

Service Quality Stars



Bank Millennium
distinguished for quality
of service



Bank Millennium Group

Results of 1st Quarter 2013

25th April 2013

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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.

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Agenda

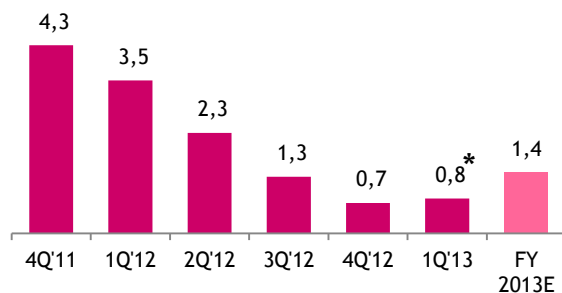
Financial performance

Business development

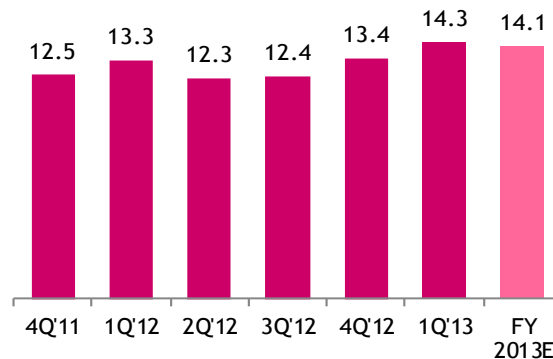
Appendixes

Macroeconomic Overview

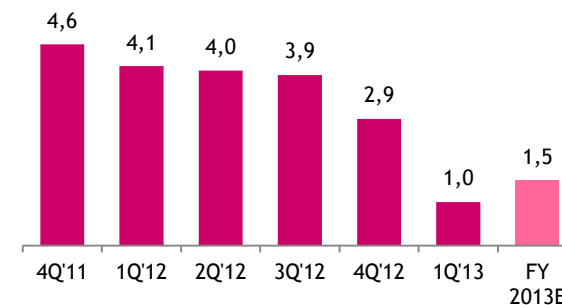
GDP Growth (%)



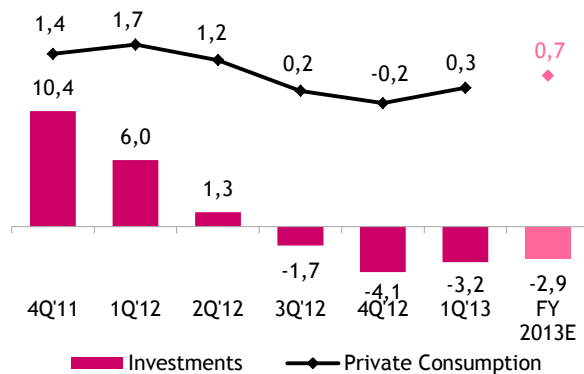
Unemployment Rate (%)



Inflation (CPI %)



Investments & Private Consumption



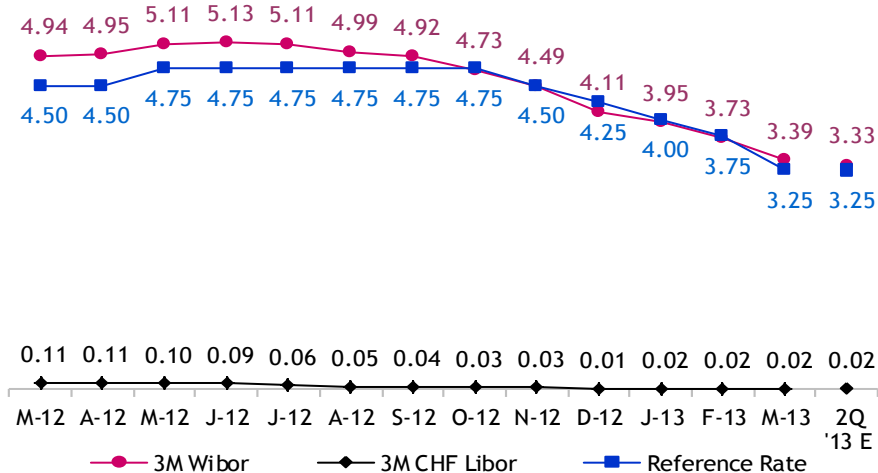
First quarter of 2013 showed some stabilization in the economic activity in Poland, though at a low level. Domestic demand remained weak, while economic growth was supported by exports. Private consumption improved slightly as compared to a very poor result in Q4 2012, supported by acceleration in real households' disposable income. Investments in fixed assets were declining further, mainly because of vanishing investments in infrastructure, while companies continued investments in machinery and equipment.

Situation in the labour market deteriorated in Q1, mainly because of seasonal factors. Registered unemployment rate reached ca. 14.3% in March and was 1.0 pp. higher than in the corresponding month of the previous year. At the same time companies stopped increasing employment because of uncertainty about economic growth in Poland and Eurozone.

Inflation decreased during Q1, below the lower band of inflation target, reaching the lowest levels since mid 2006. The downward trend in inflation was supported not only by low demand pressures, but also by positive statistical base effects and favourable supply shock in food and fuels markets.

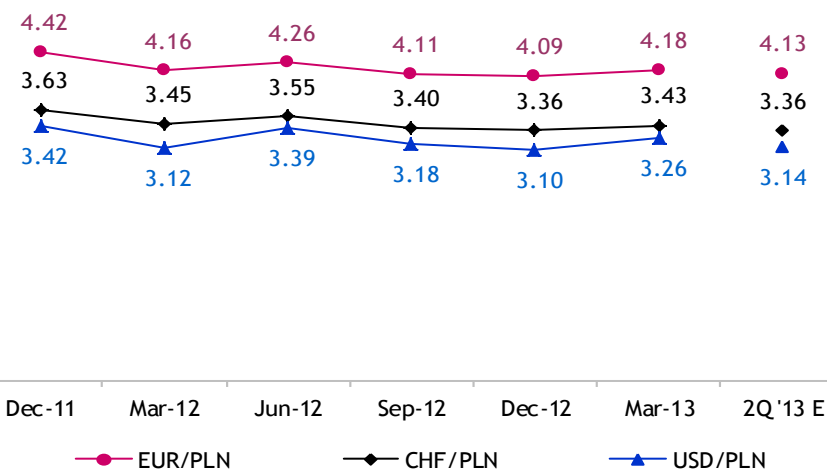
Macroeconomic Overview

Interest Rates Evolution (%)



Q-o-Q (bp)	-72	1	-100
YTD (bp)	-72	1	-100
Y-o-Y (bp)	-155	-9	-125

FX Rates Evolution



Q-o-Q	2%	2%	5%
YTD	2%	2%	5%
Y-o-Y	0%	-1%	4%

At the beginning of 2013 better macro data cooled down the expectations for an aggressive rate cuts in Poland and drove the yields of Polish bonds higher. However, moves weren't significant as the foreign capital inflow into the Polish debt market was still huge. Upward moves in yields reverted at the beginning of March. Yields of Poland's bonds slipped to the lowest levels in history after the Monetary Policy Council surprised markets with a rate cut by the 50 bps in March and a sharper-than-expected slowdown in inflation, which fuelled expectations for more cuts in months to come.

For most of the first quarter 2013 the EUR/PLN exchange rates was hovering in a tight range of 4,12-4,21. Polish currency was benefiting from the foreign capital inflow into the Polish bond market after the MPC cut rates and Fitch rating agency raised the outlook for Poland's 'A-' rating to positive from neutral in an environment of growing global liquidity. Meanwhile, negative global sentiment driven mainly by the situation in the Eurozone, was limiting the space for appreciation of the Polish currency. Lack of optimism after the results of parliamentary elections in Italy and problems with Cypriot banking sector negatively influenced the Zloty, pushing the EUR/PLN exchange rate higher, but still within a mentioned range.

Main financial highlights of 1Q 2013

Net profit yearly improvement

- Net Profit at PLN 120 million; grew by 9% y/y
- ROE at 9.9%

Lower operating costs

- Operating costs dropped 3.4% yearly
- Cost-to-Income ratio: 57.1% (4.7 p.p. better y/y)

Improved liquidity and capital position

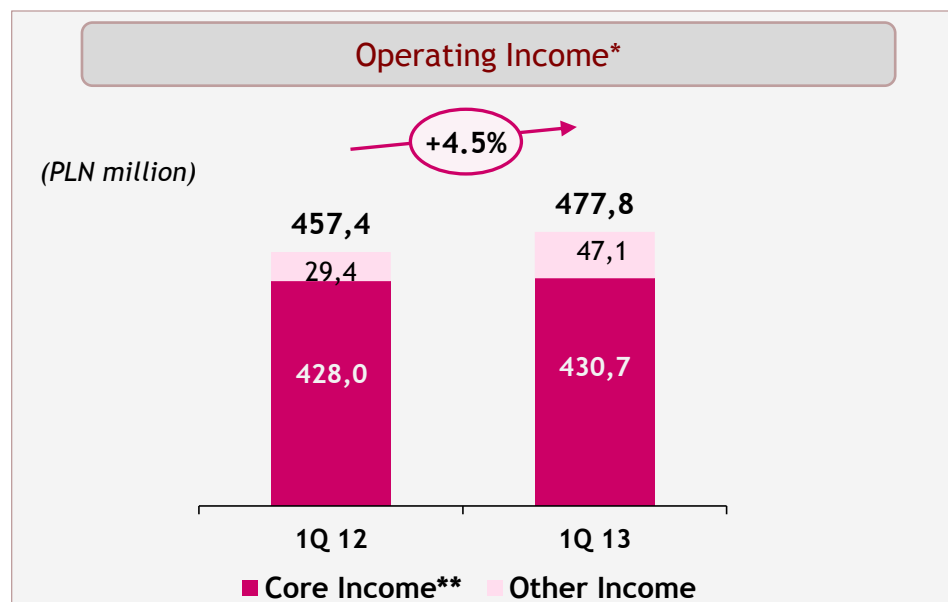
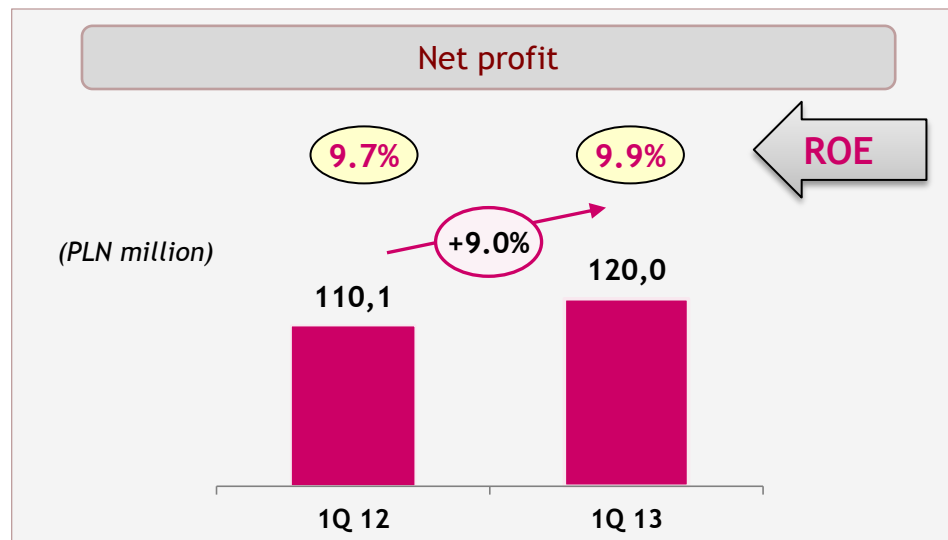
- Loan-to-Deposit* ratio at 91% - the lowest since 2006
- Core Tier 1 at 13.4% and total CAR at 14.9%

Good asset quality

- Impaired loans ratio below 5.0%; coverage at 60%
- Cost of risk at 52 bps (annualized), below 2012 average

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

Profitability

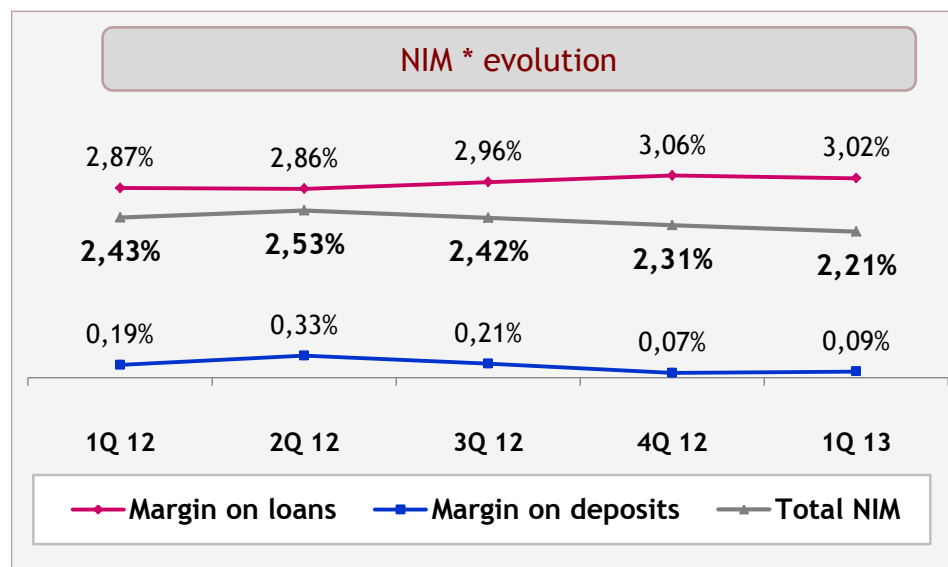
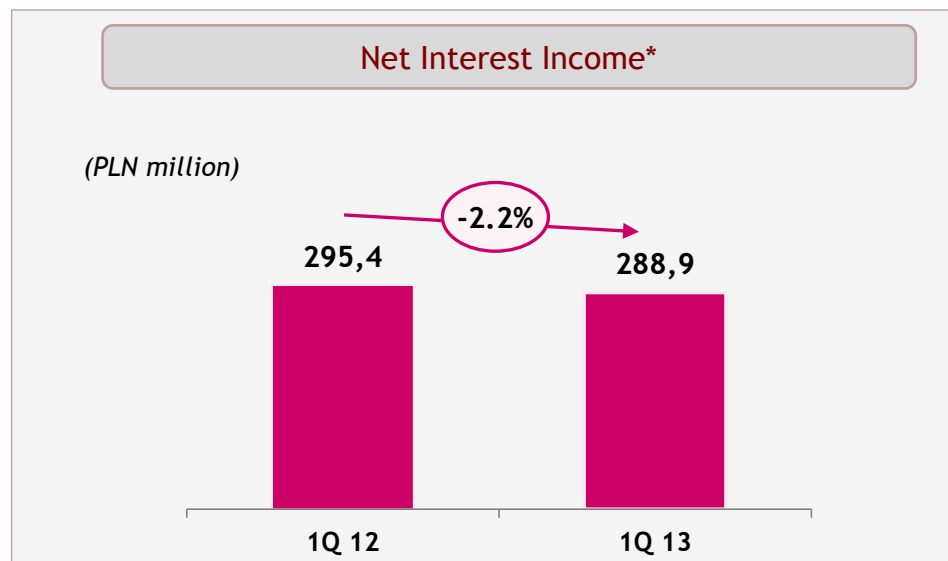


- Net Profit reached PLN 120 million in 1Q'13 and was 9% higher than in the corresponding period of last year.
- Profit growth was achieved thanks to better operating income, lower costs and despite risk provisions higher than in 1Q 2012.
- Total operating income* for 1Q'13 recorded PLN 478 million and increased by 4.5% y/y.

* Including net other operating income and cost

** Net Interest Income + Net Commissions Income

Net Interest Income



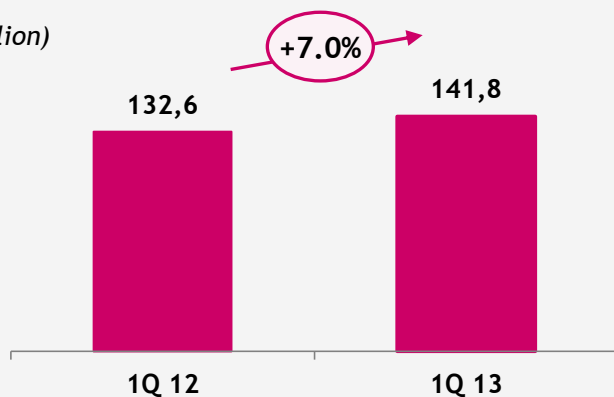
- 1Q'13 Net Interest Income* decreased by 2.2% compared to 1Q'12 (or 1.2% if adjusted by number of days)
- Net Interest Margin in 1Q'13 was influenced by dropping market rates, but Bank's quick adjustment to lower market rates bodes well for the future margin level.
- Despite the fall in market interest rates (-155 b.p. y/y, -72 b.p. q/q) margin on deposit slightly improved versus 4Q'12.

* 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 22.1 million in 1Q'13 and PLN -0.5 million in 1Q'12) is presented in Result on Financial Operations.

Non-interest Income

Net Commission Income

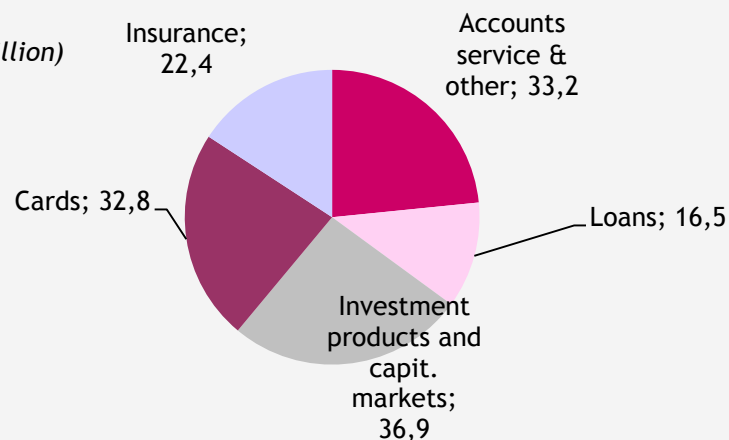
(PLN million)



- Net Commissions in 1Q'13 visibly increased by 7% compared to 1Q'12. The main driver were fees from distribution of own and third parties investment products (PLN +13.4 million y/y). Cards fees were stable and bancassurance contributed positively in quarterly comparison.
- Other non-interest income* in 1Q'13 grew 60% y/y thanks to higher income from trading instruments (and low base from 1Q 2012, which had negative valuation of currency swaps).

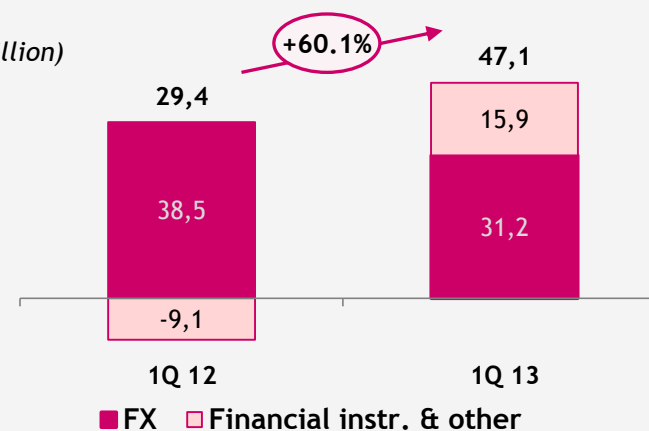
Net Commission split for 1Q 2013

(PLN million)



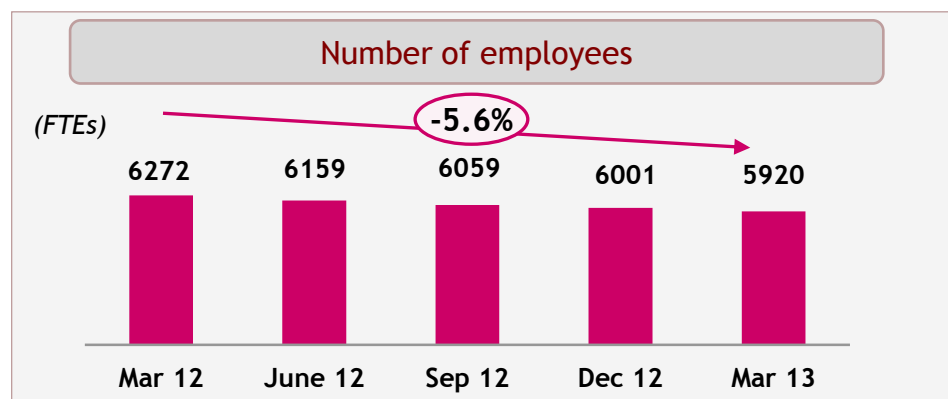
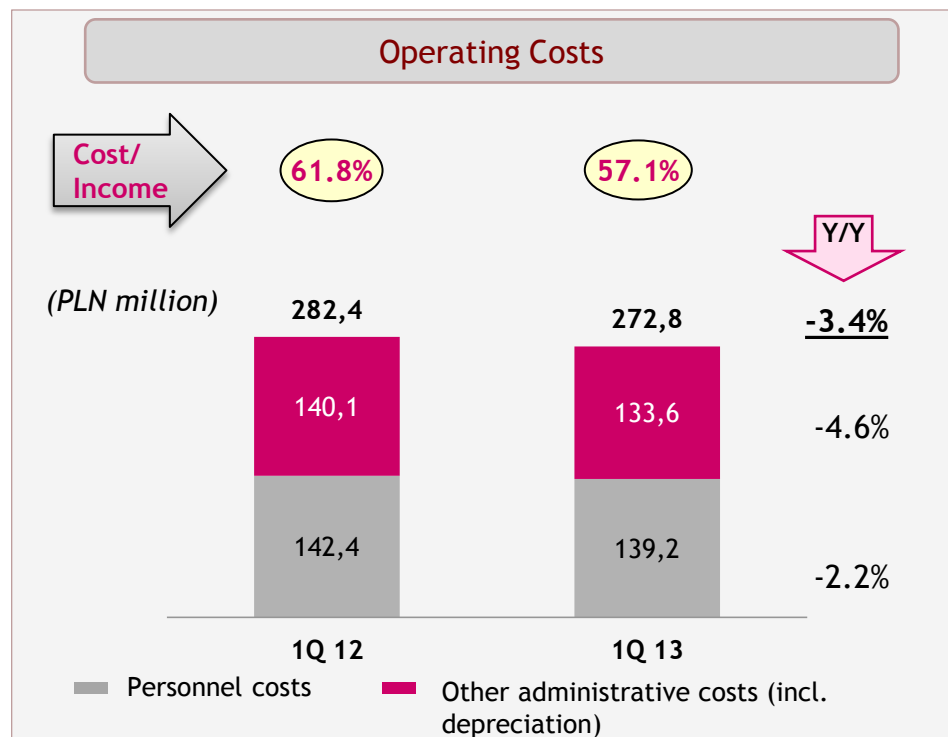
Other Income*

(PLN million)



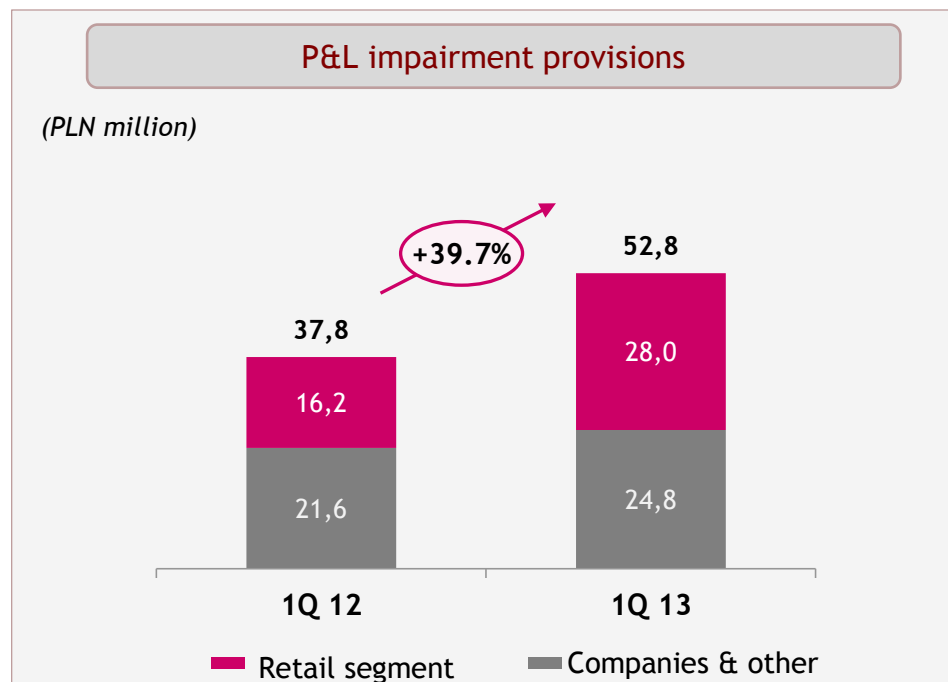
* On pro-forma basis, including FX income, result on financial operations, dividends and other operating income and costs.

Operating Costs



- Total costs in 1Q'13 decreased by 3.4% y/y.
- Total other administrative costs (including depreciation) decreased by 4.6% y/y due to savings in several areas, especially in IT and communication costs.
- Personnel costs were lower by 2.2% y/y and total number of employees decreased by 5.6% in annual horizon (to 5920 FTEs).
- Cost-to-Income ratio strongly improved by 4.7 p.p. when compared to 1Q 2012 and reached 57.1% level i.e. slightly better than the average for entire 2012.

Cost of Risk



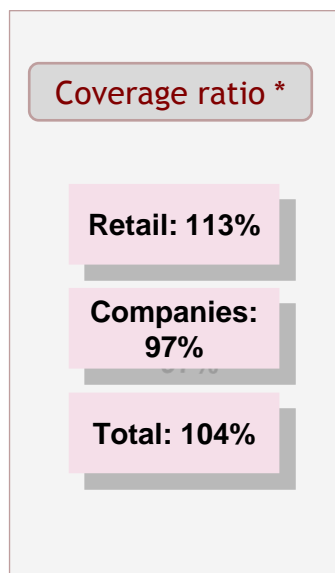
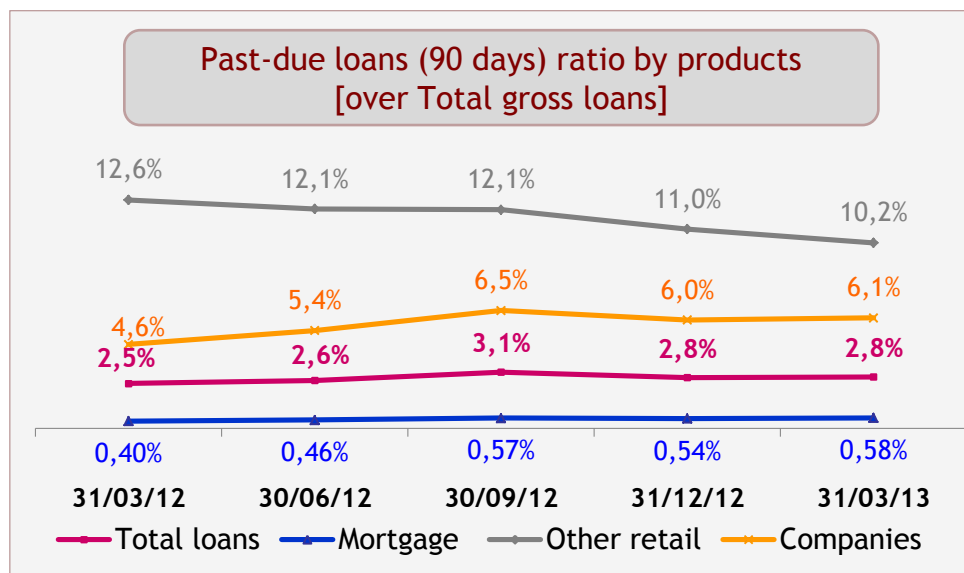
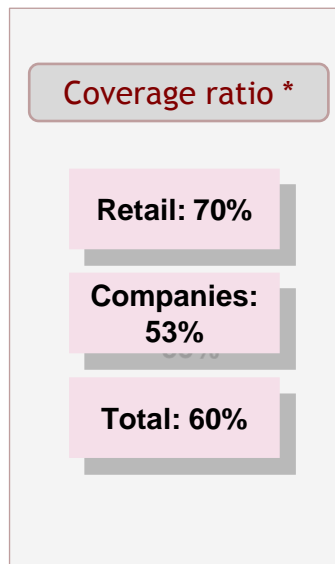
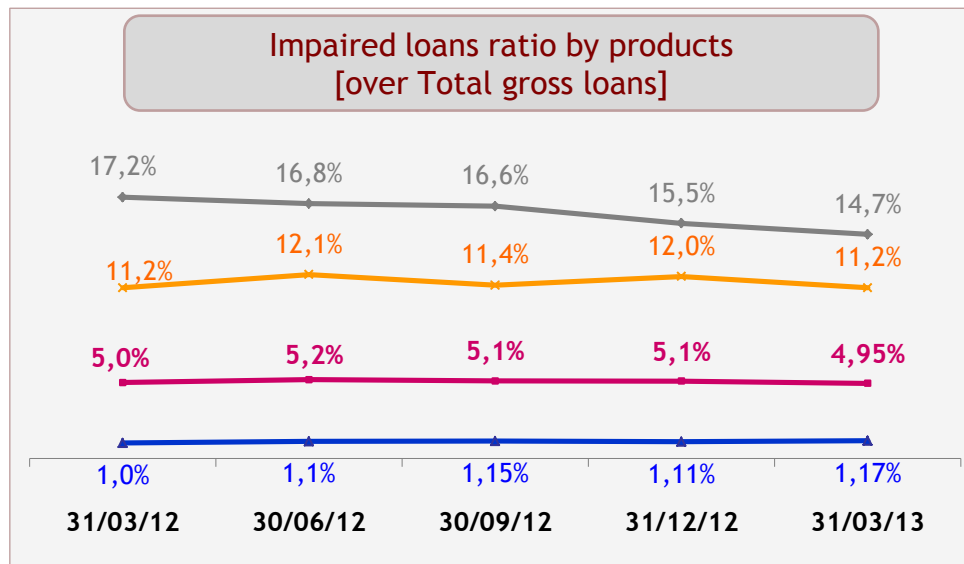
Cost of Risk over average net loans

(in bps, annualised)

	1Q 12	2Q 12	3Q 12	4Q 12	1Q 13
MORTGAGE	10	17	15	13	23
OTHER RETAIL	137	149	195	67	158
COMPANIES	84	198	135	206	99
TOTAL	37	72	58	66	52

- Provisions created on credit risk in 1Q'13 amounted to PLN 52.8 million and were higher by 39.7% versus 1Q'12, partly due to the positive impact of sale of part of impaired loans last year.
- The relative measure of cost of risk (over average net loans) reached 52 bps and is lower than the average for 2012.

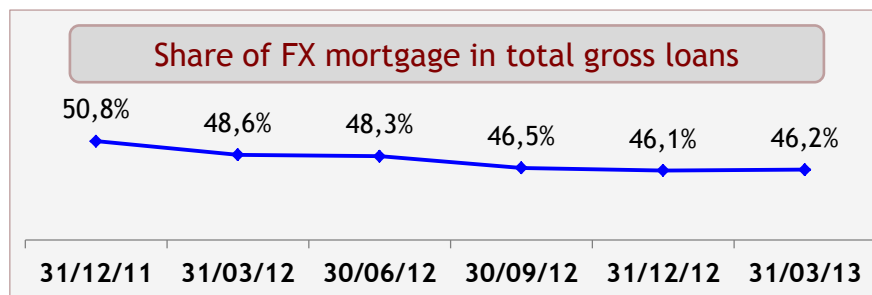
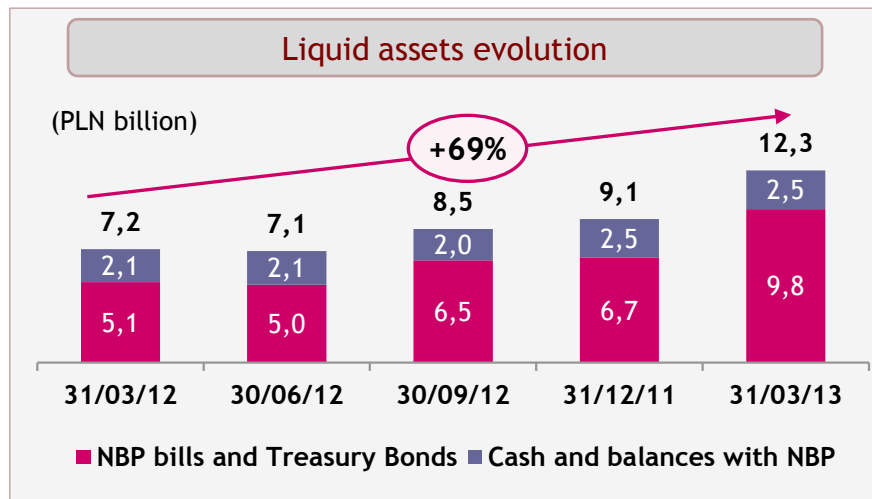
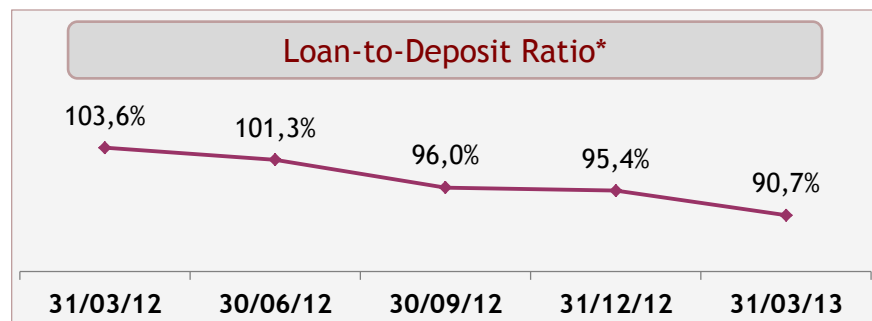
Asset quality ratios



- Slight improvement of impaired loans ratio to below 5.0% at the end of 1Q'13.
- Past-due loans over 90 days ratio stabilised at 2.8%.
- Coverage ratio of impaired loans at 60% level; coverage of loans past-due over 90 days stood at 104%.

* Coverage of gross impaired and gross past-due 90 days loans by total provisions (incl. IBNR).

Liquidity

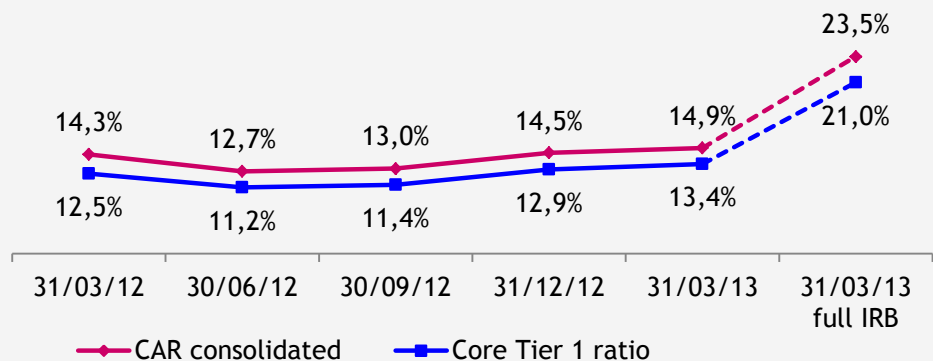


- Liquidity position strongly improved in 1Q'13. Loan-to-deposit ratio moved further down reaching the record low of 90.7% (the lowest level since Dec. 2006) as a result of strong growth of deposits.
- Continued growth of liquid assets by 69% (or PLN 5.1 bn) in annual term, of which growth of liquid debt securities by PLN 4.7 bn y/y to almost PLN 10 billion.
- Drop of FX mortgage loans in the Group's portfolio compared to the end of 2011: from 51% to 46%, as a result of gradual amortization of FX denominated loan portfolio and increase of lending in PLN.

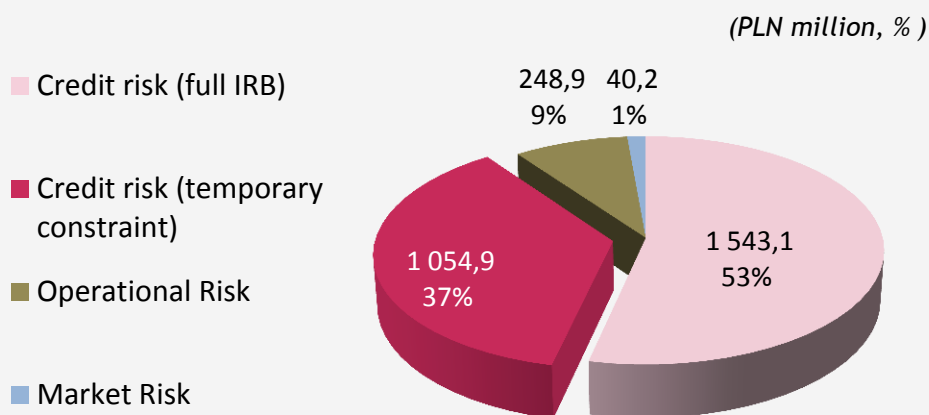
* Includes Bank's bonds and debt securities sold to individuals, repo transactions with customers and securitisation of leasing assets.

Capital adequacy

Evolution of Capital Adequacy Ratio



Capital requirement structure, 31 March 2013



- Capital ratios improved during 1Q to the level of 14.9% of total CAR and 13.4% of Core Tier 1 ratio thanks to the decision of retaining entire 2012 net profit taken by the Annual General Shareholders Meeting.
- Capital requirements, own funds and capital ratios for December 2012 and March 2013 comprise authorization for the Bank to use the Internal Rating Based (IRB) approach relatively to most of the retail exposure classes (with temporary constraint).

Agenda

Financial performance

Business development

Appendixes

Main business highlights

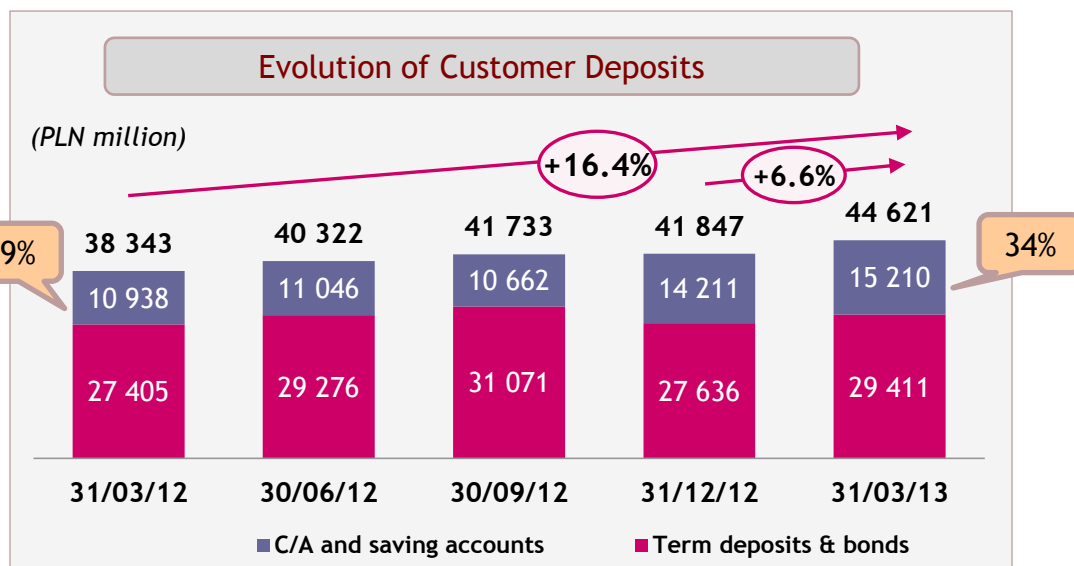
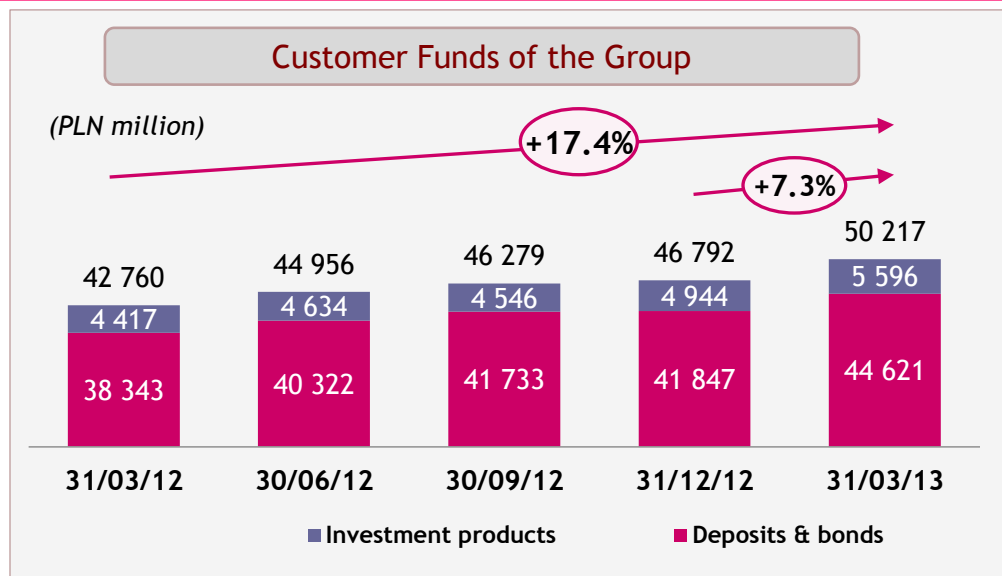
Customer funds exceeded
PLN 50 billion

Sale of cash loans higher than
mortgages

Rebound in corporate loans;
acceleration in factoring

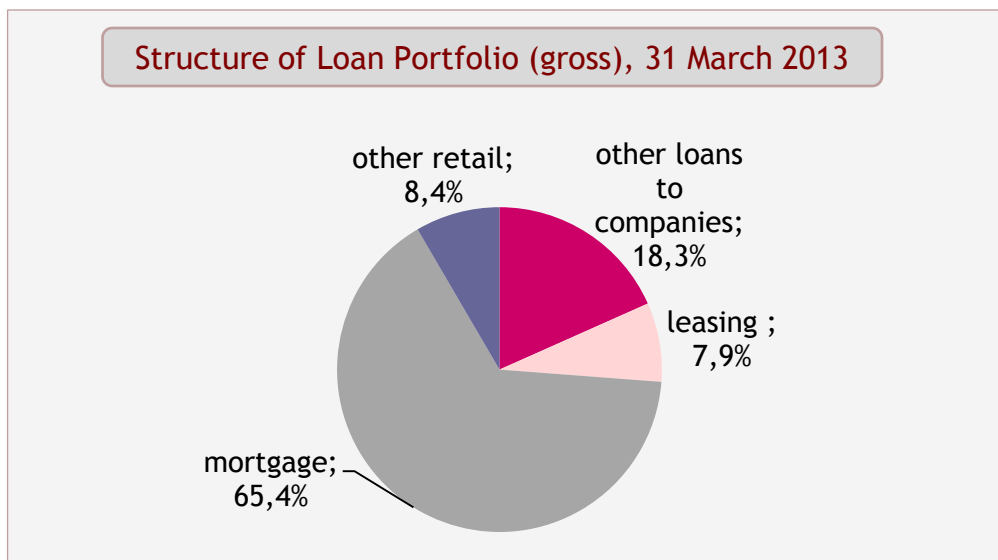
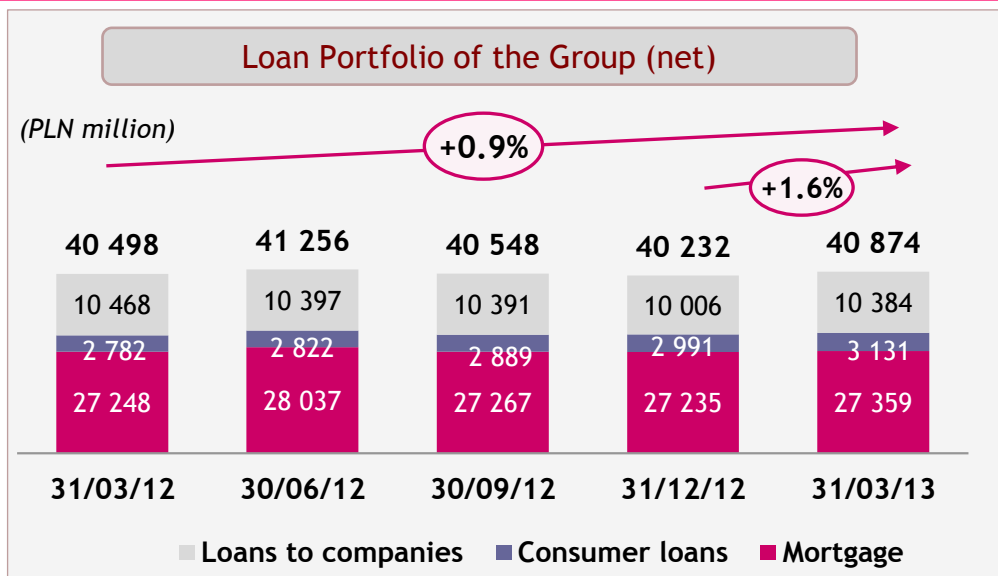
- Solid growth of customer funds: 17.4% yearly and 7.3% quarterly
- Stable margin on deposits despite very quick reduction of interest rates in Poland in 1Q 2013
- Favorable structure of deposit base with higher share of saving and current accounts
- Record level of quarterly cash loans sale (PLN 435 million), which already exceeded quarterly sale of mortgages
- Cash loans portfolio (gross) grew by 17% to PLN 2,524 million
- Loans to companies grew by 3.8% quarterly
- High factoring turnover (+31% y/y) allowed to cross PLN 1 billion outstanding balance in March

Customer funds



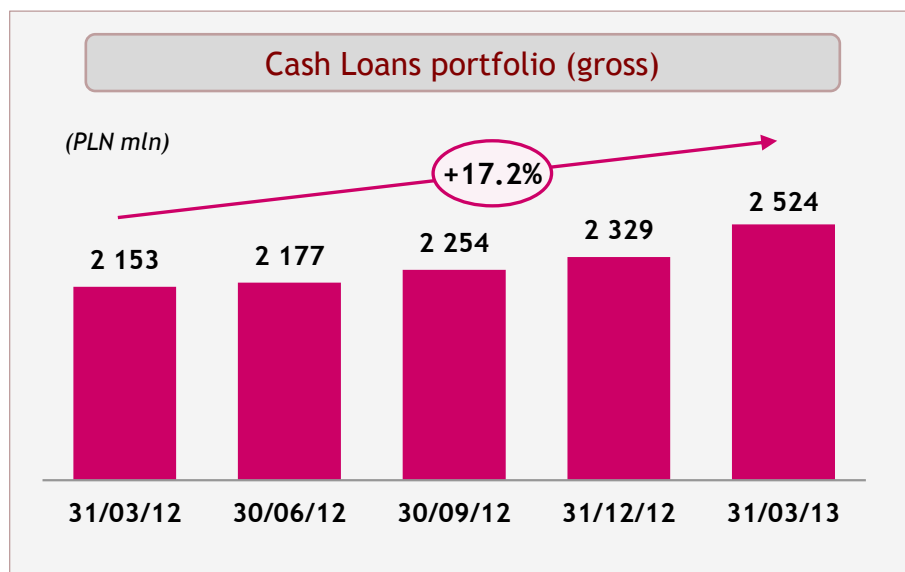
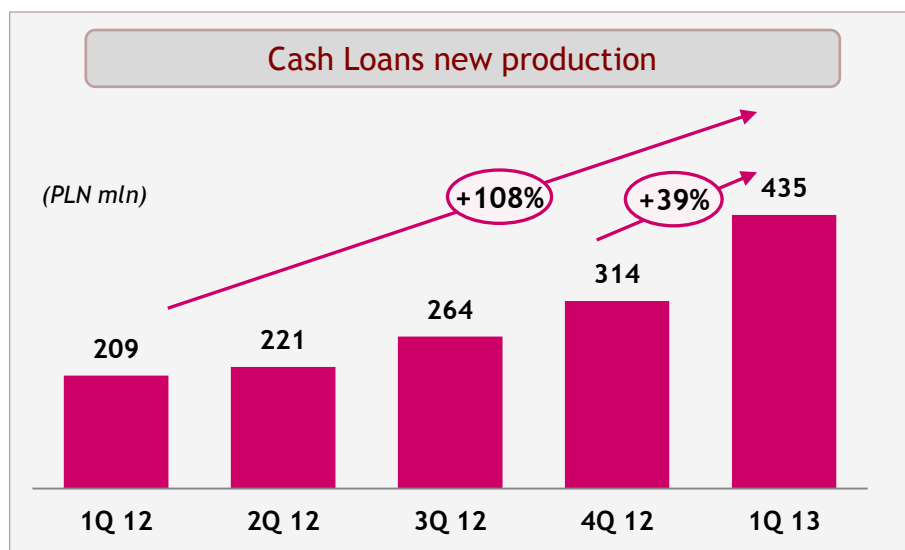
- Customer funds of the Group exceeded for the first time PLN 50 billion after strong growth of 17.4% y/y and 7.3% q/q.
- Total deposits grew by 16.4% y/y (6.6% q/q) and were additionally supported by investment products growth (27% y/y and 13% q/q) - With Millennium TFI on 4th place in Poland in yearly net sales.
- Structure of deposit base has changed towards more favorable from the margin management point of view - share of current and savings accounts grew to 34%.

Loan portfolio



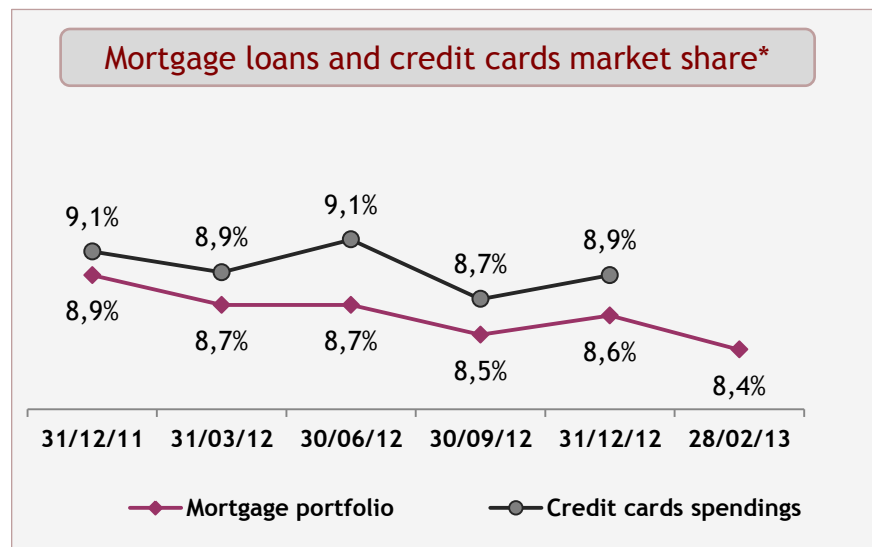
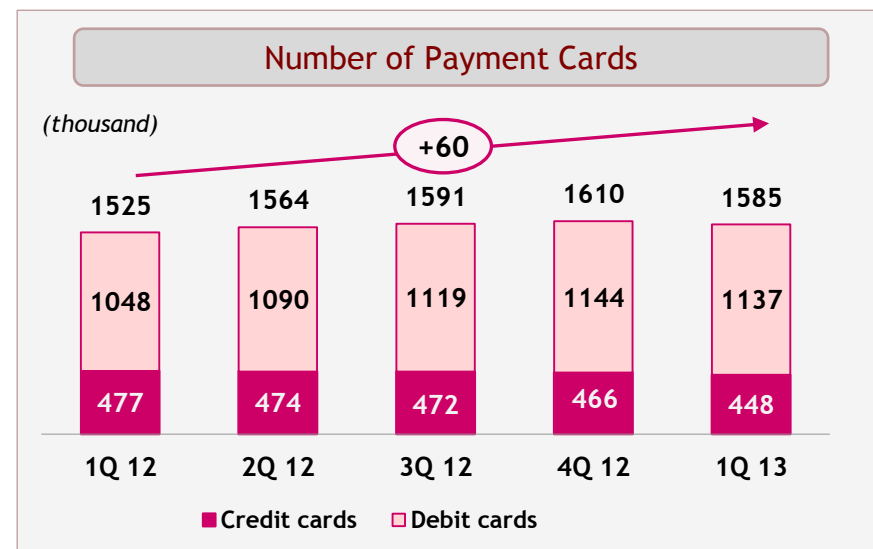
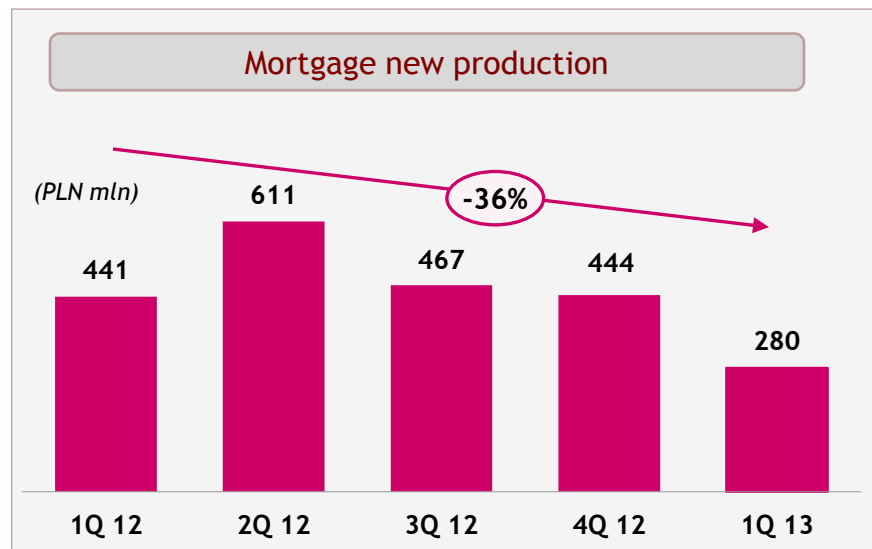
- Loan portfolio increased by 1.6% q/q due to rebound in corporate loans as well as higher balances of consumer and mortgage loans.
- The annual growth of loan portfolio reached 0.9% and was mostly driven by consumer loans.
- Although mortgages of the total portfolio still make big majority of the total, their share is gradually decreasing.

Retail business results - cash loans



- Accelerating growth of cash loans quarterly sales: 39% in 1Q'13. In annual terms the cash loans sales more than doubled. The sales results were strongly supported by the marketing campaign.
- As a result, the growth of cash loan portfolio is more visible: 8.3% (or PLN 195 million) quarterly and 17% yearly, which is consistent with strategic effort of changing asset mix.

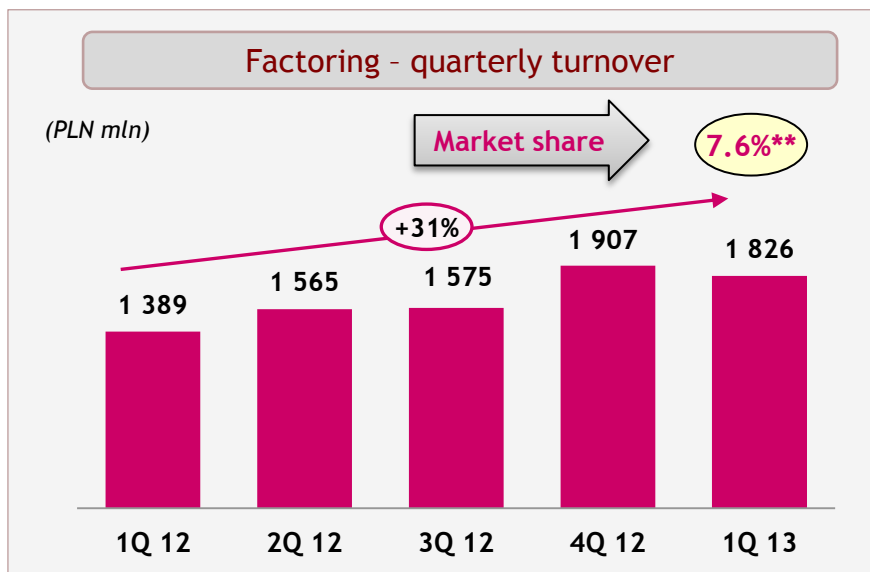
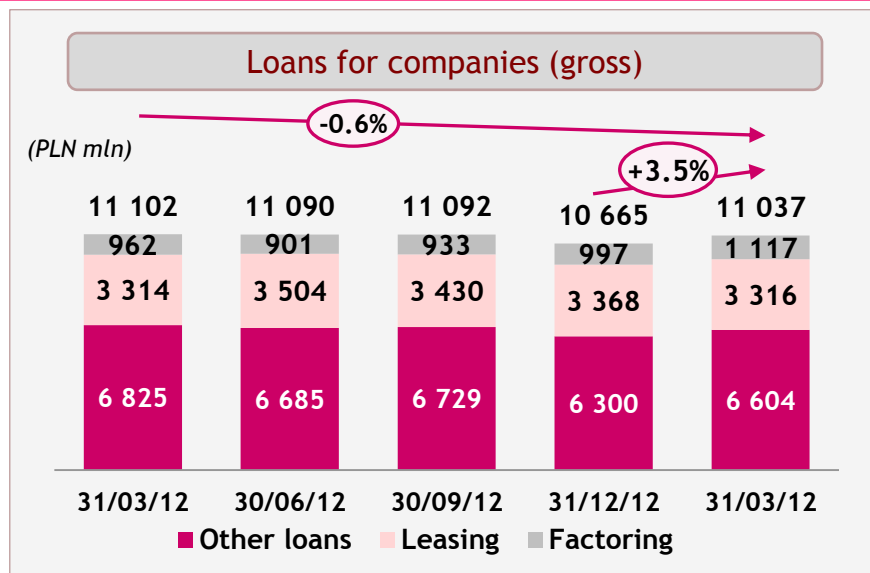
Retail business results - mortgage loans and cards



- Decelerating of mortgage loans sales resulted from generally shrinking market as well as the Bank's policy to increase sales of other kind of retail loans with lower pace of mortgage sales.
- Increase of payment cards by 60,000 y/y, mostly thanks to growth in debit cards.

* Based on NBP data

Companies business results



- Loans to companies increased by 3.5% quarterly due to, first of all, rebound in other loans to companies, but also higher factoring receivables, which exceeded PLN 1 billion level.
- The portfolio slightly decreased in total by 0.6% y/y with stable level of leasing receivables and growing factoring receivables (+16% y/y).
- High factoring quarterly sales maintained but lower production in leasing - consistent with negative market trends.

* own estimations based on ZPL data (commitments); market share in movables

** based on PZF and other banks data gathered by Parkiet daily

Agenda

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Major awards and achievements in 1Q 2013

Bank Millennium 2013 Service Quality Star



- Polish consumers have identified **Bank Millennium as one of 100 friendliest companies on the Polish market**. More than 3.5 million jurors voted online in the competition portal for Service Quality Stars in the 6th edition of the Polish Service Quality Programme. The award is presented to companies, which are most focused on customer service quality. It is a proof both of effectiveness of adopted standards as well as efficient business management. The awarded companies are seen by consumers to be recommended and trustworthy, with staff who are always there to help customers with their knowledge.

Bank Millennium 2nd for „Good Account”



- „**Good Account**” came 2nd on the list of **Best personal accounts 2013**, prepared by *Money.pl* portal. The survey covered 30 banks and winners were selected among more than 110 personal, youth and student accounts. Authors of the list looked at costs of maintenance and operation, access to the account and money on it as well as customer service level.

Bank Millennium 1st place for Cash Loan

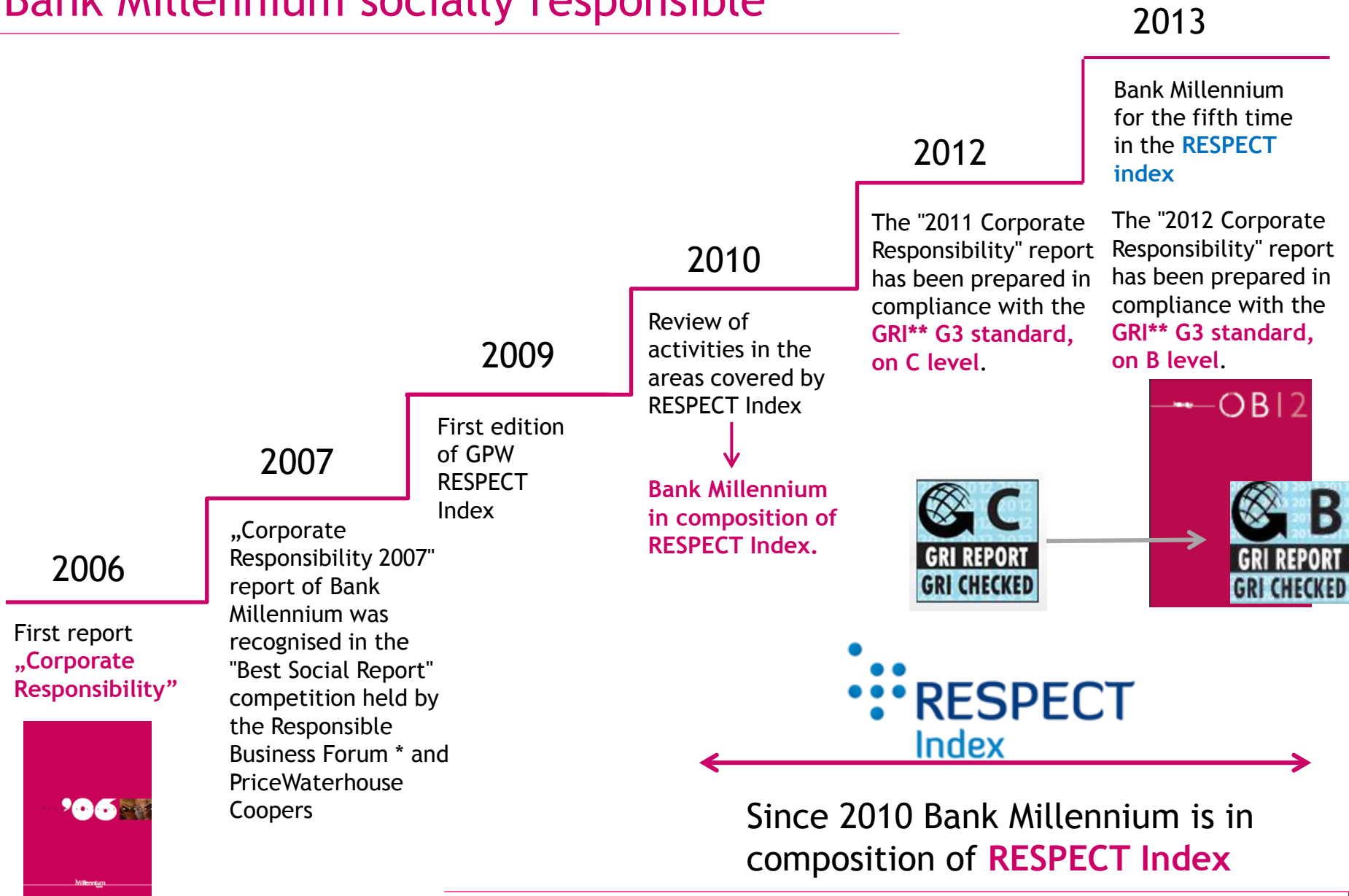


- Cash Loan Millennium Bank took first place in the ranking of loans and cash loans in March**, prepared by the portal *Total Money*. The offer of cash loan was distinguished for both internal and external customer. The authors analyzed the ranking of unsecured loans and cash loans in the amount of PLN 15 000, repayable in 48 installments. They have taken into account the offer of 17 banks. Prepared two lists - the first of them available to customers who have an account in the bank for at least a year, the second-customers who do not have an account ie. external clients.

Bank Millennium Mr. Bogusław Kott - „Leader of the Polish Banking”

- Mr. Bogusław Kott**, CEO of Bank Millennium, has received Honorary Award Jury of the „**Leader of the Polish Banking**”, "for the vision and creation of the banking sector." The award was given during the official ceremony on the fifth edition of the Conference Banking Forum, which took place on 10-11 April in Warsaw.

Bank Millennium socially responsible



* Forum Odpowiedzialnego Biznesu (FOB)

** GRI - Global Reporting Initiatives

Main recent product campaigns for retail

GOOD ACCOUNT

Dobre Konto

Co miesiąc do 50 zł wraca do Twojej kieszeni

Pełną kartą w supermarketach i sklepach spożywczych, na stacjach benzynowych, a także w aptekach i szpitalach medycznych. Zwrotów Ci 3 zł za każde pełne 100 zł wydatku. Zmaks. nawet 50 zł miesięcznie!

0 zł za prowadzenie konta 0 zł za karty do konta
0 zł za wypłaty na wszystkich lokacjach w Polsce 0 zł za transfery przelewem i internetem

Millennium bank

Campaign of ***Dobre Konto*** (Good account). The account has no fees for opening, debit card, ATMs and internet transfers. „Good Account” returns on every transaction **3 PLN out of each 100 PLN** (up to 50 PLN monthly) of the value of shopping in grocery shops, supermarkets, petrol stations pharmacies and medical care.

SAVING ACCOUNT

Konto Oszczędnościowe

Zgrana para – wygoda oszczędzania i pewny zysk

Konto Oszczędnościowe w Banku Millennium łączy pewny zysk i wygodę, wygodę korzystania ze wszystkich środków. Zdobądź i ciesz się swobodą wydatków i wydatków, kiedy tylko chcesz.

4%
w skali roku przez 3 miesiące

Oferta specjalna dla nowych klientów do 100 tys. zł w ramach promocji. Promocja do 11.05.2013 r.

Millennium bank

Tradycyjna bankowość w nowoczesnym wydaniu

Benefits come in twos ! Combine certainty of income from savings with the convenience of unconstrained availability of money on a Savings Account in Bank Millennium. The promotional interest rate of **4% remain valid for 3 months** for new money up to PLN 100,000, deposited during the Promotion, which shall last until 11.05.2013.

CASH LOAN

Pożyczka Gotówkowa

Twoja pożyczka z długoterminową gwarancją!

Bądź pewien najlepszych warunków. Jeśli w ciągu 30 dni znajdziesz dla siebie pożyczkę z niższym oprocentowaniem – zwrocimy Ci różnicę i damy talona samą!

GWARANCJA NAJNIŻSZEGO OPROCENTOWANIA
albo zwrot różnicy

Millennium bank

Tradycyjna bankowość w nowoczesnym wydaniu

A low monthly payment thanks to the **Lowest Interest Rate Guarantee**. If a customer finds lower interest rate within 30 days, Bank Millennium will pay back the difference and will change the interest rate. Typical cash loans are from PLN 1000 to PLN 80,000, while active Customers of the Bank can get even up to PLN 150,000.

Synthetic P&L account

<i>(PLN million)</i>	1Q 2012 pro-forma	4Q 2012 pro-forma	1Q 2013 pro-forma
Net interest income*	295,4	307,6	288,9
Net commission income	132,6	132,7	141,8
Other non-interest income **	29,4	75,9	47,1
Operating Income	457,4	516,2	477,8
General and administrative costs	-268,4	-271,6	-258,4
Depreciation	-14,1	-13,7	-14,4
Total operating costs	-282,4	-285,3	-272,8
Net provisions	-37,8	-67,3	-52,8
Operating profit	137,2	163,6	152,3
Pre-tax profit	140,3	162,0	150,7
Income tax	-30,2	-36,1	-30,7
Net profit	110,1	125,9	120,0

* 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 22.1 million in 1Q 2013 and PLN -0.5 million in 1Q 2012) is presented in Result on Financial Operations.

** includes FX results, results on financial operations (pro-forma) and net other operating income and costs

	1Q 2012	4Q 2012	1Q 2013
Net interest income (reported under IAS)	295,9	282,2	266,8

Balance Sheet

ASSETS	<i>(PLN million)</i>	31/03/2012	31/12/2012	31/03/2013
Cash and balances with the Central Bank		2 103	2 466	2 243
Loans and advances to banks		1 354	1 392	1 398
Loans and advances to customers		40 498	40 232	40 874
Amounts due from reverse repo transactions		38	17	358
Financial assets at fair value through P&L and hedging derivatives		1 836	940	2 080
Investments		4 150	6 764	8 671
Tangible and intangible fixed assets		230	228	222
Other assets		523	701	757
TOTAL ASSETS		50 732	52 742	56 604
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LIABILITIES AND EQUITY	<i>(PLN million)</i>	31/03/2012	31/12/2012	31/03/2013
Deposits and loans from banks		1 890	2 492	2 781
Deposits from customers		37 933	41 434	44 253
Liabilities from repo transactions		2 450	175	642
Financial liabilities at fair value through P&L and hedging derivatives		1 812	1 583	1 724
Liabilities from securities issued & securitisation		717	900	820
Provisions		29	45	58
Subordinated liabilities		630	614	631
Other liabilities		734	677	741
TOTAL LIABILITIES		46 195	47 918	51 651
TOTAL EQUITY		4 537	4 824	4 954
TOTAL LIABILITIES AND EQUITY		50 732	52 742	56 604

Contact



Tradycyjna bankowość w nowoczesnym wydaniu

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