Bank Millennium Group

Presentation of 3Q 2009 Results

Warsaw

6th November 2009

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From 1st January 2006, the Bank started to treat under hedge accounting principles the combination of mortgage floating rate foreign currency loans, floating rate PLN deposits and related cross currency interest rate swaps. From 1st April 2009, the Bank extended hedge accounting principles to FX swaps. According to the accounting principles the margin from these operations is reflected in Net Interest Income. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides pro-forma data. The pro-forma statement presents all interests from derivatives included in Net Interest Income, which in the Bank's view allows better understanding of the economic evolution of this item.

Additionally. since 2009 new methodology was applied to FX impact on accrued interests, which was transferred from Net Interest Income to FX gains (also in comparable data)

Macroeconomic Overview

Main economic factors influencing banking activity in the 3rd quarter 2009

§ Low wage dynamics, lower interest rates and inflow of savings to mutual funds reduced pace of households' deposits growth (PLN 1.6 billion vs 30/06/09, +0.4% q/q).

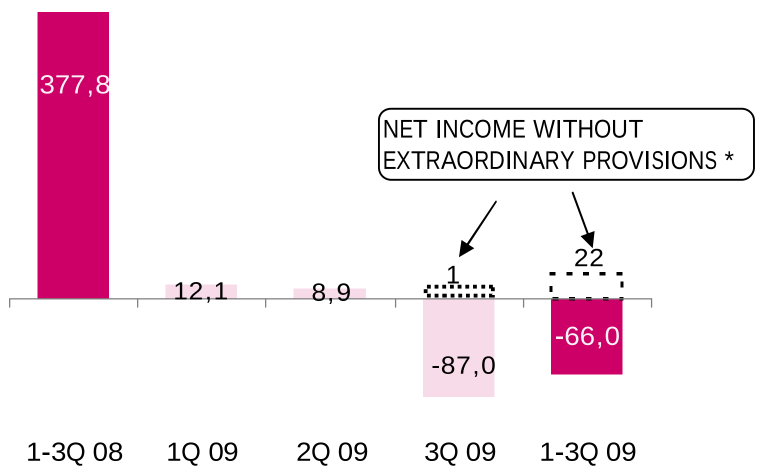
§ Competition for deposits continued to be strong, keeping the cost of new time deposits from households above WIBOR levels and well above the reference rate.

§ Appreciation of the Polish Zloty improved liquidity position of domestic banks and reduced valuation of FX denominated loans.

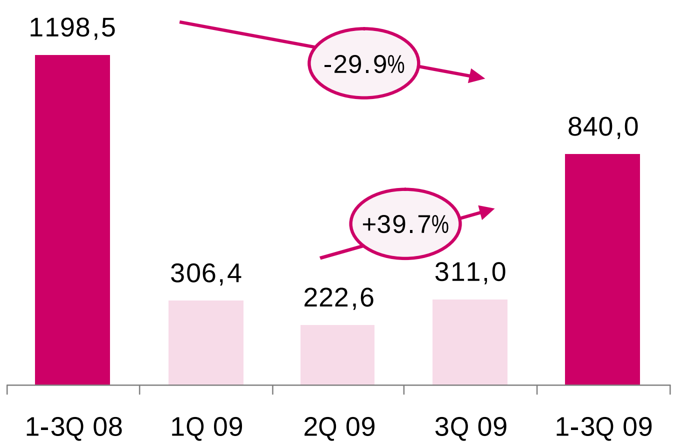
§ Low investment activity, declining revenues of companies and tight credit conditions reduced demand for corporate loans.

Net results affected by extraordinary provisions

Net income (PLN million)



Core income** (PLN million)

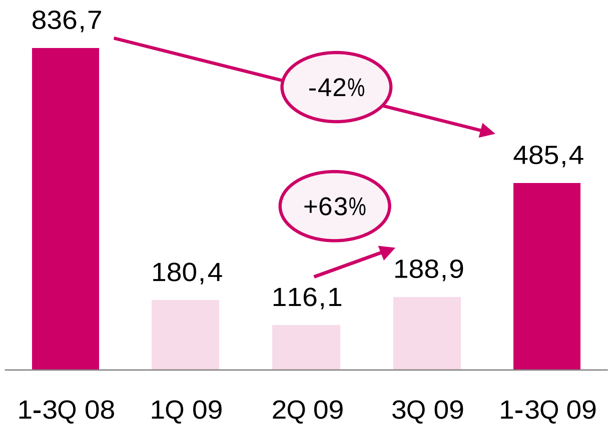


- The Group recorded a net loss of PLN 87 m in 3Q'09 resulting from extraordinary provisions of PLN 108.4 m for corporate exposures.
- The Group achieved a cost reduction of 11% in 1-3Q'09 compared to 1-3Q 08.
- Operating income decreased by 28% y-t-d, however on quarterly basis it stabilised.
- Taking into consideration core income only (net interest and net commission), a very strong 40% quarterly increase was observed.

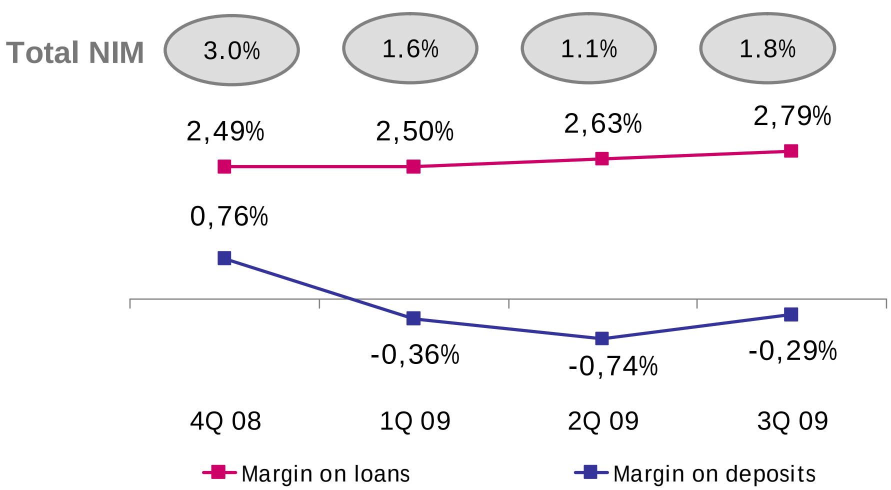
* Assuming 19% tax shield on extra provisions ** Net Interest Income + Net Commission Income

Net interest income strong quarterly recovery

Net Interest Income* (PLN million)



NIM * evolution (quarterly) (%)

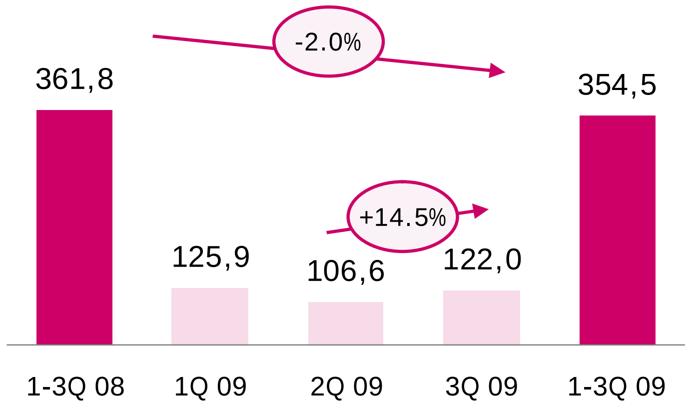


- Net Interest Income rebounded strongly, growing 63% q/q as a result of strict management of deposit cost, improvement of loans margin and lower cost of funding in foreign currencies through FX swaps and cross-currency swaps.
- The price war for deposits in the Polish market is rising again after some easing between June and August.
- As a result of the above, Net Interest Margin increased during 3Q'09 to 1.8%, already exceeding the level experienced in 1Q'09.

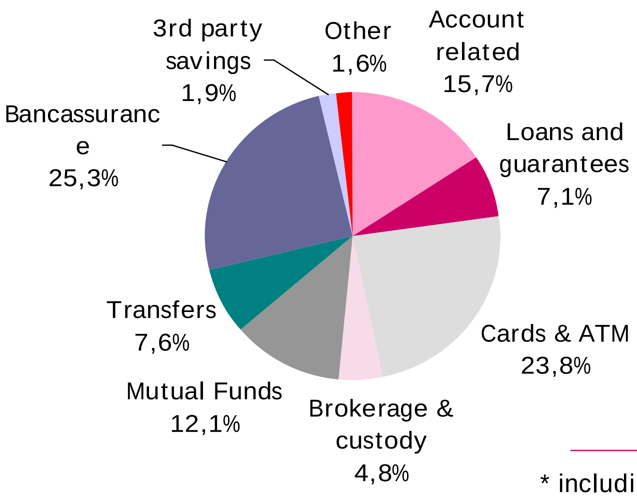
* Pro-forma data. Margin from all derivatives, including those hedging FX denominated loan portfolio, is presented in Net Interest Income, whereas in accounting terms part of this margin (PLN 82.4 m in 1-3Q 09 and PLN 133.2 m in 1-3Q 08) is presented in Result on Financial Operations.

Net Commissions income is increasing

Net Commission Income (PLN million)



Net Commission breakdown in 1-3Q'09 (%)

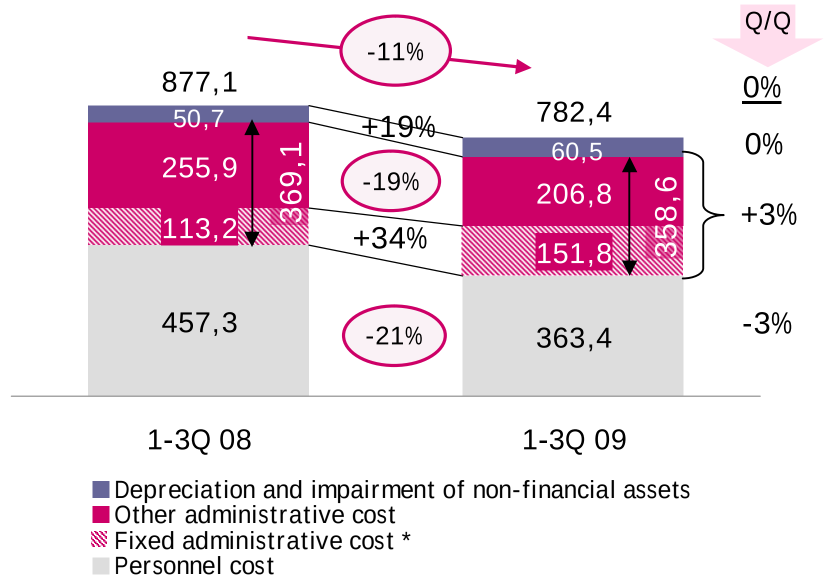


- Net Commissions in 1-3Q 09 were at similar level to those in1-3Q 08. The Bank was able to compensate much lower commissions from investment products and brokerage with other commissions items.
- The quarterly commissions increased visibly by 14.5% not only from capital market items but also from cards and accounts related fees.
- Trading and other operating income* **decreased** by 17% y/y due to negative valuation of some financial instruments in 3Q 09.

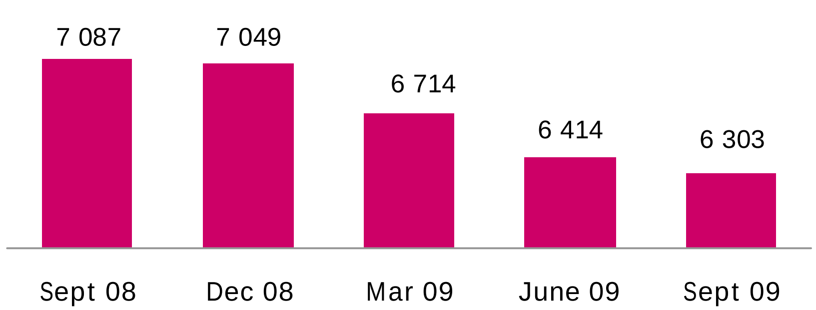
* including FX income, result on financial operations, dividends and other operating income and costs

Operating costs – 2010 target approached

Operating Costs (PLN million)



Number of employees (FTEs)



§ Total costs decreased by 11% (or PLN 95 million) compared to 1-3Q'08.

§ After 3Q 2009 the Bank exceeded PLN 101 million reduction in costs assumed for entire 2009. The Bank expects to capture in 2009 the entire savings that had been projected for 2010.

§ The key driver of cost reduction was the decrease of staff costs (by 21% y/y). Part of these savings will be sustained mainly as a consequence of the lower number of employees and changes in bonus schemes.

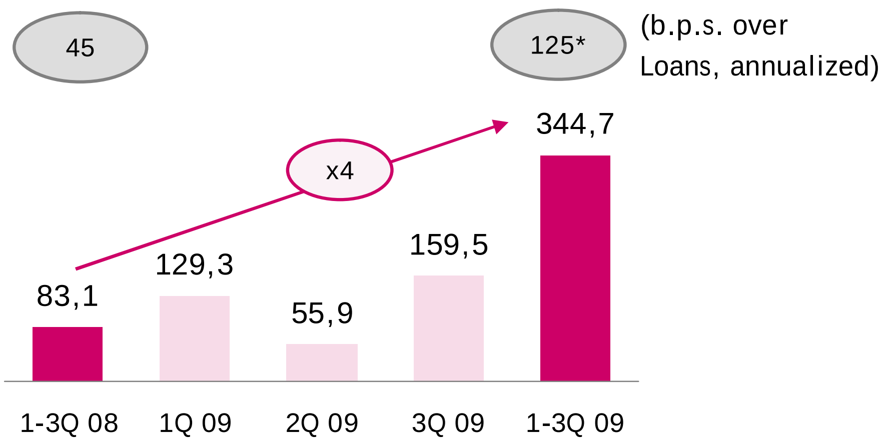
§ Lower administrative costs (-3% y/y) despite higher fixed costs*, thanks to lower marketing costs and savings initiatives implemented in many areas, e.g. external services (consulting etc), car fleet maintenance and business trips.

§ Number of employees during 3Q'09 decreased by 111 FTE.

* including fees for deposit guarantee fund (BFG) and supervision authority (KNF)

Impairment provisions with extraordinary charge

P&L provisions created (PLN million)



Created provisions per client group

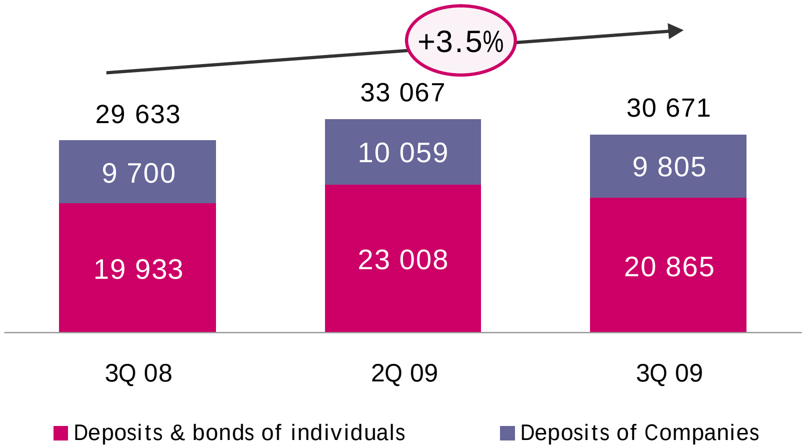
Segment	3Q 2009	
	Net value (PLN million)	Structure (%)
Individuals	46.1	39%
Companies	113.4	61%
TOTAL	159.5	100%

- Provisions for credit risk created in 3Q'09 include PLN 108.4 million of extraordinary provisions for corporate exposures.
- After a thorough review of the loan portfolio, the Bank identified some restructured cases, including the ones related to closed FX derivatives, which were performing below expected results. Consequently the Bank decided to make additional provisions in order to cover the potential risk of further deterioration of these cases.
- New provisions for retail in 3Q'09 amounted to PLN 46.1 m and were mostly connected with cash loans.

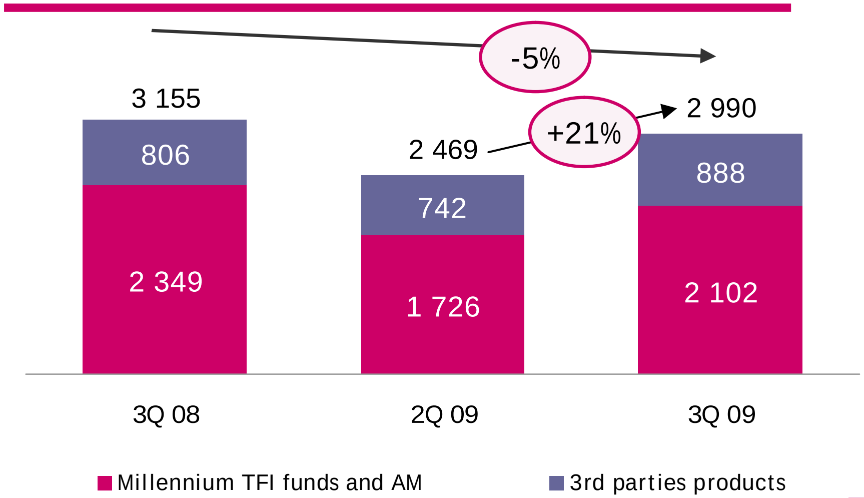
* including impairment correction in valuation of FX options presented in „Result on financial operations"

Customers funds affected by re-pricing

Deposits* (PLN million)



Investment products (PLN million)



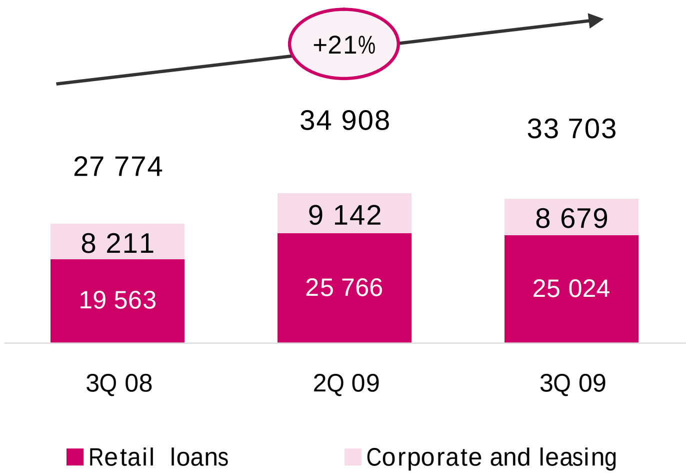
* Includes Bank's bonds sold to individuals

- Total Customer Funds increased by 3% y/y. On quarterly basis we can note a rebound of investment products, which recorded 21% growth in value q/q (especially mutual funds managed by Millennium TFI : +25% q/q). The increase of value of these products volumes since the beginning of the year was PLN 586 million.
- In 3Q'09 the amount of deposits decreased as a consequence of the strict management of deposit cost. The decrease of 7.2% (-4.1% if sell-buy-back transactions with the Clients included) reflect the withdrawal of the Bank from the aggressive retail deposit pricing.
- Total market deposits also recorded weak growth (+0.4% q/q).

Loans affected by FX rate change

Loan Portfolio (Net)

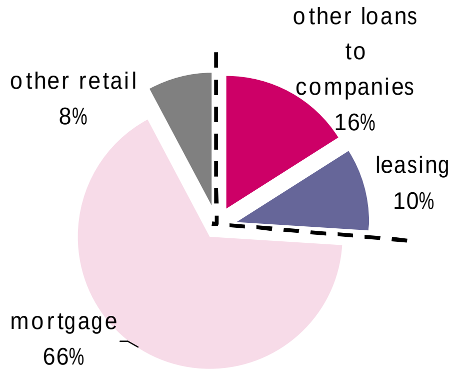
(PLN million)



- Loan portfolio grew 21% y/y. On quarterly basis, the portfolio decreased by 4% mainly due to FX rates changes.
- The Bank keeps the same structure of portfolio with 3/4 share of retail. The corporate portfolio shows well diversified structure by sectors of activity.

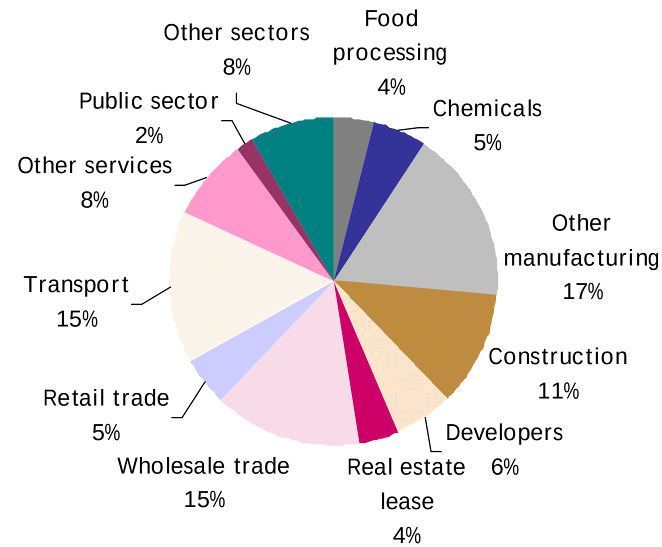
Loan portfolio structure

(%)



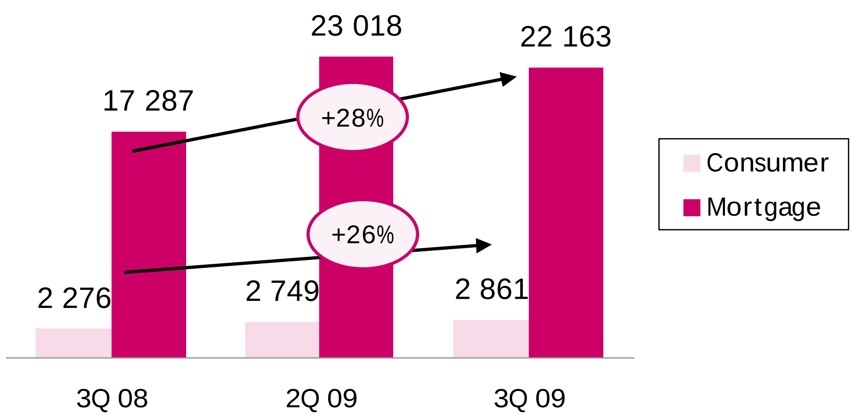
Corporate loans portfolio split by sectors

(%)

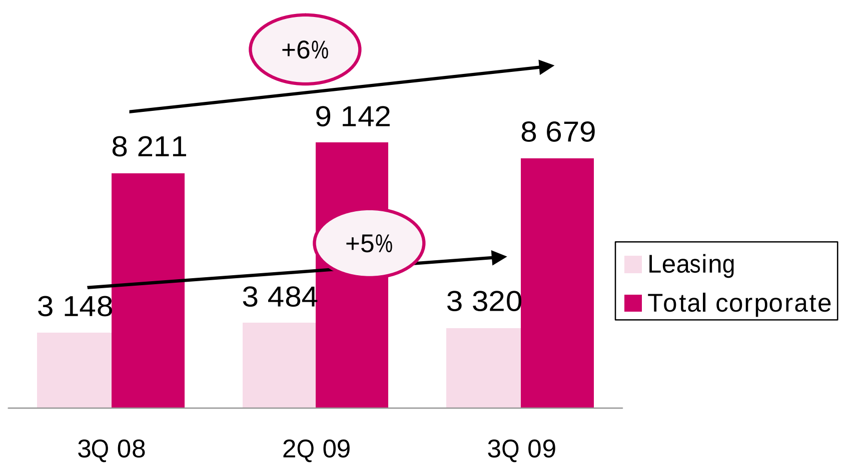


Loan portfolio evolution

Mortgage and consumer loans portfolio (PLN million)



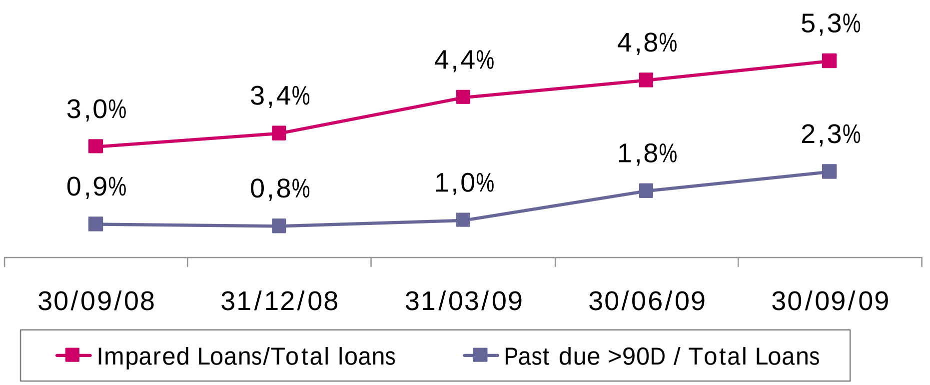
Loans to Companies (PLN million)



- Mortgage portfolio in CHF was stable during 3Q'09 but decreased 4% in PLN terms entirely due to CHF depreciation whereas PLN mortgage portfolio grew by 6% (or PLN 200 m) q/q.
- Consumer loans (PLN only) are growing steadily : by 26% y/y and 4% q/q.
- Corporate portfolio (including leasing) grew by 6% y/y. On quarterly basis the portfolio decreased by 5%, mostly due to FX rates changes.
- Loans to SME make for 38% of total corporate portfolio (including leasing).

Asset quality (1)

Impaired and past-due loans (90 days) ratio [over Total loans]



Impaired and past-due ratios by products [over Total loans]

Loans	Past-due > 90 days		Impaired	
	30/06/09	30/09/09	30/06/09	30/09/09
Mortgage	0.2%	0.2%	0.5%	0.6%
Other individuals	6.3%	7.4%	7.9%	9.1%
Leasing	2.9%	3.1%	12.6%	13.4%
Other companies	4.8%	7.2%	15.1%	16.6%

- Impaired loans ratio increased to 5.3% (under IAS) but remains much lower than the market average, which stood at 7% (under PAS).

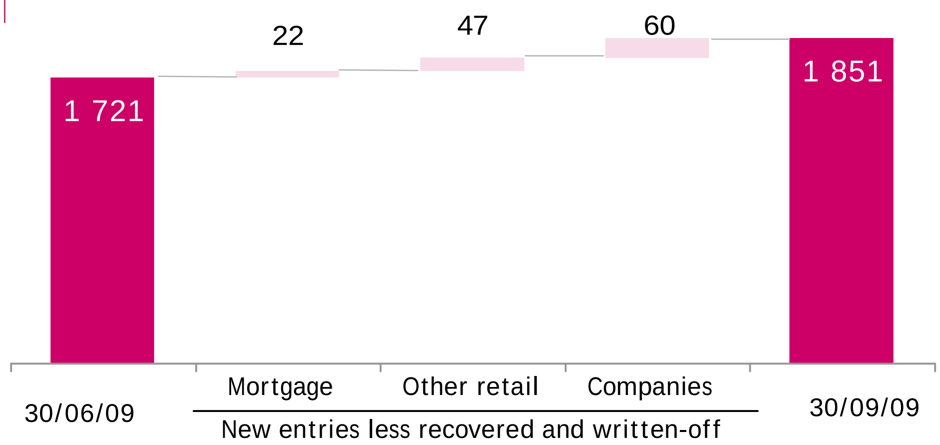
- Past-due loans over 90 days ratio grew more visibly but is still much lower than total impaired ratio: 2.3% in the end of September.

- The deterioration of these ratios was partially driven by the decrease of the total loan portfolio due to PLN appreciation.

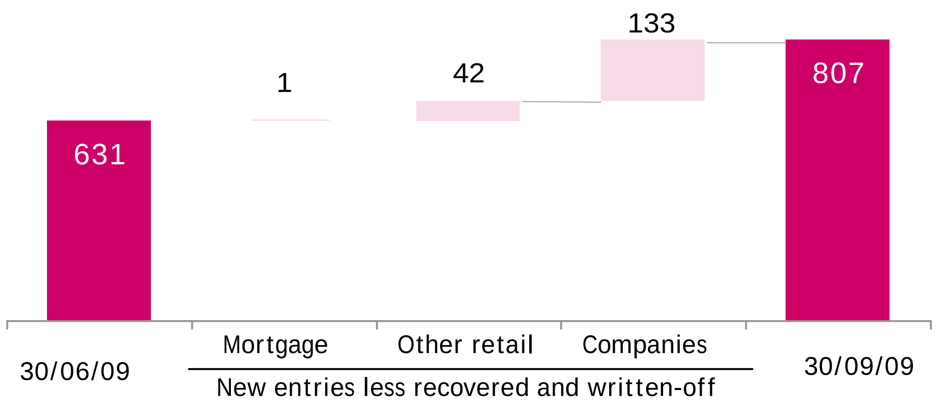
- Quality of mortgage portfolio remained strong with only slight deterioration of the total impaired ratio during the quarter to 0.6% whereas past-due 90 days ratio remain on the same 0.2% level. The ratio for leasing also showed stabilisation.

Asset quality (2)

Evolution of impaired loans (PLN million)



Evolution of past-due 90 days loans (PLN million)



- During 3Q volume of impaired mortgage loans grew by PLN 22 million, of which volume of 90 days past-due mortgage loans increased only by PLN 1 million.
- Some deterioration was observed in the consumer loans portfolio, following similar trend in the banking sector. Volume of impaired consumer loans grew by PLN 47 million during 3Q (past-due 90 days by PLN 42 million).
- In companies portfolio the growth of impaired loans was moderate (PLN 60 million) but faster growth came in 90 days past-due category: PLN 133 million.

Asset quality (3)

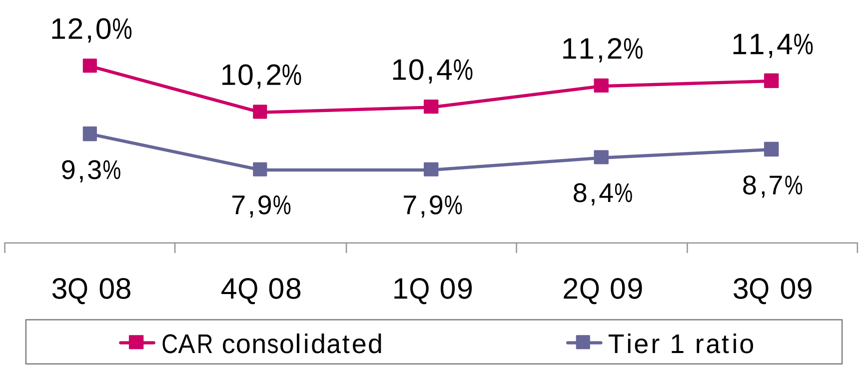
Coverage by product category (as of 30/09/2009)

Product	Provisions (PLN million)	Provisions as % of portfolio	Coverage Impaired prov./ Past-due > 90 d	Coverage Total provisions/ Impaired
Mortgage	120	0.5%	100%	93%
Other individuals	253	8.1%	74%	89%
Leasing	143	4.1%	113%	31%
Other companies	537	9.1%	104%	55%
TOTAL	1 053	3.0%	97%	57%

- The ratio of provisions over total portfolio substantially increased from 2.6% to over 3% during the quarter.
- As a consequence of the substantial impairment charge made in the 3Q 2009, the coverage ratio of impaired loans by total provisions increased from 54% in 2Q to 57% (of which for corporate from 50% to 55%).
- At the same time the bank keeps very high level of coverage for impaired retail loans (which dominate in the loan portfolio): 93% for mortgage and 89% for other retail loans.

Capital Adequacy and Liquidity

Consolidated CAR evolution (%)

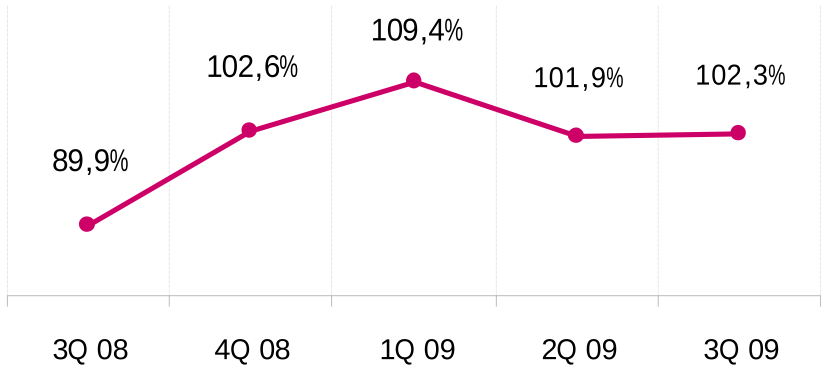


- Capital Adequacy Ratio (CAR) improved **again** during 3Q'09, despite net loss for 9m 09, **due to lower** capital requirement on FX denominated loans and derivatives.
- **Decrease of deposits and Clients' sell-buy-back transactions was of similar scale to the decrease of the loan portfolio which resulted in similar level of L/D ratio as in the previous quarter** (10**2.3**%).

Capital consumption structure (as of 30/09/09)

Type of risk	Volume PLN m
Credit risk	2 215
Market risk	32
Operational risk	218
TOTAL CAPITAL REQUIREMENT	2 465

Loans to Deposits * evolution (%)



* Includes Bank's bonds sold to individuals, repo transaction with customers and securitisation of leasing assets.

Appendixes

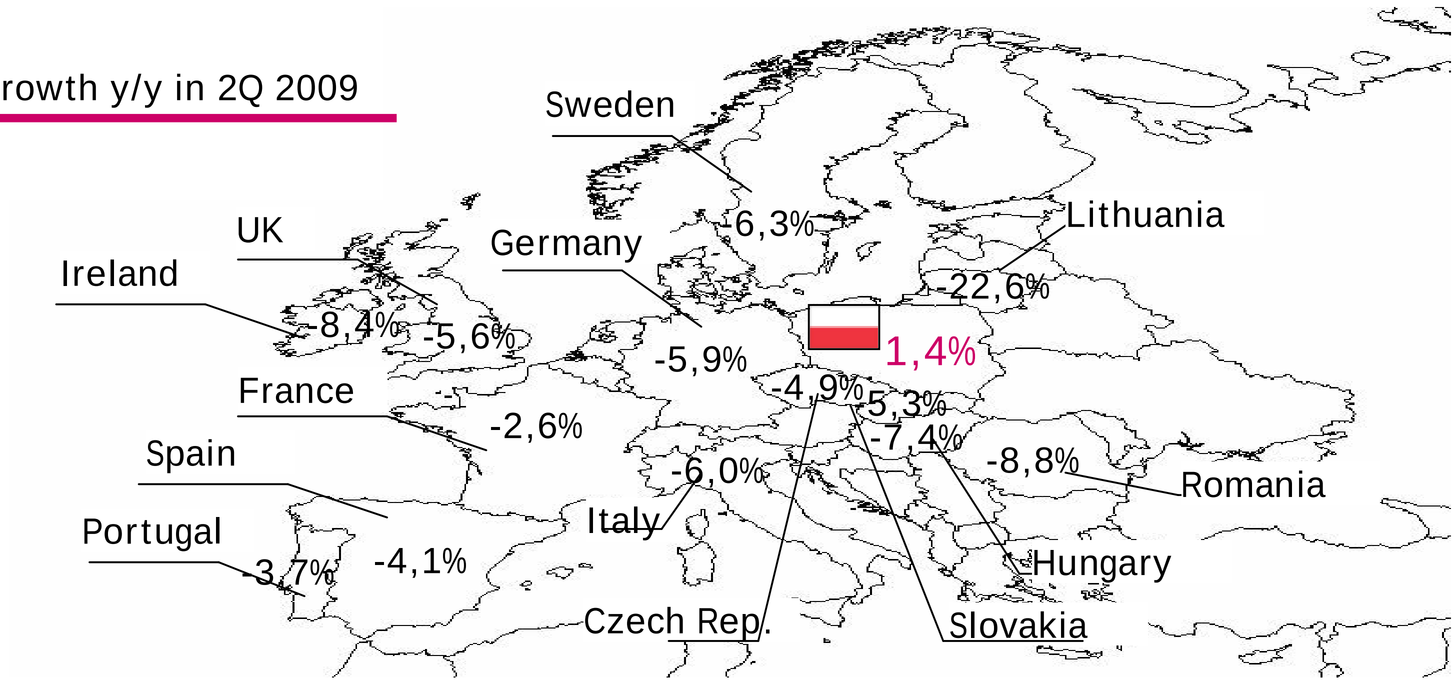
Macroeconomic Overview (1)

- Among all EU countries only Poland recorded positive annual GDP growth in 2Q (1.4% y/y) while most of other countries are in the recession.

POLAND

remains the leader of economic growth in EU

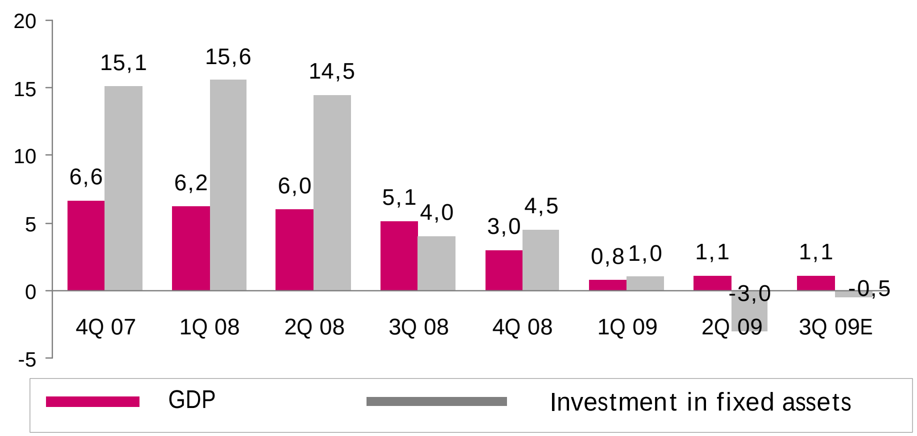
GDP growth y/y in 2Q 2009



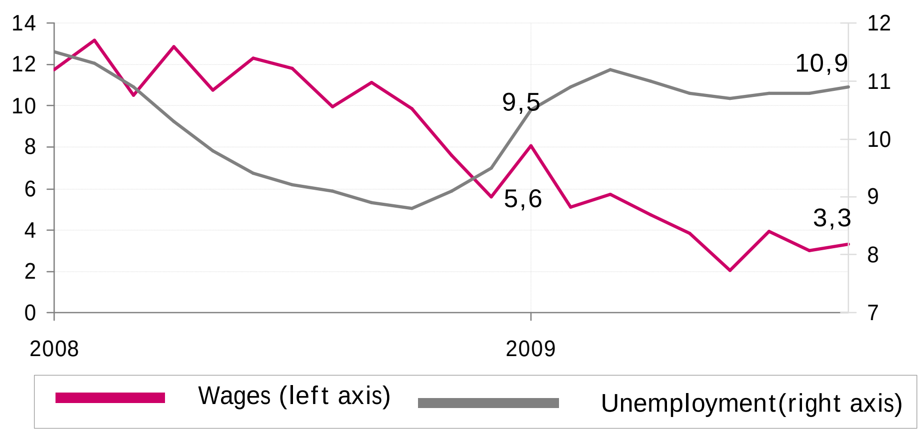
Source: Eurostat

Macroeconomic Overview (2)

GDP and investment growth [% yoy]



Unemployment [%] and wage growth in enterprise sector [% yoy]



* Source: Central Statistical Office (GUS)

- The latest figures suggest that Polish economy remains the European leader of the GDP growth.
- Contraction in manufacturing moderated which, coupled with the increase in leading indicators in Poland and EU, suggest that deterioration in GDP growth should not be as strong as some pessimistic forecasts predicted few months ago.
- Economic growth in Poland should stay at the level of ca. 1% in Q3, driven by net export. Domestic demand, especially private consumption, recovered in last three months, although it might result from one-off phenomenon related to „holidays' effect" and does not change the downward trend in the consumption dynamics.
- Situation in the labour market stabilized in 3Q 2009. However lower unemployment was mostly a seasonal phenomenon. Companies are continuing reduction of employment to adjust their capacity to lower demand.