Bank Millennium

1 HY 2005 Consolidated Interim Financial Report
of Bank Millennium Capital Group
prepared in accordance with
International Financial Reporting Standards

SELECTED FINANCIAL DATA

	In thous. PLN		In thous. EUR	
	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	601 874	601 842	147 501	127 209
II. Commission income	136 029	136 291	33 337	28 807
III. Operating income	544 035	651 640	133 327	137 734
IV. Operating Profit	163 503	144 820	40 070	30 610
V. Gross profit (loss)	163 503	144 820	40 070	30 610
VI. Net profit (loss)	129 045	112 000	31 625	23 673
VII. Net cash from operating activities	-10 757	2 405 172	-2 636	508 371
VIII. Net cash from investing activities	-479 892	-985 497	-117 607	-208 300
IX. Net cash from financing activities	-1 163 897	0	-285 236	0
X. Net change of cash balance	-1 654 546	1 419 675	-405 480	300 071
XI. Total assets	20 326 045	20 449 624	5 031 075	4 502 141
XII. Liabilities to banks	951 611	1 975 768	235 541	434 980
XIII. Liabilities to customers	13 518 638	12 266 781	3 346 115	2 700 625
XIV. Equity	1 981 111	1 843 767	490 362	405 919
XV. Share capital	849 182	849 182	210 188	186 954
XVI. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVII. Book value per share (in PLN / EUR)	2,33	2,17	0,58	0,48
XVIII. Diluted book value per share (in PLN / EUR)	-	-	-	-
XIX. Solvency Ratio	20,88%	17,84%	20,88%	17,84%
XX. Profit (loss) per ordinary share (in PLN / EUR)	0,15	0,13	0,04	0,03
XXI. Diluted profit (loss) per ordinary share (in PLN / EUR)	-	-	-	-
XXII. Declared or paid dividend per share (in PLN / EUR)	0,28	-	0,07	-

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I. CONSOLIDATED PROFIT AND LOSS ACCOUNT

in thous. PLN	Note	01.01.2005 - 30.06.2005 Total	01.01.2004 - 30.06.2004 Total
Interest income	1	601 874	601 842
Interest costs	2	-359 857	-294 867
Net interest income		**242 017**	**306 975**
Commission income		136 029	136 291
Fee and commission costs		-14 624	-16 693
Net commission income	3	**121 405**	**119 598**
Dividend income	4	1 895	6
Result on investing activities	5	57 621	289
Result on trading activities	5	76 779	-14 212
Result on other financial instruments	5	267	194 049
FX gains/losses		42 686	43 023
Other operating income	6	26 313	23 431
Other operating expenses	6	-24 948	-21 519
Operating income		**544 035**	**651 640**
General administrative costs	7	-333 163	-358 640
Depreciation	8	-42 401	-54 341
Impairment charges and provisions	9	-4 968	-93 839
Operating expenses		**-380 532**	**-506 820**
Operating Profit		**163 503**	**144 820**
Share in profit of associaties		0	0
Gross Profit		**163 503**	**144 820**
Income tax	10	-34 458	-32 820
Net Profit		**129 045**	**112 000**
Attributed to:			
Shareholders of dominant company		129 045	112 000
Minority shareholders		0	0
Net Profit		**129 045**	**112 000**
Earnings per share (PLN)	11	0,15	0,13
Diluted earnings per share (PLN)	11	-	-

II. CONSOLIDATED BALANCE SHEET

ASSETS

in thous. PLN	Note	30.06.2005	31.12.2004	30.06.2004
Cash and balances with central banks	12	666 506	872 630	649 316
Receivables from banks	13	1 298 325	3 164 034	2 087 450
Financial assets held for trading	14	3 749 408	3 026 441	3 864 325
Hedging derivatives	14	28 561	20 014	26 639
Other financial assets at fair value through P&L		0	0	0
Loans and advances to customers	15	8 190 883	7 608 669	7 688 192
Investment financial assets	16	4 831 286	4 412 337	4 398 000
- available for sale		4 755 000	4 210 085	4 206 234
- held to maturity		76 286	202 252	191 766
Receivables from securities bought with sell-back clause		123 213	80 650	260 124
Investments in associated entities		0	0	0
Tangible fixed assets	17	247 806	395 059	452 330
Intangible assets	18	29 008	35 414	212 461
Fixed assets for sale		260 764	0	0
Deferred income tax assets	19	268 611	273 851	240 949
Other assets	20	631 674	522 600	569 838
Total assets		**20 326 045**	**20 411 699**	**20 449 624**

LIABILITIES

in thous. PLN	Note	30.06.2005	31.12.2004	30.06.2004
Liabilities to banks	21	951 611	1 492 164	1 975 768
Trading financial liabilities	22	323 832	353 479	286 084
Hedging derivatives	22	42 823	37 157	42 783
Liabilities to customers	23	13 518 638	13 395 850	12 266 781
Liabilities from securities sold with buy-back clause		1 949 345	1 405 500	1 914 367
Debt securities issued	24	234 244	355 249	780 236
Provisions	25	21 045	218 082	251 692
Provision for deferred income tax	26	172 306	133 969	144 407
Current tax liabilities		3 867	88 695	430
Other liabilities	27	803 400	609 674	579 280
Subordinated liabilities	28	323 823	326 977	364 029
Total liabilities		**18 344 934**	**18 416 796**	**18 605 857**

EQUITY

in thous. PLN	Note	30.06.2005	31.12.2004	30.06.2004
Share capital	29	849 182	849 182	849 182
Share premium	29	471 709	507 460	507 460
Revaluation reserve	29	58 793	21 367	-1 265
Retained earnings	29	601 427	616 894	488 390
Equity attributed to shareholders of the dominant company		1 981 111	1 994 903	1 843 767
Equity of minority shareholders		0	0	0
Total equity		**1 981 111**	**1 994 903**	**1 843 767**
Total liabilities and equity		**20 326 045**	**20 411 699**	**20 449 624**

III. CHANGES OF CONSOLIDATED EQUITY

LISTING OF CHANGES OF CONSOLIDATED EQUITY	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at start of the period (OB) 01.01.2005	1 994 903	849 182	507 460	21 367	616 894
Changes of adopted accounting principles (policies)	57 508	0	0	0	57 508
Equity at start of the period (OB) after adjustment	2 052 411	849 182	507 460	21 367	674 402
- payment of dividend	-237 771	0	0	0	-237 771
- other distribution of profit from previous years	0	0	0	0	0
- covering of losses from previous years with reserve capital	0	0	-35 751	0	35 751
- purchase/sale and valuation of financial assets available for sale	37 426	0	0	37 426	0
- net profit of the current period	129 045	0	0	0	129 045
Equity at end of the period (CB) 30.06.2005	**1 981 111**	**849 182**	**471 709**	**58 793**	**601 427**

LISTING OF CHANGES OF CONSOLIDATED EQUITY	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the start of the period (OB) 01.01.2004	1 734 906	849 182	542 970	1 874	340 880
- other distribution of profit from previous years	0	0	0	0	0
- covering of losses from previous years with reserve capital	0	0	-35 510	0	35 510
- purchase/sale and measurement of financial assets available for sale	19 493	0	0	19 493	0
- net profit of the current period	240 504	0	0	0	240 504
Equity at end of the period (CB) 31.12.2004	**1 994 903**	**849 182**	**507 460**	**21 367**	**616 894**

LISTING OF CHANGES OF CONSOLIDATED EQUITY	Total consolidated equity	Share capital	Share premium	Revaluation reserve	Retained earnings
Equity at the start of the period (OB) 01.01.2004	1 734 906	849 182	542 970	1 874	340 880
- other distribution of profit from previous years	0	0	0	0	0
- covering of losses from previous years with reserve capital	0	0	-35 510	0	35 510
- purchase/sale and valuation of financial assets available for sale	-3 139	0	0	-3 139	0
- net profit of the current period	112 000	0	0	0	112 000
Equity at end of the period (CB) 30.06.2004	**1 843 767**	**849 182**	**507 460**	**-1 265**	**488 390**

IV. CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOW FROM OPERATING ACTIVITIES		
	01.01.2005 - 30.06.2005	**01.01.2004 - 30.06.2004**
I. Net profit (loss)	**129 045**	**112 000**
II. Adjustments total:	**-139 802**	**2 293 172**
1. Profit/loss of minority shareholders	0	0
2. Profit/loss on shares (interests) in associates	0	0
3. Depreciation	42 401	54 341
4. FX gains/losses	-7 005	-53 837
5. Dividend income	-1 895	-19 505
6. Provisions	-13 303	34 748
7. Result on sale and liquidation of components of investment activities	-2 573	-2 145
8. Change of balance of trading financial assets	-164 538	77 325
9. Change of balance of other financial assets priced at fair value through P&L	0	0
10. Change of balance of receivables from banks	326 139	10 850
11. Change of balance of receivables from customers	-1 080 788	2 803 986
12. Change of balance of receivables from securities bought with sell-back clause	-42 563	-159 766
13. Change of balance of liabilities for trading	-23 981	-115 337
14. Change of balance of liabilities to banks	545 996	74 559
15. Change of balance of liabilities to customers	122 788	-322 615
16. Change of balance of liabilities from securities sold with buyback clause	543 845	378 889
17. Change of balance of liabilities on account of issue of debt securities	13 603	-219 358
18. Change of balance of settlements on account of deferred income tax	21 850	24 056
19. Change of balance of receivables/liabilities on account of current tax	-82 375	-1 028
20. Change of balance of other assets and liabilities	-337 588	-271 400
21. Other items	185	-591
III. Net cash from operating activities	**-10 757**	**2 405 172**

B. CASH FLOW FROM INVESTING ACTIVITIES		
	01.01.2005 - 30.06.2005	01.01.2004 - 30.06.2004
I. Proceeds from investing activities	**23 476**	**18 159**
1. Sale of intangible assets and tangible fixed assets	21 406	12 281
2. Sale of shares and interests in associated entities	175	0
3. Sale of other financial assets priced at fair value through P&L	0	0
4. Sale of Investment financial assets	0	0
5. Other investment proceeds	1 895	5 878
II. Expenses on account of investing activity	**-503 368**	**-1 003 656**
1. Acquisition of Intangible assets and tangible fixed assets	-11 375	-5 101
2. Acquisition of shares and interests in associated entities	0	0
3. Acquisition of other financial assets priced at fair value through P&L	0	0
4. Acquisition of Investment financial assets	-491 993	-998 555
5. Other investing expenses	0	0
III. Net cash from investing activities	**-479 892**	**-985 497**

C. CASH FLOW FROM FINANCING ACTIVITIES		
	01.01.2005 - 30.06.2005	01.01.2004 - 30.06.2004
I. Proceeds from financing activity	**0**	**0**
1. Incurred long-term loans	0	0
2. Issue of debt securities	0	0
3. Increase balance of subordinated liabilities	0	0
4. Proceeds from issue of own shares and additional payments to capital	0	0
5. Other financial proceeds	0	0
II. Expenses on account of financing activity	**-1 163 897**	**0**
1. Repayment of long-term loans	-793 053	0
2. Redemption of debt securities	-133 073	0
3. Decrease of the balance of subordinated liabilities	0	0
4. Expenses on account of issue costs	0	0
5. Redemption of shares	0	0
6. Payments of dividend and other payments to the owners	-237 771	0
7. Other financial expenses	0	0
III. Net cash from financing activity	**-1 163 897**	**0**

D. NET CHANGE OF CASH AND CASH EQUIVALENTS (A III+B III+C III)	**-1 654 546**	**1 419 675**
E. CASH AND CASH EQUIVALENTS AT START OF THE REPORTING PERIOD	**4 536 011**	**1 930 420**
F. CASH AND CASH EQUIVALENTS AT END OF THE REPORTING PERIOD (D+E)	**2 881 465**	**3 350 095**

V. GENERAL INFORMATION ABOUT ISSUER AND THE ISSUER'S CAPITAL GROUP

Commercial name and seat: Bank Millennium S.A., Poland, Warsaw, Al. Jerozolimskie 123 a
Registration court and register number: 19th Business Registration Division of the National Court Register, Registration Court for the Capital City of Warsaw, no 0000010186
Issuer's Core Business: banking and other financial intermediation, except insurance and pension funds,
The business of the Capital Group comprises: banking, leasing, factoring, brokerage, capital operations, investment fund management.

The financial statement contains the data of Bank Millennium S.A. (the Bank) and its subsidiaries (hereinafter referred to as "the Group").
The Group's dominant entity is Bank Millennium S.A. The other entities of the Group covered by the consolidated financial statement dated 30 June 2005 comprise:

Name	Business	Registration organ
BEL Leasing Sp. z o.o.	Leasing services	Registration Court for the City of Warsaw 19th Business Registration Division of the National Court Register
Millennium Dom Maklerski S.A.	Brokerage services	as above
Millennium TFI S.A.	Establishment and management of investment funds	as above
Forin Sp. z o.o.	Management of other entities	as above
BIG BG INWESTYCJE S.A.	Financial operations on the capital market and consulting services	as above
TBM Sp. z o.o.	Financial operations on the capital market and consulting services	as above
Prolim S.A.	Leasing services	Local Court in Gdańsk, 16th Economic Division of the National Court Register
BBG FINANCE B.V.	Financing Group Companies	Kamer Van Koophandel Rotterdam

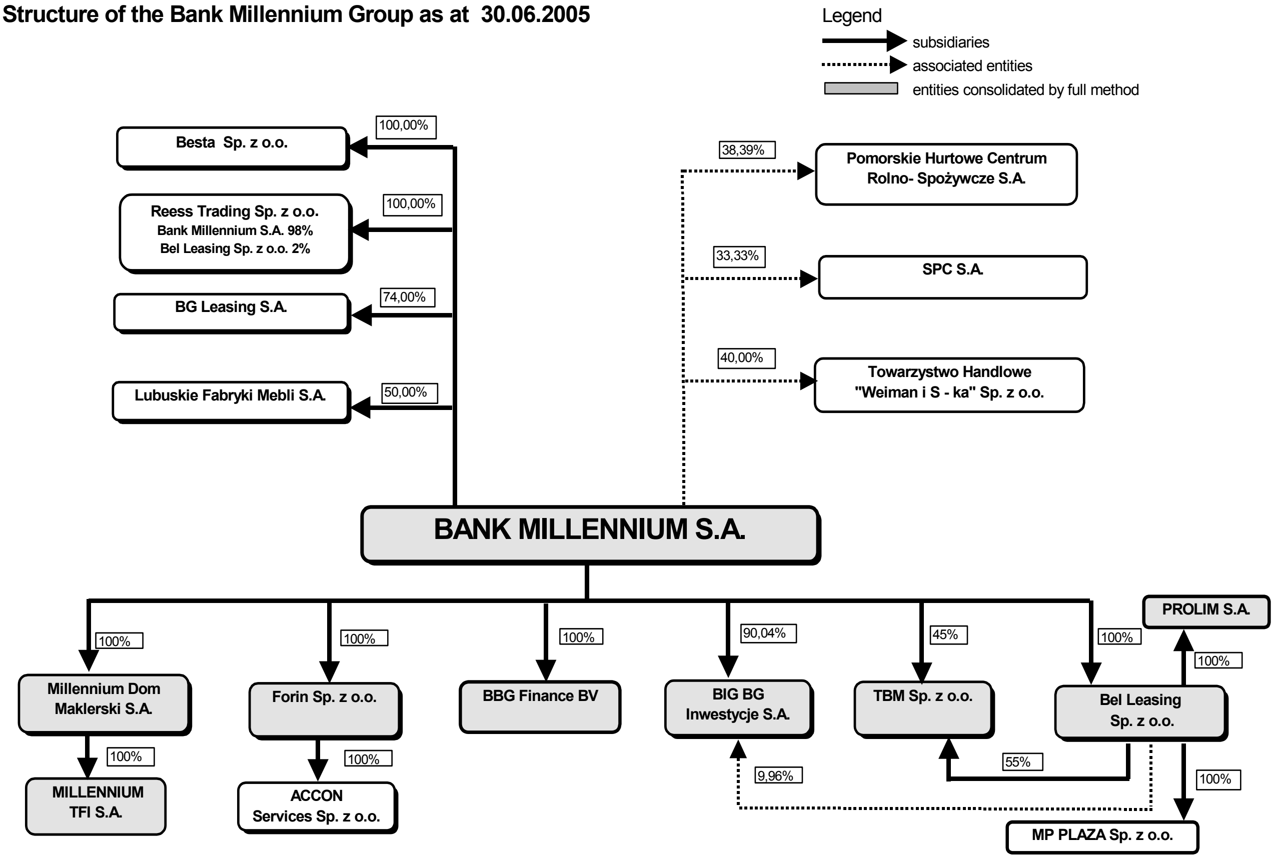
The following Group entities have been excluded from the presentation as immaterial in view of the obligation of presenting the fair and true picture of the Group's financial standing (shares and stocks in such entities are disclosed at purchasing prices net of impairment write-offs).

- Lubuskie Fabryki Mebli S.A.
- Reess Trading Sp. z o.o.
- Accon Services Sp. z o.o.
- BG Leasing S.A.
- MP Plaza Sp. z o.o.

Additionally the Group's consolidated financial statement made out as of 30 June 2005 incorporates the equity valuation of Besta Sp. z o.o. (the Company has not run any operational activity since January 2003).

For associated entities whose scale of operations is negligible with respect to the Group, the consolidated statement discloses the exposure to such entities at purchasing price net of impairment losses.

Structure of the Bank Millennium Group as at 30.06.2005



VI. ACCOUNTING POLICY

(1) STATEMENT ON COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

This financial statement on the Group covers data for the 1st HY 2005, consisting of the balance sheet, profit and loss account, statement on changes in equity, statement on cash flow and additional notes, was prepared based on the International Financial Reporting Standards (IFRS) as approved by the European Union. The Group has implemented the IFRS as the prime base for preparing financial statements in accordance with the Regulation no 1606/2002/EC of the European Parliament and Council and the guidelines of the amended Accounting Act (Dz. U. no 76 item 694 of 2002, as later amended) and delegated legislation issued on its basis.

This financial statement complies with the EU-adopted IFRS in force as of the balance sheet day (i.e. 30 June 2005) and constitutes an interim statement as envisaged in IAS 34 and satisfies the reporting requirements specified in the Council of Ministers Ordinance dated 19 October 2005 concerning current and periodic information reporting by issuers of securities (Dz. U. of 2005, item 209).
The previously published statements of the Group, including the 2004 statements, were prepared in accordance with the Polish Accounting Standards.

(2) FIRST-TIME ADOPTION OF THE IFRS

The presented consolidated financial statement is the first full interim statement for the preparation of which the principles described in IFRS 1 have been applied. In accordance with the provisions of IFRS 1 governing the IFRS adaptation process, the accounting principles in force on the reporting day must be applied with respect to the opening balance and presented comparable data.
The actual moment of adopting the IFRS is the opening balance day for the earliest of the presented periods, i.e. 1st January 2004. The consolidated balance sheet and profit and loss account as at the day and for the first half ending on June 30 2005, together with comparable financial data, was developed according to the same accounting principles for every of the periods, with the exception of the issues stipulated by IAS 39, especially regarding valuation of certain financial instruments at depreciated cost with Effective Interest Rate, and regarding loan impairment.
The full adjustment of the comparable data for the year 2004 has been discontinued due to cost and time-consuming nature of the whole process resulting from the complexity and scope of issues, scale of difficulties and amount of data required for the actual conversion.
However, in the interest of data comparability and possibility of a correct assessment of the financial situation the Bank prepared pro-forma financial statements for the 1st HY of 2004 (with less detail) in accordance with IFRS requirements, which also included the above-mentioned issues of IAS 39. Such statements were used for the needs of management analysis and also were used to generate information on the Group's financial standing in the 1st HY 2005 being part of the Management Board's Report.
The Group applied the same accounting policies when preparing the opening balance according to IFRS as at January 1 2004 and throughout all the presented periods. The accounting policies employed are in line with the provisions of every IFRS in force as at June 30 2005, i.e. as at the reporting day apart from the exemptions admitted by IFRS. All and any amendments to the accounting policies were implemented retroactively with the exception of the below-listed exemptions admitted by IFRS 1:

- Relief from obligation to present restated data according to accounting principles regulated by IAS 39 (measurement at amortised cost with consideration of effective interest rate, impairment of financial assets presented at amortised cost with consideration of effective interest rate),
- Fixed assets classified as held for sale – the Group distinguishes such asset category (in accordance with IFRS 1 and IFRS 5) starting from 1 January 2005,

- Mergers, which took place within the Group, pertained to entities under joint control and thus not regulated as such by the IFRS,
- Estimates adopted by the Group were at the time of implementing IFRS in compliance with the estimates existing as of the same date on the basis of the accounting policies previously employed by the Group (taking into account the adjustments, which illustrate the difference in accounting standards).

(3) CHANGES IN ACCOUNTING PRINCIPLES RESULTING FROM IFRS IMPLEMENTATION

1. Valuation of financial instruments at depreciated cost with the application of the Effective Interest Rate (EIR)

The effective interest rate method is an approach for calculation of the depreciated initial value of financial assets or liabilities and allocation of interest income or expenses, and some commissions to an appropriate period. Effective interest rate is the rate, for which the discounted future payments or cash proceeds are equal to the current net balance sheet value of a given financial asset or liability. When calculating effective interest rate, the Group estimates the cashflows considering all contractual conditions for a given financial instrument, however disregarding possible future losses due to default. This calculation includes all fees paid or received between the parties to the agreement, which are an integral part of the effective interest rate, and transaction costs and all other premiums or discounts.
Implementation of the EIR methodology in relation to the financial instruments as of January 1 2005 resulted in changes to the following areas (discount and premium on debt securities had already been settled before with the application of the exponential approach).

(i) Settlement of credit commissions
By the end of 2004 commissions had been recognised in the Group's profit and loss account on the cash basis when collected (except for specific commissions settled over time by linear method). Since the switch to the IFRS, selected commissions have been recognised in the P&L Account throughout the entire life of a credit agreement. Such depreciation over time is applicable to those credit-related commissions, which – due to their specific nature - are an interest income substitute. The unsettled share of commissions is presented in the balance sheet as adjustment of the value of credit exposure, while the settled part constitutes interest income (or commission income in case of commissions charged on instruments with an undefined repayment schedule). Depending on the type of commissions the Group spreads them over time based on the straight-line method, sum of digits, or EIR. As a result, compared to the previous years, there is a significant reduction of commission income in the presented report, and a decline in the Group's own capitals at the date of EIR implementation (an opening balance sheet adjustment driven by a detachment from the previous years' profits of the share of commissions on active credit agreements to be settled over time). The quantification of opening balance sheet adjustment is presented in the further part of the report. Additionally the following will be settled over time:

- selected commissions collected on credit cards depreciated by the straight-line method taken as commission income
- some of the Group's own costs, directly related to making credit agreements such as commissions paid to external and internal agents for conclusion of a mortgage agreement or costs of property appraisal related to this type of agreements.

(ii) One-off agreement

In the previous years the Bank concluded a structured long-term agreement with one business partner. In effect of the aforementioned agreement the Bank took the loan and at the same time purchased the zero coupon securities issued by the partner, and made a pre-payment of the (discounted) loan interest for the 10 last years on the loan upfront. Until December 31 2004 the prepayment made, according to the conditions of the agreement, was not included in the profit and loss account, current interest on the loan were calculated with a straight-line method, whereas discount on securities was settled with exponential method.

Such a construction resulted in a material adjustment (increase) of the opening balance sheet position of own capitals when the valuation at depreciated cost and effective interest rate was applied, due to, inter alia, application of a single effective interest rate for the entire structure and settlement over time of the previously prepaid expenses according to the effective interest rate approach.

(iii) Implementation of EIR in a subsidiary

Additionally, in the EIR calculations made by a subsidiary involved in the leasing operations the scope of costs that are component of the EIR calculation was extended and commissions collected from clients for conclusion of lease agreements were included.

Quantification of the adjustments made to the opening balance is presented later on in the report.

2. Impairment of credit exposures and other financial assets priced at depreciated cost

Pursuant to IAS 39, impairment of a component or a group of financial assets (resulting in a loss) takes place exclusively when there are objective signs of impairment due to an event or events, which occurred after the original capturing of given asset component ("loss trigger event"), and when this event (or events) impacts reasonably estimable future cashflows regarding this financial asset or group of assets.

The methodology for evaluation of impairment of credit exposures and other financial assets measured at depreciated cost requires for each balance sheet day to check whether there have been objective signs of loan impairment.

Objective signs of impairment include inter alia the following:

- Significant financial difficulties of the debtor,

- Problems to repay interest or principal,
- Re-negotiation of the contractual conditions due to the financial difficulties of the debtor,
- Restructuring as a result of financial difficulties or possible bankruptcy of the debtor,
- Disappearance of an active market for an asset component due to financial standing of the debtor,
- Information held about estimable decrease in the forecast cashflows due to a group of financial assets, although no such findings are made for a single component of such group.

First, the Group assesses whether there are objective signs of impairment of the material components of financial assets and whether there is such evidence for assets, which individually are not significant. The basis for this process is to break-up the Group's loan portfolio into material credit exposures (criterion of size of exposure) and the homogenous groups of loans. If, following the assessment, it is found that for a given component of financial assets subject to individual assessment there are no objective signs of impairment, then this component is included into the group of financial assets of similar credit risk characteristics, which group is then subject to collective impairment evaluation. The components of financial assets, for which impairment was demonstrated on the grounds of individual analysis, are not included in the collective impairment assessment.

In case there are objective signs of impairment of advances and receivables or other financial assets measured at depreciated cost, the loss is calculated as a difference between the balance sheet value of a given asset and present value of estimated future cashflows (excluding future losses under unpaid loans, which have not been incurred earlier) discounted at the original effective interest rate of a given asset component. Calculation of the present value of estimated future cashflows for a secured component of financial assets includes cashflow resulting from the capacity to take-over the security or from other external sources, no matter whether the take-over is probable or not.

For collective impairment assessment, credit exposures are grouped for homogeneity of credit risk within a given portfolio. Future cashflows concerning a group of financial assets subject to collective impairment assessment are estimated on the basis of cashflows resulting from agreements and historical parameters of the losses incurred from the assets of similar risk characteristics. Historical loss parameters are adjusted on the grounds of the data derived from current observations in order to include the impact of present market factors, which did not operate in the period, when the historical observations were made, and in order to exclude the effects of the circumstances, which took place in the historical period and which do not exist at present. In order to calculate the provision for balance exposures subject to collective analysis, among others, probability of loss method (modified PD – probability of default) is adopted. This approach allows in particular to 1) detect already occurred losses as well as 2) losses that occurred as at the date of the impairment assessment, but have not materialised yet (IBNR – incurred but not reported).

Impairment is presented as reduction of Balance-Sheet value of an asset through the revaluation charges account, while the loss amount (amount of the revaluation charge created in the period) is charged against the Profit & Loss Account of the period.

Unrecoverable credit exposures are written-off against impairment provisions. Prior to writing-off a loan the required procedures are applied and loss amount is determined. In case of recovery of written-off amounts, according to IAS 39 loan impairment charges in the Profit & Loss Account are duly reduced.

If in the next period the amount of impairment loss is reduced in result of an event, which occurred after arisal of the impairment (e.g. improvement of the debtor's credit capacity assessment) then the prior impairment charge is reversed by making an appropriate adjustment of the revaluation charges account. The amount of the reversal made is shown in the Profit & Loss Account.
In result of introduction of IFRS also the credit exposure presentation has changed as follows:

- the interest on NPLs, accrued according to the Polish standards on the gross exposure amount and recognised in the balance sheet as suspended interest (in the profit and loss account only when repaid), have been removed from the balance sheet (under IAS 39, interest on NPL exposures shall be accrued at net exposure and posted in P&L Account),
- a provision was created for credit exposures assessed collectively for impairment, including a provision for loan losses, which occurred but were not reported - IBNR), which reduces the value of the credit exposure in presentation terms,
- unsettled discount on receivables, as well as on unsettled part of credit commissions (as discussed in sub-item 1 dedicated to EIR) shall reduce the balance sheet value of credit exposures.

3. The remaining material changes of the accounting principles, which do not affect the value of the financial result and net assets:

- Since January 1 2005 the Group has been recognizing interest on FX SWAP and CIRS operations in result on trading activity for transactions made for non-speculative purposes, i.e. to ensure liquidity in foreign currencies for FX loans made by the Bank. These are instruments made for non-speculative, hedging purpose, for which the Group does not apply hedge accounting, hence they are automatically qualified to portfolio of financial instruments held for trading. According to IAS 39.9, all derivatives for which the Group does not apply hedge accounting regardless of the purpose (derivatives made for speculative purposes, and these made to hedge, however not subject to hedge accounting) should be qualified as financial instruments held for trading, while the total change in fair value (accrued swap points plus the adjustment to fair value) should be shown in the same line of profit and loss account (in this case in result on trading activities).

  It is the Group's opinion that the interest income on FX SWAP and CIRS transactions made to ensure liquidity in foreign currencies (i.e. accrued swap points on FX swap transactions plus interest accrued on CIRS transactions) is a component of the economic interest margin, as it allows adjusting interest income on FX loans (based on EURIBOR, LIBOR) to the item financing costs (interest on PLN deposits based on WIBOR).

In the light of the above, the Group has been consulting the option to return to the solution applied previously also for the report made under IFRS.

- in order to unify accounting principles with those of the capital group of the dominant entity of Bank Millennium S.A. - Banco Comercial Portugues (BCP), the Group since 1 January 2004 has applied the method of accounting as of the trade date instead of the previously used method based on the date of transaction settlement. Both methods are permitted by the IFRS. Additionally, the settlement of the discount/premium on debt securities with an interest coupon, classified as trading portfolio, previously reported in the interest margin, as of 1 January 2004, constitutes a component of result on financial operations,
- the net interest income on swap transactions concluded in order to hedge transactions of lease of commercial space denominated in foreign currencies, presented in the interest margin, starting with 1 January 2004 is reported in administrative costs,
- according to the provision of IFRS 5 implemented prospectively (i.e. as of the day of implementation of the IFRS without restating comparable data) the Group created a separate balance sheet category 'assets available for sale'. As per the IFRS definition these assets are measured according to the lower of the two values: balance sheet value or fair value less cost of sale.
- pursuant to the provisions of IAS 17 the land usufruct rights held by the Group have been classified as operating leasing and treated in the balance sheet as other assets (previously tangible fixed assets),
- recovery of written-off receivables, shown earlier in the Profit & Loss Account as other operating income, is presented in the IFRS report as a reversal of impairment charges,
- since the day of transition to IFRS presentation adjustments were made in the Balance Sheet and Profit & Loss Account due to equity method valuation of a subsidiary of the Bank.
- Due to application of IFRS 1 with respect to treatment of Balance-Sheet value of real estate as cost assumed at the day of transition to IFRS, capital from revaluation of fixed assets was settled against retained earnings.

(4) IMPACT OF IFRS IMPLEMENTATION ON THE LEVEL OF EQUITY

In accordance with the adopted methodology for the implementation of IFRS the adjustments resulting from adoption of IAS 39 were reported in the equity opening balance as at 1 January 2005 and comparable data were not restated (the adjustments were described at length in **item (3)** dedicated to accounting principles). The adjustments concerning matters regulated in IAS 39 are in the case of the Group the only adjustments causing a difference between consolidated net assets calculated according to the Polish Accounting Standards and net assets according to IFRS. In result presented below are the only changes of the Group's equity as at 1 January 2005 because the value of net assets as at remaining Balance-Sheet dates, presented in this financial report, was not adjusted in result of implementation of IFRS.

Data in PLN thous.

	Valuation of financial instruments at depreciated cost with use of EIR- loan commissions	Valuation of an individual agreement at depreciated cost with use of EIR	Change of the manner of calculating credit exposures impairment	Valuation of financial instruments at depreciated cost with the use of the EIR - subsidiary	TOTAL
Value of gross adjustment	-39 671	+101 881	+10 652	- 1 866	+ 70 996
Value of net adjustment (after taking into account the deferred tax effect)	-32 133	+82 524	+8 628	- 1 511	+ 57 508

(5) MATERIAL DIFFERENCES BETWEEN CONSOLIDATED REPORTS OF THE GROUP PREPARED BASED ON PAS AND IFRS

This table below illustrates the changes made in the Group's statement prepared according to PAS as of 31 December 2004 at the moment of IFRS implementation on 1 January 2005.

ASSETS

PLN thous.	31.12.2004 PAS	No of adjustment (s)	VALUE OF ADJUSTMENT(S)	01.01.2005 IAS/IFRS
Cash, balances with Central Bank	872 630			872 630
Receivables from banks	3 164 034	(2) (6)	492 528	3 656 562
Trading financial assets	3 026 441	(6)	-8 148	3 018 293
Hedging derivatives	20 014			20 014
Other financial assets at fair value through P&L	0			0
Loans and advances to customers	7 233 610	(1) (3) (4) (5) (7)	-130 858	7 102 752
Investment financial assets	4 412 337		-128 245	4 284 092
- available for sale	4 210 085			4 210 085
- held to maturity	202 252	(2)	-128 245	74 007
Receivables from securities bought with sell-back clause	80 650			80 650
Investment in associated entities	0			0
Tangible fixed assets	395 059	(8)	-123 174	271 885
Intangible assets	35 414		0	35 414
Fixed assets for sale	0	(8)	293 787	293 787
Deferred income tax assets	273 851	(1) (3) (4)	6 410	280 261
Other assets	922 600	(2) (5) (6) (8)	-809 634	112 966
Total assets	**20 436 640**		**-407 334**	**20 029 306**

LIABILITIES

PLN thous.	31.12.2004 PAS	No of adjustment (s)	Value of adjustment(s)	01.01.2005 IAS/IFRS
Liabilities to banks	1 492 164	(2)	-291 144	1 201 020
Trading financial liabilities	353 479			353 479
Hedging derivatives	37 157			37 157
Liabilities to customers	13 395 850			13 395 850
Liabilities from securities sold with buyback clause	1 405 500			1 405 500
Debt securities issued	355 249			355 249
Provisions	218 082	(3)	-183 687	34 395
Provision for deferred income tax	133 969	(2)	19 357	153 326
Current tax liabilities	88 695			88 695
Other liabilities	634 615	(1) (4) (3) (5) (6) (7)	-9 368	625 247
Subordinated liabilities	326 977			326 977
Total liabilities	**18 441 737**		**-464 842**	**17 976 895**

EQUITY

	31.12.2004 PAS	**No of adjustment (s)**	**Value of adjustment (s)**	**01.01.2005 IAS/IFRS**
Share capital	849 182			849 182
Share premium	507 460			507 460
Revaluation reserve	21 367			21 367
Retained earnings	616 894	(1) (2) (3) (4)	57 508	674 402
Majority interests	1 994 903	(1) (2) (3) (4)	57 508	2 052 411
Minority interests	0			0
Total equity	**1 994 903**		**57 508**	**2 052 411**
Total liabilities and equity	**20 436 640**		**-407 334**	**20 029 306**

Description of adjustments with quantification (data in PLN thous.):

(1) (2) Adjustments resulting from the implementation of the EIR methodology at the Bank in the area of loan commissions (1), and to settle a specific long term-agreement concluded with a single partner – the Bank took a loan and purchased securities of the partner (2), the precise description of the adjustments is in a paragraph in ***item (3)*** **subitem 1** of this chapter.

Quantification:

BALANCE SHEET ITEM	**ADJUSTMENT NO**	**ADJUSTMENT VALUE**
Receivables from banks	(2)	198.104
Loans and advances to customers	(1)	-30.785
Investments held to maturity	(2)	-128.254
Deferred income tax assets	(1)	7.538

Other assets	(2)	-259.122
Liabilities to banks	(2)	-291.144
Provision for deferred income tax	(2)	19.357
Other liabilities	(1)	8.886
Retained earnings	(1)	-32.133
Retained earnings	(2)	82.524

(3) Adjustment resulting from the Group's implementation of the credit exposure impairment calculation methodology – this issue has been presented **in item *(3)* subitem 2** of this chapter.

Quantification

BALANCE SHEET ITEM	ADJUSTMENT NO	ADJUSTMENT VALUE
Loans and advances to customers	(3)	-221.049
Deferred income tax assets	(3)	-2.024
Provisions	(3)	-183.687
Other liabilities	(3)	-48.015
Retained earnings	(3)	8.628

(4) Supplementing the EIR calculation performed by a subsidiary running leasing activity with additional variables: commission income and expense, as well as insurance and tax on means of transport.

Quantification

BALANCE SHEET ITEM	ADJUSTMENT NO	ADJUSTMENT VALUE
Loans and advances to customers	(4)	-4.715
Deferred income tax assets	(4)	896
Other liabilities	(4)	-2.308
Retained earnings	(4)	-1.511

(5) Reclassification from other assets to receivables from customers of a discounted payment to be received by the Group resulting from the agreement for selling PZU SA shares.

Quantification:

BALANCE SHEET ITEM	ADJUSTMENT NO	ADJUSTMENT VALUE
Loans and advances to customers	(5)	375.059
Other assets	(5)	-400.000
Other liabilities	(5)	-24.941

(6) Implementation of the method of accounting for financial instruments on the day of concluding the transaction in place of the previously adopted method based on the transaction settlement date. This issue is presented in **item *(3)* of subitem 3** of this chapter.

Quantification:

BALANCE SHEET ITEM	ADJUSTMENT NO	ADJUSTMENT VALUE
Receivables from banks	(6)	294.424
Trading financial assets	(6)	-8.148
Other assets	(6)	20.101
Other liabilities	(6)	306.377

(7) Elimination from the Balance Sheet of suspended interest accrued under PAS, reducing the receivables balance by the discount to be settled. This issue has been presented in ***item (3)* subitem 2** of this chapter.

Quantification:

BALANCE SHEET ITEM	ADJUSTMENT NO	ADJUSTMENT VALUE
Loans and advances to customers	(7)	-249 369
Other liabilities	(7)	-249 369

(8) Separation of the balance sheet category „Fixed assets for sale"

Quantification:

BALANCE SHEET ITEM	ADJUSTMENT NO	ADJUSTMENT VALUE
Tangible fixed assets	(8)	-123.174
Fixed assets for sale	(8)	293.787
Other assets	(8)	-170.613

The below tables present changes made to previously-published report, generated by adjusting the comparable data in effect of the IFRS implementation. As elaborated in **item (2)**, the Group exercised the rights provided by IFRS 1, and not converted the comparable data with respect to IAS 39 issues, especially in the manner of calculating provisions connected with the impairment of credit exposures and valuation of certain financial instruments at depreciated cost with the use of the Effective Interest Rate. For comparability of the data, and the ability to assess the financial condition adequately, the

Group performed full conversion of the comparable data for the pro-forma financial statement used to generate information on the Group's activity in 1 HY 2005, that being part of the Management Board's Report.

ASSETS

PLN thous.	30.06.2004 PAS	Adjustment(s) No.	Adjustment(s) Value	30.06.2004 IFRS
Cash, balances with Central Bank	649 316			649 316
Receivables from banks	2 087 450			2 087 450
Trading financial assets	3 864 325			3 864 325
Hedging derivatives	26 639			26 639
Other financial assets at fair value through P&L	0			0
Loans and advances to customers	7 688 192			7 688 192
Investments	4 398 000		0	4 398 000
- available for sale	4 206 234			4 206 234
- held to maturity	191 766			191 766
Receivables from securities bought with a sell-back clause	260 124			260 124
Investments in associated entities	0			0
Tangible fixed assets	628 098	(1)	-175 768	452 330
Intangible assets	216 941	(2)	-4 480	212 461
Fixed assets for sale	0			0
Deferred income tax assets	240 949			240 949
Other assets	394 070	(1)	175 768	569 838
Total assets	**20 454 104**		**-4 480**	**20 449 624**

LIABILITIES

PLN thous.	30.06.2004 PAS	Adjustment(s) No.	Adjustment(s) Value	30.06.2004 IFRS
Liabilities to banks	1 975 768			1 975 768
Trading financial liabilities	286 084			286 084
Hedging derivatives	42 783			42 783
Liabilities to customers	12 266 781			12 266 781
Liabilities from securities sold with buyback clause	1 914 367			1 914 367
Debt securities issued	780 236			780 236
Provisions	256 172	(2)	-4 480	251 692
Provisions for deferred income tax	144 407			144 407
Current tax liabilities	430			430
Other liabilities	579 280			579 280
Subordinated liabilities	364 029			364 029
Total liabilities	**18 610 337**		**-4 480**	**18 605 857**

EQUITY

PLN thous.	30.06.2004 PAS	Adjustment(s) No.	Adjustment(s) Value	30.06.2004 IFRS
Share capital	849 182			849 182
Share premium	507 460			507 460
Revaluation reserve	29 743	(3)	-31 008	-1 265
Retained earnings	457 382	(3)	31 008	488 390
Majority interests	1 843 767			1 843 767
Minority interests	0			0
Total equity	**1 843 767**			**1 843 767**
Total liabilities and equity	**20 454 104**		**-4 480**	**20 449 624**

(1) Basing on provisions of IAS 17, the Group's perpetual usufruct rights to land have been recognized as operating leasing, and posted in the balance sheet as other assets (previously under tangible fixed assets).

Quantification:

BALANCE SHEET ITEM	ADJUSTMENT NO	ADJUSTMENT VALUE
Tangible fixed assets	(1)	-175 768
Other assets	(1)	175 768

(2) Writing off the goodwill generated by sale of the enterprise by an entity under equity method valuation, against a provision created in liabilities of the consolidated balance sheet, in consequence of the Group's contribution to negative net assets of the entity (provision for shares in subsidiaries measured by the equity method). Profit generated by this transaction (defining the goodwill) was previously, in course of consolidation, eliminated from the Group's profit and loss account in correlation with the net assets of the entity, created in the process of appraising with the equity method.

Quantification:

BALANCE SHEET ITEM	ADJUSTMENT NO	ADJUSTMENT VALUE
Intangible assets	(2)	-4.480
Provisions	(2)	-4.480

(3) Settlement of capitals from revaluation of fixed assets against retained profits. The issue has been discussed in **item (3) subitem 3** of the chapter.

Quantification:

BALANCE SHEET ITEM	ADJUSTMENT NO	ADJUSTMENT VALUE
Revaluation reserve	(3)	-31.008
Retained earnings	(3)	+31.008

CONSOLIDATED PROFIT AND LOSS ACCOUNT

in PLN thous.	1.01.2004 - 30.06.2004 PAS	Adjustment(s) No.	Adjustment(s) Value	1.01.2004 - 30.06.2004 IFRS
Interest income	824 472	(1) (4) (5)	-222 630	601 842
Interest costs	-523 571	(1) (5)	228 704	-294 867
Net Interest Income	**300 901**		**6 074**	**306 975**
Commissions income	136 291			136 291
Fee and commission costs	-16 693			-16 693
Net Commission Income	**119 598**		**0**	**119 598**
Dividend income	6			6
Result on investing activities	289			289
Result on trading activities	-8 993	(4)	-5 219	-14 212
Result on other financial instruments	155 759	(2)	38 290	194 049
FX gains/losses	43 023			43 023
Other operating income	31 736	(3)	-8 305	23 431
Other operating expense	-21 519			-21 519
Operating income	**620 800**		**30 840**	**651 640**
General administrative costs	-357 785	(5)	-855	-358 640
Depreciation	-54 973	(6)	632	-54 341
Impairment charges and provisions	-63 854	(2) (3)	-29 985	-93 839
Operating expense	**-476 612**		**-30 208**	**-506 820**
Operating profit	**144 188**		**632**	**144 820**
Share in profits of associates	632	(6)	-632	0
Gross profit	**144 820**		**0**	**144 820**
Income tax	-32 820			-32 820
Net profit	**112 000**		**0**	**112 000**
Of which:				0
Shareholders of dominant entity	**112 000**		0	112 000
Minority shareholders	0			0
Net profit	**112 000**		**0**	**112 000**

(1) The presentation of interest margin components resulting from derivatives in the net amount (previously the income and costs were presented separately). Consequently, the value of both interest income and costs the first half of 2004 was reduced by the amount of PLN 227 526 thous. This adjustment has no impact on net interest income.

Quantification:

PROFIT AND LOSS ACCOUNT ITEM	ADJUSTMENT NO.	ADJUSTMENT VALUE
Interest income	(1)	-227 526
Interest costs	(1)	227 526

(2) Allocation of released provisions for the car loan portfolio sold in 1HY 2004

Quantification:

PROFIT AND LOSS ACCOUNT ITEM	ADJUSTMENT NO.	ADJUSTMENT VALUE
Result on other financial instruments	(2)	38 290
Impairment charges and provisions	(2)	-38 290

(3) Moving amounts of recovered receivables posted under PAS as other operating income (previously written off against provisions) to impairment charges and provisions.

Quantification:

PROFIT AND LOSS ACCOUNT ITEM	ADJUSTMENT NO.	ADJUSTMENT VALUE
Other operating income	(3)	-8 305
Impairment charges and provisions	(3)	8 305

(4) Moving the discount/premium on debt securities with interest coupon, classified as trading portfolio, to result on trading activities. The adjustment has been described in detail in **sub-item 3 item (3)** of this chapter.

Quantification:

PROFIT AND LOSS ACCOUNT ITEM	ADJUSTMENT NO.	ADJUSTMENT VALUE
Interest income	(4)	5 219
Result on trading activities	(4)	-5 219

(5) Moving the result on the hedging transactions valuation from interest margin to costs of activity. The adjustment has been described in detail in **sub-item 3 item (3)** of this chapter.

Quantification:

PROFIT AND LOSS ACCOUNT ITEM	ADJUSTMENT NO.	ADJUSTMENT VALUE
Interest income	(5)	-323
Interest costs	(5)	1 178
General administrative costs	(5)	-855

(6) Referring the balance sheet adjustment no. (2) onto the profit and loss account

Quantification:

PROFIT AND LOSS ACCOUNT ITEM	ADJUSTMENT NO.	ADJUSTMENT VALUE
Depreciation	(6)	632
Share in profits of associates	(6)	-632

(6) ACCOUNTING PRINCIPLES ADOPTED

1. Assumptions for preparation Financial Statement

The financial statement is prepared in Polish zlotys rounded to thousands of zlotys.

This statement is presented on the basis of the historic cost concept except the following assets and liabilities priced at fair value: financial assets and financial liabilities classified as priced at fair value through the profit and loss account, financial instruments available for sale and financial derivatives as well as fixed assets for sale.

Preparation of a financial statement in accordance with the IFRS requires the application of subjective judgments, estimation and adoption of the assumptions, which influence the employed accounting principles and presented amounts of assets and liabilities and revenues and costs. A substantive unit of the Group is responsible for the selection, application, development and checking the correctness of the adopted estimations. The assumptions are then subject to approval of the Group management. The estimations and assumptions are made based on historical data and an array of factors, considered appropriate under given conditions. The results of these analyses provide the basis for estimating the balance sheet values of assets and liabilities, which cannot be uniquely defined on the basis of other sources. The actual results can differ from estimates.

The conformance of the actual results and performed estimates and assumptions is verified on an on-going basis. In accordance with the guidelines of IAS 8 adjustments in estimates are recognised in the period in which the changes in the estimate were performed on condition that the adjustment pertains to the same period or in future periods if the adjustment influences both the current and future periods.

The main areas for which the Group performs calculations of estimate values are credit exposures (this methodology is presented in **item (3) subitem 2** of this chapter) and derivative instruments whose valuation is performed on the basis of pricing models created for this purpose.

The below-presented accounting policies are applied to all the reporting periods presented in the statement in accordance with the methodology described in ***item (2)*** of this chapter. All the entities subject to consolidation prepare their financial statements in accordance with the uniform IFRS for the whole Group as of the same balance sheet date.

2. Assumptions for Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Bank (the Group's dominant entity), which means that the Bank directly or indirectly influences the financial and operational policy of a given entity in order to achieve economic gains.

Affiliates

Affiliated entities are entities on which the Group has a major impact.

If the Group plays the role of a major investor in other business entities, or exerts a major impact on such entities, then in the consolidated report shares and stocks in such entities shall be measured by the equity method. This valuation is then performed on the basis of the following assumptions:

- as of the day of embracing control or exerting a major impact the price for purchasing shares/stocks in an entity subject to valuation is adjusted by "goodwill" or "negative goodwill"
- thus adjusted purchasing price is then adjusted by increases or decreases of the value of the entity's equity attributable to the Group, which took place since the valuation. The Group makes an assumption that if the Group's share in the losses of the entity valued by equity method exceeds the value of shares in such unit, then, provided it is economically justified, the Group continues to recognise the losses of this entity in the consolidated profit and loss account by creating an on-balance provision for it,
- any profits/losses realised on transactions between the units of the Group and the entity covered by the valuation shall be eliminated from the consolidated statement in proportion to the Group's exposure on the entity covered by the valuation.

As at 30 June 2005, none of the Group's affiliated entities is valued by equity method due to immaterial scale of the data covered in the financial statement.

The subsidiaries making up the Group have been consolidated, except such entities, which are immaterial in terms of the scale of operation (non-consolidation of these entities does not distort the Group's financial situation presented in the financial statement).

Transactions excluded from consolidation

When preparing consolidated statements all items of assets and liabilities as well as of P&L of the subsidiaries and dominating entity were summed up in full, irrespective of in what part the subsidiary is owned by the dominant entity.

After the summing up consolidation adjustments and exclusions were made.

The following items have been excluded from the consolidated financial statement:

- mutual receivables and liabilities of the entities subject to consolidation, expenses and income related to operations performed between entities subject to consolidation,
- share capitals of the subsidiaries being consolidated and capital injections made,
- cost of purchasing shares in consolidated subsidiaries,
- the profits and losses not realised from the point of view of the Group, resulting from operations performed between consolidated entities and included in the value of the consolidated assets and liabilities, including the dividends paid out within the Group.

3. Transactions in Foreign Currencies

Transactions in foreign currencies are converted at the rate binding on a given transaction day. Assets and liabilities which constitute on- and off-balance currency items are disclosed in conversion to PLN at the average rate for particular currencies established by the Chairman of the NBP at balance sheet day. Any exchange rate gains/losses resulting from the conversion of the net values of on-balance assets and liabilities are included in the profit and loss account.

4. Accounting for Hedges and Financial Derivatives

Derivative instruments are initially priced at fair value. After their initial recognition derivative instruments are priced at fair value with the use of pricing models created for this purpose. Embedded derivatives are taken and priced separately from the underlying agreement in the case of a joint existence of the following conditions:

- the financial instrument is not included in assets intended for trading whose revaluation effects are referred to the profit and loss account,
- the nature of the embedded instrument and risks connected with it are not closely connected with the nature of the underlying agreement and the risks resulting from it,
- It is possible to credibly establish the fair value of the derivative instrument,

The fair value of derivatives is presented in the balance sheet. For speculative derivatives and non-speculative derivatives concluded for the purpose of hedging for which the Group does not employ hedge accounting, net interest income and fair value are presented jointly in the result on trading. In the case of hedge derivatives for which the Group employs hedge accounting net interest income is presented in the same place as the hedged instrument (i.e. interest rate margin or in the Group’s cost of activity).

In the case of fair value hedges appropriate gains or losses on the pricing of a derivative compensate in the P&L for gains or losses in the fair value of the hedged instruments.

Currently the Group detaches from among derivative instruments those intended to hedge fair value. At the moment of establishing a hedge this process is formally documented. The documentation identifies the hedging and hedged instruments and the nature of the hedged risk and subsequently the assessment of hedge effectiveness, which is run on an on-going basis. The purpose of fair value hedging is to secure against the risk of fluctuations in the fair value of a given asset or liability or probable liability (or their detached part) which are attributable to a given type of risk and which can impact the profit and loss account.

The Bank has the following derivatives:

1) *FX forward transactions*
   Forward transactions are priced at fair value by the method of discounting future cash flows.
2) *FX SWAP transactions*
   FX swaps are priced at fair value by the method of discounting future cash flows. Adjustment to fair value consists of including in the profit and loss account suspended exchange gains/losses accrued between the transaction conclusion date and the balance sheet date, and adjusting the settled swap points booked under result on trading activities. The adjustment is booked in the balance sheet in correspondence with the net income on trading.
3) *Interest Rate Swaps (IRS)*
   IRS transactions are priced at fair value by the method of discounting future cash flows. Adjustment to fair value consists of adjusting accrued interest payable and receivable under result on trading activities. This adjustment is booked in the balance sheet in correspondence with net income on trading.
4) *Cross – Currency Swaps (CCS)*
   CCS transactions are priced at fair value at the end of each month by the method of discounting future cash flows. Adjustment to fair value consists of including in the profit and loss account suspended exchange gains/losses accrued between the transaction conclusion date and the balance sheet date and adjusting interest payable/receivable accrued in result on trading activities. This adjustment is booked in the balance sheet in correspondence with net income on trading.
5) *Equity Swap, Volatility Swap, Swap with Embedded Currency Option*
   Swap transactions are priced at fair value with the application of the method of discounting future cash flows. Adjustment to fair value consists of adjusting interest payable and receivable accrued under result on trading activities. This adjustment is booked in the balance sheet in correspondence with net income on trading.

6) *Currency Options*

Option transactions are priced at fair value. Adjustment to fair value consists in adjusting the premium paid/received. Fair value is booked in the balance sheet in correspondence with net income on trading.

7) *Forward Rate Agreements (FRAs)*

FRAs are priced to fair value at the end of each month, and the valuation is presented in the balance sheet in correspondence with net income on trading.

5. Financial assets and liabilities

(i) Classification

The Group divided financial instruments into the following categories:

- Financial instruments priced at fair value through the profit and loss account

This category includes components of assets or financial liabilities which:

- are classified as held for trading, i.e. they were purchased or taken in order to be resold short-term with the intention of generating short-term gains,
- they constitute derivatives, unless they have been specified as and meet the definition of an effective hedge,
- initially they were classified as priced at fair value through the profit and loss account (applicable exclusively to financial assets).

- Investments held to maturity

These are financial assets with the exception of financial derivatives with fixed cash flows and maturities, which the Group intends and is able to keep in the portfolio to maturity. Investments held to maturity must not be reclassified to other categories of financial instruments or sold. The Group must not classify any financial assets as held to maturity for a period of 2 years (and the existing ones must be transferred to the group of "available for sale") if there was a sale or reclassification unless:

- the sale pertained to a small part of the portfolio,
- the sale took place close to the date of maturity and most payments on account of this instrument have already been settled,
- the sale took place as a result of an event impossible to predict by the Group.

- Advances and receivables

This category comprises financial assets which are not derivatives with fixed payments, not listed on active markets, created as a result of granting funding to a Client (for a purpose other than generating short-term gains). The basis for inclusion in this category is the nature of the instrument, the necessary condition not being the intention or the possibility of keeping to maturity.

- Financial assets available for sale

This category comprises the financial assets, which have not been recognised as: advances and receivables, investments held to maturity, financial assets priced at fair value through the profit and loss account.

- Other liabilities

Financial liabilities not included in the financial instrument category priced at fair value through the profit and loss account are classified as other liabilities

(ii) Recognition

The operation of buying or selling financial instruments is recognised in the balance sheet in accordance with the posting principle adopted for such type of operations – on the day of performing the transaction.

A financial asset is excluded from the balance sheet when the contractual rights to cash flows connected with it expire, or when the Group transfers such rights to a third party.

(iii) Valuation

All financial instruments at the time of initial recognition are priced at fair value, adjusted – in case of financial instruments other than classified as priced at fair value through profit and loss account – with costs of transactions, which are attributable directly to the purchase or issuance of a financial asset or a financial liability.

After the initial recognition, financial instruments are priced as follows:

- Financial instruments priced at fair value through profit and loss account

These instruments are priced at fair value and changes of the value are referred directly to the profit and loss account of the Group.

- Investments held to maturity

This category of financial instruments is priced in accordance with the depreciated cost methodology with the application of the effective interest rate, taking into account the impairment, as presented in **item (3)** subitem 2.

- Advances and receivables

As in the case of investments held to maturity advances and receivables are priced at depreciated cost with the application of the effective interest rate and impairment charges, as presented **in item (3)** subitem 2.

- Financial assets available for sale

Financial assets classified as available for sale are priced by the Group at fair value and the profits and losses resulting from such valuation are recognised directly in equity until the time of excluding the asset component from the balance sheet (whereupon they are recognised in the profit and loss account). Net interest income on financial assets available for sale is posted to interest margin. In case of financial assets considered available for sale, any reduction in fair value is posted directly to capital. Should there be objective premises of impairment on this asset, the cumulated losses previously posted to equity shall be now recognised in the profit and loss account. If in the following period the fair value of an asset classified as available for sale increases, the amount of reverse charge shall be recognised in the profit and loss account. This shall not be applicable to not listed capital instruments, for which the reverse of the charge is posted directly to equity.

- Other liabilities

Financial instruments constituting other liabilities are priced at depreciated cost with the use of the effective interest rate. The manner of recognising the valuation of derivatives specified as and meeting the conditions of a hedging instrument was presented above in subitem „accounting for hedges and other derivatives”

Fair value valuation is based first of all on current purchasing prices of a given instrument in an active market. If the valued instrument is not quoted on an active market, the Group establishes its fair value with the use of valuation techniques which include: pricing models, analysis of discounted cash flows, or other techniques acceptable to market participants.

The description of the adopted principles of the valuation of advances and receivables is presented in ***item (3)*** of this Chapter.

6. Netting financial instruments

The netting of an asset or liability is performed only if the Group has a valid legal title for performing the netting and additionally the settlement is to be conducted in the net amount or the realisation of the asset and liability is performed simultaneously.

7. Sell–Buy–Back/ Buy-Sell-Back

The Group presents in the balance sheet financial assets sold with a buy-back clause (Sell–Buy–Back; SBB) simultaneously recognising on the liabilities side the liabilities on the repurchase promise. The use of such solution is conditioned by the Group’s retaining the risks and benefits resulting from a given asset despite its transfer. For Buy-Sell-Back (BSB) transactions the financial assets held are presented as a receivable resulting from the buyback clause. SBB and BSB are priced at depreciated cost, while securities subject to SBB transactions are not removed from the balance sheet and are valued according to the principles specified for particular securities portfolios.

8. Receivables under leasing agreements

The Group by means of a subsidiary running leasing operations concludes agreements under which asset are let for paid use by transferring basically all the risks and benefits connected with the asset component to the lessee (financial leasing). In the consolidated balance sheet of the Group the item “loans and advances to customers” includes the receivable on transactions in question in the amount equal to the net leasing investment.

Income from financial leasing is calculated at fixed return rate of the leasing investment.

9. Tangible fixed assets and intangibles

Own components of tangible fixed assets and intangible assets

The accounting for fixed and intangible assets is run at purchasing prices or production costs or (with respect to fixed assets) at the value established as a result of revaluation, less depreciation (amortisation) and impairment deductions.

Outlays to be made at a later date

The Group accounts for outlays for improvements made in the purchased or leased premises in the balance sheet by including them in fixed assets under construction.

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

Depreciation

The adopted depreciation rates are established based on the anticipated period of the economic life of fixed assets. Depreciation is performed by the straight-line method.

Depreciation rates employed by the Bank:

Selected groups of fixed assets:	
Bank buildings	2,5%
Investments in external premises	10,0%
Computer sets	30,0%
Network devices	30,0%
Means of transport	20,0%
Telecommunication equipment:	
- wired	10,0%
- wireless	20,0%
Intangible assets (software):	
Main applications (systems)	10,0%

For other computer software the rate no higher than 50% is assumed, depending on the planned use period.

10. Fixed assets for sale

In accordance with IFRS 5 prospectively implemented (i.e. as of the day of 1 January 2005, without conversion of comparable data, pursuant to IFRS 1) the Group distinguished a separate balance sheet category „fixed assets for sale".

This category contains fixed assets whose balance sheet value is recovered mainly through sale transactions rather than further utilisation. This is the case when an asset (or a group to be sold) is available for immediate sale in its present condition, providing only standard, typical terms and conditions for a sale of this type of assets (or groups to be sold), and its sale is very likely.

In accordance with the IFRS definition, these assets are priced at the lower of the two: balance sheet value or fair value less cost of sale.

11. Impairment of non-financial assets

At each balance sheet day the Group performs the verification of the values of on-balance non-financial assets (except the deferred income tax asset) for evidence of impairment. If the result of the analyses is positive the Group estimates the recovery value of the asset and recognises in the profit and loss account the revaluation write off (when the recovery value is lower than the balance sheet value) in the amount of the difference between the balance sheet value and the recovery value (the recovery value corresponds to the net selling price of the asset or its utility value, whichever higher). If, under IAS 36, paragraph 21, there are no reasons to conclude that the utility value of a given asset is significantly above its fair value reduced by the costs selling it. This shall hold particularly applicable to tangible fixed assets intended for sale.

The revaluation impairment charge can be reversed (except the write-off for the impairment of goodwill) through the profit and loss to the level at which the book value of the asset does not exceed the book value of the given asset under the assumption that no revaluation charge was made and the depreciation was continued.

12. Provisions

Provisions are recognised in the balance sheet, if there is a likelihood of an outflow of cash funds resulting from the legal or customary obligation and the amount of the outflow can be credibly estimated.

13. Provision for Pension Severance Payments and Unused Employee Holidays

Pension severance payments

In accordance with the Bank Employees Remuneration By-laws and the Labour Code employees having worked a specific number of years and attained the required age exercise the right to receive a pension severance payment. The provision for pension severance payments is calculated by the actuary as the present value of the Bank's future liabilities to employees according to the headcount of employment and wages as of the valuation date. Provisions for pension severance payments shall be recognised in the balance sheet as other liabilities.

Unused employee holidays

The balance of provisions resulting from the holidays not used by Bank employees has been calculated on the basis of the number of days of outstanding holidays and individual average salaries of Bank employees. Provisions for unused employee holidays shall be recognised in the balance sheet as other liabilities.

14. The Group's Equity

Equity is made up of capital and funds created in keeping with binding law, relevant statutes and Articles of Association. Equity comprises: share capital, reserve capital – surplus of issue price over nominal price of shares, revaluation reserve and retained earnings. All amounts of capital and funds are presented at nominal value.
Share capital is presented at nominal value, according to the Articles of Association and the entry in the Business Register.

Share premium (surplus of issue price over nominal price) is created with the premium generated from issue of shares less costs of issue.

Differences from measurement of financial assets available for sale and related deferred income tax provisions are charged against revaluation reserve. Revaluation reserve is not subject to distribution.

Retained earnings are created with charges against profit and are allocated for purposes specified in the Articles of Association or other legal regulations (the remaining part of reserve capital, additional reserve capital) or constitute profit/loss from previous years as well as net financial result of the current period. Net profit of the current period is the result in the Profit & Loss Account of the current year adjusted with the corporate income tax charge. The losses attributed to minority shareholders and exceeding the value of minority interest equity are charged to the Group's equity.

15. Net interest income

Interest receivables and payables for all financial instruments are recognised in the profit and loss account, using the depreciated cost and EIR.
The effective interest rate methodology is used to accrue depreciated cost of an asset or financial liability (or a group of financial assets or liabilities), and to allocate interest income or expenses to adequate periods. Effective interest rate is a rate that precisely discounts the estimated future cash flows or payments made in an expected period of time till maturity of financial instrument, or in a shorter period wherever justified, to the net balance sheet value of the asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows, taking into equation any

provisions of the financial instrument agreement, however not taking into account potential future losses on loans that cannot be recovered. The calculation shall cover any commissions and points paid and received by the parties, seen as integral part of the effective interest rate, transaction costs, as well as all other premiums and discounts.

For financial assets with recognised impairment interest income shall be accrued on the adjusted net value of an asset with the use of an interest rate used to discount future cash flows when calculating the loss on impairment.

Commissions collected on loans with repayment schedules settled over time and valued at depreciated cost with the use of the effective interest rate are recognised as interest income. Additionally, the interest margin includes the Bank's own costs settled over time in connection with the conclusion of a loan agreement such as commissions paid to external and own agents for concluding mortgage loan agreements, and property appraisal costs connected with this type of agreements.

16. Fees and commissions received/paid

Income/expense on fees and commissions is included in the profit and loss account on the cash basis, i.e. at the time of payment, except for selected commissions, which are recognised in the profit and loss account throughout the duration of the loan agreement. Such depreciation over time is applicable to those credit-related commissions, which – due to their specific nature - are an interest income substitute. The unsettled share of commissions is presented in the balance sheet as adjustment of the value of credit exposure, while the settled part constitutes interest income (or commission income in the case of commissions charged on instruments with an indefinite repayment schedule). Depending on the type of commissions the Bank spreads them over time based on the straight-line method, sum of digits, or EIR. What is additionally settled over time are selected commissions collected on credit cards subject to straight-line depreciation taken as commission income.

The main source of commissions are financial services rendered by the Group covering:

- administration of other account,
- granting and processing of loans,
- issuing and processing of credit cards,
- asset management,
- brokerage services.

17. Dividend income

Dividend income is recognised in the Group's profit and loss account on the day of declaring a dividend for distribution.

18. Result on investing activities

The result on investment activity contains profits and losses generated in result of selling financial instruments classified to the 'available for sale' portfolio, and other profits and losses on investment activities.

19. Result on trading activities

Result on trading comprises profits and losses arisen as a result of selling financial instruments and the effect of fair value pricing of the financial instruments contained in the portfolio intended for trading (debt securities and derivatives held for trading).

20. Other operating income and expenses

Other operating incomes and expenses include the expenses and incomes not directly connected with the Group's banking and brokerage activity. In particular, this is income (selling price) and expense (net value at the time of sale) resulting from the selling and liquidation of fixed assets, revenues from selling other services, received/paid damages, penalties and fines.
Payments made under operating leasing are posted using straight-line method as costs to the profit and loss account throughout the term of the leasing.

21. Income tax

Income tax comprises current and deferred tax. Income tax is shown in the Profit & Loss Account except when tax is reflected in capital. The income tax for particular entities of the Group is calculated on the basis of the book value adjusted by revenues, which in accordance with tax regulations are not treated as taxable income and expenses not recognised in the light of tax regulations (as tax deductible).

Current tax is an expected tax obligation relating to income taxable at the rate valid on the Balance-Sheet day, together with any adjustments of the tax obligation concerning previous years. For the purpose of calculating the current tax obligation the net book income is adjusted by previous year's income and expense realised for tax purposes in a given reporting period and deductions from income on account of donations and previous years' tax losses settled with the current year's income.

The provision for deferred tax is calculated using the Balance-Sheet method, by computing transition differences between Balance-Sheet value of assets and liabilities and their tax value. These differences are caused by timing differences in recognising the income as earned or expense as incurred between accounting regulations and tax regulations. The entities of the Group create a provision on transition differences in the income tax which will be payable in the next reporting period. A positive difference is included as income tax provision charging net income. A negative difference is included in deferred tax assets, if it is likely to be settled over the next reporting period.

The key transition differences arise due to provisions created for impairment of loans and loan repayment guarantees, depreciation of intangible assets and tangible fixed assets, revaluation of some financial assets and liabilities, including derivatives, provisions for retirement benefits and other post-employment benefits as well as tax losses eligible for deduction.

Deferred tax assets are recognised to the extent that it is likely that future taxable income will be available. A tax loss is recognised as a deferred tax asset if it is likely to be settled over future reporting periods.

The amount of calculated deferred tax is based on expected degree of realisation of balance-sheet values of assets and liabilities with use of tax rates effective as at the balance-sheet day.

VII. FINANCIAL INFORMATION BROKEN DOWN INTO OPERATIONAL SEGMENTS

Business Segments

The activity of Group Bank Millennium is conducted through different business lines offering specific products and services targeted to approach the following market segments:

a) Retail Segment

In this segment are considered the business areas of Millennium Retail (mass market), Millennium Prestige (affluent individuals) and Millennium Biznes (small business). During 2004 it also included the car loan portfolio granted through an external intermediary. This portfolio was sold in May 2004.
These networks activity is developed through the disposal of a complete panoply of banking products and cross-selling of Group's subsidiary companies offer. In the area of credit the main products are mortgage loans, consumer loans, credit cards revolving loans and leasing for small business. On the side of customer funds the main products are: current accounts, term deposits, mutual funds and structured products. Insurance products are also commercialised in this segment, especially together with loans and credit cards.

b) Corporate Segment

The corporate segment includes the commercial activity managed by the Mid Corporate network (corporate Clients with annual turnover above 10 mln PLN and below 300 mln PLN) and the Large Corporate network (corporate Clients with annual turnover above 300 mln PLN). Both networks also run business with Local Government and other public entities.
The commercial activity in the corporate segment is driven by a high quality base offer of typical banking products (working capital loans, investments loans, current accounts, term deposits) complemented by a modern treasury products, home-banking and more sophisticated derivative products. Cross selling of leasing and factoring products is very active for Corporate Clients.

c) Investment and Treasury activities

This segment consists of the Group activities in capital investment for the bank own account, brokerage activities, interbank and debt securities market operations that are not allocated to other segments.
Negative interest margin in Investment and Treasury activities segment is a consequence of the presentation of swap interest in other incomes according to IAS 39 rule, which was described in details in Part VI item (3), sub-item 3.

d) Unallocated incomes and costs (Other)

Both years' results of the Group are impacted by:

1) result on sale of part of the loan portfolio in May 2004
2) additional income in 1 HY 2005 resulting from settlement of PZU shares sale
3) not allocated tax charge for the period

Geographical segments

Group Bank Millennium operates exclusively on territory of the Republic of Poland and no significant differences in risk were identified as regard the geographical location of its outlets. Therefore, the Group does not present financial statements with a break-down into geographical areas.

Accounting polices

Accounting policies applied in segment reporting are in accordance with IAS 14.

For each segment there is determined gross result, including:

- Interest result calculated on the basis of external interest from working assets and liabilities of the segment and internal interest income or cost from allocated assets / liabilities. Internal incomes and costs are measured using market interest rates.
- Net commissions income
- Other non-interest income (mostly from Investment and Treasury segment) like dividend income, result on investment and trading operations, FX gains and result on other financial instruments.
- Provisions for impairment
- Share of the segment in operating costs including administrative and personnel costs.

The segment's assets and liabilities are operational assets and liabilities used by that segment in its operating activities, allocated based on rational business assumptions. Gap between assets and liabilities in each business segment is covered by money market assets/liabilities and debt securities as well as own capitals allocated to each segment. Allocation of capital is based on risk weighted assets of each segment.

Profit and Loss Account as at 30.06.05					
PLN thousand	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
Net interest income	198 465	101 912	-58 360	0	242 017
External income	135 880	191 251	249 028	0	576 159
External cost	-179 302	-121 815	-33 025	0	-334 142
External income less cost	-43 422	69 436	216 003	0	242 017
Internal income	286 618	159 222	-445 840	0	0
Internal cost	-44 731	-126 746	171 477	0	0
Internal income less cost allocated	241 887	32 476	-274 363	0	0
Commissions (net)	76 528	28 357	16 520	0	121 405
Other income	6 522	15 048	131 048	27 995	180 613
Operating income	**281 515**	**145 317**	**89 208**	**27 996**	**544 035**
Staff costs	-87 525	-51 977	-21 866	0	-161 368
Other administrative costs	-116 629	-39 795	-15 371	0	-171 795
Depreciation	-26 993	-13 731	-1 676	0	-42 401
Impairment charges (net of recoveries)	-22 755	17 787	0	0	-4 968
Operating costs	**-253 903**	**-87 716**	**-38 914**	**0**	**-380 532**
Operating profit	**27 612**	**57 601**	**50 294**	**27 995**	**163 503**
Gross profit	**27 612**	**57 601**	**50 294**	**27 995**	**163 503**
Profit before tax	0	0	0	-34 458	-34 458
Net profit	**27 612**	**57 601**	**50 294**	**-6 462**	**129 045**

	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
ASSETS					
Segment assets	3 889 261	4 332 768	11 713 583	390 434	20 326 045
Assets allocated to segment	6 045 548	2 476 174	-8 521 722	0	0
Total	**9 934 809**	**6 808 942**	**3 191 860**	**390 434**	**20 326 045**
LIABILITIES					
Segment liabilities	9 570 889	3 543 594	7 211 562	0	20 326 045
Liabilities allocated to segment	363 920	3 265 348	-4 019 702	390 434	0
Total	**9 934 809**	**6 808 942**	**3 191 860**	**390 434**	**20 326 045**

Profit and Loss Account 30.06.04					
PLN thousand	**Retail Banking**	**Corporate Banking**	**Treasury and Investment Banking**	**Other**	**Total consolidated**
Net interest income	203 391	103 584	0	0	306 975
External income	159 127	186 901	229 286	0	575 314
External cost	-126 629	-106 262	-35 448	0	-268 339
External income less cost	32 498	80 639	193 838	0	306 975
Internal income	224 890	145 721	-370 612	0	0
Internal cost	-53 998	-122 776	176 774	0	0
Internal income less cost allocated	170 892	22 945	-193 838	0	0
Commissions (net)	68 718	35 370	15 510	0	119 598
Other income	6 187	14 496	16 661	187 723	225 067
Operating income	**278 295**	**153 450**	**32 172**	**187 724**	**651 640**
Staff costs	-83 371	-50 506	-22 536	0	-156 414
Other administrative costs	-112 814	-71 779	-17 632	0	-202 226
Depreciation	-34 586	-15 273	-4 482	0	-54 341
Impairment charges (net of recoveries)	-4 550	-89 289	0	0	-93 839
Operating costs	**-235 322**	**-226 847**	**-44 651**	**0**	**-506 820**
Operating profit	**42 973**	**-73 398**	**-12 479**	**187 724**	**144 820**
Gross profit	**42 973**	**-73 398**	**-12 479**	**187 724**	**144 820**
Profit before tax	**0**	0	0	-32 820	-32 820
Net profit	**42 973**	**-73 398**	**-12 479**	**154 904**	**112 000**

	Retail Banking	**Corporate Banking**	**Treasury and Investment Banking**	**Other**	**Total consolidated**
ASSETS					
Segment assets	3 145 213	5 062 986	12 241 425	0	20 449 624
Assets allocated to segment	6 546 894	2 550 939	-9 097 833	0	0
Total	**9 692 107**	**7 613 925**	**3 143 592**	**0**	**20 449 624**
LIABILITIES					
Segment liabilities	9 325 655	3 263 429	7 860 541	0	20 449 624
Liabilities allocated to segment	366 453	4 350 496	-4 716 949	0	0
Total	**9 692 107**	**7 613 925**	**3 143 592**	**0**	**20 449 624**

VIII. NOTES TO THE CONSOLIDATED FINANCIAL REPORT

The values presented in the notes to the consolidated financial report are expressed in PLN thous.

(1) INTEREST INCOME

1. Interest income	01.01.2005 - 30.06.2005	01.01.2004 - 30.06.2004
Interest income comprising:		
Maintenance of mandatory deposit	5 785	429
Loans and advances to banks	45 965	19 687
Loans and advances to customers	278 090	334 332
Debt securities held for trading	40 406	53 195
Derivatives	0	132 592
Investment securities	231 628	61 607
Total:	**601 874**	**601 842**

Interest income in the period 1 January – 30 June 2005 contains interest accrued on impaired loans in the amount of 13 960 thous. PLN.

As a consequence of adjusting the presentation method for interest on swap transactions to the requirements of IFSR, the Group reclassified the interest in question from interest margin to result on trading activity, in PLN 76 388 thous. for 1HY 2005 (comparable data for the first half of 2004 were not converted, so the interest in the amount of PLN 131 065 thous. is presented as an interest margin component).The issue has been discussed in item (3) subitem 3 of Chapter VI.

(2) INTEREST COSTS

2. Interest costs	01.01.2005 - 30.06.2005	01.01.2004 - 30.06.2004
Interest costs comprising:		
Bank deposits	-12 875	-10 567
Deposits of customers	-291 500	-208 029
Derivatives	-1 846	-324
Loans incurred	-39 394	-51 207
Subordinated liabilities	-6 189	-7 054
Debt securities issued	-7 981	-17 602
Other	-72	-84
Total:	**-359 857**	**-294 867**

(3) COMMISSION INCOME AND COSTS

3a. Commission income	**01.01.2005-30.06.2005**	**01.01.2004 - 30.06.2004**
Bank commissions	105 339	110 481
- connected with lending activity	16 151	27 384
- connected with maintenance of other accounts	52 951	51 028
- connected with payment cards	31 116	24 715
- other	5 121	7 354
Brokerage commissions	20 616	19 210
Mutual funds and assets management fees	10 074	6 600
Other commissions	0	0
Total:	**136 029**	**136 291**

3b. Commission costs	**01.01.2005 - 30.06.2005**	**01.01.2004 - 30.06.2004**
Bank commissions:	-10 527	-13 430
- connected with lending activity	-716	-5 357
- connected with maintenance of other accounts	-518	-1 062
- connected with payment cards	-4 506	-2 873
- other	-4 787	-4 138
Brokerage fees	-4 097	-3 263
Total:	**-14 624**	**-16 693**

(4) DIVIDEND INCOME

4. Dividend income	**01.01.2005 - 30.06.2005**	**01.01.2004 - 30.06.2004**
Securities held for trading	0	6
Securities available for sale	1 895	0
Total:	**1 895**	**6**

(5) RESULT ON INVESTING, TRADING ACTIVITIES AND ON OTHER FINANCIAL INSTRUMENTS

5a. Result on investing activity

When performing the provisions of the agreement to sell 10% of PZU SA shares, as a result of a dividend payment for 2004 by PZU SA, the subsidiary BIG BG Inwestycje S.A. (Group) recognized a gross payment of PLN 26 005 thousand to be received on this account from EUREKO B.V. in June as income in the line item “result on investing activity” for the period of 1 January – 30 June 2005.

Result on investment activity	**01.01.2005 - 30.06.2005**	**01.01.2004 - 30.06.2004**
Operations on debt instruments	31 521	-843
Operations on capital instruments	26 100	1 132
Total	**57 621**	**289**

5b. Result on trading activity

The result on trading activity presents operations on securities held for trading and derivatives not used for hedging purposes. These positions were as follows (data in thousands of PLN):

Result on trading activities	01.01.2005 - 30.06.2005	01.01.2004 - 30.06.2004
Securities transactions	40 290	-18 412
Derivative transactions	36 489	4 200
Total:	**76 779**	**14 212**

As a consequence of adjusting the presentation method for interest on swap transactions to the requirements of IFRS, the Group reclassified the interest in question from interest margin to result on trading activity, in PLN 76 388 thous. for 1HY 2005. In the comparable data (for the first half of 2004) the interest in the amount of PLN 131 065 thous. is presented as an interest margin component).The issue has been discussed in item (3) subitem 3 of Chapter 6.

5c. Result on other financial instruments

The balance of the "other financial operations" line item for the period from 1 January to 30 June 2004 includes PLN 150 million of the premium received by Bank Millennium SA for selling part of the car financing credit portfolio (granted with the intermediation of Polskie Towarzystwo Finansowe SA, hereinafter referred to as PTF) to CC-Bank SA (PLN 1 991 million) and costs incurred by Bank Millennium SA in favour of PTF in connection with the purchase of part of the margin on the mortgage loan portfolio (worth PLN 407.1 million). Additionally, on account of these transactions, dissolution of provisions established for the car financing credit portfolio sold of PLN 38.3 million was recognised in the same line item of the result on financial operations.

(6) OTHER OPERATING INCOME AND EXPENSES

6a. Other operating income	01.01.2005 - 30.06.2005	01.01.2004 - 30.06.2004
Damages, penalties and fines – received	12 016	9 459
Sales of other services	2 989	5 436
Extraordinary income	1 771	2 611
Other	9 537	5 925
Total:	**26 313**	**23 431**

6b. Other operating expenses	01.01.2005 - 30.06.2005	01.01.2004 - 30.06.2004
Loss on sale and liquidation of tangible fixed assets and intangible assets	-8 188	-2 905
Damages, penalties and fines - paid	-2 293	-120
Costs connected with leasing activity	-5 084	-3 027
Extraordinary costs	-2 366	-1 890
Other	-7 017	-13 577
Total:	**-24 948**	**-21 519**

(7) GENERAL ADMINISTRATIVE COSTS

7. General administrative costs	01.01.2005 - 30.06.2005	01.01.2004 - 30.06.2004
Staff costs, including:	-161 368	-156 035
Salaries	-134 507	-130 446
Social insurance and other benefits	-26 861	-25 589
Other general administrative costs, including:	-171 795	-202 605
Marketing	-15 043	-10 145
Telecom and IT costs (including software)	-21 953	-24 056
Rental costs	-42 886	-45 153
Other fixed costs	-12 190	-12 795
Other	-79 723	-110 456
Total:	**-333 163**	**-358 640**

(8) DEPRECIATION

8. Depreciation:	01.01.2005 - 30.06.2005	01.01.2004 - 30.06.2004
Tangible fixed assets	-35 536	-41 460
Intangible assets	-6 865	-12 881
Total:	**-42 401**	**-54 341**

(9) IMPAIRMENT CHARGES AND PROVISIONS

9. Impairment charges and provisions, on account of:	01.01.2005 - 30.06.2005	01.01.2004 - 30.06.2004
Loans and advances granted to customers	-13 976	-87 766
Off-balance liabilities	14 230	-2 879
Investment securities	737	-33
Fixed assets	-3 424	-3 178
Other assets	-2 535	17
Total:	**-4 968**	**-93 839**

(10) CURRENT TAX

10. Current tax

In PLN thous.	01.01.2005 - 30.06.2005	01.01.2004 - 30.06.2004
Income tax in P&L Account		
Current tax	16 049	7 363
Current year	16 049	7 363
Adjustments of previous years	0	0

Deferred tax	17 178	24 027
Arisal and reversal of transition differences	31 255	83 254
Change of transition differences of previous period – final CIT declaration	-4 672	0
Utilisation of tax loss	-9 405	-59 227
Other		
EU Guarantee Fund	1 231	1 430
Total income tax in the P&L Account	**34 458**	**32 820**

Effective tax rate		
Gross Profit	163 503	144 820
Income tax at valid 19% rate	31 066	27 516
Impact of permanent differences on the tax burden:	2 161	3 874
Loss on sale of credit receivables	1 403	0
PFRON contribution	214	231
Other costs constituting permanent differences	904	3 643
Dividend income	-360	0
UE Guarantee Fund	1 231	1 430
Total income tax in P&L Account income	**34 458**	**32 820**

Deferred tax captured directly in equity		
Valuation of securities available for sale	13 792	-297
Deferred tax directly included in equity	13 792	-297

(11) EARNINGS PER SHARE

11. Earnings per share (PLN)	**01.01.2005 - 30.06.2005**	**01.01.2004 - 30.06.2004**
Net profit	129 045	112 000
Average weighted number of own shares in the period	849 181 744	849 181 744
Earnings per share	**0.15**	**0.13**

In the 1H 2005, earnings per share calculated on the basis of the annual consolidated profit equivalent reached PLN 0.30. The result of PLN 128 504 thousand, earned for the period from 1 July to 31 December 2004 and calculated without transforming comparable data due to the implementation of IFRS (this matter was discussed in chapter VI," Accounting Policy") forms part of the annual profit equivalent of PLN 257 549 thousand.

(12) CASH, BALANCES WITH CENTRAL BANK

12a. Cash, balances with Central Bank

	06.2005	**12.2004**	**06.2004**
Cash	213 054	241 005	222 585
Balances with Central Bank	451 022	630 933	425 038
Other cash equivalents	2 430	692	1 693
Total	**666 506**	**872 630**	**649 316**

In the period from 30 June 2005 to 31 July 2005 the Bank kept with NBP the current account balance of 474 126 PLN thous. (arithmetic average of balances on the current account with NBP from all days of the deposit period).

12b. Cash, balances with Central Bank – by currency structure

	30.06.2005	31.12.2004	30.06.2004
a. in Polish currency	594 468	819 972	605 135
b. in FX (by currencies and after conversion to PLN)	72 038	52 658	44 181
b1. unit/currency 1000/USD	5 334	6 904	4 672
PLN thous.	17 849	20 646	17 506
b2. unit/currency 1000/EURO	10 898	6 636	4 706
PLN thous.	44 031	27 073	21 379
B3. unit/currency 1000/GBP	314	95	97
PLN thous.	1 894	546	658
Other currencies (in PLN thous.)	8 264	4 393	4 638
Total	**666 506**	**872 630**	**649 316**

(13) RECEIVABLES FROM BANKS

13a. Receivables from banks

	30.06.2005	31.12.2004	30.06.2004
Current accounts	35 975	10 182	11 612
Deposits with other banks	962 948	3 074 496	2 030 078
Loans and advances	293 577	70 033	40 000
Other	363	432	1 993
Interest	5 462	8 891	3 767
Total receivables gross	**1 298 325**	**3 164 034**	**2 087 450**
Impairment losses	0	0	0
Net receivables from banks	**1 298 325**	**3 164 034**	**2 087 450**

13b. Receivables from banks by maturity date

	30.06.2005	31.12.2004	30.06.2004
Current accounts	363 505	10 182	667 398
To 1 month	338 074	2 635 766	555 398
Above 1 month to 3 months	223 883	265 654	592 110
Above 3 months to 1 year	73 545	173 076	268 777
Above 1 year to 5 years	70 363	70 465	0
Above 5 years	223 493	0	0
Interest	5 462	8 891	3 767
Total receivables gross	**1 298 325**	**3 164 034**	**2 087 450**

13c. Receivables from banks by currency structure

	30.06.2005	31.12.2004	30.06.2004
in Polish currency	805 140	1 983 493	514 083
in FX (by currencies and after conversion to PLN)	493 185	1 180 541	1 573 367
- unit/currency 1000/USD	83 799	358 753	311 489
PLN thous.	280 400	1 072 814	1 167 151
- unit/currency 1000/EURO	40 407	24 572	86 250
PLN thous.	163 247	100 229	391 765
- unit/currency 1000/CHF	161	116	1 717
PLN thous.	420	307	5 103
- unit/currency 1000/GBP	2 436	423	109
PLN thous.	14 675	2 439	736
Other currencies (in PLN thous.)	34 443	4 752	8 612
Total	**1 298 325**	**3 164 034**	**2 087 450**

13d. Change of balance of provisions for receivables from banks

	30.06.2005	31.12.2004	30.06.2004
Balance at start of the period	0	0	0
Change in value of provisions	0	0	0
Balance at end of the period	**0**	**0**	**0**

(14) FINANCIAL ASSETS HELD FOR TRADING

14a. Trading financial assets

	30.06.2005	31.12.2004	30.06.2004
Equity instruments quoted on the active market (priced at fair value)	459	295	224
- financial institutions	5	16	0
- non-financial institutions	454	279	224
- government and self-government institutions	0	0	0
Equity instruments not quoted on the active market (priced at fair value)	0	4 249	4 068
- financial institutions	0	4 249	4 068
- non-financial institutions	0	0	0
- government and self-government institutions	0	0	0
Debt instruments	3 367 009	2 527 207	3 506 395
- issued by central banks	1 267 976	676 719	659 998
- issued by other banks	0	0	0
- issued by other financial institutions	0	0	0
- issued by non-financial institutions	0	0	0
- issued by State Treasury	2 099 033	1 850 488	2 846 397
- issued by local governments	0	0	0
- issued by social insurance funds	0	0	0
Total	**3 367 468**	**2 531 751**	**3 510 687**

The above table does not contain derivatives for trading, which are presented in separate tables below.

14b. Trading debt instruments by maturity

	30.06.2005	31.12.2004	30.06.2004
- to 1 month	1 267 975	692 468	713 848
- above 1 month to 3 months	84 103	94 624	241 890
- above 3 months to 1 year	533 655	171 770	1 091 047
- above 1 year to 5 years	1 142 525	1 125 075	887 295
- above 5 years	338 751	443 271	572 315
Total	**3 367 009**	**2 527 207**	**3 506 395**

14c. Change of trading financial assets balance

	30.06.2005	31.12.2004	30.06.2004
Balance at start of the period	2 531 751	2 856 483	2 856 483
Increases (purchase and accrual of interest and discount)	31 617 776	55 461 091	33 575 089
Reductions (sale and redemption)	-30 785 852	-55 795 558	-32 915 900
Differences from pricing at fair value	3 793	9 735	-4 985
Balance at end of the period	**3 367 468**	**2 531 751**	**3 510 687**

14d. Trading financial instruments 30.06.2005

In thous. PLN	Nominal value of instruments with future maturity			Fair values		
	below 3 months	from 3 months to 1 year	above 1 year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
Instruments on OTC market:						
Forward Rate Agreements (FRA)	0	1 410 000	0	912	912	0
Interest rate swaps (IRS)	0	0	13 177 647	-50 838	158 766	209 604
Other interest rate contracts: volatility swap, swap with FX option	0	0	197 919	-5 515	6 760	12 275
Total	**0**	**1 410 000**	**13 375 566**	**-55 441**	**166 438**	**221 879**
FX DERIVATIVES						
Instruments on OTC market:						
FX futures	3 737 356	1 118 672	1 430 979	-12 998	0	12 998
FX swaps	2 284 465	4 038 614	5 266 757	115 187	189 053	73 866
FX options	205 448	640 253	444 990	519	14 653	14 134
Total	**6 227 268**	**5 797 538**	**7 142 726**	**102 708**	**203 706**	**100 998**
EQUITY DERIVATIVES						
Instruments on OTC market:						
Equity swaps	0	0	309 589	10 841	11 796	955
Total	**0**	**0**	**309 589**	**10 841**	**11 796**	**955**
Total instruments on OTC market	6 227 268	7 207 538	20 827 881	58 108	381 940	323 832
Total instruments traded on stock exchange	0	0	0	0	0	0
Total	**6 227 268**	**7 207 538**	**20 827 881**	**58 108**	**381 940**	**323 832**

14e. Trading financial instruments 31.12.2004

In thous. PLN	Nominal value of instruments with future maturity			Fair values		
	below 3 months	from 3 months to 1 year	above 1 year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
Instruments on OTC market:						
Forward Rate Agreements (FRA)	0	900 000	0	-1 370	0	1 370
Interest rate swaps (IRS)	0	0	17 688 466	16 141	226 854	210 713
Other interest rate contracts: volatility swap, swap with FX option	0	0	211 580	-5 649	13 029	18 678
Total	**0**	**900 000**	**17 900 046**	**9 122**	**239 883**	**230 761**
FX DERIVATIVES						
Instruments on OTC market:						
FX futures	4 399 820	1 202 826	927 028	-7 231	0	7 231
FX swaps	3 531 564	2 289 525	2 461 820	135 859	245 599	109 740
FX options	60 734	331 320	122 455	-8	5 739	5 747
Total	**7 992 118**	**3 823 671**	**3 511 303**	**128 620**	**251 338**	**122 718**
EQUITY DERIVATIVES						
Instruments on OTC market:						
Equity swaps	0	0	400 604	3 469	3 469	0
Total	**0**	**0**	**400 604**	**3 469**	**3 469**	**0**
Total instruments on OTC market	7 992 118	4 723 671	21 811 953	141 211	494 690	353 479
Total instruments traded on stock exchange	0	0	0	0	0	0
Total	**7 992 118**	**4 723 671**	**21 811 953**	**141 211**	**494 690**	**353 479**

14f. Trading financial instruments 30.06.2004

In PLN thous.	Nominal value of instruments with future maturity			Fair values		
	under 3 months	from 3 months to 1 year	above 1 year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
Instruments on OTC market:						
Forward Rate Agreements (FRA)	0	1 200 000	800 000	76	76	0
Interest rate swaps (IRS)	0	19 819	16 806 669	-47 634	140 342	187 976
Other interest rate contracts: volatility swap, swap with FX option	0	0	126 663	-10 592	2 458	13 050
Total	**0**	**1 219 819**	**17 733 332**	**-58 150**	**142 876**	**201 026**
FX DERIVATIVES						
Instruments on OTC market:						
FX futures	2 756 575	902 781	138 474	-2 101	5 888	7 989
FX swaps	5 323 186	4 381 609	3 222 036	114 538	188 652	74 114
FX options	39 887	908	4 996	6	268	262
Total	**8 119 648**	**5 285 298**	**3 365 506**	**112 443**	**194 808**	**82 365**
EQUITY DERIVATIVES						
Instruments on OTC market:						
Equity swaps			2 652 444	13 261	15 954	2 693
Total	**0**	**0**	**2 652 444**	**13 261**	**15 954**	**2 693**
Total instruments on OTC market	8 119 648	6 505 117	23 751 281	67 554	353 638	286 084
Total instruments traded on stock exchange	0	0	0	0	0	0
Total	**8 119 648**	**6 505 117**	**23 751 281**	**67 554**	**353 638**	**286 084**

The Bank has deposits in its offer, which contain embedded derivatives presented in the below table. The embedded derivatives are reflected in the Bank's books at fair value; changes of fair value are reflected in the profit and loss account. The value of options embedded in deposits is respectively (data in PLN thous.):

	30.06.2005	31.12.2004	30.06.2004
Value of option	-8 801	-13 355	-12 869

14g. Hedge accounting 30.06.2005

In PLN thous.	**Nominal value of instruments with future maturity**			**Fair values**		
	Under 3 months	**from 3 months to 1 year**	**above 1 year**	**Total**	**Assets**	**Liabilities**
Derivatives hedging fair value connected with exchange rate and/or interest rate						
Instruments traded on the OTC market:						
Other CIRS contracts	0	100 337	424 655	-14 262	28 561	42 823
Total	**0**	**100 337**	**424 655**	**-14 262**	**28 561**	**42 823**

14h. Hedge accounting 31.12.2004

In PLN thous.	**Nominal value of instruments with future maturity**			**Fair values**		
	Under 3 months	**from 3 months to 1 year**	**above 1 year**	**Total**	**Assets**	**Liabilities**
Derivatives hedging fair value connected with exchange rate and/or interest rate						
Instruments traded on the OTC market:						
Other CIRS contracts	0	0	810 300	-17 143	20 014	37 157
Total	**0**	**0**	**810 300**	**-17 143**	**20 014**	**37 157**

14i. Hedge accounting 30.06.2004

In PLN thous.	Nominal value of instruments with future maturity			Fair values		
	Under 3 months	from 3 months to 1 year	above 1 year	Total	Assets	Liabilities
Derivatives hedging fair value connected with exchange rate and/or interest rate						
Instruments traded on the OTC market:						
Other CIRS contracts	0	0	946 018	-16 144	26 639	42 783
Total	**0**	**0**	**946 018**	**-16 144**	**26 639**	**42 783**

The Bank hedges foreign exchange rate and interest rate risk and its impact on fair value of securities denominated in EUR and USD. Additionally, the Bank hedges foreign exchange rate risk and its impact on its liabilities denominated in foreign currencies (CHF, SEK, GBP, USD, EUR) incurred for its own purposes (space lease contracts). In order to hedge the fair value change risk, the Bank applies cross-currency swaps as instruments designated to hedge the changes in fair value exposed to FX and/or interest rate risk. At the end of each month, the Bank evaluates the efficiency of the hedging applied, analyzing changes in the fair value of both the hedged instrument and the hedging instrument.
As at 30 June 2005, the fair value balance of PLN –14 262 thousand included the fair value of CIRS contracts hedging space lease agreements in the amount of PLN –18 483 thousand and the fair value of asset swaps hedging securities of PLN +4 221 thousand.

(15) LOANS AND ADVANCES GRANTED TO CUSTOMERS

15a. Loans and advances granted to customers

	30.06.2005	31.12.2004	30.06.2004
Loans and advances granted to companies	3 506 017	3 394 346	4 057 865
Loans and advances granted to private individuals	2 608 503	1 831 976	1 742 755
Loans and advances granted to public sector	371 952	404 347	463 758
Receivables on account of payment cards due from companies	3 884	1 396	0
Receivables on account of payment cards due from private individuals	167 301	147 816	123 407
Purchased receivables from companies	130 134	146 534	215 221
Purchased receivables from private individuals	2 430	3 595	5 869
Purchased receivables from public sector	149	298	1 895
Guarantees and sureties realised	19 333	11 779	184
Debt securities eligible for discounting with Central Bank	18 288	9 993	11 568
Financial leasing receivables	1 651 862	1 631 906	1 521 845
2nd instalment for PZU S.A. shares	390 434	375 059	0
Other	12 321	13 897	31 206
Interest	26 082	145 103	192 721
Total gross	**8 908 690**	**8 118 045**	**8 368 294**
Impairment losses	-717 807	-509 376	-680 102
Total net	**8 190 883**	**7 608 669**	**7 688 192**

The asset line item “2nd instalment for PZU S.A. shares” shows discounted receivables of the Group under the agreement concluded by the Bank and its subsidiary BIG BG Inwestycje S.A. with Eureko BV (on 21 December 2004) to sell 10% of PZU S.A. shares. Pursuant to the agreement, the minimum guaranteed sale price of the aforementioned shares is PLN 1.6 billion and was to be paid in two instalments. The first instalment of PLN 1.2 billion was received by BIG BG Inwestycje on 30 December 2004, while the other tranche will be paid out by the end of 2005, which is secured by a pledge instituted on the shares sold.
The minimum PZU S.A. share price of PLN 1.6 billion may be increased by the following amount:
- 80% of the surplus of the average PZU S.A. share price over the minimum sale price. The average price will be calculated (the formula assumes that daily trading volumes will be used as a weight) for a period of 4 weeks, starting from the second week of listing, if PZU S.A. shares are floated on the Stock Exchange; or
- 100% of the surplus of the sale price obtained by EUREKO B.V. above the minimum sale price, if PZU S.A. shares are sold by EUREKO B.V to a third party by the end of 2005; or
- amount of the surplus to be determined, dependent on valuations conducted by independent investment banks, above the minimum sale price in the event when PZU S.A. shares are not introduced into public trading by 30 June 2005.

As at 30 June 2005, the value of receivables from Group clients where impairment was recognized was PLN 1 163 322 thousand, and the balance of provisions established for these exposures was PLN 599 985 thousand.
Other provisions of PLN 117 822 thousand were comprised of provisions established for unidentified but incurred credit risk (IBNR). The credit exposure provisioning methodology is described **in item (3) sub-item 2 in chapter VI** of this report.

15b. Loans and advances granted to customers by maturity date

	30.06.2005	31.12.2004	30.06.2004
Current accounts	1 038 243	867 424	1 464 242
Up to 1 month	229 540	333 809	529 095
Above 1 month to 3 months	192 114	211 310	282 532
Above 3 months to 1 year	1 669 363	1 375 112	892 658
Above 1 year to 5 years	2 123 802	1 975 033	1 755 408
Above 5 years	3 418 836	2 957 325	3 042 299
Past maturity date	210 710	252 929	209 339
Interest	26 082	145 103	192 721
Total loans and advances gross	**8 908 690**	**8 118 045**	**8 368 294**

15c. Loans and advances granted to customers by currency structure

	30.06.2005	31.12.2004	30.06.2004
In Polish currency	4 297 811	4 251 362	3 632 648
In FX (by currency and after conversion to PLN)	4 610 879	3 866 683	4 735 646
- unit/currency 1000/USD	243 864	274 757	344 235
PLN thous.	815 994	821 704	1 289 845
- unit/currency 1000/EURO	258 704	274 467	329 981
PLN thous.	1 045 194	1 119 560	1 498 835
- unit/currency 1000/CHF	1 034 745	713 861	638 673
PLN thous.	2 697 788	1 886 092	1 898 518
Other currencies (in PLN thous.)	51 903	39 327	48 448
Total	**8 908 690**	**8 118 045**	**8 368 294**

15d. Change of balance of provisions for loans and advances

	30.06.2005	31.12.2004	30.06.2004
As at start of period	509 376	1 135 135	1 135 135
Adjustments on account of implementation of IFRS	221 049	0	0
As at start of period after adjustments	730 425	1 135 135	1 135 135
Change in value of provisions:	-22 939	-612 985	-452 165
Provisions created in the period	330 594	843 933	566 331
Values written-off against provisions	-68 144	-535 641	-473 665
Provisions released	-287 606	-765 936	-544 831
Other:	-1 559	-155 341	0
- transferred from provisions for off-balance receivables	0	3 265	0
- consolidation of Prolim S.A.	0	48 787	0
- transfer of provisions in result of consolidation of Prolim S.A.	0	-207 393	0
- other	-1 559	0	0
Changes resulting from FX rate differences	14 097	-12 774	-2 868
As at end of period	**717 807**	**509 376**	**680 102**

As a result of consolidating the subsidiary Prolim S.A. (Company), provisions established by the Bank for credit exposures (which are offset in the consolidation process) granted to the Company at the consolidated report level were allocated to cover the risk related to Company assets, which was presented in the foregoing table, in comparable data for 2004. In line with the Company's asset structure, the foregoing provisions were dedicated to:

- PLN 205 310 thousand for fixed assets,
- PLN 2 083 thousand for other assets.

15e. Receivables on account of financial leasing

	30.06.2005	31.12.2004	30.06.2004
Receivables (gross) on account of financial leasing	1 881 924	1 859 396	1 748 258
Unrealized financial income	230 062	227 490	226 413
Receivables (net) on account of financial leasing	**1 651 862**	**1 631 906**	**1 521 845**
Receivables (gross) on account of financial leasing by maturity date			
Under 1 year	679 789	703 931	599 315
From 1 to 5 years	1 099 165	1 105 534	1 061 435
Above 5 years	102 970	49 931	87 508
Total	**1 881 924**	**1 859 396**	**1 748 258**
Receivables (net) on account of financial leasing by maturity date			
Under 1 year	616 049	640 711	543 118
From 1 to 5 years	940 294	952 284	910 532
Above 5 years	95 519	38 911	68 195
Total	**1 651 862**	**1 631 906**	**1 521 845**

(16) *INVESTMENTS*

16a. Investments available for sale

	30.06.2005	31.12.2004	30.06.2004
Debts securities	4 728 842	4 186 433	2 989 670
- issued by central banks	162 706	167 142	162 255
- issued by other banks	0	0	0
- issued by other financial institutions	162 797	98 011	93 673
- issued by non-financial institutions	1 972	282 180	326 553
- issued by State Treasury	4 304 825	3 546 637	2 311 217
- issued by local governments	96 542	92 463	95 972
- issued by social insurance funds	0	0	0
Shares and interests in other entities	23 061	23 652	1 216 564
Other financial instruments	3 097	0	0
Total instruments available for sale	**4 755 000**	**4 210 085**	**4 206 234**

Instruments available for sale quoted on the stock exchange	4 043 141	2 954 622	2 026 360
Instruments available for sale not quoted on the stock exchange	711 859	1 255 463	2 179 874

Debt securities classified as “available for sale” for which market price cannot be determined, are carried at depreciated cost, and the measurement includes in particular the purchase price adjusted by interest accrued, a discount or a premium. The portfolio is composed of municipal bonds, commercial bonds and bonds issued by Central Bank of total value of PLN 295 million as at 30 June 2005.

16b. Debt instruments available for sale by maturity

	30.06.2005	31.12.2004	30.06.2004
- up to 1 month	17 749	0	0
- above 1 month to 3 months	16 034	17 748	34 494
- above 3 months to 1 year	320 634	697 688	354 538
- above 1 year to 5 years	3 783 916	2 616 953	1 953 245
- above 5 years	590 509	854 044	647 393
Total	**4 728 842**	**4 186 433**	**2 989 670**

16c. Change of investments available for sale

	01.01.2005 - 30.06.2005	01.01.2004 - 31.12.2004	01.01.2004 - 30.06.2004
As at start of period	4 210 085	3 378 752	3 378 752
Increases (purchase and accrual of interest and discount)	3 182 661	8 463 325	2 112 458
Reductions (sale and redemption)	-2 687 639	-7 640 058	-1 264 092
Difference from measurement at fair value	48 794	14 537	-14 424
Impairment charges	737	-53	-33
Other	361	-6 417	-6 386
As at end of period	**4 755 000**	**4 210 085**	**4 206 234**

16d. Investments held to maturity

	30.06.2005	31.12.2004	30.06.2004
Debt securities	76 286	202 252	191 766
- issued by central banks	0	0	0
- issued by other banks	0	128 245	119 971
- issued by other financial institutions	0	0	0
- issued by State Treasury	76 286	74 007	71 795
- issued by local budgets	0	0	0
Shares and interests in other entities	0	0	0
Other financial instruments	0	0	0
Total instruments held to maturity	**76 286**	**202 252**	**191 766**

Instruments held to maturity quoted on the stock exchange	76 286	74 007	71 795
Instruments held to maturity not quoted on the stock exchange	0	128 245	119 971

16e. Instruments held to maturity by maturity date

	30.06.2005	31.12.2004	30.06.2004
- above 3 months to 1 year	76 286	0	0
- above 1 year to 5 years	0	74 007	71 795
- above 5 years	0	128 245	119 971
Total	**76 286**	**202 252**	**191 766**

16f. Change of balance on instruments held to maturity

	01.01.2005 - 30.06.2005	01.01.2004 - 31.12.2004	01.01.2004 - 30.06.2004
As at start of period	202 252	112 232	112 232
Adjustments on account of implementation of IFRS	-128 245	0	0
As at start of period after adjustments	74 007	112 232	112 232
Increases (purchase and accrual of interest and discount)	2 279	90 020	79 534
Reductions (sale and redemption)	0	0	0
Difference from measurement at fair value	0	0	0
Impairment charges	0	0	0
As at end of period	**76 286**	**202 252**	**191 766**

16g. Investments in affiliates

	30.06.2005	31.12.2004	30.06.2004
	0	**0**	**0**

Consolidated companies (in PLN thous.)

Name	Business	Balance sheet value of shares / interests	Assets	Liabilities	Capital	Income	Profit / (Loss)	Relationship
Bel Leasing Sp.z o.o.	Leasing services	20 694	1 816 292	1 376 406	187 349	74 885	44 059	subsidiary/Bank Millennium S.A.
Millennium Dom Maklerski S.A.	Brokerage services	16 500	331 688	272 295	53 689	21 808	10 100	subsidiary/Bank Millennium S.A.
TFI Millennium S.A.	Management of mutual funds	10 450	16 748	0	14 778	10 074	2 913	subsidiary/Millennium Dom Maklerski S.A.
BBG Finance BV	Financing of companies in the Group	4 921	462 975	456 531	5 533	0	252	subsidiary/Bank Millennium S.A.
TBM Sp.z o.o.	Financial transactions on the equity market and advisory services	3 000	5 873	0	5 136	30	92	subsidiary/ Millennium Group
Forin Sp.z o.o.	Management of other companies	38 579	314 351	231 439	53 456	5 959	477	subsidiary/Bank Millennium S.A.
BIG BG Inwestycje S.A.	Investing activity on the equity market	4 744	1 576 325	0	303 599	0	56 985	subsidiary/ Millennium Group
BESTA Sp. z o.o.	Support activity connected with pension funds	0	240	5	92	0	23	subsidiary/Bank Millennium S.A.
PROLIM S.A.	Leasing activity	2 423	384 607	359 951	1 930	5 000	-7 506	subsidiary/Bel Leasing Sp. z o.o.

Not consolidated subsidiaries/affiliates

Name	Business	Balance sheet value of shares / interests	Assets	Liabilities	Capital	Income	Profit / (Loss)	Relationship
MP Plaza Sp. z o.o.	Leasing activity	50	43	0	43	0	-7	subsidiary/Bel Leasing Sp. z o.o.
BG Leasing S.A.	Leasing activity	0	Company in bankruptcy					subsidiary/Bank Millennium S.A.
Lubuskie Fabryki Mebli S.A.	Production of furniture	6 700	22 675	5 821	16 021	21 950	352	subsidiary/Bank Millennium S.A.
Accon Services Sp. z o.o.	Accounting services	255	1 293	428	137	2 334	-92	subsidiary/Forin Sp. z o.o.
Rees Trading Sp. z o.o.	Financial transactions on the equity market	100	114	0	113	0	0	subsidiary/ Millennium Group
Pomorskie Hurtowe Centrum Rolno - Spożywcze S.A.	Wholesale market management	1 926	81 794	57 591	20 733	7 540	3 252	affiliate/Bank Millennium S.A.
Towarzystwo Handlowe "Weiman i S-ka"	Production of ceramic sanitary ware and trade	0	The company is not conducting business activity, is not preparing financial reports					affiliate/Bank Millennium S.A.
SPC S.A.	Investing activity	0	The company is not conducting business activity, is not preparing financial reports					affiliate/Bank Millennium S.A.

Minority interests

Name	Business	Balance sheet value of shares / interests	Capital	Relationship
Elmor S.A.	Electronics industry	86	8 408	Bank Millennium S.A.
Krajowa Izba Rozliczeniowa S.A.	Interbank settlement services	313	92 502	Bank Millennium S.A.
Centralna Tablica Ofert S.A.	Providing information about transactions on the OTC market	140	6 079	Millennium Group
Biuro Informacji Kredytowej SA	Preparation and sale of reports on financial liabilities	400	12 236	Bank Millennium S.A.
Giełda Papierów Wartościowych S.A.	Trading of company shares and other securities	29	-	Millennium Group
SWIFT	Telecom services	88	-	Bank Millennium S.A.
PZL "Krosno" S.A.	Production of transport equipment	244	-	Bank Millennium S.A.
International Factor Group SCRL	Organisation of factoring companies	25	-	Bank Millennium S.A.
Servibanca	Processing settlements	30	-	Bank Millennium S.A.
Wschodni Bank Cukrownictwa S.A.	Banking services	10 806	109 980	Bank Millennium S.A.
ComputerLand S.A.		1 711	-	Millennium Dom Maklerski S.A.
Other companies		158	-	Bank Millennium S.A.

Shares in non-consolidated and minority companies, Total	**23 061**

(17) TANGIBLE FIXED ASSETS

17a. Tangible fixed assets (including assets for sale)

	30.06.2005	31.12.2004	30.06.2004
Fixed assets:			
- land	189 519	26 847	6 578
- land and water engineering buildings, premises and facilities	228 600	242 594	290 796
- machines and equipment	46 980	56 646	96 652
- vehicles	9 932	10 768	11 733
- other fixed assets	27 019	24 062	31 977
Fixed assets under construction	6 520	34 142	14 594
Advances for fixed assets under constructions	0	0	0
Tangible fixed assets Total	**508 570**	**395 059**	**452 330**

17b. Change of balance of fixed assets (by type groups, together with assets for sale) in the period 01.01.2005 - 30.06.2005

	land	land and water engineering buildings, premises and facilities	machines and equipment	vehicles	other fixed assets	TOTAL
a) gross value of fixed assets at start of period	**31 325**	**557 208**	**464 862**	**25 203**	**103 971**	**1 182 569**
b) increases (on account of)	**170 694**	**19 244**	**4 542**	**1 592**	**10 861**	**206 933**
- purchase	81	0	471	559	130	1 241
- takeover from fixed assets under construction	0	19 204	3 862	982	1 842	25 890
- transfer from financial leasing	0	40	175	51	7 048	7 314
- reclassification of tangible asset from other assets to fixed assets for sale	170 613	0	0	0	0	170 613
- other	0	0	34	0	1 841	1 875
c) reductions (on account of)	**7 954**	**19 335**	**28 369**	**1 286**	**10 462**	**67 406**
- sale	7 954	13 029	1 334	1 188	4 862	28 367
- liquidation	0	6 306	26 205	0	4 689	37 200
- other	0	0	830	98	911	1 839
d) gross value of fixed assets at end of the period	**194 065**	**557 117**	**441 035**	**25 509**	**104 370**	**1 322 096**
e) accumulated depreciation (amortisation) at start of the period	**59**	**164 231**	**344 440**	**14 435**	**79 095**	**602 260**
f) depreciation over the period (on account of)	**14**	**5 269**	**-13 583**	**1 142**	**-2 836**	**-9 994**
- current writeoff (P&L)	14	14 090	13 330	2 124	5 978	35 536
- reductions on account of sale and liquidation	0	-9 006	-26 255	-979	-7 918	-44 158
- transfer from financial leasing	0	0	168	20	0	188
- other	0	185	-826	-23	-896	-1 560
g) accumulated amortisation (depreciation) at end of the period	**73**	**169 500**	**330 857**	**15 577**	**76 259**	**592 266**
h) Impairment charges at start of period	**4 419**	**150 383**	**63 776**	**0**	**814**	**219 392**
- increase	54	8 634	0	0	278	8 966
- reduction	0	0	578	0	0	578
i) Impairment charges at end of period	**4 473**	**159 017**	**63 198**	**0**	**1 092**	**227 780**
j) value of net fixed assets at end of period	**189 519**	**228 600**	**46 980**	**9 932**	**27 019**	**502 050**
Including fixed assets for sale:	**188 516**	**69 174**	**1 095**	**21**	**1 958**	**260 764**

The Group classifies real estate and land, which is not used for proprietary needs and are to be sold in the short term, i.e. within 1 year, to the category of fixed assets earmarked to be sold.

The most important component in this category (as at 30 June 2005) is the perpetual usufruct right to land in Wilanów, whose net value is PLN 170 613 thousand. The Group also classified as "fixed assets for sale" other real estate and land, which will no longer be used in the Bank's further activity as a result of the current optimization of the operating activity; their net value is PLN 72 036 thousand. The last component is fixed assets from expired leasing agreements with a net worth of PLN 18 115 thousand, whose structure is as follows (data in thousands of PLN):

	Net value	Value of impairment charges
- land	16 769	2 419
- land and water engineering buildings, premises and facilities	0	126 109
- machines and equipment	0	63 198
- vehicles	21	0
- other fixed assets	1 325	17 012
TOTAL	18 115	208 738

Changes of balance of assets for sale (data in PLN thous.)

	Perpetual usufruct right to land in Wilanów	Real estate, land and other fixed assets, which will not be used in further operations of the Bank	Fixed assets coming from completed leasing contracts	Total
As at start of period				
Net value	170 613	86 043	37 131	293 787
Recognised impairment	2 000	6 842	207 393	216 235
Changes during the period (of net value)				
Sale	0	-8 743	-17 671	-26 414
Transfer	0	0	0	0
Other changes of fair value	0	-5 264	-1 345	-6 609
As at end of period				
Net value	170 613	72 036	18 115	260 764
Recognised impairment	2 000	12 106	208 738	222 844

17c. Change of balance of fixed assets (by type groups) in the period 01.01.2004 - 30.06.2004

	land	land and water engineering buildings, premises and facilities	machines and equipment	vehicles	other fixed assets	TOTAL
a) gross value of fixed assets at start of period	**9 141**	**420 772**	**393 367**	**28 125**	**100 074**	**951 479**
b) increases (on account of)	**0**	**15 985**	**18 435**	**1 985**	**5 666**	**42 071**
- purchase	0	0	608	0	472	1 080
- takeover from fixed assets under construction	0	15 788	17 579	1 522	4 618	39 507
- transfer from financial leasing	0	0	9	463	0	472
- other (i.a. transfer from intangible assets)	0	197	239	0	576	1 012
c) reductions (on account of)	**412**	**18 371**	**7 135**	**3 905**	**1 771**	**31 594**
- sale	412	11 424	3 034	3 828	668	19 366
- liquidation	0	6 709	3 998	49	59	10 815
- other	0	238	103	28	1 044	1 413
d) gross value of fixed assets at end of period	**8 729**	**418 386**	**404 667**	**26 205**	**103 969**	**961 956**
e) accumulated depreciation (amortisation) at start of period	**163**	**117 226**	**293 388**	**15 278**	**66 895**	**492 950**
f) depreciation over the period (on account of)	**-12**	**3 573**	**14 613**	**-806**	**5 097**	**22 465**
- current writeoff	33	12 886	20 379	2 374	5 788	41 460
- reductions on account of sale and liquidation	-48	-8 462	-5 713	-3 364	-675	-18 262
- transfer from financial leasing	0	0	9	210	0	219
- other	3	-851	-62	-26	-16	-952
g) accumulated amortisation (depreciation) at end of the period	**151**	**120 799**	**308 001**	**14 472**	**71 992**	**515 415**
h) Impairment charges at start of period	**2 000**	**8 574**	**14**	**0**	**0**	**10 588**
- increase	0	3 000	0	0	0	3 000
- reduction	0	4 783	0	0	0	4 783
i) Impairment charges at end of period	**2 000**	**6 791**	**14**	**0**	**0**	**8 805**
j) value of net fixed assets at end of period	**6 578**	**290 796**	**96 652**	**11 733**	**31 977**	**437 736**

(18) INTANGIBLE ASSETS

18a. Intangible assets	**30.06.2005**	**31.12.2004**	**30.06.2004**
- concessions, patents, licenses and similar assets, including:	28 942	35 333	212 389
- computer software	28 942	35 333	39 283
- rights to Millennium	0	0	173 250
- other intangible assets	66	81	72
Intangible assets Total	**29 008**	**35 414**	**212 461**

In the year 2004 the Bank conducted an in-depth review of fixed and intangible assets in order to revalue their economic utility, as well as fair value of real estates in the process of sale. Based on the analysis conclusions, depreciation periods have been applied to some assets, leading to recognition of one-off depreciation write-off of PLN 221m in 2004.

18b. Change of balance of intangible assets (by type groups) in the period 01.01.2005 - 30.06.2005

	Costs of completed development work	Concessions, patents, licenses and similar assets, including:		other intangible assets	Advances for intangible assets	TOTAL
			Computer software			
a) gross value of intangible assets at start of period	**25**	**389 925**	**179 805**	**119**	**0**	**390 069**
b) increases (on account of)	**0**	**500**	**500**	**0**	**0**	**500**
- purchase	0	104	104	0	0	104
- takeover from investments	0	159	159	0	0	159
- expenditure on intangible assets	0	154	154	0	0	154
- other	0	83	83	0	0	83
c) reductions (on account of)	**0**	**0**	**0**	**37**	**0**	**37**
- other	0	0	0	37	0	37
d) gross value of intangible assets at end of period	**25**	**390 425**	**180 305**	**82**	**0**	**390 532**
e) accumulated depreciation (amortisation) at start of period	**25**	**354 592**	**144 472**	**38**	**0**	**354 655**
f) depreciation over the period (on account of)	**0**	**6 891**	**6 891**	**-22**	**0**	**6 869**
- current writeoff (P&L)	0	6 861	6 861	4	0	6 865
- other	0	30	30	-26	0	4
g) accumulated depreciation (amortisation) at end of period	**25**	**361 483**	**151 363**	**16**	**0**	**361 524**
j) net value of intangible assets at end of period	**0**	**28 942**	**28 942**	**66**	**0**	**29 008**

18c. Change of balance of intangible assets (by type groups) in the period 01.01.2004 - 30.06.2004

	Costs of completed development work	Concessions, patents, licenses and similar assets, including:	Computer software	other intangible assets	Advances for intangible assets	TOTAL
a) gross value of intangible assets at start of period	**25**	**360 190**	**150 069**	**96**	**0**	**360 311**
b) increases (on account of)	**0**	**4 853**	**4 852**	**0**	**0**	**4 853**
- purchase	0	147	147	0	0	147
- takeover from investments - advances	0	4 706	4 705	0	0	4 706
c) reductions (on account of)	**0**	**166**	**13**	**0**	**0**	**166**
- liquidation	0	13	13	0	0	13
- other	0	153	0	0	0	153
d) gross value of intangible assets at end of period	**25**	**364 877**	**154 908**	**96**	**0**	**364 998**
e) accumulated depreciation (amortisation) at start of period	**25**	**139 620**	**108 014**	**24**	**0**	**139 669**
f) depreciation over the period (on account of)	**0**	**12 868**	**7 611**	**0**	**0**	**12 868**
- current writeoff	0	12 885	7 629	0	0	12 885
- reductions on account of sale and liquidation	0	-19	-19	0	0	-19
- other	0	2	1	0	0	2
g) accumulated depreciation (amortisation) at end of period	**25**	**152 488**	**115 625**	**24**	**0**	**152 537**
h) net value of intangible assets at end of period	**0**	**212 389**	**39 283**	**72**	**0**	**212 461**

(19) *DEFERRED INCOME TAX ASSETS*

Deferred income tax assets

	30.06.2005	31.12.2004	30.06.2004
Unrealized costs on account of interest on securities	1 311	695	2 284
Unrealized costs on account of interest on deposits	22 757	18 767	12 669
Unrealized liabilities on account of derivatives	28 573	38 322	21 144
Loan loss provisions	53 830	60 332	74 522
Other provisions, which are not a tax cost	30 164	27 972	27 818
Tax-realised income, which is not balance sheet income	33 324	32 078	15 015
Commissions received, settled at effective interest rate	4 449	-	-
Differences in depreciation	24 920	28 817	2 274
Balance sheet measurement	21 516	16 108	14 392
Tax loss	27 790	37 195	54 785
Taken to equity	-	-	297
Other	14 637	13 566	15 749
Adjustment to result on EIR	5 339	-	-
TOTAL	**268 611**	**273 851**	**240 949**

Change in transition gaps in deferred income tax assets

	31.12.2004	ADJUST. IFRS/IAS	01.01.2005	Changes to financial result	Changes to equity	30.06.2005
Unrealized costs on account of interest on securities	695	-	695	616	-	1 311
Unrealized costs on account of interest on deposits	18 767	-	18 767	3 990	-	22 757
Unrealized liabilities on account of derivatives	38 322	-	38 322	-9 749	-	28 573
Provisions for loans	60 332	-2 024	58 308	-4 478	-	53 830
Other provisions, which are not a tax cost	27 972	-	27 972	2 193	-	30 164
Tax-realised income, which is not balance sheet income	32 078	-	32 078	1 246	-	33 324
Commissions received, settled at effective interest rate	-	-	-	4 449	-	4 449
Differences in depreciation	28 817	-	28 817	-3 897	-	24 920
Balance sheet valuation	16 108	-	16 108	5 408	-	21 516
Tax loss	37 195	-	37 195	- 9 405	-	27 790
Taken to equity	-	-	-	-	-	-
Other	13 566	-	13 566	1 071	-	14 637
Adjustment to result on EIR	0	8 434	8 434	- 3 095	-	5 339
TOTAL	**273 852**	**6 410**	**280 262**	**-11 651**	**-**	**268 611**

Changes in deferred income tax assets

	30.06.2005	31.12.2004	30.06.2004
Unrealized costs on account of interest on securities	616	-1 590	1 805
Unrealized costs on account of interest on deposits	3 990	6 098	1 990
Unrealized liabilities on account of derivatives	-9 749	17 178	7 308
Loan loss provisions	-6 502	-14 190	-838
Other provisions, which are not a tax cost	2 193	154	5 877
Tax-realised income, which is not balance sheet income	1 246	17 063	8 956
Commissions received, settled at effective interest rate	4 449	-	-
Differences in depreciation	-3 897	26 543	2 274
Balance sheet measurement	5 408	1 716	-9 499
Tax loss	-9 405	-17 590	-59 227
Taken to equity	-	-297	297
Other	1 071	-2 183	-4 359
Adjustment to result on EIR	5 339	-	-
TOTAL	**-5 240**	**32 902**	**-45 417**

Negative transition differences for which the deferred income tax asset was not recognized in the balance sheet

Transition differences expiry year	30.06.2005	30.06.2004
Unlimited	48 134	45 431
Total	48 134	45 431

(20) ***OTHER ASSETS***

20. Other assets

	30.06.2005	31.12.2004	30.06.2004
Costs to be settled over time	43 714	283 214	300 976
Income to be received	868	62	19
Settlement accounts	505 234	9 562	17 687
Receivables from various debtors	39 620	6 438	31 130
Settlements with the State Treasury	11 306	15 848	28 383
Perpetual usufruct right to land	5 155	175 768	175 768
Adjustment in respect of hedge accounting	18 511	28 649	10 186
other	7 266	3 059	5 689
Total other assets	**631 674**	**522 600**	**569 838**

The reduction of the “Costs to be settled over time” line item (by interest of PLN 255 912 thousand paid in advance) results from the fact that the effective interest rate method was used to settle certain material loan agreement. This matter has been presented in item (3) of chapter VI of this report.

The balance of the “settlement accounts” line item as at 30 June 2004 includes the values resulting from the implementation of the method under which financial instruments are posted on the transaction date, instead of the previous method based on the transaction settlement date. This matter has been presented in chapter VI item (3) sub-item 3 of this report.

According to the provision of IFRS 5, which has been implemented prospectively, the Group created a separate balance sheet category, “assets for sale”. As a result, on the IFRS implementation date (1 January 2005), the perpetual usufruct right to land was reclassified from the “other assets” balance sheet item to this category. This has been presented in chapter VI item (5) of this report.

In accordance with IAS 17, the perpetual usufruct right to land held by the Group were classified as operating leasing and recognized in the balance sheet as other assets (previously as property, plant and equipment). For such type of agreements, the minimum amount of future payments is 1% of the value per annum, i.e. respectively:

- PLN 51.6 thousand in the period up to 1 year,
- PLN 206.2 thousand in the period from 1 to 5 years.

Additionally, the Group has real estate rental and lease agreements, of which most are concluded for 5 years with an extension option. At present, the Group estimates payments on account of these agreements at ca. PLN 85 million per year.

(21) *LIABILITIES TO BANKS*

21a. Liabilities to banks

	30.06.2005	31.12.2004	30.06.2004
Liabilities to the Central Bank	1	1	0
In current account	57 609	9 074	5 244
Term deposits	634 339	126 425	523 121
Loans and advances received	252 751	1 345 405	1 435 729
Other	58	0	0
Interest	6 853	11 259	11 674
Total Liabilities to banks	**951 611**	**1 492 164**	**1 975 768**

21b. Liabilities to banks by maturity date

	30.06.2005	31.12.2004	30.06.2004
Current accounts	445 253	9 074	322 782
Up to 1 month	240 879	55 400	130 258
Above 1 month to 3 months	3 231	40 884	71
Above 3 months to 1 year	144	30 142	75 254
Above 1 year to 5 years	2 500	795 405	885 729
Above 5 years	252 751	550 000	550 000
Interest	6 853	11 259	11 674
Total	**951 611**	**1 492 164**	**1 975 768**

Reduction of liabilities to banks by the amount of PLN 297,249 thousands (in the note presenting maturity dates this event concerned the range above 5 years) results from implementation of the effective interest rate methodology with respect to a material loan agreement, which was described more broadly in item 3 chapter VI of this report.
Additionally in the period from 1 January to 30 June 2005 the Bank effected repayment of incurred loans, which was presented in the financial part of the cash flow statement.

21c. Liabilities to banks by currency structure

	30.06.2005	31.12.2004	30.06.2004
In Polish currency	880 502	636 485	806 259
In FX (by currency and after conversion into PLN)	71 109	855 679	1 169 509
- unit/currency 1000/USD	287	2	42 426
PLN thous.	962	7	158 972
- unit/currency 1000/EURO	0	205 999	211 072
PLN thous.	2	840 270	958 733
- unit/currency 1000/CHF	26 500	4 300	10 617
PLN thous.	69 092	11 362	31 561
- unit/currency 1000/GBP	0	700	2 950
PLN thous.	0	4 040	19 989
Other currencies (in PLN thous.)	1 053	0	254
Total	**951 611**	**1 492 164**	**1 975 768**

(22) ***TRADING FINANCIAL LIABILITIES***

22. Trading financial liabilities

	30.06.2005	31.12.2004	30.06.2004
The "Derivatives" tables contained in Note 14 also contain information about trading financial liabilities			

(23) ***LIABILITIES TO CUSTOMERS***

23a. Liabilities to customers by type structure

	30.06.2005	31.12.2004	30.06.2004
Liabilities to companies	**4 203 680**	**4 188 992**	**3 563 706**
Balances on current accounts	2 252 622	1 641 194	1 934 792
Term deposits	1 813 154	2 392 813	1 479 692
Other	130 276	147 018	142 400
Accrued interest	7 628	7 967	6 822
Liabilities to Public Sector units	**1 193 623**	**874 071**	**1 233 579**
Balances on current accounts	669 992	510 812	547 040
Term deposits	521 544	358 777	684 643
Other	637	3 559	924
Accrued interest	1 450	923	972
Liabilities to individual customers	**8 121 335**	**8 332 787**	**7 469 496**
Balances on current accounts	1 529 018	1 260 071	1 388 211
Term deposits	6 157 879	6 581 583	5 756 995
Other	331 508	415 285	279 393
Accrued interest	102 930	75 848	44 897
Total liabilities to customers	**13 518 638**	**13 395 850**	**12 266 781**

23b. Liabilities to customers by maturity date

	30.06.2005	31.12.2004	30.06.2004
Current accounts	4 451 633	3 412 077	3 870 043
Up to 1 month	3 780 743	4 522 574	3 582 863
Above 1 month to 3 months	2 271 100	1 532 935	1 863 765
Above 3 months to 1 year	2 530 288	3 260 358	2 553 816
Above 1 year to 5 years	302 791	506 363	250 854
Above 5 years	70 075	76 805	92 749
Interest	112 008	84 738	52 691
Total liabilities to customers	**13 518 638**	**13 395 850**	**12 266 781**

23c. Liabilities to customers by currency structure

	30.06.2005	31.12.2004	30.06.2004
In Polish currency	11 955 143	11 898 499	10 612 381
In FX (by currency and after conversion into PLN)	1 563 495	1 497 351	1 654 400
- unit/currency 1000/USD	275 825	286 088	288 155
PLN thous.	922 939	855 515	1 079 714
- unit/currency 1000/EURO	153 466	154 558	124 038
PLN thous.	620 016	630 441	563 405
- unit/currency 1000/CHF	1 719	1 184	1 722
PLN thous.	4 481	3 129	5 119
- unit/currency 1000/GBP	16 059	8 266	6 162
Total	**13 518 638**	**13 395 850**	**12 266 781**

(24) ***DEBT SECURITIES ISSUED***

24. Debt securities issued

	30.06.2005	31.12.2004	30.06.2004
Outstanding bonds and bills	182 116	304 929	701 791
Promissory notes	45 687	45 687	65 299
Interest	6 441	4 633	13 146
Total	**234 244**	**355 249**	**780 236**
- up to 1 month	81 751	59 854	54 902
- above 1 month to 3 months	9 641	19 851	0
- above 3 months to 1 year	127 504	127 397	471 789
- above 1 year to 5 years	8 907	143 514	240 399
Interest	6 441	4 633	13 146
Total	**234 244**	**355 249**	**780 236**

Debt securities by type

	Nominal value	Interest rate	Maturity	Market
Bank Millennium S.A. – restructuring promissory note	45 687	1,00%	04.11.2005	Not listed
Bank Millennium S.A. - II Issue Programme	30 834	4,46%	10.11.2005	CeTO
Bank Millennium S.A. - II Issue Programme	50 983	4,46%	08.12.2005	CeTO
Bank Millennium S.A. - II Issue Programme	6 875	4,46%	10.11.2006	CeTO
Bank Millennium S.A. - II Issue Programme	2 032	4,46%	08.12.2006	CeTO
Bel Leasing Sp. z o.o. - A31 series	24 979	6,05%	06.07.2005	Not listed
Bel Leasing Sp. z o.o. - A32 series	56 772	5,98%	15.07.2005	Not listed
Bel Leasing Sp. z o.o. - A33 series	9 641	5,95%	08.08.2005	Not listed

(25) ***PROVISIONS***

25. Provisions

	01.01.2005 - 30.06.2005	01.01.2004 - 31.12.2004	01.01.2004 - 30.06.2004
Provision for off-balance commitments			
As at start of period	32 537	29 439	29 439
Creation of provisions	14 670	25 954	19 862
Release of provisions	-28 900	-22 856	-16 983
FX rates differences	26	0	0
Other	1 806	0	0
As at end of period	**20 139**	**32 537**	**32 318**

General risk provision			
As at start of period	184 639	184 220	184 220
Adjustments on account of implementation of IFRS	-183 688	0	0
As at start of period after adjustments	951	184 220	184 220
Creation of provisions	0	57 085	47 715
Utilisation of provisions during the period	0	-740	-750
Release of provisions	0	-61 120	-11 436
FX rates differences			
Other	-951	5 194	-902
As at end of period	**0**	**184 639**	**218 847**

Other			
As at start of period	906	3 285	3 285
Creation of provisions	0	379	0
Utilisation of provisions during the period	0	-2 758	-2 758
As at end of period	**906**	**906**	**527**

Total provisions	**21 045**	**218 082**	**251 692**

(26) PROVISION FOR DEFERRED INCOME TAX

Deferred income tax liabilities

	30.06.2005	31.12.2004	30.06.2004
Provision for deferred income tax			
Unrealized income on account of interest on securities and interbank deposits	58 272	57 751	56 140
Commissions on loans paid, settled at effective interest rate	7 676	-	-
Non realised income on account of interest on loans	11 210	9 558	12 674
Non realised receivables from derivatives	13 660	16 313	17 380
Provision on account of application of investment relief	356	477	628
Differences in depreciation	12 141	12 365	25 714
Balance sheet valuation	23 277	26 708	30 634
Assets valuation(capitals)	13 792	5 012	-
Other	12 565	5 786	1 237
Adjustment to result on EIR	19 357	-	-
TOTAL	**172 306**	**133 969**	**144 407**

Change in transition gaps on deferred income tax liabilities

	31.12.2004	ADJUST. IFRS/IAS	01.01.2005	Changes to financial result	Changes to equity	30.06.2005
Provision on deferred income tax						
Unrealized income on interest on securities and inter-bank deposits	57 751	-	57 751	521	-	58 272
Commissions on loans paid, settled at effective interest rate	-	-	-	7 676	-	7 676
Unrealized income on loan interest	9 558	-	9 558	1 652	-	11 210
Unrealized receivables on derivatives	16 313	-	16 313	-2 653	-	13 660
Provision on account of application of investment relief	477	-	477	-121	-	356
Differences in depreciation	12 365	-	12 365	-224	-	12 141
Balance sheet valuation	26 708	-	26 708	-3 431	-	23 277
Assets valuation (capitals)	5 012	-	5 012	-	8 780	13 792
Other	5 786	-	5 786	6 779	-	12 565
Adjustment to result on EIR	0	19 357	19 357	-	-	19 357
TOTAL	**133 969**	**19 357**	**153 326**	**10 200**	**8 780**	**172 306**

DEFERRED INCOME TAX LIABILITIES

	30.06.2005	31.12.2004	30.06.2004
Change in provision for deferred income tax			
Unrealized income on account of interest on securities and interbank deposits	521	1 610	-5 663
Commissions on loans paid, settled at effective interest rate	7 676	-	-
Unrealized income on account of interest on loans	1 652	-3 116	-1 629
Unrealized receivables from derivatives	-2 653	-1 067	-18 651
Provision on account of application of investment relief	-121	-152	-155
Differences in depreciation	-224	-13 349	4 080
Balance sheet valuation	-3 431	-3 926	467
Assets valuation (capital)	8 780	5 012	-439
Other	6 779	4 549	-136
Adjustment to result on EIR	19 357	-	-
TOTAL	**38 337**	**-10 438**	**-22 126**

(27) OTHER LIABILITIES

27. Other liabilities

	30.06.2005	31.12.2004	30.06.2004
Accrued costs	78 518	90 107	75 714
Deferred income	25 097	114 708	34 526
Restricted income	0	191 352	244 077
Settlement accounts	491 029	42 851	36 152
Various creditors	99 503	83 434	81 671
Liabilities to the State Treasury	17 426	14 352	25 818
Provisions for unused employee holiday and retirement benefits	15 616	15 078	18 384
Other	76 211	57 792	62 938
Total	**803 400**	**609 674**	**579 280**

The balance of the "settlement accounts" line item as at 30 June 2004 includes the values resulting from the implementation of the method under which financial instruments are posted on the transaction date, instead of the previous method based on the transaction settlement date. This matter has been presented in chapter VI item (3) sub-item 3 of this report.

(28) SUBORDINATED LIABILITIES

28. Subordinated liabilities

	30.06.2005	31.12.2004	30.06.2004
Balance of subordinated liabilities	323 823	326 977	364 029
Including accrued Interest	615	657	653
Name of entity	-	-	-
Currency of the liability	EUR	EUR	EUR
Value of the liability in PLN	323 208	326 320	363 376
Interest rate	3,534%	3,622%	3,603%
Maturity	12.12.2011	12.12.2011	12.12.2011

(29) EQUITY

29a. Share capital

Share capital of Bank Millennium S.A. (at the same time constituting Share capital of the Group) is PLN 849,181,744 and is divided into 849,181,744 shares with nominal value of PLN 1 per share, as presented in the table below.

SHARE CAPITAL Nominal value per share = PLN 1

Series / issue	Share type	Type of preference	Number of shares	Value of series / issue	Financing method	Registration date	Right to dividend
A	Registered founders'*		106 850	106 850	cash	30.06.1989	30.06.1989
B1	Registered ordinary*		150 000	150 000	cash	13.06.1990	01.01.1990
B2	Registered ordinary*		150 000	150 000	cash	13.12.1990	01.01.1990
C	bearer ordinary		4 693 150	4 693 150	cash	17.05.1991	01.01.1991
D1	bearer ordinary		1 700 002	1 700 002	cash	31.12.1991	01.01.1992
D2	bearer ordinary		2 611 366	2 611 366	cash	31.01.1992	01.01.1992
D3	bearer ordinary		1 001 500	1 001 500	cash	10.03.1992	01.01.1992
E	bearer ordinary		6 000 000	6 000 000	cash	28.05.1993	01.01.1992
F	bearer ordinary		9 372 721	9 372 721	cash	10.12.1993	01.01.1993
G	bearer ordinary		8 000 000	8 000 000	cash	30.05.1994	01.10.1993
H	bearer ordinary		7 082 129	7 082 129	cash	24.10.1994	01.10.1994
Increase of nominal value of share from PLN 1 to PLN 4				122 603 154	Reserve capital	24.11.1994	
Split of shares 1:4			122 603 154			5.12.1994	
I	bearer ordinary		65 000 000	65 000 000	cash	12.08.1997	01.10.1996
J	bearer ordinary		196 120 000	196 120 000	Capital of Bank Gdański S.A.	12.09.1997	01.10.1996
K	bearer ordinary		424 590 872	424 590 872	cash	31.12.2001	01.01.2001
Total number of shares			**849 181 744**				
Total share capital				**849 181 744**			

* - in result of convergence the number of registered shares was reduced and on 30 June 2005 was 113,596 , of which 66,200 founders' shares

In the period covered by the financial report the Group's share capital did not change.
The largest shareholders of the dominant company of the Group – the Bank (above 5% votes at a Shareholders' Meeting) as at 30 June 2005 were as follows:

Shareholder	**Number of shares**	***% share in share capital***	***Number of votes***	***% share in votes at Shareholders' Meeting***
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

According to the requirements of IFRS 1 (first-time use of International Financial Reporting Standards) a capital group is required to apply IAS 29 (Financial Reporting in Hyperinflationary Economies) for preparation of financial reports retrospectively.
Under par. 24 IAS 29 “Financial Reporting in Hyperinflationary Economies” equity components (with the exception of retained earnings and any surpluses from revaluation of assets) should be transformed using the general price index, starting with the date, on which the capital was contributed or arose otherwise in the period, during which the economy, in which the company operates, was a hyperinflationary economy under IAS 29.

The effect of recalculating appropriate equity components with inflation indices should be mirrored in retained earnings from previous years. The application of par. 24 of IAS 29 would cause initial capital and reserve capital to increase – surplus of share issue price over nominal value and at the same time charging in the same amount of retained earnings from previous years.
Full introduction of IAS 29 requirements would cause legal impact due to the need to change share capital under the Code of Commercial Companies and Banking Law. At the same time, because the effects of restatement mentioned above do not cause a change of value of net assets of the Capital Group, the Bank’s Management Board is of the opinion that reflecting such an adjustment would have not material impact upon correctness and fairness of presentation of the Bank’s financial standing at the day and for the period ending 30 June 2005.

29b. REVALUATION RESERVE

Revaluation reserve is created when the results of valuation (at fair value) of financial assets available for sale are recognized in the net amount, i.e. after deferred tax. Those values are removed from the revaluation capital when the entire asset being valuated or part thereof is removed from the accounting ledgers (at that time, the valuation effect is moved to the profit and loss account). In the presented periods, revaluation reserve consisted of valuation results of debt securities classified as available for sale.

	30.06.2005	**31.12.2004**	**30.06.2004**
Valuation effect (gross)	72 584	26 379	-1 562
Deferred tax	-13 791	-5 012	297
Net valuation effect	58 793	21 367	-1 265

Sources of changes of revaluation capital in the period from 1 January to 30 June 2005 are as follows (data in PLN thous., netting-out impact of deferred tax):

	Effect of measurement at fair value as at 1.01.2005	Transfer to profit and loss account of the period in result of sale	Change of equity due to securities purchased-sold during the period	Change of fair value of securities in the portfolio as at 30.06.2005	Effect of measurement at fair value as at 30.06.2005
Debt securities available for sale	21 367	-25 532	17 172	45 786	58 793

29c. Retained earnings

	30.06.2005	**31.12.2004**	**30.06.2004**
Other reserve capital			
Balance at start of period	284 264	269 386	269 386
- profit carried from previous years	15 431	14 878	14 878
Balance at end of period	**299 695**	**284 264**	**284 264**

Additional reserve capital			
Balance at start of period	120 471	100 939	100 939
- distribution of profit from previous years	0	19 532	10 201
Balance at end of period	**120 471**	**120 471**	**111 140**

General banking risk fund			
Balance at start of period	85 633	44 738	44 738
- distribution of profit from previous years	2 733	40 895	40 895
Balance at end of period	**88 366**	**85 633**	**85 633**

Retained earnings from previous years and the current result of the period			
Balance at start of period	126 526	-74 183	-74 183
- changes in the accounting principles (policy)	57 508	0	0
Balance at start of period after adjustments	**184 034**	**-74 183**	**-74 183**
- net profit for the period	129 045	240 504	112 000
- profit distribution, including:	**-255 935**	**-75 305**	**-65 974**
- writeoff to reserve capital	-15 431	-14 878	-14 878
- writeoff to additional reserve capital	0	-19 532	-10 201
- writeoff to the general risk fund	-2 733	-40 895	-40 895
- dividend	-237 771	0	0
- coverage of losses from previous years with reserve capital	35 751	35 510	35 510
Balance at end of period	**92 895**	**126 526**	**7 353**
Total retained earnings	**601 427**	**616 894**	**488 390**

IX. FAIR VALUE

The Group holds financial instruments that under the adopted IFRS are not subject to valuation at fair value. They include: receivables from banks, loans and advances to customers, investments held to maturity, and liabilities to banks and customers, and on the issuance of debt securities, respectively. The Group estimated fair value of the above instruments using the valuation models; the effect has been presented in the below table:

Gap between fair value and balance sheet value in PLN millions

Assets / Liabilities class	
Receivables from banks *	96.04
Liabilities to banks *	-105.42
Net total	-9.38
Investments in securities	5.41
Liabilities towards customers	-22.94
Liabilities under issue of securities / subordinated liabilities	-2.79

* The gaps between fair value and balance sheet value for receivables from and liabilities to banks originated on a single structure, composed of: purchase of a long-term zero-coupon bond, and simultaneously taking a fixed interest rate loan from the same partner. Net result of the structure valuation at fair value is PLN -9.38 million, as at 30 June 2005.

For the other financial instruments, not presented in the above table, the estimated fair value is close to their book value, chiefly due to a short period to revaluation/maturity.

X. DATA ABOUT THE ASSETS SECURING LIABILITIES

As at 30 June 2005 the following assets of the Bank secured its liabilities:

- 10-year floating rate Treasury bonds (DZ0109) of the of total par value 106 120 PLN thous. were pledged as security for the receivable of Credit Suisse First Boston International.
- 10-year floating rate Treasury bonds (DZ0109) of total par value 54 825 PLN thous. were encumbered with a pledge in favour of NBP and were security for the aid received by the Bank from NBP.
- 10-year floating rate Treasury bonds (DZ0109) of total par value 75 000 PLN thous. were blocked under the pawn loan granted to the Bank by NBP.
- 10-year floating rate Treasury bonds (DZ0811) of total par value 370 000 PLN thous. were blocked under the pawn loan granted to the Bank by NBP.
- 10-year floating rate Treasury bonds (DZ0110) of total par value 120 000 PLN thous. were blocked under the pawn loan granted to the Bank by NBP.
- 10-year floating rate Treasury bonds (DZ1006) of total par value 420 PLN thous. were blocked under the pawn loan granted to the Bank by NBP.
- Treasury bills of par value 40 000 PLN thous. secure the Guarantee Protection Fund within the Bank Guarantee Fund.

As at 31 December 2004 the following assets of the Bank secured the liabilities listed below:

- 10-year floating rate Treasury bonds (DZ0109) of total par value 163 480 PLN thous. were pledged as security for the receivable of Credit Suisse First Boston International.
- 10-year floating rate Treasury bonds (DZ0109) of total par value 97 315 PLN thous. were encumbered with a pledge in favour of NBP and were security for the aid received by the Bank from NBP.
- 10-year floating rate Treasury bonds (DZ0109) of total par value 75 000 PLN thous. were blocked under the pawn loan granted to the Bank by NBP.
- 10-year floating rate Treasury bonds (DZ0811) of total par value 230 000 PLN thous. were blocked under the pawn loan granted to the Bank by NBP.
- Treasury bills of par value 40 000 PLN thous. secure the Guarantee Protection Fund within the Bank Guarantee Fund.

As at 30 June 2004 the following assets of the Bank secured the liabilities listed below:

- 10-year floating rate Treasury bonds (DZ0109) of total par value 163 480 PLN thous. were pledged as security for the receivable of Credit Suisse First Boston International.
- 10-year floating rate Treasury bonds (DZ0109) of total par value 97 315 PLN thous. were encumbered with a pledge in favour of NBP and were security for the aid received by the Bank from NBP.
- 10-year floating rate Treasury bonds (DZ0109) of total par value 75 000 PLN thous. were blocked under the pawn loan granted to the Bank by NBP.
- 10-year floating rate Treasury bonds (DZ0811) of total par value 230 000 PLN thous. were blocked under the pawn loan granted to the Bank by NBP.
- Treasury bills of par value 100 000 PLN thous. were blocked under the technical loan granted to the Bank by NBP.
- Treasury bills of par value 35 000 PLN thous. secure the Guarantee Protection Fund within the Bank Guarantee Fund.

XI. SECURITIES – OBJECT OF SELL/BUY BACK TRANSACTIONS

As at 30 June 2005 the following securities (presented in the Bank's balance sheet) were object of sell/buy back transactions:

Type of securities	Nominal value (in 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

XII. ADDITIONAL EXPLANATORY NOTES TO THE CASH FLOWS STATEMENTS

For the cash flow statement the Group classified the following financial assets as cash and banks, and their equivalents:

Data in PLN thous.

	30.06.2005	30.06.2004
Cash, balances with Central Bank	666 506	649 316
Receivables on account of interbank deposits (*)	825 373	1 710 547
Debt securities issued by the State Treasury (*)		
Including debt securities for trading	27 508	34 494
Including securities available for sale	1 362 078	955 738
TOTAL	**2 881 465**	**3 350 095**

(*)Financial assets with maturities under 3 months

XIII. INFORMATION ABOUT CUSTODY OPERATIONS

As at 30 June 2005, the Custody Department held 1,940 securities accounts, on which PLN 17 345 million worth of Client assets was kept. The Custody Department acts as a custodian bank and a transfer agent for 11 mutual funds from the Millennium TFI S.A. group. In 1H 2005, the Custody Department acquired 19 corporate clients and PLN 2 175 million worth of assets. As at 30 June 2005, net income on the custodial activity was PLN 1.7 million.

XIV. TRANSACTIONS WITH AFFILIATES

(1) DESCRIPTION OF TRANSACTIONS WITH AFFILIATES

All and any transactions performed between Group's entities in the 1st half of 2005 were concluded at market conditions and resulted from their current operations. Below you can find the key amounts of the intra-group transactions eliminated in the consolidation process.

THE MAIN ELIMINATIONS OF INTRAGROUP TRANSACTIONS AND CONSOLIDATION ADJUSTMENTS (PLN THOUS.)

ASSETS	**30.06.2005**
Accounts and deposits kept at the Bank	339 949
Receivables on account of loans, advances, receivables purchased between the consolidated entities	1 780 303
Receivables on account of securities purchased with sell buyback close	81 019
Stocks and shares in consolidated subsidiaries	101 359
Debt securities traded in transactions with buyback clause	1 231 403
Other assets	1 125 504
LIABILITIES	**30.06.05**
Liabilities on account of deposits accepted, loans, advances, receivables sold between the consolidated entities	2 312 980
Securities sold with buyback close	1 279 144

Subordinated liabilities	22 282
Special funds and other liabilities	1 296 827

PROFIT AND LOSS ACCOUNT	1.01.05 – 30.06.2005
Income on account of:	
Interest on accounts, deposits and receivables on account of loans, advances, receivables purchased	81 352
Banking and brokerage commissions	4 819
Intra-group dividends paid	236 116
Other operating income	8 824
Costs on account of:	
Interest on accounts, deposits and receivables on account of loans, advances, receivables sold	78 761
Banking and brokerage commissions	4 610
Other operating income	4 972
Operations of the entities covered with consolidation	3 499

(2) DESCRIPTION OF TRANSACTIONS WITH AFFILIATES HOLDING STOCKS OF THE BANK

Assets of the Bank

Entity	Receivables from banks	Short-term financial assets (valuation of derivatives)	Total
BCP	43 531	0	43 531

Liabilities of the Bank

Entity	Liabilities towards banks	Short-term financial liabilities (valuation of derivatives)	Total
BCP	0	771	771

Profit and loss account of the Bank

Entity	Interest income	Interest expenses	Income from 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

(3) INFORMATION ABOUT TOTAL VALUE OF REMUNERATION AND REWARDS PAID OR DUE TO THE SUPERVISORS AND MANAGERS OF THE ISSUER

Data for the period 01.01.2005 – 30.06.2005 in PLN thous.:

BANK MILLENNIUM S.A.

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

Data for the period 01.01.2004 – 30.06.2004 in PLN thous.:

BANK MILLENNIUM S.A.

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

(4) INFORMATION ABOUT VALUE OF UNPAID PREPAYMENTS, LOANS, ADVANCES AND GUARANTEES

1. Management Board Members hold exposure on account of the unpaid receivables in the total amount of 38.5 thous. PLN.
2. Guarantees granted to Management Board Members in the total of 37.0 thous. PLN.
3. Supervisors hold exposure on account of unpaid receivables in the total amount of 7.8 thous. PLN.

As at 30 June 2005 the balance of the unpaid advances granted to the employees of the Bank from the Company Social Benefit Fund totalled 3 380.0 PLN thous.

The Bank does not keep records of loans and advances granted to employees within its day-to-day operations, i.e. under conditions offered to the clients of the Bank.

XV. RISK MANAGEMENT

Risk exposure is inseparably connected with the activity on financial markets and constitutes a fundamental behavioural driver for the market players, and in particular for financial institutions. Today a huge part of the financial decisions factors in the risk involved. With this in mind, the Bank formulated a risk management policy and its implementation strategy.

The main threats to banking activity, which are concurrently risk management areas, are credit risk, market risk, liquidity risk and operational risk.

At the strategic level, the Management Board of the Bank is responsible for determination and monitoring of the risk management policy. At the operational level, three committees of a higher level:

Capital Assets and Liabilities Committee, Credit Committee and Operational Risk Committee are responsible for management of specific banking risk areas, their day-to-day control and development of current policy directions within the frames defined by the Management Board.

At regards subsidiaries, risk measurement and management takes place at the level of the Bank. All types of risk are monitored and controlled in relation to the profitability of business and level of capital required to ensure safety of the operations in terms of capital requirements. The results of risk measurement are regularly reported in the management information.

At the end of June 2005 the level of equity securing the risks incurred by the Capital Group of the Bank totalled 1 981.1 m PLN (including the equity of the Bank itself 1 975.7 m PLN), thus allowing to maintain a very high level of solvency ratios: 20.9% for the Group and 18.0% for the Bank.

1. Credit risk

Credit risk is generated as a result of the credit operations conducted by the Capital Group of the Bank towards the clients from all the segments and also as a consequence of inter-bank operations. The Bank manages this risk within its current credit policy and also through development of proper organisational structures involved in the credit process and fine-tuning of the rating and scoring models applied at the Bank to support credit decision process.

<u>Credit policy</u>

Credit policy of Bank Millennium follows the principles of creation of optimal conditions for the development of sales of broadly understood credit products in the entire Capital Group with concurrent maintenance of satisfactory credit risk level and high quality of portfolio. The policy of the Bank is contained in a number of procedures issued by the Bank's Management Board or its Members. The key elements of the credit process at the Bank, including the competencies of respective decision-makers as regards granting credit risk based transactions, were stipulated in the "General Lending Principles". The policy of the Bank regarding financing particular client segments was reflected in detailed regulations ("Lending principles for specific client segments").

In case of corporate clients the basic customer relationship instrument is an internal credit limit, the basics of which were modified in the first half of 2005, with view to further improvement in the efficiency of customer service. These assumptions were contained in 'Instructions for the principles for operation of the internal credit limit". Additionally, in case of companies with full accounting the Bank verified the assumptions for assessment of credit capacity.

In the first half of 2005 the Bank introduced also changes in its approach to the review of credit applications filed by individuals, through re-definition of specific credit capacity evaluation procedures; depending on the situation (among others, collateral presented by the client, history of customer relationship), a proper procedure, the most appropriate one for a given client, is applied. The above assumptions were reflected in the "Instructions for credit capacity evaluation procedures for individual clients", which define scoring models applied by the Bank for individual clients.

In addition, the Bank pursues proactive security policy for credit risk based transactions, in particular as regards assessment of value of security at the stage of credit disbursement and security monitoring until complete loan repayment. The principles regarding this policy are contained in 'Instructions for monitoring and valuation of security'.

Organisation of the credit process

Organisation of the credit risk management at the Bank consists first of all in separation, as a principle, of organisational units selling bank products from the persons responsible for risk assessment. Additionally, specific decision levels made of two persons were defined. Given their positions, these persons have also competencies to take decisions to grant credit risk based transactions. The competencies of the specific decision levels differ and depend largely on the size of the Bank's exposure to a given client and its rating. These competencies are also different depending on the client, whereas generally the highest level is represented by the Credit Committee of the Bank, composed of inter alia Members of the Management Board responsible for particular business lines, and also for risk assessment. The Credit Committee, apart from taking credit decisions in relation to single clients, has also competencies to define Bank's credit policy guidelines.

Credit process support tool

The Bank continues also the works related to fine-tuning electronic tools supporting credit process. Periodically, risk evaluation models are tested, including behavioural scoring model applied for individuals and based on the analysis of the to-date customer relationship, i.e. accounts kept for the client, period of relationship, service of cards and other card products. Rating models are analysis support tools for the credit risk related to business financing. Enhancement of the Bank's support systems for analytical and decision-making processes increases the speed and improves the quality of customer service, which is conducive to considerably higher efficiency of the entire credit process.

Apart from fine-tuning of risk analysis tools, at the Bank there were training programmes conducted for the employees in evaluation of clients' economic and financial standing and in legal provisions.

Principles for credit risk provisioning

As of 2005 also the principles for provisioning at the level of the Capital Group of the Bank were changed in connection with implementation of the International Accounting Standards. According to these principles, the provisions established reflect the real impairment of the credit risk based transactions granted. Impairment of the credit assets held by the Bank is estimated according to individual analysis of clients and their exposures or according to portfolio analysis, which covers groups of assets of similar risk profile. The purpose of the individual analysis is to check on the basis of the assessment of the economic and financial standing of a given client (including information from external environment) whether there are no signs of potential impairment for a single loan, and in case the impairment occurs – to calculate the amount of impairment.

2. Market risk

Market risk is related to the uncertainty that the interest rates, FX rates and prices of securities and financial derivatives held by the Capital Group of the Bank will assume values deviating from those originally planned, which will result in uncontrolled profits or losses on the positions held.

In the first half of 2005 the Bank continued to develop its market risk control system in order to both adjust to the requirements of the changing profile of the Bank's financial operations, resulting inter alia from a higher differentiation and growing turnover in financial instruments, to include the specific risk control principles required by the law and to adjust the measurement tools to the new methodological achievements and bigger technical capacities.

The basic methods applied at the Bank for day-to-day market risk management is the value at risk approach (VaR) and methods recommended by NBP. The Var method is applied for trade and banking portfolios covering all and any financial instruments, both of balance sheet and off balance sheet nature. As a supplementation of the Var method the Bank backtests adequacy of the applied model and develops market risk measurement tools for trade portfolios with scenario methods. These methods are particularly useful from the point of view of the extraordinary events, which cannot be anticipated by the VaR method.

In parallel to the changes concerning market risk control organisation and methodology, the Bank continued introduction of technological changes regarding IT solutions supporting risk management. The Bank, on the grounds of the new transaction system Kondor+, servicing transactions concluded at the Treasury Department, uses InVaR IT tool developed by the Strategic Investor (BCP ALM Division) in a joint effort with Reuters and according to the RiskMetrics methodology (JP Morgan). From the risk control point of view, the new transaction system has some very essential functionalities: it ensures access to integrated and complete transaction data base, supports management of all the positions and control of limit utilisation in real time and allows every-day result calculation at all the operational levels.

Interest rates risk

In the area of interest rate risk the Bank assumes the principle of maximisation of the market value of capital achieving the planned net interest income level within the risk limits adopted.

As at 30 June 2005 Bank's exposure to the interest rate risk (VaR) totalled approx. 25.3 m PLN (on average, in the first half of the year approx. 16.0 m PLN) with the global market risk limit of 48.2 m PLN in force.

As a supplementation of the measurement of value at risk (VaR) the Bank estimates also hypothetical changes in the financial result (EaR) due to the changes in the market interest rates.

On the last day of June 2005 the structure of balance and off balance sheet positions generating interest rate risk exposure looked as follows:

ASSETS (m PLN)

	Up to 1 m	1-3 m	3-6 m	6-12 m	1-3 years	3-5 years	Above 5 years	Total
Inter-bank deposits made	632.2	239.0	20.2	53.6	0.0	0.0	0.0	**945.0**
Loans to financial and non-financial entities	8 052.7	0.0	0.0	514.8	0.0	0.0	0.0	**8 567.5**
Securities (including buy and sell transactions)	1 314.3	1 060.7	170.9	1 226.8	308.8	947.4	97.5	**5 126.4**
Interest rate swaps	937.5	1 838.6	2 124.1	852.3	1 190.0	99.8	0.0	**7 042.3**
FRA	0.0	0.0	686.7	99.0	0.0	0.0	0.0	**785.7**
Other assets at interest rate risk	8 953.0	5 005.2	2 744.2	1 530.9	1 723.6	596.2	0.0	**20 553.0**
Other assets	432.5	0.0	0.0	2 302.3	0.0	0.0	0.0	**2 734.8**
Total assets	**20 322.2**	**8 143.5**	**5 746.1**	**6 579.7**	**3 222.4**	**1 643.4**	**97.5**	**45 754.7**

LIABILITIES (m PLN)

	Up to 1 m	1-3 m	3-6 m	6-12 m	1-3 years	3-5 years	Above 5 years	Total
Inter-bank deposits accepted	477.4	149.0	38.9	0.0	0.0	0.0	0.0	**665.3**
Deposits accepted from clients	6 837.0	3 822.1	1 849.2	882.8	135.4	0.0	0.0	**13 526.5**
Debt securities issued	0.0	0.0	411.7	0.0	8.8	0.0	0.0	**420.5**
Interest swaps	1 034.0	1 724.0	1 602.1	604.7	1 382.8	743.5	0.0	**7 091.1**
FRA	0.0	0.0	98.6	688.4	0.0	0.0	0.0	**787.1**
Other liabilities at interest rate risk	10 301.2	4 242.2	3 934.8	429.5	350.2	0.0	89.0	**19 346.9**
Other liabilities	0.0	191.1	0.0	3 726.4	0.0	0.0	0.0	**3 917.5**
Total liabilities	**18 649.5**	**10 128.3**	**7 935.3**	**6 331.9**	**1 877.2**	**743.5**	**89.0**	**45 754.7**

Mismatch in the repricing periods	**1 672.6**	**-1 984.7**	**-2 189.1**	**247.8**	**1 345.1**	**899.8**	**8.5**	**0.0**

In the balance sheet of Bank Millennium S.A. there are the following assets and liabilities:

a) Items that carry fair value risk related to interest rate risk:
- Fixed interest rate debt securities,
- Discounted debt securities,
- Fixed interest rate loans and deposits,
- Commitments under fixed interest rate securities issues.

b) Items that carry cashflow risk related to interest rate:
- Floating rate debt securities,
- Floating rate loans and deposits.

c) Items that do not carry directly interest rate risk:
- Fixed assets,
- Equity investments,
- Equity.

In the first half of 2005 the average effective interest rate for loans and deposits of the Group totalled 7.97% and 4.42%, accordingly.

Fx risk

The basic objective of FX risk management is to shape the structure of FX assets and liabilities and off balance sheet items within internal and external limits defined, in case of the Bank, by the banking law requirements.

In the first half of 2005 the Bank maintained balanced FX position. At the end of June, the Bank's exposure to FX risk (VaR) totalled approx. 0.3 m PLN (on average, in the first half approx. 0.4 m PLN) with the binding limit of 16.1 m PLN.

Derivatives-related risk

All the transactions, where the subject is financial derivatives, are concluded either to hedge open balance sheet positions or, within internal limits, to trade. The basic derivatives, which the Bank uses both to manage the interest rate risk and FX risk, and for trading purposes, are *FX Forward contracts, Forward Rate Agreement, Interest Rate Swap, FX Swap, Cross Currency Swap* and *FX options type*.

As at June 30 2005 the capital requirement for the trade portfolio calculated for the purpose of the solvency ratio looked as follows (data in thous. PLN):

Market risk not covered with this model, including:	
- pricing risk of equities	347
- general interest rate risk	17 887
- trade payment risk and business partner risk	1 771
TOTAL	**20 005**

3. Liquidity risk

As the paramount objective of the liquidity risk management, the Bank adopted such a fund management so that with unfavourable change scenarios for the Bank's environment, it would be possible to timely satisfy all contractual commitments of the Capital Group towards its clients. Liquidity risk would appear also if the Bank had difficulties in obtaining funds to finance its operations or was not able to liquidate its trade assets in a relatively short time and at market prices. Therefore, the liquidity reserve is composed of a portfolio of Treasury securities characterised with the highest liquidity on the secondary market.

The Bank manages the liquidity risk on a daily basis applying the net liquid asset method (liquidity gap method). In order to ensure proper level of current liquidity the Bank keeps mandatory reserve as required by NBP, funds on nostro accounts necessary for non-cash settlements, optimal funds in treasuries of the Bank, liquidity surplus in the form of high-liquidity financial instruments.

In its investment policy the Bank follows the requirements of the Banking Law and NBP recommendations. The Bank applies an internal structural liquidity ratio defining the relation between the total probable maturing assets and total probable liabilities. For maturities up to 3 months the safe level of this relation, as adopted by the Bank, amounts to 100%. Also, the ratio of liquid assets is limited (20%) and in the middle of 2005 the liquid asset ratio, which defines the share of liquid assets in the balance sheet total of the Bank, reached 42.7%. The limited immediate liquidity ratios (balance of receivables and payables on the money market, augmented by securities available for immediate sale) and quarterly liquidity ratios (the lowest balance of receivables and payables accumulated during a quarter on the money market, plus securities available for immediate sale on the date of this balance) were much above the adopted minimum values.

For the purpose of current liquidity a portfolio of blocked treasury securities is maintained in the amount satisfying short-term payables. Furthermore, concentration of obligations to the largest clients and evolution of the structure of assets and liabilities (both balance sheet and off balance sheet) of the Bank, are monitored, which allows to early recognise unfavourable trends in financial liquidity. To supplement the above, stability of the deposit base, terminability of the deposits before maturity, scale of unauthorised overdrafts and utilisation of open credit lines are examined regularly.

The Bank has procedures in place for situations of increased liquidity risk, i.e. contingency plan in case of deterioration of the Bank's financial liquidity.

On the last day of June 2005 the liquidity measures applied by the Bank looked as follows:

1. In the area of structural liquidity:

Liquidity gap (m PLN)	Up to 3m	Above 3m
Balance sheet gap PLN	3 162.54	-6 474.05
Balance sheet gap FX	510.18	2 801.33
Balance sheet gap total	3 672.72	-3 672.72
Cumulated balance sheet gap	**3 672.72**	**0.00**
Off balance sheet gap	-202.90	40.99
Total gap	3 469.81	-3 631.73
Total cumulated gap	**3 469.81**	**-161.91**

Liquid assets ratio	million
Liquid assets	9 139.0
Total assets	21 425.5
Liquid assets to assets	**42.7%**

2. In the area of current liquidity:

Current liquidity ratio	Highly liquid assets	Immediate liquidity ratio	Quarterly liquidity ratio
Value in m PLN	4 203,01	3 759,14	4 321,86
Limit in m PLN	-	-321,09	-1 284,34
Limit utilisation	-	0,00	0,00

4. Operational risk

Operational risk is necessarily related to all types of risk generated within the Bank's operations. This is the risk of loss generated as a result of inappropriate or fallible in-house actions and processes, human activity, systems and as a result of the impact of external events. Particular, immeasurable aspects of this risk are such elements as risk of embezzlement by employees or outsiders, inappropriate transaction authorisations, breakdowns of telecommunication and IT hardware and systems, inadequate personnel training and also risk of human error.

In the first half of 2005 the Bank continued its works related to fine tuning systems of identification, assessment, monitoring and control of operational risk. One of the tools to prevent potential risk events and mitigate their results are risk self-evaluation procedures embedded within all the processes realised at the Bank. Operational risk management system and methodology are being developed, according to the recommendations of the Banking Supervision Commission and in line with international standards. The Bank has defined the tools, which are being introduced or planned, for the current system of identification, evaluation, monitoring and control of operational risk to be maximally complete and consistent – pursuant to the “Operational risk management strategy” in place. One of key elements of the strategy in question is the base of operational risk events and respective reporting system, which includes also reporting for the Operational Risk Committee.

XVI. CONTINGENT ASSETS AND LIABILITIES

(1) CONTINGENT ASSETS

When performing the provisions of the agreement to sell 10% of PZU SA shares, as a result of a dividend payment for 2004 by PZU S.A., the Bank’s subsidiary BIG BG Inwestycje S.A. (Group) recognized a gross payment of PLN 26 005 thousand to be received on this account from EUREKO BV in June as income in the line item “result on investment activity” for the period of 1 January – 30 June 2005. This amount results from a preliminary settlement with EUREKO BV on this account. Due to its conditional nature, the additional gross income of PLN 22 532 thousand was recognized by BIG BG Inwestycje S.A. as a result of the final settlement between the parties in 3rd quarter 2005.

The asset line item “Receivables from clients” shows discounted receivables of the Group under the agreement with Eureko BV to sell 10% of PZU S.A. shares, concluded by the Bank together with its subsidiary BIG BG Inwestycje S.A. (on 21 December 2004). Pursuant to the agreement, the minimum guaranteed sale price of the aforementioned shares is PLN 1.6 billion and were to be paid in two instalments. The first instalment of PLN 1.2 billion was received by BIG BG Inwestycje on 30 December 2004, while the other tranche will be paid out by the end of 2005, which is secured by a pledge instituted on the shares sold.
The minimum PZU SA share price of PLN 1.6 billion may be increased by the following amount:
- 80% of the surplus of the average PZU S.A. share price over the minimum sale price. The average price will be calculated (the formula assumes that daily trading volumes will be used as a weight) for a period of 4 weeks, starting from the second week of listing, if PZU SA shares are floated on the Stock Exchange; or
- 100% of the surplus of the sale price obtained by EUREKO B.V. above the minimum sale price, if PZU S.A. shares are sold by EUREKO B.V to a third party by the end of 2005; or

- amount of the surplus to be determined, dependent on valuations conducted by independent investment banks, above the minimum sale price in the event when PZU S.A. shares are not introduced into public trading by 30 June 2005.

(2) CONTINGENT LIABILITIES

In connection with the description of contingent assets arising from the sale of PZU SA shares, stemming from the possibility of the increase of minimum sale price of PZU S.A. shares over PLN1,6 bln, Bank Millennium Group has a contingent liability towards BCP.

Contingent liability of the Group stems from the fact, that BCP has retained the right to participate (in accordance with the formula described in the agreement) in the profit from sale from PZU S.A. shares, in case the final sale price of PZU shares exceeds PLN 1.6 bln.

The amount of the contingent liability referred to above is not known due to the uncertainties relating to the amount of potential increase of minimum sale price of PZU SA shares, and consequently the amount relating to BCP share in the profit on sale over PLN 1.6 bln. The determination of the final sale price of PZU SA shares and consequently final settlements between the parties, in accordance with conditions of the PZU SA shares sale agreement, should take place not later than on 31 December 2005. Subsequently, the aforementioned contingent liability of Bank Millennium Group should be fulfilled .

There is no possibility of reimbursement to the Bank Millennium Group of the expense to be potentially born in order to fulfil the contingent liability referred to above.

The most significant pending court proceedings, in which Bank Millennium S.A. is a party include:

- action filed by the Bank with a statement of claim dated 22 July 1998 against the State Treasury for PLN 65,613,512.20 on account of the State Treasury's liability due to the purchase of the former Bank Gdański S.A. of receivables from health care units, which contrary to declarations, proved to be disputable
- action filed by Grzegorz Jedamski against the Bank in connection with the suit filed to the District Court in Warsaw to rule the amount of PLN 299,833,300 in his favour as indemnity for the claimed unlawful acquisition of BIG BANK Spółka Akcyjna (the former ŁBR S.A.).

OFF-BALANCE SHEET ITEMS (PLN thousand)	30.05.2005	31.12.2004	30.06.2004
Contingent liabilities granted and received	5 236 847	4 249 345	3 554 271
1. Liabilities granted:	4 213 483	3 196 044	2 647 205
a) financial	3 620 719	2 827 709	2 211 080
b) guarantees	592 764	368 335	436 125
2. Liabilities received:	1 023 364	1 053 301	907 066
a) financial	0	0	0
b) guarantees	1 023 364	1 053 301	907 066

The conditional liabilities shown in the table above consist of commitments to make loans (such as: unused credit card limits, unused overdraft limits), and issued guarantees and letters of credit (collateralizing performance of liabilities of the Group's customers towards third parties). The value of guarantee liabilities presented above represents maximum amount the Group may incur should customer fail to fulfill their liabilities. The Group creates provisions for impairment risk-bearing irrevocable conditional liabilities, posted under 'provisions' in the balance sheet liabilities. The amount of the provision is calculated as the difference between the estimated amount of conditional exposure utilized, and the current value of expected future cash flows under the given credit exposure.

XVII. MATERIAL EVENTS BETWEEN THE DATE OF THE FINANCIAL REPORT AND THE DATE OF ITS PUBLICATION

- On 29 July 2005, the Bank's Management Board announced that the Bank had received information that on 29 July 2005, the Regional Court for the Capital City of Warsaw, the 19th Business Division of the National Court Register entered a merger of BIG BG Inwestycje S.A. as the company being taken over, with BEL Leasing Sp. z o.o. as the acquiring company – both being the Bank's subsidiaries, pursuant to a Partners' Meeting resolution of 11 July 2005. As a result of the merger, the share capital of the acquiring company reached PLN 43.4 million, divided into 86 800 equal and indivisible ownership interests with a nominal value of PLN 500 each. The overall number of votes at the Partners' Meeting is 86 800. By the date of the merger, the share capital of BEL Leasing Sp. z o.o. was PLN 20 million. After the merger, the Bank is the only owning partner of BEL Leasing Sp. z o.o.

- On 5 August 2005, the Bank's Management Board announced the commencement of a procedure leading to closing the listing of the Bank's Global Deposit Receipts ("GDRs") at the London Stock Exchange ("LSE"). In order to achieve the aforementioned closing of listing, on 4 August 2005, the Bank submitted an application to the Financial Services Authority („FSA") in London requesting that the GDRs be removed from a relevant listing of securities. Unless the FSA issues a negative decision, 15 September 2005 would be the last day of GDR trading at the LSE. It is the Bank's intention to concentrate listing on one market – the Warsaw Stock Exchange. Nevertheless, for the investors already holding or purchasing GDRs, the Bank GDR program will be continued on the unregulated market after they are no longer listed on the LSE.

- On 19 August 2005, the Bank's Management Board announced that the Bank had received information that on 18 August 2005, the Regional Court for the Capital City of Warsaw, the 19th Business Division of the National Court Register entered a merger of BEL Leasing Sp. z o.o. as the acquiring company and PROLIM SA as the company being acquired – both being the Bank's subsidiaries, pursuant to resolutions adopted by the Extraordinary Partners' Meeting of BEL Leasing Sp. z o.o. of 8 August 2005 and the Extraordinary Shareholders'

Meeting of PROLIM SA of 5 August 2005. As a result of the merger, the share capital of the acquiring company reached PLN 43 400 000, divided into 86 800 equal and indivisible ownership interests with a nominal value of PLN 500 each. The overall number o votes at the Partners' Meeting is 86,800. After the merger, the Bank is the only owning partner of BEL Leasing Sp. z o.o.

- On 26 August 2005, the Bank's Management Board announced that on 26 August 2005 the Bank entered into the syndicated loan agreement ("Agreement") concluded by banks with one of the Bank's client ("Borrower"). The subject matter of the agreement is for a syndicate of banks to grant to the Borrower a term loan ("Term Loan") and a renewable loan ("Renewable Loan"), which may be utilized in EUR, USD or PLN. The Bank's share in the Term Loan is EUR 33,333,333.33 and EUR 16,666,666.67 in the Renewable Loan. The lending term for the Term Loan is 5 years, and 3 years for the Renewable Loan. The interest rate on the Term Loan is based on the EURIBOR rate plus the Bank's margin and for the Renewable Loan – EURIBOR, LIBOR or WIBOR rate plus the Bank's margin. The agreement must be considered as a material agreement, because the total value of benefits resulting from the agreement satisfies the criteria mentioned in par. 2 sec. 1 item 52 of the Regulation issued by the Council of Ministers on 21 March 2005 on ongoing and periodic information disclosed by issuers of securities.

- On 13 October 2005, the Bank sent information on the preliminary performance of the Bank Millennium Capital Group after 3 quarters of 2005.

- On 14 October 2005, the Bank's Management Board announced that on 13 October 2005 the Bank concluded a revolving loan agreement with Real Estate and Stocks - REESS TRADING Sp. z o.o. ("Reess") – the Bank's subsidiary, in the amount of PLN 33,513,400 to be used to finance the early redemption of the B3M24 series bonds issued as part of the Bank's 2nd Bond Issue Program. The loan as granted for a period from 17 October to 26 October 2005. A fixed interest rate on the loan will be 5% per annum, and the commission – 0.05% of the utilized amount. The relationship between the Bank and Reess results from the fact that Reess is the Bank's subsidiary as defined in art. 4 item 16 letter a) of the Act entitled Law on Public Trading of Securities, i.e. the Bank directly or indirectly through other (subsidiary) entities holds 100% of votes at the partners' meeting of Reess.

  B3M24 series bonds (308,250 bonds) were issued pursuant to a resolution no. 230/2003 adopted by the Bank's Management Board on 7 November 2003, which the Bank announced in its current report no. 97/2003 of 7 November 2003, and have been awarded a PLBIG0000255 code by the National Depository of Securities (KDPW). Unit par value of the bonds is PLN 100, and the total par value is PLN 30,825,000. Pursuant to item 12.2 of the issue prospectus for B3M24 series bonds, the early redemption of B3M24 bonds will be conducted from 17 to 21 October 2005. In the aforementioned period, Reess will gradually purchase B3M24 series bonds from bondholders. The bond redemption transactions will be concluded on a regulated market run by MTS-CeTO SA. The transactions will be settled by KDPW from 19 to 25 October 2005. The transaction will cover no more than 308,250 B3M24 series bonds. The maximum value of the purchased bonds will be no more than PLN 33,494,445. The expected average purchase price will be PLN 108.65 per bond.

The bank will gradually purchase the B3M24 series bonds from Reess to retire them, as prescribed by the provisions of the bond purchase and sale agreement concluded by the Bank and Reess, which the Bank announced in the current report number 17/2004 of 15 April 2004. The bond purchase transactions will be concluded by the Bank from 19 to 25 October 2005. The transaction will cover no more than 308,250 B3M24 series bonds. The maximum value of the purchased bonds will be no more than PLN 33,494,445. The expected average purchase price will be PLN 108.65 per bond. The Bank will finance the purchase of the above bonds by compensating Reess's receivables from the Bank for the sale price with the Bank's receivable from Reess resulting from the loan granted by the Bank to Reess. The bonds mentioned above will be sold outside of the regulated market. The aforementioned bonds will be transferred to the Bank's account gradually, from 20 to 26 October 2005.

Due to the fact that the bonds named above, purchased by the Bank are retired by virtue of art. 25 section 1 of the Bond Act, the Bank will file applications to the National Depository of Securities to register the retirement of the bonds mentioned above.

- On 20 October 2005, the Management Board announced that on 19 October 2005, the Bank concluded, with one of its corporate Clients, an annex to a technical stand-by loan agreement to secure checks issued by the Client to customs bodies, setting the loan limit amount at PLN 250,000,000.00. The agreement was concluded for the period until 19 July 2006. The agreement was concluded on market terms. The agreement was considered material, because its amount surpasses 10% of the Bank's equity.

SIGNATURES:

Date	Full name	Position/Function	Signature
....	Bogusław Kott	Chairman of the Management Board	....
....	Luis Pereira Coutinho	Deputy Chairman 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	....
....	Wiesław Kalinowski	Member of the Management Board	....
....	Zbigniew Kudaś	Member of the Management Board	....
....	Rui Manuel Teixeira	Member of the Management Board	....