Date: 27th April 2011

Current report no. 31/2011

Subject: Results of Bank Millennium Capital Group in the 1^{st} of quarter 2011.

Bank Millennium Group (the “Group”) consolidated net profit amounted to PLN 101 million in the 1^{st} quarter of 2011 PLN, which is a 49% increase from the 1^{st} quarter of 2010. This high yearly growth was possible due to a steady increase of core income and lower provisioning on credit risk.

Despite a relatively low banking market growth during 1Q 2011, the Group managed to grow in its strategic segments: deposits from individuals (+3% q/q) and loans to companies (+1% q/q) thus maintaining double-digit annual growth rates of 11% in total deposits and 10% in total loans. The liquidity position measured by the loans-to-deposits ratio remained at a comfortable level of 99%.

The consolidated capital adequacy ratio remained at a very high level of 14.8%, with a Core Tier 1 of 12.7%, after the decision of the General Shareholders Meeting of the Bank held on 31^{st} March 2011 to pay dividend in the amount of PLN 121.3 million (PLN 0.1 per share, equivalent to 37% consolidated net profit pay-out ratio). This dividend payment means a resume of Bank’s stable dividend policy of 35-50% pay-out ratio.

a) Group profit and loss account

Operating Income *(PLN million)*	**1Q 2011**	**4Q 2010**	**1Q 2010**	**Change q/q**	**Change y/y**
Net Interest Income *	273.1	275.0	233.4	-0.7%	17.0%
Net Commissions Income	149.9	145.5	147.8	3.0%	1.4%
Core income*	***423.0***	***420.5***	***381.2***	***0.6%***	***11.0%***
Other Non-Interest Income ***	16.1	49.1	42.5	-67.2%	-62.0%
Operating Income	**439.1**	**469.6**	**423.7**	**-6.5%**	**3.7%**

** Pro-forma data: Net Interest Income includes margin from all derivatives. 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 (and from 1st of April 2009 also FX swaps). The margin from these operations is reflected under Net Interest Income since the afore-mentioned change. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides pro-forma data, which presents all margin from derivatives under Net Interest Income, whereas in accounting terms part of this margin (PLN 17 m in 1Q 2011 and PLN 16 m in 1Q 2010) is presented under Other Non-Interest Income. In the Bank's opinion, such approach allows a better understanding of the real evolution of this item from an economic point of view.*
*** Sum of Net Interest Income and Net Commission Income*
**** Includes FX results, Results on Financial Operations, net other operating income and costs and impairment of non-financial assets*

Net Interest Income reached PLN 273.1 million in 1Q 2011, increasing 17% versus corresponding quarter of 2010 and stabilizing versus the previous quarter (+1.1% on accounting terms and -0.7% down on a pro-forma basis) as a consequence of stable net interest margin at 2.4% (on interest earnings assets). The stabilization of the NIM resulted from the improvement of the average spread on deposits on the one hand and tightening of the average spread on loans on the other.

Net Commissions Income reached in 1Q 2011 a total of PLN 149.9 million and grew by 3% compared to the previous quarter primarily in effect of a settlement of income from *bancassurance* contracts which is typical in every first quarter of the financial year.

Core income defined as a combination of net interest and commission income, reached historical quarterly record of PLN 423.0 million. This means a solid 11% growth versus the first quarter of 2010.

Other non-interest income was lower compared to previous quarter and the first quarter of 2010. This was caused by a negative valuation of FX currency swaps valued through P&L as a result of tighter market swaps spreads. FX result, the most important component of other non-interest income, grew visibly both year-on-year (by 25%) and quarter-on-quarter (by 15%) to PLN 40 million in 1Q 2011.

Total operating income of the Group reached PLN 439.1 million in 1Q 2011 meaning a 4% growth year-on-year and a 6% decrease versus the previous quarter.

Operating Costs *(PLN million)*	1Q 2011	4Q 2010	1Q 2010	Change q/q	Change y/y
Personnel Costs	133.5	135.1	122.3	-1.2%	9.1%
Administrative Costs	121.9	130.6	113.2	-6.7%	7.7%
Depreciation	17.3	17.9	19.4	-3.6%	-10.9%
Total Operating Costs	**272.7**	**283.6**	**254.9**	**-3.9%**	**7.0%**

Total costs amounted to PLN 272.7 million in 1Q 2011, which means a 3.9% drop versus the previous quarter and a 7% growth versus 1Q 2010. These variations were influenced by the specific costs levels in the comparable periods: low staff costs in 1Q 2010 and seasonally higher administrative costs in 4Q 2010.

Personnel costs were stable during the last 4 quarters at PLN 133-135 million quarterly level. Total headcount in the Group was also stable: 6,154 employees (in Full Time Equivalents) i.e. 58 FTE less than a year ago and 19 FTE more than at the end of 2010.

The structure of employment of Bank Millennium Group is presented in the table below:

Employment *(in FTEs)*	31.03.2011	31.12.2010	31.03.2010	Change q/q	Change y/y
Bank Millennium S.A.	5 773	5 754	5 823	0.3%	-0.9%
Subsidiaries	381	381	389	0.0%	-2.1%
Total Bank Millennium Group	**6 154**	**6 135**	**6 212**	**0.3%**	**-0.9%**

Administrative costs grew by 7.7% year-on-year and dropped by 6.7% versus 4Q 2010, when they were seasonally higher. **Depreciation** continued to decrease gradually (by 3.6% quarter-to-quarter and 10.9% year-on-year).

Cost to income ratio reached 62.1% during 1Q 2011, an improvement versus 63.1% achieved in the entire 2010 year.

Impairment provisions in 1Q 2011 totalled PLN 37.1 million. They were lower by 17% versus the previous quarter and by 56% versus 1Q 2010. The majority of provisions (68%) were created on retail loan portfolio. Impairment charges in 1Q 2011 were equivalent to 41 bps of average net loans on an annualised basis.

Bank Millennium Group reached a **net profit** of PLN 101.2 million in 1Q 2011. On a non-consolidated level the net profit of Bank Millennium amounted to PLN 79.4 million.

b) Business results

The Group's **total assets** reached PLN 45,963 million as at 31 March 2011 and were 1.5% higher compared to 31 March 2010 and 2.2% lower compared to year-end 2010. The FX effect had an important impact on the evolution of the Group's total assets.

The Group's total **customers' funds**, including deposits, bonds sold to retail customers and other investment products, reached PLN 39,980 million at the end of March 2011, which means a 10.9% year-on-year increase and stable level during the quarter (+0.1%).

Total **deposits** (including retail bonds) of Bank Millennium Group recorded a strong growth of 11.1% year-on-year to PLN 35,842 million. On a quarterly base, deposits were flat (+0.2% q/q) but retail deposits grew visibly by 2.9% whereas corporate deposits decreased by 3.9% compared to usually high year-end level. The Bank launched a new campaign of a current account ("Dobre konto") in mid February, which was very well received by the market. Until the end of March, the Bank increased by 41 thousands the number of retail current accounts.

Other **savings products** (not reflected in the Balance Sheet, such as mutual funds and products linked to life insurances) remained flat during the quarter and grew by 9.3% year-on-year to the total amount of PLN 4,138 million (including PLN 2,382 million of own mutual funds) as at 31 March 2011.

The structure of the Group's customer funds is presented in the table below:

Customer Funds *(PLN million)*	**31.03.2011**	**31.12.2010**	**31.03.2010**	**Change q/q**	**Change y/y**
*Deposits of individuals**	*21 936.5*	*21 312.6*	*20 475.0*	*2.9%*	*7.1%*
Deposits of corporate Clients and public sector	*13 905.4*	*14 467.1*	*11 790.4*	*-3.9%*	*17.9%*
Total deposits	**35 841.9**	**35 779.7**	**32 265.5**	**0.2%**	**11.1%**
Investment products	4 138.0	4 141.1	3 784.8	*-0.1%*	*9.3%*
TOTAL Customer Funds	**39 980.0**	**39 920.8**	**36 050.2**	**0.1%**	**10.9%**

** including bonds and Bank's securities sold to retail customers and deposits in the form of insurance policies*

The **net loan portfolio** totalled PLN 36,275 million as at the end of March 2011, a 10.0% increase year-on-year and a 1.3% drop quarter-on-quarter. In quarterly terms the retail portfolio decreased by 2.0%, which was mainly the effect of a stronger PLN versus the CHF (by 2.6%). At the same time, loans to companies grew by 1.1%.

Sales of new **mortgage loans** reached PLN 417 million during 1Q 2011, increasing by 41% year-on-year, although it was seasonally lower than in the previous quarters. The total mortgage loans portfolio amounted to PLN 24,423 million as at the end of March 2011 and recorded a 13.9% increase year-on-year and 1.8% drop quarter-on-quarter. Sales of other retail loans were weak in 1Q 2011 and amounted to PLN 143 million (mainly as a result of the full implementation of the new ‘T’ recommendation).

Loans to companies (including leasing) amounted to PLN 8,955 million as at the end of March 2011 recording a 4.1% increase y/y and 1.1% q/q. On a quarterly basis, there was a 2.7% growth of non-leasing loans and 1.5% decrease in leasing. The latter was an effect of both FX changes and lower disbursements than one year ago (PLN 294 million in 1Q). However, leasing contracts signed during 1Q 2011 reached PLN 386 million allowing Millennium Leasing to advance to the 4th position on the Polish leasing market. The high level of new contracts may also mean a long-expected rebound in private sector investments in Poland.

The structure and evolution of loans and advances to Bank Millennium Group Clients, by key types of loans, is presented in the table below:

Loans and advances to Clients *(PLN million)*	**31.03.2011**	**31.12.2010**	**31.03.2010**	**Change q/q**	**Change y/y**
Loans to households	27 320.5	27 884.3	24 375.4	-2.0%	12.1%
- mortgage loans	*24 422.9*	*24 882.9*	*21 445.5*	*-1.8%*	*13.9%*
- other loans to households	*2 897.6*	*3 001.5*	*2 929.9*	*-3.5%*	*-1.1%*
Loans to businesses	8 954.7	8 854.2	8 603.8	1.1%	4.1%
- leasing	*3 199.9*	*3 249.6*	*3 188.4*	*-1.5%*	*0.4%*
- other loans to businesses	*5 754.8*	*5 604.5*	*5 415.4*	*2.7%*	*6.3%*
Total loans & advances to Clients	**36 275.1**	**36 738.5**	**32 979,1**	**-1.3%**	**10.0%**
Loans to Deposits ratio *	98.7%	99.5%	97.8%	-0.8 p.p.	0.9 p.p.

* *includes bonds from leasing securitisation, bonds and bank’s securities for retail clients and repo transactions with customers*

Liquidity position measured by the loan-to-deposits ratio (under the definition provided in the table above) improved slightly during the quarter to 98.7%.

c) Asset quality

The evolution of main indicators of the Group's loan portfolio quality during the year and last quarter is presented in tables below:

Loan quality indicators *(PLN million)*	**31.03.2011**	**31.12.2010**	**31.03.2010**	**Change q/q**	**Change y/y**
Total impaired loans *	2 085	2 195	2 059	-5,0%	1,3%
Loans past-due over 90 days	1 136	1 100	943	3,3%	20,5%
Total provisions *	1 198	1 187	1 130	0,9%	6,0%

** the Group made in 2010 a write-off of PLN 160 million loans in charge of provisions and PLN 23 million in 1Q'11*

Ratio by loan type *(in %)*	**Loans past-due > 90 days ratio**			**Impaired loans ratio**		
	31.03.2011	**31.12.2010**	**31.03.2010**	**31.03.2011**	**31.12.2010**	**31.03.2010**
Mortgage	0.3%	0.3%	0.3%	0.9%	0.9%	0.9%
Other individuals	12.8%	12.2%	10.2%	16.0%	14.8%	11.9%
Companies	6.6%	6.4%	5.8%	13.8%	15.4%	16.0%
Total loan portfolio	**3.0%**	**2.9%**	**2.8%**	**5.6%**	**5.8%**	**6.0%**

Total **impaired loans** dropped by PLN 110 million during 1Q 2011 and the share of impaired loans in the total loan portfolio decreased to 5.6% as at the end of March 2011. This was a result of the improving quality of loans to companies (corporate impaired loans ratio decreased from 16% to 13.8% during the last 12 months) and of the strong, stable quality of the mortgage portfolio (only 0.9% impaired). Consumer loans deteriorated: the share of impaired loans grew from 11.9% a year ago to 16% now.

The similar trends were evident in the **portfolio of loans past-due** over 90 days. The only difference can be observed in companies portfolio, in which there was an increase of actually past-due exposures, which previously were already classified as impaired.

Despite lower impaired loans, the Group increased the volume of loan loss provisions. Thus, **the coverage ratio** of the total impaired portfolio by provisions improved during the quarter from 54% to 57%. The coverage of loans past-due over 90 days with total provisions remains at a high level of 105% as at the end of March 2011.

d) Capital and market indicators

The main capital ratios of Bank Millennium were the following:

Capital ratios	31.03.2011	31.12.2010	31.03.2010	Change q/q	Change y/y
Number of shares *(in thous.)*	1 213 117	1 213 117	1 213 117	0.0%	0.0%
Consolidated equity *(in PLN m)*	4 008	4 091	3 913	-2.0%	2.4%
BVPS *(in PLN)*	3.30	3.37	3.23	-2.1%	2.2%
Consolidated CAR	14.8%	14.4%	14.9%	+0.4 p.p.	-0.1 p.p.
Core Tier 1 ratio (consolidated)	12.7%	12.3%	12.6%	+0.4 p.p.	+0.1 p.p.

Bank Millennium Group continued to show very high levels of solvency: total Capital Adequacy Ratio stood at 14.8% and Core Tier 1 Ratio reached 12.7% as at 31 March 2011.

All main indices on WSE gradually increased during the 1Q 2011. The main WIG index gained 1.5% or 14.8% compared to March 2010. The WIG40 (mid cap companies), which includes the shares of Bank Millennium, gained more: 3.2% during the quarter and 16.7% during the year, while the WIG Banking index grew 4.1% quarter-on-quarter and 15.2% year-on-year.

Bank Millennium shares significantly outperformed the market, gaining 21% during 1Q 2011 and 33.4% since March 2010.

Market indicators	31.03.2011	03.01.2011	31.03.2010	Change y-t-d (%)	Change Yearly (%)
Price per share (PLN)	5.83	4.82	4.37	21.0%	33.4%
Daily turnover (PLN ths, average)	11 651	-	9 200	-	26.6%
Market capitalisation (PLN million)	7 072	5 847	5 301	21.0%	33.4%
WIG - main index	48 730	48 005	42 447	1.5%	14.8%
WIG Banks	7 092	6 810	6 158	4.1%	15.2%
mWIG 40	2 913	2 821	2 496	3.2%	16.7%