



TRANSLATION

Capital Group of
Bank Millennium S.A.
Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2005

KPMG Audyt Sp. z o.o.
The opinion contains 2 pages
The report supplementing the auditor's opinion
contains 15 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2005

OPINION OF THE INDEPENDENT AUDITOR

To the General Shareholders' 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 Warsaw, Al. Jerozolimskie 123a, 02-017 Warsaw, consisting of the consolidated balance sheet as at 31 December 2005, with total assets of and total liabilities and equity of PLN 22,151,139 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 567,054 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 403,983 thousand, the consolidated cash flow statement for the year then ended with a decrease in cash amounting to PLN 980,358 thousand and supplementary notes, comprising of significant accounting policies and other explanatory notes.

The Management of the Parent Company is responsible for the preparation and true and fair presentation of the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and in respect to matters that are not regulated by the above standards, in accordance with the accounting principles as set out in the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations, the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market. Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements.

We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994, the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence and consolidation documentation supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles applied in the Group and significant estimates made by the management of the Parent Company, 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 accompanying consolidated financial statements of Bank Millennium S.A. Capital Group present fairly, in all material aspects, the financial position of the Group as at 31 December 2005, the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and in respect to matters that are not regulated by the above standards, in accordance with the accounting principles as set out in the Accounting Act dated 29 September 1994 and respective bylaws and regulations and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market and the provisions of law that apply to the consolidated financial statements, applicable to the Group.

As required under the Accounting Act dated 29 September 1994 we also report that the Report on the Group's activities includes, in all material aspects, the information required by Art. 49 of the Act and by the Decree of the Ministry of Finance dated 19 October 2005 on current and periodic information provided by issuers of securities (Official Journal from 2005, No 209, item 1744) and the information is consistent with the consolidated financial statements.

Signed on the Polish original

.....
Certified Auditor No. 9941/7390
Bożena Graczyk

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 Management Board

Warsaw, 9 March 2006

Capital Group of
Bank Millennium S.A.
Report supplementing
the auditor's opinion
on the consolidated financial statements
Financial Year ended
31 December 2005

KPMG Audyt Sp. z o.o.
The report supplementing the auditor's opinion
contains 15 pages
Report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
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1 General

1.1 Identification of the Group

1.1.1 Name of the Group

Capital Group of Bank Millennium S.A.

1.1.2 Registered office of the Parent Company of the Group

Al. Jerozolimskie 123a
02-017 Warsaw

1.1.3 Registration of the Parent Company in the National Court Register

Seat of the court: Regional Court in Warsaw, XIX Commercial Department
Date: 30 April 2001
Registration number: KRS 0000010186

1.1.4 Registration of the Parent Company in the Tax Office and Statistical Office

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

1.2 Information about companies included in the Group

As at 31 December 2005 the following companies belonging to the Capital Group were subject to consolidation:

Parent Company:

- Bank Millennium S.A.

Subsidiaries consolidated:

- BEL Leasing Sp. z o.o.
- Millennium Dom Maklerski S.A.
- Millennium TFI S.A.
- Forin Sp. z o.o.
- TBM Sp. z o.o.
- BBG FINANCE B.V.
- BESTA Sp. z o.o – the entity does not run business activity.

The Capital Group applied the article 8 of IAS 8 "Accounting policies, changes in accounting estimates and errors", according to which MSSF are the complete set of accounting principles, which entity may not apply if impact of their application is not material.

Following that article, as at 31 December 2005 the Capital Group has not applied with reference to the following subsidiaries, belonging to the Group:

IAS 27 „Consolidated and separate financial statements”:

- Lubuskie Fabryki Mebli SA
- Accon Services Sp. z o.o.
- Rees Trading Sp. z o.o.
- MP Plaza Sp. z o.o - the entity does not run business activity
- BG Leasing S.A. – in liquidation

and IAS 28 „Investments in associates”:

- Pomorskie Hurtowe Centrum Rolno - Spożywcze S.A.
- Towarzystwo Handlowe "Weiman i S-ka" - the entity does not run business activity
- SPC S.A - the entity does not run business activity.

1.3 Auditor information

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

KPMG Audyt Sp. z o.o. is registered as a company authorised to audit financial statements (number 458).

1.4 Legal status

1.4.1 Share capital

The Parent Company was established for an indefinite period under the terms of its Statute dated 7 June 1989.

The share capital of the Parent Company amounted to PLN 849,181,744 as at 31 December 2005 divided into 849,181,744 ordinary shares with a nominal value of PLN 1 each.

As at 31 December 2005, the shareholder structure was as follows:

Name of the Shareholder	Number of shares	Number of voting rights (%)	Nominal value of shares PLN'000	Percentage of share capital (%)
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	100,0%	849 181 744	100,0%

1.4.2 Management of the Parent Company

The Management Board is responsible for management of the Parent Company.

At 31 December 2005 the Management Board of the Parent Company was comprised of the following members:

- | | |
|---------------------------------------|-----------------------------|
| • Mr. Bogusław Kott | President of the Board |
| • Mr. Luis Pereira Coutinho | Vice-President of the Board |
| • Mr. Fernando Bicho | Board Member |
| • Mrs. Julianna Boniuk - Gorzelańczyk | Board Member |
| • Mr. Wojciech Haase | Board Member |
| • Mr. Wiesław Kalinowski | Board Member |
| • Mr. Zbigniew Kudaś | Board Member |
| • Mr. Rui Manuel Teixeira | Board Member |

No changes took place in composition of the Management Board of the Parent Company during 2005 or until the date of this report.

1.4.3 Scope of activities

The business activities listed in the Parent Company'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 term 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 subsidiaries of the Capital Group include the following:

- BEL Leasing Sp. z o.o. – leasing services;
- Millennium Dom Maklerski S.A. – brokerage house services;
- Millennium TFI S.A. – setting up and management of the investment funds;
- Forin Sp. z o.o. – management of other entities;
- TBM Sp. z o.o. – financial operations on the capital markets and advisory services;
- BBG Finance B.V. - financing the entities of the Capital Group;
- Lubuskie Fabryki Mebli S.A – furniture manufacturing;
- Accon Services Sp. z o.o. – accounting services;
- Rees Trading Sp. z o.o. – financial operations on the capital markets;
- BESTA Sp. z o.o.- the entity does not run business activity;
- MP Plaza Sp. z o.o – the entity does not run business activity;
- BG Leasing S.A – in liquidation.

1.5 Prior period consolidated financial statements

The consolidated financial statements for the period ended 31 December 2004 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements were approved at the General Shareholders' Meeting on 8 March 2005.

The closing balances as at 31 December 2004 have been properly recorded as the opening balances of the audited year.

Due to the changes in the applied accounting policies, resulting from the adoption of International Financial Reporting Standards as adopted by the European Union the related corresponding figures for 31 December 2004 have been restated by the Capital Group. Furthermore, in accordance with IFRS 1, the Capital Group has elected not to restate the corresponding figures in order to comply with IAS 32, IAS 39 and IFRS 4. The adjustments resulting from changes in accounting policies, in order to comply with IAS 32, IAS 39 and IFRS 4, have been made to the opening balance of equity as at 1 January 2005.

The consolidated financial statements for the year end 31 December 2004 were submitted to the Registry Court on 23 March 2005 and were published in Monitor Polski B No 860 on 25 May 2005.

1.6 Audit scope and responsibilities

This report of the independent auditor was prepared for the General Shareholders' Meeting of the Capital Group of Bank Millennium S.A. seated in Warsaw, Al. Jerozolimskie 123a, 02-017 Warsaw, and relates to the consolidated financial statements comprising: the consolidated balance sheet as at 31 December 2005, with total assets of and total liabilities and equity of PLN 22,151,139 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 567,054 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 403,983 thousand, the consolidated cash flow statement for the year then ended with a decrease in cash amounting to PLN 980,358 thousand and supplementary notes, comprising of significant accounting policies and other explanatory notes.

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

The consolidated financial statements have been audited in accordance with the contract dated 14 November 2005.

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

We have audited the consolidated financial statements in the Parent Company's head office during the period from 15 November 2005 to 9 March 2006.

The Management of the Parent Company is responsible for the preparation and true and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and in respect to matters that are not regulated by the above standards, in accordance with the accounting principles as set out in the Accounting Act dated 29 September 1994 and respective bylaws and regulations the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

Our responsibility is to express an opinion, with a supplementing report, on these financial statements.

On 9 March 2006 the Management Board of the Parent Company submitted a statement as to the true and fair presentation 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 of the Parent Company.

KPMG Audyt Sp. z o.o., the members of its Management Board and Supervisory Board and other persons involved in the audit of the consolidated financial statements fulfill independence requirements from the companies included in the Group. 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 on audits of the financial statements of consolidated companies

1.7.1 Parent Company

The financial statements of the Parent Company for the year ended 31 December 2005 has been audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received an unqualified opinion.

1.7.2 Other consolidated entities

Financial statements of the following subsidiaries:

- BEL Leasing Sp. z o.o.
- Millennium Dom Maklerski S.A.
- Millennium TFI S.A.
- Forin Sp. z o.o.

prepared for the year ended at 31 December 2005, are being audited by KPMG Audyt Sp.z o.o., the company authorized to audit financial statement (number 458).

Financial statements of Lubuskie Fabryki Mebli SA prepared for the year ended 31 December 2005, are being audited by Biuro Biegłego Rewidenta Stefania Bukowska, Zielona Góra, the company authorized to audit financial statement (number 2788).

Financial statements of the other subsidiaries being part of the Capital Group were exempt from the obligation to audit for the financial year ended 31 December 2005.



2 Financial analysis of the Group

2.1 Summary of the financial statements

2.1.1 Consolidated balance sheet

ASSETS	31.12.2005 PLN '000	31.12.2004 PLN '000
Cash and balances with the Central Bank	510 805	872 630
Loans and advances to banks	2 602 815	3 164 034
Financial assets held for trading	3 304 175	2 924 024
Derivative financial instruments	14 826	20 014
Loans and advances to customers	9 591 642	7 608 669
Investment securities	4 910 529	4 407 537
- available for sale	4 831 893	4 205 285
- held to maturity	78 636	202 252
Investment in subsidiaries	1 926	4 800
Reverse repo transactions	311 127	80 650
Property, plant and equipment	232 123	395 059
Intangible assets	26 998	35 414
Assets held for sale	239 512	-
Deferred income tax assets	157 485	141 773
Other assets	247 176	493 951
TOTAL ASSETS	22 151 139	20 148 555



LIABILITIES	31.12.2005 PLN '000	31.12.2004 PLN '000
Liabilities		
Deposits from banks	1 067 345	1 492 164
Financial liabilities held for trading	503 660	249 540
Derivative financial instruments	22 273	39 999
Deposits from customers	13 994 416	13 388 144
Repo transactions	3 061 037	1 405 500
Debt securities issued	69 436	355 249
Provisions	16 468	218 082
Current income tax liabilities	132 186	88 695
Other liabilities	583 991	597 365
Subordinated debt	309 504	326 977
Total liabilities	19 760 316	18 161 715
Equity		
Share capital	849 182	849 182
Share premium capital	471 709	507 460
Revaluation reserve	27 612	21 367
Retained earnings	1 042 320	608 831
Total equity attributable to equity holders of the parent	2 390 823	1 986 840
Total equity	2 390 823	1 986 840
TOTAL EQUITY AND LIABILITIES	22 151 139	20 148 555

Consolidated profit and loss account

	1.01.2005 - 31.12.2005 PLN '000	1.01.2004 - 31.12.2004 PLN '000
Interest and similar income	1 196 583	997 951
Interest expense and similar charges	(716 506)	(661 093)
Net interest income	480 077	336 858
Fee and commission income	293 503	279 863
Fee and commission expense	(28 657)	(38 004)
Net fee and commission income	264 846	241 859
Dividend income	2 192	1 728
Result on investment activity	495 301	395 662
Result on trading activity	135 648	267 083
Result on other financial instruments	(6 264)	176 733
Foreign exchange profit	93 481	87 276
Other operating income	74 625	48 507
Other operating expenses	(58 869)	(63 709)
Operating income	1 481 037	1 491 997
Operating expenses	(670 030)	(731 516)
Impairment losses on financial assets	4 955	(65 659)
Impairment losses on non financial assets	(20 381)	(36 470)
Depreciation	(85 838)	(308 777)
Operating costs	(771 294)	(1 142 422)
Operating profit	709 743	349 575
Gross profit	709 743	349 575
Corporate income tax	(142 689)	(112 031)
Net profit	567 054	237 544
Attributable to the Company's equity holders	567 054	237 544
Attributable to the Minority equity holders	-	-
Basic earnings per share (PLN)	0,67	0,28
Diluted earnings per share (PLN)	0,67	0,28

2.2 Selected financial ratios

	31.12.2005 PLN'000	31.12.2004 PLN'000
Total assets	22 151 139	20 148 555
Gross profit	709 743	349 575
Net profit	567 054	237 544
Shareholder's equity*	1 823 769	1 749 296
Return on equity*	31,09%	13,58%
Capital adequacy ratio	19,07%	22,41%
Receivables to total assets	56.46%	53.87%
Income generating assets to total assets	93.61%	90.35%
Expenses generating liabilities to total liabilities	84.40%	84.83%

* excluding current year net profit

2.3 Interpretation of selected financial ratios

In comparison to the previous year total assets grew by 10%. During the year the largest increase on assets was observed in the loans and advances to customers. On the liabilities side, the largest increase was in the repo transactions.

The Capital Group net profit for the year 2005 increased by 139% compared to the previous year. The significant impact on the net profit for the year 2005 had the final settlement of one – off transactions: sale of 10% of the shares of PZU S.A and settlement of swap agreement with Banco Comercial Portugues. Besides, the significant impact on the increase of net profit for the year 2005 had: growth of interest margin resulting from increase in portfolio of loans granted to customers, growth of non interest income (commission and fees) and decrease of impairment losses on financial assets.

Higher net profit in 2005 had impact on increase by 18 percentage points of return on equity, estimated on basis of average level of own funds.

Capital adequacy ratio of Capital Group decreased by 3 percentage points and as at 31 December 2005 reached the level of 19.07%.

3 Detailed report

3.1 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied in the Group, approved by the Management Board of the Parent Company.

The accounting policies are described in the notes, comprising to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

Entities included in the Group apply common accounting principles consistent with accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the same balance sheet date as the financial statements of the Parent Company.

3.2 Basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Capital Group of Bank Millennium S.A. were prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and in respect to matters that are not regulated by the above standards, in accordance with the accounting principles as set out in the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

The consolidated financial statements were based on consolidation documentation including in particular:

- financial statements of the related entities,
- consolidation adjustments and eliminations, necessary to prepare the consolidated financial statements,
- calculation of fair value of net assets of subordinated entities,
- calculation of goodwill and negative goodwill and their amortisation, including allowances,
- calculation of the minority interest,
- calculation of foreign exchange differences on the translation of the financial statements of subordinated entities.

3.3 Method of consolidation

The method of consolidation is described in note 6 of the supplementary notes, comprising of significant accounting policies.

3.4 Consolidation goodwill and its amortisation

The method of calculating consolidation goodwill has been described in note 6 of the supplementary notes, comprising of significant accounting policies.

3.5 Consolidation of equity and calculation of minority interest

The share capital of the Group is equivalent to the share capital of the Parent Company.

Other equity items of the Group were determined by adding the equity balances of subsidiaries included in the consolidated financial statements, in the proportion reflecting the percentage share of the Parent Company in the subsidiaries' equity as at the balance sheet date to the corresponding positions of the equity of the Parent Company.

Only the portion of equity of the subsidiaries, which is controlled by the Parent Company, is included in the equity of the Group.

3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated in consolidation.

Sales between entities and other intercompany operating revenues and expenses and the financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Capital Group of Bank Millennium S.A. and agreed with information received from subsidiaries.

3.7 Compliance with banking regulations

Based on our audit we have not identified any significant deviations in the Group compliance with regulatory norms pertaining to loan concentration and capital adequacy ratio. In the Report supplementing the opinion on financial statements of Bank Millennium SA for the year ended 31 December 2005 issued on 9 March 2006, we have referred to the banking regulatory norms pertaining among others to loan concentration, obligatory reserve and capital adequacy ratio.

3.8 Audit materiality

We have planned and applied an appropriate level of precision in conducting our audit procedures in order to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free of material misstatements.

3.9 Supplementary notes, comprising of significant accounting policies and other explanatory notes

All information included in the supplementary notes, comprising of significant accounting policies and other explanatory notes is presented accurately and completely. This information should be read in conjunction with the consolidated financial statements taken as a whole.

3.10 Report of the Management Board of the Parent Company on the Group's activities

The Report of the Management Board of the Parent Company on the Group's activities includes, in all material aspects, the information required by Article 49 of the Accounting Act dated 29 September 1994 and by the Decree of the Ministry of Finance dated 19 October 2005 on current and periodic information provided by issuers of securities (Official Journal from 2005, No 209, item 1744) and the information is consistent with the consolidated financial statements.

3.11 Information on the opinion of the independent auditor

Based on our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2005, we have issued an unqualified auditor's opinion.

Signed on the Polish original

.....
Certified Auditor No. 9941/7390
Bożena Graczyk

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 Management Board

Warsaw, 9 March 2006