

## Bank Millennium

### Presentation of 1Q 2011 Results

27th April 2011



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All data presented hereby is based on the consolidated Bank Millennium Group level and is consistent with the Financial Statements with the exception of **pro-forma data** described below.

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.

**Financial performance**

**Business development**

**Appendixes**

## Main financial and business highlights in 1Q 2011

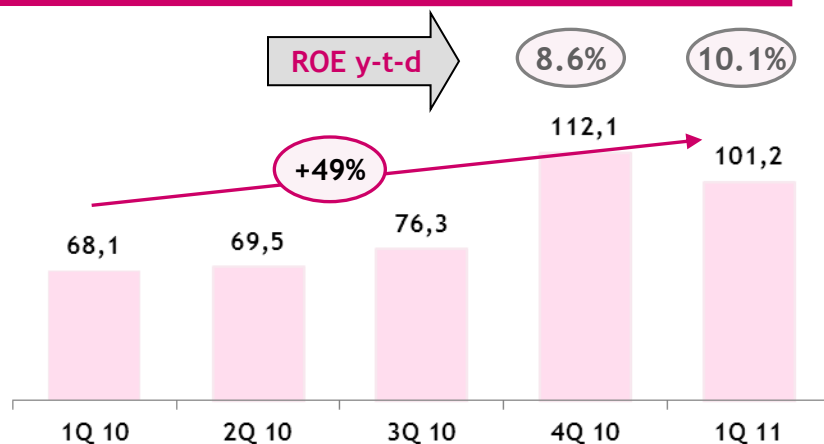
- Net profit of PLN 101 million (+ 49% y/y)
- Core income\* up 11% y/y
- Total cost lower by 4% q/q
- Lower cost of risk: PLN 37 million, 41 bps\*\* (on an annualised basis)
- Improved asset quality: impaired loan ratio fell to 5.6%
- Very strong capitalisation: Core Tier 1 at 12.7%, Total CAR at 14.8%
- Improvement of Loan/ Deposit ratio to 98.7%
- Strong growth of retail current accounts by 41,000 in 1Q 2011
- Retail deposits higher by 3% in 1Q 2011
- 4th position in leasing sales market and 6th in factoring\*\*\*

\* Net Interest Income + Net Commissions Income    \*\* Provisions over average net loans volume

\*\*\* Leasing - own estimations based on ZPL data; factoring - PZF data and other banks data gathered by *Parkiet* daily

# Profitability

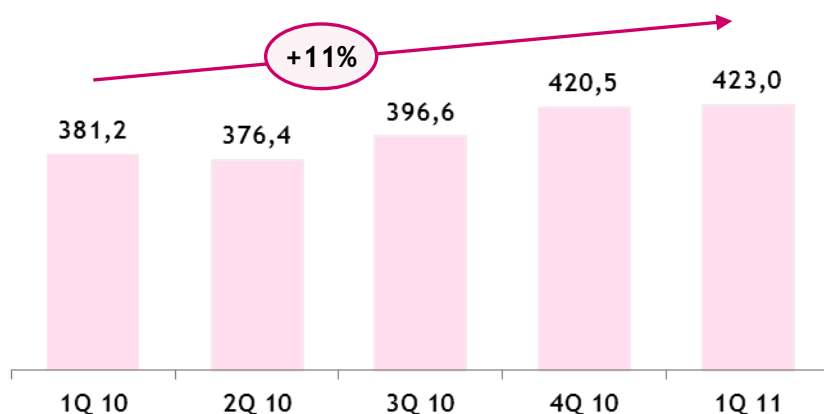
Net profit - quarterly evolution (PLN million)



- Net Profit of PLN 101 million driven by improved Core Income\* and lower cost of risk.

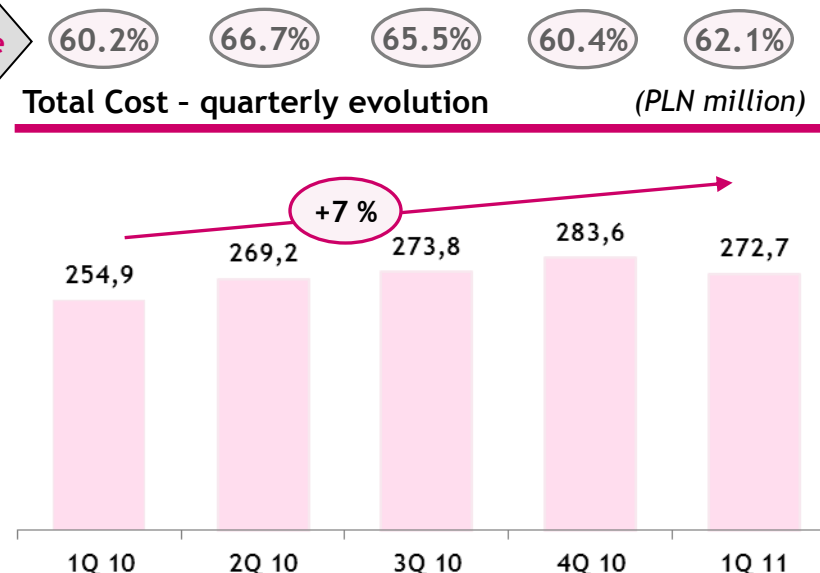
- Core income reached historically high level and continued to grow faster than costs.

Core Income\* - quarterly evolution (PLN million)



Cost/Income

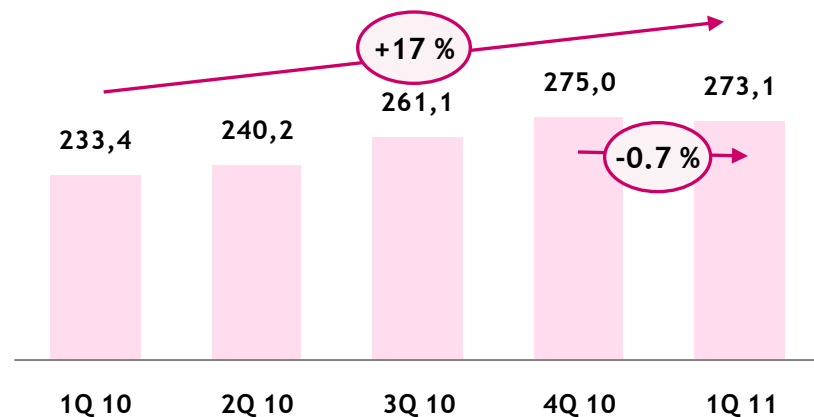
Total Cost - quarterly evolution (PLN million)



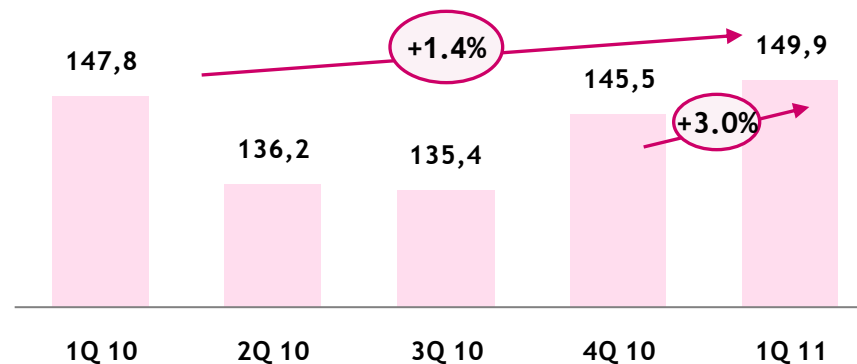
\* Net Interest Income + Net Commissions Income

# Operating Income

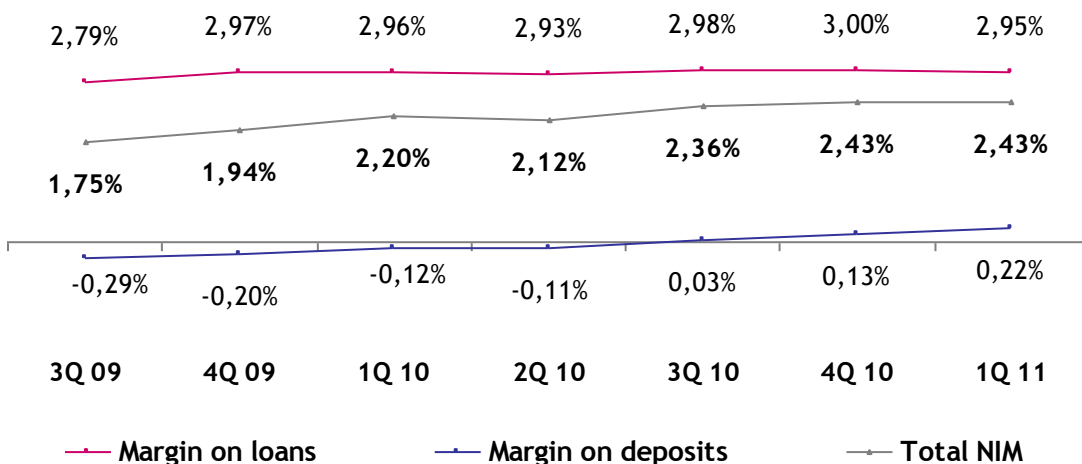
Net Interest Income\* (PLN million)



Net Commission Income (PLN million)



NIM \* evolution (quarterly) (%)

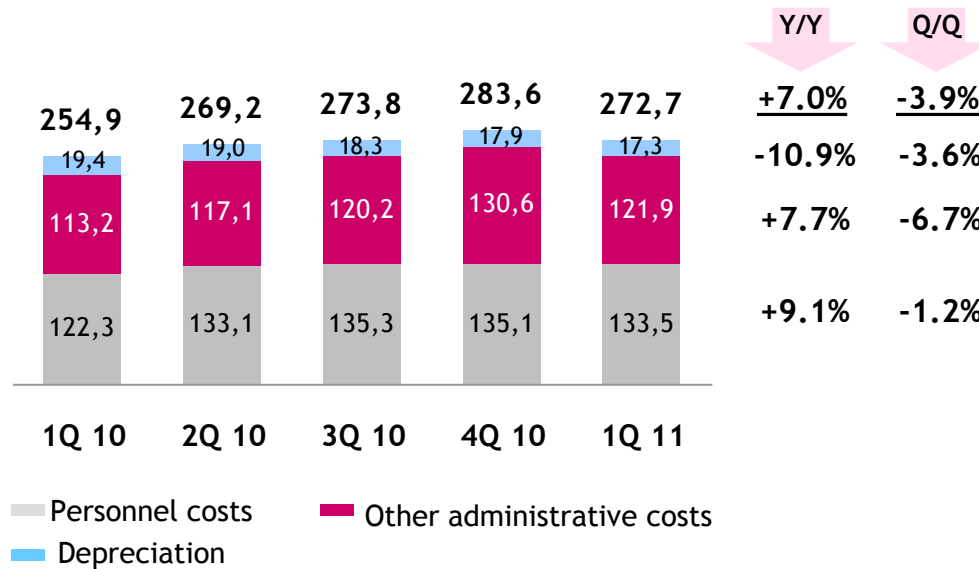


- Stabilization of Net Interest Income\*; Net Commission Income grew by 3% compared to a very good result of 4Q'10.
- The interest margin on deposits continued its growing trend whereas the margin on loans was slightly lower.
- Trading income\* was weak in 1Q'11 (PLN 18.2 million) driven by negative revaluation of currency swaps.

\* 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 17.2 million in 1Q11 and PLN 16.0 million in 1Q10) is presented in Result on Financial Operations.

# Operating Costs

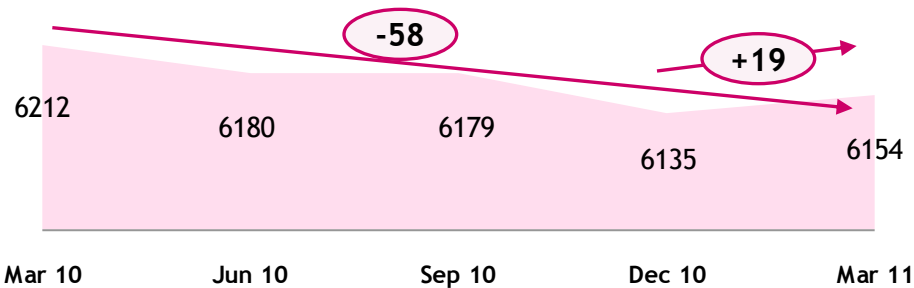
## Operating Costs (PLN million)



- Personnel costs stable during last 4 quarters with stable number of employees.

- Non-personnel costs were 6.7% lower versus 4Q'10, when they were seasonally higher.

## Number of employees (FTEs)



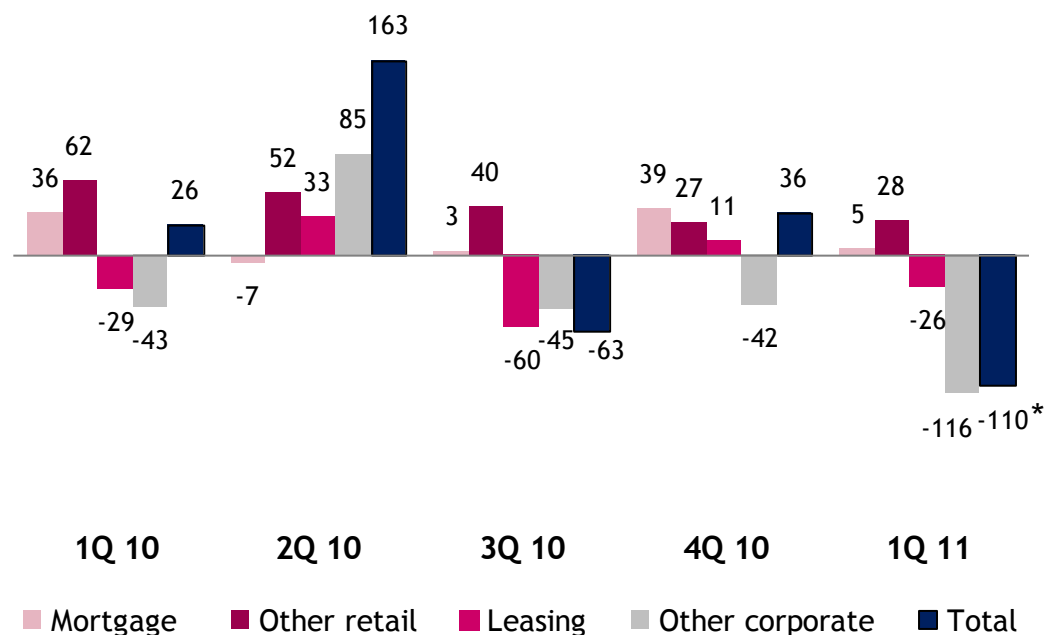
- Cost growth on a yearly basis caused by exceptionally low costs in 1Q'10.

# Asset quality (1)

## Impaired loans quarterly evolution

### Evolution of impaired loans - quarterly changes

(PLN million)



- Total impaired loans decreased by PLN 110 million\* in 1Q'11 supported by improvement in the corporate loan portfolio.
- Deceleration of new impaired retail loans (PLN 5 million in mortgage and 28 million in other loans).

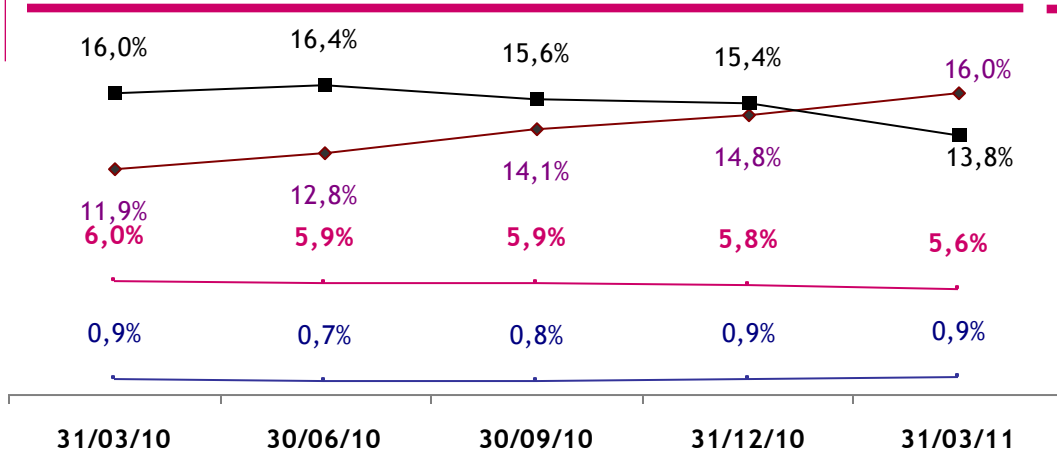
\* including written-off loans in charge of provisions in the amount of PLN 23 million



## Asset quality (2)

### Impaired and past-due loans ratio and coverage

Impaired loans ratio by products [over Total loans]



Coverage ratio \*

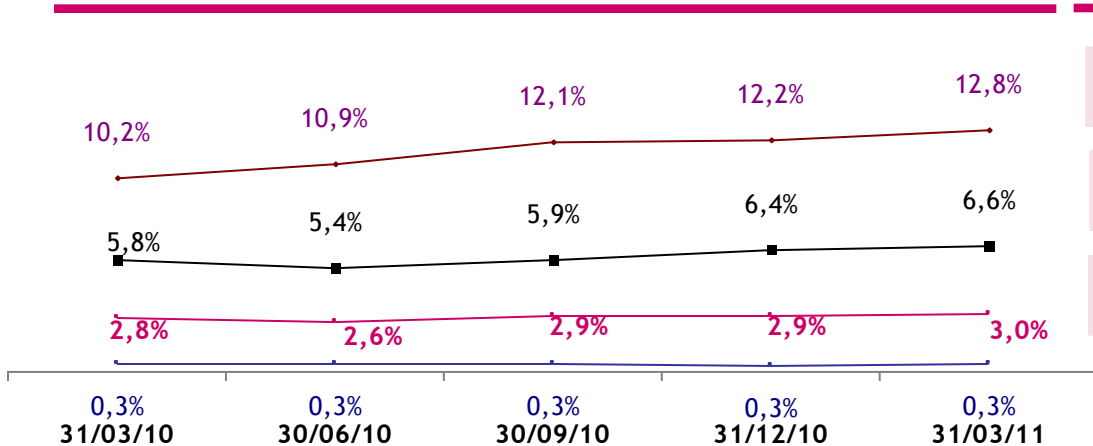
Retail: 73%

Companies:  
49%

Total: 57%

- Impaired loans ratio decreased to 5.6% thanks to improvement in companies portfolio and stable, good quality in mortgage.

Past-due loans (90 days) ratio by products [over Total loans]



Coverage ratio \*

Retail: 110%

Companies:  
102%

Total: 105%

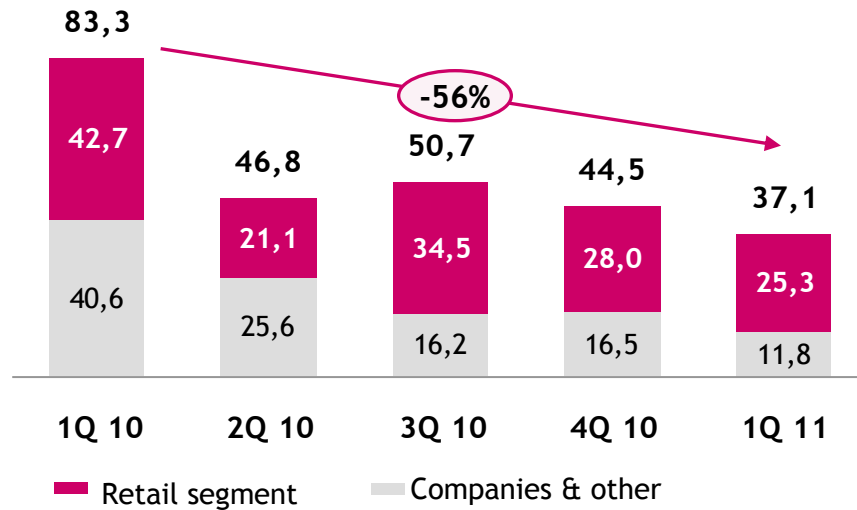
- Coverage ratio of impaired loans by total provisions improved by 3 p.p. to 57%.

— Total loans    — Mortgage    — Other retail    — Companies

\* Coverage by total provisions (incl. IBNR) as at 31.03.2011

# Cost of Risk

## P&L impairment provisions - quarterly *(PLN million)*



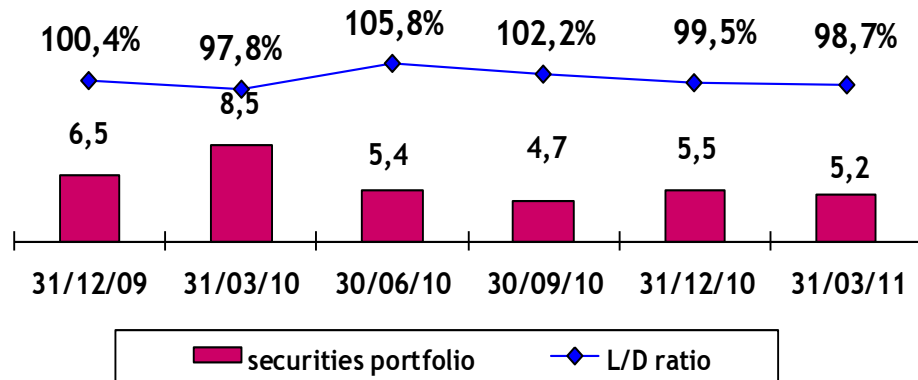
- Lower cost of risk in 1Q 11 (41 bps) annualised over total net loans driven by credit recovery, a decrease in impaired corporate loans and a slowdown in net new entries of impaired retail loans.

## Cost of Risk - over average net loans *(in bps, annualised)*

	1Q 10	2Q 10	3Q 10	4Q 10	1Q 11
COMPANIES	188	116	72	74	53
RETAIL	69	33	51	41	37
<b>TOTAL</b>	<b>100</b>	<b>54</b>	<b>56</b>	<b>50</b>	<b>41</b>

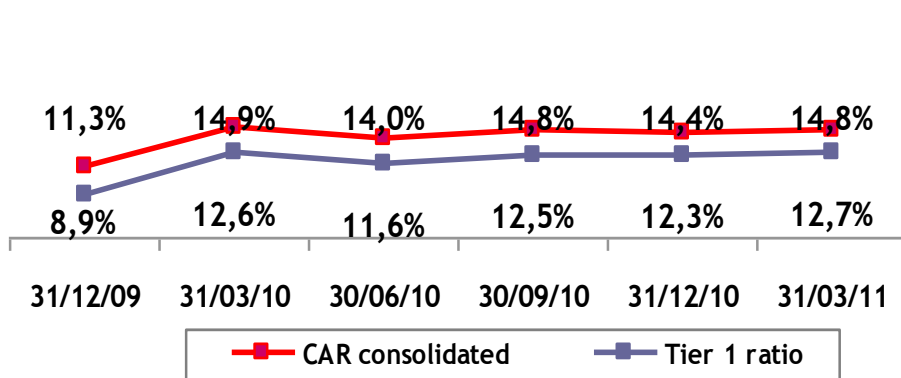
# Liquidity and Capital adequacy

Loans to Deposits \* and debt securities (% , PLN billion)

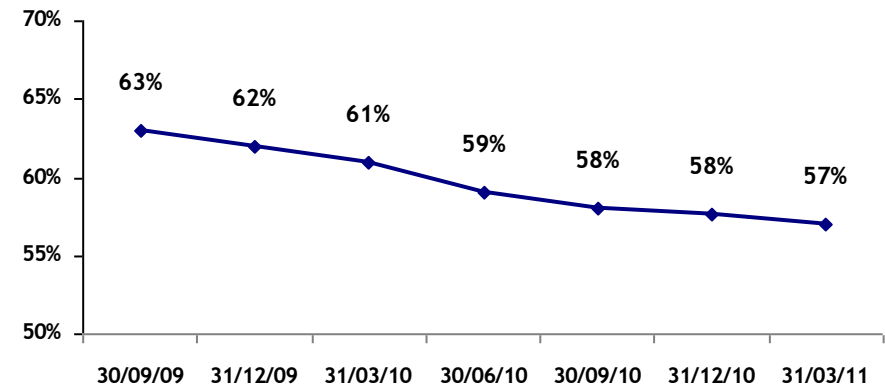


- Loans-to-Deposits ratio remains below 100%.
- The share of FX denominated loans in total loan portfolio continued to decrease.
- Consolidated Capital Adequacy Ratio (CAR) remains very strong at 14.8%, with Tier 1 (core equity) of 12.7%.

Capital Adequacy Ratio (%)



Share of FX loans in total loan portfolio



\* Includes Bank's bonds and debt securities sold to individuals, repo transactions with customers and securitisation of leasing assets.

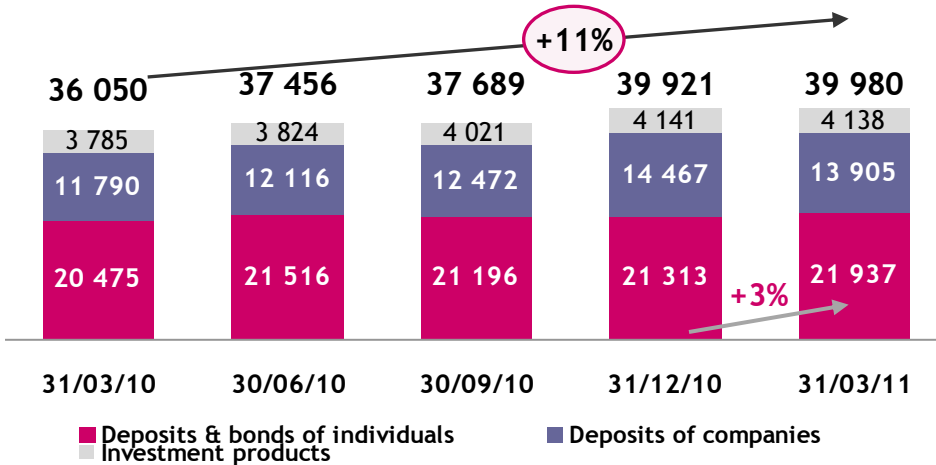
**Financial performance**

**Business development**

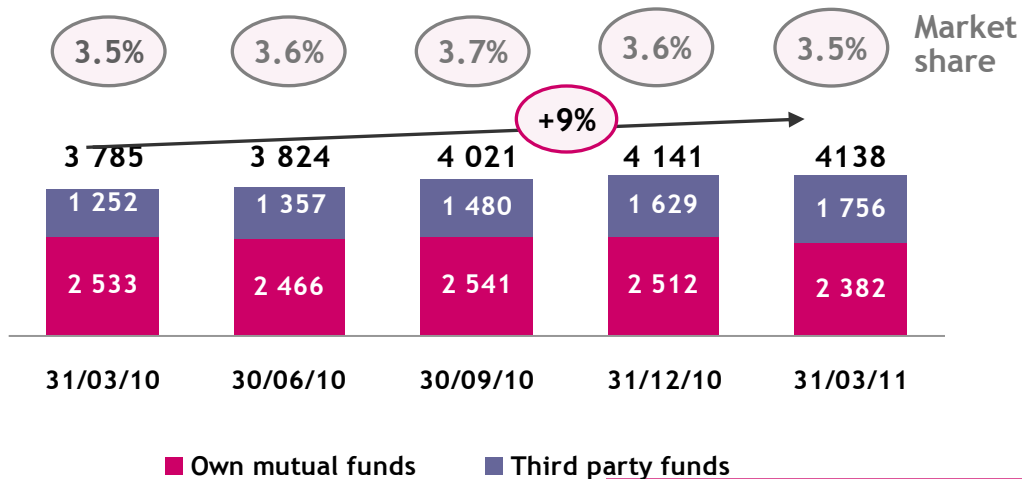
**Appendixes**

# Customer funds

## Customer Funds (PLN million)



## Investment products\* evolution (PLN million)

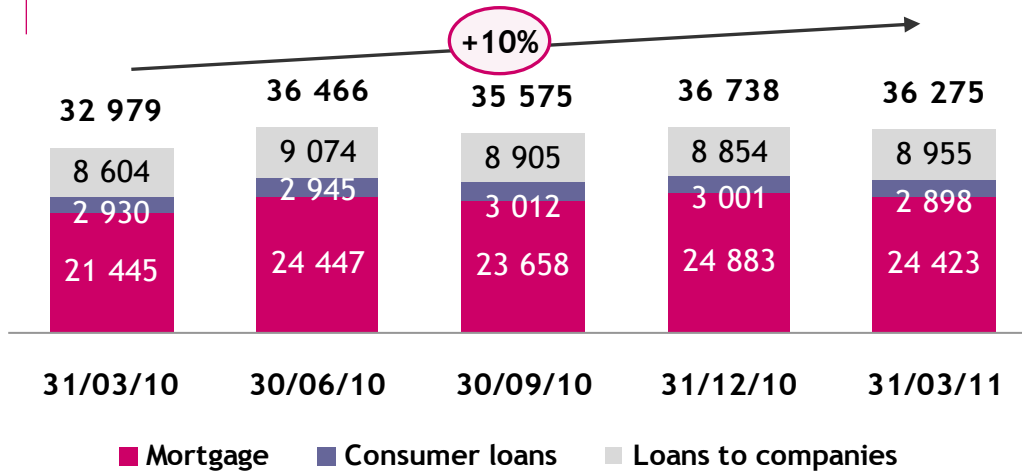


- Total Customer Funds grew by 11% y/y including 11% growth of deposits and 9% growth of other investment products.
- Corporate deposits recorded strong annual growth of 18%. Retail deposits also grew visibly: +7% y/y.
- On a quarterly basis deposits were stable: retail deposits grew +3% q/q, whereas corporate deposits were 4% lower.

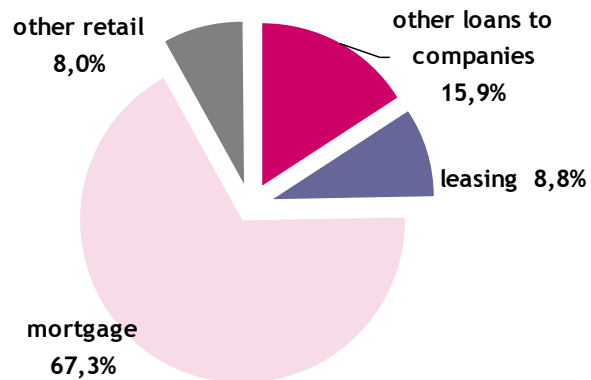
\* include 3rd parties mutual funds sold to Millennium Prestige Customers

# Loan portfolio

Loan Portfolio (Net) (PLN million)



Loan portfolio structure (Net) (%)



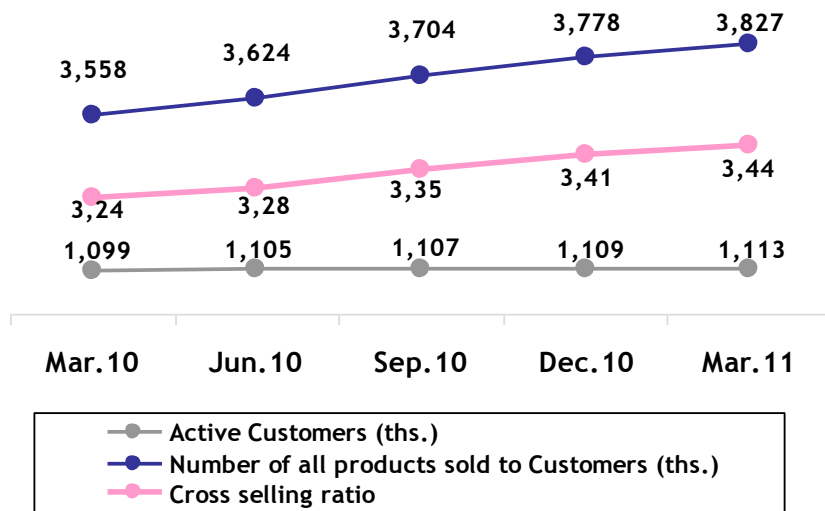
- Loan portfolio increased by 10% yearly, partially inflated by mortgage CHF portfolio revaluation.
- Without FX effect the total portfolio would grow 3% yearly with similar growth rates in both the mortgage and the corporate portfolio.
- Temporary appreciation of the zloty in March 2011 compared to December 2010 resulted in slight portfolio decrease in 1Q'11. Without FX effect the growth would be positive (+0.4% q/q).

# Retail business results

Retail targets status	1Q 2011
Number of active customers	1 113 ths
Cross-sell ratio	3.44
Deposits market share*	5.1%
Mutual funds mkt. share**	3.5%
Loans market share*	6.5%
New mortgage mkt. share***	4.2%

- Positive results of sale of new current account allowed the total number of accounts in Retail segment to increase by 41,000 compared to December 2010.

## Active customers & evolution of cross-selling products

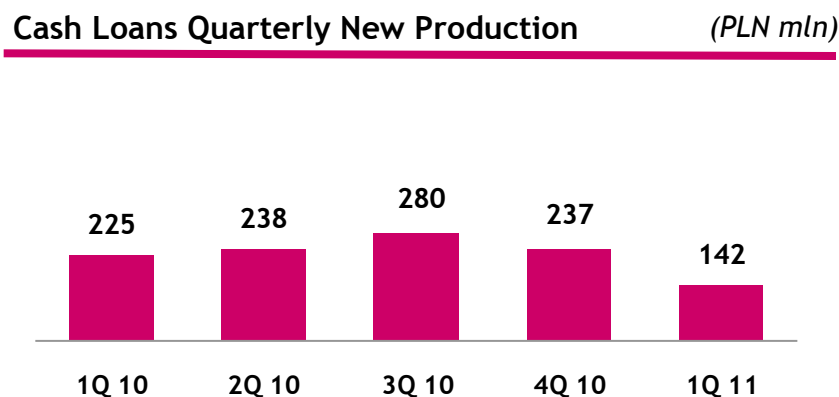
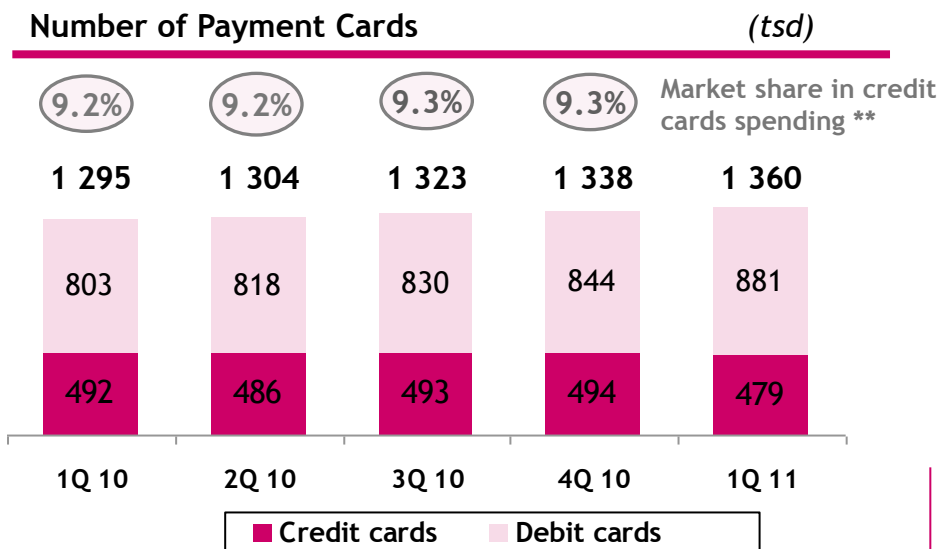
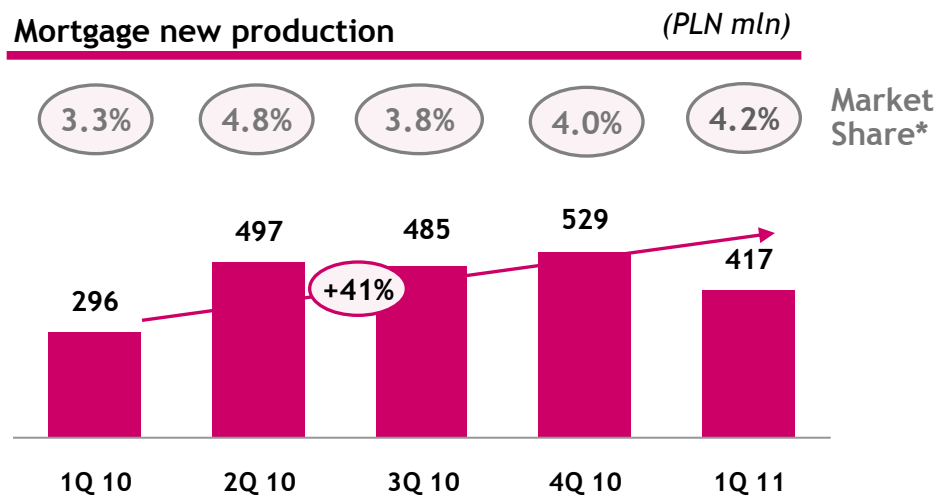


- Cross-sell ratio continues to improve quarter by quarter to a high level of 3.44 products per client at the end of March 2011. Over 43% of retail clients have 4 products or more.

\* Data for February 2011    \*\* include 3rd parties mutual funds sold to Millennium Prestige Customers

\*\*\* Source: Polish Banks Association; market share year-to-date by February 2011

# Retail business results - loans and cards



- Mortgage loans quarterly sales increased by 41% y/y reaching PLN 417 million, lower than in 4Q'10 due to seasonality.
- Growth of payment cards supported by the new current account campaign. Visa Impresja was again awarded as the best card in Europe. \*\*\*
- Lower sales of cash loans due to the new regulatory requirements, although gradually rebounding.

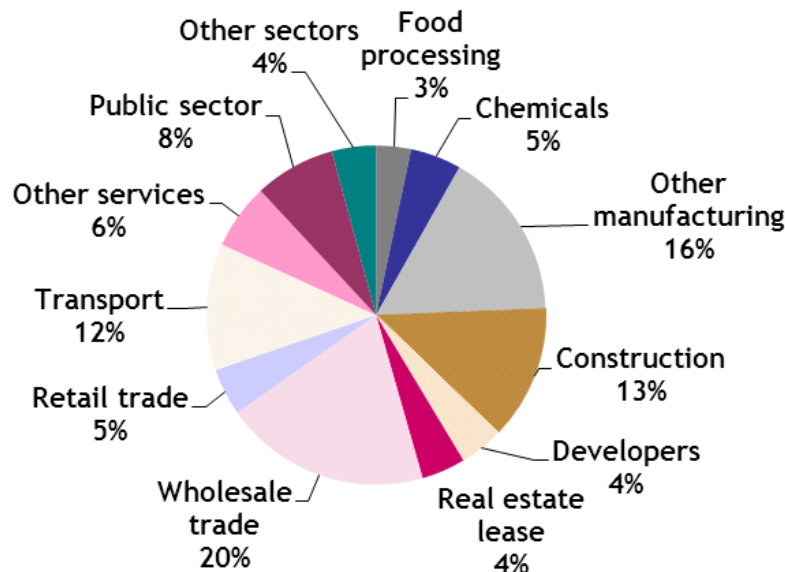
\* Source: Polish Banks Association; market share year-to-date, 1Q'11 - data for February

\*\* Based on NBP data on total cards spendings, market share year-to-date \*\*\* in „Visa Europe Member Awards 2011” competition



# Companies business results

Companies targets status	1Q 2011
Number of customers	8 978
Deposits market share*	5.0%
Loans market share*	3.0%
Leasing sales mkt. share**	7.0%
Factoring sales mkt. share***	6.6%



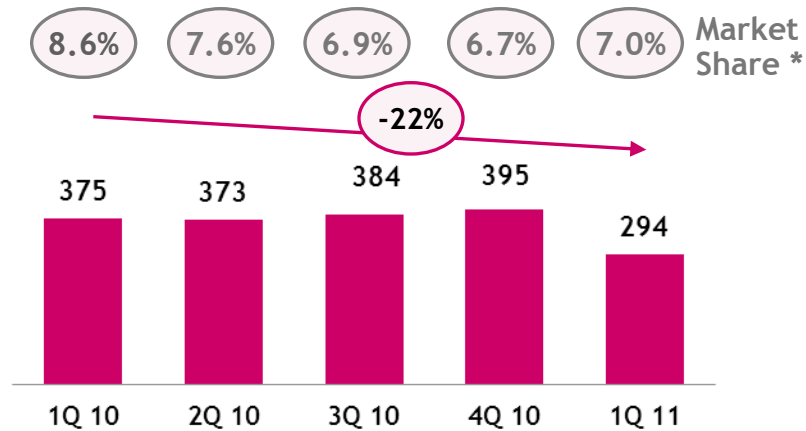
- Loans to companies grew by 4.1% yearly and 1.1% quarterly, of which non-leasing loans grew by 6.3% y/y and 2.7% q/q.
- The Group is developing growth strategy for companies loans beyond leasing and factoring, in which high market shares are maintained.
- Strong position in companies deposits market maintained with bigger care for margin management.

\* Data for February 2011      \*\* own estimations based on ZPL data; market share in movables, YTD

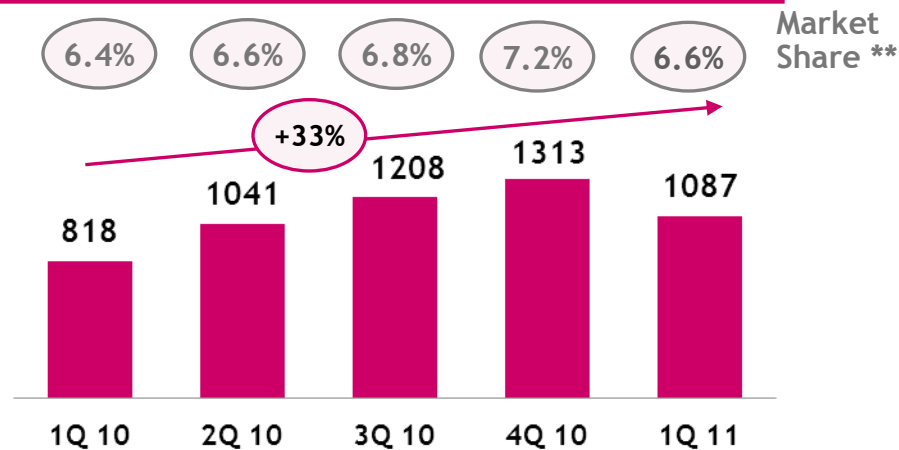
\*\*\* based on PZF and other banks data gathered by Parkiet daily; market share YTD

# Companies business results - leasing and factoring

## Leasing - quarterly new production *(PLN mln)*



## Factoring - quarterly turnover *(PLN mln)*



- Bank Millennium Group maintains strong market shares in assets backed products: advanced to 4<sup>th</sup> position in leasing and kept 6<sup>th</sup> position in factoring.
- Quarterly value of invoices turnover in factoring was higher by 33% compared to 1st quarter of last year. Lower level compared to 4Q'10 resulted mainly from seasonality.
- Lower sales in leasing compared to 1Q'10 resulted mainly from lower leasing of real estate. The 1Q'11 sales results based on value of signed contracts is higher by 92 million which suggests higher disbursements expected in the coming periods.

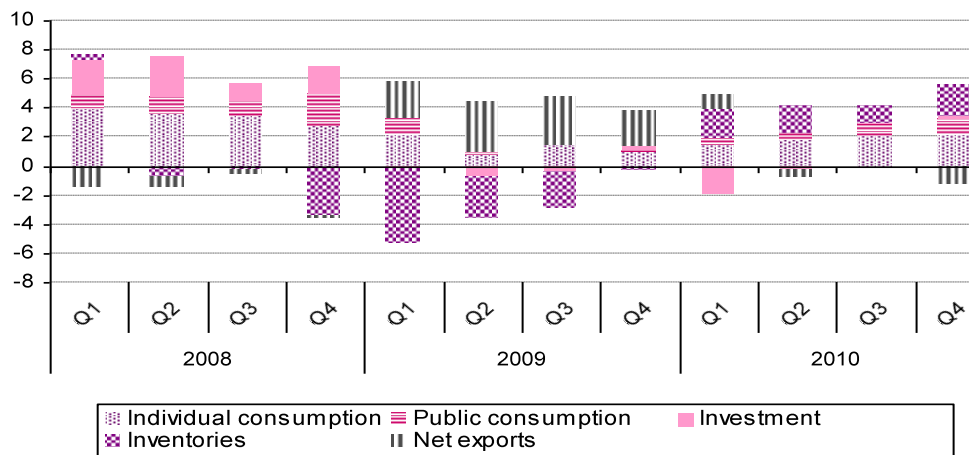
**Financial performance**

**Business development**

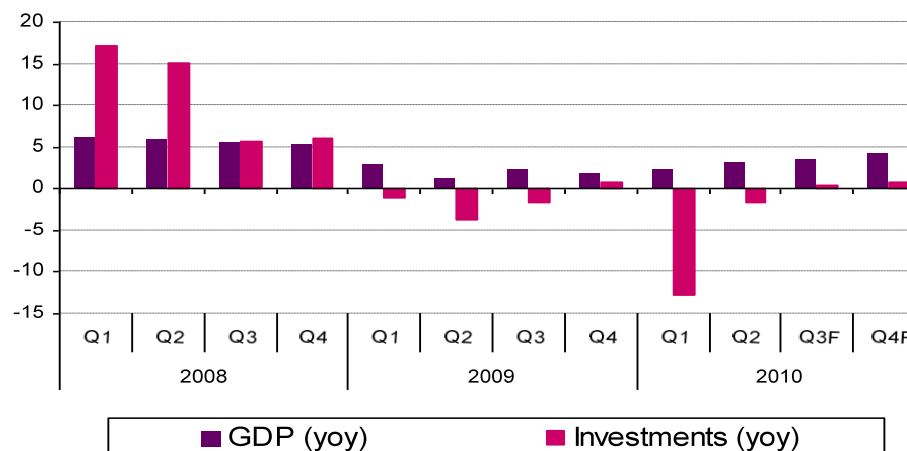
**Appendixes**

# Macroeconomic Overview

## GDP growth and its decomposition



## Investments and private consumption growth [% yoy]



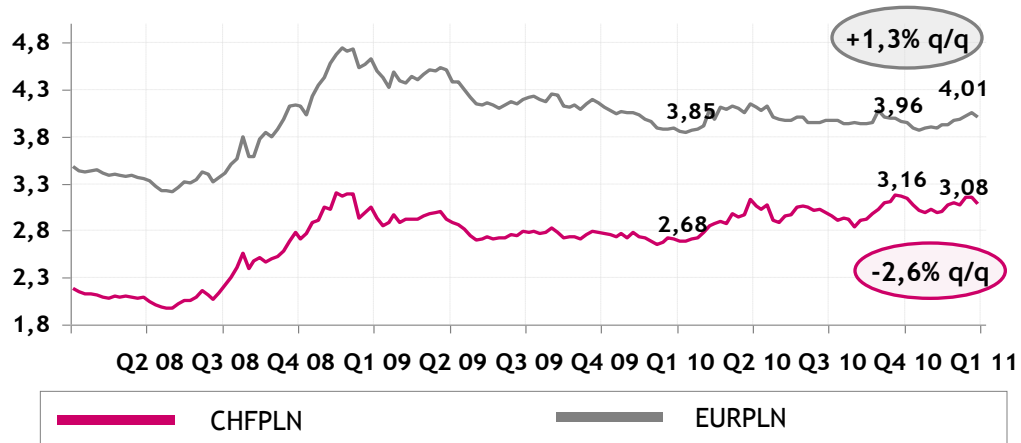
## Unemployment [%] and wage growth in enterprise sector [% yoy]



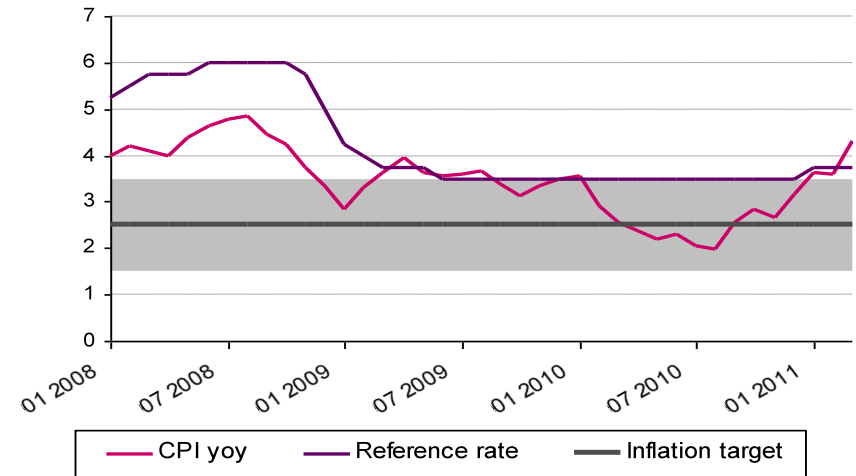
- Polish economy remained on the track of a recovery. Economic growth in 1Q 2011 is expected to stabilize at the level close to that observed in 4Q 2010 underpinned by strong private consumption and gradually rebounding investments.
- Seasonal factors pushed unemployment rate up in 1Q 2011. In the same time private companies were increasing employment and wage pressure remains moderate.

# Macroeconomic Overview

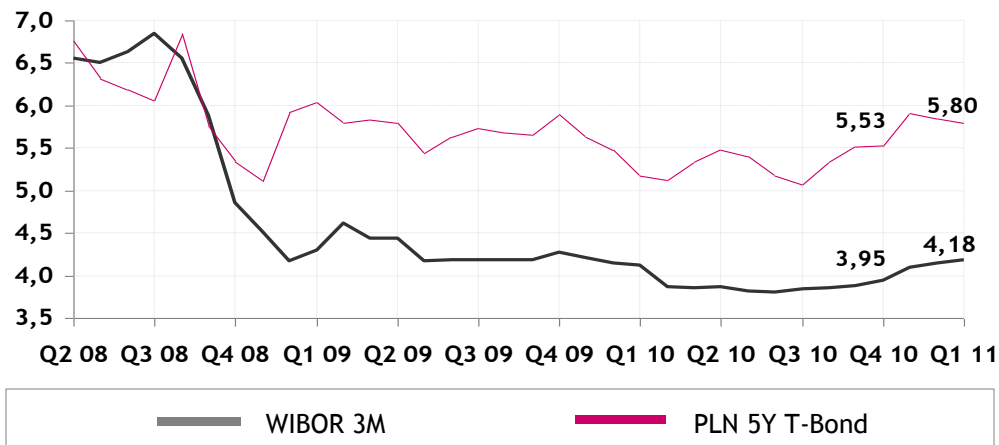
## Evolution of FX rates [PLN]



## Inflation in Poland [% yoy]



## Interest rates in PLN [%]

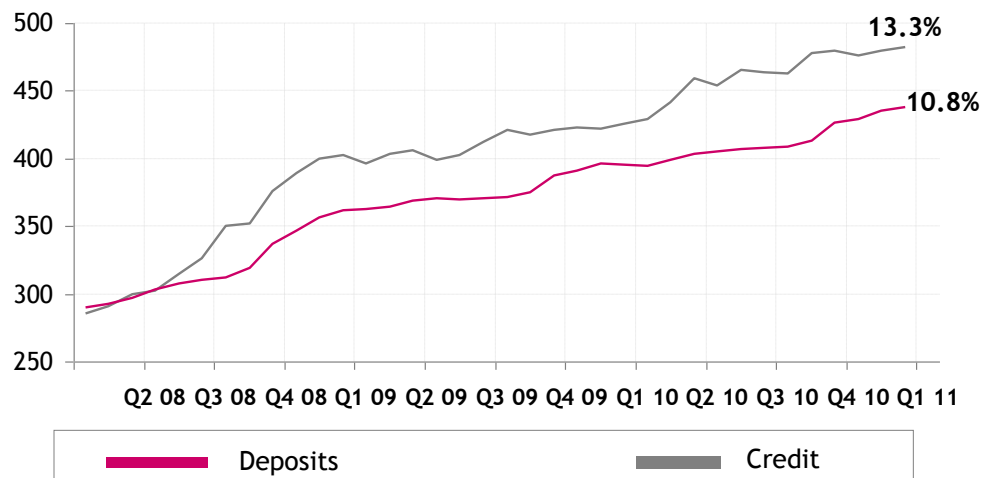


- Zloty recovered part of the losses from 4Q 2010 versus the Swiss franc as improved market sentiment decreased demand for the Swiss currency. The Polish zloty slightly depreciated versus the euro driven by concerns about Poland's fiscal position and current account deficit.
- Inflation accelerated in 1Q 2011 driven by higher food and energy prices. Central bank started the tightening of monetary policy and hiked rates by 25 bps in January and April.

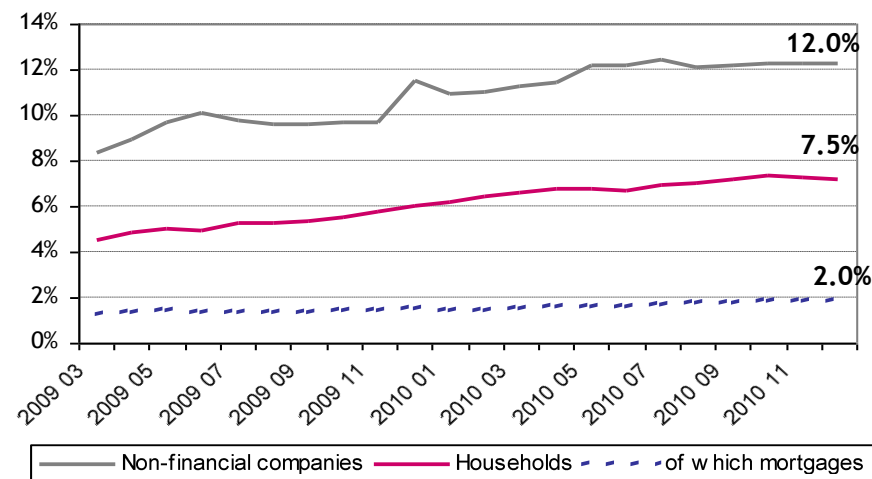
# Macroeconomic Overview

## Households

(PLN bn)

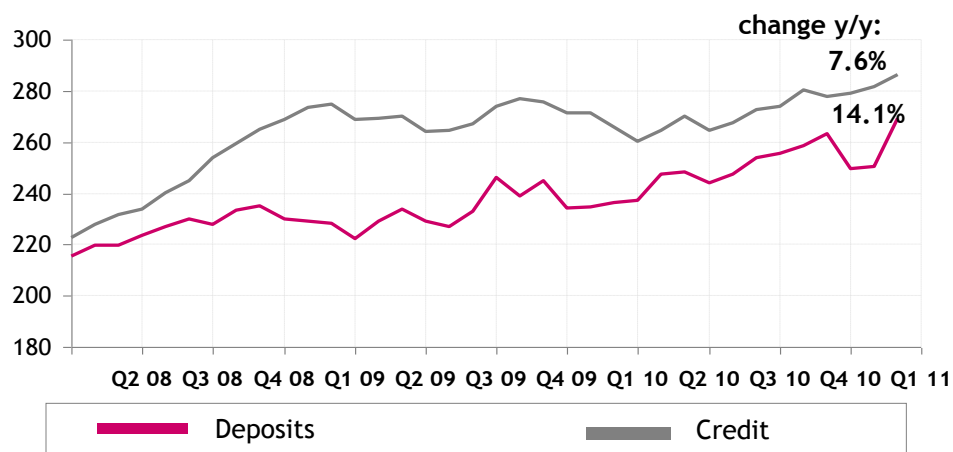


## Evolution of impaired loans



## Corporate sector

(PLN bn)



- Deposits of households' and corporate sector continued to grow driven by higher disposable incomes and better financial results. Demand for corporate loans remained moderate on the back of still low investments activity.
- Quality of asset portfolio stabilized in 1Q 2011. NPL ratio in corporate sector decelerated modestly (12.0% in Feb. vs 12.3% in Dec. 2010), while households' portfolio suffered because of deteriorating consumer loans.

# Major awards and achievements

## Major recent awards

### Bank Millennium Visa Impresja once again awarded

- Millennium Visa Impresja credit card won the international competition of the Visa Europe Member Awards 2011 in category **The Best New Customer Proposition**. Visa Europe Member Awards is an international competition, which awards the most innovative projects and card products in Europe. Cards nominated for the award in this year's competition have been selected from 110 nominations across the Europe in seven thematic categories.

### Bank Millennium In RESPECT Index

- Bank Millennium joined the **RESPECT Index** - the first CEE index of socially responsible companies.

### Bank Millennium Overdraft limit took the first place in the ranking

- The **personal account overdraft limit**, available from Bank Millennium, has won "Dziennik Gazeta Prawna" and Expander ranking. Scores in the ranking depended on the cost of account and overdraft maintenance. The Bank Millennium product won with its absence of overdraft approval fees, an attractive offer of free bank account (Konto Internetowe) as well as the possibility to use a debit card free-of-charge.

### Bank Millennium Macroeconomic analysts

- **Macroeconomic Research Bureau of Bank Millennium** obtained a **4th place** in the ranking of forecasters prepared by the Polish daily "Parkiet". The ranking was prepared on the base of monthly forecasts of macro indicators covering inflation, labour market, balance of payment, GDP growth, industrial output and retail sales.

# Main recent product campaigns for retail

**Dobre Konto**

Zwraca **3%** wydatków na zakupy  
zlikwidowanych kartą do konta w supermarketach, sklepach spożywczych i na stacjach paliw

0 zł za prowadzenie konta  
 0 zł za kartę do konta  
 0 zł za wypłaty ze wszystkich bankomatów w Polsce  
 0 zł za przelewy internetowe

**Millennium**  
Bank

www.bankimillennium.pl

**Kredyt Hipoteczny**

POCZUJ RADOŚĆ,  
 JAKĄ DAJE DOM

0%  
 prowizji

marża  
 już od  
**0,99%**

*Kasia Kowalska*

**Millennium**  
Bank

www.bankimillennium.pl

**Plan Polityczki Konsolidacja**

WYCHODZI  
 KORZYSTNIEJ

Zmień swoje kredyty na jeden  
 z dodatkową gotówką

↓% +

**Millennium**  
Bank

www.bankimillennium.pl

**Dobre Konto (Good account)** promoted since 14th February, gives 3% cashback on shopping in grocery shops, supermarkets and at petrol stations throughout Poland and no fees for opening, debit card issue, ATMs and internet transfers.

Within a month and a half from the launch of Dobre Konto, the Bank has already opened 40,000 accounts.

Second burst of **mortgage campaign** with Kasia Kowalska. Crucial elements of Millennium mortgage offer are: 0% loan granting commission, attractive spreads - from 0.99% (for LTV below 30%) and spread reduction for borrowers actively using personal account and debit card in Bank Millennium, attractive lending period, i.e. up to 35 years

**Consolidation Urgent Loan** is a consumer loan for repayment of unsecured liabilities of a Customer to other banks. The product permits a Customer to consolidate many former payments into one, with lower payment on account of cash loans, credit cards, overdraft facility or installment loans. Moreover this loan also gives the possibility of obtaining additional funds for any purpose.



# Main recent product campaigns for companies

**Bankowość Przedsiębiorstw**

**BIZNES  
NIE LUBI  
PRZESTOJÓW**

Oferta dla przedsiębiorstw o rocznych przychodach ze sprzedaży powyżej 5 mln PLN

**Strefa Szybkiego Finansowania**

Szybki dostęp do dodatkowych środków pieniężnych – nawet do 1,2 mln PLN!

**Millennium bank**  
Inspiruje nas życie

Bank Millennium continues advertising its Corporate Banking offer. The new campaign release, as was the case last year, features the Bank's Employees.

The Corporate banking advertising effort will continue for the coming months in largest national opinion-leading dailies. Appearing in the press will be advertisements promoting selected financial products and services of Bank Millennium for businesses: loans, factoring, leasing, transactional banking as well as the online FX platform Millennium Forex Trader.

**Bankowość Przedsiębiorstw**

Nasi specjaliści od **bankowości transakcyjnej** doradzą Ci, jak **zwiększyć obroty** i obniżyć koszty.

**FOREX TRADER** **BANKOWOŚĆ TRANSAKCYJNA** **KREDA**

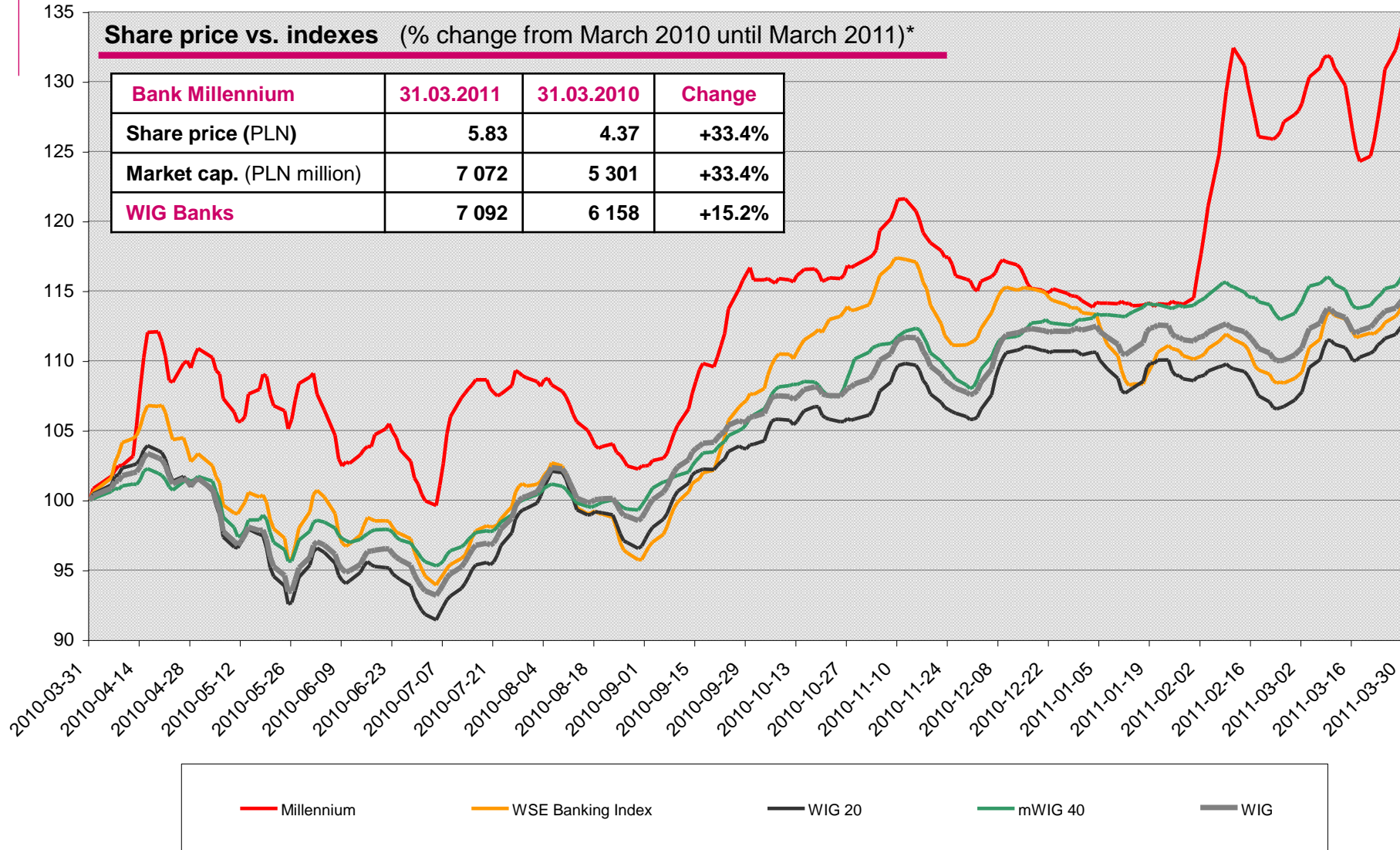
W razie wątpliwości prosimy o kontakt z pracownikami Banku Millennium.

A jeśli chcesz, żeby Twoja firma działała na najwyższych obrotach, korzystaj też z pozostałych rozwiązań dla przedsiębiorstw: kredytów, leasingu, faktoringu, platformy transakcyjnej FX i innych. Szczegółowe informacje oraz odpowiedzi na wszelkie pytania uzyskasz, pisząc do nas na: [firma@bankmillennium.pl](mailto:firma@bankmillennium.pl)

**Millennium bank**  
Inspiruje nas życie

[www.bankmillennium.pl](http://www.bankmillennium.pl) 801 31 31 31

# Bank Millennium market performance



\* 5-day average has been used for better visibility

## Synthetic P&L account

(PLN million)	1Q 2010 pro-forma	4Q 2010 pro-forma	1Q 2011 pro-forma
Net interest income*	233,4	275,0	273,1
Net commission income	147,8	145,5	149,9
Other non-interest income **	42,5	49,1	16,1
<b>Operating Income</b>	<b>423,7</b>	<b>469,6</b>	<b>439,1</b>
General and administrative costs	-235,5	-265,7	-255,4
Depreciation & impairment of non-financial assets	-19,4	-17,9	-17,3
<b>Total operating costs</b>	<b>-254,9</b>	<b>-283,6</b>	<b>-272,7</b>
Net provisions	-83,3	-44,5	-37,1
<b>Operating profit</b>	<b>85,5</b>	<b>141,4</b>	<b>129,4</b>
<b>Pre-tax profit</b>	<b>85,5</b>	<b>141,4</b>	<b>129,4</b>
Income tax	-17,4	-29,3	-28,2
<b>Net profit</b>	<b>68,1</b>	<b>112,1</b>	<b>101,2</b>

\* 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 17.2 million in 1Q11 and PLN 16.0 million in 1Q10) is presented in Result on Financial Operations.

\*\* includes „other operating income and costs” net position and impairment of non-financial assets

	1Q 2010	4Q 2010	1Q 2011
Net interest income (reported under IAS)	217,4	253,0	255,9

# Balance Sheet

(PLN million)

ASSETS	31/03/2010	31/12/2010	31/03/2011
Cash and balances with the Central Bank	1 412	2 051	1 179
Loans and advances to banks	726	1 486	1 986
Loans and advances to customers	32 979	36 738	36 275
Amounts due from reverse repo transactions	27	55	83
Financial assets at fair value through P&L and hedging derivatives	4 422	1 510	1 415
Investments	5 028	4 520	4 350
Tangible and intangible fixed assets	300	272	254
Other assets	384	351	421
<b>TOTAL ASSETS</b>	<b>45 278</b>	<b>46 984</b>	<b>45 963</b>
<b>LIABILITIES AND EQUITY</b>	<b>31/03/2010</b>	<b>31/12/2010</b>	<b>31/03/2011</b>
Deposits and loans from banks	4 838	2 084	2 064
Deposits from customers	31 937	35 395	35 460
Liabilities from repo transactions	1 199	671	265
Financial liabilities at fair value through P&L and hedging derivatives	845	2 120	1 352
Liabilities from securities issued & securitisation	1 090	1 141	1 042
Provisions	22	21	17
Subordinated liabilities	895	912	931
Other liabilities	538	549	825
<b>TOTAL LIABILITIES</b>	<b>41 366</b>	<b>42 893</b>	<b>41 954</b>
<b>TOTAL EQUITY</b>	<b>3 913</b>	<b>4 091</b>	<b>4 009</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>45 278</b>	<b>46 984</b>	<b>45 963</b>

# Contact

**Website:**

[www.bankmillennium.pl](http://www.bankmillennium.pl)

**Contact to Investor Relations Department:**

**Artur Kulesza - Head of Investor Relations**

**Tel: +48 22 598 1115**

**e-mail: [artur.kulesza@bankmillennium.pl](mailto:artur.kulesza@bankmillennium.pl)**

**Marek Miśków - analyst**

**Tel: +48 22 598 1116**

**e-mail: [marek.miskow@bankmillennium.pl](mailto:marek.miskow@bankmillennium.pl)**

**Katarzyna Stawinoga**

**Tel: +48 22 598 1110**

**e-mail: [katarzyna.stawinoga@bankmillennium.pl](mailto:katarzyna.stawinoga@bankmillennium.pl)**