

**CAPITAL GROUP
OF BANK MILLENNIUM S.A.
OPINION
OF THE INDEPENDENT AUDITOR
AND REPORT SUPPLEMENTING THE OPINION
ON THE CONSOLIDATED 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 consolidated financial statements of the Capital Group of Bank Millennium S.A. seated in Warszawa, Al. Jerozolimskie 123a, consisting of the introduction to the consolidated financial statements, the consolidated balance sheet as at 31 December 2004, with total assets of and total liabilities and equity of PLN 20,440,466 thousand, the capital adequacy ratio, the statement of consolidated contingencies and commitments granted at 31 December 2004 amounting to PLN 3,196,044 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 240,504 thousand, the statement of changes in consolidated equity for the year then ended with an increase in equity of PLN 259,997 thousand, the consolidated cash flow statement for the year then ended with an increase in cash amounting to PLN 60,922 thousand, and the supplementary information and explanations.

The Management Board of Bank Millennium S.A. is responsible for the true and fair presentation of the accompanying consolidated financial statements and the accuracy of the consolidation documentation. Our responsibility is to audit and express an opinion on the true and fair presentation of the consolidated financial statements and whether the consolidated financial statements are derived from proper consolidation documentation.

We conducted our audit in accordance with section 7 of the Polish Accounting Act dated 29 September 1994 (Official Journal published 2002, No 76, item 694 with subsequent 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 reasonable basis for expressing an opinion on the consolidated financial statements. An audit, in particular, includes assessing of accounting principles applied by entities of the Capital Group and on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statement, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements of the Capital Group of Bank Millennium S.A. have been prepared from the proper consolidation documentation and present fairly, in all material aspects, the financial position of the Capital Group as at 31 December 2004 and the results of its operations in accordance with the accounting standards as set out in the Polish Accounting Act dated 29 September 1994, the Resolution of Minister of Finance dated 10 December 2001 regarding special accounting principles for banks (Official Journal No 149 from 2001, item 1673 with amendments), the Resolution of Minister of Finance dated 12 December 2001 regarding the preparation of the consolidated financial statements of banks and financial holdings (Official Journal published 2001, no 152, item 1728), the requirements relating to issuers of publicly traded securities and are in compliance with the respective laws, regulations of the Capital Group that apply to the consolidated financial statements.

As required under the Polish Accounting Act dated 29 September 1994 we also report that the Report on the Capital Group's activities includes the information required by Art. 49 Note 2 of the Accounting Act and requirements of the Resolution of Ministry of Finance 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 consolidated 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

Warsaw, 15 February 2005

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OF BANK MILLENNIUM S.A.
REPORT SUPPLEMENTING THE OPINION
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1 General

1.2 General information on the Capital Group

1.1.1 Capital Group name

Capital Group of Bank Millennium S.A.

1.1.2 Registered office of parent entity

Al. Jerozolimskie 123a
02 – 017 Warsaw

1.1.3 Commercial registration

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

1.1.4 Tax Office and Provincial Statistical Office registration of parent entity

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

1.2 Information on the entities of Capital Group

1.2.1 Entities included in the consolidated financial statement

At 31 December 2004 the following entities of the Capital Group were consolidated:

Parent entity:

- Bank Millennium S.A.

Subsidiaries consolidated under full consolidation method:

- Millennium Dom Maklerski S.A.
- Millennium TFI S.A.
- BEL Leasing Sp. z o.o.
- Prolim S.A.
- BIG BG INWESTYCJE S.A.
- TBM Sp. z o.o.
- Forin Sp. z o.o.

- BBG Finance B.V.

Besta Sp. z o.o. was subject to equity valuation method in the consolidated financial statement for the year 2004.

As the result of taking the control by the parent entity, Prolim S.A. (the subsidiary) was consolidated for the first time in the year ended 31 December 2004.

1.2.2 Entities not included in consolidated financial statement

As at the 31 December 2004 the following entities of the Capital Group were excluded from the consolidation:

- Reess Trading Sp. z o.o.
- BG Leasing S.A.
- Lubuskie Fabryki Mebli S.A.
- Pomorskie Hurtowe Centrum Rolno-Spożywcze S.A.
- Hevelius Management Sp. z o.o.
- SPC S.A.
- Towarzystwo Handlowe „Weiman i S-ka” Sp. z o.o.
- Accon Service Sp. z o.o.
- MP Plaza Sp. z o.o.

The entities listed above were excluded from the consolidation in the accordance with the Art. 58 note 1 of the Polish Accounting Act dated 29 September 1994 (Official Journal published 2002, No 76, item 694 with subsequent amendments).

1.3 Auditor information

KPMG Audyt Sp. z o.o.
Ul. Chłodna 51
00-867 Warszawa

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

1.4 Legal status

1.4.1 Share capital and equity

Parent entity – Bank Millennium S.A. 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 shareholders' 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%

1.4.2 Management of the parent entity

The Management Board is responsible for management of the parent entity.

At 31 December 2004, the Management Board of the parent entity – Bank Millennium S.A. comprised of the following members:

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

1.4.3 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.

The business activities of other entities of the Capital Group include the following:

- Millennium Dom Maklerski S.A. – brokerage house services;
- Millennium TFI S.A. – setting up and management of the investment funds;
- BEL Leasing Sp. z o.o. – leasing services;
- Prolim S.A. - leasing services;
- BIG BG INWESTYCJE S.A. - financial operations on the capital markets and advisory services;
- TBM Sp. z o.o. – financial operations on the capital markets and advisory services;
- Forin Sp. z o.o. – management of other entities;
- BBG Finance B.V. - financing the entities of the Capital Group.

1.5 Prior period consolidated financial statements of the Capital Group

The consolidated financial statements of the Capital Group of Bank Millennium S.A. (hereinafter referred to the consolidated financial statement) for the period ended at 31 December 2003 were audited by KPMG Polska Audyt Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements of the Capital Group for the year ended 31 December 2003 were approved at the General Meeting on 27 May 2004.

The consolidated financial statement was submitted to the Registry Court for Warszawa on 3 June 2004 and published in the "National Journal B" No. 1129, item 7980, dated 20 October 2004.

The consolidated closing balances as at 31 December 2003 have been properly recorded as the consolidated 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 consolidated financial statements the parent entity made the presentation adjustments to the consolidated opening balance on 1 January 2004. The parent entity made the presentation adjustments to the consolidated closing balances on 31 December 2003 to provide with comparable data.

1.6 Audit scope and responsibilities

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 consolidated financial statement, comprising: introduction to the consolidated financial statements, consolidated balance sheet as at 31 December 2004 with the total assets and liabilities of PLN 20,440,466 thousand, capital adequacy ratio, consolidated statement of contingencies and commitments granted amounting to PLN 3,196,044 thousand, consolidated profit and loss account for the year ended 31 December 2004 with the net profit of PLN 240,504 thousand, consolidated statement of changes in equity for the period ended at 31 December 2004 with a increase in equity of PLN 259,997 thousand, consolidated cash flow statement for the year then ended with an increase in cash amounting to PLN 60,922 thousand and additional notes to financial statements.

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

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

We conducted the audit of consolidated financial statement 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 consolidated financial statements in the parent entity head office during the period from 8 November 2004 to 15 February 2005.

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

On 15 February 2005, the Management Board of the parent entity submitted a statement as to the completeness, fairness, clarity and accuracy of the consolidated financial statements presented for audit which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated 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 by the Management Board.

KPMG Audyt Sp.z o.o., the Management Board and Supervisory Board members of KPMG Audyt Sp. z o.o. and other persons related to the audit of consolidated financial statements of the Capital Group meet the independence requirements relating to all Capital Group entities. 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.

1.7 Information about audits of financial statements of entities included in consolidated financial statements.

Financial statements of Bank Millennium S.A. for the year ended at 31 December 2004 were audited by KPMG Audyt Sp. z o.o., the company authorized to audit financial statement (number 458) and received an unqualified opinion.

Financial statements of the following subsidiaries:

- Millennium Dom Maklerski S.A.
- Millennium TFI S.A.
- BEL Leasing Sp. z o.o.
- Prolim S.A.
- BIG BG INWESTYCJE S.A.
- Forin Sp. z o.o.

prepared for the year ended at 31 December 2004, are being audited by KPMG Audyt Sp.z o.o., the company authorized to audit financial statement (number 458).

Financial statements of the following entities:

- BBG Finance B.V.
- Besta Sp. z o.o.
- TBM Sp. z o.o.

included in the consolidated financial statement of the Capital Group for the year ended 31 December 2004 were not subject to the audit.

2 Financial analysis of the Capital Group

2.1 Summary of the consolidated financial statements

2.1.1 Consolidated balance sheet

	31.12.2004	31.12.2003
	PLN'000	PLN'000
ASSETS		
Cash and due from the Central Bank	872 630	805 242
Debt securities eligible for rediscounting with the Central Bank	9 993	11 189
Due from financial sector	3 182 818	1 248 688
Due from non-financial sector	6 795 824	9 720 687
Due from budget sector	409 009	506 053
Due from reverse repo transactions	80 651	100 358
Debt securities	6 915 891	4 834 303
Due from subsidiaries consolidated on equity method basis	-	155 521
Investments in subsidiaries consolidated on equity method basis	-	767
Shares in other entities	23 948	1 223 807
Other securities and other financial assets	547 602	676 919
Intangible fixed assets	39 239	225 750
Tangible fixed assets	570 827	678 854
Other assets	434 907	91 048
Interperiod settlements	557 127	553 406
Total assets	20 440 466	20 832 592

	31.12.2004	31.12.2003
	PLN'000	PLN'000
LIABILITIES AND EQUITY		
Liabilities		
Due to the Central Bank	1	-
Due to financial sector	1 580 267	2 762 570
Due to non-financial sector	12 433 476	10 835 580
Due to budget sector	874 071	920 191
Liabilities arising from securities sold with a repurchase clause (repo transactions)	1 405 500	1 535 478
Debt securities issued	355 249	1 005 361
Other financial instruments	390 636	444 204
Due to subsidiaries consolidated on equity method	199	6 349
Special funds and other liabilities	287 124	198 882
Accruals and deferred income	436 186	627 461
Provisions	355 876	383 448
Subordinated debt	326 978	378 162
Equity		
Share capital	849 182	849 182
Supplementary capital	760 716	781 348
Revaluation reserve	52 375	32 882
Other reserves	206 104	145 677
Profit (loss) brought forward	(113 978)	(115 078)
Net profit (loss)	240 504	40 895
Total equity and liabilities	20 440 466	20 832 592
Capital adequacy ratio	22,41%	12,15%
OFF-BALANCE SHEET ITEMS		
	31.12.2004	31.12.2003
	PLN'000	PLN'000
Contingent liabilities granted and received	4 249 345	3 342 886
- Liabilities granted	3 196 044	2 291 750
- Liabilities received	1 053 301	1 051 136
Commitments resulting from sale/purchase transactions	12 855 155	17 588 727
Other	22 776 037	18 754 294
Total off balance sheet	39 880 537	39 685 907

2.1.2 Consolidated profit and loss account

	01.01.2004- 31.12.2004	01.01.2003- 31.12.2003
	PLN'000	PLN'000
Interest income	1 797 813	1 454 846
Interest expense	(1 209 499)	(896 862)
Net interest income	588 314	557 984
Fee and commission income	279 863	263 501
Fee and commission expense	(36 712)	(45 190)
Net fee and commission income	243 151	218 311
Income from shares, other securities and other financial instruments	384 008	44 552
Net profit on financial operations	161 232	51 239
Net profit on foreign exchange	87 276	80 465
Profit on banking activity	1 463 981	952 551
Other operating income	257 850	154 369
Other operating expenses	(219 652)	(111 606)
General expenses	(721 642)	(781 001)
Depreciation of fixed assets, intangible assets and legal values	(340 329)	(115 907)
Charges to provisions and revaluation	(940 101)	(1 528 820)
Release of provisions and revaluation	852 715	1 389 421
Net provisions and revaluations	(87 386)	(139 399)
Operating result	352 822	(40 992)
Result on extraordinary items	(6)	-
Amortization of goodwill arising on subsidiary entities	(874)	(11 264)
Gross profit (loss)	351 942	(52 256)
Income tax	(112 725)	57 706
Share of net profit (loss) of companies consolidated under the equity accounting method	1 287	35 445
Net profit (loss)	240 504	40 895

2.2 Selected financial ratios

	<u>31.12.2004</u>	<u>31.12.2003</u>
	PLN'000	PLN'000
Total assets	20 440 466	20 832 592
Profit before tax	351 942	(52 256)
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	22.41%	12.15%
Receivables to total assets	50.87%	55.88%
Income earning assets to total assets	85.10%	79.57%
Interest bearing liabilities to total liabilities	81.45%	81.89%

* 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 consolidated balance sheet and the consolidated profit and loss account are discussed below:

- Total assets have decreased by 2% as at 31 December 2004 compared to 31 December 2003. The highest decrease was recorded in amounts due from non-financial institutions, which amounted to PLN 2,924,863 thousand and in shares in other entities, which amounted to PLN 1,199,859 thousand. The highest decrease in liabilities was in amounts due to financial institutions, which have decreased by PLN 1,182,303 thousand.



CAPITAL GROUP OF BANK MILLENNIUM S.A.
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for the year ended 31 December 2004
Translation of document originally issued in Polish

- 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 parent entity 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 of the parent entity decided to recognize during 2004 one-off charge to profit and loss account.

3 Detailed report

3.1 Accounting principles

The Capital Group holds current documentation describing the applied accounting principles, approved by the Management Board of the parent entity. The applied principles of accounting policy were described in the introduction to the consolidated financial statements, to the extent required by the Accounting Act and regulations issued on the basis of the Act as well as regulations concerning entities issuing securities admitted to public trading, which are applied on a consistent basis.

The entities of the Capital Group, in all material aspects, apply the same accounting principles as the parent entity.

The financial statements of the consolidated entities were prepared on the same balance sheet date as financial statements of the parent entity – namely 31 December 2004.

3.2 Basis for preparation of the consolidated financial statement

The consolidated financial statements of the Capital Group of Bank Millennium S.A. have been prepared in accordance with the Accounting Act dated 29 September 1994, regulations issued on the basis of the Act as well as regulations concerning entities issuing securities admitted to public trading, which are applied on a consistent basis.

The basis for preparation of the consolidated financial statement was the consolidation documentation, compliant with the Resolution of Minister of Finance dated 12 December 2001 regarding the preparation of the consolidated financial statements of banks and financial holdings (Official Journal published 2001, no 152, item 1728).

3.3 Principles of prudence applied by the Capital Group and the capital adequacy ratio

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

3.4 Materiality levels applied by the auditor to consolidated financial statement

In order to issue the audit opinion on the consolidated 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 consolidated financial statements.



3.5 Additional information on consolidated financial statement

All information included in the notes to the consolidated financial statements is presented accurately and completely by the parent entity. The introduction to the consolidated financial statements comprising introduction to the consolidated financial statement and additional information and explanations is an integral part of the consolidated financial statement.

3.6 Management Board of parent entity report on the Capital Group activities

The Management Board Report on the Capital Group activities applies to the requirements specified in Art. 49 Note 2 of the Accounting Act and the 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 consolidated financial statements.

3.7 Information on independent auditor's opinion

Based on our audit of the consolidated financial statements of Capital Group of Bank Millennium S.A. as at 31 December 2004 we issued unqualified auditor's 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

Warsaw, 15 February 2005