

BANK MILLENNIUM S.A.
OPINION
OF THE INDEPENDENT AUDITOR
AND REPORT SUPPLEMENTING THE OPINION
ON THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2004

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Bank Millennium S.A.

We have audited the accompanying financial statements of Bank Millennium S.A. seated in Warszawa, Al. Jerozolimskie 123a, consisting of the introduction to the financial statements, the balance sheet as at 31 December 2004, with total assets of and total liabilities and equity of PLN 21,537,126 thousand, the capital adequacy ratio, the statement of contingencies and commitments granted at 31 December 2004 amounting to PLN 3,422,724 thousand, the profit and loss account for the year then ended with a net profit of PLN 240,504 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 259,997 thousand, the cash flow statement for the year then ended with an increase in cash amounting to PLN 76,615 thousand, and the supplementary information and explanations.

Management of the Bank is responsible for the true and fair presentation of the financial statements and the accuracy of the accounting records. Our responsibility is to audit and express an opinion on the true and fair presentation of the financial statements and whether the financial statements are derived from properly maintained accounting records.

We conducted our audit in accordance with section 7 of the Polish Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and the professional standards established by the Polish National Council of Certified Auditors. These standards require that we plan and perform the audit to obtain a reasonable basis for expressing an opinion on the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management of the Bank, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited financial statements of Bank Millennium S.A. have been prepared from properly maintained accounting records and present fairly, in all material aspects, the financial position of the Bank as at 31 December 2004 and the results of its operations and cash flows for the year then ended in accordance with the accounting standards as set out in the Polish Accounting Act dated 29 September 1994, the Resolution of the Ministry of Finance dated 10 December 2001 regarding special accounting principles for banks (Official Journal No 149 from 2001, item 1673 with later amendments), requirements for issuers of publicly traded securities and regulations and the provisions of the Bank's Statute that apply to the Bank's financial statements.

As required under the Polish Accounting Act dated 29 September 1994 we also report that the Report on the Bank's activities includes the information required by Art. 49 Note 2 of the Accounting Act and requirements of the Ministry of Finance Resolution dated 16 October 2001 on current and periodic information provided by issuers of publicly traded securities (Official Journal from 2001, No 139, item 1569 with amendments) and the information is consistent with the financial statements.

signed on the Polish original

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Certified Auditor No. 4979/2575
Hanna Fludra

signed on the Polish original

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For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Certified Auditor No. 9941/7390
Bożena Graczyk,
Member of the Board of Directors

Warsaw, 15 February 2005

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REPORT SUPPLEMENTING THE OPINION
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1 General

1.1 General information about Bank

1.1.1 Bank name

Bank Millennium S.A.

1.1.2 Registered office

Al. Jerozolimskie 123a
02-017 Warszawa

1.1.3 Bank 's registered office

Seat of the court:	Warszawa
Date:	30 April 2001
Registration number:	KRS 0000010186

1.1.4 Tax Office and Provincial Statistical Office registration

NIP:	526-021-29-31
REGON:	001379728

1.2 Auditor information

KPMG Audyt Sp. z o. o.
ul. Chłodna 51,
00-867 Warsaw

KPMG Audyt Sp. z o.o. (prior to 9 May 2004, registered as KPMG Polska Audyt Sp. z o.o.) is registered as a company authorised to audit financial statements (number 458).

1.3 Legal status

1.3.1 Share capital

The Bank was established for an indefinite period under the terms of its Deed dated 7 June 1989.

The share capital of the Bank amounted to PLN 849,181,744 as at 31 December 2004 divided into 849,181,744 ordinary shares with a nominal value of PLN 1 each.

As at 31 December 2004, the shareholder structure was as follows:

Name of the Shareholder	Number of shares	Number of voting rights (in %)	Book value of shares PLN	Percentage of share capital (in %)
Banco Comercial Portugues S.A.	424 624 072	50.00%	424 624 072	50.00%
Carothers Trading Limited	84 833 256	9.99%	84 833 256	9.99%
Priory Investments Group Corp.	84 833 256	9.99%	84 833 256	9.99%
M+P Holding S.A.	84 833 256	9.99%	84 833 256	9.99%
Others < 5%	170 057 904	20.03%	170 057 904	20.03%
Total	849 181 744	100.00%	849 181 744	100.00%

1.3.2 Related parties

The Bank is a member of the Bank Millennium S.A. capital group.

1.3.3 Management of the Bank

The Board of Directors is responsible for management of the Bank.

At 31 December 2004, the Board of Directors of the Bank was comprised of the following members:

President	Mr. Bogusław Kott
Vice-President	Mr. Luis Pereira Coutinho
Member	Mr. Fernando Bicho
Member	Mrs. Julianna Boniuk-Gorzelańczyk
Member	Mr. Wojciech Haase
Member	Mrs. Anna Rapacka
Member	Mr. Rui Manuel Teixeira
Member	Mr. Wiesław Kalinowski
Member	Mr. Zbigniew Kudaś

Mr. Jerzy Zdrzałka submitted a resignation from a Member of the Board position on 28th January 2004.

On 1st June 2004 the Supervisory Board of the Bank Millennium S.A. appointed Mr. Wiesław Kalinowski and Mr. Zbigniew Kudaś as Members of the Board.

Mrs. Anna Rapacka submitted a resignation from a Member of the Board position on 31st December 2004.

1.3.4 Scope of activities

The business activities listed in the Bank's Statute include the following:

- opening and maintaining bank accounts and accepting a vista and term deposits;
- maintaining other banking accounts;
- granting credits and loans;
- granting and accepting banking guarantees and opening letters of credit;
- issuing banking securities;
- conducting money settlements;
- granting consumer credits and loans in accordance with other legal requirements;
- cheques and bill of exchange services and performing warrants operations;
- granting payment cards and performing payment cards operations;
- performing derivative financial operations;
- purchasing and selling receivables;
- safe-keeping of valuables and securities;
- performing purchase and sale of currencies;
- issuing and accepting guarantees;
- performing contracted operations regarding issuing securities;
- intermediary in foreign exchange operations with residents and settlements with non residents;
- issuing electronic cash instrument;
- performing banking activities for third parties in accordance with the banking law.

1.4 Prior period financial statements

The financial statements for the period ended 31 December 2003 were audited by KPMG Polska Audyt Sp. z o.o. and received an unqualified opinion.

The financial statements were approved at the General Meeting on 27th May 2004 where it was resolved to increase the Bank's fund for unidentified risk of banking activity by an appropriation of the prior year net profit of PLN 40,895,006.22.

The financial statements were submitted to the Registry Court on 3 June 2004 and were published in "National Journal B" No 1129 position 7989 on 20 October 2004.

The closing balances as at 31 December 2003 have been properly recorded as the opening balances of the audited year taking into consideration the presentation changes of some financial data, which result from an adjustment to amendment of the Ministry of Finance Resolution dated 23 February 2004 on specific principles on recognition, valuation methods, disclosure and presentation of financial instruments. Therefore in the financial statements the Bank made the presentation adjustments to the opening balance on 1 January 2004. The Bank made the presentation adjustments to the closing balances on 31 December 2003 to provide with comparable data.

1.5 Audit scope and responsibilities

*Report supplementing the opinion on the financial statements
for the financial year ended 31 December 2004
Translation of document originally issued in Polish*

This report of the independent auditor was prepared for the General Meeting of Bank Millennium S.A., seated in Warszawa, Al. Jerozolimskie 123a, and relates to the financial statements comprising: the introduction to the financial statements, the balance sheet as at 31 December 2004 with total assets of and total liabilities and equity of PLN 21,537,126 thousand, the capital adequacy ratio, the statement of contingencies and commitments granted at 31 December 2004 amounting to PLN 3,422,724 thousand, the profit and loss account for the year then ended with a net profit of PLN 240,504 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 259,997 thousand, the cash flow statement for the year then ended with an increase in cash amounting to PLN 76,615 thousand, and the supplementary information and explanations.

The financial statements have been audited on the basis of the decision of the Supervisory Board of the Bank dated 28 January 2004 on the appointment of the auditor.

The financial statements have been audited in accordance with the contract dated 3 November 2004.

We conducted the audit in accordance with section 7 of the Polish Accounting Act dated 29 September 1994 (Official Journal from 2002, no 76, item 694 with amendments) and the professional standards established by the Polish National Council of Certified Auditors.

We have audited the financial statements in the Bank's head office and its branches during the period from 8 November 2004 to 15 February 2005.

We have conducted an independent audit of these financial statements in order to express an opinion thereon and present this, together with a written report of the independent auditor, to the Bank's General Meeting.

On 15 February 2005, the Bank's directors submitted a statement as to the completeness, fairness, clarity and accuracy of the financial statements presented for audit which confirmed that there were no undisclosed matters which could significantly influence the information presented in the financial statements for the audited year.

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The Management Board and Supervisory Board members of KPMG Audyt Sp. z o.o. and other persons related to the audit of financial statements of the Bank meet the independence requirements. The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o.o.

2 Financial analysis of the Bank

2.1 Summary of the financial statements

2.1.1 Balance sheet

	31.12.2004	31.12.2003
	PLN'000	PLN'000
ASSETS		
Cash and due from the Central Bank	871 835	788 754
Debt securities eligible for rediscounting with the Central Bank	9 993	11 189
Due from the financial sector	3 546 406	1 803 977
Due from the non-financial sector	6 336 432	9 329 249
Due from budget sector	409 009	504 480
Due from reverse repo transactions	80 651	100 358
Debt securities	6 915 891	4 836 667
Investment in subsidiary undertakings	1 659 836	1 382 022
Investment in associated undertakings	6 227	6 803
Investment in other entities	12 676	12 714
Other securities and other financial assets	546 850	677 449
Intangible fixed assets	40 626	227 082
Tangible fixed assets	534 386	666 042
Other assets	53 920	91 674
Interperiod settlements	512 388	505 743
TOTAL ASSETS	21 537 126	20 944 203

LIABILITIES	31.12.2004 PLN'000	31.12.2003 PLN'000
Liabilities		
Due to Central Bank	1	-
Due to financial sector	1 979 583	3 183 243
Due to non-financial sector	13 336 914	10 550 414
Due to budget sector	874 069	920 189
Liabilities arising from securities sold with a repurchase clause (Repo transactions)	1 446 214	1 535 478
Debt securities issued	275 544	982 660
Other financial instruments	390 636	444 436
Special funds and other liabilities	154 237	144 075
Accruals and deferred income	415 893	660 295
Provisions	342 154	410 345
Subordinated debt	326 978	378 162
Equity		
Share capital	849 182	849 182
Supplementary capital	508 095	542 970
Revaluation reserve	52 341	32 848
Other reserve	380 532	339 637
Profit (loss) brought forward	(35 751)	(70 626)
Net profit (loss)	240 504	40 895
TOTAL EQUITY AND LIABILITIES	21 537 126	20 944 203
Capital adequacy ratio	31.12.2004 17,35%	31.12.2003 11,05%
OFF-BALANCE SHEET ITEMS	31.12.2004 PLN'000	31.12.2003 PLN'000
Contingent liabilities granted and received	4 476 562	3 625 665
- Liabilities granted	3 422 724	2 573 894
- Liabilities received	1 053 838	1 051 771
Commitments arising out of sale and repurchase transactions	13 024 534	17 646 900
Other	22 775 802	18 871 096
Total off-balance sheet	40 276 898	40 143 661

2.1.2 Profit and loss account

	01.01.2004- 31.12.2004	01.01.2003- 31.12.2003
	PLN'000	PLN'000
Interest income	1 646 220	1 337 123
Interest expense	(1 220 439)	(929 687)
Net interest income	425 781	407 436
Fee and commission income	234 505	223 610
Fee and commission expense	(31 620)	(42 108)
Net fee and commission income	202 885	181 502
Income from shares, other securities and other financial instruments	14 584	146 605
Net profit on financial operations	140 628	50 930
Net profit on foreign exchange	71 119	69 187
Profit on banking activity	854 997	855 660
Other operating income	107 757	70 630
Other operating expenses	(31 819)	(22 964)
General expenses	(598 113)	(666 385)
Depreciation of fixed assets, intangible assets and legal values	(339 375)	(104 065)
Charges to provisions and revaluation	(878 968)	(1 429 009)
Release of provisions and revaluation	810 080	1 332 587
Net provisions and revaluations	(68 888)	(96 422)
Operating result	(75 441)	36 454
Gross profit (loss)	(75 441)	36 454
Income tax	(5 906)	70 314
Share of net profit (loss) of companies consolidated under the equity accounting method	321 851	(65 873)
Net profit (loss)	240 504	40 895

2.2 Selected financial ratios

	31.12.2004	31.12.2003
	PLN'000	PLN'000
Total assets	21 537 126	20 944 203
Profit before tax	(75 441)	36 454
Net profit	240 504	40 895
Shareholder's equity*	1 754 399	1 694 011
Return on equity**	13.95%	2.51%
Capital adequacy ratio	17.35%	11.05%
Receivables to total assets	47.83%	55.62%
Income earning assets to total assets	80.32%	79.19%
Interest bearing liabilities to total liabilities	83.17%	81.99%

* *excluding current year net earnings*

** *based on average equity in the current period*

2.3 Interpretation of selected financial ratios

Changes in the most significant items of the balance sheet and the profit and loss account are discussed below:

- Total assets have increased by 3% as at 31 December 2004 compared to 31 December 2003. The highest increase was recorded in debt securities, which amounted to PLN 2,079,224 thousand and in amounts due from financial institutions, which amounted to PLN 1,742,429 thousand. The highest increase in liabilities was in amounts due to non-financial institutions, which have increased by PLN 2,786,500 thousand.
- The significant impact on the net profit for the year 2004 as compared to the year 2003 had the following transactions: the sale of 10% of the shares of PZU S.A. and the sale of the car loans portfolio granted through the external operator. Moreover, preparing to introduction of the International Financial Reporting Standards and in accordance with the Accounting Act the Bank has carried out the detailed review of tangible and intangible fixed assets in order to update their economic useful life as well as fair value of real estate held for sale. Consequently the Management Board decided to recognize during 2004 one-off charge to profit and loss account.

3 Detailed report

3.1 Accounting records and data protection

The Bank holds current documentation describing the applied accounting principles, approved by the Management Board and described in the introduction to the financial statements, to the extent required by the Accounting Act and requirements for issuers of publicly traded securities.

The financial statements were prepared on the basis of accounting records which are maintained in accordance with the requirements of section 2 "Maintenance of the accounting records" and section 8 "Data protection" of the Accounting Act dated 29 September 1994.

3.2 Internal control

Internal control is enforced by the Chief Accountant and the Board of Directors on a functional basis.

During our audit of the financial statements, we made an evaluation of the accounting system and underlying system of internal control in order to enable us to express an opinion on the financial statements.

Our review should not be relied upon to disclose all irregularities or material weaknesses in the system. Our procedures did not identify any significant irregularities in the accounting and internal control system.

3.3 Principles of prudence applied by the Bank and the capital adequacy ratio

In the context of the audit of the financial statements, no material exceptions have been noted in the principles of prudence applied by the Bank. Capital adequacy ratio was calculated properly.

3.4 Materiality level applied by the auditor

In order to issue the audit opinion on the financial statements treated as a whole, materiality levels applied by the auditor were adequate to the materiality and the risk assessment of particular items of the financial statements.

3.5 Introduction to the financial statements

All information included in the introduction to the financial statements is presented fairly by the Bank when read in conjunction with the financial statements taken as a whole.

3.6 Supplementary information and explanations

All information included in the supplementary information and explanations is presented accurately and completely by the Bank when read in conjunction with the financial statements taken as a whole.

3.7 Report on the Bank's activities

The report on the Bank's activities includes information specified in Art. 49 Note 2 of the Polish Accounting Act and requirements of the Ministry of Finance Resolution dated 16 October 2001 on current and periodic information provided by issuers of publicly traded securities (Official Journal from 2001, No 139, item 1569 with amendments) and it is consistent with the data included in the financial statements.

3.8 Information on the opinion of the independent auditor

Based on our audit of the financial statements as at and for the year ended 31 December 2004, we have issued an unqualified opinion.

signed on the Polish original

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Certified Auditor No. 4979/2575
Hanna Fludra

signed on the Polish original

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For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Certified Auditor No. 9941/7390
Bożena Graczyk
Member of the Board of Directors

Warsaw, 15 February 2005