivables	135	284	1 895
- realised guarantees	172	3	3
c) other receivables	0	0	0
2. Interest	6 615	6 621	4 789
a) accrued	6 410	6 205	4 288
b) due, not received	205	416	501
Total (gross) receivables from budget sector	**378 888**	**411 269**	**470 445**
7. Provisions created for non-performing receivables from budget sector (negative value)	-980	-2 260	-2 122
Total (net) receivables from public sector	**377 908**	**409 009**	**468 323**

4.2. RECEIVABLES FROM PUBLIC SECTOR (BY MATURITY)	30.06.2005	31.12.2004	30.06.2004
1. On current account	6 255	4 987	6 979
2. Term receivables, time from balance sheet date to maturity:	366 018	399 661	458 677
a) up to one month	12 343	11 470	15 522
b) over 1 month to 3 month	455	239	279
c) over 3 months to 1 year	12 442	16 700	9 434
d) over 1 year to 5 years	106 758	114 372	137 916
e) over 5 years	233 809	256 416	293 856
f) past due	211	464	1 670
3. Interest	6 615	6 621	4 789
- accrued	6 410	6 205	4 288
- due, not received	205	416	501
Total (gross) receivables from budget sector	**378 888**	**411 269**	**470 445**

4.3. RECEIVABLES FROM BUDGET SECTOR (AS PER ORIGINAL MATURITY)	30.06.2005	31.12.2004	30.06.2004
1. On current account	6 255	4 987	6 979
2. Term receivables, time of repayment:	366 018	399 661	458 677
a) up to one month	12 508	11 342	15 431
b) over 1 month to 3 month	0	0	0
c) over 3 months to 1 year	3 017	506	3 006
d) over 1 year to 5 years	52 897	62 465	79 456
e) over 5 years	297 596	325 348	360 784
3. Interest	6 615	6 621	4 789
- accrued	6 410	6 205	4 288
- due, not received	205	416	501
Total (gross) receivables from public sector	**378 888**	**411 269**	**470 445**

4.4. RECEIVABLES FROM PUBLIC SECTOR (BY CURRENCY)	30.06.2005	31.12.2004	30.06.2004

a. in Polish currency	305 229	325 354	361 087
b. in foreign currencies (by currency and after zloty translation)	73 659	85 915	109 358
b1. Unit/currency1000/USD	0	0	0
PLN '000	0	0	0
b3. Unit/currency1000/JPY	0	0	0
PLN '000	0	0	0
b4. Unit/currency1000/GBP	0	0	0
PLN '000	0	0	0
b6.Unit/currency1000/CHF	26 355	28 740	31 270
PLN '000	68 714	75 933	92 953
b7.Unit/currency1000/EUR	1 224	2 447	3 612
PLN '000	4 945	9 982	16 405
b8. Other currencies (in PLN '000)	0	0	0
Total receivables from public sector	**378 888**	**411 269**	**470 445**

4.5. (GROSS) RECEIVABLES FROM PUBLIC SECTOR	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Regular	363 666	386 837	444 409
2. Watch	178	301	759
3. non-performing, of which:	8 429	17 510	20 488
- substandard	8 375	9 292	10 351
- doubtful	15	7 813	8 465
- loss	39	405	1 672
3. Interest	6 615	6 621	4 789
- accrued	6 410	6 205	4 288
- due, not received	205	416	501
- on regular and watch	0	0	14
- on non-performing receivables	205	416	487
Total	**378 888**	**411 269**	**470 445**

4.6. VALUE OF COLLATERAL REDUCING PROVISIONING BASE FOR NON-PERFORMING RECEIVABLES FROM PUBLIC SECTOR	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) Regular	0	0	0
b) Watch	178	301	759
c) non-performing, of which:	3 706	7 990	11 871
- substandard	3 705	887	2 776
- doubtful	1	6 741	7 595
- loss	0	362	1 500
Total	**3 884**	**8 291**	**12 630**

4.7. PROVISIONS FOR NON-PERFORMING RECEIVABLES FROM PUBLIC SECTOR	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) Standard	0	0	0
b) Watch	0	0	0
c) non-performing, of which:	980	2 260	2 122
- substandard	934	1 681	1 515
- doubtful	7	536	435
- loss	39	43	172
Total	**980**	**2 260**	**2 122**

4.8. CHANGE IN PROVISIONS FOR NON-PERFORMING RECEIVABLES FROM NON-FINANCIAL	**01.01.05-30.06.05**	**01.01.04-31.12.04**	**01.01.04-30.06.04**

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SECTOR			
1. Opening balance	2 260	9 152	9 152
a) increase (due to)	470	7 507	6 224
- provisions for non-performing receivables	470	3 002	1 719
- transferred from FORIN (as a result of purchase)	0	4 505	4 505
b) used for (due to)	0	4 666	4 666
- writing off receivables	0	4 666	4 666
c) release (due to)	1 750	9 733	8 588
- non-performing loans and receivables	1 750	9 733	8 588
2. Provisions for non-performing receivables from non-financial sector at period end	**980**	**2 260**	**2 122**
3. Statutory provisioning level required for receivables from non-financial sector at period end	**980**	**2 260**	**2 122**

Note 5

RECEIVABLES ON REPO SECURITIES	30.06.2005	31.12.2004	30.06.2004
a) from financial sector	203 195	80 334	259 911
b) from non-financial and public sector	0	0	0
c) interest	1 037	317	213
Total	**204 232**	**80 651**	**260 124**

Note 6

6.1. DEBT SECURITIES	30.06.2005	31.12.2004	30.06.2004
1. Issued by central banks, of which:	1 430 682	843 861	822 253
- FX denominated bonds	0	0	0
2. Issued by other banks, of which:	223 492	128 245	119 971
- FX denominated	0	0	0
3. Issued by other financial entities, of which:	33 751	98 011	93 673
- FX denominated	0	0	0
4. Issued by no financial entities, of which:	164 296	282 180	326 553
- FX denominated	162 324	282 180	326 553
5. Issued by state budget, of which:	6 416 843	5 471 131	5 229 407
- FX denominated	65 907	16 706	12 215
6. Issued by local budgets, of which:	96 542	92 463	95 972
- FX denominated	0	0	0
7. Redeemed own securities	0	0	0
Total debt securities	**8 365 606**	**6 915 891**	**6 687 829**

6.2 DEBT SECURITIES (BY TYPE)	30.06.2005	31.12.2004	30.06.2004
1. Issued by state budget, of which:	6 416 843	5 471 131	5 229 407
a) bonds	6 195 447	4 749 602	4 091 824
b) T-bills	221 396	721 529	1 137 583
c) other (by type):	0	0	0
2. Issued by local budget, of which:	96 542	92 463	95 972
a) bonds	96 542	92 463	95 972
b) other (by type):	0	0	0
-	0	0	0
3. Issued by subsidiaries*, of which:	33 278	0	0
a) bonds	33 278	0	0
b) other (by type):	0	0	0
- debt commercial paper	0	0	0

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4. Issued by affiliates, of which:	0	0	0
a) bonds	0	0	0
b) other (by type):	0	0	0
- debt commercial paper	0	0	0
5. Issued by NBP, of which:	1 430 682	843 861	822 253
a) bonds	162 706	167 142	162 255
b) other (by type):	1 267 976	676 719	659 998
- money bills	1 267 976	676 719	659 998
-	0	0	0
6. Issued by other entities, of which:	388 261	508 436	540 197
a) bonds	388 261	508 436	540 197
b) other (by type):	0	0	0
-	0	0	0
total debt securities	**8 365 606**	**6 915 891**	**6 687 829**

6.3. CHANGE IN DEBT SECURITIES	**01.01.05-30.06.05**	**01.01.04-31.12.04**	**01.01.04-30.06.04**
a) opening balance	6 915 891	4 836 667	4 836 667
- adjustment resulting from change in accounting policy			
b) adjusted opening balance	6 915 891	4 836 667	4 836 667
c) increases (on account of)	1 449 715	2 079 224	1 851 162
- growth of bank (net) investment in debt securities	1 449 715	2 079 224	1 851 162
d) reductions (on account of)	0	0	0
-	0	**0**	0
e) closing balance	**8 365 606**	**6 915 891**	**6 687 829**

Note 7

7.1. SHARES IN SUBSIDIARIES	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) in banks	0	0	0
b) in other financial entities	566 132	1 655 836	1 419 941
c) in non-financial entities	6 700	4 000	4 000
Total	**572 832**	**1 659 836**	**1 423 941**

7.2. MOVEMENTS IN SHARES IN SUBSIDIARIES	**01.01.05-30.06.05**	**01.01.04-31.12.04**	**01.01.04-30.06.04**
Opening balance	1 659 836	1 382 022	1 382 022
a) increases (due to)	2 700	281 767	45 306
- purchase of shares	0	6	4
- shares acquired as a result of purchase of FORIN	0	98	98
- valuation by equity method	0	281 663	45 204
- release of provisions for lasting impairment in value	2 700	0	0
b) decreases (due to)	1 089 704	3 953	3 387
- capital reduction	948 590	3 175	3 175
- valuation by equity method	141 067	0	0
- exchange differences	47	778	212
- other	0	0	0
Shares and stocks in subsidiaries at end of period	**572 832**	**1 659 836**	**1 423 941**

The reduction of the subsidiary's initial capital, presented in the above table, has been described in detail in pt. 27 of "Additional Explanatory Notes", "Information on significant events related to the financial year…".

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 8

8.1. SHARES IN JOINTLY-CONTROLLED SUBSIDIARIES	30.06.2005	31.12.2004	30.06.2004
a) in banks	0	0	0
b) in other financial entities	0	0	0
c) in other non-financial entities	0	0	0
Total	**0**	**0**	**0**

8.2. MOVEMENTS IN SHARES IN JOINTLY-CONTROLLED SUBSIDIARIES	01.01.05-30.06.05	01.01.04-31.12.04	01.01.04-30.06.04
Opening balance	0	0	0
a) increases (due to)	0	0	0
b) decreases (due to)	0	0	0
Shares and stocks in jointly-controlled subsidiaries	**0**	**0**	**0**

Note 9

9.1. SHARES IN AFFILIATES	30.06.2005	31.12.2004	30.06.2004
a) in banks	0	0	0
b) in other financial entities	1 598	1 427	1 167
c) in other non-financial entities	1 926	4 800	4 800
Total	**3 524**	**6 227**	**5 967**

9.2. CHANGE OF SHARES AND STOCKS IN AFFILIATES	01.01.05-30.06.05	01.01.04-31.12.04	01.01.04-30.06.04
Opening balance	6 227	6 803	6 803
a) increases (due to)	171	1 669	33
- shares acquired as a result of purchase of FORIN	0	33	33
- valuation by equity method	171	136	0
- release of provisions	0	1 500	0
b) decreases (due to)	2 874	2 245	869
- sale of shares and stocks	0	2 212	0
- liquidation of an entity	174	0	0
- valuation by ownership rights method	0	0	836
- revaluation as a result of merger with FORIN	0	33	33
- creation of provisions	2 700	0	0
Shares and stocks in affiliates at end of period	**3 524**	**6 227**	**5 967**

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 10

SHARES IN SUBORDINATED COMPANIES											
a	b	c	d	e	f	g	h	i	j	k	l
Company name and legal form	Location	business	nature of capital relationship	consolidation method employed	date of taking up control gaining significant influence	share value at purchase price	Revaluations (total)	book value of shares	% of share capital (paid in capital held)	share in votes at general meetings	indication of a different than under letters j) or k) manner of domination
Millennium Dom Maklerski S.A.	Warszawa	brokerage services	subsidiary	equity method	05.06.1995	16500	-41581	58081	100,00	100,00	-
TBM Sp. z o.o.	Warszawa	financial operations - equity markets, advisory services	associated company	equity method	22.03.1996	225	-1373	1598	45,00	45,00	-
Bel Leasing Sp.z o.o.	Warszawa	leasing	subsidiary	equity method	18.03.1991	20694	-200489	221183	99,99	99,99	-
BESTA Sp.z o.o.	Warszawa	supporting insurance and pension fund operations	subsidiary	equity method	17.07.1998	50	50	0	100,00	100,00	-
Lubuskie Fabryki Mebli SA	Świebodzin	furniture manufacturer	subsidiary	excl. from consolidation	05.12.1997	6700	0	6700	50,00	50,00	-
BIG BG Inwestycje SA	Warszawa	investing activities on capital markets	subsidiary	equity method	24.02.1997 31.08.1999	4669	-277180	281849	90,04	93,96	-
Pomorskie Hurtowe Centrum Rolno - Spożywcze S.A.	Gdańsk	wholesale market	associated company	excl. from consolidation	16.06.1997	8200	6274	1926	38,39	42,92	-
Towarzystwo Handlowe Weiman i S-ka Sp. z o.o.	Łódź	manufacturing and trading in sanitary ceramics	associated company	excl. from consolidation	20.10.1993	0	0	0	40,00	40,00	-
Reess Trading Sp.z o.o.	Warszawa	financial operations - equity markets, advisory services	subsidiary	excl. from consolidation	19.06.1996	98	0	98	98,00	98,00	-
SPC S.A.	Warszawa		associated company	excl. from consolidation		33	33	0	33,00	33,00	-
Forin Sp. z o.o.	Warszawa	managing other entities	subsidiary	equity method	25.02.1992	38579	38579	0	100,00	100,00	-
BBG Finance BV	Rotterdam	funding companies from the Group	subsidiary	consolidation	22.11.2001	4921	0	4921	100,00	100,00	-
TOTAL								**576 356**			

Bank Millennium S.A. SAB-P2005 PLN in thousands

SHARES IN SUBORDINATED COMPANIES - continued

	a	m							n			
	name of co.	Shareholders' Equity, of which:							Liabilities			Receivables
			Share capital	Additional capital payable (negative amount)	Supplementary capital	Other of which:	Retained earnings (loss brought forward)	Net income (loss)	of which:	current	long-term	of which:
1	Millennium Dom Maklerski S.A.	53 689	16 500	0	27 089	10 100	0	10 100	272 295	250 013	22 282	11 193
2	TBM Sp.z o.o.	5 136	500	0	2 008	2 628	129	92	0	0	0	0
3	Bel Leasing Sp.z o.o.	187 349	20 000	0	197 845	-30 496	-80 364	44 059	1 376 406	457 876	918 530	1 490 502
4	BESTA Sp.z o.o.*	92	50	0	8 462	-8 420	-8 444	23	5	5	0	41
5	Lubuskie Fabryki Mebli S.A.	16 021	13 400	0	1 053	1 567	0	352	5 821	5 821	0	3 660
6	BIG BG Inwestycje SA	303 599	527	0	37 271	265 801	0	56 985	0	0	0	0
7	Pomorskie Hurtowe Centrum Rolno - Spożywcze S.A.	20 733	21 357	0	494	-1 118	-16 739	3 252	57 591	16 557	41 034	286
8	Towarzystwo Handlowe Weiman i S-ka Sp. z o.o.**	-										
9	Reess Trading Sp.z o.o.	113	100	0	10	3	0	0	0	0	0	0
10	SPC S.A. **	-										
11	Forin Sp. z o.o.	53 456	86 318	0	32 788	-65 650	-66 127	477	231 439	231 439	0	263 009
12	BBG Finance BV*	5 533	73	0	4 848	612	0	252	456 531	0	456 531	456 531
	Total dividends											

* - as at 31.12.2004

** - the company has not been carrying business

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 11

11.1. SHARES IN OTHER ENTITIES	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) in financial sector entities	12 118	12 254	12 233
b) in non-financial sector entities	155	422	547
Total	**12 273**	**12 676**	**12 780**

11.2. MOVEMENTS IN SHARES IN OTHER ENTITIES	**01.01.05-30.06.05**	**01.01.04-31.12.04**	**01.01.04-30.06.04**
Opening balance	12 676	12 714	12 714
a) increases (due to)	1 410	116	82
- purchase or acquisition of shares	0	34	0
- shares acquired as a result of purchase of FORIN	0	82	82
- release of provisions	1 410	0	0
b) decreases (due to)	1 813	154	16
- provision created against costs	133	0	0
- sale of shares and stocks	1 678	136	12
- valuation (exchange differences)	2	18	4
Shares and stocks in other units at the end of period	**12 273**	**12 676**	**12 780**

11. SHARES IN OTHER COMPANIES

No.	a	b	c	d	e	f	g		h	i
	Company name and legal form	Location	Business	Book value of shares	% of shares held	% of votes at a GM	Shareholders' equity, of which:	- share capital	shares unpaid by the Issuer	dividends received or receivable for the last financial year
1	Elmor S.A.	Gdańsk	electronics	86	8,38	8,38	8 408	7 203	0	0
2	Krajowa Izba Rozliczeniowa S.A.	Warszawa	interbank settlements	313	5,74	5,74	92 502	5 445	0	1 265
3	Centralna Tablica Ofert S.A.	Warszawa	providing information on non-exchange transactions	104	1,55	1,55	6 079	10 000	0	0
4	Biuro Informacji Kredytowej SA	Warszawa	preparing and sale of reports on financial liabilities	400	2,50	2,50	12 236	15 550	0	30
5	Wschodni Bank Cukrownictwa	Lublin	banking	10 806	5,46	5,46	109 980	200 191	0	0
6	other			564						
			Total:	**12 273**						**1 295**

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 12

12.1. OTHER SECURITIES AND OTHER FINANCIAL ASSETS (BY TYPE)	30.06.2005	31.12.2004	30.06.2004
a) units in investment funds and investment certificates	3 097	4 249	4 068
b) pre-emptive rights	0	0	0
c) derivative rights	0	0	0
d) other (by type)	428 434	542 601	389 968
- assets on account of valuation of financial instruments connected with securities purchased in forward market	0	0	0
- assets on account of valuation of financial instruments connected with securities purchased in interest rate market	171 474	230 323	156 296
- assets on account of valuation of financial instruments connected with securities purchased in interest and exchange rate market	168 877	178 135	202 468
- assets on account of valuation of financial instruments connected with securities purchased in exchange rate market	88 083	134 143	21 667
- assets on account of valuation of other financial instruments	0	0	9 537
Total	**431 531**	**546 850**	**394 036**

12.2. MOVEMENTS IN OTHER SECURITIES AND OTHER FINANCIAL ASSETS (BY TYPE)	01.01.05-30.06.05	01.01.04-31.12.04	01.01.04-30.06.04
Opening balance	546 850	677 449	677 449
a) increases (due to)	4 415	158 758	5 944
- valuation of units in investment funds	192	249	68
- purchase of units in investment funds	4 223	4 000	4 000
- valuation of financial instruments	0	154 509	1 876
b) reductions (due to)	119 734	289 357	289 357
- sale of investment certificates	0	289 357	289 357
- sale of units in investment funds	5 567	0	0
- valuation of financial instruments	114 167	0	0
End of period	**431 531**	**546 850**	**394 036**

12.3. OTHER SECURITIES AND OTHER FINANCIAL ASSETS (BY CURRENCY)	30.06.2005	31.12.2004	30.06.2004
a. in Polish currency	428 434	546 850	394 036
b. in foreign currencies (by currency and after zloty translation)	3 097	0	0
b1. Unit/currency 1000/EUR	767	0	0
PLN '000	3 097	0	0
b2. Unit/currency 1000/USD	0	0	0
PLN '000	0	0	0
b3. Unit/currency................/.............	0	0	0
PLN '000	0	0	0
b4. Other currencies (in PLN '000)	0	0	0
Total	**431 531**	**546 850**	**394 036**

Note 13

13.1. FINANCIAL ASSETS	30.06.2005	31.12.2004	30.06.2004
a) Financial assets for trading	3 779 984	3 074 056	3 900 431
b) loans granted by the Bank and own receivables not to be traded	9 320 354	10 372 309	9 939 987
c) financial assets held to maturity	299 778	202 252	191 766
d) financial assets available for sale	4 729 648	4 199 109	3 002 448
e) monetary assets	700 290	882 017	659 035
Total	**18 830 054**	**18 729 743**	**17 693 667**

Bank Millennium S.A. SAB-P2005 PLN in thousands

The item “banking loans and loans granted by the Bank, and own receivables, not to be traded” contains:
- debt securities qualifying for rediscount in the central bank,
- receivables from financial institutions, other than nostro current accounts and unauthorised overdraft on loro accounts,
- receivables from non-financial sector,
- receivables from public sector,
- receivables on purchased BSB.

The item “monetary assets” contains:
- cash, operations with the central bank,
- receivables from financial institutions – nostro current accounts, unauthorised overdraft on loro accounts.
- the note does not contain shares and stock in subsidiaries.

13.2. FINANCIAL ASSETS (BY CURRENCY)	30.06.2005	31.12.2004	30.06.2004
a. in Polish currency	13 930 777	13 921 573	11 649 283
b. in foreign currencies (by currency and after zloty translation)	5 449 248	5 416 906	6 672 388
b2. Unit/currency 1000/USD	374 620	680 714	694 157
PLN '000	1 253 516	2 035 607	2 601 005
b4. Unit/currency 1000/JPY	1 616 386	1 303 003	1 387 872
PLN '000	48 928	38 006	47 759
b5. Unit/currency 1000/GBP	2 761	518	231
PLN '000	16 637	2 986	1 566
b7. Unit/currency 1000/CHF	1 036 613	711 250	641 102
PLN '000	2 702 657	1 879 194	1 905 739
b8. Unit/currency 1000/EUR	342 738	356 660	463 534
PLN '000	1 384 694	1 454 818	2 105 463
b9. Other currencies (in PLN '000)	42 815	6 295	10 856
Total financial assets	**19 380 025**	**19 338 479**	**18 321 671**

Loans granted by the Bank and own receivables not for trade are presented in gross value.

13.3 FINANCIAL ASSETS FOR TRADING (BY MARKET LIQUIDITY)	30.06.2005	31.12.2004	30.06.2004
A. With unlimited market liquidity - exchange listed (balance sheet value)	2 077 731	1 722 694	1 995 493
a) shares (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
b) bonds (balance sheet value):	2 077 731	1 722 694	1 995 493
- fair value	2 077 731	1 722 694	1 995 493
- market value	2 077 731	1 722 694	1 995 493
- by purchasing price	2 047 394	1 689 108	1 993 621
c) other - by types (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
B. With unlimited liquidity, OTC listed (balance sheet value)	0	0	0
a) shares (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
b) bonds (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0

Bank Millennium S.A. SAB-P2005 PLN in thousands

- by purchasing price	0	0	0
c) other - by types (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
C. With unlimited market liquidity, not listed on regulated markets (balance sheet value)	1 273 819	808 761	1 514 970
a) shares (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
b) bonds (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
c) other - by types (balance sheet value):	1 273 819	808 761	1 514 970
c1) NBP money bills (balance sheet value)	1 267 976	676 719	659 998
- fair value	1 267 976	676 719	659 998
- market value	1 267 976	676 719	659 998
- by purchasing price	1 266 814	676 719	659 014
c2) T-bonds (balance sheet value)	5 843	127 793	850 904
- fair value	5 843	127 793	850 904
- market value	5 843	127 793	850 904
- by purchasing price	5 712	126 498	850 619
c3) investment fund units (balance sheet value)	0	4 249	4 068
- fair value	0	4 249	4 068
- market value	0	4 249	4 068
- by purchasing price	0	4 000	4 000
D. With limited market liquidity (balance sheet value)	428 434	542 601	389 968
a) shares and stocks (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
b) bonds (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
c) other - by types (balance sheet value):	428 434	542 601	389 968
c1) commercial paper	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
c2) assets resulting from valuation of financial instruments (balance sheet value)	428 434	542 601	389 968
Total valuation by purchasing price	**3 319 920**	**2 496 325**	**3 507 254**
Total value at period start	**3 074 056**	**3 219 665**	**3 219 665**
Total revaluation adjustmtments (for period)	**447 122**	**557 835**	**389 291**
Total balance sheet value	**3 779 984**	**3 074 056**	**3 900 431**

13.4. FINANCIAL ASSETS HELD TO MATURITY (BY MARKET LIQUIDITY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
A. With unlimited market liquidity - exchange listed (balance sheet value)	76 286	74 007	71 795
a) bonds (balance sheet value):	76 286	74 007	71 795
- valuation adjustments (for period)	0	0	0
- value at period start	0	0	0
- by purchasing price	69 920	69 920	69 620

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b) other - by types (balance sheet value):	0	0	0
- valuation adjustments (for period)	0	0	0
- value at period start	0	0	0
- by purchasing price	0	0	
B. With limited market liquidity - OTC listed (balance sheet value)	0	0	0
a) bonds (balance sheet value):	0	0	0
- valuation adjustments (for period)	0	0	0
- value at period start	0	0	0
- by purchasing price	0	0	0
b) other - by type groups (balance sheet value):	0	0	0
- valuation adjustments (for period)	0	0	0
- value at period start	0	0	0
- by purchasing price	0	0	0
....	0	0	0
C. With unlimited market liquidity, not listed on a regulated market (balance sheet value)	0	0	0
a) restructuring bonds issued by State Treasury (balance sheet value):	0	0	0
- valuation adjustments (for period)	0	0	0
- value at period start	0	0	0
- by purchasing price	0	0	0
b) other - by type groups (balance sheet value):	0	0	0
b1) NBP money bills (balance sheet value)	0	0	0
- valuation adjustments (for period)	0	0	0
- value at period start	0	0	0
- by purchasing price	0	0	0
b2) units in investment funds and investment certificates (balance sheet value)	0	0	0
- valuation adjustments (for period)	0	0	0
- value at period start	0	0	0
- by purchasing price	0	0	0
D. With limited market liquidity (balance sheet value)	223 492	128 245	119 971
a) bonds (balance sheet value):	223 492	128 245	119 971
- valuation adjustments (for period)	0	0	0
- value at period start	128 245	112 232	112 232
- by purchasing price	74 750	74 750	74 750
b) other - by types (balance sheet value):	0	0	0
b1) T-bills dedicated for deposit insurance coverage by the Bank Guarantee Fund (balance sheet value)	0	0	0
- valuation adjustments (for period)	0	0	0
- value at period start	0	0	0
- by purchasing price	0	0	0
Total valuation by purchasing price	**144 670**	**144 670**	**144 370**
Total value at period start	**128 245**	**112 232**	**112 232**
Total revaluation adjustmtments (by period)	**0**	**0**	**0**
Total balance sheet value	**299 778**	**202 252**	**191 766**

13.5. FINANCIAL ASSETS AVAILABLE FOR SALE (BY MARKET LIQUIDITY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
A. With unlimited market liquidity - exchange listed (balance sheet value)	4 041 430	2 952 901	2 024 536
a) shares (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
b) bonds (balance sheet value):	4 041 430	2 952 901	2 024 536

Bank Millennium S.A. SAB-P2005 PLN in thousands

- fair value	4 041 430	2 952 901	2 024 536
- market value	4 041 430	2 952 901	2 024 536
- by purchasing price	3 913 484	2 897 302	2 023 562
c) other - by types (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
B. With unlimited liquidity, OTC listed (balance sheet value)	0	0	0
a) shares (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
b) bonds (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
c) other - by types (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
....	0	0	0
C. With unlimited market liquidity, not listed on a regulated market (balance sheet value)	543 680	1 043 058	775 487
a) shares (balance sheet value):	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
b) bonds (balance sheet value):	325 030	449 322	488 808
- fair value	325 030	449 322	488 808
- market value	325 030	449 322	488 808
- by purchasing price	328 905	441 520	484 912
c) other - by types (balance sheet value):	218 650	593 736	286 679
c1) T-bills dedicated for deposit insurance coverage by the Bank Guarantee Fund (balance sheet value)	38 619	38 853	34 494
- fair value	38 619	38 853	34 494
- market value	38 619	38 853	34 494
- by purchasing price	38 441	38 001	33 972
c2) other T-bills (balance sheet value)	176 934	554 883	252 185
- fair value	176 934	554 883	252 185
- market value	176 934	554 883	252 185
- by purchasing price	175 262	548 902	252 311
c3) units in investment fund (balance sheet value)	3 097	0	0
- fair value	3 097	0	0
- market value	3 097	0	0
- by purchasing price	2 993	0	0
D. With limited market liquidity (balance sheet value)	144 538	203 150	202 425
a) shares and stocks (balance sheet value):	12 273	12 676	12 780
- fair value	12 273	12 676	12 780
- market value	12 273	12 676	12 780
- by purchasing price	12 662	14 476	14 580
b) bonds (balance sheet value):	132 265	190 474	189 645
- fair value	132 265	190 474	189 645
- market value	132 265	190 474	189 645

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- by purchasing price	129 852	173 060	174 836
c) other - by types (balance sheet value):	0	0	0
c1)(balance sheet value)	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
c2) (balance sheet value)	0	0	0
- fair value	0	0	0
- market value	0	0	0
- by purchasing price	0	0	0
c3) assets resulting from valuation of financial instruments (balance sheet value)	0	0	0
Total value by purchasing price	**4 601 599**	**4 113 261**	**2 984 173**
Total value at period start	**4 199 109**	**2 194 933**	**2 194 933**
Total revaluation adjustmtments (by period)	**76 567**	**31 928**	**4 609**
Total balance sheet value	**4 729 648**	**4 199 109**	**3 002 448**

Note 14

INTANGIBLE FIXED ASSETS	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) costs of completed research and development work	0	0	0
b) goodwill	4 875	5 804	6 732
d) licenses, patents, etc, of which:	28 471	34 822	212 109
- computer software	28 471	34 822	38 850
- rights to Millennium	0	0	173 250
f) other intangible fixed assets	0	0	0
g) advances towards intangible fixed assets	0	0	0
Total intangible fixed assets	**33 346**	**40 626**	**218 841**

INTANGILE FIXED ASSETS (BY OWNERSHIP STATUS)	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) own	33 346	40 626	218 841
b) used under rent, lease or any similar agreement, of which:	0	0	0
-			
-			
Total intangible fixed assets	**33 346**	**40 626**	**218 841**

Bank Millennium S.A. SAB-P2005 PLN in thousands

MOVEMENTS IN INTANGIBLE FIXED ASSETS (BY TYPES)							
	a	b	c		d	e	
	cost of completed development work	goodwill	concessions, patents, etc.		other intangible assets	advances towards intangible assets	**Total intangible assets**
			including:	computer software			
a) Opening balance (gross value)	26	12 997	367 139	157 022	0	0	380 162
b) increases (due to)	0	0	313	313	0	0	313
- purchase	0	0	0	0	0	0	0
- transfers from fixed assets under construction	0	0	159	159	0	0	159
- investment outlays for intangible fixed assets	0	0	154	154	0	0	154
c) decreases (due to)	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0
d) gross value of intangible assets at period end	26	12 997	367 452	157 335	0	0	380 475
e) cumulated depreciation (amortisation) at period start	26	7 192	332 316	122 199	0		339 534
f) depreciation for period (due to)	0	930	6 665	6 665	0	0	7 595
- current charge (income statement)	0	930	6 665	6 665	0	0	7 595
- other	0	0	0	0	0	0	0
g) cumulated depreciation (amortization) at period end	26	8 122	338 981	128 864	0	0	347 129
h) movements on lasting impairment of value at beginning of period	0	0		0	0	0	0
- increase	0	0	0	0	0	0	0
- decrease	0	0	0	0	0	0	0
i) movements on lasting impairment of value at end of period	0	0	0	0	0	0	0
j) net value of intangible assets at period end	0	4 875	28 471	28 471	0	0	33 346

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 15

15.1. GOODWILL OF SUBORDINATED ENTITIES	30.06.2005	31.12.2004	30.06.2004
a) goodwill - subsidiary entities	0	0	0
b) goodwill – jointly-controlled entities	0	0	0
c) goodwill - associated entities	0	0	0
Total goodwill of subordinated entities	**0**	**0**	**0**

15.2. MOVEMENTS IN GOODWILL – SUBSIDIARIES	01.01.05-30.06.05	01.01.04-31.12.04	01.01.04-30.06.04
a) gross goodwill - opening balance	0	0	0
b) increase (due to)	0	0	0
c) decrease (due to)	0	0	0
d) gross goodwill - closing balance	0	0	0
e) write down of goodwill - opening balance	0	0	0
f) write down of goodwill for period (due to)	0	0	0
g) write down of goodwill - closing balance	0	0	0
h) net goodwill - closing balance	0	0	0

15.3. MOVEMENTS IN GOODWILL – JOINTLY CONTROLLED SUBSIDIARIES	01.01.05-30.06.05	01.01.04-31.12.04	01.01.04-30.06.04
a) gross goodwill - opening balance	0	0	0
b) increase (due to)	0	0	0
c) decrease (due to)	0	0	0
d) gross goodwill - closing balance	0	0	0
e) write down of goodwill - opening balance	0	0	0
f) write down of goodwill for period (due to)	0	0	0
g) write down of goodwill - closing balance	0	0	0
h) net goodwill - closing balance	0	0	0

15.4. MOVEMENTS IN GOODWILL - ASSOCIATED ENTITIES	01.01.05-30.06.05	01.01.04-31.12.04	01.01.04-30.06.04
a) gross goodwill - opening balance	0	0	0
b) increase (due to)	0	0	0
c) decrease (due to)	0	0	0
d) gross goodwill - closing balance	0	0	0
e) write down of goodwill - opening balance	0	0	0
f) write down of goodwill for period (due to)	0	0	0
g) write down of goodwill - closing balance	0	0	0
h) net goodwill - closing balance	0	0	0

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 16

TANGIBLE FIXED ASSETS	30.06.2005	31.12.2004	30.06.2004
a) tangible fixed assets, of which:	490 858	515 501	606 764
- land (including perpetual usufruct - leasehold)	192 921	192 980	192 980
- buildings, premises, civil and hydro engineering structures	227 072	237 137	279 547
- equipment	45 335	55 020	94 870
- means of transport	8 058	9 032	10 267
- other tangible fixed assets	17 472	21 332	29 100
b) tangible fixed assets under construction	7 600	18 885	15 326
c) advances towards tangible fixed assets under construction	0	0	0
Total tangible fixed assets	**498 458**	**534 386**	**622 090**

BALANCE SHEET TANGIBLE FIXED ASSETS (BY OWNERSHIP STATES)	30.06.2005	31.12.2004	30.06.2004
a) own	490 858	515 501	606 764
b) used under rent, lease or any similar agreement, of which:	0	0	0
-			
-			
Total balance sheet tangible fixed assets	**490 858**	**515 501**	**606 764**

FIXED ASSETS DISCLOSED Off-balance sheet	30.06.2005	31.12.2004	30.06.2004
used under rent, lease or any similar agreement, of which:	0	0	0
-	0	0	0
-			
-			
Total OBS fixed assets	**0**	**0**	**0**

Bank Millennium S.A. SAB-P2005 PLN in thousands

MOVEMENTS IN FIXED ASSETS (BY TYPES)	- Land (including perpetual usufruct)	- buildings, premises, etc.	- equipment	- means of transport	- other fixed assets	Total fixed assets
a) Gross value of fixed assets at period start	194 983	400 691	378 791	19 802	96 924	1 091 191
b) increases (due to)	0	7 012	3 862	982	1 842	13 698
- purchase	0	0	0	0	0	0
- transfer from fixed assets under construction	0	7 012	3 862	982	1 842	13 698
- other	0	0	0	0	0	0
c) decreases (due to)	5	7 703	28 286	953	8 711	45 658
- sale	5	1 397	1 276	855	3 111	6 644
- liquidation	0	6 306	26 187	0	4 689	37 182
- other	0	0	823	98	911	1 832
d) gross value of fixed assets at the end of period	194 978	400 000	354 367	19 831	90 055	1 059 231
e) cumulated depreciation (amortisation) at period start	3	156 712	323 771	10 770	75 595	566 851
f) amortisation for period (by title)	0	4 164	-14 739	1 003	-3 012	-12 584
- current decrease (P & L)	0	11 681	12 311	1 678	5 620	31 290
- decrease on sale	0	-963	-1 215	-653	-3 056	-5 887
- decrease on liquidation	0	-1 050	-24 916	0	-4 669	-30 635
- decrease on branch liquidation	0	-5 504	-99	0	-11	-5 614
- other	0	0	-820	-22	-896	-1 738
g) cumulated depreciation (amortisation) at period end	3	160 876	309 032	11 773	72 583	554 267
h) charges for permanent impairment of value	2 000	6 842	0	0	0	8 842
- increase	54	5 210	0	0	0	5 264
- decrease	0	0	0	0	0	0
i) charges for permanent impairment of value at period end	2 054	12 052	0	0	0	14 106
j) net value of fixed assets at period end	192 921	227 072	45 335	8 058	17 472	490 858

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 17

OTHER ASSETS	30.06.2005	31.12.2004	30.06.2004
1. Assets taken for resale	757	757	3 071
2. Other, of which:	1 005 584	53 163	86 689
- settlements accounts	471	9 562	17 687
- contributions to capital in subsidiaries	20 025	20 025	20 025
- receivables from the National Insurance Fund ZUS, State budget and other public and legal units	9 317	6 043	27 130
- sundry debtors	971 944	17 533	21 847
- other	3 827	0	0
Total gross other assets	**1 006 341**	**53 920**	**89 760**

Significant increase in other assets of the 'various debtors' item, as at 30 June 2005, results from new receivables from subsidiary, totalling PLN 948,590 thousand, on forgiveness of initial equity in the part related to the Bank (pursuant to the Commercial Companies Code, the payment is deferred). When they were forgiven, the Bank directly owned 90% of shares of the subsidiary, with the other 10% owned by another of the Bank's subsidiaries. The Bank announced the event in its current communiqué, presented in pt. 27 of the Additional Explanatory Notes 'Information on important events related to the financial year…" of the financial report.

ASSETS TAKEN OVER FOR RESALE	30.06.2005	31.12.2004	30.06.2004
1. Fixed assets under construction	0	0	0
2. Real estate	757	757	1 082
3. Other	0	0	1 989
Total assets taken over for resale	**757**	**757**	**3 071**

MOVEMENTS IN ASSETS TAKEN OVER FOR RESALE	01.01.05-30.06.05	01.01.04-31.12.04	01.01.04-30.06.04
1. Opening balance	756	3 228	3 228
2. Increases over period (due to)	1	4 618	1 824
- takeovers	0	4 618	1 824
- reserve release	1	0	0
3. Decreases in period (due to)	1	7 090	1 981
- sale	0	4 927	1 981
- transfer to fixed assets	0	0	0
- in-kind contribution	0	0	0
- charged to expenses	1	1 365	0
- reserve establishment	0	797	0
4. Closing balance	**757**	**757**	**3 071**

Note 18

ACCRUED COSTS AND PREPAYMENTS	30.06.2005	31.12.2004	30.06.2004
a) long-term	252 649	504 349	478 815
- deferred income tax assets	222 456	228 631	200 840
- prepaid interest on borrowing paid in advance	0	255 912	255 912
- Other	30 193	19 806	22 063
b) short-term, of which:	228 358	8 039	18 095
- prepaid interest on borrowing paid in advance	0	0	0
- other expenses paid in advance	11 315	7 976	18 076
- expenses to be settled	0	0	0
- deferred income	217 043	63	19
Total accrued costs and prepayments	**481 007**	**512 388**	**496 910**

Bank Millennium S.A. SAB-P2005 PLN in thousands

Balance of expected income at 30 June 2005 covers discounted receivables on dividends from subsidiaries, totalling 216,177 thousand; the dividends shall be settled in the second half of 2005. No pre-payments on loan interest paid upfront, as at 30 June 2005, (balance drop by PLN 255,912 thousand) results from applying to the credit agreement the effective rate settlement method. The issue has been discussed in pt. 11.2 ('Accounting principles applied in the financial report') of the Introduction to the report.

MOVEMENTS IN DEFERRED INCOME TAX ASSETS	**01.01.05-30.06.05**	**01.01.04-31.12.04**	**01.01.04-30.06.04**
1. Deferred income tax assets at the beginning of the period	228 631	238 741	238 741
- adjustment of the opening balance sheet following changes in accounting principles	0	4 799	4 799
- adjustment of opening balance in respect of elimination of intra-group transaction as a result of acquisition of FORIN	7 537	0	0
- adjustment of net income from previous years in respect of effective interest rate	7 537	0	0
1a. Deferred income tax assets at the beginning of the period after opening balance sheet adjustment, of which:	236 168	243 540	243 540
a) posted to financial result	236 168	243 540	243 540
b) posted to shareholders' equity	0	0	0
c) posted to goodwill or negative goodwill	0	0	0
2. Increases	32 877	75 324	35 396
a) posted to financial result for the period in respect of negative timing differences (of which)	32 877	75 324	35 100
- accrued interest	8 396	4 311	5 077
- valuation of financial instruments/derivatives	6 348	22 724	5 882
- negative exchange differences	0	8 478	0
- accrued interest from derivatives	0	0	8 743
- difference between balance-sheet and taxable depreciation	0	19 759	967
- capitalized interest	2 966	6 325	8 456
- depreciation of fixed assets	0	7 840	0
- accruals	8 757	3 463	5 975
- received commissions settled according to effective interest rate	4 449	0	0
- other	1 961	2 424	0
b) posted to financial result for the period in respect of tax loss (of which)	0	0	0
...			
c) posted to shareholders' equity in respect of negative timing differences (of which)	0	0	296
- operations on derivative instruments	0	0	296
...			
d) posted to shareholders' equity in respect of tax loss (of which)	0	0	0
...			
e) posted to goodwill or negative goodwill in respect of negative timing differences (of which)	0	0	0
...			
3. Decreases	46 589	90 233	73 297
a) posted to financial result for the period in respect of negative timing differences (of which)	35 401	23 856	16 021
- settlement of income received in advance	1 285	960	725
- costs of operations on derivative instruments	11 029	0	0

Bank Millennium S.A. SAB-P2005 PLN in thousands

- execution of option right	0	0	231
- decrease in specific provisions	7 832	20 849	12 434
- realization of negative foreign exchange differences	3 352	1 562	2 147
- write-offs in respect of deferred income tax (restructuring costs)	0	485	484
- settlement of taxable depreciation from intangible fixed assets	4 013	0	0
- settlement of commission according to effective interest rate	2 198	0	0
- not recognised timing difference of previous period - final CIT declaration	4 536		
- other	1 157	0	0
b) posted to financial result for the period in respect of tax loss (of which)	11 188	66 377	57 276
- of 2000, 2001	0	40 091	40 090
- loss of 2003	11 188	26 286	17 186
c) posted to shareholders' equity in respect of negative timing differences (of which)	0	0	0
...			
d) posted to shareholders' equity in respect of tax loss (of which)	0	0	0
...			
e) posted to goodwill or negative goodwill in respect of negative timing differences (of which)	0	0	0
...			
4. Total deferred income tax assets at the end of the period, of which:	222 456	228 631	200 840
a) posted to financial result	222 456	228 631	200 544
b) posted to shareholders' equity	0	0	296
c) posted to goodwill or negative goodwill	0	0	0
...			

OTHER ACCRUED COSTS AND PREPAYMENTS	30.06.2005	31.12.2004	30.06.2004
a) accrued costs, of which:	41 508	283 694	296 051
- prepaid interest on borrowings	0	255 912	255 912
- other prepaid expenses	41 508	27 782	40 139
- expenses to be settled	0	0	0
b) other prepayments, of which:	217 043	63	19
- deferred income	217 043	63	19
- other	0	0	0
Total other accrued costs and prepayments	**258 551**	**283 757**	**296 070**

Note 20

Total amount of impairment losses recognized / reversed is not material in relation to net result of the reporting period

Note 21

21.1. AMOUNTS DUE TO FINANCIAL SECTOR (BY TYPES)	30.06.2005	31.12.2004	30.06.2004
1. Amounts due to banks: of which	773 058	1 480 905	1 964 094
a. Current accounts	57 609	9 074	5 244
b. Terms and blocked deposits	462 640	126 426	523 121

Bank Millennium S.A. SAB-P2005 PLN in thousands

c. Borrowings	252 751	1 345 405	1 435 729
d. Other liabilities	58	0	0
2. Amounts due to insurance institutions, of which:	341 129	45 699	57 366
a. Current accounts	191 571	38 306	54 472
b. Terms and blocked deposits	149 557	4 508	9
c. Borrowings	0	0	0
d. Other	1	2 885	2 885
3. Amounts due to other financial institutions, of which:	479 055	441 208	416 010
a. Current accounts	296 239	262 500	298 908
b. Terms and blocked deposits	169 634	165 593	103 745
c. Borrowings	10 932	10 932	10 932
d. Other	2 250	2 183	2 425
4. Other amounts due to	0	0	0
5. Interest	8 098	11 771	12 161
Total	**1 601 340**	**1 979 583**	**2 449 631**

The reduction of amounts due to banks by PLN 297,249 thousand (in the note presenting maturity dates the event was applicable to the period between 10 to 20 years) results from the implemented effective rate methodology for the significant loan agreement; this has been presented in detail in 11.2 ('Accounting principles applied in the financial report'), of the Introduction to the report. Between 1 January and 30 June 2005, the Bank repaid its loans, as presented in the financial part of the report under cash flows.

21.2. AMOUNTS DUE TO FINANCIAL SECTOR (BY MATURITY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Current	933 063	312 765	676 162
2. Term with time from balance sheet date to maturity of:	660 179	1 655 047	1 761 308
a) up to one month	196 192	247 813	173 569
b) over 1 month to 3 months	20 886	50 688	65 492
c) over 3 months to 1 year	176 918	209	75 578
d) over 1 year to 5 years	2 500	795 405	885 737
e) over 5 to 10 years	10 932	10 932	10 932
f) over 10 to 20 years	252 751	550 000	550 000
g) over 20 years	0	0	0
h) past due	0	0	0
3. Interest	8 098	11 771	12 161
Total	**1 601 340**	**1 979 583**	**2 449 631**

21.3. AMOUNTS DUE TO FINANCIAL SECTOR (BY ORIGINAL MATURITY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Current	933 063	312 765	676 162
2. Term with time of repayment:	660 179	1 655 047	1 761 308
a) up to one month	185 724	126 590	164 965
b) over 1 month to 3 month	31 223	141 687	33 185
c) over 3 months to 1 year	177 041	30 425	116 489
d) over 1 year to 5 years	2 508	795 413	885 737
e) over 5 to 10 years	10 932	10 932	10 932
f) over 10 to 20 years	252 751	550 000	550 000
g) over 20 years	0	0	0
h) past due	0	0	0
3. Interest	8 098	11 771	12 161
Total	**1 601 340**	**1 979 583**	**2 449 631**

Bank Millennium S.A. SAB-P2005 PLN in thousands

21.4. AMOUNTS DUE TO FINANCIAL SECTOR (BY CURRENCY)	30.06.2005	31.12.2004	30.06.2004
a. in Polish currency	1 520 171	1 117 026	1 270 685
b. in foreign currencies (by currency and after zloty translation)	81 169	862 557	1 178 946
b1. Unit/currency1000/USD.	454	619	43 457
PLN '000	1 520	1 852	162 835
b3. Unit/currency1000/JPY.	2 246	0	0
PLN '000	68	0	0
b4. Unit/currency1000/GBP.	35	700	2 950
PLN '000	211	4 040	19 988
b6. Unit/currency1000/CHF.	26 501	4 300	10 646
PLN '000	69 093	11 362	31 646
b7. Unit/currency1000/EUR.	2 283	207 233	212 281
PLN '000	9 224	845 303	964 223
b8. Other currencies (in PLN '000)	1 053	0	254
Total	**1 601 340**	**1 979 583**	**2 449 631**

Note 22

22.1. AMOUNTS DUE TO NON-FINANCIAL SECTOR (BY TYPES)	30.06.2005	31.12.2004	30.06.2004
1. Current deposits	3 295 329	2 526 538	2 952 491
2. Term deposits	7 989 104	10 494 237	7 485 748
3. Borrowings	0	0	0
4. Promissory notes	0	0	0
5. Own issuance of securities	0	0	0
6. Other liabilities	204 885	231 898	175 598
7. Interest	109 439	84 241	51 683
Total	**11 598 757**	**13 336 914**	**10 665 520**

22.2. AMOUNTS DUETO NON-FINANCIAL SECTOR - SAVINGS DEPOSITS (BY MATURITIY)	30.06.2005	31.12.2004	30.06.2004
1. Current	0	0	0
2. Term with time from balance sheet date to maturity:	0	0	0
a) up to one month	0	0	0
b) over 1 month to 3 months	0	0	0
c) over 3 months to 1 year	0	0	0
d) over 1 year to 5 years	0	0	0
e) over 5 to 10 years	0	0	0
f) over 10 to 20 years	0	0	0
g) over 20 years	0	0	0
h) past due	0	0	0
3. Interest	0	0	0
Total	**0**	**0**	**0**

22.3. AMOUNTS DUE TO NON-FINANCIAL SECTOR - SAVINGS DEPOSITS (BY ORIGINAL MATURITY)	30.06.2005	31.12.2004	30.06.2004
1. Current	0	0	0
2. Term with period of repayment:	0	0	0
a) up to one month	0	0	0
b) over 1 month to 3 months	0	0	0
c) over 3 months to 1 year	0	0	0
d) over 1 year to 5 years	0	0	0

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e) over 5 to 10 years	0	0	0
f) over 10 to 20 years	0	0	0
g) over 20 years	0	0	0
h) past due	0	0	0
3. Interest	0	0	0
Total	**0**	**0**	**0**

22.4. AMOUNTS DUE TO NON-FINANCIAL SECTOR - OTHER (BY MATURITY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Current	3 312 374	2 528 331	2 968 697
2. Term with time from balance sheet date to maturity of:	8 176 944	10 724 342	7 645 140
a) up to one month	3 294 634	5 346 496	2 968 433
b) over 1 month to 3 month	2 175 972	1 518 066	1 766 304
c) over 3 months to 1 year	2 344 423	3 287 557	2 577 785
d) over 1 year to 5 years	302 772	506 350	250 801
e) over 5 to 10 years	59 143	65 580	81 796
f) over 10 to 20 years	0	0	20
g) over 20 years	0	293	1
h) past due	0	0	0
3. Interest	109 439	84 241	51 683
Total	**11 598 757**	**13 336 914**	**10 665 520**

22.5. AMOUNTS DUE TO NON-FINANCIAL SECTOR - OTHER (BY ORIGINAL MATURITY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Current	3 312 374	2 528 331	2 968 697
2. Term with time of repayment:	8 176 944	10 724 342	7 645 140
a) up to one month	1 905 905	3 912 759	1 738 138
b) over 1 month to 3 month	2 644 035	2 262 267	2 119 212
c) over 3 months to 1 year	2 524 073	3 400 844	3 087 910
d) over 1 year to 5 years	1 035 260	1 072 059	610 993
e) over 5 to 10 years	67 671	76 120	88 866
f) over 10 to 20 years	0	0	20
g) over 20 years	0	293	1
h) past due	0	0	0
3. Interest	109 439	84 241	51 683
Total	**11 598 757**	**13 336 914**	**10 665 520**

22.6. AMOUNTS DUE TO NON-FINANCIAL SECTOR (BY CURRENCY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
a. in Polish currency	10 091 009	11 891 133	9 041 944
b. in foreign currencies (by currency and after zloty translation)	1 507 748	1 445 781	1 623 576
b1. Unit/currency1000/USD	272 170	282 152	285 327
PLN '000	910 709	843 746	1 069 119
b3. Unit/currency1000/JPY.	0	0	0
PLN '000	0	0	0
b4. Unit/currency1000/GBP.	1 997	1 045	741
PLN '000	12 035	6 028	5 020
b6. Unit/currency1000/CHF.	1 718	1 184	1 693
PLN '000	4 480	3 128	5 033
b7. Unit/currency1000/EUR.	142 769	144 806	119 608
PLN '000	576 802	590 663	543 285
b8. Other currencies (in PLN '000)	3 722	2 216	1 119

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Total	**11 598 757**	**13 336 914**	**10 665 520**

Note 23

23.1. AMOUNTS DUE TO PUBLIC SECTOR (BY TYPE)	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Current deposits	647 772	509 890	546 219
2. Term deposits	543 765	359 699	685 464
3. Borrowings	0	0	0
4. Promissory notes	0	0	0
5. Own issuance of securities	0	0	0
6. Other liabilities	635	3 557	922
7. Interest	1 450	923	972
Total	**1 193 622**	**874 069**	**1 233 577**

23.2. AMOUNTS DUE TO PUBLIC SECTOR - SAVINGS DEPOSITS (BY MATURITY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Current	0	0	0
2. Term with time to maturity of:	0	0	0
a) up to one month	0	0	0
b) over 1 month to 3 months	0	0	0
c) over 3 months to 1 year	0	0	0
d) over 1 year to 5 years	0	0	0
e) over 5 to 10 years	0	0	0
f) over 10 to 20 years	0	0	0
g) over 20 years	0	0	0
h) past due	0	0	0
3. Interest	0	0	0
Total	**0**	**0**	**0**

23.3. AMOUNTS DUE TO PUBLIC SECTOR - SAVINGS DEPOSITS (BY ORIGINAL MATURITY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Current	0	0	0
2. Term, period of repayment:	0	0	0
a) up to one month	0	0	0
b) over 1 month to 3 month	0	0	0
c) over 3 months to 1 year	0	0	0
d) over 1 year to 5 years	0	0	0
e) over 5 to 10 years	0	0	0
f) over 10 to 20 years	0	0	0
g) over 20 years	0	0	0
h) past due	0	0	0
3. Interest	0	0	0
Total	**0**	**0**	**0**

23.4 AMOUNTS DUE TO PUBLIC SECTOR - OTHER (BY MATURITY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Current	669 990	510 810	547 038
2. Term with time from balance sheet date to maturity:	522 182	362 336	685 567
a) up to one month	435 599	336 036	622 108
b) over 1 month to 3 month	77 473	23 553	50 235
c) over 3 months to 1 year	9 091	2 734	13 179
d) over 1 year to 5 years	19	13	45

Bank Millennium S.A. SAB-P2005 PLN in thousands

e) over 5 to 10 years	0	0	0
f) over 10 to 20 years	0	0	0
g) over 20 years	0	0	0
h) past due	0	0	0
3. Interest	1 450	923	972
Total	**1 193 622**	**874 069**	**1 233 577**

23.5. AMOUNTS DUE TO PUBLIC SECTOR - OTHER (BY ORIGINAL MATURITIES)	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Current	669 990	510 810	547 038
2. Term, period of repayment:	522 182	362 336	685 567
a) up to one month	344 462	286 000	588 229
b) over 1 month to 3 months	157 623	55 853	66 920
c) over 3 months to 1 year	20 078	20 330	30 199
d) over 1 year to 5 years	19	153	219
e) over 5 to 10 years	0	0	0
f) over 10 to 20 years	0	0	0
g) over 20 years	0	0	0
h) past due	0	0	0
3. Interest	1 450	923	972
Total	**1 193 622**	**874 069**	**1 233 577**

23.6. AMOUNTS DUETO PUBLIC SECTOR (BY CURRENCY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
a. in Polish currency	1 142 877	824 622	1 206 930
b. in foreign currencies (by currency and after zloty translation)	50 745	49 447	26 647
b1. Unit/currency1000/USD	3 488	3 319	1 798
PLN '000	11 672	9 924	6 737
b3. Unit/currency1000/JPY.	0	0	0
PLN '000	0	0	0
b4. Unit/currency1000/GBP.	4	4	4
PLN '000	22	21	24
b6. Unit/currency1000/CHF.	0	0	0
PLN '000	1	1	1
b7. Unit/currency1000/EUR.	9 666	9 684	4 378
PLN '000	39 050	39 501	19 885
b8. Other currencies (in PLN '000)	0	0	0
Total liabilities to public sector	**1 193 622**	**874 069**	**1 233 577**

Note 24

LIABILITIES FROM SECURITIES SOLD WITH BUY-BACK CLAUSE (REPOS)	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) to financial sector	2 619 203	1 247 521	1 118 858
b) to non-financial and public sectors	582 331	191 049	818 829
c) interest	26 955	7 644	5 988
Total liabilities to public sector	**3 228 489**	**1 446 214**	**1 943 675**

Note 25

25.1. LIABILITIES FROM OWN SECURITIES ISSUED	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Bonds	90 724	225 224	646 889
2. Certificates	0	0	0
3. Others (on account of)	45 687	45 687	65 299

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- bills of exchange	45 687	45 687	65 299
-	0	0	0
3. Interest	6 441	4 633	13 146
Total	**142 852**	**275 544**	**725 334**

25.2. LIABILITIES FROM SECURITIES ISSUED	**30.06.2005**	**31.12.2004**	**30.06.2004**
1. Short-term	133 302	176 899	484 934
2. Long-term	9 550	98 645	240 400
Total	**142 852**	**275 544**	**725 334**

25.3. MOVEMENTS IN LIABILITIES FROM OWN SECURITIES ISSUED	**01.01.05-30.06.05**	**01.01.04-31.12.04**	**01.01.04-30.06.04**
Opening balance	275 544	982 660	982 660
a) increases (on account of)	4 197	72 179	11 729
- transfer from BB	0	0	0
- bill purchase by the NBP	0	45 687	0
- interest accrual	3 934	26 492	11 729
- settlement of discount	109	0	0
- exchange differences	154	0	0
b) decreases (on account of)	136 889	779 295	269 055
- redemption after merger with BB	0	0	0
- redemption of bonds from NBP	0	10 000	0
- redemption of bonds	133 073	656 770	260 478
- bill purchase from NBP	0	65 299	0
- exchange differences	1 690	21 055	5 767
- settlement of discount	0	387	300
- interest repayment	2 126	25 784	2 510
Closing balance	**142 852**	**275 544**	**725 334**

The information on liabilities secured on assets has been presented in pt. 6 of the Additional Explanatory Notes.

LONG-TERM LIABILITIES ON ISSUES SECURITIES						
a	b	c	d	e	f	g
debt securities by type	par value	interest	maturity	guarantees/collateral	additional rights	Market
restructuring bill of exchange	45 687	1%	04.11.2005			not listed
II Issue Program	30 834	4,460%	10.11.2005			CeTO
II Issue Program	50 983	4,460%	08.12.2005			CeTO
II Issue Program	6 875	4,460%	10.11.2006			CeTO
II Issue Program	2 032	4,460%	08.12.2006			CeTO

Under agreement with the NBP restructuring bonds were repurchased by bank in 2004 own bill of exchange will be rolled on each year up to 2006.

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 26

SPECIAL FUNDS AND OTHER LIABILITIES	30.06.2005	31.12.2004	30.06.2004
1. Special funds (comprising)	26 822	25 257	26 682
- Company Social Benefit Fund	26 822	25 257	26 682
- other special funds	0	0	0
2. Other liabilities (on account of)	186 418	128 980	119 096
- interbank settlements	53 727	20 319	35 883
- interbranch settlements	269	269	269
- public law liabilities	7 189	4 410	3 568
- other creditors	99 564	81 719	79 376
- settlement of derivatives	25 669	22 263	0
- other	0	0	0
Total	**213 240**	**154 237**	**145 778**

Note 27

27.1. ACCRUED AND DEFERRED COSTS	30.06.2005	31.12.2004	30.06.2004
a) short-term, of which:	70 232	74 483	73 806
- expense accrual - accumulated holidays	9 645	9 711	12 941
- expense accruals - bonuses, salaries	15 968	16 797	20 208
- expense accruals - other	44 619	47 975	40 657
- other	0	0	0
b) long-term, of which:	13 319	16 587	7 912
- expense accruals - accumulated holidays	0	0	0
- expense accrual - retirement severance payments	3 998	4 028	3 851
- expense accruals - other	9 321	12 559	4 061
- other	0	0	0
Total accrued and deferred costs	**83 551**	**91 070**	**81 718**

27.2. OTHER DEFERRED OR UNEARNED INCOME	30.06.2005	31.12.2004	30.06.2004
a) short-term, of which:	72 932	56 064	98 289
- suspended income	0	0	0
b) long-term, of which:	241 866	268 759	242 231
- suspended income	210 615	231 866	242 231
Total	**314 798**	**324 823**	**340 520**

Note 28

28.1.NEGATIVE GOODWILL OF SUBORDINATED ENTITIES	30.06.2005	31.12.2004	30.06.2004
a) negative goodwill - subsidiaries	0	0	0
b) negative goodwill - co-subsidiaries	0	0	0
c) negative goodwill - associated entities	0	0	0
Total negative goodwill of subordinated entities	**0**	**0**	**0**

28.2. MOVEMENTS IN NEGATIVE GOODWILL - SUBSIDIARIES	01.01.05-30.06.05	01.01.04-31.12.04	01.01.04-30.06.04
a) negative gross goodwill - opening balance	0	0	0
b) increase (due to)	0	0	0

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c) decrease (due to)	0	0	0
d) negative gross goodwill - closing balance	0	0	0
e) write down of negative goodwill - opening balance	0	0	0
f) write down of the negative goodwill of the company for period (due to)	0	0	0
g) write down of negative goodwill - closing balance	0	0	0
h) net negative goodwill at the end of the period	0	0	0

28.3. MOVEMENTS IN NEGATIVE GOODWILL - CO-SUBSIDIARIES	01.01.05-30.06.05	01.01.04-31.12.04	01.01.04-30.06.04
a) negative gross goodwill - opening balance	0	0	0
b) increase (due to)	0	0	0
c) decrease (due to)	0	0	0
d) negative gross goodwill - closing balance	0	0	0
e) write down of negative goodwill - opening balance	0	0	0
f) write down of the negative goodwill of the company for period (due to)	0	0	0
g) write down of negative goodwill - closing balance	0	0	0
h) net negative goodwill at the end of the period	0	0	0

28.4. MOVEMENTS IN NEGATIVE GOODWILL - ASSOCIATED ENTITIES	01.01.05-30.06.05	01.01.04-31.12.04	01.01.04-30.06.04
a) negative gross goodwill - opening balance	0	0	0
b) increase (due to)	0	0	0
c) decrease (due to)	0	0	0
d) negative gross goodwill - closing balance	0	0	0
e) write down of negative goodwill - opening balance	0	0	0
f) write down of the negative goodwill of the company for period (due to)	0	0	0
g) write down of negative goodwill - closing balance	0	0	0
h) net negative goodwill at the end of the period	0	0	0

Note 29

29.1. MOVEMENTS IN PROVISIONS FOR DEFERRED INCOME TAX	01.01.05-30.06.05	01.01.04-31.12.04	01.01.04-30.06.04
1. Provisions for deferred income tax at the beginning of the period	117 430	140 603	140 603
- adjustment of net income from previous years in respect of effective interest rate	19 357	0	0
1a. Provisions for deferred income tax at the beginning of the period, after opening balance adjustments, of which:	136 787	140 603	140 603
a) posted to financial result	131 774	140 163	140 163
b) posted to shareholders' equity	5 013	440	440
c) posted to goodwill or negative goodwill	0	0	0
2. Additions	22 714	23 075	9 077
a) posted to financial result for the period in respect of positive timing differences (of which)	13 934	18 502	9 077
- valuation of financial instruments	0	3 852	872
- discount on debt securities	0	0	966
- accrued interest to be received on receivables, securities, etc.	3 099	9 762	21
- realization of FX gains/losses on CIRS transactions, constituting cost on the date of making additional payments	1 005	0	0
- items settled at effective interest rate	6 698	0	0

Bank Millennium S.A. SAB-P2005 PLN in thousands

- deferred payment	3 132	0	4 225
- difference between balance-sheet and taxable depreciation	0	0	2 993
- interest from structural deposits	0	169	0
- indemnity paid on sold PTF portfolio	0	3 717	0
- other	0	1 002	0
...			
b) posted to shareholders' equity in respect of positive timing differences (of which)	8 780	4 573	0
- valuation of financial assets	8 780	4 573	0
...			
c) posted to goodwill or negative goodwill in respect of positive timing differences (of which)	0	0	0
...			
3. Decreases	6 572	46 248	34 789
a) posted to financial result for the period in respect of positive timing differences (of which)	6 572	46 248	34 349
- real positization of positive exchange differences	0	27 840	18 010
- settlement of costs paid in advance	1 142	0	158
- realised revenues on securities, interest on loans and derivative instruments	0	4 592	4 774
- investment allowances	0	307	155
- realized interest on financial instruments /derivatives	5 204	2 317	11 252
- difference between balance-sheet and taxable depreciation	0	10 640	0
- settlement of costs constituting tax cost on the date when incurred	0	552	0
- other	226	0	0
b) posted to shareholders' equity in respect of positive timing differences (of which)	0	0	440
- valuation of securities	0	0	440
...			
c) posted to goodwill or negative goodwill in respect of positive timing differences (of which)	0	0	0
...			
4. Total provisions for deferred income tax at the end of the period, of which:	152 929	117 430	114 891
a) posted to financial result	139 136	112 417	114 891
b) posted to shareholders' equity	13 793	5 013	0
c) posted to goodwill or negative goodwill	0	0	0

29.2. PROVISIONS FOR DEFERRED INCOME TAX (BY CURRENCY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
a. in PLN	152 929	117 430	114 891
b. in foreign currencies (by currency and after translating into PLN)	0	0	0
b1. unit/currency................/..............			
PLN '000			
...			
other currencies (w PLN '000)			
Total provisions for deferred income tax	152 929	117 430	114 891

29.3. OTHER PROVISIONS (BY TYPE):	**30.06.2005**	**31.12.2004**	**30.06.2004**
- off-balance sheet liabilities	36 133	32 530	32 311
- general risk reserve	169 591	166 891	207 891

Bank Millennium S.A. SAB-P2005 PLN in thousands

- reserve in respect of valuation of shares by ownership rights method	24 031	25 303	72 059
- other	0	0	0
Total other provisions	**229 755**	**224 724**	**312 261**

29.4. OTHER PROVISIONS	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) short-term (by type):	0	**0**	**0**
- other	0	0	0
b) long-term (by type):	**229 755**	**224 724**	**312 261**
- off-balance sheet contingent liabilities	22 133	32 530	32 311
- general risk reserve	183 591	166 891	207 891
- reserve in respect of valuation of shares by ownership rights method	24 031	25 303	72 059
- other	0	0	0
Total other reserves	**229 755**	**224 724**	**312 261**

29.5. OTHER PROVISIONS (BY CURRENCY)	**30.06.2005**	**31.12.2004**	**30.06.2004**
a. in Polish currency	224 391	224 724	312 258
b. in foreign currencies (by currency and after zloty translation)	5 364	0	3
b1. Unit/currency1000/USD	0	0	0
PLN '000	1	0	0
b3. Unit/currency1000/JPY.	0	0	0
PLN '000	0	0	0
b4. Unit/currency1000/GBP.	0	0	0
PLN '000	0	0	0
b6. Unit/currency1000/CHF.	30	0	1
PLN '000	77	0	3
b7. Unit/currency1000/EUR.	1 308	0	0
PLN '000	5 286	0	0
b8. Other currencies (in PLN '000)	0	0	0
Total other assets	**229 755**	**224 724**	**312 261**

29.6. MOVEMENTS IN SHORT-TERM OTHER PROVISIONS	**01.01.05-30.06.05**	**01.01.04-31.12.04**	**01.01.04-30.06.04**
Opening balance	0	2 552	2 552
- restructuring reserve	0	2 552	2 552
a) increases (on account of)	0	0	0
-	0	0	0
b) utilization (on account of)	0	2 552	2 552
- restructuring provision	0	2 552	2 552
c) release (on account of)	0	0	0
-	0	0	0
Total short-term other provisions at the end of the period	**0**	**0**	**0**
- exchange differences on SWAP transaction	0	0	0

29.7. MOVEMENTS IN LONG-TERM OTHER PROVISIONS	**01.01.05-30.06.05**	**01.01.04-31.12.04**	**01.01.04-30.06.04**
Provisions at the beginning of the period	224 724	267 190	267 190
- for OBS contingent liabilities	32 530	29 432	29 432
- general risk reserve	166 891	171 691	171 691
- reserve for future obligations - valuation of shares by ownership rights method	25 303	66 067	66 067

Bank Millennium S.A. SAB-P2005 PLN in thousands

a) increased (due to)	35 203	72 854	72 754
- OBS contingent liabilities	16 670	25 954	19 862
- for OBS contingent liabilities - transfer from balance-sheet	1 807	0	0
- general risk reserve		0	0
- for OBS contingent liabilities , exchange differences	26	0	0
- creation of general risk reserve	16 700	46 900	46 900
- valuation of shares by ownership rights method	0	0	5 992
b) use of (due to)	0	0	0
-	0	0	0
c) release (due to)	30 172	115 320	27 683
- for OBS contingent commitments	28 900	22 856	16 983
- general risk reserve	0	51 700	10 700
- valuation by ownership rights method	1 272	40 764	0
Total long-term other provisions at the end of the period	**229 755**	**224 724**	**312 261**
- for OBS contingent liabilities	22 133	32 530	32 311
- general risk reserve	183 591	166 891	207 891
- reserve for future obligations - valuation of shares by ownership rights method	24 031	25 303	72 059

Note 30

MOVEMENTS IN SUBORDINATED LIABILITIES	**01.01.05-30.06.05**	**01.01.04-31.12.04**	**01.01.04-30.06.04**
Opening balance	326 978	378 162	378 162
a) increase (due to)	6 147	13 491	7 025
- interest accrual	6 147	13 491	7 025
b) decreases (due to)	9 301	64 675	21 158
- repayment of interest	6 189	13 635	7 174
- exchange differences	3 112	51 040	13 984
Subordinated liabilities at end of period	**323 824**	**326 978**	**364 029**

Under the decision no 242/01 of the Banking Supervisory Committee dated 11 December 2001 the Bank received the
approval for including cash funds resulting from the sale of bonds issued by the Bank and purchased by BBG Finance
(subsidiary of the Bank with seat in Netherlands) in the amount of PLN 275 000 000 to the supplementary funds.

Note 31

SUBORDINATED LIABILITIES						
1.	2.		3.	4.	5.	6.
Name of entity	Loan value		Interest	Maturity	Subordinated loans	Interest
	currency	PLN 000				
BBG FINANCE B.V.	EUR	323208	floating, 30.06.2005 - 3,734%	12.12.2011	323824	616
	Total:	323 208			323 824	616

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 32

SHARE CAPITAL				Par value of one share = 1 zł.			
Series / isue	Share type	Type of preference	Number of shares	Value of series/issue	Manner of capital coverage	Registration date	Right to dividend
A	named founder*	x2 as to voting	106850	106850	cash	30.06.1989	30.06.1989
B1	ordinary registered*		150000	150000	cash	13.06.1990	01.01.1990
B2	ordinary registered*		150000	150000	cash	13.12.1990	01.01.1990
C	ordinary bearer		4693150	4693150	cash	17.05.1991	01.01.1991
D1	ordinary bearer		1700002	1700002	cash	31.12.1991	01.01.1992
D2	ordinary bearer		2611366	2611366	cash	31.01.1992	01.01.1992
D3	ordinary bearer		1001500	1001500	cash	10.03.1992	01.01.1992
E	ordinary bearer		6000000	6000000	cash	28.05.1993	01.01.1992
F	ordinary bearer		9372721	9372721	cash	10.12.1993	01.01.1993
G	ordinary bearer		8000000	8000000	cash	30.05.1994	01.10.1993
H	ordinary bearer		7082129	7082129	cash	24.10.1994	01.10.1994
Increasing of par value of shares from 1 to 4 PLN				122603154	surplus	24.11.1994	
1:4 split			122603154			5.12.1994	
I	ordinary bearer		65000000	65000000	cash	12.08.1997	01.10.1996
J	ordinary bearer		196120000	196120000	capitals of Bank Gdański S.A.	12.09.1997	01.10.1996
K	ordinary bearer		424590872	424590872	cash	31.12.2001	01.01.2001
Total number of shares			849181744				
Total share capital				849181744			

*** - as a result of conversion the number of registered shares went down and stood at 30.06.2005 at 113 596, from which 66 200 were founding shares**

Note 33

33.1. OWN SHARES				
Number	Value acc. to buying price	Balance sheet value	reason of purchase	Intended purpose
	-	-	-	-

33.2. ISSUER SHARES OWNED BY SUBSIDIARY ENTITIES			
Name of entity	Number	Value acc. to buying price	Balance sheet value
-	-	-	-

Note 34

SUPPLEMENTARY CAPITAL	30.06.2005	31.12.2004	30.06.2004
a) share premium reserve	472 343	508 095	508 095
b) statutory	0	0	0
c) created according to bank charter over statutorily required (minimum) amount	0	0	0
d) from shareholders additional contributions	0	0	0
e) other	0	0	0
Total supplementary capital	**472 343**	**508 095**	**508 095**

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 35

REVALUATION RESERVE	30.06.2005	31.12.2004	30.06.2004
a) resulting from revaluation of fixed assets	30 974	30 974	30 974
b) on deferred income tax	-13 792	-5 012	296
c) exchange rate differences from recalculation of foreign branches	0	0	0
d) other (according to type)	0	0	0
e) valuation of financial assets available for sale	72 588	26 379	-1 561
Kapitał z aktualizacji wyceny razem	**89 770**	**52 341**	**29 709**

Note 36

OTHER RESERVE CAPITALS (BY PURPOSE), OF WHICH:	30.06.2005	31.12.2004	30.06.2004
- General Banking Risk Fund	383 265	380 532	380 532
- Reserve capital transferred from risk fund in accordance with Art.174 of Banking Law	0	0	0
- Risk fund	0	0	0
- statutory reserve	0	0	0
- restructuring reserve	0	0	0
- other	0	0	0
Total	**383 265**	**380 532**	**380 532**

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 37

Capital adequacy ratio (particular items '000 PLN):

Share capital	849 182
Supplementary capital	472 343
Reserve capital	0
General risk fund	383 265
Total basic equity	1 704 790
Asset Revaluation reserve	30 974
Subordinated Liabilities	275 000
Total gross own funds:	2 010 764
Less:	
Shortfall of required specific reserve	0
Capital involvement	307 223
Intangible assets	33 346
Previous years' uncovered loss	
Loss under approval	
Total deduction	340 569
NET OWN FUNDS:	1 670 195
Capital requirements on credit risk	723 380
Capital requirements on market risk	19 658
Total capital requirements	743 038
Capital requirements * 12,5	9 287 975
Capital adequacy ratio	17,98 %

Note 38

Book value per shares (particular items '000 PLN):

Share capital	849 182
Supplementary capital	472 343
Reserve capital	0
General risk fund	383 265
Change in asset revaluation reserve	89 770
Previous years' uncovered loss	48 880
Loss under approval	
Year-to-date earnings	132 225
Book value	1 975 665
Number of share	849 181 744
Book value per share	PLN 2,33

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 39

39.1. CONTINGENT LIABILITIES TO RELATED ENTITES (ON ACCOUNT OF)	30.06.2005	31.12.2004	30.06.2004
a) extended guarantees and warranties, of which:	91 770	80 155	55 275
- to subsidiary entities	91 600	80 000	55 000
- to co-subsidiary entities	0	0	0
- to affiliated entities	170	155	275
- to parent	0	0	0
- to major investor	0	0	0
b) others, of which:	99 351	130 748	176 494
- to subsidiary entities	99 351	130 748	170 347
- to co-subsidiary entities	0	0	0
- to affiliated entities	0	0	6 147
- to parent	0	0	0
- to major investor	0	0	0
Total	**191 121**	**210 903**	**231 769**

39.2. CONTINGENT LIABILITIES FROM RELATED ENTITIES (ON ACCOUNT OF)	30.06.2005	31.12.2004	30.06.2004
a) received guarantees and warranties, of which:	590	515	568
- from subsidiaries	590	515	568
- from co-subsidiary entities	0	0	0
- from affiliated entities	0	0	0
- from dominant entity	0	0	0
- from major investor	0	0	0
b) other, including:	0	0	0
- from subsidiaries	0	0	0
- from co-subsidiary entities	0	0	0
- from affiliated entities	0	0	0
- from dominant entity	0	0	0
- from major investor	0	0	0
Contingent liabilities from related entities, total	**590**	**515**	**568**

Note 40

INTEREST INCOME	01.01.05-30.06.05	01.01.04-30.06.04
1. From financial sector, including:	137 104	163 195
- on derivative instruments	75 381	132 532
2. From non-financial sector, including:	204 084	233 763
- on derivative instruments	2	0
3. From budgetary sector	12 114	12 441
4. On fixed income securities	254 156	109 747
5. Other	0	0
Interest income total	**607 458**	**519 146**

Note 41

INTEREST COST	01.01.05-30.06.05	01.01.04-30.06.04
1. On transactions with financial sector, including:	102 588	119 681
- on derivative instruments	1 420	-454
2. On transactions with non-financial sector, including:	267 611	161 939

Bank Millennium S.A. SAB-P2005 PLN in thousands

- on derivative instruments	2 174	1 956
3. On transactions with budgetary sector	25 563	17 309
4. Other, including:	0	0
Total cost of interest	**395 762**	**298 929**

Note 42

COMMISSION INCOME	**01.01.05-30.06.05**	**01.01.04-30.06.04**
1. Banking commissions	108 967	112 352
2. Brokerage commissions	0	0
Total commission income	**108 967**	**112 352**

Note 43

INCOME FROM STOCKS AND SHARES, OTHER SECURITIES AND OTHER PROPERTY RIGHTS	**01.01.05-30.06.05**	**01.01.04-30.06.04**
1. From subsidiaries	216 775	12 704
2. From co-subsidiary entities	0	0
3. From affiliated entities	0	720
4. From other entities	1 392	0
Total income from stocks and shares, other securities and other property rights	**218 167**	**13 424**

Note 44

RESULT ON FINANCIAL OPERATIONS	**01.01.05-30.06.05**	**01.01.04-30.06.04**
1. Result on financial operations on securities and other financial instruments	36 389	-14 474
- revenue	140 562	137 071
- costs	104 173	151 545
2. Other financial revenues	251	151 160
3. Other financial costs	1 720	9 765
Total result on financial operations	**34 920**	**126 921**

Note 45

OTHER OPERATING REVENUES	**01.01.05-30.06.05**	**01.01.04-30.06.04**
a) on account of third party property management	0	0
b) on account of sale or liquidation of fixed assets, assets for sale and intangible assets	1 514	2 953
c) on account of recovered uncollectible receivables	29 012	10 205
d) indemnifications, penalties and fines received	0	0
e) donations received	0	0
f) side income	4 408	3 767
g) Other, including:	6 473	2 809
- remuneration for advisory services received from the subsidiary regarding negotiations and other activity related to sale of PZU S.A. shares	0	0
- income related to recovery operations	3 341	517
- release of restructuring reserve	0	0
- costs covered in previous years	1 212	0
- other	1 920	2 292
Total other operating revenues	**41 407**	**19 734**

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 46

OTHER OPERATING COSTS	01.01.05-30.06.05	01.01.04-30.06.04
a) on account of third party property management	0	0
b) on account of sale or liquidation of fixed assets, assets for sale and intangible assets	5 702	4 368
c) on account of written-off receivables	0	0
d) indemnifications, penalties and fines paid	21	46
e) donations made	13	30
f) side costs	2 366	1 890
g) Other, including:	899	6 919
- costs of recovery	517	1 972
- other	382	4 947
Total other operating costs	**9 001**	**13 253**

Note 47

COST OF BANK OPERATIONS	01.01.05-30.06.05	01.01.04-30.06.04
1. Salaries	119 903	115 346
2. Charges on salaries	20 444	19 316
3. Benefits to employees	3 572	3 431
4.Other costs of operations, including:	153 453	160 334
- costs of buildings maintenance and rental	46 882	50 837
- contribution and payments to Banking Guarantee Fund	1 153	2 568
- taxes and fees	4 223	8 027
- costs of property security	9 061	10 037
- postal charges and other	7 624	8 459
- costs of analyses and consultancy connected with current operation	3 740	4 141
- costs of IT and communications	7 482	7 739
- software costs	12 654	14 085
- advertising costs	13 772	9 367
- cost of representation	1 031	580
- ATM and card costs	10 092	10 685
- PFRON costs	1 338	1 214
- cost of consultancy and legal advisory	1 325	1 166
- cost of cars operation and maintenance	1 873	2 774
- cost of materials necessary for current bank's activity	3 087	3 169
- cost of business travel	3 144	2 745
- bank forms, equipments	1 249	1 504
- on account of data transmission	4 264	6 007
- fees for information services	2 946	2 918
- KIR clearing charges	1 422	1 598
- other costs of operations	15 091	10 714
Total costs of bank's operations	**297 372**	**298 427**

Note 48

CHARGES TO PROIVISIONS AND REVALUATION	01.01.05-30.06.05	01.01.04-30.06.04
a) charges to provisions for:	311 334	615 420
- non-performing receivables	274 388	547 655
- regular and under-watch receivables	70	810
- off-balance sheet liabilities	16 670	19 862
- general risk	16 700	46 900

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-other	3 506	193
b) revaluation of:	3 548	694
- financial assets	3 548	33
- fixed assets, investments and intangible assets	0	661
Total charges to provisions and revaluation	**314 882**	**616 114**

Note 49

RELEASE OF PROVISIONS AND REVALUATION	01.01.05-30.06.05	01.01.04-30.06.04
a) release of provisions for:	303 464	557 913
- non-performing receivables	271 557	527 980
- standard and watch receivables	2 036	2 040
- OBS liabilities	28 900	16 983
- general banking risk	0	10 700
- other	971	210
b) revaluation of:	4 285	483
- financial assets	4 285	0
- fixed assets, investment and intangible fixed assets	0	483
Total release of provisions and revaluation	**307 749**	**558 396**

Note 50

PROFIT (LOSS) ON THE SALE OF THE TOTAL OR PART OF SHARES IN SUBORDINATED ENTITIES	01.01.05-30.06.05	01.01.04-30.06.04
a) profit from the sale of shares and stocks	0	0
- in subsidiaries	0	0
- in co-subsidiaries	0	0
- in associated entities	0	0
b) loss from the sale of shares and stocks	0	0
- in subsidiaries	0	0
- in co-subsidiaries	0	0
- in associated entities	0	0
Total profit (loss) from the sale of all or part of shares in subsidiaries	**0**	**0**

Note 51

EXTRAORDINARY GAINS	01.01.05-30.06.05	01.01.04-30.06.04
a) random	0	0
b) other	0	0
Total extraordinary gains	**0**	**0**

Note 52

EXTRAORDINARY LOSSES	01.01.05-30.06.05	01.01.04-30.06.04
a) random	0	0
b) other	0	0
Total extraordinary losses	**0**	**0**

Bank Millennium S.A. SAB-P2005 PLN in thousands

Note 53

WRITE DOWN OF GOODWILL OF SUBORDINATED ENTITIES	**01.01.05-30.06.05**	**01.01.04-30.06.04**
a) subsidiaries	0	0
b) co-subsidiaries	0	0
c) associated entities	0	0
Total write down of goodwill of subordinated entities	**0**	**0**

Note 54

WRITE DOWN OF THE NEGATIVE GOODWILL OF SUBORDINATED ENTITIES	**01.01.05-30.06.05**	**01.01.04-30.06.04**
a) subsidiaries	0	0
b) co-subsidiaries	0	0
c) associated entities	0	0
Total write down of negative goodwill of subordinated entities	**0**	**0**

Note 55

CURRENT INCOME TAX	**01.01.05-30.06.05**	**01.01.04-30.06.04**
1. Gross profit (after valuation by equity method)	149 994	131 151
2. Differences between gross profit (loss) and taxable income, by title	-149 994	-131 151
- increases of P&L income - cash realised revenues accrued in previous years	157 571	50 298
- income reduction - accrued items not subject to taxation	-740 831	-674 825
- increase of tax costs - realisation of interest, F/X gains and losses, specific provisions	-168 437	-76 802
- reduction of costs - items not recognised by law as being tax deductible	660 586	872 506
- settled losses from previous years	-58 883	-302 328
- tax deductible donations	0	0
3. Taxable income	0	0
4. 19% income tax	0	0
5. Increases, waivers, exemptions, deductions and reductions of tax	0	0
6. Current income tax reported (presented) in the tax return for the period, including:	0	0
- reported in the P&L account	0	0
- regarding items which decreased or increased own funds	0	0
- regarding items which decreased or increased goodwill or regative goodwill	0	0

DEFERRED INCOME TAX REPORTED IN THE INCOME STATEMENT	**01.01.05-30.06.05**	**01.01.04-30.06.04**
- reduction (increase) on account of arisal and reversal of transitional differences	21 074	17 236
- decrease (increase) in respect of not recognised timing difference from previous period - final CIT declaration	-4 536	
- increase - settlement of assets assigned for costs of restructuring of the bank	0	485
- increase - 8% receivables from od Internal Revenue Service in respect of specific provisions created in 2002	1 231	1 430
Deferred income tax, total	17 769	19 151

Bank Millennium S.A. SAB-P2005 PLN in thousands

TOTAL AMOUNT OF DEFERRED TAX	01.01.05-30.06.05	01.01.04-30.06.04
- disclosed in equity	13 792	-297
- disclosed in goodwill or in negative goodwill	0	0

Note 56

OTHER MANDATORY REDUCTIONS OF PROFIT (INCREASES OF LOSS)	01.01.05-30.06.05	01.01.04-30.06.04
Other mandatory reductions of profit (increases of loss) on account of:	0	0
-	0	0
Other mandatory reductions of profit (increases of loss) total	**0**	**0**

Note 57

SHARE IN NET PROFIT/LOSS OF SUBSIDIARIES VALUATED BY EQUITY METHOD INCLUDING:	01.01.05-30.06.05	01.01.04-30.06.04
- subsidiaries' goodwill write-off	0	0
- subsidiaries' negative goodwill write-off	0	0
- write-off of difference in net assets valuation	-138 113	38 376

Note 58 (Earnings per share)

12-month earnings per share:
Net earnings 1.01.05 – 30.06.05 132 225 ths. PLN
Net earnings 1.07.04 – 31.12.04 128 504 ths. PLN
Net earnings 1.07.04 – 30.06.05 260 729 ths. PLN
Average no of shares in period 1.07.04 – 30.06.05 849 181 744
Earnings per share 0,31 PLN

III. ADDITIONAL EXPLANATORY NOTES

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1. CONCENTRATION OF LENDING EXPOSURE TO ENTITIES AND GROUPS FROM FINANCIAL AND NON-FINANCIAL SECTORS BY INDUSTRY AND BY TERRITORY (INCLUDING RISK ASSESSMENT)

The structure of the Bank's exposure as of June 30, 2005 and June 30, 2004 was as follows:

- by entity (on-balance sheet exposure):

No.	Name	30.06.2005		30.06.2004	
		Amount in PLN '000	Share in gross amounts due from clients and public sector entities	Amount in PLN '000	Share in gross amounts due from clients and public sector entities
1	Entity No. 1	355,616	4.19%	382,807	4.77%
2	Entity No. 2	247,913	2.92%	348,739	4.34%
3	Entity No. 3	229,597	2.70%	281,207	3.50%
4	Entity No. 4	225,751	2.66%	240,176	2.99%
5	Entity No. 5	205,017	2.41%	231,441	2.88%
6	Entity No. 6	196,000	2.31%	174,524	2.17%
7	Entity No. 7	158,962	1.87%	145,547	1.81%
8	Entity No. 8	119,827	1.41%	128,705	1.60%
9	Entity No. 9	97,724	1.15%	124,432	1.55%
10	Entity No. 10	92,591	1.09%	100,704	1.25%
11	Entity No. 11	92,399	1.09%	96,823	1.21%
12	Entity No. 12	84,936	1.00%	94,513	1.18%
13	Entity No. 13	81,565	0.96%	91,476	1.14%
14	Entity No. 14	76,158	0.90%	72,896	0.91%
15	Entity No. 15	56,051	0.66%	70,224	0.87%
16	Entity No. 16	55,997	0.66%	64,558	0.80%
17	Entity No. 17	52,521	0.62%	62,701	0.78%
18	Entity No. 18	52,400	0.62%	56,125	0.70%
19	Entity No. 19	51,766	0.61%	56,051	0.70%
20	Entity No. 20	45,679	0.54%	50,506	0.63%

Exposure to the largest client credited by the Bank does not exceed 4.2% of gross amounts due from clients, financial institutions (excluding banks) and public sector entities. There is no excessive exposure to any particular client. Comparable data is presented by exposure amount, i.e. by largest client as of June 30, 2004 and, therefore, exposure in individual reporting periods may refer to a different entity when taking into account the number of a client.

- by group (on-balance sheet exposure):

No.	Name	30.06.2005		30.06.2004	
		Amount in PLN '000	Share in gross amounts due	Amount in PLN '000	Share in gross amounts due
1	Group No. 1	355,616	4.19%	382,807	4.77%
2	Group No. 2	247,913	2.92%	348,739	4.34%
3	Group No. 3	229,597	2.70%	281,207	3.50%
4	Group No. 4	225,751	2.66%	240,176	2.99%
5	Group No. 5	205,017	2.41%	231,441	2.88%
6	Group No. 6	196,000	2.31%	190,828	2.38%
7	Group No. 7	167,097	1.97%	174,524	2.17%
8	Group No. 8	158,962	1.87%	145,547	1.81%
9	Group No. 9	119,827	1.41%	128,705	1.60%
10	Group No. 10	99,440	1.17%	124,432	1.55%

Exposure to other groups does not exceed 1.1% of gross amounts due from clients and public sector entities.

Bank Millennium S.A. SAB-P2005 PLN in thousands

Exposure to the largest group credited by the Bank does not exceed 4.2% of gross amounts due from clients, financial institutions (excluding banks) and public sector entities. There is no excessive exposure to groups. Comparable data is presented by exposure amount, i.e. by largest client of the group as of June 30, 2004 and, therefore, exposure in individual reporting periods may refer to a different group when taking into account the number of a client.

- by industry (balance sheet exposure):

No. Industry	Amount in PLN '000	Share in gross amounts due from clients and public sector entities
As of June 30, 2005:		
1. Households	2,782,060	32.74%
2. Construction	1,055,769	12.43%
3. Transportation	580,094	6.83%
4. Financial intermediation	560,288	6.59%
5. Wholesale trade	512,402	6.03%
6. Electricity, water and gas supplies	453,109	5.33%
7. Public administration	373,908	4.40%
As of June 30, 2004:		
1. Households	1,840,111	22.91%
2. Construction	1,200,460	14.95%
3. Transportation and telecommunications	797,021	9.92%
4. Financial intermediation	583,078	7.26%
5. Wholesale trade	558,264	6.95%
6. Electricity, water and gas supplies	495,276	6.17%
7. Public administration	465,656	5.80%
8. Property management	342,922	4.27%

There is no excessive concentration to any particular industry since exposure to households (consumer loans) is spread over hundreds of thousands of individuals.

- balance sheet and off-balance sheet exposure to clients and groups (concentration amounts calculated in accordance with applicable provisions of the Banking Law)

Clients

No. Name	Amount in PLN '000	Exposure to equity ratio
As of June 30, 2005:		
1. Entity No. 1	274,479	16.43 %
2. Entity No. 2	230,621	13.81 %
3. Entity No. 3	206,042	12.34 %
4. Entity No. 4	196,032	11.74 %
5. Entity No. 5	158,026	9.46 %
As of June 30,2004:		
1. Entity No. 1	316,356	20.41 %
2. Entity No. 2	314,123	20.27 %
3. Entity No. 3	232,742	15.01 %
4. Entity No. 4	170,853	11.02 %
5. Entity No. 5	151,178	9.75 %

Bank Millennium S.A. SAB-P2005 PLN in thousands

Capital Groups (including particular clients)

No. Name	Amount in PLN '000	Exposure to equity ratio
As of June 30, 2005:		
1. Group No. 1	274,479	16.43 %
2. Group No. 2	230,621	13.81 %
3. Group No. 3	229,928	13.77 %
4. Group No. 4	206,042	12.34 %
5. Group No. 5	196,032	11.74 %
As of June 30, 2004:		
1. Group No. 1	316,356	20.41 %
2. Group No. 2	314,123	20.27 %
3. Group No. 3	232,742	15.01 %
4. Group No. 4	204,245	13.18 %
5. Group No. 5	170,853	11.02 %

As of June 30, 2005, exposure to the largest client credited by the Bank did not exceed the statutory limit of liabilities contracted on demand of a customer in relations with an individual entity, i.e. 25% of equity of the Bank pursuant to Art. 71, par. 1 of the Banking Law.

As of June 30, 2005, exposure to the largest group of entities related by capital or organization did not exceed the statutory limit of liabilities contracted on demand of a customer in relations with a group of entities related by capital or organization that take business risk together, i.e. 25% of equity of the Bank pursuant to Art. 71, par. 1 of the Banking Law.

Comparable data is presented by exposure amount, i.e. by largest client as of June 30, 2004 and, therefore, exposure in individual reporting periods may refer to a different entity or group when taking into account the number of an entity or group.

- balance sheet and off-balance sheet exposure to subsidiaries

Entity No. Name	Amount in PLN '000	Exposure to equity
As of June 30, 2005:		
1. Entity No. 1	289,706	17.35 %
2. Entity No. 2	258,323	15.47 %
3. Entity No. 3	53,363	3.20 %
As of June 30, 2004:		
1. Entity No. 1	261,862	16.89 %
2. Entity No. 2	71,954	4.64 %

As of June 30, 2005, exposure to the largest subsidiary credited by the Bank did not exceed the statutory limit of liabilities contracted on demand of a customer in relations with a subsidiary, i.e. 20% of equity of the Bank pursuant to Art. 71, par. 1 of the Banking Law. Comparable data is presented by exposure amount, i.e. by largest client as of June 30, 2004 and, therefore, exposure in individual reporting periods may refer to a different entity or group when taking into account the number of a customer.

Bank Millennium S.A. SAB-P2005 PLN in thousands

- balance sheet exposure by territory (province) (financial institutions excluding banks, non-financial entities and public sector entities)

PROVINCE	RECEIVABLES EXCLUDING ACCRUED INTEREST (GROSS)
Dolnośląskie	433,936
Kujawsko-pomorskie	531,726
Lubelskie	146,748
Lubuskie	113,597
Łódzkie	87,593
Małopolskie	196,398
Mazowieckie	4,683,546
Opolskie	44,641
Podkarpackie	54,769
Podlaskie	22,533
Pomorskie	762,393
Śląskie	571,569
Świętokrzyskie	30,173
Warmińsko-mazurskie	240,070
Wielkopolskie	383,402
Zachodnio-pomorskie	136,681
TOTAL	8,439,775

2. SOURCES OF DEPOSITS ATTRACTED BY SECTOR AND BY TERRITORY

PLN '000; accrued interest excluded, financial institutions excluding banks, non-financial entities and public sector entities)

SECTOR	CURRENT ACCOUNTS AND TERM DEPOSITS
Supportive financial institutions	121,475
Insurance companies and pension funds	341,129
Other financial intermediaries	357,580
State-owned enterprises and companies	770,080
Private enterprises and companies	2,201,952
Individual farmers	13,032
Individual entrepreneurs	283,995
Individuals	7,768,283
Non-commercial institutions for households	451,976
Governmental institutions at the central level	323,058
Self-government institutions	768,735
Social insurance funds	100,379
TOTAL	13,501,674

Bank Millennium S.A. SAB-P2005 PLN in thousands

PROVINCE	CURRENT ACCOUNTS AND TERM DEPOSITS
Dolnośląskie	478,368
Kujawsko-pomorskie	1,318,133
Lubelskie	249,779
Lubuskie	105,225
Łódzkie	331,784
Małopolskie	368,954
Mazowieckie	3,984,779
Opolskie	183,393
Podkarpackie	90,769
Podlaskie	422,809
Pomorskie	3,263,722
Śląskie	692,505
Świętokrzyskie	43,470
Warmińsko-mazurskie	998,143
Wielkopolskie	608,541
Zachodnio-pomorskie	361,300
TOTAL	**13,501,674**

In addition to the above, the Bank concluded severe transactions of sale of securities with repurchase clause (repo) resulting in total liabilities of PLN 3,201,534 thousand (the amount does not include accrued interest).

3. CHANGES IN FINANCIAL SUPPORT TO FOREIGN BRANCHES

Bank Millennium S.A. does not have any foreign branches.

Bank Millennium S.A. SAB-P2005 PLN in thousands

4. FINANCIAL INSTRUMENTS

4.1. Financial assets and liabilities

Information on debt securities, shares, participation units, derivatives, loans and borrowings granted is presented in notes to the balance sheet (notes 1 to 13). Data on financial liabilities is included in notes 20 to 24 to the balance sheet.
Supplementary information to the above notes is presented in the tables below:

Debt securities (PLN '000):

	Depreciated purchase price	Fair value increases	Fair value decreases	Accrued interest	Book value
Tradable as of 31.12.2004	2,457,289	15,396	412	54,933	2,527,206
Tradable as of 30.06.2005	3,289,488	18,832	144	43,380	3,351,556
Available for sale as of 31.12.2004	4,051,136	33,729	0	101,569	4,186,434
Available for sale as of 30.06.2005	4,541,260	76,852	0	96,160	4,714,271
Held until maturity as of 31.12.2004	202,252	0	0	0	202,252
Held until maturity as of 30.06.2005	299,779	0	0	0	299,779

As of December 31, 2004 and June 30, 2005 debt securities with book value of PLN 1,450,499 thousand and PLN 3,264,522 thousand respectively were subject to sell –buy back (SBB) transactions.

Bank Millennium S.A. SAB-P2005 PLN in thousands

Debt securities (PLN ‘000):

As of 30.06.2005	Up to 3 months	3 moths to 1 year	1 to 5 years	Over 5 years	TOTAL
Fair value – tradable	1,351,924	533,022	1,148,757	317,852	3,351,556
Fair value – available for sale	67,001	320,217	3,737,682	589,371	4,714,271
Value at amortized cost – held until maturity	0	76,286	0	223,493	299,779

Participation units and investment certificates (PLN ‘000):

	Purchase price	Fair value
Tradable as of 31.12.2004	4,000	4,249
Tradable as of 30.06.2005	0	0
Available for sale as of 31.12.2004	0	0
Available for sale as of 30.06.2005	2,993	3,097

Bank Millennium S.A. SAB-P2005 PLN in thousands

Liabilities net of accrued interest (PLN '000):

As of 30.06.2005	Payable on demand	Up to 3 months	3 moths to 1 year	1 to 5 years	Over 5 years	TOTAL
Financial institutions	**933,063**	**217,078**	**176,918**	**2,500**	**263,683**	**1,593,242**
Banks	445,253	72,410	144	2,500	252,751	**773,058**
Insurance companies	191,571	882	148,676			**341,129**
Other financial institutions	296,239	143,786	28,098	0	10,932	**479,055**
Non-financial sector	**3,982,364**	**5,983,678**	**2,353,514**	**302,791**	**59,143**	**12,681,490**
Enterprises and other	1,786,266	1,838,736	93,909	1,848	276	**3,721,035**
Individuals	1,526,108	3,631,870	2,250,514	300,924	58,867	**7,768,283**
Public sector entities	669,990	513,072	9,091	19	0	**1,192,172**
TOTAL	**4,915,427**	**6,200,756**	**2,530,432**	**305,291**	**322,826**	**14,274,732**

Receivables due from non-financial sector and public sector entities, net of interest (PLN '000):

As of 30.06.2005	Payable on demand	Up to 3 months	3 moths to 1 year	1 to 5 years	Over 5 years	TOTAL
Enterprises, state-owned companies	28,628	8,469	8,834	45,890	181,257	**273,078**
Enterprises, private companies, cooperatives, individual entrepreneurs, farmers	781,371	88,440	516,320	1,247,321	1,235,314	**3,868,766**
Non-commercial institutions	234	846	1187	2,512	3,773	**8,552**
Retail (mortgage loans and credit cards excluded)	221,147	36,487	80,969	433,630	211,069	**983,302**
Retail – mortgage loans	0	7,923	1,678	30,693	2,170,125	**2,210,419**
Retail – credit cards	0	19,043	84,022	64,236	0	**167,301**
Public sector entities	6,255	12,798	12,442	106,758	234,020	**372,273**
Total	**1,037,635**	**174,006**	**705,452**	**1,931,040**	**4,035,558**	**7,883,691**

Bank Millennium S.A. SAB-P2005 PLN in thousands

Tradable derivatives – off-balance sheet assets (PLN '000):

					Trade from January 1 to June 30, 2005	
	Notional value as of 30.06.2005	**Security deposit**	**Notional value as of 31.12.2004**	**Security deposit**	**Increase**	**Decrease**
Interest rate contracts:	**7,288,824**	**0**	**9,594,233**	**0**	**0**	**2,305,409**
- FRAs	700,000		750,000			50,000
- swaps	6,588,824		8,844,233			2,255,409
- put options						
- call options						
FX contracts	**9,692,334**	**57,402**	**7,786,372**	**45,413**	**3,063,537**	**1,157,575**
- spot	868,510		2,026,085			1,157,575
- forward	2,295,208		1,301,286		993,922	
- swaps	5,842,870	57,402	4,201,746	45,413	1,641,124	
- put options	384,498		140,845		243,653	
- call options	301,249		116,410		184,839	
Other derivatives	**253,754**	**0**	**306,092**	**0**	**0**	**52,338**
- swaps with embedded FX option	58,558		65,000			6,442
- equity swaps	154,794		200,302			45,508
- volatility swaps	40,401		40,790			389
TOTAL	**17,234,911**	**57,402**	**17,686,697**	**45,413**	**3,063,537**	**3,515,323**

Bank Millennium S.A. SAB-P2005 PLN in thousands

Tradable derivatives – off-balance sheet liabilities (PLN '000):

					Trade from January 1 to June 30, 2005	
	Notional value as of 30.06.2005	**Security deposit**	**Notional value as of 31.12.2004**	**Security deposit**	**Increase**	**Decrease**
Interest rate contracts:	**7,298,824**	**0**	**8,994,233**	**0**	**560,000**	**2,255,409**
- FRAs	710,000		150,000		560,000	
- swaps	6,588,824		8,844,233			2,255,409
- put options						
- call options						
FX contracts	**9,533,309**	**0**	**7,669,386**	**0**	**3,021,959**	**1,158,036**
- spot	867,936		2,025,972			1,158,036
- forward	2,313,463		1,304,997		1,008,466	
- swaps	5,746,966		4,081,163		1,665,803	
- put options	303,696		140,845		162,851	
- call options	301,249		116,409		184,840	
Other derivatives	**253,754**	**0**	**306,092**	**0**	**0**	**52,338**
- swaps with embedded FX option	58,558		65,000			6,442
- equity swaps	154,794		200,302			45,508
- volatility swaps	40,401		40,790			389
TOTAL	**17,085,886**	**0**	**16,969,711**	**0**	**3,581,959**	**3,465,784**

Bank Millennium S.A. SAB-P2005 PLN in thousands

Derivatives – notional value (total assets and liabilities), PLN ‘000:

FORWARDS as of 30.06.2005	Up to 3 months	3 moths to 1 year	Over 1 year	TOTAL
TRADABLE	**2,059,020**	**2,528,672**	**1,430,979**	**6,018,671**
- interest rate risk		1,410,000		1,410,000
- fx risk	2,059,020	1,118,672	1,430,979	4,608,671
- other risks				0
HEDGING	0	0	0	0
- interest rate risk				
- fx risk				
- other risks				
TOTAL	**2,059,020**	**2,528,672**	**1,430,979**	**6,018,671**

SWAPS as of 30.06.2005	Up to 3 months	3 moths to 1 year	Over 1 year	TOTAL
TRADABLE	**2,284,465**	**4,038,614**	**18,951,912**	**25,274,990**
- swaps (irs, equity, volatility, with option)	**0**	**0**	**13,685,155**	**13,685,155**
- fixed leg		0	6,842,577	6,842,577
- floating leg		0	6,842,577	6,842,577
- cross currency swaps			**5,126,113**	**5,126,113**
- fx swaps	**2,284,465**	**4,038,614**	**140,645**	**6,463,723**
HEDGING	**0**	**0**	**524,994**	**524,994**
- interest rate swaps	**0**	**0**	**0**	**0**
- fixed leg				0
- floating leg				0
- cross currency swaps			**524,994**	**524,994**
TOTAL	**2,284,465**	**4,038,614**	**19,476,906**	**25,799,984**

Bank Millennium S.A. SAB-P2005 PLN in thousands

OPTIONS as of 30.06.2005	Up to 3 months	3 moths to 1 year	Over 1 year	TOTAL
TRADABLE	**205,448**	**640,253**	**444,990**	**1,290,691**
- interest rate risk				
- fx risk	205,448	640,253	444,990	1,290,691
- other risks				
HEDGING				
- interest rate risk				
- fx risk				
- other risks				
TOTAL	**205,448**	**640,253**	**444,990**	**1,290,691**

Sell-buy-back (SBB) transactions (book value) by maturity as of 30.06.2005:

Up to 3 months	3 moths to 1 year	1 to 5 years	Over 5 years	TOTAL
1,998,652	1,229,841	0	0	3,228,493

Buy-sell-back (BSB) transactions (book value) by maturity as of 30.06.2005:

Up to 3 months	3 moths to 1 year	1 to 5 years	Over 5 years	TOTAL
123,466	81,019	0	0	204,485

4.2. Additional information on financial assets and liabilities

4.2.1.

a) Basic description, amount and value of financial instruments, important terms and conditions that could have influence on the amount, timing and certainty of future cash flows

The Bank concludes transactions involving derivatives for speculative purposes and to manage foreign currency risk, interest rate risk, liquidity risk and market risk.
Settlements in respect of open positions depend on the nature of an instrument and are made on a monthly, quarterly or annual basis or at maturity.
A variable interest rate is based on an interest rate prevailing in the interbank market at the beginning of an interest period. A fixed interest rate depends on the nature of an instrument and the purpose of the transaction.
The Bank concludes the following transactions:
- FX FORWARD,
- FX SWAP,
- CCIRS,
- IRS,
- FRA,
- FX Option,
- Equity Swap,
- IRS with FX option
- volatility swap.

Cross currency interest rate swaps (CCIRS) consist in swapping flows of interest accrued on notional values denominated in different currencies. The Bank concludes transactions involving CCIRS in the interbank market and with clients.
Interest rate swaps (IRS) consist in swapping flows of interest accrued on notional values denominated in the same currency. The Bank concludes transactions involving IRS in the interbank market and with clients.
Parties to FRA (forward rate agreement) exchange the difference between the interest rate specified in FRA and a variable reference rate calculated on the agreed principal amount. The Bank concludes FRAs in the interbank market and with customers.
The buyer of an option acquires the right to purchase (call option) or sell (put option) a specified foreign currency denominated amount at the foreign exchange rate agreed in advance on a future date. The Bank concludes transactions involving foreign currency options in the interbank market and with clients.
Equity swaps consist in swapping flows of interest accrued on notional values. These flows of interest depend on a stock exchange index or dividends and stock prices. The Bank concludes equity swaps in the interbank market.
IRS with FX option consist in swapping flows of interest accrued on notional values. Interest flows depend on FX rate. The Bank concludes these transactions in the interbank market.
Volatility swaps consist in swapping flows of interest accrued on notional values. These flows of interest depend on the volatility of a given currency. The Bank concludes these transactions in the interbank market.

Bank Millennium S.A. SAB-P2005 PLN in thousands

As of 31.12.2004						
Kind of instrument	IRS	FX swaps	FX options	CCSs	Asset swaps	FX forwards
Number of transaction	137	110	222	13	8	386
Fair value	19,630,785	86,110,662	704,857*	19,672,178	11,607,108	-5,363,312
Purpose	tradable/hedge	tradable	tradable	tradable/hedge	hedge	tradable
Notional value	9,231,905,692	4,269,756,996	257,254,841	1,260,696,252	204,124,070	1,176,667,581
Future revenues/payments	variable	variable	variable	variable	variable	variable
Maturity	07-02-05 to 22-10-10	03-01-05 to 22-03-06	05-01-05 to 29-03-06	05-10-04 to 01-04-09	14-02-06 to 10-12-08	03-01-05 to 05-09-06
Possible premature settlement	none	none	none	none	none	none
Price/price bracket	margin from -181 bps to +238 bps	none	premium from PLN 3,200 to 243,095	margin from -62 bps to +100 bps	margin from 0 to 440 bps	none
Possible swap for other asset/liability	none	none	none	none	none	none
Agreed rates/amounts of interest, payment dates	variable	fixed	variable	variable	variable	fixed
Additional collateral	none	none	none	none	none	none
Other conditions	none	none	none	none	none	none
Kind of risk	interest rate/FX/equity	interest rate/FX	FX	interest rate/FX	interest rate/FX	FX

* - adjustment to fair value for options

Bank Millennium S.A. SAB-P2005 PLN in thousands

As of 30.06.2005						
Kind of instrument	Swaps (IRS, equity, volatility, with option)	FX swaps	FX options	CCSs	Asset swaps	FX forwards
Number of transaction	116	110	236	18	7	746
Fair value	-39,681,104	48,316,457	518,873*	48,489,685	4,221,607	-13,081,318
Purpose	tradable/hedge	tradable	tradable	tradable/hedge	hedge	tradable
Notional value	6,842,577,302	3,194,914,109	604,944,280	2,645,547,109	155,915,790	2,076,854,459
Future revenues/payments	variable	variable	variable	variable	variable	variable
Maturity	04-07-05 to 22-10-10	01-07-05 to 05-09-06	04-07-05 to 27-12-06	30-11-05 to 15-04-20	01-03-06 to 10-12-08	01-07-05 to 11-07-08
Possible premature settlement	none	none	none	none	none	none
Price/price bracket	margin from -181 bps to +238 bps	none	premium from PLN 3,200 to 243,095	margin from -62 bps to +100 bps	margin from 0 to 440 bps	none
Possible swap for other asset/liability	none	none	none	none	none	none
Agreed rates/amounts of interest, payment dates	variable	fixed	variable	variable	variable	fixed
Additional collateral	none	none	none	none	none	none
Other conditions	none	none	none	none	none	none
Kind of risk	interest rate/FX/equity	interest rate/FX	FX	interest rate/FX	interest rate/FX	FX

* - adjustment to fair value for options

Fair value adjustment for embedded instruments, PLN ‘000:

	01.01.2005	**Gains/Losses in the Income Statement**	**30.06.2005**
Options embedded in customer deposits	-3,128	-911	-4,039

b) methods and material assumptions used to establish fair value of financial assets and liabilities valued at that value

Debt securities

Valuation of the portfolio of ‘tradable’ and ‘available for sale’ debt securities is made at the end of each month in accordance with the following assumptions:

Treasury bonds:
1. Variable interest bonds: accordingly valuation model based on market prices for fixed rate bonds and value of WIBOR (Nelson-Siegl-Svensson curve)
2. Fixed interest and zero coupon bonds: at best market BID price established by active market participants at 4:00 p.m. as published by Reuters;
3. Bonds for which the market price is not available are valued at amortized cost, in particular, the valuation covers purchase price adjusted for accrued interest, discount, premium.

Bonds issued by entities other than State Treasury:
Bonds for which market price is not available are valued at amortized cost, in particular, the valuation covers purchase price adjusted for accrued interest, discount, premium.
Treasury bills:
Market price is calculated based on the best yield offered by buyers and the best yield offered by sellers as established by active market participants. Yields are published by Reuters.
Foreign currency denominated securities:
Valuation is based on the price established in the active regulated market in which these securities are publicly traded and information on prices is readily available. In the absence of quotations in the regulated market, the price established by active market participants is deemed to be a market price. Prices are published by Reuters and Bloomberg. Bonds for which the market price is not available are valued at amortized cost, in particular, the valuation covers purchase price adjusted for accrued interest, discount, premium.

Derivatives are valued using the following models:

- *FX Forwards*

Forward rates used to value forwards are calculated based on the NBP’s current fixing for all currencies in the table and interest rates on deposits in individual currencies with reference to their maturity (taken from Reuters screens).
In case of interest rates on deposits placed for 1 week to 9 months, LIBOR rates are used for most currencies. Interest rates on deposits denominated in DKK, NOK, SEK, and CZK are taken from Reuters screens. All interest rates on PLN deposits (from 1W to 9M) are from the WIBO screen.
For maturities over 1 year to 24 months rates from a spot curve are used (for all currencies included in the table). As a starting point, actively traded swap curves are used to calculate the spot curve. These swap curves show a fixed coupon rate for each currency in a specified period (for PLN, EUR and USD they are taken from REUTERS screens: <PLNIRS>, <EURIRS>, <USDIRS> respectively) at 11.00 a.m. Warsaw time. Rate calculations are based on a 30-day month.

- *Forward Rate Agreement*

To value FRAs the Bank uses an application running in the IBIS system. In order to calculate a discounting factor, the Bank applies rates from a spot curve. As a starting point, actively traded swap curves are used to calculate the spot curve (for maturity below 1 year rates prevailing in the interbank market are applied).

These swap curves show a fixed coupon rate for each currency in a specified period (for PLN, EUR and USD they are taken from REUTERS screens: <PLNIRS>, <EURIRS>, <USDIRS> respectively) at 11.00 a.m. Warsaw time. Based on these curves, implied spot curves are modeled mathematically to obtain discounting factors. The valuation consists in calculation of the difference between the agreed interest rate and the relevant market rate for FRA from REUTERS screens applied to the underlying principal. The value so calculated is discounted using discounting factors.

- *FX SWAP*

To value FX swaps the Bank has its own application developed on the model of Bloomberg's application.
Actively traded swap curves are used as a starting point of the model (for maturity below 1 year rates prevailing in the interbank market are applied). These swap curves show a fixed coupon rate for each currency in a specified period (for PLN, EUR and USD they are taken from REUTERS screens: <PLNIRS>, <EURIRS>, <USDIRS> respectively) at 11.00 a.m. Warsaw time. Based on these curves, implied spot curves are modeled mathematically to obtain discounting factors.
In market valuation, an fx swap is treated as taking a long position in one currency and a short position in another currency. Finally, the market value of the fx swap is calculated as the summation (taking into consideration signs for long and short positions) of current values of all payments. Payments in foreign currencies are translated at the current fixing rate for discounted cash flows. For points outside the spot curve, the model applies the linear interpolation method.

- *Interest rate swap*

To value PLN interest rate swaps the Bank has its own application developed on the model of Bloomberg's application. Actively traded swap curves are used as a starting point of the model (for maturity below 1 year rates prevailing in the interbank market are applied). These swap curves show a fixed coupon rate for each currency in a specified period (for PLN, EUR and USD they are taken from REUTERS screens: <PLNIRS>, <EURIRS>, <USDIRS> respectively) at 11.00 a.m. Warsaw time. Based on these curves, implied spot curves are modeled mathematically to obtain discounting factors. Spot curves also enable to calculate variable coupons as implied forward rates, which represent a current forecast.
In market valuation, a swap is treated as taking a long position in a fixed interest bond and a short position in a variable interest security (or vice versa). Each cash flow generated by this combination (fixed coupon from the underlying contract, variable coupon based on implied forward rates) is calculated at the valuation date using appropriate discounting rates. Finally, the market value of the swap is calculated as the summation (taking into consideration signs for long and short positions) of current values of all payments. For points outside the spot curve, the model applies the linear interpolation method. Terms of cash flows are established in accordance with the contract.

- *Cross currency swap*

To value cross currency swaps the Bank uses its own application developed on the model of Bloomberg's application. Actively traded swap curves are used as a starting point of the model (for maturity below 1 year rates prevailing in the interbank market are applied). These swap curves show a fixed coupon rate for each currency in a specified period (for PLN, EUR and USD they are taken from REUTERS screens: <PLNIRS>, <EURIRS>, <USDIRS> respectively) at 11.00 a.m. Warsaw time. Based on these curves, implied spot curves are modeled mathematically to obtain discounting factors. Spot curves also enable to calculate variable coupons as implied forward rates, which represent a current forecast. In market valuation, a swap is treated as taking a long position in a fixed/variable interest bond in one currency and a short position in a fixed/variable interest bond in another currency. Each cash flow generated by this combination is discounted (fixed coupons from the underlying contract are discounted using discounting factors, variable coupons are discounted using relevant discounting factors and converted into PLN in accordance with the fixing rate of the NBP valid on the valuation date). Finally, the market value of the cross currency swap is calculated as the summation (taking into consideration signs for long and short positions) of current values of all payments.
For points outside the spot curve, the model applies the linear interpolation method for all currencies. Terms of cash flows are established in accordance with the contract.

- *Options*

Options are valued using the Garman-Kohlhagen model. A starting point of the Garman-Kohlhagen method is the option valuation model developed by Black and Scholes for shares that pay dividends on a continuous basis. One of basic assumptions of this model is that the normal distribution applies to fluctuations of price of the underlying instrument. Inferences from statistical tests do not support this assumption since tested empirical distributions are characterized by non-zero skewness and “fat tails” and, therefore, the probability of significant deviations from an expected value is higher than in case of the normal distribution. In option valuations, the market takes into account this fact on a par with a liquidity premium. The implied variation resulting from quotations is several times higher that the variation based on historical data. Hence, as the source of information on the implied variation parameter we use daily quotations of brokerage houses such as: Prebon – Marshall London, Tullet – Tokyo London, Garban Intercapital London, JP Morgan London. We also take an opportunity to obtain data on the value of this parameter from active participants in the option market, i.e.: BRE Bank Warszawa, Bank Handlowy Warszawa, Deutsche Bank London, Royal Bank of Scotland. Interest rates for the original transaction and a reverse hedging transaction are established as follows: for PLN – mid rate (arithmetic mean of WIBID/WIBOR prevailing on the trade date), for foreign currencies – relevant LIBOR rate prevailing on the trade date. The Bank adopted the linear interpolation method to establish market transaction parameters for unusual delivery terms.

Sell Buy Back (SBB) transactions are valued at amortized cost, whereas securities being subject of those transactions are recognized in balance sheet and valued in line with rules applicable to particular securities portfolios.
Buy – sell back (BSB) transactions are valued at amortized cost whereas securities being subject of those transactions are eliminated from balance sheet.

c) accounting principles adopted for financial instruments purchased in a regulated market

The Bank purchases treasury bonds in a regulated market. Financial instruments purchased by the Bank in a regulated market are recorded using settlement date method.

Bank Millennium S.A. SAB-P2005 PLN in thousands

d) information on interest rate risk

Analysis of revaluation periods of balance sheet and off-balance sheet items subject to interest rate risk

A S S E T S (PLN '000,000)	revalued up to 1 month	revalued within 1 to 3 months	revalued within 3 to 6 months	revalued within 6 to 12 months	revalued within 1 to 3 years	revalued within 3 to 5 years	revalued over 5 years	**Total**
Interbank deposits placed	632.16	239.01	20.17	53.63	0.00	0.00	0.00	**944.97**
Loans granted to financial and non-financial entities	8,052.74	0.00	0.00	514.78	0.00	0.00	0.00	**8,567.52**
Securities (with buy and sell transactions)	1,314.34	1,060.69	170.93	1,226.79	308.76	947.38	97.54	**5,126.42**
Interest rate swaps	937.48	1,838.64	2,124.15	852.29	1,190.00	99.80	0.00	**7,042.36**
FRAs	0.00	0.00	686.71	98.99	0.00	0.00	0.00	**785.70**
Other assets at interest rate risk	8,952.99	5,005.20	2,744.16	1,530.86	1,723.57	596.19	0.00	**20,552.96**
Other assets	432.46	0.00	0.00	2,302.33	0.00	0.00	0.00	**2,734.79**
Total assets	**20,322.17**	**8,143.55**	**5,746.11**	**6,579.67**	**3,222.32**	**1,643.37**	**97.54**	**45,754.72**
L I A B I L I T I E S (PLN '000,000)	revalued up to 1 month	revalued within 1 to 3 months	revalued within 3 to 6 months	revalued within 6 to 12 months	revalued within 1 to 3 years	revalued within 3 to 5 years	revalued over 5 years	**Total**
Interbank deposits accepted	477.36	149.00	38.86	0.00	0.00	0.00	0.00	**665.21**
Deposits accepted from clients	6,837.02	3,822.07	1,849.21	882.79	135.42	0.00	0.00	**13,526.51**
Debt securities issued	0.00	0.00	411.69	0.00	8.78	0.00	0.00	**420.47**
Interest rate swaps	1,033.99	1,723.96	1,602.10	604.71	1,382.80	743.53	0.00	**7,091.08**
FRAs	0.00	0.00	98.62	688.44	0.00	0.00	0.00	**787.06**
Other liabilities at interest rate risk	10,301.18	4,242.15	3,934.77	429.52	350.21	0.00	89.03	**19,346.86**
Other liabilities	0.00	191.11	0.00	3,726.41	0.00	0.00	0.00	**3,917.52**
Total liabilities	**18,649.55**	**10,128.29**	**7,935.25**	**6,331.86**	**1,877.21**	**743.53**	**89.03**	**45,754.72**
Mismatch in revaluation periods	**1,672.62**	**-1,984.74**	**-2,189.14**	**247.80**	**1,345.11**	**899.84**	**8.51**	**0.00**

Bank Millennium S.A. SAB-P2005 PLN in thousands

e) information on credit risk:

Classes of financial assets and liabilities	Amount
I. ASSETS WITH 0% RISK WEIGHT	
Cash and cash equivalents	213,215
Accrued interest disclosed in restricted income	152,759
Amounts due from class I entities	690,805
Amounts due from class II and class III entities, collateralized part	1,347,545
Debt securities issued by class I entities	4,498,498
Debt securities issued by class II and class III entities, part underwritten by class I entities	0
Assets on valuation of off-balance sheet liabilities	374,086
Equity decreasing assets (including assets of brokerage houses from the Bank organizational structures)	361,404
II. ASSETS WITH 20% RISK WEIGHT	
Amounts due from class II entities, part not subject to 0% risk weight	1,430,315
Amounts due from class III entities, collateralized part	302,130
Debt securities issued by class II entities	233,627
III. ASSETS WITH 50% RISK WEIGHT	
Amounts due from class III entities, part collateralized with mortgage on inhabited or leased real estate	994,302
Other on-balance sheet settlement accounts	425,803
IV. ASSETS WITH 100% RISK WEIGHT	
Amounts due not subject to lower risk weights	6,046,314
Securities, shares and other equity of other entities not subject to lower risk weights	503,989
Fixed assets	498,458
Intangible assets not decreasing equity of the Bank	0
Other assets not decreasing equity of the Bank	757
Contractor risk 0%	
1. Product risk weight 0% (low risk)	
unused loan commitments with original maturity up to 1 year or with the unconditional termination clause	11,381
2. Product risk weight 100% (full risk)	
guarantees granted regarded as loan substitute	1,985
Contractor risk 20%	
1. Product risk weight 0% (low risk)	
unused loan commitments with original maturity up to 1 year or with the unconditional termination clause	270,680
2. Product risk weight 50% (medium risk)	
documentary letters of credit opened and confirmed	1,208,640
unused loan commitments with original maturity over 1 year	
3. Product risk weight 100% (full risk)	
guarantees granted regarded as loan substitute	54,666
4. Forwards and options	12,730,242

Bank Millennium S.A. SAB-P2005 PLN in thousands

Contractor risk 50%	
1. Forwards and options	1,770,441
Contractor risk 100%	
1. Product risk weight 0% (low risk)	
unused loan commitments with original maturity up to 1 year or with the unconditional termination clause	2,190,576
2. Product risk weight 50% (medium risk)	
documentary letters of credit opened and confirmed	31,344
unused loan commitments with original maturity over 1 year	7,449
3. Product risk weight 100% (full risk)	
guarantees granted regarded as loan substitute	625,883
Assets included in the tradable portfolio of the Bank	3,351,555
Off-balance sheet liabilities included in the tradable portfolio	3,532,024

4.2.2. Tradable or available for sale financial assets valued at amortized cost if their fair value could not be reasonably obtained

Securities not valued at fair value are issued by non-financial entities. These securities are traded neither in a regulated market nor in the interbank marked and, therefore, the Bank could not reasonably establish their fair value including prevailing margin for credit risk.
In addition, the Bank does not value at fair value NBP bonds issued in connection with the reduction of a mandatory reserve (lack of reliable quotations).

4.2.3. Financial assets and liabilities not valued at fair value

The Bank values all tradable and available for sale portfolio assets as well as tradable portfolio financial liabilities at fair value, with the exception of assets presented in item 4.2.2.

4.2.4. Agreements under which financial assets are converted into securities or repurchase agreements

As of June 30, 2005, the Bank did not record any agreements under which financial assets are converted into securities or repo agreements. However, the Bank is involved in transactions with buy back clause (SBB) which are presented in point 4.1.

Bank Millennium S.A. SAB-P2005 PLN in thousands

4.2.5, 6. Effects of valuation of financial assets available for sale at fair value

Available for sale financial assets at fair value (data for the Bank, tax effect not accounted for):

Debt securities in PLN '000	Fair value at the beginning of the period (equity)	Change in fair value of portfolio of securities held at the beginning and at the end of the period*	Transfer from revaluation reserve to the Income Statement due to sale	Charge-offs of valuation from equity due to securities maturity	Period-end fair value of debt securities purchased during the period	Fair value of debt securities at the end of the period **
available for sale	33,728	28,705	9,787	534	25,275	77,387

*the amount includes the change in the value of available for sale securities subject to fair value hedge that was accounted for in the income statement

**the amount of PLN 77,387 thousand includes the value of securities available for sale amounting to PLN 72,588 thousand accounted for in equity and PLN 4,799 thousand in respect of the value of securities available for sale and pledged as collateral. Additionally, revaluation reserve (opening balance) covers valuation of available for sale securities pledged as collateral amounting to PLN 432 thousand.

Movements in revaluation reserve in respect of financial assets:	**PLN '000**
Opening balance	26,379
increases and decreases, of which:	46,209
- gains or losses on periodical valuation	46,209
Closing balance	72,588

4.2.7. Information on revenues and expenses in respect of those financial assets sold that could not be previously valued at fair value, including the on-balance sheet value of assets as of the date of sale

As of June 30, 2005, no such item was recorded.

4.2.8. In case of financial assets valued at fair value reclassified to assets valued at adjusted purchase price, the reasons of adopting the new valuation method

As of June 30, 2005, no such item was recorded.

4.2.9. Information on revaluation charges in respect of permanent diminution in value of financial assets

Bank Millennium S.A. SAB-P2005 PLN in thousands

As of June 30, 2005, the Bank did not maintain any provision for permanent diminution in value of debt securities.

4.2.10. Interest accrued on debt securities

PLN '000	up to 3 months	3 to 12 months	over 12 months
securities available for sale	302	2,328	93,531
tradable securities	0	2,846	40,534
securities held to maturity	0	0	0

4.2.11. Suspended interest

Information on suspended interest is disclosed in Note 26 to the Balance Sheet ("Other deferred income and restricted income)").

4.2.12. Interest accrued on own debt financial instruments issued (PLN '000)

Liability category	up to 3 months	3 to 12 months	over 12 months
Liabilities in respect of debt securities issued	0	5,798	643

4.2.13. Nominal value of underlying instruments subject to derivative contracts

Information is disclosed in Section 4.1.

4.2.14. Risk management goals and principles

Exposure to risk is inalienably connected with activity on financial markets and constitutes a fundamental factor affecting behaviour of market players, especially financial institutions. A huge part of financial decisions is taken with consideration of the risk thus generated. With this in mind the Bank formulated and implemented a risk management policy as well as a strategy to support its implementation.

The main threats to banking activity, at the same time constituting areas of risk management are: credit risk, market risk, liquidity risk and operational risk.

The Management Board of the Bank is responsible for defining and monitoring risk management policy on the strategic level. On the operational level management of individual banking risk areas, their ongoing control and setting of current policy directions within the framework defined by the Management Board, is the responsibility of three high-level committees: Capital, Assets and Liabilities Committee, Credit Committee and Operational Risk Committee.

Measurement and management of risk in subsidiaries is done on the Bank Head Office level. All types of risk are monitored and controlled with respect to profitability of the pursued activity and to the level of capital essential to ensure security of operations from the point of view of capital requirements. Risk measurement results are regularly reported in management information.

As at the end of June 2005 the level of own capital securing risks borne by the Bank was PLN 1,975.7 million, permitting maintenance of a very high level of solvency ratio of 17.98%.

CREDIT RISK

Credit risk arises in connection with the lending activity pursued by the Bank with respect to customers from all segments as well as in result of activity on the interbank market. The Bank manages this risk as part of ongoing credit policy and by building appropriate organisational structures taking part in the credit process as well as by improving the rating and scoring models used in the Bank to support the credit decision process.

Credit policy

The Bank’s credit policy adopts the principle of creating optimum conditions for development of sales of broadly understood credit products in the entire Capital group, at the same time maintaining a satisfactory level of credit risk and a high quality of the portfolio. The Bank’s policy is contained in a series of procedures issued by the Management Board of the Bank or its members. The most important parts of the Bank’s credit process, including scopes of authority of relevant decision makers with regard to approval of risk-based transactions, have been defined in “General Credit Rules”. The Bank’s policy for financing individual customer segments has been reflected in various detailed regulations (“Credit rules for individual customer segments”).

In case of corporate customers the key tool for co-operation is an internal credit limit, the assumptions of which were modified in the 1st half of 2005 with a view to further improvement of customer service efficiency. These assumptions were contained in the “Instructions on rules of functioning of an internal credit limit”. Additionally in case of companies with full accounting the Bank has verified assumptions with respect to assessment of credit capacity, which were contained in a separate document.

Moreover in the 1st half of 2005 the Bank modified the approach to assessment of credit applications of private individuals by redefining specific procedures for credit capacity assessment; depending on the situation (i.a. collateral presented by the customer, the history of his relationship with the Bank) the procedure, which is most appropriate for the customer is applied. The above assumptions were reflected in the “Instructions for procedures of assessing credit capacity of individual Customers”, which define the scoring models used by the Bank with respect to individual customers.

Additionally the Bank pursues an active policy with respect to accepted collateral of risk-based transactions, in particular as regards assessment of its value when granting the loan and monitoring until full payment of the loan. The principles of this policy are contained in the “Instructions for monitoring and value appraisal of collateral”.

Organisation of the credit process

Organisation of credit risk management in the Bank consists first of all in separating, as a rule, of organisational units dealing with sales of banking products, from persons responsible for risk assessment. Moreover specific decision-making levels were defined (comprising always two persons). These persons due to their positions have the authority to take decisions regarding approval of risk-based transactions. Levels of authority of individual decision-making levels differ from one another and depend especially on the level of the Bank’s exposure to the customer, with the highest decision-making level being generally the Credit Committee of the Bank, comprising i.a. members of the Management Board responsible for individual business lines as well as for risk assessment. Apart from taking credit decisions with respect to individual customers the Credit Committee also has the power to define guidelines for the Bank's credit policy.

Tools supporting the credit process

The Bank also continues work connected with improving electronic tools supporting the credit process. Subject to regular tests are risk assessment models, including the behavioural scoring model used for individuals, which is based on the to-date relationship with the customer i.e. his accounts, period of the relationship, service of payment cards and other credit products. The tool supporting the process of analysis of credit risk connected with financing companies are rating models. Improvement of efficiency of the Bank's systems supporting analytical and decision-making processes increases the speed and quality of customer service, thus greatly affecting efficiency of the entire credit process.

Regardless of improvement of risk analysis tools the Bank provided training to staff on assessment of the economic and financial standing of customers and about legal regulations.

MARKET RISK

Market risk is connected with the uncertainty that interest rates, FX rates and prices of securities as well as derivative financial instruments held by the Bank will take values deviating from the originally assumed ones, which will consequently result in arisal of uncontrolled gains or losses on maintained positions.

In the 1st Semester of 2005 the Bank continued to develop its market risk control system to both adjust it to requirements of the changing profile of the Bank's financial activity, resulting i.a. from greater diversification and growing trading of financial instruments, take on board detailed risk control rules required by legal regulations as well as adjusting measurement tools to new methodological achievements and greater power of technology.

The main methods used for daily management of market risk in the Bank include the Value at Risk method (VaR) and methods recommended by NBP. The Value at Risk method is applied to the trading portfolio and the Bank's portfolio comprising all financial instruments both in the balance sheet as well as off-balance. To complement the Value at Risk method the Bank is doing backtesting and develops tools for measurement of market risk of trading portfolios with use of scenario methods. These methods are particularly useful from the point of view of extraordinary events, which the VaR method is unable to anticipate.

Parallel to changes concerning organisation and methodology of controlling market risk the Bank continued to introduce technological changes concerning IT solutions supporting risk management. The Bank on the basis of the new Kondor+ transaction system used to handle transactions concluded in the Treasury department, uses the InVaR IT tool built by the strategic investor (BCP ALM Division) together with the Reuters agency on the basis of RiskMetrics methodology (JP Morgan). From the point of view of risk control the new transaction system has very important features: it ensures access to an integrated and complete transactional database, it permits management of all positions and control of utilisation of limits in real time as well as enabling daily calculation of the result on all operational levels.

Interest rate risk

In the area of interest arte risk the Bank applies the principle of maximising market value of capital when generating the assumed net interest income within adopted risk limits.

As at the last day of June 2005 the Bank's exposure on account of interest rate risk (VaR) was approx. PLN 25.3 million (approx. PLN 16.0 million on average in the 1st Semester) with a valid global limit for market risk of PLN 48.2 million.

Supplementing measurement of Value at Risk (VaR) the Bank also estimates hypothetical changes of financial result (EaR) caused by changes of market interest rates.

FX risk

The key aim of managing FX risk is to shape the structure of FX assets and liabilities as well as off-balance items within internal and external limits, defined in the Bank's case by Banking Law requirements.

In the 1st semester of 205 the Bank maintained a balanced FX position. As at the end of June the Bank's exposure on account of FX risk (VaR) was approx. PLN 0.3 million (approx. PLN 0.4 million on average in the 1st Semester) with a valid limit of PLN 16.1 million.

Risk connected with derivative instruments

All transactions, the object of which are financial derivative instruments, are concluded either to hedge open balance sheet positions, or for trading purposes within defined internal limits. The key derivative instruments, which the Bank uses management of both interest rate risk and FX risk as well as for trading purposes are contracts such as FX Forward, Forward Rate Agreement, Interest Rate Swap, FX Swap, Cross Currency Swap and FX options.

LIQUIDITY RISK

As an overriding aim of liquidity risk management the Bank adopted such management of funds so that considering negative scenarios of change of the environment it remains possible to satisfy on time all contractual obligations of the Bank to customers. Liquidity risk would also arise if the Bank were to have problems with raising funds to finance its operational activity or was unable to liquidate its trading assets in a relatively short period of time, maintaining market prices. This is why the liquidity reserve is the portfolio of Treasury securities with highest secondary market liquidity.
The Bank manages liquidity risk on a daily basis, applying then method of net liquid assets (liquidity gap). To ensure the proper level of current liquidity the Bank maintains mandatory deposits on the level consistent with NBP requirements, funds on nostro accounts essential to execute non-cash settlements, optimum cash in the Bank's treasuries, liquidity margin in the form of highly liquid financial instruments.

In its investment policy the Bank is guided by requirements of Banking Law and recommendations of NBP. The Bank applies an internal ratio of structural liquidity, presenting total real mature assets to total real liabilities. The safe level of this ratio adopted by the Bank in the bracket of up to 3 months is 100%. The level of liquid assets is also limited (at 20%), defining the share liquid assets have in the Bank's balance sheet total; in the middle of 2005 it stood at 41.7%. Limited spot liquidity ratios (balance of receivables and liabilities on the money market plus securities available for immediate sale) and quarterly (lowest balance of receivables and liabilities on the money market accumulated during the quarter plus securities available for immediate sale on the date of this balance) were well above the adopted minimum values.

For purposes of current liquidity a portfolio is maintained of blocked securities in an amount ensuring execution of short-term payables. Moreover the concentration is monitored of liabilities to the largest customers as well as the evolution of the structure of assets and liabilities (both in the balance sheet as well as off-balance) of the Bank, which permits early identification of trends that are bad for liquidity. To supplement the above regular examination is made of stability of the deposits base, of premature termination of deposits and the scale of unauthorised overdrafts and use of open credit lines.

Bank Millennium S.A. SAB-P2005 PLN in thousands

The Bank has procedures for action in case of a situation threatening with material increase of liquidity risk – a so-called contingency plan in case of deterioration of the Bank's financial liquidity.

Operational risk

Operational risk is essentially connected with all types of risk generated in the Bank's operational activity. It is the risk of a loss arisen in result of inappropriate of unreliable internal activities and processes, human actions, systems and in result of impact of external events. Special immeasurable aspects of this risk are such factors, as risk of fraud by employees or third persons, inappropriate authorisations of transactions, failure of equipment and IT and telecom systems, inadequate training of staff as well as the risk of human error.

In the 1st half of 2005 the Bank continued work connected with improving the system of identification, assessment, monitoring and securing operational risk. One of the tools to prevent potential risk events and mitigating their effects are risk self-assessment procedures in all processes performed in the Bank.

An operational system and methodology are being developed in consistency with KNB (Banking Supervision Commission) recommendations and international standards. The Bank has defined tools, which it is implementing or plans to implement so that its system of identification, assessment, monitoring and securing operational risk may be complete and uniform to the maximum possible extent – in keeping with the Bank's "Operational Risk Management Strategy". One of its important components is a database of operational risk events as well as a reporting system, which also reports to the Operational Risk Committee.

4.2.15. Hedging instruments, including breakdown into fair value hedging, cash flows hedging, and hedging of investment in a foreign entity:

Hedging instruments (PLN '000):

	Hedging of							
	fair value as of 30.06.2005	fair value as of 31.12.2004	cash flows as of 30.06.2005	cash flows as of 31.12.2004	shares in net assets of foreign entities as of 30.06.2005	shares in net assets of foreign entities as of 31.12.2004	TOTAL as of 30.06.2005	TOTAL as of 31.12.2004
FX risk and interest rate risk	**318,312**	**390,344**					**318,312**	**390,344**
Interest rate risk	**0**	**163,160**	**,**				**0**	**163,160**
FX risk	**206,682**	**256,795**					**206,682**	**256,795**
TOTAL	**524,994**	**810,299**	**0**	**0**	**0**	**0**	**524,994**	**810,299**

Bank Millennium S.A. SAB-P2005 PLN in thousands

As of June 30, 2005, the Bank reported the following CCIRS hedging transactions:

- treated as the hedging of fair value of fixed-rate Eurobonds - the hedging consists in converting a fixed interest rate into a floating interest rate, and a nominal value in a foreign currency into PLN. The valuation of CCIRS hedging transactions and the underlying eurobonds is disclosed in the income statement;
- treated as the hedging of fair value of future payments denominated in foreign currency - they hedge changes in fair value of fx payments in respect of fx risk (revaluation of items to the NBP's fixing rate). The valuation of CCIRS hedging transactions and changes in fair value of fx payments on account of fx risk are presented in the income statement.

Adjustment to fair value of hedging instruments (PLN '000):

	01.01.2005	**30.06.2005**
- interest rate transactions	-2 534	0
- FX and interest rate transactions	-4 350	-2 486
- FX transactions	-28 157	-18 170
TOTAL	**-35 041**	**-20 655**

4.2.16. Hedging of planned transactions or probable future liabilities

As of June 30, 2005, the Bank hedged future fx payments resulting from concluded contracts. This hedging is discussed in item 4.2.15.

4.2.17. Hedging of cash flows

As of June 30, 2005, the Bank had no hedging instruments for cash flows.

5. OPTIONS FOR SUBSCRIPTION OR SALE OF ORDINARY SHARES

From January 1, 2005 to June 30, 2005, the Bank signed no contract for options for subscription or sale of ordinary shares.

6. ASSETS USED AS SECURITY OF LIABILITIES

As of June 30, 2005, the following assets of the Bank were used as security of liabilities:

- 10-year variable-rate Treasury bonds (DZ0109), total nominal value of PLN 106,120 thousand, were pledged to secure liabilities to Credit Suisse First Boston International.
- 10-year variable-rate Treasury bonds (DZ0109), total nominal value of PLN 54,825 thousand were pledged on behalf of the NBP (Poland's central bank) as security of the aid granted to the Bank by the NBP.
- 10-year variable-rate Treasury bonds (DZ0109), total nominal value of PLN 75,000 thousand were blocked against a lombard loan extended by the NBP to the Bank.
- 10-year variable-rate Treasury bonds (DZ0811), total nominal value of PLN 370,000 thousand were blocked against a lombard loan extended by the NBP to the Bank.
- 10-year variable-rate Treasury bonds (DZ0110), total nominal value of PLN 120,000 thousand were blocked against a lombard loan extended by the NBP to the Bank.
- 10-year variable-rate Treasury bonds (DZ1006), total nominal value of PLN 420 thousand were blocked against a lombard loan extended by the NBP to the Bank.
- Treasury bills with nominal value of PLN 40,000 thousand constitute a collateral of the Fund for Protecting Guaranteed Funds within the Bank Guarantee Fund.

In addition, as of June 30, 2005, the following securities were subject to SBB transactions):

Security	Nominal value (PLN)
DK0809	45,887,000
DS0509	30,100,000
DZ0109	362,788,000
DZ0110	90,304,000
DZ0406	8,915,000
DZ0811	45,185,000
OK0406	444,296,000
OK0407	211,206,000
OK0805	2,180,000
OK0806	434,760,000
OK0807	5,000,000
OK1206	788,339,000
PS0310	481,000,000
PS0608	168,651,000
PS1106	41,452,000
TB050803	3,510,000
TB050824	10,200,000
TB051019	490,000
TB051102	310,000
TB051116	250,000
TB060104	650,000
TB060111	4,690,000
TB060412	39,520,000
TB060419	23,600,000
TB060531	12,310,000
TB060614	10,470,000
TB060628	20,000,000

Bank Millennium S.A. SAB-P2005 PLN in thousands

7. SELL-BUY-BACK TRANSACTIONS NOT INCLUDED IN THE BALANCE SHEET

Data on sell-buy-back transactions concluded by the Bank is presented in the balance sheet of the Bank.

8. FINANCIAL OBLIGATIONS EXTENDED, INCLUDING IRREVOCABLE OBLIGATIONS EXTENDED

Data on unused credit lines is presented in Additional Notes to these financial statements.

9. DATA ON THE OFF-BALANCE SHEET ITEMS, IN PARTICULAR ON CONTINGENT LIABILITIES

As of June 30, 2005, net contingent liabilities amounted to PLN 4,404,604 thousand, of which:
- guarantees and sureties granted and underwriting of issues of securities PLN 684,534 thousand;
- financing commitments PLN 3,720,070 thousand.

As of June 30, 2003, net contingent liabilities amounted to PLN 2,872,743 thousand, of which:
- guarantees and sureties granted and underwriting of issues of securities PLN 491,316 thousand;
- financing commitments PLN 2,381,427 thousand.

As of June 30, 2005, the total number of guarantees and sureties issued (including bills of exchange and other guarantee type liabilities, excluding guarantees and sureties from the European Fund for Polish Country Development) was 1,430.
With guarantees and warranties regarding the European Fund for Polish Country Development (Europejski Fundusz Rozwoju Wsi Polskiej) their value was as follows:

	Expiration				
Customer - sector	**Up to 3 months**	**3 months to 1 year**	**Customer - sector**	**Up to 3 months**	**3 months to 1 year**
- Financial	93,541	17,483	11,206	497	122,727
- Non-financial	16,424	250,932	219,972	26,309	513,638
- Public	932	3,600	34,079	4,550	43,161
- Individuals	100	11,308	6,487	24	17,919
TOTAL GROSS	110,998	283,324	271,743	31,380	697,445
				PROVISION	**-14,911**
				TOTAL NET	**682,534**

Total value of contingent liabilities in respect of underwriting arrangements for issues of securities, pending as of June 30, 2005, was PLN 2,000 thousand, as shown in the table below:

Entity	Type of security - bonds	Expiration*	Liability as of June 30, 2005 (PLN '000)	Affiliation to the Bank	Marketability / presence on regulated market*
Entity No. 1	zero-coupon	30-09-2005	2,000	-	secondary market
TOTAL	X	X	**2,000**	X	X

* This guarantee does not apply to securities to be traded publicly

As of June 30, 2005, the Bank recorded the following contingent liabilities with related companies:

	subject to equity method		other
	consolidated	other	
guarantees and sureties granted	91,770	-	-
financial commitments (including open credit lines)	99,351	-	-
guarantees and sureties received	590	-	-

10. LIABILITIES TO STATE BUDGET OR LOCAL SELF-GOVERNMENT AUTHORITIES IN RESPECT OF RECEIVING AN OWNERSHIP TITLE TO BUILDINGS AND OBJECTS

As of June 30, 2005, the Bank had no such liabilities.

11. REVENUE, COSTS AND RESULTS ON DISCONTINUED BUSINESS IN THE GIVEN PERIOD OR INTENDED TO BE DISCONTINUED IN THE NEXT PERIOD, INCLUDING THE REASONS

From January 1 to June 30, 2005, the Bank did not discontinue any business and does not intend to discontinue any business.

12. COST OF FIXED ASSETS UNDER CONSTRUCTION AND FIXED ASSETS FOR OWN USE

Fixed assets under construction of Bank Millennium S.A. increased by PLN 3,620 thousand from January 1 June 30, 2005.

13. CAPITAL EXPENDITURE INCURRED AND PLANNED FOR THE NEXT 12 MONTHS FROM THE BALANCE SHEET DATE

From January 1, to June 30, 2005, the Bank incurred capital expenditures of PLN 3,774 thousand.
Planned capital expenditures of Bank MILLENNIUM from July 1, 2005 to June 30, 2006 amount to PLN 47,154 thousand
From January 1 to June 30, 2004, the Bank incurred capital expenditures of PLN 5,634 thousand (including purchases of fixed and intangible assets from FORIN Sp. z o.o. for PLN 1,705 thousand).
Planned capital expenditures from July 1, 2004 to June 30, 2005 amounted to PLN 45,865 thousand.

Bank Millennium S.A. SAB-P2005 PLN in thousands

14. ISSUER'S TRANSACTIONS WITH RELATED PARTIES

Significant transactions of the Bank with consolidated subsidiaries (PLN '000):

ASSETS	**June 30, 2005**	**June 30, 2004**
Amounts due, of which:	**1,426,869**	**1,415,831**
from BEL Leasing Sp. z o.o.	76,279	10,656
from FORIN Sp. z o.o.	231,439	-
from FORINWEST Sp. z o.o.	-	246,114
from Millennium DOM Maklerski S.A.	22,282	22,250
from PROLIM S.A.	60,538	-
receivables purchased from BEL Leasing Sp. z o.o.	1,025,014	1,136,811
Shares in companies subject to equity method	**567,630**	**1,421,006**
BEL Leasing Sp. z o.o.	221,180	214,395
FORINWEST Sp. z o.o.	-	46,048
FORIN Sp. z o.o.	0	0
Millennium DOM Maklerski S.A.	58,081	37,177
BIG BG Inwestycje S.A.	281,850	1,116,685
TBM Sp. z o.o.	1,598	1,169
BBG FINANCE B.V.	4,921	5,532
PROLIM S.A.	-	0
BESTA Sp. z o.o.	0	0
Amounts due in respect of securities purchased with a sell-back clause	**81,019**	**-**
BSB transactions with BIG BG Inwestycje S.A.	81,019	-
Debt securities, of which:	**33,277**	**-**
elimination of debt securities issued by companies of the Group and held by the Bank	33,277	-
Other assets, of which:	**980,875**	**33,188**
additional capital paid in to FORIN Sp. z o.o.	20,025	20,025
amounts due from BEL Leasing Sp. z o.o.	12,273	13,126
amounts due from BIG BG Inwestycje S.A. – capital reduction	948,590	-

LIABILITIES	**June 30, 2005**	**June 30, 2004**
Amounts payable, of which:	**333,831**	**330,879**
to BEL Leasing Sp. z o.o.	28,992	30,100
to Millennium DOM Maklerski S.A.	246,802	219,855
to TBM Sp. z o.o.	5,712	5,651
to FORINWEST Sp. z o.o.	-	44,168
to TFI Millennium S.A.	14,143	10,777
to BIG BG Inwestycje S.A.	1,397	19,393
to PROLIM S.A.	4,031	-
to FORIN Sp. z o.o.	32,754	934
Liabilities in respect of securities sold with a buy-back clause	**1,279,144**	**29,308**
to Millennium DOM Maklerski S.A. in respect of SBB transaction	51,151	29,308
to Millennium BIG BG Inwestycje S.A. in respect of SBB transaction	1,227,993	-
Other liabilities in respect of financial instruments:	**84**	**1,608**
on swap/forward with BEL Leasing Sp. z o.o.	84	1,608
Special funds and other liabilities, of which:	**1,579**	**1,892**
liability of the Bank due to FORIN/FORINWEST Sp. z o.o.	120	234

Bank Millennium S.A. SAB-P2005 PLN in thousands

INCOME STATEMENT	January 1 to June 30, 2005	January 1 to June 30, 2004
Income		
interest income, of which:	**29,254**	**26,915**
received from BEL Leasing Sp. z o.o.	17,273	19,454
received from FORIN Sp. z o.o.	6,433	507
received from FORINWEST Sp. z o.o.	-	6,358
received from Millennium DOM Maklerski S.A.	663	596
received from PROLIM S.A.	3,863	-
received from BIG BG Inwestycje S.A.	1,023	-
commission income, of which:	**3,069**	**1,958**
received from BEL Leasing Sp. z o.o.	914	497
received from TFI Millennium S.A.	2,077	1,199
received from Millennium DOM Maklerski S.A.	70	257
other operating income, of which:	**2,637**	**1,415**
received from BEL Leasing Sp. z o.o.	1,069	-
received from Millennium DOM Maklerski S.A.	1,038	978
received from BIG BG Inwestycje S.A.	81	9
received from FORIN Sp. z o.o.	235	61
received from TFI Millennium S.A.	211	95
received from FORINWEST Sp. z o.o.	-	272
Expenses		
interest expense, of which:	**43,267**	**9,052**
paid to BEL Leasing Sp. z o.o.	3	1,822
paid to Millennium DOM Maklerski S.A.	11,905	5,760
paid to TBM Sp. z o.o.	119	129
paid to BIG BG Inwestycje S.A.	30,062	359
paid to FORIN Sp. z o.o.	870	21
paid to TFI Millennium S.A.	308	19
paid to FORINWEST Sp. z o.o.	-	942
commission expense, of which:	**375**	**935**
paid to FORIN Sp. z o.o.	210	-
paid to FORINWEST Sp. z o.o.	-	927
paid to Millennium DOM Maklerski S.A.	165	8
general and administrative expenses, of which:	**923**	**1,173**
paid to BEL Leasing Sp. z o.o.	702	840
paid to FORINWEST Sp. z o.o.	-	331
paid to FORIN Sp. z o.o.	221	-

Subordinated loan granted to MILLENNIUM DOM MAKLERSKI S.A.

The Bank continues the agreement of subordinated loan taken over on April 21, 1998 and granted by the former Bank Gdański S.A. to MILLENNIUM DOM MAKLERSKI S.A. on April 29, 1997 for PLN 20,250 thousand until May 1, 2007 (extended on the expiration date of the previous agreement, i.e. May 1, 2002).

In addition, on September 18, 2003, the Bank granted MILLENNIUM DOM MAKLERSKI S.A. a further subordinated loan of PLN 2,000 thousand until September 18, 2008.

Bank Millennium S.A. SAB-P2005 PLN in thousands

Transactions with related companies holding shares in the Bank (as of June 30, 2005):

Assets of the Bank

Entity	Amounts due from financial sector	Short-term financial assets (valuation of derivatives)	Total
BCP	43,531	0	43,531

Liabilities of the Bank

Entity	Amounts due to financial sector	Short-term financial liabilities (valuation of derivatives)	Total
BCP	0	771	771

Income Statement of the Bank

Entity	Interest income	Interest expense	Income on financial operations	Costs of financial operations	Total profit/loss
BCP	16,615	-22,540	34,093	-2,317	25,851

Off-balance sheet items

Entity	Interest rate swaps	FX swaps	Total
BCP	1,206,682	30,597	1,237,279

Transactions with related companies holding shares in the Bank (as of December 31, 2004):

Assets of the Bank

Entity	Amounts due from financial sector	Short-term financial assets (valuation of derivatives)	Total
BCP	58,762	0	58,762

Liabilities and Equity of the Bank

Entity	Amounts due to financial sector	Short-term financial liabilities (valuation of derivatives)	Total
BCP	0	54,352	54,352

Income Statement of the Bank

Entity	Interest income	Interest expense	Income on financial operations	Costs of financial operations	Total profit/loss
BCP	92,749	-62,872	13,358	-28,477	14,758

Off-balance sheet items

Entity	Interest rate swaps	FX swaps	Equity swaps	Total
BCP	1,163,160	297,849	12,000	1,473,009

Bank Millennium S.A. SAB-P2005 PLN in thousands

15. JOINT VENTURES THAT ARE NOT SUBJECT TO CONSOLIDATION

Bank Millennium S.A. is not engaged in any such joint ventures.

16. INCOME AND COST OF THE BANK'S BROKERAGE OPERATIONS

Bank Millennium S.A. does not carry out brokerage activities.

17. WRITE-OFFS OF UNCOLLECTIBLE RECEIVABLES

	January 1 to June 30, 2005	January 1 to June 30, 2004
Write-offs of uncollectible receivables	68,144	473,576
- charged to the provisions established	68,144	473,576
- charged to other operational costs	0	0
Amounts recovered in respect of uncollectible receivables	29,012	10,205

18. COSTS RELATED TO PROVISIONING AGAINST FUTURE OBLIGATIONS TOWARDS EMPLOYEES

As of June 30, 2005, the total amount of provisions charged to costs was PLN 15,969 thousand.
The provisions were established in respect of:

- bonuses, commissions;
- vacation payments;
- retirement severance pays;
- remuneration for 2005.

19. COSTS INCURRED TO FINANCE EMPLOYEE PENSION PROGRAMS

Bank Millennium S.A. does not finance any employee pension programs.

20. CUSTODY OPERATIONS

As of June 30, 2005, the Custody Department maintained 1,940 investment accounts on which customers deposited securities for the total value of PLN 17,3 billion. The Custody Department serves as a depositary bank and a transfer agent for eleven investment funds from the whole group managed by Millennium TFI. In the first six months of 2005, the Custody Department attracted 19 corporate customers and assets for PLN 2.2 billion in total. As of June 30, 2005, net profit on custody operations amounted to PLN 1,7 million.

21. SECURITIZATION OF ASSETS

In the reporting period the Bank did not acquire any securities as a result of securitization of assets.

22. AVERAGE EMPLOYMENT BROKEN DOWN BY PROFESSIONAL GROUP

From January 1 to June 30, 2005, average employment in the Bank was as follows (full-time equivalents):

Bank Millennium S.A. in total	3,935
of which:	
- Management	126
- Other	3,809

Bank Millennium S.A. SAB-P2005 PLN in thousands

23. TOTAL VALUE OF SALARIES AND REWARDS (IN CASH AND IN KIND) PAID OR DUE TO MANAGERS AND SUPERVISORS

From January 1 to June 30, 2005 (PLN '000):

BANK MILLENNIUM S.A.

Remuneration of Members of the Management Board of the Bank (including bonuses for 2004)	13,646.8
Remuneration of Members of the Supervisory Board of the Bank	838.2

From January 1 to June 30, 2004 (PLN '000):

BANK MILLENNIUM S.A.

Remuneration of Members of the Management Board of the Bank	11,213.0
Remuneration of Members of the Supervisory Board of the Bank	770.6
Remuneration of Members of the Management Board of the Bank received from subsidiaries	14.9
Remuneration of Members of the Supervisory Board of the Bank received from subsidiaries	14.9

24. VALUE OF UNREPAID ADVANCES, CREDIT, LOANS, GUARANTEES, SURETIES OR OTHER AGREEMENTS BINDING TO MAKE PAYMENTS TO THE ISSUER

1. Members of the Management Board have commitments for PLN 38.5 thousand in total.
2. Guarantees granted to Members of the Management Board amounted to PLN 37.0 thousand in total.
3. Members of the Supervisory Board have commitments for PLN 7.8 thousand in total.

As of June 30, 2005, outstanding balance of loans granted to employees of the Bank from the Company Social Benefits Fund (ZFŚS) amounted to PLN 3,380.0 thousand.

The Bank does not maintain records of loans and borrowings granted to employees as part of on-going business, i.e. on commercial terms as for Customers of the Bank.

25. SIGNIFICANT PRIOR YEARS EVENTS DISCLOSED IN THE FINANCIAL STATEMENTS FOR THE CURRENT PERIOD

- On December 13, 2001, the Bank's Management Board announced that on December 12, 2001, BBG Finance BV ("BBG Finance", "Company"), a limited liability company established in the Netherlands and the Bank's subsidiary, had purchased 33 A-series variable interest bonds maturing in three equal installments: in December 2005, December 2006 and December 2007, of the total nominal value of EUR 33,000,000, and 80 A-series variable interest subordinated bonds maturing in 2011, of the total nominal value of EUR 80,000,000, issued by the Bank on the same day. The nominal value of each bond is EUR 1,000,000; the purchase price is equal to the nominal value.
  The Bank issued and sold the bonds to increase its creditworthiness, also by raising supplementary capital.
  On the same day, BBG Finance issued variable interest bonds maturing in three equal installments in December 2005, December 2006 and December 2007, of the total nominal value of EUR 33,000,000, and variable interest subordinate bonds maturing in 2011, of the total nominal value of EUR 80,000,000. The bonds were issued pursuant to the custody agreement concluded on the same day by BBG Finance with the Bank and Bank of New York as the custodian acting on behalf of investors purchasing the bonds.
  At the same time, BBG Finance, the Bank and Bank of New York concluded an agency agreement, under which Bank of New York is to provide agency services to handle payments, determine interest due, maintain the bondholders' register and act as bondholders' custodian.
  To secure its obligations under the custody agreement, on December 12, 2001, BBG Finance concluded an ownership transfer agreement for bonds issued by Bank Millennium S.A. with Bank of New York.
  In order to enable BBG Finance to issue bonds, on December 12, 2001, the Bank transferred EUR 1,200,000 as a premium to the Company's share capital, pursuant to a separate agreement concluded between the Bank and the Company. After the increase, the Company's equity accounts for 1.08% of the bond issue value.

- On February 6, 2002, the Management Board communicated that the Bank had received Decision No. 13/02 issued by the Banking Supervisory Commission on January 29, 2002 in which the Banking Supervisory Commission gave its consent to record as supplementary funds of the Bank, till December 12, 2011, PLN 275,000,000 from the issue of 10-year subordinated bonds of EUR 80,000,000 carried out by the Bank. The bonds were sold to BBG Finance B.V., the Bank's subsidiary headquartered in the Netherlands.

- On October 1, 2003 Management Board of the Bank informed that the Bank had executed a swap transaction with Banco Comercial Portugues ("BCP") to neutralize the effect of costs of carrying investments into shares of PZU S.A and payment of dividends received from PZU S.A. . upon financial result of the Bank. This contract also provided for the conditions under which it could be prematurely terminated as a result of selling PZU S.A. with a specific formula providing for the participation of BCP in sales revenues when value of the transaction would exceed PLN 1.600.000.000

- On December 21, 2004, the Bank together with its subsidiary BIG BG Inwestycje S.A.., signed an agreement with EUREKO B.V. on sale of 10% of shares in PZU S.A. Pursuant to the agreement the minimum guaranteed sale price for shares in PZU S.A. amounted to PLN 1.6 billion payable in two installments. The first installment of PLN 1.2 billion was paid on the bank account of BIG BG Inwestycje on December 30, 2004, while the second has to be received until the end of 2005 and is secured with a pledge on the shares sold.

- In result of sale of PZU S.A. shares the aforementioned swap transaction providing for the exchange of cash flows resulting from dividends paid by PZU S.A. and costs of carrying investments into shares of PZU S.A. (calculated based on 3-months WIBOR) has terminated.
  BCP has retained the right to participate in sale revenues when value of the minimum selling price exceeds PLN 1.600.000.000.
  The minimum selling price of PZU S.A. equal to PLN 1.6 billion can be increased by the amount of:
  - 80% of the surplus of average price of PZU S.A. shares over minimum selling price. The average price (weighted by the daily turnover volume) will be calculated for a period of 4 weeks starting from the second week of listings, in the event of floating PZU S.A. shares on the Warsaw Stock Exchange,
  - 100% of the selling price obtained by EUREKO B.V, exceeding minimum selling price, provided the PZU S.A. shares are sold by EUREKO B.V to a third party by the end of 2005,
  - 100% of the valuation performed by independent investment banks exceeding minimum selling price in the case when PZU S.A. shares are not publicly traded by 30 June 2005..

  At the same time in accordance with the sale (of PZU S.A. shares) agreement in question if between the date of the sale agreement and the date of the final transaction settlement PZU S.A. pays out a dividend in the amount exceeding the average dividend value for the last three financial years, then such surplus (in proportion to the shares covered by the agreement) will constitute Millennium Group income.

- On May 13, 2004, the Bank, in performance of the preliminary agreement of February 20, 2004, concluded an agreement with Santander Consumer Finance S.A. on transfer by the Bank on behalf of CC-Bank S.A., a company with its registered office in Poznań ("CC-Bank") receivables in respect of part of the portfolio of car loans granted by the Bank through Polskie Towarzystwo Finansowe S.A., a company with its registered office in Wrocław ("PTF"), under the cooperation agreement between the Bank and PTF of February 4, 2000 and on accession of CC-Bank to this cooperation agreement in lieu of the Bank. CC-Bank paid the Bank PLN 150 million increased by outstanding principal as of the payment date in respect of the price for the transfer of receivables under loan agreements

  On May 13, 2004, the Bank, in performance of the preliminary agreement of February 20, 2004, concluded an agreement with Santander Consumer Finance S.A. on absolving PTF from obligations under cooperation agreements concluded by the Bank and PTF on December 19, 2000 and August 28, 2003, respectively, pursuant to which PTF provided the Bank with intermediary services in the area of granting mortgage loans. In respect of mutual settlements of the parties to this agreement, the Bank paid PTF PLN 30 million for PTF's relinquishment of part of interest margin payable to PTF under the agreement.

- On December 22, 2004, the Bank informed that in the course of preparation to implement new International Financial Reporting Standards and pursuant to the Accounting Law, the Bank had carried out a detailed review of fixed and intangible assets to update their economic useful life as well as fair value of real estate being sold now. Based on conclusions of this review, the Bank adjusted depreciation periods of some assets and, in effect, a one-time depreciation charge of PLN 221 million was accounted for in 2004.

26. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE NOT INCLUDED IN THE FINANCIAL STATEMENTS

- On July 29, 2005, the Bank announced that on July 29, 2005 the District Court for the capital city of Warsaw, XIX Commercial Division of the National Court Register, had registered the merger of BIG BG Inwestycje S.A. – the Acquired Company, with BEL Leasing Sp. z o.o. – the Acquiring Company, subsidiaries of the Bank.

- On August 19, 2005, the Bank announced that on August 18, 2005 the District Court for the capital city of Warsaw, XIX Commercial Division of the National Court Register, had registered the merger of BEL Leasing Sp. z o.o. – the Acquiring Company, with PROLIM S.A. – the Acquired Company, subsidiaries of the Bank.

- On August 26, 2005, the Bank notified that it had entered into a syndicated loan agreement (the “Agreement”) with one of the Bank’s customer (the “Borrower”). Under the agreement, the syndicate of banks grants the Borrower a term loan (the “Term Loan”) and a renewable loan (the “Renewable Loan”) to be used in EUR, USD or PLN. The Bank’s share is EUR 33,333,333.33 in the Term Loan and EUR 16,666,666.67 in the Renewable Loan. The lending period is 5 years for the Term Loan and 3 years for the Renewable Loan. The interest rate for the Term Loan is based on EURIBOR plus the Bank’s margin while the interest rate for the Renewable Loans is based on EURIBOR, LIBOR or WIBOR plus the Bank’s margin.

27. SIGNIFICANT EVENTS IN THE FINANCIAL YEAR WITH MAJOR INFLUENCE ON BALANCE SHEET ITEMS AND FINANCIAL RESULT

- On February 21, 2005, the Bank informed of the receipt of a letter from Mr. Gijsbert J. Swalef to the effect that he steps down from the Supervisory Board on March 8, 2005.

- On March 8, 2005, the Bank notified of the resolutions adopted by the Ordinary General Meeting of Shareholders, increase of the number of members of the Supervisory Board from 10 to 12 and appointment of the following new members of the Supervisory Board: Mr. Dimitrios Contominas, Mr. Vasco Maria Guimaraes Jose de Mello, and Mr. Paulo Teixeira Pinto.

- On April 11, 2005 the, Bank received the information from Moody's Investors Service Ltd., a rating agency („Moody’s”), that on April 7, 2005, the Bank’s long-term deposit rating improved from A3 (7th position on a 21-level scale) to A2 (6th position on a 21-level scale), with stable prospects. Moody’s also informed that the Bank’s financial strength rating prospects had enhanced at D- from stable to positive (10th position on a 13-level scale. The Bank’s short-term deposit rating remained unchanged at P-1 (1st position on a 4-level scale). Moody’s concluded that higher ratings reflects an on-going operational integration of the Bank with its Portuguese strategic shareholder, existing support and know-how transfer from BCP to the Bank as well as strong commitment of the Portuguese bank to its expansion strategy in Europe. In addition, Moody’s believes that better prospects of the Bank’s financial strength rating reflects the progress made by the Bank as a result of its in-depth restructuring exercise. It also noted in 2004 the Bank established grounds for its organic growth supported by strong capital base, innovative products, aggressive market strategy, enhanced sales potential, streamlined risk management as well as favorable economic climate. At the same time Moody’s reflected that the implementation of this growth strategy would be challenging in view of a relatively small scale of the Bank’s operations.

- On May 19, 2005, the Management Board announced that on May 18, 2005, the District Court for the capital city of Warsaw, XIX Commercial Division of the National Court Register, had registered a decrease of share capital of BIG BG Inwestycje S.A. ("BBGI"), a subsidiary of the Bank, by PLN 1,053,473,000.00 through decreasing the nominal value of all 10,540,000 shares from PLN 100 per share to PLN 0.05 per share pursuant to the resolution of the Extraordinary General Meeting of Shareholders of BBGI on January 31, 2005. After this registration, share capital of BBGI amounts to PLN 527,000.00 divided into 10,540,000 shares with a nominal value of PLN 0.05 each. The total number of votes from all shares issued is equal to 17,375,880 and was not changed.

- On May 20, 2005, the Bank informed that Millennium bcp, a Portuguese banking group that holds a strategic stake in Bank Millennium S.A., had organized the Investor Day on that date. In the course of that event, the Bank confirmed its organic growth strategy with the following pillars and targets until 2007:

  Retail banking:
  - Focus on cross-sales to increase average products per customer from 2.4 to 3 and to reach a consumer loan market share commensurate to the Bank's size;
  - Maintenance of the Bank's very strong position in the mortgage loan market with a target share in newly extended loans at 12%;
  - Winning a strong market position in credit cards with a target market share of 8%;
  - Development of banking services for affluent customers with doubled net operating income in this area and reaching a share in the investment fund market proportionate to the Bank's size;

  Corporate banking:
  - Winning a significant number of new customers (1,500)
  - Target share in the market of new lease contracts at the level of 7%.

  Updated strategic objectives of the Bank Millennium Group provides for net ROE of 15% (assuming the Tier 1 capital ratio at 8%) and the cost to income ratio of 65% in 2007.

- On June 16, 2005, the Management Board informed that on June 15, 2005 the Bank purchased 33 variable interest bonds issued by the Bank on December 10, 2001 for EUR 33,000,000.00 maturing in 2007 (the "Bonds") held by BBG Finance B.V., a subsidiary of the Bank, for an average price of EUR 1,003,000.00 per bond in order to redeem these Bonds. The total purchase price of the Bonds amounted to EUR 33,099,000.00. The transaction was concluded under the Bonds Purchase Agreement concluded by the Bank and BBG Finance B.V.

- On June 29, 2005, the Bank announced that on June 29, 2005, 33 preferred variable interest Bonds for EUR 33,000,000.00 were voluntarily redeemed. The Bonds were issued by the Bank pursuant to the subscription agreement of December 10, 2001 to be redeemed in 2007. The Bonds were purchased for redemption on June 15, 2005 as communicated by the Bank in Current Report No. 20/2005 of June 16, 2005.

- In accordance with provision of agreement on sale of a 10% stake in PZU S.A. (as described in point 25 above), and in effect of dividend payment made by PZU S.A. in 2005 (for the year 2004), BIG BG Inwestycje S.A.. has recognised in its Profit and Loss statement in June 2005, an accrued income amounting to PLN 26,005,000 (gross), to be received from EUREKO B.V. Aforementioned amount constituted preliminary settlement between both parties. Due to its contingent character the additional income resulted from final settlement process, was recognized by BIG BG Inwestycje S.A. during the 3rd quarter of 2005, in the amount of PLN 22,532,000 (gross).
  Accordingly adopted by Bank accounting principle to value shares held in subordinated companies with equity method, the income has also been recognized in Bank's net result.

28. RELATIONS BETWEEN THE LEGAL PREDECESSOR AND THE ISSUER AND ABOUT THE METHOD AND SCOPE OF TAKEOVER OF ASSETS AND LIABILITIES AND EQUITY

In the period from January 1 to June 31, 2005, the Bank did not take over any assets and liabilities and equity.

29. FINANCIAL STATEMENT AND COMPARABLE FINANCIAL DATA, RESTATED TO ACCOUNT FOR INFLATION RATE – IF THE ACCUMULATED ANNUAL AVERAGE RATE OF INFLATION FROM THE PERIOD OF LAST THREE YEARS OF THE ISSUER'S OPERATIONS REACHED OR EXCEEDED THE VALUE OF 100%

The annual average rate of inflation from last three years did not exceed 100%.

Bank Millennium S.A. SAB-P2005 PLN in thousands

30. SPECIFICATION AND COMMENTS ON THE DIFFERENCES BETWEEN THE DATA DISCLOSED IN THE FINANCIAL STATEMENTS AND COMPARABLE FINANCIAL DATA, AND THE FINANCIAL STATEMENTS PREVIOUSLY PREPARED AND PUBLISHED

As a result of the change in presentation of items of interest margins on derivatives, from 2005 on the result on derivatives is presented in its net value (prior to that income and expense were disclosed separately); both interest income and interest expense for the first half of 2004 were decreased by PLN 228,654.00. This adjustment does not have any impact on the result on interest.

Adjusted items	As of 30.06.2004 in the financial statements as of 30.06.2004	Change	As of 30.06.2004 in the financial statements as of 30.06.2005
I. Interest income	747,800	- 228,654	519,146
II. Interest expense	527,583	- 228,654	298,929
Interest result (I-II)	220,217	0	220,217

31. CHANGES IN THE ADOPTED ACCOUNTING POLICIES AND THE PRESENTATION OF FINANCIAL STATEMENTS

Information on changes in the adopted accounting policies has been contained in section 11.2) of the Introduction to these financial statements.

32. CORRECTIONS OF FUNDAMENTAL ERRORS

No fundamental errors were made.

33. IN CASE OF UNCERTAINTY REGARDING CONTINUATION OF OPERATIONS, THE DESCRIPTION OF SUCH CONCERNS AND THE DECLARATION OF THE EXISTENCE OF SUCH UNCERTAINTY WITH INFORMATION ON RELEVANT ADJUSTMENT IN THE FINANCIAL STATEMENTS

There is no uncertainty regarding continuation of operations.

34. IN CASE OF THE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD, IN WHICH THE MERGER WAS MADE, AN INDICATION THAT THESE FINANCIAL STATEMENTS WERE PREPARED AFTER THE MERGER OF THE COMPANIES, AND INDICATION OF THE CONSOLIDATION DATE, AND THE APPLIED METHOD OF SETTLING THE CONSOLIDATION

In the period from January 1 to June 30, 2005 there was no merger involving the Bank.

35. IF THE ISSUER DOES NOT PREPARE CONSOLIDATED FINANCIAL STATEMENTS, THE LEGAL GROUNDS FOR NOT PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

Bank Millennium S.A. prepares the consolidated financial statements.

SIGNATURES:

Date	Full name	Position/ Function	Signature
....	**Bogusław Kott**	**President of the Management Board**	....
....	**Luis Pereira Coutinho**	**Vice-President of the Management Board**	....
....	**Fernando Bicho**	**Member of the Management Board**	....
....	**Julianna Boniuk-Gorzelańczyk**	**Member of the Management Board**	....
....	**Wojciech Haase**	**Member of the Management Board**	....
....	**Rui Manuel Teixeira**	**Member of the Management Board**	....
....	**Wiesław Kalinowski**	**Member of the Management Board**	....
....	**Zbigniew Kudaś**	**Member of the Management Board**	....

IV. MANAGEMENT BOARD REPORT ON ACTIVITY OF BANK MILLENNIUM S.A. DURING 6 MONTHS OF 2005

CONTENTS

Bank Millennium S.A. SAB-P2005 PLN in thousands

1. INFORMATION ABOUT ACTIVITY OF BANK MILLENNIUM S.A. IN 1ST SEMESTER 2005

The Management Board of Bank Millennium informs that in the 1st Semester of 2005 net profit of the Bank calculated according to Polish Accounting Standards totalled PLN 132.2 million.
By comparison the Bank's net profit in 1st Semester 2004 was PLN 125.2 million (calculated for comparative purposes on a pro forma basis, this issue was presented in extenso in section 11 item 2 of the Introduction to the Financial Report).

Main achievements in the first six months of 2005:

A. Significant improvement of core business profitability

- Increase of net profit to PLN 132.2 million (up by 5.6% as compared with 1st Semester 2004)
- Increase of net commission income by 6.2%,
- Decrease of operating costs by 4.8%,
- Decrease of non-performing receivables (by PLN 391 million from June 2004) and provisions created in result of restructuring efforts and improvement of credit risk management,
- High level of solvency ratio (18.0%) reflecting the stable balance sheet structure and strong capital base,
- ROE of 13.2% for the entire Group of Bank Millennium,

B. Strategic segments generating business growth:

- Marked improvement in retail banking segment: growth of mortgage loans, customers' funds and credit cards,
- Reached third place on the market of new production of mortgage loans with 10.5% market share; fourfold increase of new mortgage loans production as compared with 1st Semester 2004, reaching PLN 914 million,
- Growth of number of credit cards by 81% during the year,
- Impressive dynamics of growth of number of Internet banking users (over 220 000 registered users) and increase of usage of this channel,

Key factors affecting financial result and balance sheet of Bank Millennium in 1st Semester 2005

INCOME

Result on banking activity (PLN million)	1st Semester 2005	1st Semester 2004 pro-forma	Change
Net interest income	211.7	240.8	-12.1%
Net commission income	98.0	92.3	+6.2%
Other non-interest income	289.4	178.9	+61.7%
Including non-recurrent events	*218.0*	*155.5*	
Result on banking activity	599.1	512.0	+17.0%
Result on banking activity (without non-recurrent events)	**381.1**	**356.5**	**+6.9%**

1.

Net interest income attained by Bank Millennium in 1st Semester 2005 was PLN 211.7 million and was 12.1% lower than in the comparable period of last year (PLN 240.8 million). The reason for reduction of the interest income was the strong decrease of loans in the relevant period, largely connected with the sale of car loans portfolio in May 2004.

Bank Millennium S.A. SAB-P2005 PLN in thousands

2.

Net Commission income was PLN 98.0 million (PLN 92.3 million in 1st Semester of the previous year) which means its increase by 6.2% and results from development of business, largely in the strategic areas of the Bank's activity, such as credit cards.

3.

Net other non-interest income in the first six months of 2005 was PLN 289.4 million as compared with PLN 178.9 million generated in 1st semester of the previous year. The extent of the growth was affected by non-recurrent events from the first half of 2005 when the bank had capital income from received dividends.
Netting-out non-recurrent income (dividends in 2005, in 2004 profit on sale of the car loans portfolio), **profit on banking activity** in 1st semester 2005 increased 6.9%

COSTS

Operating costs (PLN million)	**1st Semester 2005**	**1st semester 2004 pro-forma**	**Change**
Personnel costs	143.9	138.1	+4.2%
Non-personnel costs	153.4	160.3	-4.3%
Depreciation	38.9	54.6	-28.8%
Total costs	**336.3**	**353.1**	**-4.8%**

4.

Total costs of Bank Millennium in 1st Semester 2005 fell by 4.8% as compared with 1st Semester last year and reached PLN 336.3 million (PLN 353.1 million in the comparable period of 2004). This was attributable to the decrease of both administrative costs (mainly reduction of costs of maintenance of fixed assets and IT and telecom costs) as well as depreciation. **Non-personnel costs** reached PLN 153.4 million (PLN 160.3 million in 1st Semester 2004), which means a decrease of 4.3%, while **depreciation** fell by 28.8% to PLN 38.9 million (as compared with PLN 54.6 million in 1st Semester 2004).

In **personnel costs** there was a slight increase in comparison with 1st semester 2004 to the level of PLN 143.9 million, caused primarily by the increase in the number of persons employed in the Bank's sales force, which is consistent with the current policy of developing the Bank's business activity following a period of employment restructuring pursued in previous years. As at 30 June 2005 3938 persons were employed in Bank Millennium in comparison with 3896 as at end of June 2004.

5.

Successful implementation of the loans restructuring programme and improvement of credit risk management permitted the Bank to reduce created **provisions**. In the 1st Semester of 2005 the Bank created PLN 7.1 million **net provisions**, i.e. PLN 50.6 million less than in the 1st semester of 2004 (PLN 57.7 million).

6.

In 1st Semester 2005 the profit before taxes of Bank Millennium totalled PLN 288.1 million and **net profit was PLN 132.2 million** being PLN 7 million higher in comparison with the pro forma result in 1st Semester 2004 (PLN 125.2 million).

Bank Millennium S.A. SAB-P2005 PLN in thousands

BALANCE SHEET ITEMS

7.

As at 30 June 2005 **total assets** were **PLN 21,426 million**, which means their growth in comparison with the end of June last year by 5.4% (PLN 20,321 million).

Key Balance Sheet items	**30.06.2005**	**30.06.2004 pro-forma**	**Change**
Balance sheet total	21,426	20,321	5.4%
Customers' deposits	12,792	11,899	7.5%
Total loans to Customers	7,683	7,162	7.3%
Including mortgages	*2,313*	*1,358*	*70%*
Own capital	1,976	1,884	4.9%

As at 30 June 205 the value of net **loans** to Customers increased by 7.3% in comparison with 1st Semester last year and stood at PLN 7,683 million. This was the second consecutive Quarter of loans portfolio growth.

The increase of loans is attributable first of all to dynamic growth of the **mortgage loans** portfolio. In 1st semester 2005 new production of mortgage loans was PLN 914 million i.e. more than 4.5-times their value in 1st semester 2004 (PLN 198 million), which permitted the Bank to reach 3rd place on the market with a share of 10.5% in the 1st Semester 2005. Largely conducive to this was the development of sales methods, using diverse distribution channels, such as direct sales, agents and Internet portals. Also sales via the bank's retail branches increased steeply (more than doubled) in comparison with last year.

8.

Deposits increased by 7.5% year-on-year.

In June 2005 the number of Customers using the Bank's services via the **Internet** stood at 223,500, including 215,600 individual customers, whose number grew 140% in comparison with end of June 2004. With respect to individual customers of Internet banking for the first time in Poland the possibility was introduced of taking part in an auction of term deposits as well as using the MilleSMS service – automatic SMS alerts about transactions on the account.

In the 1st semester of 2005 there was a significant increase in the number of **credit cards** used by the Bank's Customers – by as much as 81% in comparison with the 1st half of 2004, reaching 86,9 thousand as at 30.06.2005. It is worth noting that the Millennium VISA Economic credit card was considered by the "Rzeczpospolita" daily to be the best credit card in Poland. Together with increase of the number of credit cards also their usage grew: the credit balance increased 109%, while POS transactions in June 2005 increased almost 60% in comparison with June 2004.

9.

Quality of loans

Quality of the Bank's portfolio of non-performing loans (calculated with use of the methodology of the National Bank of Poland) as at 30 June 2005 improved strongly. **The NPL value** in comparison with the previous year was lower by PLN 391 million, i.e. by 25%. This effect was attained mainly thanks to an intelligent and prudential credit policy and very effective restructuring and recovery efforts.
Additionally in individual cases Bank writes off lost receivables against provisions moving them to off-balance sheet items (description of this accounting principle is in point 11.2 of the Introduction to this Report).

Bank Millennium S.A. SAB-P2005 PLN in thousands

Loan quality ratios		30.06.05	30.06.04
NPL / total loans	According to payment timeliness (90 days)	5.5%	8.9%
	According to NBP regulations	13.7%	19.4%
Provisions / NPL	According to payment timeliness (90 days)	157.2%	116.7%
	According to NBP regulations	63.1%	53.7%

The NPL ratio according to the criterion of payment timeliness (90 days) improved from 8.9% (as at 30.06.2004) to 5.5% (as at 30.06.2005).

The NPL ratio according to NBP regulations improved significantly from 19.4% (as at 30.06.2004) to 13.7% (as at 30.06.2005), while the NPL coverage ratio increased from 53.7% to 63.1% in the same periods.

In result of real-terms improvement of the quality of the loans portfolio as well as owing to a consistent policy of creating provisions the coverage ratio of NPL according to payment timeliness improved significantly. It increased from 116.7% (as at end of June 2004) to 157.2% in the 1st Semester of 2005.

10.

Solvency ratio of Bank Millennium stood at 18.0% and was higher than the year before (15.7%) in result of selling some assets and a more favourable structure of risk-weighted assets. Such a high level of the ratio significantly guarantees the safe level of own funds from the point of view of the planned further dynamic development of business.

2. INFORMATION ABOUT REMUNERATION, BONUSES OR OTHER CONSIDERATIONS PAID OR DUE TO PERSONS MANAGING OR SUPERVISING THE ISSUER

Data concerning the value of total remuneration paid or due to persons managing or supervising the Bank have been presented in section 23 of Additional Explanatory Notes.

3. DESCRIPTION OF KEY RISKS AND THREATS

Exposure to risk is inalienably connected with activity on financial markets and constitutes a fundamental factor affecting behaviour of market players, especially financial institutions. A huge part of financial decisions is taken with consideration of the risk thus generated. With this in mind the Bank formulated and implemented a risk management policy as well as a strategy to support its implementation.

The main threats to banking activity, at the same time constituting areas of risk management are: credit risk, market risk, liquidity risk and operational risk.

The Management Board of the Bank is responsible for defining and monitoring risk management policy on the strategic level. On the operational level management of individual banking risk areas, their ongoing control and setting of current policy directions within the framework defined by the Management Board, is the responsibility of three high-level committees: Capital, Assets and Liabilities Committee, Credit Committee and Operational Risk Committee.

Measurement and management of risk in subsidiaries is done on the Bank Head Office level. All types of risk are monitored and controlled with respect to profitability of the pursued activity and to the level of capital essential to ensure security of operations from the point of view of capital requirements. Risk measurement results are regularly reported in management information.

As at the end of June 2005 the level of own capital securing risks borne by the Bank was PLN 1,975.7 million, permitting maintenance of a very high level of solvency ratio of 17.98%.

CREDIT RISK

Credit risk arises in connection with the lending activity pursued by the Bank with respect to customers from all segments as well as in result of activity on the interbank market. The Bank manages this risk as part of ongoing credit policy and by building appropriate organisational structures taking part in the credit process as well as by improving the rating and scoring models used in the Bank to support the credit decision process.

Credit policy

The Bank's credit policy adopts the principle of creating optimum conditions for development of sales of broadly understood credit products in the entire Capital group, at the same time maintaining a satisfactory level of credit risk and a high quality of the portfolio. The Bank's policy is contained in a series of procedures issued by the Management Board of the Bank or its members. The most important parts of the Bank's credit process, including scopes of authority of relevant decision makers with regard to approval of risk-based transactions, have been defined in "General Credit Rules". The Bank's policy for financing individual customer segments has been reflected in various detailed regulations ("Credit rules for individual customer segments").

In case of corporate customers the key tool for co-operation is an internal credit limit, the assumptions of which were modified in the 1st half of 2005 with a view to further improvement of customer service efficiency. These assumptions were contained in the "Instructions on rules of functioning of an internal credit limit". Additionally in case of companies with full accounting the Bank has verified assumptions with respect to assessment of credit capacity, which were contained in a separate document.

Moreover in the 1st half of 2005 the Bank modified the approach to assessment of credit applications of private individuals by redefining specific procedures for credit capacity assessment; depending on the situation (i.a. collateral presented by the customer, the history of his relationship with the Bank) the procedure, which is most appropriate for the customer is applied. The above assumptions were reflected in the "Instructions for procedures of assessing credit capacity of individual Customers", which define the scoring models used by the Bank with respect to individual customers.

Additionally the Bank pursues an active policy with respect to accepted collateral of risk-based transactions, in particular as regards assessment of its value when granting the loan and monitoring until full payment of the loan. The principles of this policy are contained in the "Instructions for monitoring and value appraisal of collateral".

Organisation of the credit process

Organisation of credit risk management in the Bank consists first of all in separating, as a rule, of organisational units dealing with sales of banking products, from persons responsible for risk assessment. Moreover specific decision-making levels were defined (comprising always two persons). These persons due to their positions have the authority to take decisions regarding approval of risk-based transactions.

Competences of individual decision-making levels differ from one another and depend especially on competences of the Bank's exposure to the customer and his rating. The competences also differ according to customer segment with the highest decision-making level being generally the Credit Committee of the Bank, comprising i.a. members of the Management Board responsible for individual business lines as well as for risk assessment. Apart from taking credit decisions with respect to individual customers the Credit Committee also has the power to define guidelines for the Bank's credit policy.

Tools supporting the credit process

The Bank also continues work connected with improving electronic tools supporting the credit process. Subject to regular tests are risk assessment models, including the behavioural scoring model used for individuals, which is based on the to-date relationship with the customer i.e. his accounts, period of the relationship, service of payment cards and other credit products. The tool supporting the process of analysis of credit risk connected with financing companies are rating models. Improvement of efficiency of the Bank's systems supporting analytical and decision-making processes increases the speed and quality of customer service, thus greatly affecting efficiency of the entire credit process.

Regardless of improvement of risk analysis tools the Bank provided training to staff on assessment of the economic and financial standing of customers and about legal regulations.

MARKET RISK

Market risk is connected with the uncertainty that interest rates, FX rates and prices of securities as well as derivative financial instruments held by the Bank will take values deviating from the originally assumed ones, which will consequently result in arisal of uncontrolled gains or losses on maintained positions.

In the 1st Semester of 2005 the Bank continued to develop its market risk control system to both adjust it to requirements of the changing profile of the Bank's financial activity, resulting i.a. from greater diversification and growing trading of financial instruments, take on board detailed risk control rules required by legal regulations as well as adjusting measurement tools to new methodological achievements and greater power of technology.

The main methods used for daily management of market risk in the Bank include the Value at Risk method (VaR) and methods recommended by NBP. The Value at Risk method is applied to the trading portfolio and the Bank's portfolio comprising all financial instruments both in the balance sheet as well as off-balance. To complement the Value at Risk method the Bank is doing backtesting and develops tools for measurement of market risk of trading portfolios with use of scenario methods. These methods are particularly useful from the point of view of extraordinary events, which the VaR method is unable to anticipate.

Parallel to changes concerning organisation and methodology of controlling market risk the Bank continued to introduce technological changes concerning IT solutions supporting risk management. The Bank on the basis of the new Kondor+ transaction system used to handle transactions concluded in the Treasury department, uses the InVaR IT tool built by the strategic investor (BCP ALM Division) together with the Reuters agency on the basis of RiskMetrics methodology (JP Morgan). From the point of view of risk control the new transaction system has very important features: it ensures access to an integrated and complete transactional database, it permits management of all positions and control of utilisation of limits in real time as well as enabling daily calculation of the result on all operational levels.

Interest rate risk

In the area of interest arte risk the Bank applies the principle of maximising market value of capital when generating the assumed net interest income within adopted risk limits.

As at the last day of June 2005 the Bank's exposure on account of interest rate risk (VaR) was approx. PLN 25.3 million (approx. PLN 16.0 million on average in the 1st Semester) with a valid global limit for market risk of PLN 48.2 million.

Supplementing measurement of Value at Risk (VaR) the Bank also estimates hypothetical changes of financial result (EaR) caused by changes of market interest rates.

FX risk

The key aim of managing FX risk is to shape the structure of FX assets and liabilities as well as off-balance items within internal and external limits, defined in the Bank's case by Banking Law requirements.

In the 1st semester of 205 the Bank maintained a balanced FX position. As at the end of June the Bank's exposure on account of FX risk (VaR) was approx. PLN 0.3 million (approx. PLN 0.4 million on average in the 1st Semester) with a valid limit of PLN 16.1 million.

Risk connected with derivative instruments

All transactions, the object of which are financial derivative instruments, are concluded either to hedge open balance sheet positions, or for trading purposes within defined internal limits. The key derivative instruments, which the Bank uses management of both interest rate risk and FX risk as well as for trading purposes are contracts such as FX Forward, Forward Rate Agreement, Interest Rate Swap, FX Swap, Cross Currency Swap and FX options.

LIQUIDITY RISK

As an overriding aim of liquidity risk management the Bank adopted such management of funds so that considering negative scenarios of change of the environment it remains possible to satisfy on time all contractual obligations of the Bank to customers. Liquidity risk would also arise if the Bank were to have problems with raising funds to finance its operational activity or was unable to liquidate its trading assets in a relatively short period of time, maintaining market prices. This is why the liquidity reserve is the portfolio of Treasury securities with highest secondary market liquidity.
The Bank manages liquidity risk on a daily basis, applying then method of net liquid assets (liquidity gap). To ensure the proper level of current liquidity the Bank maintains mandatory deposits on the level consistent with NBP requirements, funds on nostro accounts essential to execute non-cash settlements, optimum cash in the Bank's treasuries, liquidity margin in the form of highly liquid financial instruments.

In its investment policy the Bank is guided by requirements of Banking Law and recommendations of NBP. The Bank applies an internal ratio of structural liquidity, presenting total real mature assets to total real liabilities. The safe level of this ratio adopted by the Bank in the bracket of up to 3 months is 100%. The level of liquid assets is also limited (at 20%), defining the share liquid assets have in the Bank's balance sheet total; in the middle of 2005 it stood at 41.7%. Limited spot liquidity ratios (balance of receivables and liabilities on the money market plus securities available for immediate sale) and quarterly (lowest balance of receivables and liabilities on the money market accumulated during the quarter plus securities available for immediate sale on the date of this balance) were well above the adopted minimum values.

For purposes of current liquidity a portfolio is maintained of blocked securities in an amount ensuring execution of short-term payables. Moreover the concentration is monitored of liabilities to the largest customers as well as the evolution of the structure of assets and liabilities (both in the balance sheet as well as off-balance) of the Bank, which permits early identification of trends that are bad for liquidity. To supplement the above regular examination is made of stability of the deposits base, of premature termination of deposits and the scale of unauthorised overdrafts and use of open credit lines.

The Bank has procedures for action in case of a situation threatening with material increase of liquidity risk – a so-called contingency plan in case of deterioration of the Bank's financial liquidity.

OPERATIONAL RISK

Operational risk is essentially connected with all types of risk generated in the Bank's operational activity. It is the risk of a loss arisen in result of inappropriate of unreliable internal activities and processes, human actions, systems and in result of impact of external events. Special immeasurable aspects of this risk are such factors, as risk of fraud by employees or third persons, inappropriate authorisations of transactions, failure of equipment and IT and telecom systems, inadequate training of staff as well as the risk of human error.

In the 1st half of 2005 the Bank continued work connected with improving the system of identification, assessment, monitoring and securing operational risk. One of the tools to prevent potential risk events and mitigating their effects are risk self-assessment procedures in all processes performed in the Bank.

An operational system and methodology are being developed in consistency with KNB (Banking Supervision Commission) recommendations and international standards. The Bank has defined tools, which it is implementing or plans to implement so that its system of identification, assessment, monitoring and securing operational risk may be complete and uniform to the maximum possible extent – in keeping with the Bank's "Operational Risk Management Strategy". One of its important components is a database of operational risk events as well as a reporting system, which also reports to the Operational Risk Committee.

4. STATEMENTS OF THE MANAGEMENT BOARD OF THE BANK

Presentation of the Bank's asset and financial standing in the financial report

To the best of knowledge the semi-annual financial report of Bank Millennium S.A., prepared as at 30 June 2005 and the comparable data, have been prepared in keeping with binding accounting principles and provide a true, fair and clear picture of the asset and financial standing of the Bank and its financial result. This Management Board Report contain a true picture of the development and achievements as well as standing of the Bank (including a description of key risks and threats).

Selection of a company authorised to examine financial reports

The company authorised to examine financial reports, performing a review of this semi-annual financial report of Bank Millennium S.A., prepared as at 30 June 2005, was selected according to legal regulations. This company as well as the chartered accountants performing this review have met the conditions necessary to provide an impartial and independent review report, in keeping with relevant regulations of national law.