12 May 2009

Update

BRE Bank Securities

Banks
Poland

Millennium

Sell

BIGW.WA; MIL.PW

(Reiterated)

Current price	**PLN 2.42**
Target price	**PLN 1.80**
Market cap	PLN 2.1bn
Free float	PLN 0.7bn
Avg daily trading volume (3M)	PLN 6.91m

Shareholder Structure

Banco Comercial Portugues	65.5%
Others	34.5%

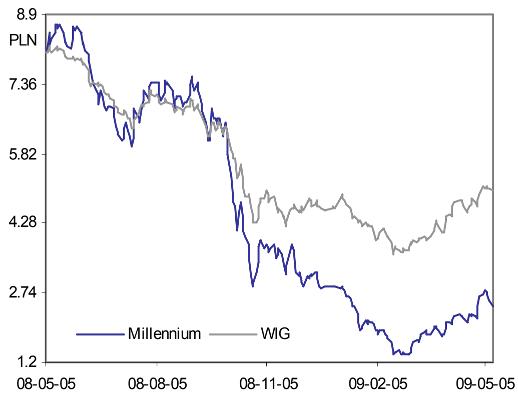
Sector Outlook

In the worst-case scenario (GDP growth at 0% in 2009), the earnings of the banking industry will drop by two-thirds this year. The banks themselves are more optimistic in their outlook. We believe that the current market valuations have already discounted the negative scenario: bank valuations already factor in the expected surge in costs of financing (negative deposit spread on new sales, costs of risk above 2%, operating income before provisions down over 20% vs. 2008). The ratios of assets to equity are 12.7 for the banking industry as a whole, 10.4 for listed banks, and 18 for the Eurozone. There is no need for Polish banks to deleverage. The market is not discounting any growth prospects for the industry, whose assets constitute 83% of GDP (Eurozone 315%, CEE 137%).

Company Profile

Millennium is Poland's sixth biggest banks in terms of assets. It focuses on retail customers, and within the corporate sector, on SMEs. After a period of very fast growth (average annual asset growth of 18% since 2003), driven by loans (27% y/y), it is now focusing on cost optimization. The loans/deposits ratio stands at 109%.

Millennium vs. WIG



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It Is Tough to Play in the Major League

Q1 2009 earnings have shown that due to its considerable needs in the area of loan financing, the Bank is incurring a negative margin on its deposit portfolio. We believe that this trend will not be reversed in the next quarter (or even the next two quarters), because: (i) the Bank will continue to pay high interest on deposits relative to market rates as it needs to collect further funds from clients, (ii) interest rates on loans are revised with a delay, (iii) the pricing of most of its loans cannot be renegotiated (long-term mortgages account for 2/3 of the portfolio), (iv) new loan volumes will be low, (v) the cost of refinancing of FX loans will be high, although in this case a decline in pricing has been observed, which will lead to an improvement vs. Q1 2009. The cost of credit risk (exclusive of client currency derivatives) amounted to PLN 74m (85bps), and most of them were in the corporate segment. We expect the cost of credit risk in the retail segment to be on the rise in the ensuing quarters, as the situation in the labor market deteriorates. We are upgrading our target price to PLN 1.8 per share (vs. PLN 1.7 per share previously) and we recommend selling. The Bank's low ROA under its previous business model ('08 ROA of 1.1% vs. 2% for peers) was offset by higher volumes. In the current environment, the Bank must revise its entire sales model, which will take its time, even though the Management is acting quickly.

Expenses Are the Key Strength

We were positively surprised by the Bank's expenses, which amounted to PLN 258m vs. PLN 315m in Q4 2008. We believe this will be very difficult to sustain in the ensuing quarters, but the Bank will be able to achieve higher savings than previously planned (it has already brought in PLN 40m of the PLN 101m FY2009 savings target).

Capital Adequacy Ratio

The Bank's capital adequacy ratio improved as well, increasing from 10.2% at the end of FY2008 to 10.4% at the end of Q1 2009. Despite the expansion of assets, driven mostly by revaluation of FX loans, the following decreased: (i) capital requirements related to market risk, (ii) capital requirements related to derivatives. Our scenario is playing out: capital requirements are being reduced as risk exposure is optimized (no more FX loans, fewer loan extensions, conservative approach to risk).

Allowances for Derivatives

Net allowances amounted to PLN 37m, comprising the following items: (i) release of provisions in trading income (+PLN 22m), (ii) provisions for direct impact of valuation (-PLN 54m) and (iii) provisions for indirect impact of valuation (-PLN 5m). The problem of FX options is dying out and its impact on the Bank's earnings is decreasing.

(PLN m)	**2007**	**2008**	**2009F**	**2010F**	**2011F**
Net Interest Income	772	981	661	828	877
Net Interest Margin	2.8%	2.5%	1.4%	1.7%	1.7%
Income f/ Banking Oper.	1 648	1 827	1 495	1 638	1 741
Operating Income*	651	657	482	610	654
Pre-tax Income	585	522	23	119	486
Net Income	462	413	18	94	385
ROE	19.5%	15.5%	0.6%	3.3%	12.3%
P/E	4.5	5.0	113.8	21.9	5.3
P/BV	0.8	0.7	0.7	0.7	0.6
D/PS**	0.19	0.00	0.00	0.00	0.00
Dividend Yield	7.9%	0.0%	0.0%	0.0%	0.0%

** before provisions; ** dividends on profits for the given year, paid out the following year*

Q1 2009 Results

Millennium's first–quarter results fell short of our estimates and analysts' expectations both in terms of quantity (reported net income at PLN 12m vs. our estimated PLN 34m and PLN 28m PAP consensus) and quality, due mostly to: (i) higher cost of financing and (ii) credit risk in the corporate segment.

Reported vs. forecasted results

(PLN m)	Q1'09F	Difference	Q1'09	Change	Q1'08	2009F	Q1'09/2009F
Net interest income	236	-45.7%	128	-42.7%	223	661	19.3%
Net fee income	118	7.0%	126	-6.7%	135	467	27.0%
NIM	2.0%		1.1%		2.8%	1.4%	
Income from banking operations	411	-3.3%	397	-9.2%	438	1 495	26.6%
Operating expenses	-290	-11.1%	-258	-6.2%	-275	-1035	24.9%
Operating income*	127	12.5%	143	-16.2%	170	482	29.6%
Provisions	-84	53.3%	-129	1032.8%	-11	-459	28.2%
Pre-tax income	42	-68.6%	13	-91.6%	159	23	58.5%
Net income	34	-64.8%	12	-90.5%	127	18	67.0%

Source: BRE Bank Securities, Millennium
** before provisions*

These results have validated the concerns we had. Pro forma net interest margin declined from 3% to 1.6%.The Bank's interest margin on its entire deposit portfolio is currently negative. Millennium's financial results in the quarters ahead will continue to be affected by costs of financing because (i) the Bank will continue to pay high interest on deposits relative to market rates as it needs to collect further funds from clients, (ii) interest rates on variable-APR loans are adjusted with a delay, (iii) the pricing of most of its loans cannot be renegotiated (long-term mortgages account for 2/3 of the portfolio), (iv) new loan volumes will be low (expansion of the portfolio in Q1 2009 was mostly a consequence of the revaluation of FX loans; new mortgages, to give one example, declined to PLN 340m, -67% y/y), (v) the cost of refinancing of FX loans will be high, although in this case a decline in pricing has been observed, which should lead to an improvement vs. Q1 2009. Interest income (presented on a pro-forma basis) amounted to PLN 180.4m, that is PLN 55m less than we predicted. The bank recognized a significant portion of interest income under trading income because of considerable adjustments in the values of hedging instruments stemming from differences between Polish and Swiss interest rates and exchange-rate volatility.

Overall reserves were much higher than expected due to the provisions for derivatives, and their adjusted balance is PLN -75m (0.86% of the loan portfolio), slightly less than our forecasted PLN -84m (1% of loans). The increase in reserves is largely driven by corporate lending (PLN 51m out of PLN 75m total provisions created). We expect the cost of credit risk in the retail segment to be on the rise in the ensuing quarters, however, as the situation in the labor market deteriorates.

Millennium saw a dramatic deterioration in the quality of receivables in the first quarter, with the ratio of NPL to loans increasing from 3.4% to 4.4% in just one quarter. Loans classified as non-performing increased by a staggering PLN 456m. Corporate debt was the main driver of this increase – mortgages and other retail loans include a safe 0.4% and 6.8% of non-performing loans respectively. Bad debt is going to increase as the financial situation of households worsens. Millennium reported a significant decline (from 64% to 56%) in the ratio of provisions to non-performing loans, but this can be attributed to a large amount of collateral (mortgages, leasing).

At the same time, the bank reversed a portion of a provision against customer derivatives set up in Q408 (+PLN 22m), contrary to our expectations of a PLN 73m charge in trading income. Instead, Millennium added a PLN 54m option provision to reserves (-PLN 54m and -PLN 5m for direct and indirect impact of valuation, respectively) and the resulting net charges amounted to a much lower-than-expected PLN 37m.

On a positive note, Millennium cut expenses to PLN 258m from PLN 315m in the preceding quarter, achieving higher-than-expected savings (our expense estimate was PLN 290m). The biggest cuts were made in the following areas:

- Payroll. The Bank reduced headcount (the number of employees declined to 6714, by 335 during the quarter, which could mean that the bank did not extend contracts for specified periods or laid off employees hired relatively recently, whose term of notice is only 1 month). At the same time, it released a part of theFY2008 bonus reserve (as a consequence of, inter alia, internal audit) and it is currently setting aside lower amounts as bonuses for sales volumes (until now, the banks remuneration policies were fairly aggressive and tightly linked to sales). We believe that in the ensuing quarters, we may see a slight increase in this line of expenses, as previously-created reserves cannot be released. Sales have slowed down quite drastically, which may change in the next months, but payroll expenses will remain an elastic item due to the strong link between bonuses and the Bank's earnings.
- Reduction in marketing expenses. We believe advertising expenses were among the first to be cut. They will however, need to increase vs. Q1 2009. Advertising budgets will be reduced vs. 2008 (PLN 66m in FY2008).
- IT expenditures provide another opportunity for cost cutting. We believe that banks will significantly reduce their outlays on new projects through the end of the year.
- The Bank is optimizing the size and shape of its network, aiming at a simpler structure. The number if branched declined from 490 to 483, mostly through the elimination of credit centers or branches whose area of activity more or less overlapped with that of another branch. In the ensuing quarters, some additional individual branches may be closed down, but the Bank will open the 10 branches that remain for its branch expansion project to be completed. The net effect will be savings, although we will not see that until y/y comparisons are made in Q4.

Millennium generated a pre-tax loss of PLN 33.5m on its corporate banking business in Q1'09 compared to a pre-tax profit of PLN 40.4m in Q4'08. In addition to option losses (PLN 32m), income in the segment was affected by costs of risk which reached 2.36% compared to 43 bps in the retail segment.

The ratio of loans to deposits increased to 112% from 107% at year-end 2008. We can see significant cutbacks in new lending: sales of mortgage loans in the first quarter stood at a meager PLN 340m, and the increase in the value of the overall loan portfolio in the period stemmed mainly from the revaluation of the FX portfolio.

Loans

(PLN m)	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Change Q1'09/Q4'08
Corporate loans	4751	4966	5063	5477	5798	321
Leasing	2862	2959	3148	3643	3746	103
Mortgage loans	14496	15189	17287	22162	24178	2016
Other retail loans	1872	2092	2276	2467	2539	72
TOTAL	**23996**	**25208**	**27774**	**33748**	**36260**	**2512**

Source: BRE Bank Securities, Millennium

Overview of quarterly earnings

(PLN m)	Q1'07	Q2'07	Q3'07	Q407	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q/Q	Y/Y
Net loans	16 674	18 770	21 068	22 027	23 996	25 209	27 774	33 748	36 260	7.4%	51.1%
Deposits	16 165	17 217	18 396	21 801	24 121	25 641	29 543	31 702	32 345	2.0%	34.1%
Assets	26 088	27 381	28 941	30 530	33 937	34 253	39 112	47 115	48 240	2.4%	42.1%
Net interest income	169	179	202	222	223	238	251	269	128	-52.4%	-42.7%
Net fee income	114	141	144	145	135	114	113	110	126	14.3%	-6.7%
Trading income	81	98	73	82	80	128	139	29	143	397.1%	80.1%
Income from banking operations	364	417	418	449	438	479	503	408	397	-2.6%	-9.2%
Other net operating income	7	10	30	14	7	6	2	6	3	-46.0%	-58.2%
Banking Income	371	427	448	464	445	485	505	413	400	-3.2%	-10.0%
Operating expenses	-214	-232	-254	-270	-262	-281	-284	-293	-238	-18.7%	-9.2%
Amortization and depreciation	-16	-16	-17	-39	-13	-20	-18	-22	-20	-9.4%	54.3%
Total costs	-230	-248	-271	-309	-275	-300	-302	-315	-258	-18.1%	-6.2%
Operating income*	140	179	178	155	170	185	203	99	143	44.3%	-16.2%
Provisions	-34	-16	-15	-1	-11	-25	-46	-52	-129	148.5%	1032.8%
Pre-tax income	106	163	162	154	159	159	157	47	13	-71.6%	-91.6%
Tax	-21	-35	-35	-32	-32	-34	-31	-11	-1	-89.2%	-96.2%
Net income	84	128	127	122	127	125	126	36	12	-66.0%	-90.5%

Source: BRE Bank Securities, Millennium
** before provisions*

Valuation

We have not changed our valuation methodology vs. our previous research report on Bank Millennium of 5 March 2009. We used the Gordon model formula P/BV=(ROE-g)/(COE-g), which we used to calculate P/BV multiples. The P/BV ratio depends on our assumed return on equity (ROE), cost of equity (COE) which is the sum of the risk-free rate and the risk premium entailed in the purchase of the bank's shares, and a long-term growth rate (g). Our valuation methodology has not changed since our previous research report. Our earnings forecast horizon ends in FY2017. Long-term ROE is the ROE we expect the bank to reach in the last forecast year (2017).

Dividends

As the Bank needs to accumulate capital, we stand by our assumption that no dividends will be paid out in the next four years. This has not been changed since our last report.

Cost of Equity

The risk-free-rate is equal to the yield on 10Y T-bonds prevailing on the date of valuation. The risk premium is an unchanged 5%, and beta equals 2 for each bank. This has not been changed since our last report.

The yield on ten-year T-bonds at the close of day on 8 May 2008 was 6.24%. The resulting COE is 16.24%. In our previous research report, Millennium's risk-free rate was 6.3%.

Valuation Revision

We increased our DDM-based valuation by 6% after taking into account the following factors:

- The long term ROE increased somewhat following adjustment to our forecasts (11.7% vs. 11.6%). We assume slightly higher savings and we have adjusted our overall revenue projection somewhat.
- The risk-free rate fell from 6.3% to 6.24%.
- The new valuation was prepared in May vs. March.

DDM Summary

(PLN/share)	2008	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	+
Risk-free rate	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	2	2	2	2	2	2	2	2	2	2	2
Cost of equity	16.24%	16.24%	16.24%	16.24%	16.24%	16.24%	16.24%	16.24%	16.24%	16.24%	16.24%
EPS	0.49	0.02	0.11	0.45	0.51	0.58	0.64	0.69	0.73	0.77	
EPS (Y/Y pct change)	-10.4%	-95.6%	420.7%	309.4%	13.4%	13.0%	9.9%	8.2%	6.3%	5.6%	
BVPS	3.31	3.34	3.45	3.90	4.41	4.99	5.43	5.90	6.39	6.91	
BVPS (Y/Y pct change)	11.7%	0.6%	3.3%	13.1%	13.2%	13.2%	8.7%	8.6%	8.4%	8.1%	
ROE	15.5%	0.6%	3.3%	12.3%	12.4%	12.3%	12.2%	12.2%	11.9%	11.7%	
Long-term ROE											11.7%
Growth rate											4.0%
Implied P/BV											0.63
Equity at year-end 2017											4.3
Equity at year-end 2016											3.7
Equity at year-end 2015											3.2
Equity at year-end 2014											2.8
Equity at year-end 2013											2.4
Equity at year-end 2012											2.0
Equity at year-end 2011											1.8
Equity at year-end 2010											1.5
Equity at year-end 2009											1.3
Equity at year-end 2008											1.1
DPS	0.00	0.00	0.00	0.00	0.00	0.20	0.22	0.24	0.26	0.27	
DPS/EPS	0.0%	0.0%	0.0%	0.0%	0.0%	35.0%	35.0%	35.0%	35.0%	35.0%	
Discounted DPS	0.00	0.00	0.00	0.00	0.00	0.09	0.09	0.08	0.07	0.07	
Total discounted DPS											0.39
Fair value, end of May 2009											1.61
9MTP											1.80
Current price											2.42
Upside potential											-26%

Source: BRE Bank Securities
** risk–free rate = 10Y Treasury yield as of 8 May 2009*

Overview of bank earnings

	P/BV				P/E				PBV/ROE			
	2008	2009F	2010F	2011F	2008	2009F	2010F	2011F	2008	2009F	2010F	2011F
BZ WBK	1.4	1.3	1.2	1.1	8.0	41.7	18.0	7.8	7.5	41.0	17.4	7.3
discount/premium to median	19.4%	22.3%	18.9%	11.0%	-5.1%	0.0%	0.0%	0.0%	-3.4%	0.0%	0.0%	0.0%
discount/premium to average	11.0%	12.9%	13.0%	11.0%	2.0%	-33.0%	-7.1%	3.1%	0.4%	-33.4%	-7.9%	2.0%
B. Handlowy	1.2	1.1	1.0	1.0	10.8	19.9	15.2	9.7	10.8	19.4	14.9	9.3
discount/premium to median	0.0%	0.0%	0.0%	0.0%	28.6%	-52.2%	-15.5%	24.2%	39.2%	-52.7%	-14.4%	28.3%
discount/premium to average	-7.0%	-7.7%	-4.9%	0.0%	38.2%	-68.0%	-21.5%	28.0%	44.7%	-68.5%	-21.1%	30.9%
ING BSK	0.9	0.9	0.8	0.7	8.8	47.0	9.7	6.3	8.4	46.5	9.3	5.9
discount/premium to median	-20.1%	-17.1%	-20.8%	-25.0%	4.0%	12.8%	-45.9%	-19.0%	7.7%	13.5%	-46.3%	-18.5%
discount/premium to average	-25.7%	-23.4%	-24.7%	-25.1%	11.8%	-24.4%	-49.7%	-16.5%	11.9%	-24.4%	-50.5%	-16.9%
Kredyt Bank	0.7	0.7	0.6	0.6	5.4	164.7	35.5	5.2	5.0	164.4	35.1	4.9
discount/premium to median	-43.2%	-40.1%	-38.6%	-41.5%	-36.5%	295.4%	97.1%	-33.3%	-35.9%	301.0%	102.3%	-32.6%
discount/premium to average	-47.2%	-44.7%	-41.6%	-41.5%	-31.8%	164.9%	83.1%	-31.2%	-33.4%	167.0%	86.4%	-31.3%
Millennium	0.7	0.7	0.7	0.6	5.0	113.8	21.9	5.3	4.7	113.5	21.5	5.0
discount/premium to median	-36.9%	-33.6%	-32.9%	-36.5%	-41.0%	173.3%	21.5%	-31.3%	-39.4%	176.9%	23.8%	-30.9%
discount/premium to average	-41.3%	-38.7%	-36.2%	-36.6%	-36.6%	83.1%	12.8%	-29.2%	-37.0%	84.3%	14.1%	-29.5%
Pekao	1.9	1.7	1.6	1.4	8.5	22.0	15.6	9.9	8.2	21.1	14.8	9.4
discount/premium to median	63.3%	59.2%	49.6%	44.6%	1.3%	-47.2%	-13.5%	27.6%	5.5%	-48.5%	-14.9%	29.7%
discount/premium to average	51.8%	47.0%	42.2%	44.6%	8.9%	-64.6%	-19.7%	31.5%	9.6%	-65.7%	-21.6%	32.3%
PKO BP	2.0	1.8	1.7	1.4	8.4	26.1	19.8	8.6	7.8	25.1	19.0	8.0
discount/premium to median	70.2%	67.4%	60.1%	47.7%	0.0%	-37.4%	10.0%	11.0%	0.0%	-38.6%	9.2%	10.3%
discount/premium to average	58.3%	54.6%	52.2%	47.6%	7.5%	-58.1%	2.2%	14.4%	3.9%	-59.2%	0.6%	12.5%
Median	1.2	1.1	1.0	1.0	8.4	41.7	18.0	7.8	7.8	41.0	17.4	7.3
Average	1.2	1.2	1.1	1.0	7.8	62.2	19.4	7.5	7.5	61.6	18.9	7.1

Source: BRE Bank Securities

INCOME STATEMENT

(PLN m)	2007	2008	2009F	2010F	2011F	2012F
Net interest income	772	981	661	828	877	954
Non-interest income	877	847	834	810	863	913
Net fee income	543	472	467	503	539	570
Trading income	333	375	367	306	325	343
Income from banking operations	1 648	1 827	1 495	1 638	1 741	1 867
Other net operating income	61	21	21	21	21	21
Total banking income	1 709	1 849	1 516	1 659	1 762	1 888
Non-interest expense	-1 058	-1 192	-1 035	-1 049	-1 108	-1 154
Payroll expenses	-539	-609	-474	-494	-535	-556
Amortization and depreciation	-88	-73	-81	-81	-81	-81
Other expenses	-431	-510	-480	-475	-492	-517
Operating income before provisions	651	657	482	610	654	734
Provisions	-67	-135	-459	-491	-168	-184
Equity in income of associates	0	0	0	0	0	0
Pre-tax income	585	522	23	119	486	551
Tax	-123	-108	-5	-25	-101	-114
Minority interests	0	0	0	0	0	0
Net income	462	413	18	94	385	436
Dividends paid	161	0	0	0	0	0

CORE RATIOS

Net interest margin (total assets)	2.8%	2.5%	1.4%	1.7%	1.7%	1.7%
Net interest margin (interest-bearing assets)	3.1%	2.8%	1.6%	1.9%	1.9%	1.9%
Interest spread	2.7%	2.5%	1.4%	1.7%	1.7%	1.7%
Costs / Income	61.9%	64.5%	68.2%	63.3%	62.9%	61.1%
Costs / Assets	3.8%	3.1%	2.2%	2.1%	2.1%	2.0%
Personnel costs / Income	32%	33%	31%	30%	30%	29%
Provisions / Operating income	-10%	-21%	-95%	-81%	-26%	-25%
Provisions / Loans	-0.4%	-0.5%	-1.4%	-1.4%	-0.5%	-0.5%
Non-interest income / Total income	51%	46%	55%	49%	49%	48%
Operating income / Assets	2.4%	1.7%	1.0%	1.2%	1.2%	1.3%
ROE	19.5%	15.5%	0.6%	3.3%	12.3%	12.4%
ROA	1.7%	1.1%	0.0%	0.2%	0.7%	0.8%

ANNUAL GROWTH RATE

Net income	53.5%	-10.4%	-95.6%	420.7%	309.4%	13.4%
Operating income before provisions	59.0%	0.9%	-26.7%	26.6%	7.3%	12.3%
Total banking income	34.9%	8.1%	-18.0%	9.4%	6.2%	7.2%
Net interest income	20.3%	27.1%	-32.6%	25.3%	5.9%	8.7%
Non-interest income	43.4%	-3.4%	-1.5%	-2.9%	6.6%	5.8%
Non-interest expense	23.3%	12.6%	-13.2%	1.4%	5.6%	4.2%

BALANCE SHEET

(PLN m)	2007	2008	2009F	2010F	2011F	2012F
Cash and Central Bank balances	1 257	1 803	1 976	1 977	2 454	2 961
Receivables from financial institutions	1 082	1 641	2 196	2 197	2 727	3 290
Debt securities	4 224	6 374	6 025	6 194	6 124	6 095
Loans	22 027	33 748	34 235	35 925	38 905	42 795
Shares and other equity, derivatives	1 029	2 836	2 836	2 836	2 836	2 836
Fixed assets	357	408	408	413	408	404
Other assets	554	306	942	1 030	1 093	1 215
Total assets	30 530	47 115	48 618	50 572	54 547	59 596
Liabilities to financial institutions	3 295	4 563	4 761	4 996	5 420	5 962
Deposits	21 801	31 702	33 083	34 712	37 661	41 428
Securities outstanding	851	927	968	1 015	1 102	1 212
Subordinated debt	826	961	961	961	961	961
Other liabilities, inc. financial	1 237	6 146	6 011	5 960	6 090	6 285
Equity	2 520	2 815	2 833	2 927	3 312	3 748
Share capital	849	849	849	849	849	849
Total equity and liabilities	30 530	47 115	48 618	50 572	54 547	59 596

** including goodwill*

NPL / Loans	3.4%	3.4%	5.8%	7.7%	7.7%	7.7%
NPL /Assets	2.5%	2.5%	4.2%	5.7%	5.7%	5.8%
Provisions / NPL	79.5%	64.3%	58.6%	58.9%	59.8%	59.7%
Provisions / Loans	2.7%	2.2%	3.4%	4.5%	4.6%	4.6%
Provisions / Assets	2.0%	1.6%	2.5%	3.4%	3.4%	3.4%

ASSET ANALYSIS

Equity /Assets	8.3%	6.0%	5.8%	5.8%	6.1%	6.3%
Loans /Assets	72.1%	71.6%	70.4%	71.0%	71.3%	71.8%
Deposits / Assets	71.4%	67.3%	68.0%	68.6%	69.0%	69.5%
Loans / Deposits	101.0%	106.5%	103.5%	103.5%	103.3%	103.3%
Loan CAGR	47.5%	53.2%	1.4%	4.9%	8.3%	10.0%
Deposit CAGR	24.6%	45.4%	4.4%	4.9%	8.5%	10.0%
Asset CAGR	23.6%	54.3%	3.2%	4.0%	7.9%	9.3%

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List of abbreviations and ratios contained in the report:
EV *– net debt + market value*
EBIT *– Earnings Before Interest and Taxes*
EBITDA *– EBIT + Depreciation and Amortisation*
P/CE *– price to earnings with amortisation*
MC/S *– market capitalisation to sales*
EBIT/EV *– operating profit to economic value*
P/E *– (Price/Earnings) – price divided by annual net profit per share*
ROE *– (Return on Equity) – annual net profit divided by average equity*
P/BV *– (Price/Book Value) – price divided by book value per share*
Net debt *– credits + debt papers + interest bearing loans – cash and cash equivalents*
EBITDA margin *– EBITDA/Sales*

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HOLD – we expect that the rate of return from an investment will range from –5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
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Previous ratings issued for Bank Millennium

Rating	Buy	Hold	Suspended	Hold	Buy	Buy	Hold	Sell
Date issued	2008-09-30	2008-10-07	2009-01-06	2009-01-12	2009-02-03	2009-03-05	2009-04-02	2009-05-06
Price on rating date	6.21	5.30	2.85	2.68	2.02	1.43	1.84	2.78
WIG on rating date	36854.78	34832.29	28331.88	27680.04	23908.36	22719.61	24145.69	29777.06