

Letter from the Chairman of the Management Board of Bank Millennium S.A.

Dear Sir/Madam!

In 2004 fifteen years passed since the start of operation by Bank Millennium (Bank). We are a peer of Polish economic transformation, we built the Bank and developed together with our Customers, learning together with them the principles of a free market. In parallel Poland's democracy was being born and its institutions emerged. An attempt to recapitulate this period of great importance for Poland and to lay down the directions for our growth was the conference "What democracy has a future?" organised on the Bank's anniversary. It was attended by intellectuals of international renown, Polish opinion leaders and – via the Internet – the academic community.

Today, fifteen years after its foundation, Bank Millennium is co-operating with almost a million Customers, making practical use of its experience, focusing in day-to-day business on developing modern services, tailored to the requirements of each group of our Customers. It is our aim today, as it was when we started, to work to strengthen the Bank's positioning as a modern and secure financial institution, ready to face the challenges of its time.

2004 must be considered a year of success of the entire Millennium Group (Group). The year brought positive results of the Group's efforts to stimulate business growth, best seen in the rapid growth of Customer funds, mortgage loans and credit cards.

Due to development of transactions with Customers in the retail segment and thanks to rapid build-up of the volume of Millenet online transactions Customers' funds were up 8.0 %. Changes in the sales organisation coupled with an attractive product and pricing offer allowed increasing sales of mortgages by 115% over the previous year. In result the share of mortgage loans in the Bank's loan portfolio as at end of 2004 increased to 21.3%. the number of credit cards issued by the Bank grew by 44%.

In the last 12 months activity of the Group focused on growing recurrent income, ensuring solid control of credit risk and efficient management of operating costs. In all the three areas we attained measurable results. Net interest income increased 5.4%, net commission income was up 6.3% and the "bad loans" portfolio shrunk by PLN 1.3 bn, which was reflected in the marked improvement of loan quality ratios.

Concentrating on its core business in 2004 the Group changed its assets structure, spinning-off the portfolio of loans granted via and external operator – PTF, as well as the block of 10% of PZU shares. Increase of recurrent profit of the Bank, additionally increased by income on these transactions gave the Bank a net result of PLN 241 million.

ROE stood at 13% and the Group's solvency ratio increased to 22.%. this permits the Management Board of the Bank to recommend to the Shareholders Meetings the payment of dividend from 2004 profit.

The year 2004 brought visible results of the extensive Group reconstruction programme carried out in 2001-03. It had involved revitalising business activity and focusing on selected markets. The positive impact of these efforts increased the Group's recurrent profit on core

business, improved efficiency, enhanced quality of the loans portfolio and enabled a fair reduction of operating costs.

Bank Millennium is starting 2005 fully prepared to work for its Customers and Shareholders.

Bogusław Kott

Chairman of the Management Board
Of Bank Millennium