Consolidated report of the Bank Millennium S.A. Capital Group for 1st quarter of 2024

This document is a translation from the original Polish version. In case of any discrepancies between the Polish and English versions, the Polish version shall prevail.

Consolidated Financial Highlights

	Amount '000 PLN		Amount '000 EUR	
	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Interest income and other of similar nature	2 169 427	2 071 433	502 054	440 684
Fee and commission income	262 422	260 648	60 730	55 451
Profit (loss) before income tax	129 293	533 601	29 921	113 520
Profit (loss) after taxes	128 426	252 146	29 721	53 642
Total comprehensive income of the period	187 245	578 096	43 333	122 986
Net cash flows from operating activities	6 656 138	3 376 398	1 540 380	718 306
Net cash flows from investing activities	(5 345 614)	(2 291 994)	(1 237 096)	(487 606)
Net cash flows from financing activities	(37 406)	(45 273)	(8 657)	(9 632)
Net cash flows, total	1 273 118	1 039 131	294 628	221 068
Earnings (losses) per ordinary share (in PLN/EUR)	0.11	0.21	0.02	0.04
Diluted earnings (losses) per ordinary share	0.11	0.21	0.02	0.04
	31.03.2024	31.12.2023	31.03.2024	31.12.2023
Total Assets	132 138 048	125 520 004	30 723 348	28 868 446
Liabilities to banks and other monetary institutions	557 849	563 512	129 705	129 603
Liabilities to customers	113 183 861	107 246 427	26 316 320	24 665 692
Equity	7 082 140	6 894 895	1 646 665	1 585 762
Share capital	1 213 117	1 213 117	282 061	279 006
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN/EUR)	5.84	5.68	1.36	1.31
Diluted book value per share (in PLN/EUR)	5.84	5.68	1.36	1.31
Total Capital Ratio (TCR)	18.01%	18.06%	18.01%	18.06%
Pledged or paid dividend per share (in PLN/EUR)	-	-	-	-

Exchange rates accepted to convert selected financial data into EUR				
for items as at the balance sheet date	-	-	4.3009	4.3480
for items for the period covered by the report (exchange rate calculated as the average of exchange rates at the end of individual months of the period)	-	-	4.3211	4.7005

INFORMATION ABOUT ACTIVITY OF BANK MILLENNIUM AND CAPITAL GROUP OF BANK MILLENNIUM S.A. IN 1Q24

FINANCIAL RESULTS – KEY POINTS

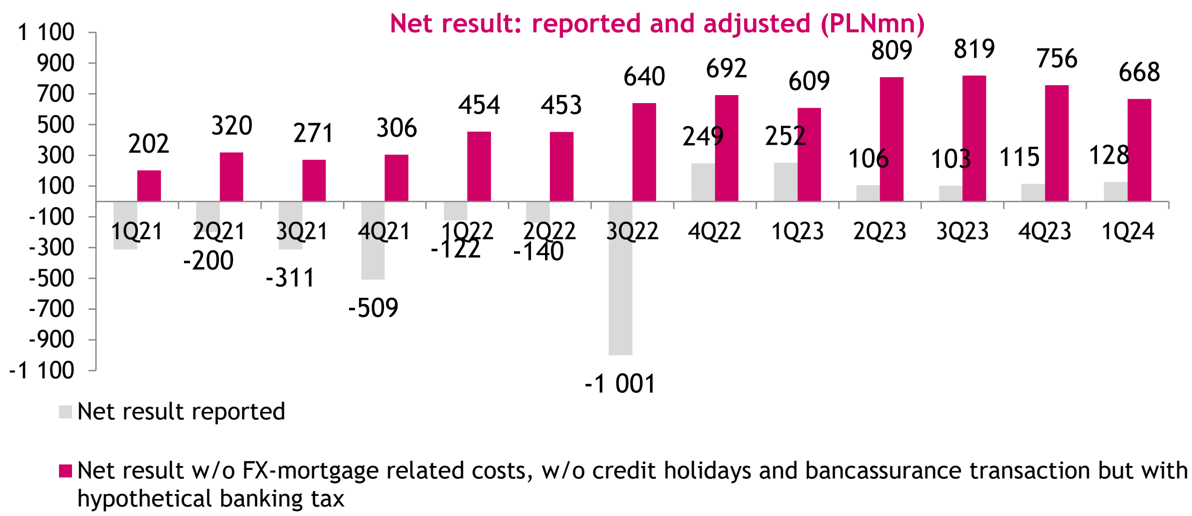
Summary

Bank Millennium S.A. Capital Group's ('BM Group', 'Group') reported net profit of PLN128 million in 1Q24. Again, the three digit net result was achieved despite the still high costs related to FX-mortgage portfolio ('FX-mortgage costs'). These remained elevated (PLN824 million pre-tax, PLN640 million after tax) due to high legal costs while legal risk provision cost continued to trend down. 1Q24 net profit adjusted for these costs but with a hypothetical asset tax ('bank tax') of PLN100 million would be PLN668 million compared with adjusted 1Q23 net profit of PLN609 million.

1Q24 was another solid quarter from the operating perspective. Deposit collection was strong (up 6% q/q) despite visibly lower pricing, helping to reverse the negative trend in NII. Loan book w/o FX-mortgages grew 1% q/q with improved originations of PLN mortgages (+78% y/y) and greens-shoots in leasing (origination +14% y/y) and loans to micro-companies (+7%). Number of active retail clients remained in a steady up trend (3,045 thousand, up 4% y/y) while volume of investment products grew 10% q/q to nearly PLN9bn.

Number of new amicable settlements with FX-mortgage borrowers remained well above the 1,000 mark, with settlements to date totalling 22,500, an equivalent of 37% of the number of loan agreements active at moment of the full roll-out of amicable settlements effort. Inflow of FX-mortgage claims against the Bank continued to trend down, while its legal risk provisions include relevant assumption connected with future inflow of court cases.

Last but not least, capital ratios remained broadly stable (Group TCR: 18.0%/T1:14.9%) and comfortably above the regulatory minimums, thereby further increasing the odds of a formal nearing completion of the recovery and capital protection plans. Moreover, the drop of the share of gross share of FX-mortgages (before deduction of FX mortgage legal risk provisions) in total gross book below the 10% thresholds is the another important step towards a potential significant reduction or even elimination of the P2R buffer further out.



Key developments in the period

The key developments in 1Q24 were as follows:

- **NII adjusted for cost of credit holidays increased 5% q/q** on a combination of 6% higher IEAs, higher market interest rates (average 3M WIBOR at 5.86% vs. 5.77% in 4Q23) and lower cost of funding; the size and profitability of the securities portfolio continued to increase; the y/y growth of NII improved to 7% from 3% in the previous quarter;

- **quarterly NIM improved to 436bp from 424bp in the preceding quarter** and it was a combination of lower deposit cost (240bp from 255bp respectively) and higher yield of the securities portfolio;

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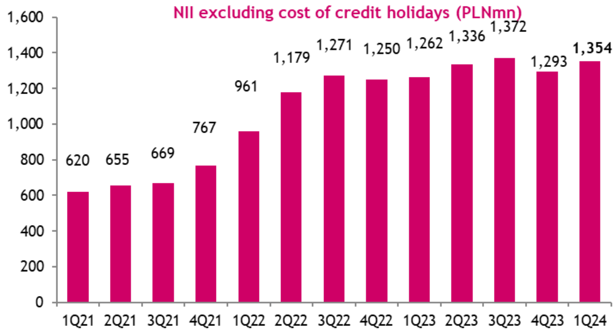
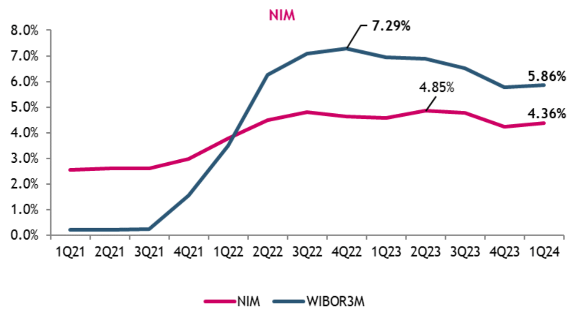
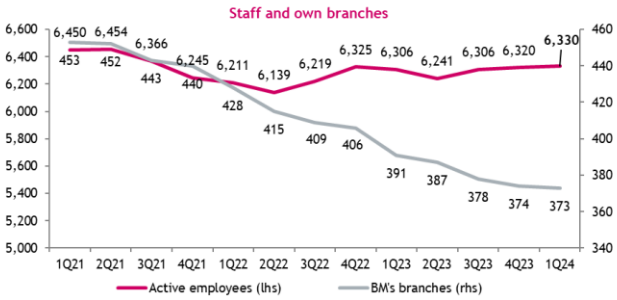
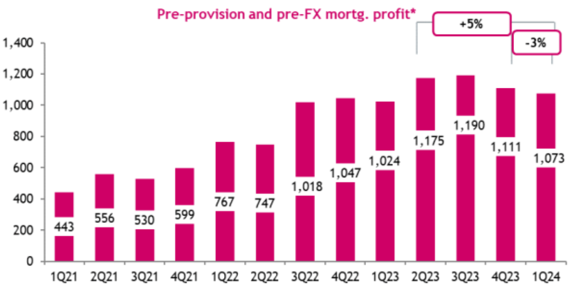




- **cost inflation accelerated further** (opex without BFG costs up 23% y/y) with low base effect (annual settlement of card costs lowering admin costs in 1Q23) partly responsible for this elevated rate of growth; headcount remained broadly stable (number of active employees up 24 in the last twelve months), optimisation of the physical distribution network continued (own branches down by 18 units or 5% in the last twelve months) complementing the increasing share of digital services (digital customers: 2.77mn, up 7% y/y, number of active mobile customers: 2.55mn, up 9% y/y);

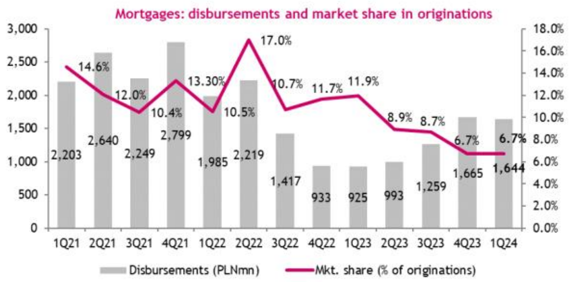


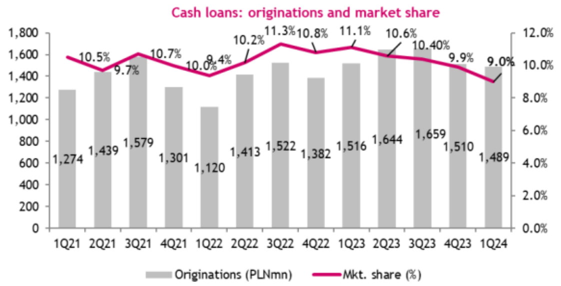


(*) Reported adjusted for cost of credit holidays, provisions against credit risk, Covid-19, result on FV portfolio, impairment losses on non-financial assets, modifications, legal risk on FX-mortgages and results on bancassurance transaction in 1Q23 and 4Q23.

- **loan portfolio marginally increased in the quarter** (net/gross loans: +0.4% y/y each) with trends in FX-mortgage portfolio (down 19% q/q on a reported basis and down >55% y/y) remaining the key decisive factor; the growth of loan book w/o FX-mortgages, up on all counts (+1% q/q, +1% y/y), was a good indicator for the remainder of the year as loan growth was particularly more visible in March; FX-mortgages (reported basis) continued to shrink fast on a combination of FX movements, repayments, provisioning (in line with IFRS9 most of legal risk provisions are booked against gross value of loans under court proceedings), write-downs and amicable settlements; as a result, the share of all FX-mortgages in total gross loans decreased to 3.3% (BM originated only: 2.9%) from 7.3% (6.6%) in the same period last year;

- **non-mortgage retail portfolio was flat q/q and up 7% y/y** owing chiefly to stable origination of cash loans (PLN1.5bn or down 2% y/y); BM's market share in origination of cash loans in 1Q24 stood at 9.0%, below the 11.1% in 1Q23; origination (disbursements) of PLN mortgages remained stable q/q at PLN1.6bn (market share of 6.7%), growing 78% y/y;





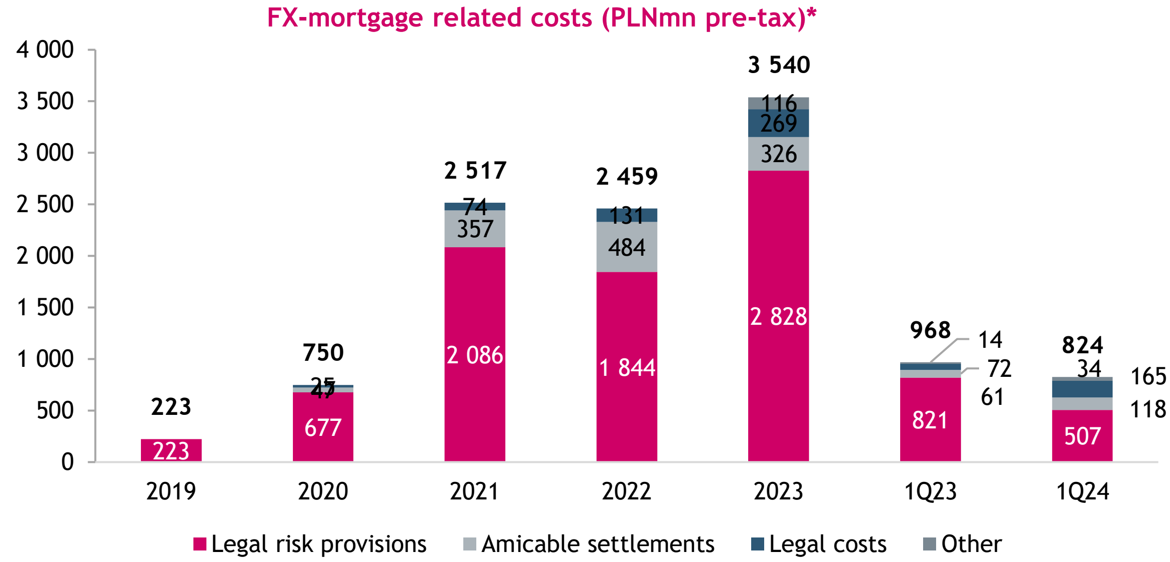
- **loan book quality was broadly stable in 1Q24** with NPL ratio at 4.6%; consumer loans segment was the only portfolio with a slight NPL increase, counterbalanced by a drop of NPL ratio in the corporate portfolio; volume of Stage 3 loans increased only marginally, hence the NPL coverage improved further to 73% (72% at YE23); cost of risk was seasonally higher (63bps, the same as in 1Q23) with 67bps credit risk cost in the retail segment and 47bps in the corporate one;
- **customer deposits were up 6% in the quarter and up 12% y/y** with retail deposits up 6% q/q and corporate ones up 5%; share of term deposits increased to 39% from 36% at YE23; the liquidity of the Bank remained very comfortable with L/D ratio easing further to 65%;
- **AuM of Millennium TFI and third-party funds combined again grew at a healthy rate (10% q/q)** with y/y growth rate accelerating to 30%;
- **capital ratios were broadly stable** (Group TCR: 18.0%/T1:14.9% vs. 18.1%/14.7% respectively at the YE23) with the surplus over the required minimum T1 level widening further to 5.1ppt and this over minimum TCR ratio stable (5.8%); the improvement was mainly an outcome of an inclusion of 2H23 net profit into regulatory capital and lower unrealised losses on the bond portfolio; MREL trea ratio remained broadly stable, well above the current and the expected new requirement; the Bank expects its MREL targets to be lowered during 2Q24 with new MRELtrea target expected at 18.03% vs. 18.89% currently (20.78% vs. 21.64% respectively including CBR).

Substantial extraordinary P&L items

In 1Q24, the BM Group recognised annual cost of BFG resolution fund fee in the amount of PLN61 million. In admin costs, the y/y comps were distorted by low base effect (settlement of card fees lowered admin costs in 1Q23). Lastly, tax line brought a lower than usual figure owing to number of items, including a creation of PLN52 million DTA related to future adjustments of interest income earned on mortgage loans indexed to CHF and foreign currency loans in this currency which are the subject of court disputes for their cancellation. This asset significantly reduced the tax burden for the reported period (details in note 11 further in the report).

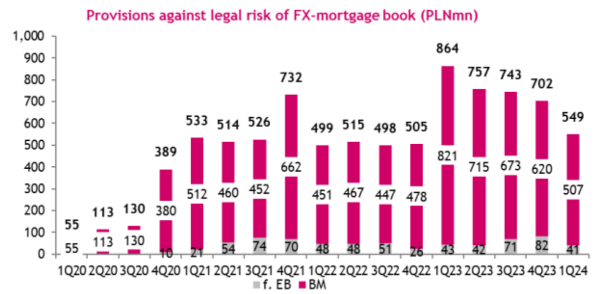
FX-mortgage portfolio and related costs

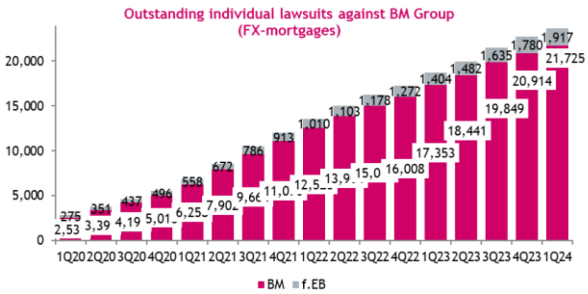
Costs related to FX-mortgage portfolio (legal risk provisions, costs of amicable settlements and legal costs) remained elevated (PLN824 million pre-tax/PLN640 million after tax) and continued to be a material drag on the increasingly profitable core business of the Group.



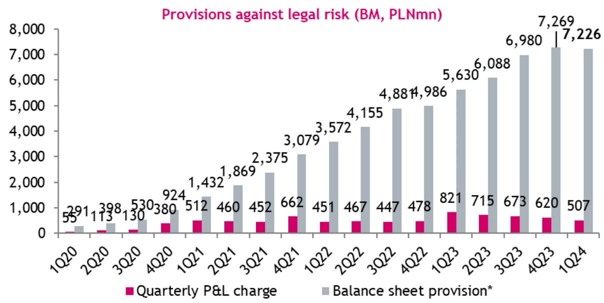
(*) without legal risk costs related to FX-mortgages originated by former EB.

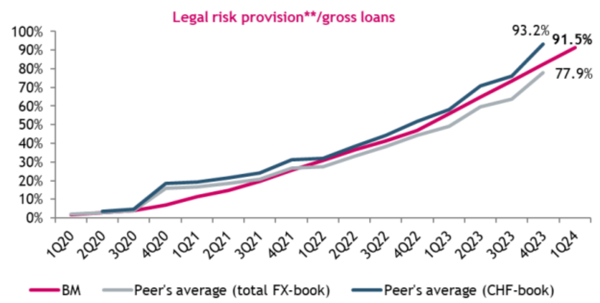
Total provisions against legal risk related to FX-mortgage portfolio ('FX-mortgage provisions') amounted to PLN549 million (pre-tax) in 1Q24 with PLN507 million attributable to FX-mortgages originated by Bank Millennium. Post-tax FX-mortgage related provisions attributable to portfolio originated by Bank Millennium totalled PLN389 million vs. PLN820 million in 1Q23. It is worth noting that since their peak in 1Q23, quarterly levels of legal risk provisions have been in a clear downtrend. In the 1H23 the increase of mortgage provisions resulted from negative developments in the legal environment, namely the judgment of the European Court of Justice of June 15, 2023, with consequent methodological changes (e.g. elimination of a scenario of remuneration for capital provided by the Bank) and updated inputs into the Bank's provisioning methodology, in 2H23 these were chiefly driven by updated inputs, reflecting, inter alia, actual and expected inflow of court claims, while in 1Q24 apart from changes to inputs, provisions for potential late payments interest were also included.





At the end of March'24, provisions for the portfolio originated by Bank Millennium were at the level of PLN7,226 million (an equivalent of 91.5% of the grossed-up FX-mortgage book) and at PLN631 million for the portfolio originated by former Euro Bank. Allocated, i.e. decreasing gross balance sheet value of the respective loan books stood at PLN5,648 million (dropped q/q on a combination of stronger PLN and use of provisions) and PLN477 million respectively.





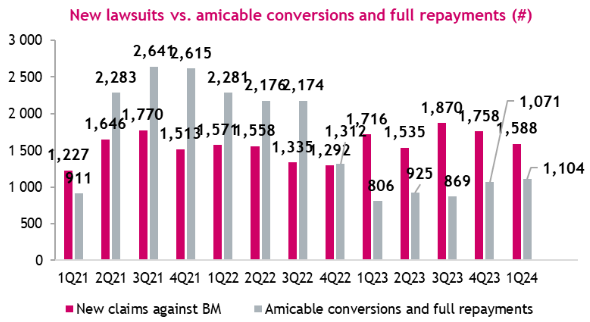
*(*) actual outstanding B/S provisions not equal to the sum of P&L charges. ** including provisions for settlements*
Note: legal risk provisions/gross FX mortgage book (post IFRS9 adjustments where necessary); excl. f.EB portfolio in case of BM; peer group composition has been changed hence there may be differences in comparison to previously presented data.

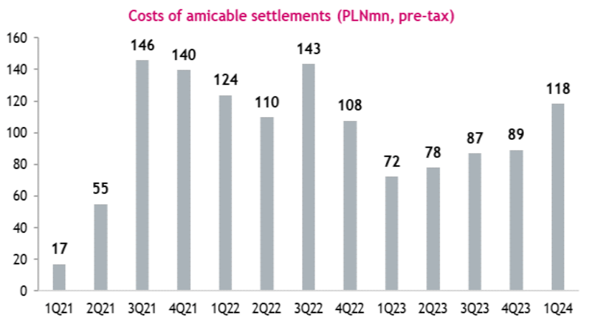
On March 31, 2024, the Bank had 21,725 loan agreements and additionally 1,917 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by the Bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the court. A relatively small proportion of these (~12.0%) was filed by borrowers who had repaid their FX-mortgages entirely or converted them into PLN mortgages at the date of submitting the court case.

The Bank is highly focused on reduction of its FX-mortgage portfolio and the related risk and therefore continues to actively offer its customers amicable solutions (i.a. conversions to Polish zloty, pre-payments, early repayments or collectively ‘amicable settlements’) regarding FX-mortgages on negotiated terms. The number of amicable settlements reached 1,104 in 1Q24, slightly more than in the preceding quarter. Over 22,500 amicable settlements took place since early 2020 when more intensive effort started. This represents over 37% of the number of active FX-mortgage agreements at the start of the effort. As a result of these negotiations, final court verdicts and other natural drivers, in 1Q24 the number of active FX-mortgage loans decreased by over 1,660 to 30,763, following the 5,586 drop in 2003 overall.

In 1Q24, costs related to amicable settlements totalled PLN118 million (pre-tax, booked in FX-result and in result on modifications), The relatively higher cost of the settlements in the period reflected, among others, an increasing number and share of in-court settlements. In 1Q24, 271 such settlements were achieved, compared to 186 in 4Q23 and 533 in 2023 overall.

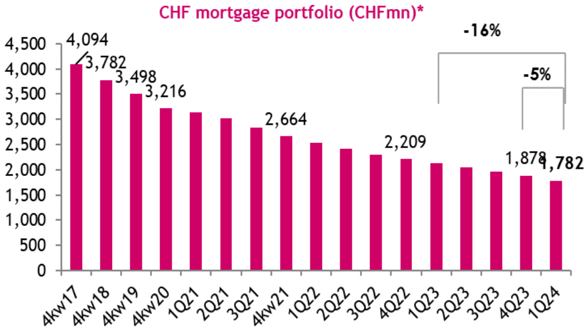
Legal costs, booked in admin costs and other operating costs, were exceptionally high this quarter and totalled PLN165 million.

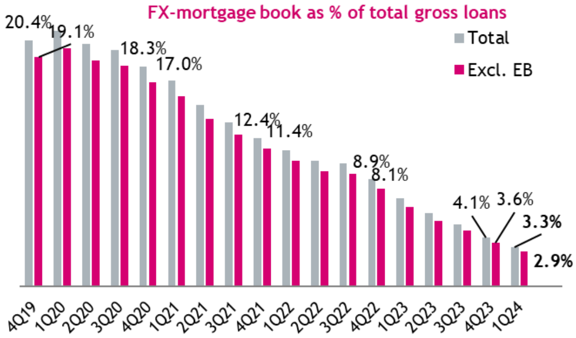




Note: some items were adjusted from the previously reported values

As a result of these trends, the BM’s FX-mortgage portfolio contracted 5% in 1Q24 (in CHF terms, gross, w/o impact of allocated legal risk provisions) while the y/y contraction rate stood at 16%. The share of total FX-mortgage book (gross loans less allocated legal risk provisions) in total Group’s gross loans dropped to 3.3% at the end of March, while the share of FX-mortgage loans originated by BM dropped to 2.9%.





(*) Originated by Bank Millennium
Note: the share of gross FX-mortgages not deducting allocated legal risk provisions was 9.95% at the end of March'24.

Excluding all FX-mortgage related costs (PLN824 million pre-tax/PLN640 million after tax) and adding hypothetical bank tax (PLN100 million), the BM Group would post 1Q24 net profit of PLN668 million (PLN714 million with linear distribution of BFG charges) vs. adjusted 1Q23 net profit of PLN609 million (PLN672 million).

FINANCIAL RESULTS IN DETAIL

Group P&L

Group's operating income *(PLNmn)*	**1Q24**	**1Q23**	**Change y/y**	**4Q23**	**Change q/q**
Net interest income	1 354	1 262	7%	1 284	5%
Net commission income	200	201	-1%	190	5%
Core income	1 554	1 463	6%	1 474	5%
Other non-interest income	-137	594	-	92	-
Total operating income*	1 417	2 057	-31%	1 567	-10%
Total operating income without extraordinary items**	1 640	1 524	8%	1 606	2%

(*) Without fair value adjustment of credit portfolio (PLN3.7mn in 1Q24 and PLN-2.7mn in 1Q23), which is included in the cost of risk line

(**) Without financial impact of insurance transaction (PLN597.2mn in 1Q23 and PLN55.2mn in 4Q23), negative impact of credit holidays (PLN9,2mn in 4Q23) and FX mortgage loan related costs/incomes (in FX position and other operating income/cost including indemnity from Societe Generale)

Net interest income (NII) in 1Q24 reached PLN1,354mn and grew 7% y/y (and 5% q/q) despite much lower market interest rates after the 75 bps central bank rates cut at the beginning of September'23 and negative impact of the EUR500mn MREL bonds issue (in the same month) on interest cost. The main driver of the growth of this item were debt securities (an increase by PLN19.5bn during 12 months).

Net interest margin (over average interest earning assets) (NIM) averaged 4.36% in 1Q24, i.e. 22 bps lower than 4.58% level in 1Q23. The above mentioned factors (interest rate cuts and MREL bonds) as well as growing share of bonds in assets had an adverse impact on NIM whereas decreasing cost of deposits by 49 bps during the same period (to 2.40%) and some improvement in bonds yields had both a positive impact.

Net commission income in 1Q24 amounted to PLN200mn and decreased slightly by less than 1% y/y (increased by 5% q/q) mainly due to contraction of fees from bancassurance activity by 24% y/y (as a result of the bancassurance transaction). On the other hand commissions from payment cards, brokerage and custody, funds management and distribution of mutual funds and other investment products increased considerably.

Reported core income, defined as a combination of net interest and net commission income, reached PLN1,554mn in 1Q24 and grew 6% y/y (and 5% q/q), being the key factor of Group's recurrent income dynamics.

Other non-interest income, which comprises FX result, results on financial assets and liabilities (without fair value adjustment on credit portfolio) and net other operating income and costs, showed a negative value of PLN137mn in 1Q24. Costs of amicable settlements negotiated with FX mortgage borrowers and legal costs related to FX mortgage loans (PLN230mn presented in FX result and other operating costs) continued to negatively impact this line. In 2023 this line was under strong positive impact of the insurance transaction (sale of shares in Millennium Financial Services Sp. z o.o. to external insurance partner in March'23 and related impacts), with total pre-tax impact of PLN652mn (of which PLN597mn in 1Q23 and PLN55mn in 4Q23) which makes the analysis of the annual and quarterly changes of this item difficult.

Total operating income of the Group reached PLN1,417mn in 1Q24 and showed a strong decrease of 31% y/y. Without the extraordinary income and costs mentioned above, the income would be PLN1,640mn, up 8% y/y (a growth of 2% q/q).

Total costs amounted to PLN598mn in 1Q24, translating into an increase by 15% y/y. Total costs excluding BGF fees grew 23% y/y (or 2% q/q) reflecting still high inflationary pressures.

Operating costs *(PLNmn)*	1Q24	1Q23	Change y/y	4Q23	Change q/q
Personnel costs	(289)	(246)	18%	(268)	8%
Other administrative costs	(309)	(276)	12%	(261)	18%
of which Banking Guarantee Fund (BGF) fees	*(61)*	*(83)*	*-27%*	*0*	*-*
Total operating costs	(598)	(522)	15%	(529)	13%
Total costs without BFG	*(537)*	*(438)*	*23%*	*(529)*	*2%*
Cost/income - reported	42.2%	25.4%	16.9 p.p.	33.6%	8.7 p.p.
*Cost/income - adjusted **	*31.8%*	*28.7%*	3.0 p.p.	*31.2%*	0.6 p.p.

(*) with equal distribution of BFG resolution fee through the year and without one-off income or cost

Personnel costs amounted to PLN289mn in 1Q24 and increased 18% y/y (+8% q/q), mainly as a result of wage inflation feeding through higher base salaries and also higher provisions for bonuses. The Group continued to adjust the number of its branches and personnel to its needs, reflecting ongoing digitalisation of banking business and the growing importance of online channels while simultaneously keeping strong geographical presence through *brick-and-mortar* outlets. At the end of March 2024, the total number of outlets stood at 611 and their number was reduced by 11 units vs. the end of March 2023. The number of Group's employees amounted to 6,731 FTEs at the end of March 2024 and was 1% lower y/y and on similar level as a quarter ago. Without employees absent due to long leaves ('active FTEs'), the headcount was even lower at 6,330 staff.

Employment *(FTEs)*	31.03.2024	31.03.2023	Change y/y	31.12.2023	Change q/q
Bank Millennium S.A.	6 440	6 539	-2%	6 460	0%
Subsidiaries	291	276	5%	287	1%
Total Bank Millennium Group	6 731	6 815	-1%	6 747	0%
Total BM Group (active* FTEs)	6 330	6 306	0%	6 320	0%

(*) active FTEs denote employees not on long-term leaves.

Other administrative costs (including depreciation) reached PLN309mn in 1Q24 and increased by 12% y/y due to lower base effect supported by some cost savings in 1Q23. Among the key groups of costs the higher increase could be witnessed in such items as legal and advisory costs, rental and office maintenance, IT and telecommunication costs and marketing spendings. Legal costs resulting from negotiations and litigations with FX mortgage borrowers were a significant burden to this cost group (PLN32mn in the reporting period).

Cost-to-income ratio for 1Q24 amounted to 42.2% and was higher by 16.9 percentage points vs. the 1Q23 level (33.6%), mainly due to the impact of high one-of income in 1Q23. Cost-to-income ratio without extraordinary items mentioned above (mainly the bancassurance transaction, cost of credit holidays and legal costs and FX losses related to litigations/settlements with FX mortgage borrowers), reached low level of 31.8% in 1Q24 and was 3 percentage points higher than in 1Q23.

Net profit *(PLNmn)*	1Q24	1Q23	Change y/y	4Q23	Change q/q
Operating income	1 417	2 057	-31%	1 567	-10%
Operating costs	(598)	(522)	15%	(529)	13%
Impairment provisions and other cost of risk*	(120)	(119)	0%	(68)	75%
Other modifications**	(21)	(19)	10%	(11)	84%
FX legal risk related provision	(549)	(864)	-36%	(702)	-22%
Banking tax	0	0	-	0	-
Pre-tax profit	129	534	-76%	256	-50%
Income tax	(1)	(281)	-100%	(141)	-99%
Net profit - reported	128	252	-49%	115	12%
Net profit - adjusted*	714	672	6%	741	-4%

(*) Impairment provisions for financial and non-financial assets including also fair value adjustment on loans (PLN3.7mn in 1Q24 and PLN-2.7mn in 1Q23) and loans modification effect (PLN-10.6mn in 1Q24 and PLN-9.1mn in 1Q23)

(**) The value of modification booked in given period resulting from amicable settlements with FX mortgage borrowers and referring to a specific group of such agreements.

(***) Without extraordinary items, i.e. financial impact of insurance transaction (PLN597.2mn in 1Q23 and PLN55.2mn in 4Q23), negative impact of credit holidays (PLN9,2mn in 4Q23) and FX mortgage loan related costs/incomes (in legal risk provisions, FX position, operating cost and other operating income/cost including indemnity from Societe Generale, tax effects in 1Q24), and with linear distribution of BFG resolution fund fee and hypothetical banking tax

Total cost of risk, which comprised net impairment provisions, fair value adjustment related to specified loan portfolios and a part of result on modifications (excluding the part related to settlements with FX mortgage borrowers), bore by the Group amounted to PLN120mn in 1Q24 and was stable versus the comparable period of the previous year.

Risk charges for retail segment (including FX mortgage) were the main component of risk cost and amounted to PLN100mn in 1Q24. Risk charge for corporate and other segments was moderate and amounted to PLN20mn. In relative terms, the cost of risk (i.e. net charges to average gross loans) for 2023 reached 63 basis points (annualised) and was on the same level as in 1Q23. There were no sales of NPLs in 1Q24.

In 1Q24, the Group booked in modifications line a part of costs related to settlements with FX mortgage borrowers in the amount of PLN21mn, 10% higher than in the corresponding period of the previous year.

In 1Q24, the Bank continued to create **provisions for legal risk related to FX-mortgage portfolio**, which remained a significant item in the P&L statement and reached PLN549mn (PLN507 mn excluding loans generated by former Euro Bank as they are subject to indemnity clauses and guarantees from Societe Generale). The provisions were lower by 36% than these in 1Q23 as the whole 2023 was characterised by higher level of such provisions after the earlier opinion and the final judgement of the European Court of Justice of June 15, 2023 on case C-520/21, with resultant elimination from the Bank's legal risk provisioning methodology of the probability of receiving remuneration for the use of capital it had provided. Additionally, the Bank also updated other parameters in its methodology. At the end of March'24, provisions for the portfolio originated by Bank Millennium were at the level of PLN7,226mn (an equivalent of 91.5% of the grossed-up FX-mortgage book) and at PLN631mn for the portfolio originated by the former Euro Bank.

Pre-income tax profit in 1Q24 amounted to PLN129mn and was significantly lower (by 76% y/y) vs the level of 1Q23 and of 4Q23 (down 50% q/q) due to high one-off gains in previous quarter and in 1Q23 as mentioned above. The Bank has not been due to pay banking tax since July 15, 2022, the date of the Bank's decision to launch the Recovery Plan and notification of the fact to both PFSA and Bank Guarantee Fund.

In 1Q24 the Group reported **net profit** of PLN128mn and decreased by 49% y/y due to the same reasons as explained above when discussing the pre-tax profit. Adjusted for the abovementioned extraordinary items (i.a. FX-mortgage related costs, tax impacts in 1Q24 and the income from sale of shares in bancassurance business in 1Q23) and with an even distribution of the BFG charge throughout the whole of 2024, the Group would achieve the net profit of PLN714mn in 1Q24, 6% above the adjusted 1Q23 net profit of PLN672mn.

Loans and advances to clients

The structure and evolution of loans to clients of the Group is presented in the table below:

Loans and advances to clients *(PLNmn)*	31.03.2024	31.03.2023	Change y/y	31.12.2023	Change q/q
Loans to households	56 271	56 547	*0%*	56 386	*0%*
- *PLN mortgage loans*	*36 766*	*35 004*	*5%*	*36 356*	*1%*
- *FX mortgage loans*	*2 417*	*5 531*	*-56%*	*2 989*	*-19%*
- *of which Bank Millennium loans*	*2 138*	*5 012*	*-57%*	*2 651*	*-19%*
- *of which ex-Euro Bank loans*	*279*	*519*	*-46%*	*338*	*-17%*
- *consumer loans*	*17 088*	*16 012*	*7%*	*17 040*	*0%*
Loans to companies and public sector	17 640	18 833	*-6%*	17 257	*2%*
- *leasing*	*6 687*	*6 971*	*-4%*	*6 599*	*1%*
- *other loans to companies and factoring*	*10 952*	*11 862*	*-8%*	*10 658*	*3%*
Net loans & advances to clients	**73 911**	**75 380**	*-2%*	**73 643**	*0%*
Net loans and advances to clients excluding FX mortgage loans	*71 494*	*69 849*	*2%*	*70 654*	*1%*
Impairment write-offs	2 593	2 508	*3%*	2 518	*3%*
Gross* loans and advances to clients	**76 504**	**77 888**	*-2%*	**76 161**	*0%*

(*) Including, besides provisions for credit risk, also fair value adjustment of loan portfolio presented in fair value as well as modification. Gross loan portfolio in this case presents value of loans and advances before mentioned provisions and adjustments but after allocation of FX mortgage legal risk provisions.

Total net loans of Bank Millennium Group reached PLN73,911mn as at 31 March 2024 and were down 2% y/y (a slight growth quarterly). Loans without FX-mortgage portfolio increased by 2% y/y. FX mortgage loans net of provisions decreased materially during the last twelve months (down 56%) and the share of FX mortgage loans (excluding these taken over with Euro Bank) in total gross loans has dropped materially during one year period to 2.9% from 6.6% a year ago. This was partly due to the fact that most of legal risk provisions lower the gross value of the loans apart from regular amortisation, earlier repayments and conversions to PLN.

The net value of loans to households amounted to PLN56,271mn at the end of March 2024, showing flattish trend both in annual and quarterly perspective as a result of shrinking book value of FX mortgage portfolio. Within this line, PLN mortgages grew 5% y/y, with the signs of rebound in new loans origination: disbursements of those loans in 1Q24 reached PLN1,644mn and grew by 78% y/y.

The net value of consumer loans reached PLN17,088mn at the end of March 2024 and increased by 7% y/y. The cash loans origination in 1Q24 reached PLN1.5bn, i.e. similar level as in the previous quarter.

Net value of loans to companies amounted to PLN17,640mn at the end of March 2024 and decreased by 6% y/y but managed to grow by 2% q/q. The contraction of the loan portfolio was largely caused by the Group's focus on risk weighted assets (RWA) optimisation in 2023 resulting from capital management objectives.

Customers' deposits

The evolution of clients deposits is presented in the table below:

Customer deposits *(PLN million)*	31.03.2024	31.03.2023	Change y/y	31.12.2023	Change q/q
Deposits of individuals	81 060	70 101	16%	76 600	6%
Deposits of companies and public sector	32 124	30 774	4%	30 647	5%
Total deposits	113 184	100 876	12%	107 246	6%

Total deposits amounted to PLN113,184mn on 31 March 2024 and grew strongly by 12% y/y and by 6% q/q. The main driver of this growth were deposits of individuals, which reached PLN81,060mn on 31 March 2024 and posted exceptionally high growth of 16% y/y (+6% q/q). Term deposits from retail clients grew by 38% y/y whereas current and saving accounts of individuals grew by 6% y/y.

Deposits of companies and public sector, which reached PLN32,124mn on 31 March 2024, grew 4% y/y (+5% q/q).

LIQUIDITY, ASSET QUALITY AND SOLVENCY

The liquidity position of Bank Millennium Group remained very strong in 1Q24. LCR ratio reached the level of 334% at the end of March 2024, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 65% and the share of liquid debt securities (mainly bonds issued by the sovereigns, multilateral development banks and NBP bills) in the Group's total assets remains significant at 36%.

Group loans quality and liquidity indicators *(PLNmn)*	1Q24	1Q23	Change y/y	4Q23	Change q/q
Total impaired loans	3 542	3 694	-152	3 488	54
Impairment provisions	2 579	2 476	103	2 497	82
FV adjustment	14	32	-18	22	-7
Total impairment provisions and FV adjustment	2 593	2 508	85	2 518	75
Impaired over total loans ratio (%)	4.63%	4.74%	-0.11pp	4.58%	0.05pp
Loans past-due over 90 days /total loans (%)	2.19%	2.05%	0.14pp	2.12%	0.07pp
Coverage ratio (Total provisions + FV adjustment/impaired loans) (%)	73.21%	67.90%	5.32pp	72.21%	1.00pp
Total provisions and FV adjustment/loans past-due (>90d) (%)	154.79%	157.02%	-2.23pp	155.68%	-0.89pp
Liquidity Coverage Ratio (LCR) for Group	334%	228%	106pp	327%	7pp

The Group continued to exhibit a very good asset quality: the share of impaired loans in total loan portfolio remained at the low level of 4.63%. The share of loans past-due more than 90 days in total portfolio increased y/y from 2.05% to 2.19% at the end of March 2024.

Coverage ratio of impaired loans increased y/y from 67.90% up to 73.21% at the end of March 2024. Coverage of loans past-due by more than 90 days decreased during the year from 157.02% to 154.79%.

The impaired loan ratio in Mortgage portfolio decreased y/y from 2.92% to 2.37% at the end of March 2024, in other retail from 10.03% to 9.70%, while in the leasing portfolio increased from 3.92% to 4.56%. In corporate portfolio the ratio worsened from 3.04% to 3.15%.

Solvency

The Bank and the Group are obliged by law to meet minimum own funds and leverage ratio requirements, set in art. 92 of the Regulation (EU) 2019/876 of the European Parliament and of the Council as of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertaking, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (CRR II).

Main capital indicators* *(PLNmn)*	**1Q24**	**4Q23**	**Change y/y**	**1Q23**	**Change q/q**
Risk-weighted assets (RWA) for Group	42 519.52	41 354.52	-5 434.87	47 954.39	1 165.00
Risk-weighted assets (RWA) for Bank	39 173.34	37 960.43	-8 619.65	47 793.00	1 212.91
Own funds requirements for Group	3 401.56	3 308.36	-434.79	3 836.35	93.20
Own funds requirements for Bank	3 133.87	3 036.83	-689.57	3 823.44	97.03
Own funds for Group	7 659.11	7 470.63	878.40	6 780.71	188.48
Own funds for Bank	7 300.69	7 228.30	557.44	6 743.26	72.39
Total Capital Ratio (TCR) for Group	18.01%	18.06%	3.87	14.14%	-0.05
Minimum required level TCR	12.21%	12.21%	-0.48	12.69%	0
Total Capital Ratio (TCR) for Bank	18.64%	19.04%	4.53	14.11%	-0.40
Tier 1 ratio for Group	14.91%	14.73%	3.87	11.04%	0.18
Minimum required level T1	9.85%	9.85%	-0.36	10.21%	0
Tier 1 ratio for Bank	15.27%	15.40%	4.27	11.00%	-0.13
Common Equity Tier 1 (=T1) ratio for Group	14.91%	14.73%	3.87	11.04%	0.18
Minimum required level CET1	8.07%	8.07%	-0.27	8.34%	0
Common Equity Tier 1 (=T1) ratio for Bank	15.27%	15.40%	4.27	11.00%	-0.13
Leverage Ratio (LR) for Group	4.64%	4.66%	0.17	4.47%	-0.02

(*) Capital ratios are calculated according to transitional arrangements mitigating the impact of IFRS9 implementation on CET 1 capital.

In 1Q24, compared to the previous quarter, Tier 1 capital ratio increased by 18 bps (it is equal to the Common Core Tier 1 capital ratio), with the total capital ratio stabilizing (slight decrease by 5 bps). T1 capital (CET1) increased by PLN 252 million (4.1%), which resulted primarily from the inclusion of the net financial result for the second half of 2023 (almost PLN 218 million) in the reserve capital. Own funds increased to a slightly smaller extent - by over PLN 188 million/2.5%. On the other hand, there was an increase in own funds requirements - by approximately PLN 93 million/2.8%. The main component of this increase was the operational risk requirements, which increased by PLN 54 million (12.1%).

In 1Q24 leverage ratio stood at the same level – drop by 2bp. With this increase in Tier 1 capital, there was a similar increase in the leverage exposure measure. It is at a safe level of 4.64%, significantly exceeding the regulatory minimum of 3%.

Minimum required level of capital includes:

- Pillar II RRE FX buffer - KNF recommendation to maintain additional own funds for the coverage of additional capital requirements to secure the risk resulting from FX mortgage loans granted to households, in line with art. 138.1.2a of Banking Act. A value of that buffer is defined for banks by KNF every year because of Supervisory review and Evaluation process (SREP) and relates to risk that is - in KNF’s opinion - inadequately covered by minimum own funds requirements, set in CRR art. 92. At present, the buffer was set by KNF in recommendations issued in the end of 2023 in the level of 1.47pp (Bank) and 1.46pp (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 1.20pp in the Bank and the Group, and which corresponds to capital requirements over CET 1 ratio of 0.82pp in the Bank and the Group;
- Combined buffer – defined in Act on macro prudential supervision over the financial system and crisis management – that consists of:
    - Capital conservation buffer at the level of 2.5%,
    - Other systemically important institution buffer (OSII) – at the level of 0.25%, and the value is set by KNF every year,
    - Systemic risk buffer at the level of 0%, reduced from 3% in March 2020,
    - Countercyclical buffer at the 0% level.

In December 2023, the Bank received a recommendation to maintain own funds to cover an additional capital charge ("P2G") in order to absorb potential losses resulting from the occurrence of stresses, at the level of 1.59pp and 1.60pp (on an individual and consolidated level) over the OCR value. According to the recommendation, the additional capital charge should consist fully of common equity Tier 1 capital (CET1 capital).

The minimum capital ratios required by the KNF in terms of the overall buffer requirement (OCR) are achieved with a large surplus at the end of the first quarter of 2024. Also in terms of the levels expected by KNF, including the additional P2G capital charge, they were achieved for all capital ratios.

STRATEGY IMPLEMENTATION

The Bank's strategy for years 2022-2024 was announced in 4Q21. The strategy clearly defines key business areas that will contribute to the execution of the assumed targets. Following to the adopted strategy, in 1Q22 the Bank prepared and accepted strategy operationalisation approach, which consists of 17 strategic initiatives/business areas. Strategic portfolio is the subject of the internal review process (on quarterly basis), both on the operational and executive levels.

The Bank monitors the execution of accepted strategic targets as well as turbulent and fast changing external circumstances, that could affect execution of abovementioned targets.

	CLIENT			FINANCE			RISK & CHF	
	NUMBER OF RETAIL ACTIVE CLIENTS [million]	SHARE OF DIGITAL ACTIVE CLIENTS [%]	SHARE OF DIGITAL IN SALES[1] [%]	ANNUAL PROFIT LEVEL[2] [mld zł]	COST / INCOME[2] [%]	RETURN ON EQUITY[2] [%]	NON-PERFORMING LOANS [%]	SHARE OF FX MORTGAGE IN BANK LOANS[3] [%]
2021	2 694	84%	n/a	1.01	42.8%	11.03%	4.4%	14.6%
1Q24	3 045	91.1%	75.0%	0.67	31.7%	17.9%	4.6%	9.95%
2024 TARGET	3 000	>90%	80%	2.00	<37%	~14%	<4.7%	<10%

(1) calculated as an average of digital sales shares in key products volumes; (2) Excluding FX-mortgage book related costs (for 2022 excluding also 'mortgage holidays' effect and incorporating hypothetical banking tax effect while in 2023 excluding financial impact of bancassurance transaction) (3) w/o deduction of allocated legal risk provisions

After 1Q24 the Bank notes that most results are on track to be delivered at levels targeted in 2024 as well as range of business achievements, that was announced in the strategy, incl.:

- decrease of share of FX mortgages (before deduction of legal risk provisions) in the loan book below 10%
- refresh of advertising format with a new brand ambassador
- release of new omnichannel credit card application process
- EVP (Employee Value Proposition) development recognized with the title of Top Employer 2024 and Reliable Employer 2023
- international recognition as the Best Bank in Poland for 2024 by Global Finance Magazine

RECOVERY PLAN AND CAPITAL PROTECTION PLAN

In the current report of July 15, 2022 (Information on expected negative impact of credit holidays on 3rd quarter 2022 results of Bank Millennium S.A. Capital Group and on launching of the Recovery Plan), the Bank informed that due to costs generated as a result of the above mentioned Act, it could be reasonably assumed that the Bank will post a negative net result for the 3rd quarter of 2022 and as a result its capital ratios may fall below the current minimum requirements set by Polish Financial Supervision Authority ('PFSA'). As the emergence of risk of a breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended), on July 15, 2022 the Management Board of the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSA and Bank Guarantee Fund. Additionally, the Bank has elaborated and submitted to PFSA the Capital Protection Plan, pursuant to the Article 60 sec. 1 of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system (Journal of Laws of 2022, item 963, i.e. of 6 May 2022, as amended). PFSA approved this plan on 28th October 2022.

Both the Recovery Plan and Capital Protection Plan, foresee the increase of capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations). Launching of both plans, triggered various actions aimed at the increase of capital ratios and operational profitability.

As reported in 2023 Annual Report, the Bank and the BM Group have significantly improved their capital ratios, placing them clearly above the new regulatory requirements. During 1Q24, all capital ratios remained at comfortable levels, close to these at YE23. Assuming no extraordinary factors, the Group plans to maintain its capital ratios above the minimum required levels with a safe surplus in the rest of 2024 and in subsequent periods. The Bank monitors, on the current basis, the financial situation and, if needed, will undertake actions to launch additional remedial activities.

The Bank monitors all the leading indicators of the Recovery Plan and prepares to complete its implementation. The Bank expects that this may take place by the end of June 2024, assuming no material negative extraordinary events.

More details are available in the risk section of this report.

MREL REQUIREMENTS

Details are available further in the report in section 5.6.1.

BUSINESS TRENDS AND HIGHLIGHTS

Bank Millennium continues to implement a strategy that involves adapting the format and functions of branches and remote service to meet customer needs.

The organization of work in the branches, as well as support from quality management units, help advisors to exchange information and share experiences. Employees pay much attention to educating clients and encouraging them to use remote channels. Advisors focus on changing customers' habits and switching from cash to non-cash service.

Through education, customers become used to banking with digital tools that enable them to initiate and fully complete many types of transactions.

Effectively and in line with customers' needs, the Bank combines modern ways of banking through a mobile application or transaction system with constant access to qualified branch and telephone advisors - in all business lines. The dynamic development of the service of remote advisors, including the area of affluent customers, has increased the convenience of access to the bank's services and products.

Employees and designed solutions help customers comfortably bank and use various services at a time and pace that suits them. We are working to maintain the synergy between the digital message and the traditional form of customer contact with the Bank. The Bank is introducing facilitations for people with disabilities to access services.

The measures taken address the needs of different segments of our customers. We focus not only on the ability to choose a contact channel. We adapt the language and manner of presentation to the age, level of financial knowledge and experience in using the latest technology.

Bank Millennium continues to work on simplifying the language of communication and the content of documents. We are changing the texts provided to customers from account opening to information on how to handle their products. We continue training and introducing the principles of plain language in further types of texts - internal and external.

RETAIL BANKING

In 1Q24, the Bank increased its active client base by almost 42 thousand. On March 31, 2024 the Bank provided services to nearly 3.05 million active retail clients.

Sale of current accounts in 1Q24 exceeded the level of 114 thousand - increase by 11% vs. the previous quarter. The key product supporting acquisition of new clients was the Millennium 360° account.

1Q24 was a period of significant growth in the volume of retail deposits. Maintained relatively high interest rates on term deposits and savings accounts encouraged customers to take advantage of promotional offers. As a result, the Bank increased the volume of retail customer deposits in 1Q24 by PLN 4.24bn. This translated into a retail deposit balance of PLN85.7bn at the end of March'24.

The Bank enhanced its marketing communication regarding the savings offer and continued to acquire new volumes based on the Profit Savings Account (KO Profit) with attractive interest rates for new funds while improving interest spread through price adjustments to market levels.

In 1Q24, Bank Millennium concluded new contracts of mortgage loans with a total value of PLN1.7bn. The result placed the Bank with a market share in sales of 6.7% (market share for January-March).

The offer includes mortgage loans with a periodically fixed interest rate for the first 5 years. The Bank's lending operation, similarly to previous years, was based on the unconditional 0% commission for granting the credit and 0% commission for early repayment.

In 1Q24, the Bank recorded cash loan sales of PLN1.49bn. This gives similar result to the level of the fourth quarter of 2023. The Bank's sales market share of cash is estimated at 9%. The bank's market share in cash loan balance at the end of March 2024 reached 9.13%.

83% of contracts in terms of quantity and 72% in terms of value were finished in digital channels, emphasizing the key importance of omnichannel in the lending process. Finalization in digital channels complements the importance of the network of own and franchise branches and also telemarketing, thanks to which each customer can choose the most convenient path for themselves with or without the participation of advisors.

The Bank maintained the upward trend in the payment card portfolio with the result of 3.97 million cards at the end of March 2024 (+15% compared to 1Q23). The turnover in 1Q24 amounted to PLN18,883mn on debit cards (+14% compared to 1Q23) and PLN1,720mn on credit cards (+14% compared to 1Q23). This result was supported by new product solutions, including among others activation of Google Pay mobile payments directly in mobile application.

1Q24 was a positive period on capital markets. The Polish mutual fund market saw positive net inflows supported by improved asset valuation. Positive capital market sentiment and initiatives undertaken by the Bank had a positive impact on mutual fund sales and resulted in positive net sales of PLN626mn in 1Q24.

The Bank, especially in the retail customer segment, maintained the focus on developing and promoting regular investment, including, among others, the investment advisory service. This service provides customers with an easy and convenient way to access investment products, especially by investing even small amounts on a regular basis. All these efforts resulted in record 10.5 ths. of new regular fund registers opened in 1Q24. The special strategy of rewarding the use of remote channels was also continued, with a reduction to 0% in handling fees for the purchase of selected units through Millenet and the Mobile Application. Bank maintained the offer of structured deposits with guaranteed profit and capital protection.

In 1Q24 Bank Millennium have opened 12.3 thousands Business current accounts. Compared to the last quarter of last year this means 23% increase. 74% of all business current accounts in 1Q24 were opened by digital processes, which means increase by 4 p.p compared to 4Q23.

In 1Q24, the Bank recorded sales of Business loans of PLN265mn. Compared to the first quarter of last year, this means a 7.3% increase and decrease of 6.4% compared to the previous quarter. The market share in sales of loans to the micro segment, increased from 5.1% in the fourth quarter of 2023 to 5.3% in the first quarter of 2024.

CORPORATE BANKING

Product offering

Electronic Banking

In the first quarter od 2024, we developed Millenet for Companies electronic banking adding new functionalities. We introduced, among others, new sections with information and historical details for working capital and investment loans. In addition, we implemented improvements in the process of transfer of electronic documents, i.e. we improved the layout of the presentation of individual modules and introduced changes in the field of adding documents.

At the end of January, we implemented a new process in Millenet for Companies, which significantly supports the process of updating data and verifying customer knowledge (KYC) by reducing the work performed by sales units.

Factoring and trade finance

In the area of factoring, we made available a new security - the guarantee of KUKE S.A. The new guarantee can be used to secure reverse factoring, recourse factoring and receivables financing transactions. The guarantee is provided on behalf of an customer who is an exporter and can be used to secure up to 80% of the customer's contractual obligations, including the amount of outstanding financing and interest and commissions.

In the area of trade finance, we implemented KUKE S.A. re-guarantee templates, which may be used as security for contractual guarantees issued by our Bank, such as advance payment guarantee, performance guarantee/defect removal guarantee/warranty for defects and quality guarantee (including with and without reduction amount) and tender guarantee.

Changes in the guarantee offer of Bank Gospodarstwa Krajowego (BGK) and KUKE S.A.

From 1 January, our offer for the sale of new loans includes de minimis guarantees, which operate on changed terms.

Currently, up to 60% of the loan amount can be secured with a de minimis guarantee, and the maximum guarantee amount is PLN 5 million (the amount of the individual guarantee and the sum of active guarantees at the lending bank). The commission rate for the guarantee granted is 0.5% of the guarantee amount on an annual basis. The maximum guarantee period for a working capital loan is 60 months, and for an investment loan - 120 months.

In December 2023, we signed agreements with BGK that will allow us to introduce new Biznesmax Plus and Ekomax guarantee programmes to our offer. In the first quarter of 2024, work was underway to implement the guarantees into the offer. Also in December, we signed an agreement with the Export Credit Insurance Corporation (KUKE) for guarantees for loans supporting the development of exports in enterprises with investment projects in Poland.

Digitalization of customer service processes

We are committed to further digitalization of customer service and relationships. In the first quarter of this year, 74% of foreign exchange transactions were concluded through the Millennium Forex Trader platform, and 65% of the guarantees were issued in the form of e-guarantees.

At the end of the first quarter, the share of Millennium Leasing customers using our eBOK service for handling their leasing agreements amounted to 91%. At the end of March, electronic applications submitted via eBOK accounted for almost 53% of all customer requests. Millennium Leasing implements further improvements, making eBOK a convenient platform for comprehensive operational cooperation with customers. The eBOK service is integrated with the Millenet for Companies online banking offered by Bank Millennium, therefore our joint clients have access to all banking and leasing matters in one system.

Customer events

In the first quarter of 2024, we organized an online meeting with the Bank's Chief Economist on macroeconomic forecasts for this year. As part of our ongoing cooperation with the CFO Club, two webinars were held: "Cybersecurity in business and its role in the CFO domain" and "Tax incentives and subsidies for enterprise development".

DIGITAL BANKING

We ended the first quarter of 2024 with a 2.77 million (+7% y/y) active digital channel users. As much as 2.55 million users logged on to the Bank on mobile devices. This gives an increase in mobile users of 9% y/y. In the first quarter of the year, as many as 1.8 million customers used BLIK (growth by 21% y/y).

Digital share in sales and aquisition

We are seeing a steady increase in the share of digital channels in sales, both in omni-channel and fully remote. Digital channels accounted for 80% of cash loan sales in 1Q24 and 95% of term deposit sales, meaning that the vast majority of customers choose remote processes to use these products. When it comes to current account acquisition, the share of electronic channels was 43%.

The implementation of the new omni-channel credit card application was a success. In March, the share of digital channels in credit card sales was as high as 71%. For comparison, we started year 2023 with a result of 53%. Also, 20% of applications initiated with a consultant are finalised in the channel. The share of the mobile app in digital sales is as high as 90%, showing the dominance of the mobile channel.

Public benefits applications

In February, the new benefit period of the Family 800+ programme started. Our clients submitted 265,000 applications through banking channels, which gave us the third position among banks that make the application available. As for the number of applications submitted in Ukrainian, Bank Millennium has the second position among banks.

In March, the Bank made a new application available - this time for a support benefit for people with disabilities. Bank Millennium was one of the first banks to provide access to this application.

Digital banking for microentrepreneurs

In 1Q24, we recorded high acquisition in the electronic channels of Konto Mój Biznes current accounts. The increase was 27% on the previous quarter and the target for 1Q24 was met at 136%.

Customer interest in the process of registering their own business through our Bank is growing. In February, Bank Millennium achieved a 19% market share in terms of the number of new businesses registered remotely through the banks. The number of businesses set up in 1Q24 increased by 20% compared to 4Q23.

Key UX changes in digital banking

For several months, we have been focusing on streamlining processes to improve their UX and transparency.

- **INVESTMENT PRODUCTS**. The new investment hub and changes to the robo-advisory process aim to make it easier for clients to make an informed decision about a start of their investment.
- **VIEW OF LOANS IN MILLENET FOR COMPANIES**. We have improved the handling of working capital loans, investment loans and revolving loans - we have added a view of loan details, repayment history, instalment schedule, information on interest rates or possible debt. Customers now have full knowledge about their liabilities immediately after logging in.
- **AML SURVEYS IN MILLENET FOR COMPANIES**. We have implemented a new AML process. Under current regulations, we are required to conduct periodic AML reviews of customers. Customers can now conveniently complete the survey in e-banking or give permission to a chosen company employee to complete it.

Goodie application

In 1Q24 the goodie cashback service continued to generate significant growth. Parameters connected with number of the platform users increased by nearly 60% y/y, and in terms of the volume of executed transactions - by more than 70% y/y.

Activisation promotion campaigns continued as well as campaigns designed to attract new users - internal, external and through partnership channels: The Bank and Onet Poczta.

The cashback service is also developed in numbers and diversity of brand/shops. In 1Q24 goodie cashback was joined by more than 50 popular brand names

It is necessary to underscore the growth in the volumes of goodie eCards sold which were up more than 30% y/y.

ESG ACTIVITIES: ENVIRONMENTAL, SOCIAL, GOVERNANCE

ESG activities which are one of pillars of business strategy of Bank Millennium are implemented in the company's day-to-day activity and apply to three main groups: clients, employees and the society, while quantitative indicators related to the implementation of ESG Strategy initiatives affect the variable remuneration of executives (including the Bank's Management Board).
The Bank also supports UN Sustainable Development Goals and is a signatory of the Diversity Charter.

The most important ESG activities carried out in the first quarter of 2024

Preparation and publication of the ESG Report of Bank Millennium and Bank Millennium Group

Bank Millennium prepared and published the ESG Report of Bank Millennium and Bank Millennium Group for 2023 to summarise sustainable development activities carried out by the Group in 2023. It is also worth underscoring that this is the first time that this report has been based on the TCFD (Task Force on Climate-related Financial Disclosures) guidelines. It is also the first report in which the Bank has published full disclosures in line with the requirements of the EU Taxonomy, including the full GAR (Green Asset Ratio). GAR is a financial indicator that shows the proportion of assets that are environmentally friendly and that contribute significantly to the goals of climate change mitigation or adaptation.

The summary of the Bank's sustainable development activities includes, among others, the Group's achievements in minimising the negative impact on the environment, including a significant reduction of its own Scope 1 and 2 emissions, which in 2023 were 70% lower than in the base year 2020. The Bank Millennium Group also finances pro-environmental activities of its clients, including supporting corporate clients in their decarbonisation projects, as part of the adopted target of granting PLN2bn of financing to the Bank's and the Bank's Group's clients for sustainable and transformation projects in 2022-2024. In addition, the integration of ESG factors in the processes of selecting assets for investment portfolios is one of the activities carried out as part of the Bank Millennium Group's strategy. Clients, who want to support sustainable development with their investment decisions can choose products from the Millennium TFI offer, which promote environmental, social aspects and compliance with corporate governance by including them in the criteria for the selection of deposits and in the investment restrictions applied.

An important place in the ESG Report is held by activities undertaken in the social area. Among them, a unique employee volunteering project called Our People'23: Save the Planet! As part of this initiative, over 1.5 thousand employees took part in sports challenges, which translated into Bank Millennium donating 250 thous. PLN to the Bank Millennium Foundation for the implementation of eco-initiatives. In the next stage, as part of eco-volunteering, employees carried out 26 projects, greening the space, educating and supporting local pro-ecological projects.

Bank Millennium, for years, out of concern for the Earth, we have been promoting environment protection and expanding awareness in the area of sustainable development. Bank Millennium has been, for 18 years, a partner of Millennium Docs Against Gravity - the largest documentary film festival in Poland. The festival brings the audience closer to a number of phenomena taking place in the contemporary world - from ecology, through diversity, human rights, art and pop culture, to family relations and psychology. In 2023, the Bank – the titular patron of the festival – has prepared a unique promotional spot in which it talks about the values that guide it as an institution.

The ESG report also summarises activities aimed at achieving the UN Sustainable Development Goals. In this respect, one of the important activities is Bank Millennium's accession to the United Nations Global Compact as a direct participant. Accession to the UNGC means a commitment to comply with and implement 10 Principles of the United Nations Global Compact, covering four key areas in the field of: human rights, work standards, environment protection, counteracting corruption.

The Bank has been publishing ESG reports since 2006, informing about adopted goals and activities undertaken covering environmental issues (reduction of CO2 emissions and resource use, sustainable financing, environmental education), social issues (relations with employees, local communities, innovative services, responsible sales, banking without barriers, pro-social activities) and in the field of corporate governance (ethical standards, risk management and internal control system).

The newest ESG Report, as in previous years, was verified as part of independent attestation services by Deloitte Audyt Sp. z o.o. sp.k in terms of selected GRI indicators issued by the Global Reporting Initiative (GRI).

BiznesMax Plus and Ekomax

In 2024, the Bank continues its cooperation with BGK. In December 2023, agreements were concluded for the Biznesmax Plus guarantee and the Ekomax guarantee. Currently, work is underway to implement them into the Bank's offer. Both instruments are aimed at an entrepreneur from the SME sector or a small mid-cap companies (small mid-caps) or a mid-cap companies.

The Biznesmax Plus and Ekomax guarantees are a free-of-charge loan repayment guarantee granted thanks to the FENG Guarantee Fund from the FENG Programme, with the option of receiving a subsidy in the form of a subsidy to the interest rate or to loan principal. They constitute state aid and are granted on the basis of de minimis aid or regional investment aid. They cover investment and working capital loans granted by lending banks with whom BGK has concluded cooperation agreements, including Bank Millennium. A single such guarantee can secure up to 80% of the principal amount of the loan, and its maximum amount is the equivalent of EUR.,5mn.

The Biznesmax Plus guarantee covers the financing of innovative investments, eco-innovations and projects related to the digital transformation of enterprises. This guarantee can be used to secure investment and working capital loans.

The Ekomax guarantee, on the other hand, covers investment loans, the proceeds of which are used to finance projects improving energy efficiency, e.g. thermal modernisation – allowing to achieve a minimum primary energy saving at 30%.

Both programmes are intended for innovative, ecologically efficient companies and those planning to increase the potential of innovation / ecology in the SME sector small-midcaps and mid-caps. The programmes have nationwide range. They help reduce the cost of financing. A single such guarantee can secure up to 80% of the principal amount of the loan, and its maximum amount is the equivalent of EUR2.5mn. In addition, the SME guarantee scheme provides for capital subsidies for loans for investment loans and interest subsidies for working capital loans.

The above-mentioned Biznesmax plus and Ekomax programmes for granting guarantees and subsidies to principal will remain in force until the end of 2029.

Ecological loan

In 2024, the Bank also continues its cooperation with BGK in granting the Ecological Loan, which is co-financed from the European Funds for the Modern Economy 2021-2027 (FENG) programme, under Priority 3 "Business Greening". Public aid involves a subsidy - an environmental bonus, constituting a refund of a principal part of the Ecological Loan designated to cover eligible costs incurred by beneficiary for project implementation. Ecological Loan can finance projects aimed at broad energy effectiveness, related to energy efficiency, including thermal modernisation of buildings, as well as the change of energy sources to more environmentally friendly ones and the replacement of equipment, installations or technological lines with more energy-efficient ones (the scope is each time confirmed in the energy audit document). The effect of the project covered by the Loan must be to achieve savings in primary energy in the modernised area by at least 30 percent compared to the current consumption (before the implementation of the project). The loan is intended for micro-, small and medium-sized enterprises, as well as enterprises with the status of small mid-cap and mid-cap (up to 3000 employees). The amount of the subsidy - the environmental bonus - may range from 15% to even 80%, depending on the project location, the size of the enterprise and the selected form of aid.

M#leaders – leadership development programme

In the Bank the 6th round of the M#leaders programme started, based on the methodology of John C. Maxwell, world expert in leadership. It is directed to persons holding managerial functions in the Bank Millennium Group. The purpose of the project is the development of leadership skills.

Green Academy

At the beginning of 2024, the year-round, internal proprietary development programme of the Bank started designated for sales network and the headquarters employees cooperating with them in the field of financing investments – the Green Academy. The overarching goal of the program is to support employees in the process of acquiring knowledge and improving their competences in the area of selected practical aspects of ESG. Thanks to this program, they will be able to better understand the perspective and needs of clients and effectively identify sales potential, which will allow them to develop the Bank's green financing portfolio. The Green Academy program is conducted in an interactive formula, and all materials are made available on the training platform on an ongoing basis. The programme is divided into four modules:

- Module I – ESG – conducted with the support of an external training company, ending with an exam and an external ESG certificate. This module was carried out in 1Q of 2024.
- Module II – Public guarantee and subsidy programmes – conducted by Bank Millennium experts. This module is scheduled for2 Q 2024
- Module III - Product - investment loan, photovoltaic loan, green financing - conducted by Bank Millennium experts. This module is scheduled for 3Q 2024
- Module IV – Structuring of investment loans – conducted by Bank Millennium experts. This module is scheduled for 4Q 2024

Financial education

Global Money Week

On March 18-24, 2024, “Global Money Week" took place. The mission of Global Money Week 2024 (GMW) is to inspire children and young people to develop the knowledge, skills and attitudes necessary to make rational financial decisions from an early age. This year's GMW theme is "Secure Your Money and Your Future." The aim of the campaign is to draw attention to safe money management and to emphasize the importance of a responsible and conscious approach to personal finance by understanding potential threats. These threats include, *inter alia*, financial fraud such as impersonation to obtain confidential information (phishing), online shopping fraud, and data protection risks such as identity theft.

Bank Millennium and Bank Millennium Foundation also this year have been celebrating this year's "Global Money Week". That is why they could not miss the 8th edition of the Financial Education and Entrepreneurship Congress – an initiative organised by the Warsaw Banking Institute and the GPW Foundation, which took place on 21 March 2024. The event was attended by representatives from the financial sector, including Bank Millennium and Bank Millennium Foundation, represented by a member of the Management Board - Wojciech Rybak, who took part in the debate "Trust, security, stability – the role of banks as responsible enterprises and reliable financial education".

Financial ABC

In 1Q24, the 12th edition of the "Financial ABCs" program was launched. It is a proprietary pre-schoolers' education programme started by Bank Millennium Foundation in 2016, carried out by Bank Millennium employees in cooperation with a non-governmental organisation. The program consists of workshops conducted in kindergartens, the availability of educational materials on the Internet, as well as online training material for parents who want to play an important role in the financial education of their children. The essence of the program is to explain to the youngest, through fun, workshops, games and various educational formulas, the basic concepts in the field of finance.

Since its inception, more than 70,000 children have been trained under the program, for whom the Foundation has carried out 3,157 workshops in kindergartens throughout Poland. The program stimulates creativity in children, teaches them how to move smoothly and, above all, safely in the difficult world of finance.

It is worth noting that the Senate has declared 2024 the Year of Economic Education – dedicated to building economic awareness of the Polish society. This gives a unique opportunity to emphasize the sense of educating the Polish society in the field of economics and finance. In 2024, the "Financial ABC" project received the honorary patronage of the Ombudsman for Children, Monika Horna-Cieślak. Recruitment for the latest edition of the Financial ABC has already been closed.

Awards

Reliable Employer 2023

For the tenth time in a row, Bank Millennium has been honoured with the title of Reliable Employer of the Year. The award is given to companies that care about safety and working conditions as well as employee development. The aim of the Reliable Employer of the Year programme is to select the best employers in Poland i.e. business entities characterised with model personnel policies, translating into high quality of products and services rendered on a demanding Polish market. The Reliable Employer of the Year programme, organised by the Kowalski Pro-Media group, is one of the oldest projects of this type in Poland. The title received by Bank Millennium is a confirmation of the Bank's long-term and multifaceted HR policy based on respect for each employee.

Top Employer Polska 2024

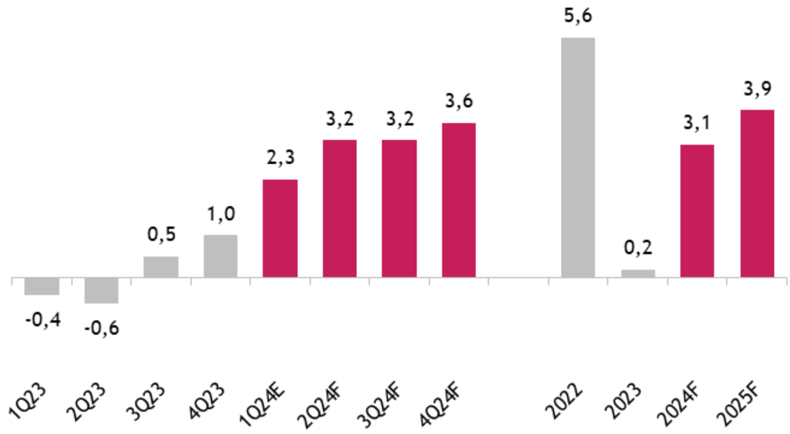
In 1Q24, Bank Millennium received the title of Top Employer Polska 2024. This prestigious distinction confirms that the Bank follows high standards in the field of human resources management and HR practices and has a strong position as one of the best and valued employers in the country. The certificate received by the Bank is awarded on the basis of the international "HR Best Practices Survey" conducted by the Top Employers Institute, which selects institutions that provide employees with the best working conditions, care for their development and strive to improve employment practices. Obtaining the Top Employer certificate is preceded by an independent audit, conducted in the same way for all companies worldwide. The certification process is thorough, takes several months, and covers many areas: HR strategy, work environment, talent acquisition, employer branding, onboarding, training and development, leadership and strategy, benefits and wellbeing, diversity and integration. The awards go to companies outstanding in terms of the implementation of their human resource management strategies.

MACROECONOMIC SITUATION

1Q24 was a period of gradually accelerating recovery in the global economy after a weak end to last year. It was in line with expectations, although for some economies the revisions to the forecasts are noticeable. On the one hand, expectations for the United States have improved. On the other hand, the forecasts for the eurozone have been lowered, which means that in the years 2024-2025 external environment will have a less favourable impact on the domestic economy than the Bank Millennium assumed before the quarter. Recent months have also been a period of disinflation in many economies, although not as quick as before. In such an environment, financial markets expect a later start of interest rate cuts and a smaller overall scale of monetary policy easing in the cycle. Nevertheless, an interest rate cut by the European Central Bank is already on the horizon.

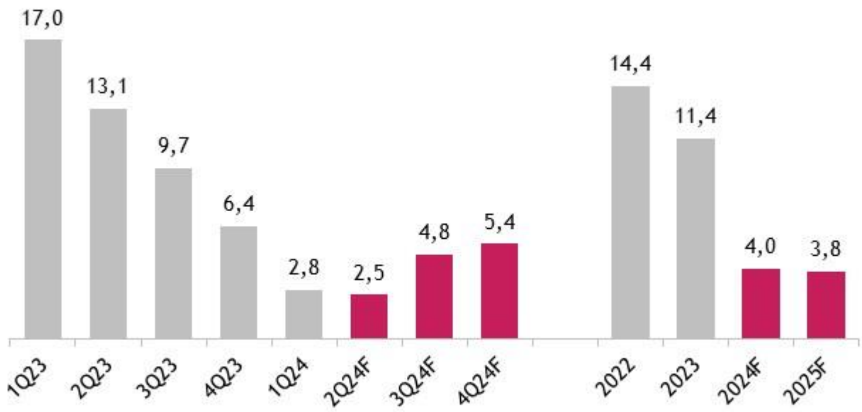
In Poland, 1Q24 was a period of economic activity improvement. According to the Bank's estimates, GDP grew by 1.0% q/q, after stagnation in 4Q23. This means that GDP growth accelerated to 2.3% y/y from 1.0% y/y a quarter earlier. The balance of risk factors for this forecast is skewed downwards due to weaker than expected data from industry in Mar'24. The main category driving GDP growth in 1Q24 was probably the consumption expenditures of households (supported by a quick growth in real wages and low unemployment) as well as net exports.

GDP and its forecasts (% y/y)



At the beginning of 2024, the decline in CPI inflation in Poland turned out to be deeper than the Bank's forecasts from a quarter earlier. In Mar'24, CPI inflation dropped to 2.0% y/y from 6.2% y/y in Dec'23, reaching for the first time in 3 years a value below the middle (2.5% y/y) of the range of admissible deviations from the inflation target. However, the Mar'24 data were the bottom of CPI inflation this year. In Apr'24 CPI increased to 2.4% y/y, along with return of the VAT rate on some food products from 0% to 5%. According to the Bank's expectations, the 2H24 will bring a further acceleration of inflation, as a result of planned by the government increase in i.a. electricity prices for households. Furthermore, in 1Q24 core inflation was still clearly above the NBP target (4.6% y/y in Mar'24). Therefore, the Monetary Policy Council kept in Jan'24-Apr'24 interest rates unchanged, communicating its intention to stabilise them also in the near future.

CPI and its forecasts (% y/y)



1Q24 was a period of a slight deposits' growth in the economy. In Mar'24 their value was higher by PLN3.2bn compared to Dec'23. On the one hand, as in recent quarters, household deposits increased significantly - by PLN28.2bn versus the end of 2023. On the other hand, the value of corporate deposits decreased. As a result of those changes, the growth of deposits in the economy slowed down to 7.2% y/y in Mar'24 from 9.9% y/y in Dec'23. Value of newly granted loans in Jan-Mar'24 was on average close to the value from 4Q23. This applied both to loans for households (including for housing purposes, supported by the "Safe Loan 2%" programme) and to loans for non-financial enterprises. This means that the value of newly granted loans in the economy continued in 1Q24 to solidly grow y/y.

The outlook for the Polish economy is optimistic. According to the Bank's baseline macroeconomic scenario, economic growth will accelerate in the coming quarters, reaching 3.6% y/y in 4Q24, i.e. a growth rate close to the long-term average, whereas in the whole of 2024 GDP is expected to grow by 3.1% compared to 0.2% in 2023. This forecast is slightly higher than expectations from 3 months ago, due to the improved outlook for real wage growth in 2024. In the Bank's opinion, GDP growth should accelerate to 3.9% in 2025. In 2024, household consumption will remain the main driver of growth, supported by the still good situation on the labour market, but also by social transfers from the state budget. In 2025, investments should add to the GDP growth, along with the implementation of the National Plan for Reconstruction and Cohesion Policy of the European Union, after the European Commission unblocked funds for Poland in Feb'24.

According to the Bank, CPI inflation will increase noticeably in the second half of 2024 after the implementation of planned changes by the government that will result in higher prices of energy carriers for households. Consequently, CPI inflation will average, as Bank expects, 4.0% y/y throughout 2024, i.e. it will be higher than in 1Q24. Average annual CPI inflation in 2025 is expected at 3.8% y/y, which will also exceed the inflation target of the National Bank of Poland. In 2024-2025, inflation will continue to be maintained above the target by high wage growth in an environment of low unemployment and expansionary fiscal policy. These factors support the expectations of the Monetary Policy Council stabilising interest rates throughout 2024. The Bank expects interest rate cuts in 2025, albeit by no more than 100 basis points.

Factors of uncertainty for the economy and the Bank Millennium Group

The list below presents the most important negative risk factors for Bank Millennium Group related to the macroeconomic situation in 2024-2025.

- The geopolitical situation in the world, including, among others, the possibility of an escalation of hostilities between Russia and Ukraine and stronger tensions in the Middle East and Asia. This would potentially result in increased uncertainty and risk aversion, as well as in supply chains' disruptions. As a consequence, commodity prices on international markets would rise, and the zloty would weaken, which would translate into an increase in inflation in Poland, weaker GDP growth and an increase in unemployment.
- Worse than expected economic situation in Poland's trading partners, in particular the recession in Germany. This would have a negative impact on the financial results of Polish enterprises, which could potentially result in a decrease in demand for labour and an increase in unemployment. As a result, the demand for the Group's products would decrease, and at the same time the credit risk would increase.
- A change in the reaction function of central banks in advanced economies, as well as of Poland's Monetary Policy Council, towards a more restrictive stance. As a result, central banks would delay the start of interest rate cuts and reduce the scale of cuts or even tighten monetary conditions. This would result in a slowdown in economic growth, an increase in unemployment, a reduction in demand for credit, as well as hinder the implementation of the state budget and increase the costs of financing the borrowing needs of the government.
- An increase in political and institutional risk in Poland, which could result in disruptions in the government's economic policy, including slower implementation of programs co-financed by the European Union. This could result in an increase in the risk premium, a weakening of the zloty, higher yields of Treasury bonds and an increase in volatility on the financial markets.

There is also a possibility of better economic results in Poland than in the Bank's baseline scenario, which could result, among others, from a faster than expected cessation of military operations in Ukraine, an improvement in economic confidence, a stronger inflow of foreign workers to Poland and a faster absorption of funds from the European Union. The improvement of the economic situation would also be supported by an earlier than expected and stronger economic recovery abroad.

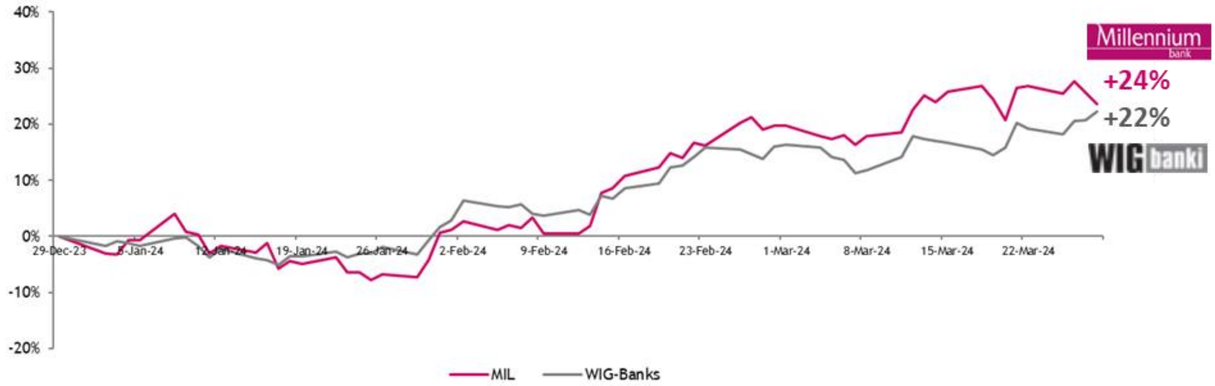
INFORMATION ON SHARES AND RATINGS

In 1Q24 the good mood on global stock markets was also reflected on the Warsaw Stock Exchange. Despite a poor start, the quarter was generally successful on WSE especially for banks.

All in all, in 1Q24 the broad market index WIG grew by 5%, WIG Banks increased by 22% while Bank Millennium shares outperformed banking index and grew by 24%.

During the 12 months ending 31 March 2024, WIG broad market index grew 41%, WIG20 index of largest companies 39%, while WIG Banks outperformed the market gaining 116%. In the same period, share price of Bank Millennium grew significantly by 131%.

Bank Millennium: ytd share price performance vs. WIG Banks



In 1Q24 the average daily turnover of Bank Millennium shares was 33% higher compared to the same period last year.

Market ratios	28.03.2024 (*)	31.03.2023	Change y/y	29.12.2023(**)	Change y-t-d
Number of Bank's shares ('000)	1 213 117	1 213 117	0.00%	1 213 117	0.00%
Average daily turnover (ytd, in PLN'000)	9 102	6 856	32.8%	7 273	
Bank's share price (PLN)	10.320	4.450	131.8%	8.355	23.5%
Market capitalisation of the Bank (PLNmn)	12 519	5 401	131.8%	10 136	23.5%
WIG Banks	13 525	6 269	115.7%	11 062	22.3%
WIG20	2 436	1 759	38.5%	2 343	4.0%
WIG30	3 022	2 169	39.3%	2 908	3.9%
WIG - main index	82 746	58 609	41.2%	78 460	5.5%

(*) the last day of quotation in March 2023, (**) the last day of quotation in December 2023

Bank Millennium shares are constituents of the following WSE indices: WIG, WIG Banks, WIG 30, mWIG 40, WIG Poland and WIG-ESG.

Bank Millennium tickers: ISIN PLBIG0000016, Bloomberg MIL PW, Reuters MILP.WA.

Ratings of Bank Millennium

On April 26, 2024 Moody's rating agency confirmed Bank's long- and short-term deposit ratings at Baa3/P-3 and changed the outlook on the long-term deposit ratings to positive from negative.

Additionally, Moody's affirmed Bank's BCA at ba3, Adjusted BCA at ba2, its (P)Ba2 rating for junior senior unsecured MTN program and Ba2 rating for junior senior unsecured bonds of the Bank.

At the date of publishing this Report, the Bank's corporate ratings, were as follows:

Rating	MOODY'S
Long-term deposit	Baa3
Short-term deposit	Prime-3
Baseline Credit Assessment (BCA)/Adj. BCA	ba3/ba2
LT Counterparty Risk Assessment (CRA)/ST CRA	Baa2(cr)/Prime-2(cr)
Rating outlook	Positive*
SNP MREL bonds	Ba2

(*) Moodys revised the outlook from negative to positive on April 26, 2024.

Rating	FITCH
Long-term deposit Issuer Default (IDR)	BB
National Long-term	BBB+ (pol)
Short-term Issuer Default Rating (IDR)	B
Viability (VR)	bb
Shareholder Support Rating (SSR)	b
Rating Outlook	Positive
SNP MREL bonds	BB

Date	Name and surname	Position/Function	Signature
09.05.2024	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature

CONSOLIDATED REPORT OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR 1ST QUARTER OF 2024

CONTENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE 3 MONTHS ENDED 31 MARCH 2024

CONTENTS

1. GENERAL INFORMATION ABOUT ISSUER

Bank Millennium S.A. (the Bank) is a nationwide universal bank, offering its services to all market segments via a network of branches, corporate centres, individual advisors and mobile and electronic banking.

The Bank, entered under the number KRS 0000010186 in the National Court Register kept by the Local Court for the Capital City of Warsaw, 13th Business Department of the National Court Register, is seated in Warsaw, Stanisława Żaryna 2A.

The Bank is listed on the Warsaw Stock Exchange since 1992, first Bank ever to float its shares on the WSE.

The Bank is a parent company of Bank Millennium Capital Group (the Group) with over 6,700 employees with core business comprising banking (including mortgage bank), leasing, factoring, brokerage, capital operations, investment fund management and web portals activity.

Supervisory Board and Management Board of Bank Millennium S.A. as at 31 March 2024

Composition of the Supervisory Board as at 31 March 2024 was as follows:

- Bogusław Kott - Chairman of the Supervisory Board,
- Nuno Manuel da Silva Amado – Deputy Chairman of the Supervisory Board,
- Dariusz Rosati – Deputy Chairman and Secretary of the Supervisory Board,
- Miguel de Campos Pereira de Bragança – Member of the Supervisory Board,
- Olga Grygier-Siddons - Member of the Supervisory Board,
- Anna Jakubowski – Member of the Supervisory Board,
- Grzegorz Jędrys – Member of the Supervisory Board,
- Alojzy Nowak - Member of the Supervisory Board,
- Jose Miguel Bensliman Schorcht da Silva Pessanha – Member of the Supervisory Board
- Miguel Maya Dias Pinheiro – Member of the Supervisory Board,
- Beata Stelmach – Member of the Supervisory Board,
- Lingjiang Xu – Member of the Supervisory Board.

Composition of the Management Board as at 31 March 2024 was as follows:

- Joao Nuno Lima Bras Jorge – Chairman of the Management Board,
- Fernando Maria Cardoso Rodrigues Bicho – Deputy Chairman of the Management Board,
- Wojciech Haase - Member of the Management Board,
- Andrzej Gliński – Member of the Management Board,
- Wojciech Rybak - Member of the Management Board,
- Antonio Ferreira Pinto Junior – Member of the Management Board,
- Jarosław Hermann – Member of the Management Board.

Capital Group of Bank Millennium S.A.

The Group's parent entity is Bank Millennium S.A. while the ultimate parent entity of the Bank Millennium S.A. is the Banco Comercial Portugues - company listed on the stock exchange in Lisbon. The companies that belong to the Capital Group as at 31 March 2024, are presented by the table below:

Company	Activity domain	Head office	% of the Group's capital share	% of the Group's voting share	Recognition in financial statements
MILLENNIUM BANK HIPOTECZNY S.A.	mortgage bank	Warsaw	100	100	full consolidation
MILLENNIUM LEASING Sp. z o.o.	leasing services	Warsaw	100	100	full consolidation
MILLENNIUM CONSULTING S.A.	advisory services	Warsaw	100	100	full consolidation
MILLENNIUM TFI S.A.	investment funds management	Warsaw	100	100	full consolidation
MILLENNIUM SERVICE Sp. z o.o.	rental and management of real estate, insurance and brokers activity	Warsaw	100	100	full consolidation
MILLENNIUM GOODIE Sp. z o.o.	web portals activity	Warsaw	100	100	full consolidation
MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o.	financial operations - equity markets, advisory services	Warsaw	100	100	full consolidation
EUROPA MILLENNIUM FINANCIAL SERVICES Sp. z o.o.*	activities of insurance agents and brokers	Wrocław	20	20	equity method valuation
Piast Expert Sp. z o.o. in liquidation	marketing services	Warsaw	100	100	full consolidation
LUBUSKIE FABRYKI MEBLI S.A. in liquidation**	furniture manufacturer	Świebodzin	50 (+1 share)	50 (+1 share)	equity method valuation

** On March 29, 2023, 80% of shares in Millennium Financial Services sp. z o.o. (currently Europa Millennium Financial Services sp. z o.o) were transferred from the Bank to Towarzystwo Ubezpieczeń na Życie Europa S.A., which acquired 72% of the Company's shares, and Towarzystwo Ubezpieczeń Europa S.A., which acquired 8% of the Company's shares, respectively, which is described in more details in note 5 "Result on derecognition of financial assets and liabilities not measured at value fair through profit or loss" in Chapter 4 "Notes to Consolidated Financial Data".*
*** Despite having a control over the Lubuskie Fabryki Mebli S.A., due to insignificant nature of this company from the realization of the primary goal of the consolidated financial statements point of view, which is the correct presentation of Group's financial situation, the Group does not consolidate capital involvement in aforementioned enterprise*

2. INTRODUCTION AND ACCOUNTING POLICY

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed consolidated interim financial statement do not include all of the information which is presented in full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2023.

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the three months ending March 31, 2024.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2024 to 31 March 2024:

- include financial data of the Bank and its subsidiaries forming the Group, and data of associates accounted under the equity method;
- are prepared on the basis of the assumption of business continuity by the Group, namely scale of business is not to be reduced substantially in a period of not less than one year from the balance sheet date;
- have been prepared in PLN, and all values, unless otherwise indicated, are given in PLN rounded to one thousand.

Following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland on the same day of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers ('the Act'), introducing, among others, a possibility of up to 8 months of Credit Holidays in 2022-2023 for PLN mortgage borrowers, the Group recorded in 2022 a pre-tax cost of PLN 1,324.2 million (PLN 1,072,6 million after tax), of which PLN 1,291.6 million related to the Bank, and PLN 32.6 million related to Millennium Bank Hipoteczny S.A.

Due to costs generated as a result of the above mentioned Act, it could be reasonably assumed that the Bank would record a negative net result for the 3rd quarter of 2022 and as a result its capital ratios could fall below the current minimum requirements set by Polish Financial Supervision Authority ('PFSA'). As the emergence of risk of a breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended), on July 15th 2022 the Management Board of the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSA and Bank Guarantee Fund.

Additionally, the Bank has also submitted to PFSA the Capital Protection Plan, pursuant to the Article 60 sec. 1 of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system (Journal of Laws of 2022, item 963, i.e. of 6 May 2022, as amended). PFSA approved this plan on 28th October 2022 and communicated this fact to the Bank on 14th November 2022.

In 2023 and I quarter 2024 Bank continued to realize Capital Protection Plan (and Recovery Plan, which according to the rules of the banking law is updated yearly), which foresaw the increase of capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimization initiatives such as management of risk weighted assets (including securitizations).

Since the launch of the Capital Protection Plan, the Bank/Group has managed to significantly improve its capital ratios, placing them clearly above the new regulatory requirements: as at March 31, 2024, the Tier 1 ratio was 542 bps (Bank) and 506 bps (Group) above the minimum requirement, and the total capital ratio (TCR) was 642 bps (Bank) and 580 bps (Group) above the minimum requirement.

As part of the capital improvement initiatives, in 2023, the Group completed two synthetic securitization transactions: the first was completed in July and concerned a portfolio of leasing receivables, while the second one was completed in December and concerned a cash loan portfolio. As part of these transactions, the Bank/Group transferred a significant part of the credit risk of the securitized portfolios to investors. Assuming no extraordinary factors, the Bank/Group plans to maintain capital ratios above the minimum required levels with a safe surplus.

In terms of MRELtrea and MRELtem requirements, the Group presents a surplus compared to the minimum levels required as at December 31, 2023, and also meets the MRELtrea requirement after the inclusion of the Combined Buffer Requirement. Assuming no extraordinary factors, the Group plans to maintain both MREL ratios above the minimum required levels with a safe surplus. In addition, in December 2023, the Bank received a letter from the Bank Guarantee Fund informing that due to the reduction of the P2R buffer by the PFSA, the target updated minimum required MRELtrea be of the combined buffer requirement for the Bank would be reduced to 18.03% MRELtrea with a minimum subordination requirement, while the target MRELtem would be 5.91%, with a subordination requirement. The Bank expects to receive this update during the 2nd quarter 2024 as part of the joint decision process.

The Bank monitors, on the current basis, the financial situation and, if needed, will undertake actions to launch additional remedial activities. In particular, The Bank is aware of the risks associated with the extension of the so-called credit holidays for 2024. more information on this topic has been posted in **Chapter 11.8 “Other additional information and events after balance sheet date”.** Additionally, further negative developments regarding the legal risk of FX mortgage loans could imply the need to increase the level of provisions for such risk apart from the provisions that might result from current trends. In the Bank’s view, these events, if materialized, would adversely affect the results of the Bank/Group in 2024, and would reduce the organic generation of capital that is envisaged, but would not prevent the Bank/Group from continuing to implement its strategy and the generation of results that would mitigate the impact of such events.

The liquidity position of Bank Millennium Group remained very strong in 1Q 2024. LCR ratio reached the level of 334% at the of March 2024, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 65% and the share of liquid debt securities (mainly bonds issued by the sovereigns, European Union, multilateral development banks and NBP bills) in the Group’s total assets remains significant at 36%.

At same time the Bank achieved good operational and business results, while actively managing and mitigating the different risks related to the banking activity. Taking into account the above circumstances and identified uncertainties, in particular, the Bank's capacity to meet capital solvency ratios and MREL requirements in subsequent reporting periods - the Bank's Management Board based on the analysis of all aspects of the Bank's operations and its current and forecast financial position, concluded that the application of the going concern assumption in the preparation of these financial statements is appropriate.

The Management Board approved these condensed consolidated interim financial statements on 9th May 2024.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Amount '000 PLN	Note	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Net interest income		1 354 245	1 262 124
Interest income and other of similar nature	1	2 169 427	2 071 433
Income calculated using the effective interest method		2 140 094	2 047 104
Interest income from Financial assets at amortised cost, including:		1 837 987	1 797 093
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays		0	0
Interest income from Financial assets at fair value through other comprehensive income		302 107	250 011
Result of similar nature to interest from Financial assets at fair value through profit or loss		29 333	24 329
Interest expenses	2	(815 182)	(809 309)
Net fee and commission income		199 582	200 932
Fee and commission income	3	262 422	260 648
Fee and commission expenses	4	(62 840)	(59 716)
Dividend income		152	205
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	(414)	546 223
Results on financial assets and liabilities held for trading	6	1 355	3 135
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	10 717	5 901
Result on hedge accounting		(1 247)	322
Result on exchange differences		(46 617)	(8 223)
Other operating income		67 831	116 108
Other operating expenses		(165 238)	(72 187)
Administrative expenses	8	(544 039)	(469 294)
Impairment losses on financial assets	9	(110 765)	(109 375)
Impairment losses on non-financial assets		(1 885)	1 733
Provisions for legal risk connected with FX mortgage loans	10	(548 810)	(863 650)
Result on modification		(31 283)	(27 832)
Depreciation		(54 291)	(52 521)
Share of the profit of investments in subsidiaries		0	0
Banking tax		0	0
Profit before income taxes		**129 293**	**533 601**
Corporate income tax	11	(867)	(281 455)
Profit after taxes		**128 426**	**252 146**
Attributable to:			
Owners of the parent		128 426	252 146
Non-controlling interests		0	0
Weighted average number of outstanding ordinary shares (pcs.)		1 213 116 777	1 213 116 777
Profit (loss) per ordinary share (in PLN)		0.11	0.21

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Profit after taxes	128 426	252 146
Other comprehensive income items that may be (or were) reclassified to profit or loss	**72 616**	402 407
Result on debt securities	60 155	285 939
Hedge accounting	12 461	116 468
Other comprehensive income items that will not be reclassified to profit or loss	**0**	0
Actuarial gains (losses)	0	0
Result on equity instruments	0	0
Total comprehensive income items before taxes	**72 616**	**402 407**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(13 797)	(76 457)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0
Total comprehensive income items after taxes	**58 819**	**325 950**
Total comprehensive income for the period	**187 245**	**578 096**
Attributable to:		
Owners of the parent	187 245	578 096
Non-controlling interests	0	0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Amount '000 PLN	Note	31.03.2024	31.12.2023	31.03.2023
Cash, cash balances at central banks		4 937 063	5 094 984	5 452 016
Financial assets held for trading	12	998 447	608 924	527 958
Derivatives		552 723	498 249	371 422
Equity instruments		120	121	123
Debt securities		445 604	110 554	156 413
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers		154 635	147 623	142 879
Equity instruments		66 609	66 609	66 609
Debt securities		88 026	81 014	76 270
Financial assets at fair value through other comprehensive income	13	26 953 826	22 096 200	18 192 605
Equity instruments		28 789	28 793	24 395
Debt securities		26 925 037	22 067 407	18 168 210
Loans and advances to customers	14	73 910 677	73 643 060	75 380 270
Mandatorily at fair value through profit or loss		7 226	19 349	75 078
Valued at amortised cost		73 903 451	73 623 711	75 305 192
Financial assets at amortised cost other than Loans and advances to customers	15	21 647 640	20 706 585	10 907 828
Debt securities		20 789 685	18 749 907	10 322 224
Deposits, loans and advances to banks and other monetary institutions		426 841	793 436	585 603
Reverse sale and repurchase agreements		431 114	1 163 242	0
Derivatives – Hedge accounting	16	116 528	74 213	60 754
Investments in subsidiaries, joint ventures and associates		52 509	52 509	43 522
Tangible fixed assets		559 763	565 630	566 375
Intangible fixed assets		480 378	481 631	435 896
Income tax assets		510 433	486 803	732 494
Current income tax assets		2 227	1 810	4 642
Deferred income tax assets	18	508 206	484 993	727 852
Other assets		1 796 879	1 544 328	1 371 630
Non-current assets and disposal groups classified as held for sale		19 270	17 514	13 749
Total assets		**132 138 048**	**125 520 004**	**113 827 975**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	31.03.2024	31.12.2023	31.03.2023
LIABILITIES				
Financial liabilities held for trading	12	496 924	579 553	433 296
Derivatives		496 924	576 833	430 216
Liabilities from short sale of securities		0	2 720	3 080
Financial liabilities measured at amortised cost		119 004 963	112 692 833	103 158 389
Liabilities to banks and other monetary institutions	19	557 849	563 512	462 387
Liabilities to customers	20	113 183 861	107 246 427	100 875 841
Sale and repurchase agreements	21	380 430	0	0
Debt securities issued	22	3 323 609	3 317 849	256 280
Subordinated debt	23	1 559 214	1 565 045	1 563 882
Derivatives – Hedge accounting	16	124 155	193 664	394 859
Provisions	24	1 822 340	1 445 472	974 133
Pending legal issues		1 780 304	1 403 105	937 002
Commitments and guarantees given		42 036	42 367	37 132
Income tax liabilities		33 174	461 457	252 978
Current income tax liabilities		32 734	461 217	252 706
Deferred income tax liabilities	18	440	240	272
Other liabilities		3 574 352	3 252 130	2 541 818
Total Liabilities		**125 055 908**	**118 625 109**	**107 755 473**
EQUITY				
Share capital		1 213 117	1 213 117	1 213 117
Own shares		(21)	(21)	(21)
Share premium		1 147 502	1 147 502	1 147 502
Accumulated other comprehensive income		(158 693)	(217 512)	(716 334)
Retained earnings		4 880 235	4 751 809	4 428 238
Total equity		**7 082 140**	**6 894 895**	6 072 502
Total equity and total liabilities		**132 138 048**	**125 520 004**	**113 827 975**

Book value of net assets	7 082 140	6 894 895	6 072 502
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	5.84	5.68	5.01

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total consolidated equity	Share capital	Own shares	Share premium	Accumulated other comprehen-sive income	Retained earnings	
						Unappro-priated result	Other reserves
01.01.2024 - 31.03.2024							
Equity at the beginning of the period	6 894 895	1 213 117	(21)	1 147 502	(217 512)	792 276	3 959 533
Total comprehensive income for period (net)	187 245	0	0	0	58 819	128 426	0
net profit/ (loss) of the period	128 426	0	0	0	0	128 426	0
valuation of debt securities	48 726	0	0	0	48 726	0	0
valuation of shares	0	0	0	0	0	0	0
hedge accounting	10 093	0	0	0	10 093	0	0
actuarial gains/losses	0	0	0	0	0	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	(553 622)	553 622
Equity at the end of the period	**7 082 140**	**1 213 117**	**(21)**	**1 147 502**	**(158 693)**	**367 080**	**4 513 155**
01.01.2023 - 31.12.2023							
Equity at the beginning of the period	5 494 406	1 213 117	(21)	1 147 502	(1 042 284)	(824 873)	5 000 965
Total comprehensive income for period (net)	1 400 489	0	0	0	824 772	575 717	0
net profit/ (loss) of the period	575 717	0	0	0	0	575 717	0
valuation of debt securities	545 145	0	0	0	545 145	0	0
valuation of shares	3 582	0	0	0	3 582	0	0
hedge accounting	285 013	0	0	0	285 013	0	0
actuarial gains/losses	(8 968)	0	0	0	(8 968)	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 041 432	(1 041 432)
Equity at the end of the period	**6 894 895**	**1 213 117**	**(21)**	**1 147 502**	**(217 512)**	**792 276**	**3 959 533**
01.01.2023 - 31.03.2023							
Equity at the beginning of the period	5 494 406	1 213 117	(21)	1 147 502	(1 042 284)	(824 873)	5 000 965
Total comprehensive income for period (net)	578 096	0	0	0	325 950	252 146	0
net profit/ (loss) of the period	252 146	0	0	0	0	252 146	0
valuation of debt securities	231 611	0	0	0	231 611	0	0
valuation of shares	0	0	0	0	0	0	0
hedge accounting	94 339	0	0	0	94 339	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 041 432	(1 041 432)
Equity at the end of the period	**6 072 502**	**1 213 117**	**(21)**	**1 147 502**	**(716 334)**	**468 705**	**3 959 533**

CONSOLIDATED STATEMENT OF CASH FLOW

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount ‘000 PLN	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Profit (loss) after taxes	128 426	252 146
Total adjustments:	6 527 712	3 124 252
Interest received	1 758 067	1 791 573
Interest paid	(728 086)	(727 433)
Depreciation and amortization	54 291	52 521
Foreign exchange (gains)/ losses	0	0
Dividends	(152)	(205)
Changes in provisions	376 868	(42 036)
Result on sale and liquidation of investing activity assets	(916)	(548 445)
Change in financial assets held for trading	(407 629)	61 047
Change in loans and advances to banks	27 985	51 627
Change in loans and advances to customers	(1 771 973)	(435 236)
Change in receivables from securities bought with sell-back clause (loans and advances)	718 767	(2 586)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(152 137)	(111 451)
Change in deposits from banks	128	(248 915)
Change in deposits from customers	6 607 761	3 533 658
Change in liabilities from securities sold with buy-back clause	389 285	19 936
Change in debt securities	48 872	12 527
Change in income tax settlements	(410 210)	283 863
Income tax paid	(55 500)	(66 198)
Change in other assets and liabilities	40 717	(535 963)
Other	31 574	35 968
Net cash flows from operating activities	**6 656 138**	**3 376 398**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Inflows:	2 095	507 717
Proceeds from sale of property, plant and equipment and intangible assets	1 943	7 600
Proceeds from sale of shares in related entities	0	499 912
Proceeds from sale of investment financial assets	0	0
Other	152	205
Outflows:	(5 347 709)	(2 799 711)
Acquisition of property, plant and equipment and intangible assets	(19 242)	(49 333)
Acquisition of shares in related entities	0	0
Acquisition of investment financial assets	(5 328 467)	(2 750 378)
Other	0	0
Net cash flows from investing activities	**(5 345 614)**	**(2 291 994)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Inflows from financing activities:	0	0
Long-term bank loans	0	0
Issue of debt securities	0	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(37 406)	(45 273)
Repayment of long-term bank loans	0	(5 000)
Redemption of debt securities	0	0
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other outflows from financing activities	(37 406)	(40 273)
Net cash flows from financing activities	**(37 406)**	**(45 273)**

D. Net cash flows. Total (A + B + C)	**1 273 118**	1 039 131
- including change resulting from FX differences	(1 859)	(2 664)
E. Cash and cash equivalents at the beginning of the reporting period	**18 499 347**	14 231 089
F. Cash and cash equivalents at the end of the reporting period (D + E)	**19 772 465**	15 270 220

4. NOTES TO CONSOLIDATED FINANCIAL DATA

1) INTEREST INCOME AND OTHER OF SIMILAR NATURE

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Interest income from Financial assets at fair value through other comprehensive income	302 107	250 011
Debt securities	302 107	250 011
Interest income from Financial assets at amortised cost	1 837 987	1 797 093
Balances with the Central Bank	52 759	55 573
Loans and advances to customers	1 534 391	1 641 333
Debt securities	229 824	73 768
Deposits, loans and advances to banks	7 651	10 281
Transactions with repurchase agreements	13 362	7 449
Hedging derivatives	0	8 689
Result of similar nature to interest, including:	29 333	24 329
Loans and advances to customers mandatorily at fair value through profit or loss	258	3 720
Financial assets held for trading - derivatives	26 639	19 513
Financial assets held for trading - debt securities	2 436	1 096
Total	**2 169 427**	**2 071 433**

In the line „Hedging derivatives" the Group presents net interest income from derivatives set as and being effective cash flow and fair value hedges. A detailed description of the hedging relations used by the Group is presented in **note (16)**.

Interest income for the 3 quarters 2023 contains interest accrued on impaired loans in the amount of PLN 41,266 thous. (for corresponding data in the year 2023 the amount of such interest stood at PLN 50,059 thous.).

2) INTEREST EXPENSES AND OTHER OF SIMILAR NATURE

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Financial liabilities measured at amortised cost	(815 182)	(809 309)
Liabilities to banks and other monetary institutions	(4 968)	(6 386)
Liabilities to customers	(663 773)	(732 390)
Transactions with repurchase agreement	(8 856)	(19 936)
Debt securities issued	(98 811)	(12 527)
Subordinated debt	(31 575)	(35 967)
Liabilities due to leasing agreements	(2 683)	(2 103)
Hedging derivatives	(4 516)	0
Other	0	0
Total	**(815 182)**	**(809 309)**

3) FEE AND COMMISSION INCOME

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Resulting from accounts service	27 884	29 624
Resulting from money transfers, cash payments and withdrawals and other payment transactions	23 934	22 817
Resulting from loans granted	53 704	53 358
Resulting from guarantees and sureties granted	3 602	3 809
Resulting from payment and credit cards	75 085	68 902
Resulting from sale of insurance products	37 319	48 854
Resulting from distribution of investment funds units and other savings products	6 867	6 307
Resulting from brokerage and custody service	3 367	2 808
Resulting from investment funds managed by the Group	19 248	14 241
Other	11 412	9 928
Total	262 422	260 648

4) FEE AND COMMISSION EXPENSE

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Resulting from accounts service	(10 461)	(10 321)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(1 101)	(1 137)
Resulting from loans granted	(7 510)	(6 461)
Resulting from payment and credit cards	(26 390)	(26 297)
Resulting from brokerage and custody service	(587)	(573)
Resulting from investment funds managed by the Group	(3 175)	(2 582)
Resulting from insurance activity	(1 762)	(2 190)
Other	(11 854)	(10 155)
Total	(62 840)	(59 716)

Verdict of Court of Justice of the European Union regarding return of commission in case of early repaid loans

On 11 September 2019 The Court of Justice of the European Union ruled in the case of Lexitor against SKOK Stefczyka, Santander Consumer Bank and mBank (case C 383/18) in which it stated that consumer has rights to demand the reduction of the total loan cost corresponding to interest and costs for the remaining term of the agreement in case of early repayment of loan.

Taking into consideration this verdict, the Group as at 31 March 2024 had a provision **in** the amount of PLN 74.7 million which was estimated based on the maximum amount of potential returns and the probability of payment being made.

5) Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Result on bancassurance transaction	0	553 912
Operations on debt instruments	0	(7 333)
Costs of financial operations	(414)	(356)
Total	(414)	546 223

Bancassurance transaction

On February 13th 2023, the Bank's Management Board announced that after obtaining the necessary corporate approvals, on February 13, 2023, the Bank concluded an agreement ("Agreement") for the sale of 80% of shares in Millennium Financial Services sp. z o. o. ("Company") to Towarzystwo Ubezpieczeń na Życie Europa S.A., which acquired 72% of the Company's shares, and Towarzystwo Ubezpieczeń Europa S.A., which acquired 8% of the Company's shares (collectively, the "Buyer").

The Bank also concluded agreements with the Buyers and the Company regarding the exclusive insurance distribution model, including cooperation agreements, distribution agreements and agency agreements. Strategic insurance cooperation provides for long-term (10 years) cooperation in the field of bancassurance in relation to specific insurance related to credit products offered by the Bank.

The essence of the transaction provided for in the Agreement was the direct purchase of Shares by the Buyers from the Bank for a defined initial price, which could be subject to a price adjustment mechanism after the closing of the Transaction.

On March 29, 2023, 80% of the shares in the company were transferred to the Buyers, and the final settlement of the transaction, together with the price adjustment, took place in December 2023.

Since as part of the transaction, in addition to Agreement, the Bank also concluded other agreements with the Buyers and the Company, the Bank analyzed individual agreements and their economic effects in accordance with the requirements of IFRS 10, IFRS 15 and IFRS 9. As a result, the Bank identified contractual obligations and assessed the assignment of contractual remuneration for individual elements of the transaction, determining the appropriate method of recognizing revenues from single contractual obligations.

As a result, the Bank recognized in 2023 in the Profit and Loss Account total result of PLN 652.4 million (gross), which consisted of:

1) profit realized on sale: payment of the price less the fair value of the shares at the moment of loss of control in the amount of PLN 553.9 million (gross) was included in March 2023 in the item "Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss";

2) an inflow of PLN 46.0 million (gross) as a valuation of the derivative at the time of final settlement of the transaction in December 2023, resulting from the agreed potential future remuneration payments, was recognized as "Result on financial assets and liabilities held for trading";

3) At the same time, due to the loss of control over the Company, the Bank valued the remaining non-controlling share in the Company at fair value of PLN 52.5 million (gross), this amount was included in "Other operating income", out of which PLN 43.3 million was recognized in March 2023 and an additional PLN 9.2 million in December 2023.

Starting from the moment of loss of control, the investment in the Company is treated as an involvement in an associated entity (the Bank holds 20% of the shares in the Company) and is valued at the Group level using the equity method, while in the Bank's financial statements the valuation model is fair value with the valuation effect recorded in the Profit and Loss Account.

The Bank's assessment was made on the basis of IFRS and their interpretations applicable as at the date of these financial statements.

6) RESULTS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Result on debt instruments	3 353	1 471
Result on derivatives	(2 001)	1 663
Result on other financial operations	3	1
Total	1 355	3 135

7) RESULTS NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Loans and advances to customers	3 706	(2 671)
Result on equity instruments	0	4 359
Result on debt instruments	7 011	4 213
Total	10 717	5 901

8) ADMINISTRATIVE EXPENSES

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Staff costs:	(289 343)	(246 046)
Salaries	(236 226)	(200 795)
Surcharges on pay	(42 769)	(36 932)
Employee benefits, including:	(10 348)	(8 319)
- provisions for retirement benefits	(1 462)	(1 150)
- provisions for unused employee holiday	(4)	(8)
- other	(8 882)	(7 161)
Other administrative expenses:	(254 696)	(223 248)
Costs of advertising, promotion and representation	(20 092)	(17 806)
IT and communications costs	(38 061)	(36 604)
Costs of renting	(15 441)	(18 784)
Costs of buildings maintenance, equipment and materials	(12 858)	(11 714)
ATM and cash maintenance costs	(9 150)	(8 761)
Costs of consultancy, audit and legal advisory and translation	(40 311)	(29 574)
Taxes and fees	(11 844)	(11 473)
KIR - clearing charges	(3 685)	(3 042)
PFRON costs	(2 323)	(2 002)
Banking Guarantee Fund costs	(60 906)	(83 434)
Financial Supervision costs	(5 129)	(4 585)
Costs of protection scheme	0	0
Other	(34 896)	4 531
Total	**(544 039)**	**(469 294)**

9) Impairment losses on financial assets

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Impairment losses on loans and advances to customers	(111 071)	(111 845)
Impairment charges on loans and advances to customers	(513 832)	(539 863)
Reversal of impairment charges on loans and advances to customers	390 872	417 833
Amounts recovered from loans written off	11 889	10 225
Sale of receivables	0	0
Other directly recognised in profit and loss	0	(40)
Impairment losses on securities	1	0
Impairment charges on securities	0	0
Reversal of impairment charges on securities	1	0
Impairment losses on off-balance sheet liabilities	305	2 470
Impairment charges on off-balance sheet liabilities	(17 392)	(17 403)
Reversal of impairment charges on off-balance sheet liabilities	17 697	19 873
Total	**(110 765)**	**(109 375)**

10) Provisions for legal risk connected with FX mortgage loans

01.01.2024 - 31.03.2024	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	7 871 789	6 516 460	1 355 329
Amounts written off	(187 210)	(187 210)	0
Costs of provisions for legal risk connected wlth FX mortgage loans	548 810	0	548 810
Allocation to the loans portfolio	0	172 536	(172 536)
Change of provisions due to FX rates differences	(376 696)	(376 696)	0
Balance at the end of the period	7 856 693	6 125 090	1 731 603

01.01.2023 - 31.03.2023	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	5 395 344	4 572 901	822 443
Amounts written off	(98 000)	(98 000)	0
Costs of provisions for legal risk connected wlth FX mortgage loans	863 650	0	863 650
Allocation to the loans portfolio	0	905 227	(905 227)
Change of provisions due to FX rates differences	(85 293)	(85 293)	0
Balance at the end of the period	6 075 701	5 294 835	780 866

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Costs of settlements recognized in the profit and loss account, including:	(118 208)	(72 199)
- included in the “Result on exchange differences”	(97 553)	(53 433)
- included in the “Result on modification”	(20 655)	(18 766)
Costs of settlements charged to previously created provisions	51 332	7 622

11) CORPORATE INCOME TAX

11A. INCOME TAX REPORTED IN INCOME STATEMENT

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Current tax	(55 388)	(284 191)
Current year	(55 388)	(285 565)
Adjustment to prior years	0	1 374
Deferred tax:	54 521	2 736
Recognition and reversal of temporary differences	66 715	98
Recognition / (Utilisation) of tax loss	(12 194)	2 638
Total income tax reported in income statement	**(867)**	**(281 455)**

11B. EFFECTIVE TAX RATE

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Profit before tax	129 293	533 601
Statutory tax rate	19%	19%
Income tax according to obligatory income tax rate of 19%	(24 566)	(101 384)
Impact of permanent differences on tax charges:	**7 001**	**(181 567)**
- Non-taxable income	15 416	7 337
Release of other provisions	7 126	7 326
Adjustment of income from cancellation of loans in CHF	6 927	0
Other	1 363	11
- Cost which is not a tax cost	(8 415)	(188 904)
PFRON fee	(434)	(381)
Fees for Banking Guarantee Fund	(11 989)	(15 853)
Receivables written off	(1 832)	(9 237)
Costs of litigations and claims	(44 409)	(163 527)
Asset due to future cancellations of CHF loans	51 565	0
Other	(1 316)	94
Other differences between the gross financial result and taxable income (including R&D relief)	16 698	1 496
Total income tax reported in income statement	**(867)**	**(281 455)**
Effective tax rate	0.67%	52.75%

11C. DEFERRED TAX REPORTED IN EQUITY

	31.03.2024	31.12.2023	31.03.2023
Valuation of investment assets at fair value through other comprehensive income	29 323	40 752	115 139
Valuation of cash flow hedging instruments	7 929	10 297	55 022
Actuarial gains (losses)	(30)	(30)	(2 133)
Deferred tax reported directly in equity	37 222	51 019	168 028

Withholding tax audit for years 2015-17

On 12 February 2019 the Head of Western Pomeranian Customs & Tax Office (Zachodniopomorski Urząd Celno-Skarbowy w Szczecinie, ZUCS) commenced tax audits regarding the correctness of withholding tax (WHT) settlements for years 2015 and 2016. On 17 December 2019 the Bank received audit results as of 13 December 2019, in which ZUCS questioned WHT-exemption on coupon interest from bonds paid to MB Finance AB with the seat in Sweden constituting a collateral to 10Y subordinated bonds with a par value of EUR 150 mio. issued by this company in December 2007 (fully amortized in December 2017). On 11 June 2021 Bank received 2nd instance decisions of ZUCS decreasing the amount of WHT arrear from PLN 6.6 to 5.3 mio. This amount with penalty interests were paid by Bank on 18 June 2021. Bank lodged complaints on these decisions to the administrative court in Szczecin (WSA). WSA in its judgements as of 13 and 27 October 2021 wholly overruled both ZUCS's decisions. ZUCS appealed from these judgments to the Supreme Administrative Court (NSA).

On 13 April 2021 Head of ZUCS commenced a WHT audit for year 2017. As expected in the audit result ZUCS challenged WHT-exemption on coupon interests paid by Bank to MBF in this year as well (disputable WHT amount is ca. PLN 2.2 mio.). Bank does not agree with such findings as well and will continue a dispute with ZUCS. On 21 March 2022 Bank received the ZUCS's decision on WHT audit transformation into a tax proceeding. On 30 June 2022 Bank received the ZUCS's decision determining WHT arrear of ca. PLN 2.2 mio. Bank appealed from this decision. On 23 February 2023 WSA suspended the court litigation concerning WHT for 2017 until the final NSA's judgements regarding WHT for years 2015-16.

Bank received an expert opinion as of January 29, 2020 of tax professors from the Public Finances Law Department of the Faculty of Law and Administration at Nicolaus Copernicus University in Torun, according to which ZUCS's statement violates binding tax law provisions.

Judgement of the Supreme Administrative Court

On 6 December 2023, the Supreme Administrative Court (NSA) issued a judgment on the Bank's complaint against the tax ruling of the Director of the National Tax Information Service on the rules for recognizing the effects in CIT of cancellations of mortgage loans indexed to foreign currencies and foreign currency loans (in particular in CHF) adjudicated by common courts. According to the ruling, the Bank should recognise the tax consequences not by recognising the resulting losses as tax-deductible costs, but by adjusting the revenues from the above-mentioned loans (FX gains, interest, commissions and fees) previously taxed with CIT, taking into account the rules of limitation of tax liabilities. Until the above judgment was issued, the Bank prudently did not recognize losses due to cancellations of the above loans for CIT and deferred tax purposes.

As a result of the analysis of the NSA's judgment, in March the Bank calculated the amounts of revenues adjustments for the years 2020-22 by submitting appropriate applications to the tax office for a declaration of overpayment of CIT for these years in the total amount of PLN 7.7 million. At the same time, guided by the principle of prudent valuation, the Bank recognized a deferred tax asset in the amount of PLN 51.5 million only due to future adjustments of interest income earned on mortgage loans indexed to CHF and foreign currency loans in this currency which are the subject of court disputes for their cancellation. This asset significantly reduced the tax burden for the first quarter.

12) Financial assets held for trading

12a. Financial assets held for trading

	31.03.2024	31.12.2023	31.03.2023
Debt securities	**445 604**	**110 554**	**156 413**
Issued by State Treasury	445 604	110 554	156 413
a) bills	0	0	0
b) bonds	445 604	110 554	156 413
Other securities	0	0	0
a) quoted	0	0	0
b) non quoted	0	0	0
Equity instruments	**120**	**121**	**123**
Quoted on the active market	120	121	123
a) financial institutions	58	31	42
b) non-financial institutions	62	90	81
Adjustment from fair value hedge	0	0	0
Positive valuation of derivatives	552 723	498 249	371 422
Total	**998 447**	**608 924**	**527 958**

12b. Financial assets and liabilities held for trading - Valuation of derivatives, Adjustment from fair value hedge and Short positions as at:

	Fair Values 31.03.2024		
	Total	Assets	Liabilities
1. Interest rate derivatives	(9 912)	11 194	21 106
Forward Rate Agreements (FRA)	0	0	0
Interest rate swaps (IRS)	(9 912)	276	10 188
Other interest rate contracts: options	0	10 918	10 918
2. FX derivatives	73 711	122 783	49 072
FX contracts	(23 004)	6 076	29 080
FX swaps	96 715	116 707	19 992
Other FX contracts (CIRS)	0	0	0
FX options	0	0	0
3. Embedded instruments	(414 404)	0	414 404
Options embedded in deposits	(414 404)	0	414 404
Options embedded in securities issued	0	0	0
4. Indexes options	406 404	418 746	12 342
Total	**55 799**	**552 723**	**496 924**
Valuation of hedged position in fair value hedge accounting	-	0	0
Liabilities from short sale of debt securities	-	-	0

	Fair Values 31.12.2023			Fair Values 31.03.2023		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	(9 710)	12 060	21 770	(23 271)	26 356	49 627
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	(9 710)	538	10 248	(23 721)	948	24 669
Other interest rate contracts: options	0	11 522	11 522	450	25 408	24 958
2. FX derivatives	(60 286)	69 431	129 717	(30 941)	39 184	70 125
FX contracts	(28 415)	9 665	38 080	(23 142)	7 712	30 854
FX swaps	(31 871)	59 766	91 637	(7 799)	31 472	39 271
Other FX contracts (CIRS)	0	0	0	0	0	0
FX options	0	0	0	0	0	0
3. Embedded instruments	(414 200)	0	414 200	(304 635)	0	304 635
Options embedded in deposits	(414 200)	0	414 200	(304 635)	0	304 635
Options embedded in securities issued	0	0	0	0	0	0
4. Indexes options	405 612	416 758	11 146	300 053	305 882	5 829
Total	**(78 584)**	**498 249**	**576 833**	**(58 794)**	**371 422**	**430 216**
Valuation of hedged position in fair value hedge accounting	-	0	0	-	0	0
Liabilities from short sale of debt securities	-	-	2 720	-	-	3 080

13) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.03.2024	31.12.2023	31.03.2023
Debt securities	**26 925 037**	**22 067 407**	**18 168 210**
Issued by State Treasury	16 642 547	11 825 424	11 701 827
a) bills	0	0	0
b) bonds	16 642 547	11 825 424	11 701 827
Issued by Central Bank	9 858 721	9 797 077	6 048 195
a) bills	9 858 721	9 797 077	6 048 195
b) bonds	0	0	0
Other securities	423 769	444 906	418 188
a) listed	423 769	444 906	418 188
b) not listed	0	0	0
Shares and interests in other entities	28 789	28 793	24 395
Other financial instruments	0	0	0
Total financial assets at fair value through other comprehensive income	**26 953 826**	**22 096 200**	**18 192 605**

14) LOANS AND ADVANCES TO CUSTOMERS

14A. LOANS AND ADVANCES TO CUSTOMERS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

Balance sheet value:	31.03.2024	31.12.2023	31.03.2023
Mandatorily at fair value through profit or loss	7 226	19 349	75 078
Companies	61	69	32
Individuals	7 165	19 280	75 046
Public sector	0	0	0

At the implementation of IFRS 9 Group separated credit exposures which include, in the interest rate definition, leverage/multiplier feature and presents aforementioned exposures in these financial statements as "Non-trading financial assets mandatorily at fair value through profit or loss - Credits and advances". The provisions of IFRS 9 indicate that the multiplier feature modifies money over time and causes the need to apply fair value measurement, however the economic sense of the transaction, i.e. portfolio management not based on fair value and maintaining the portfolio to obtain cash flows from the contract, constitute characteristics of portfolios valued at amortized cost. In 2021, as a result of a change in contractual provisions (eliminating the multiplier feature), some of these exposures began to be re-measured at amortized cost. The change concerned loans where clients fully repaid their commitment, the interest on which was calculated based on the old formula containing a multiplier. Exposures recorded after that time under new contractual conditions (without a multiplier) are measured at amortized cost.

The Bank writes down the gross carrying amount of a financial asset when there is no reasonable probability that it will be fully (total writes off) or partially (partial writes off) recovered. Following the recorded partial writes off the Bank provisioned (deducting the carrying value of gross receivables) penalty interest amounting to PLN 471 million as at 31.03.2024.

14B. LOANS AND ADVANCES TO CUSTOMERS VALUED AT AMORTISED COST

	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Valued at amortised cost, as at 31.03.2024	66 555 597	6 403 392	3 523 173	(377 108)	(335 032)	(1 866 571)	73 903 451
Companies	15 819 869	1 333 079	750 780	(108 805)	(53 959)	(260 397)	17 480 567
Individuals	50 575 365	5 070 312	2 772 393	(266 868)	(281 073)	(1 606 174)	56 263 955
Public sector	160 363	1	0	(1 435)	0	0	158 929
Valued at amortised cost, as at 31.12.2023	66 610 808	6 050 620	3 458 837	(427 418)	(322 955)	(1 746 181)	73 623 711
Companies	15 453 270	1 303 085	730 805	(103 386)	(42 529)	(245 469)	17 095 776
Individuals	50 994 741	4 747 531	2 728 032	(322 601)	(280 426)	(1 500 712)	56 366 565
Public sector	162 797	4	0	(1 431)	0	0	161 370
Valued at amortised cost, as at 31.03.2023	66 638 998	7 491 077	3 650 720	(376 245)	(357 577)	(1 741 781)	75 305 192
Companies	16 870 308	1 498 975	705 385	(103 327)	(71 896)	(264 760)	18 634 685
Individuals	49 569 249	5 991 239	2 945 335	(271 127)	(285 681)	(1 477 021)	56 471 994
Public sector	199 441	863	0	(1 791)	0	0	198 513

14C. LOANS AND ADVANCES TO CUSTOMERS

	31.03.2024	
	Valued at amortised cost	Mandatorily at fair value through profit or loss
Loans and advances	67 542 027	1 371
▪ to companies	10 968 932	0
▪ to private individuals	56 520 238	1 371
▪ to public sector	52 857	0
Receivables on account of payment cards	1 229 781	5 855
▪ due from companies	14 477	61
▪ due from private individuals	1 215 304	5 794
Purchased receivables	132 619	
▪ from companies	132 619	
▪ from public sector	0	
Guarantees and sureties realised	446	
Debt securities eligible for rediscount at Central Bank	0	
Financial leasing receivables	6 836 543	
Other	77 831	
Interest	662 915	
Total:	**76 482 162**	**7 226**
Impairment allowances	(2 578 711)	-
Total balance sheet value:	**73 903 451**	**7 226**

	31.12.2023		31.03.2023	
	Valued at amortised cost	Mandatorily at fair value through profit or loss	Valued at amortised cost	Mandatorily at fair value through profit or loss
Loans and advances	67 292 473	10 527	68 820 961	19 257
▪ to companies	10 654 494	0	11 849 163	0
▪ to private individuals	56 586 451	10 527	56 901 554	19 257
▪ to public sector	51 528	0	70 244	0
Receivables on account of payment cards	1 209 584	8 822	1 055 981	55 821
▪ due from companies	13 541	69	13 961	32
▪ due from private individuals	1 196 043	8 753	1 042 020	55 789
Purchased receivables	143 844		166 605	
▪ from companies	143 844		166 605	
▪ from public sector	0		0	
Guarantees and sureties realised	560		1 551	
Debt securities eligible for rediscount at Central Bank	0		0	
Financial leasing receivables	6 738 380		7 113 019	
Other	104 560		32 842	
Interest	630 864		589 836	
Total:	**76 120 265**	**19 349**	**77 780 795**	**75 078**
Impairment allowances	(2 496 554)	-	(2 475 603)	-
Total balance sheet value:	**73 623 711**	**19 349**	**75 305 192**	**75 078**

14D. QUALITY OF LOANS AND ADVANCES TO CUSTOMERS PORTFOLIO VALUED AT AMORTISED COST

	31.03.2024	31.12.2023	31.03.2023
Loans and advances to customers (gross)	76 482 162	76 120 265	77 780 795
impaired	3 523 173	3 458 837	3 650 720
not impaired	72 958 989	72 661 428	74 130 075
Impairment write-offs	(2 578 711)	(2 496 554)	(2 475 603)
for impaired exposures	(1 866 571)	(1 746 181)	(1 741 781)
for not impaired exposures	(712 140)	(750 373)	(733 822)
Loans and advances to customers (net)	**73 903 451**	**73 623 711**	**75 305 192**

14E. LOANS AND ADVANCES TO CUSTOMERS PORTFOLIO VALUED AT AMORTISED COST BY METHODOLOGY OF IMPAIRMENT ASSESSMENT

	31.03.2024	31.12.2023	31.03.2023
Loans and advances to customers (gross)	76 482 162	76 120 265	77 780 795
case by case analysis	491 520	493 162	548 139
collective analysis	75 990 642	75 627 103	77 232 656
Impairment allowances	(2 578 711)	(2 496 554)	(2 475 603)
on the basis of case by case analysis	(161 402)	(150 724)	(171 817)
on the basis of collective analysis	(2 417 309)	(2 345 830)	(2 303 786)
Loans and advances to customers (net)	**73 903 451**	**73 623 711**	**75 305 192**

14F. LOANS AND ADVANCES TO CUSTOMERS PORTFOLIO VALUED AT AMORTISED COST BY KIND OF CUSTOMERS

	31.03.2024	31.12.2023	31.03.2023
Loans and advances to customers (gross)	76 482 162	76 120 265	77 780 795
corporate customers	18 064 092	17 649 961	19 274 972
individuals	58 418 070	58 470 304	58 505 823
Impairment allowances	(2 578 711)	(2 496 554)	(2 475 603)
for receivables from corporate customers	(424 596)	(392 815)	(441 774)
for receivables from private individuals	(2 154 115)	(2 103 739)	(2 033 829)
Loans and advances to customers (net)	**73 903 451**	**73 623 711**	**75 305 192**

14G. MOVEMENTS IN IMPAIRMENT ALLOWANCES FOR LOANS AND ADVANCES TO CUSTOMERS CARRIED AT AMORTISED COST

	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 31.03.2023
Balance at the beginning of the period	2 496 554	2 420 809	2 420 809
Change in value of allowances:	82 157	75 745	54 794
Impairment allowances created in the period	513 814	1 579 846	539 863
Amounts written off	(51 728)	(191 115)	(84 457)
Impairment allowances released in the period	(390 765)	(1 200 277)	(417 595)
Sale of receivables	0	(175 477)	0
KOIM created in the period*	17 553	71 261	18 314
Changes resulting from FX rates differences	(8 221)	(10 192)	(3 587)
Other	1 504	1 699	2 256
Balance at the end of the period	**2 578 711**	**2 496 554**	**2 475 603**

** In accordance with IFRS 9, the Group calculates interest on the loan portfolio with a recognized impairment based on the net exposure value. For this purpose, the so-called impaired interest adjustment ("KOIM") is calculated and recorded as a reduction of interest income. Aforementioned KOIM adjustment in the balance sheet is presented as an impairment allowances, and as a consequence the reconciliation of the change in impairment allowances requires consideration of the KOIM recognized in the interest income.*

The Group records POCI assets in the balance sheet mainly as a result of recognition of impaired loans after the merger with Euro Bank and takeover of SKOK Piast. At the time of the merger, the aforementioned assets included in the Bank's books at fair value.

The value of POCI assets is as follows:

	Gross balance sheet value	Accumulated impairment	Net balance sheet value
31.03.2024			
- Companies	17 867	823	18 690
- Individuals	88 294	(29 835)	58 459
- Public sector	0	0	0
31.12.2023			
- Companies	23 106	1 200	24 306
- Individuals	93 690	(25 136)	68 554
- Public sector	0	0	0
31.03.2023			
- Companies	19 593	(476)	19 117
- Individuals	126 590	(20 209)	106 382
- Public sector	0	0	0

14H. LOANS AND ADVANCES TO CUSTOMERS PORTFOLIO VALUED AT AMORTISED COST BY CURRENCY

	31.03.2024	31.12.2023	31.03.2023
in Polish currency	69 787 796	69 016 046	67 643 832
in foreign currencies (after conversion to PLN)	6 694 366	7 104 219	10 136 963
currency: USD	78 875	55 055	65 576
currency: EUR	4 065 472	3 906 098	4 373 109
currency: CHF	2 529 931	3 121 979	5 694 339
other currencies	20 088	21 087	3 939
Total gross	**76 482 162**	**76 120 265**	**77 780 795**

15) Financial assets at amortised cost other than Loans and advances to customers

15a. Financial assets at amortised cost other than Loans and advances to customers

31.03.2024	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	20 789 690	0	0	(5)	0	0	20 789 685
Deposits, loans and advances to banks and other monetary institutions	426 912	0	0	(71)	0	0	426 841
Repurchase agreements	431 114	0	0	0	0	0	431 114

31.12.2023	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	18 749 913	0	0	(6)	0	0	18 749 907
Deposits, loans and advances to banks and other monetary institutions	793 596	0	0	(160)	0	0	793 436
Repurchase agreements	1 163 242	0	0	0	0	0	1 163 242

31.03.2023	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	10 322 229	0	0	(5)	0	0	10 322 224
Deposits, loans and advances to banks and other monetary institutions	585 646	0	0	(43)	0	0	585 603
Repurchase agreements	0	0	0	0	0	0	0

15b. Debt securities

	31.03.2024	31.12.2023	31.03.2023
credit institutions	1 896 281	1 716 205	677 285
other companies	0	0	0
public sector	18 893 404	17 033 702	9 644 939
Total	20 789 685	18 749 907	10 322 224

15c. Deposits, loans and advances to banks and other monetary institutions

	31.03.2024	31.12.2023	31.03.2023
Current accounts	282 575	571 479	173 205
Deposits	142 463	219 804	410 233
Other	367	0	476
Interest	1 507	2 313	1 732
Total (gross) deposits, loans and advances	426 912	793 596	585 646
Impairment allowances	(71)	(160)	(43)
Total (net) deposits, loans and advances	**426 841**	**793 436**	**585 603**

15D. REPURCHASE AGREEMENTS

	31.03.2024	31.12.2023	31.03.2023
credit institutions	429 958	1 146 305	0
other customers	0	11 553	0
interest	1 156	5 384	0
Total	431 114	1 163 242	0

16) DERIVATIVES - HEDGE ACCOUNTING

16A. HEDGE RELATIONS

Detailed information on cash flow hedge relations applied by the Group, items designated as hedged and hedging and presentation of the result (active as at 31.03.2024) is shown in a tables below:

	Hedge of volatility of the cash flows generated by PLN denominated financial assets	Cash flow volatility hedge for the flows generated by FX mortgage portfolio and its underlying PLN liabilities
Description of hedge transactions	The Group hedges the risk of the volatility of cash flows generated by PLN denominated financial assets. The volatility of cash flows results from interest rate risk.	The Group hedges the risk of the volatility of cash flows generated by FX mortgages and by PLN liabilities financially underlying such loans. The volatility of cash flows results from the currency risk and interest rate risk.
Hedged items	Cash flows resulting from PLN denominated financial assets.	Cash flows resulting from the FX mortgage loan portfolio and PLN deposits together with issued debt PLN securities funding them.
Hedging instruments	IRS transactions	CIRS transactions
Presentation of the result on the hedged and hedging transactions	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; interest on both the hedged and the hedging instruments are recognised in net interest income. Ineffective part of the valuation of hedging instruments is recognized in the income statement as a result on instruments measured at fair value through profit and loss.	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; interest on both the hedged and the hedging instruments are recognised in net interest income; valuation of hedging and hedged instruments on FX differences is recognised in Result on exchange differences. Ineffective part of the valuation of hedging instruments is recognized in the income statement as a result on instruments measured at fair value through profit and loss.

	Fair value hedge of a fixed interest rate debt instrument	Cash flow volatility hedge due to future income and interest costs denominated in foreign currencies	Hedging the fair value of cash flows from issued fixed-rate liabilities denominated in foreign currencies
Description of hedge transactions	The Group hedges part of the interest rate risk associated with the change in the fair value of a fixed-rate debt instrument recorded in other comprehensive income, resulting from fluctuations in market interest rate.	The Group hedges the risk of the volatility of cash flows generated by income and interest costs denominated in foreign currencies. The volatility of cash flows results from the currency risk.	The Group hedges part of the interest rate risk related to changes in the fair value of cash flows from issued fixed-rate liabilities denominated in foreign currencies, resulting from the volatility of market interest rates.
Hedged items	A portfolio of fixed coupon debt securities classified as financial assets measured at fair value through other comprehensive income denominated in PLN.	Cash flows resulting from income and interest costs denominated in foreign currencies.	Cash flows from issued fixed-rate liabilities denominated in foreign currencies
Hedging instruments	IRS transactions	FX position resulting from recognized future leasing liabilities.	IRS transactions
Presentation of the result on the hedged and hedging transactions	The result on the change in the fair value measurement of hedged items in the hedged risk is referred to the result on hedge accounting. The remaining part of the change in fair value measurement is recognized in other comprehensive income. Interest on debt securities is recognized in net interest income. The change in fair value measurement of derivative instruments being a hedge is presented in the result on hedge accounting, and interest on these instruments is recognized in the interest result.	The effective part of the spot revaluation of hedging instruments is recognized in the revaluation reserve. The ineffective part of the valuation of the hedging item is recognized in the income statement as a result on instruments measured at fair value through profit and loss.	The result from the change in the fair value measurement of flows from hedged items in terms of the hedged risk is recognized in the result from hedge accounting. Interest on debt securities is recognized in interest income. The change in the fair value measurement of derivative instruments constituting hedging is presented in the result from hedge accounting, and interest on these instruments is recognized in net interest income.

16B. HEDGE ACCOUNTING - BALANCE SHEET VALUATION

	Fair values 31.03.2024		
	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate			
CIRS contracts	(116 882)	0	116 882
IRS contracts	(7 273)	0	7 273
FXS contracts	0	0	0
2. Derivatives used as interest rate hedges related to interest rates			
IRS contracts	116 528	116 528	0
3. Total hedging derivatives	(7 627)	116 528	124 155

	Fair values 31.12.2023			Fair values 31.03.2023		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(150 631)	15 069	165 700	(91 334)	60 754	152 088
IRS contracts	(27 964)	0	27 964	(242 771)	0	242 771
FXS contracts	0	0	0	0	0	0
2. Derivatives used as interest rate hedges related to interest rates						
IRS contracts	59 144	59 144	0	0	0	0
3. Total hedging derivatives	(119 451)	74 213	193 664	(334 105)	60 754	394 859

17) IMPAIRMENT WRITE-OFFS FOR SELECTED ASSETS

Impairment write-offs:	Investment securities	Property. plant and equipment	Intangibles	Non-current assets held for sale	Other assets
As at 01.01.2024	5 001	816	3 988	0	30 279
- Write-offs created	0	0	0	0	3 560
- Write-offs released	(1)	0	0	0	(1 676)
- Utilisation	0	0	0	0	(262)
- Other	0	0	0	0	0
As at 31.03.2024	5 000	816	3 988	0	31 901
As at 01.01.2023	5 002	816	3 988	137	29 405
- Write-offs created	2	0	0	0	19 352
- Write-offs released	(3)	0	0	0	(19 268)
- Utilisation	0	0	0	0	(1 383)
- Other	0	0	0	(137)	2 173
As at 31.12.2023	5 001	816	3 988	0	30 279
As at 01.01.2023	5 002	816	3 988	137	29 405
- Write-offs created	0	0	0	0	7 203
- Write-offs released	(1)	0	0	0	(7 649)
- Utilisation	0	0	0	0	(327)
- Other	0	0	0	(137)	137
As at 31.03.2023	5 001	816	3 988	0	28 769

18) DEFERRED INCOME TAX ASSETS AND LIABILITY

	31.03.2024		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	990	(24 249)	(23 259)
Balance sheet valuation of financial instruments	32 538	(39 786)	(7 248)
Unrealised receivables/ liabilities on account of derivatives	43 662	(61 957)	(18 295)
Interest on deposits and securities to be paid/ received	128 125	(356 820)	(228 695)
Interest and discount on loans and receivables	0	(119 874)	(119 874)
Income and cost settled at effective interest rate	45 660	(898)	44 762
Impairment of loans presented as temporary differences	549 410	0	549 410
Employee benefits	22 776	0	22 776
Rights to use	4 282	(141)	4 141
Provisions for future costs	197 173	0	197 173
Asset due to future cancellations of CHF loans	51 565	0	51 565
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	45 951	(8 698)	37 253
Valuation of shares	1 273	(34 632)	(33 359)
Tax loss deductible in the future	33 611	0	33 611
Other	(59)	(1 696)	(1 755)
Net deferred income tax asset	**1 156 957**	**(648 751)**	**508 206**
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax provision
Income and cost settled at effective interest rate	0	(1 296)	(1 296)
Employee benefits	197	0	197
Rights to use	4	0	4
Provisions for future costs	703	0	703
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	0	(31)	(31)
Other	14	(31)	(17)
Net deferred income tax provision	**918**	**(1 358)**	**(440)**

	31.12.2023			31.03.2023		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	(3 854)	13 021	9 167	(4 731)	(19 850)	(24 581)
Balance sheet valuation of financial instruments	(16 627)	(36 476)	(53 103)	13 133	(30 095)	(16 962)
Unrealised receivables/ liabilities on account of derivatives	67 024	(67 597)	(573)	55 597	(46 342)	9 255
Interest on deposits and securities to be paid/ received	127 301	(323 617)	(196 316)	94 275	(245 985)	(151 710)
Interest and discount on loans and receivables	0	(113 818)	(113 818)	0	(110 248)	(110 248)
Income and cost settled at effective interest rate	60 214	(801)	59 413	198 255	(0)	198 255
Impairment of loans presented as temporary differences	547 553	0	547 553	529 933	0	529 933
Employee benefits	23 055	0	23 055	19 393	0	19 393
Rights to use	4 201	0	4 201	5 054	0	5 054
Provisions for future costs	142 172	0	142 172	83 441	0	83 441
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	76 462	(25 410)	51 052	212 467	(44 396)	168 071
Valuation of shares	1 273	(33 300)	(32 027)	1 273	(39 762)	(38 489)
Tax loss deductible in the future	45 805	0	45 805	60 124	0	60 124
Other	141	(1 729)	(1 588)	(2 613)	(1 071)	(3 683)
Net deferred income tax asset	**1 074 721**	**(589 728)**	**484 993**	**1 265 601**	**(537 749)**	**727 852**
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax provision	Deferred income tax asset	Deferred income tax provision	Net deferred income tax provision
Income and cost settled at effective interest rate	0	(1 172)	(1 172)	0	(947)	(947)
Employee benefits	213	0	213	174	0	174
Rights to use	3	0	3	(1)	0	(1)
Provisions for future costs	763	0	763	551	0	551
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	0	(31)	(31)	0	(42)	(42)
Other	16	(32)	(16)	32	(39)	(8)
Net deferred income tax provision	**995**	**(1 235)**	**(240)**	**756**	**(1 028)**	**(272)**

19) LIABILITIES TO BANKS AND OTHER MONETARY INSTITUTIONS

	31.03.2024	31.12.2023	31.03.2023
In current account	36 623	25 424	36 457
Term deposits	520 113	536 152	372 470
Loans and advances received	0	0	50 000
Interest	1 113	1 936	3 460
Total	557 849	563 512	462 387

20) LIABILITIES TO CUSTOMERS

	31.03.2024	31.12.2023	31.03.2023
Amounts due to private individuals	81 059 888	76 599 831	70 101 423
Balances on current accounts	52 559 210	50 242 523	49 519 022
Term deposits	27 913 862	25 771 736	20 117 851
Other	306 686	278 997	251 176
Accrued interest	280 130	306 575	213 374
Amounts due to companies	25 846 169	26 346 440	24 179 736
Balances on current accounts	13 413 496	14 675 577	12 131 023
Term deposits	12 074 181	11 162 998	11 601 313
Other	300 456	462 439	377 085
Accrued interest	58 036	45 426	70 315
Amounts due to public sector	6 277 804	4 300 156	6 594 682
Balances on current accounts	3 301 439	3 318 533	3 270 847
Term deposits	2 959 017	974 507	3 308 155
Other	1 946	1 677	4 148
Accrued interest	15 402	5 439	11 532
Total	**113 183 861**	**107 246 427**	**100 875 841**

21) LIABILITIES FROM SECURITIES SOLD WITH BUY-BACK CLAUSE

	31.03.2024	31.12.2023	31.03.2023
to the Central Bank	0	0	0
to banks	0	0	0
to customers	379 996	0	0
interest	434	0	0
Total	380 430	0	0

22) CHANGE OF DEBT SECURITIES

	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 31.03.2023
Balance at the beginning of the period	3 317 849	243 753	243 753
Increases, on account of:	98 811	3 130 201	12 527
issue of bonds by the Bank	0	2 660 611	0
issue of Millennium Leasing bonds	0	280 000	0
valuation of the Bank's bonds designated to fair value hedged relationship	0	49 305	0
interest accrual	98 811	140 285	12 527
Reductions, on account of:	(93 051)	(56 105)	0
change in the valuation of the Bank's bonds designated to fair value hedged relationship	(25 552)	0	0
other changes in carrying amount - (including exchange rate differences)	(24 387)	0	0
interest payment	(43 112)	(56 105)	0
Balance at the end of the period	**3 323 609**	**3 317 849**	**256 280**

23) CHANGE OF SUBORDINATED DEBT

	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 31.03.2023
Balance at the beginning of the period	1 565 045	1 568 083	1 568 083
Increases, on account of:	31 575	141 686	35 967
issue of subordinated bonds	0	0	0
interest accrual	31 575	141 686	35 967
Reductions, on account of:	(37 406)	(144 724)	(40 168)
interest payment	(37 406)	(144 724)	(40 168)
Balance at the end of the period	**1 559 214**	**1 565 045**	**1 563 882**

During 2024 and 2023 the Group did not have any delays in the payment of principal and interest instalments, nor did it infringe any contractual provisions resulting from its subordinated liabilities.

24) PROVISIONS

24A. PROVISIONS

	31.03.2024	31.12.2023	31.03.2023
Provision for commitments and guarantees given	42 036	42 367	37 132
Provision for pending legal issues	1 780 304	1 403 105	937 002
Total	1 822 340	1 445 472	974 133

24B. CHANGE OF PROVISION FOR COMMITMENTS AND GUARANTEES GIVEN

	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 31.03.2023
Balance at the beginning of the period	42 367	39 617	39 617
Charge of provision	17 392	40 884	17 403
Release of provision	(17 697)	(37 917)	(19 873)
FX rates differences	(26)	(217)	(15)
Balance at the end of the period	42 036	42 367	37 132

24C. CHANGE OF PROVISION FOR PENDING LEGAL ISSUES

	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 31.03.2023
Balance at the beginning of the period	1 403 105	976 552	976 552
Charge of provision	1 153	30 208	4 378
Release of provision	(652)	(11 936)	(2 351)
Utilisation of provision	(182)	(112 313)	0
Creation of provisions for legal risk connected with FX mortgage loans *	548 810	3 065 380	863 650
Allocation to the loans portfolio	(171 930)	(2 544 786)	(905 227)
Balance at the end of the period	1 780 304	1 403 105	937 002

* Creation of provisions for legal risk related to foreign currency mortgage loans is described in more detail in **Chapter 10 Legal risk related to foreign currency mortgage loans.**

5. RISK MANAGEMENT

Risk management performs a key role in the strategy of balanced and sustainable development of the Group, supporting optimization of relationships between risk and returns within various business lines and maintenance of adequate risk profile relative to capital and liquidity.

To ensure effective risk management and coherent policy the Group has implemented risk management model under which credit, market, liquidity, operational risks, and capital requirements are managed in an integrated manner.

5.1. CREDIT RISK

In the first quarter of 2024 the Bank Millennium Group, both in the corporate and retail segments, focused on introducing changes to the lending policy aimed at ensuring the appropriate quality of the portfolio in the new, more demanding economic environment.

In the area of credit risk, the Group has focused on adapting regulations, credit processes and monitoring to changed conditions.

In the retail segment, the Group focused on adapting its lending policy to the changing macroeconomic environment. In the area of mortgage loans, development activities were continued aimed at optimizing and digitizing the process, while adapting it to the changing market situation and the changing external regulatory environment. At the same time, the Group continued to implement changes aimed at improving the efficiency of the risk assessment process of retail and mortgage-secured transactions through automation, which does not increase risk exposure.

In the corporate segment, the Group focused on optimal use of capital while maintaining the current profitability and maintaining a good risk profile. The Group also carried out activities aimed at streamlining and accelerating credit processes, including decision-making processes. As in previous periods, work continued on improving IT tools supporting the credit process. The Group also continued close monitoring of the loan portfolio, as well as individual monitoring of the largest exposures.

The Group assesses credit risk regardless of the method of classifying the portfolio of receivables from customers in the financial statements as a portfolio measured at amortized cost or a portfolio measured at fair value through profit or loss. The table below contains data on the entire portfolio of receivables from customers broken down into regular and past due exposures.

Changes in the loan portfolio of the Group after 3 months of 2024 are summarized below:

	31.03.2024		31.12.2023	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Not overdue and without impairment	71 428 029	426 912	70 944 753	793 596
Overdue*, but without impairment	1 533 803	0	1 729 055	0
Total without impairment	72 961 832	426 912	72 673 808	793 596
With impairment	3 541 966	0	3 487 577	0
Total	**76 503 798**	**426 912**	**76 161 385**	**793 596**
Impairment write-offs	(2 578 710)	(71)	(2 496 554)	(160)
Fair value adjustment**	(14 410)	0	(21 772)	0
Total, net	**73 910 678**	**426 841**	**73 643 060**	**793 436**
Loans with impairment / total loans	4.63%	0.00%	4.58%	0.00%

(*) Loans overdue not more than 4 days are treated as technical and are not shown in this category.
(**) Fair value adjustment is defined as the difference between the nominal value and the fair value of the portfolio measured at fair value through profit or loss. The fair value adjustment is influenced by considering the credit risk of the portfolio.

5.2. MARKET RISK

The main measure used by the Group to evaluate market risks is the parametric VaR (Value at Risk) model – an expected loss that may arise on the portfolio over a specified period (10-days holding period) and with specified probability (99% confidence level) from an adverse market movement. The market risk measurement, monitoring and reporting is conducted daily.

The market risk limits are revised at least once a year and to consider, inter alia, the change of the consolidated Own Funds, current and projected balance sheet structure as well as the market environment. The market risk limits valid in 1Q 2024 reflected the assumptions and risk appetite defined under Risk Strategy 2024 -2026. The current limits in place have been valid since 1st October 2023. All excesses of market risk limits are always reported, documented, and ratified at the proper competence level. In the 1Q 2024, no excesses of the market risk limits were recorded.

Open positions mostly included interest rate and FX risk instruments. According to the Risk Strategy approved in the Group, the FX open position is allowed, however should be kept at low levels. For this purpose, the Group has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows keeping FX open positions only in Trading Book. In the 1Q2024, the FX Total open position (Intraday as well as Overnight) remained below internal limits in place.

In 1Q2024, the VaR remained on average at the level of approx. PLN 275.4m for the total Group, which is jointly Trading Book and Banking Book (51% of the limit) and at approx. PLN3.8m for Trading Book (19% of the limit). The exposure to market risk at the end of March 2024 was approx. PLN 266.0m for Global Bank (49% of the limit) and approx. PLN4.9m for Trading Book (25% of the limit). It should be noted that the value at risk in Banking Book is only complementary risk measurement tool as positions are expected to be held to maturity and are in large majority not a subject to marked to market (see next section - Interest rate risk in Banking Book, IRRBB).

The market risk exposure in 1Q2024 in terms of value at risk for Trading Book, together with risk type division, is presented in the table below (PLN thousands).

VaR measures for market risk in Trading Book ('000 PLN)

	31.12.2023		VaR (1Q2024)			31.03.2024	
	Exposure	Limit usage	Average	Maximum	Minimum	Exposure	Limit usage
Total risk	1 078	6%	3 763	7 512	287	4 858	25%
Generic risk	1 075	n.a.	3 759	7 509	283	4 854	n.a.
Interest Rate VaR	1 071	7%	3 744	7 516	263	4 862	31%
FX Risk	24	1%	83	850	16	48	1%
Equity Risk	13	14%	14	18	10	13	14%
Diversification Effect	3.1%					1.4%	
Specific risk	3	0%	5	37	3	4	0%

In addition to above mention market risk limits, the stop loss limits are introduced for the financial markets' portfolios. The aim is to limit the maximum losses of the trading activity of the Group. In case of the limit is reached, a review of the management strategy and assumptions for the positions in question must be undertaken. Stop loss limits were not reached.

5.3. INTEREST RATE RISK IN BANKING BOOK (IRRBB)

In case of the Banking Book, the main component of the market risk is interest rate risk. The exposure to interest rate risk in the Banking Book are primarily generated by the differences in repricing dates of assets and liabilities as well as its reference indexes, if contractually existing. It is specifically affected by the unbalance between assets and liabilities that have fixed rate, especially by the liabilities which cannot have interest rate lower than zero. Consequently, the level of sensitivity to interest rate changes is influenced by the level of interest rates taken as a reference. Additionally, due to specificity of the polish legal system, the interest rate of credits is limited (it cannot exceed two times Reference Rate of the National Bank of Poland increased by 7 percentage points). In situations of decreasing interest rates, the impact on Net Interest Income is negative and depends on the share of the fixed rate loan portfolio that is affected by the new maximum rate. On the other hand, assumptions regarding the timing and size of deposits repricing are also especially important when assessing the interest rate sensitivity and risk.

Regarding the interest rate risk in Banking Book, the following principles are in place:

- The market risk that results from the commercial banking activity is hedged or transferred on the monthly basis to areas that actively manage market risk and that are measured in terms of risk and profit and loss,
- The Bank primarily uses natural hedging between loans and deposits as well as fixed rate bonds and derivatives to manage interest rate risk with the main purpose of protecting the net interest income.

The variations in market interest rates have an influence on the Group's net interest income, both under a short and medium-term perspective, at the same affecting economic value of equity in the long term. The measurement of both is complementary in understanding the complete scope of interest rate risk in Banking Book. For this reason, apart from daily market risk measurement in terms of value at risk, the scope of the additional measurement of interest rate risk covers both earnings-based and economic value measures, which are quarterly:

- The impact of a change in the yield curve on net interest income (NII) assuming shocks determined by the supervisory SOT outlier test with a set of two scenarios for interest rate risk.
- the impact on the economic value of equity (EVE) resulting from yield curve movements, including standard, test assuming sudden parallel +/-200 basis points shift of the yield curve as well as supervisory outlier test, SOT with set of six interest rate risk stress scenarios).

and monthly:

- the impact on the economic value of equity (EVE) resulting from 100 bps upward/downward yield curve movements,
- the interest rate sensitivity in terms of BPVx100, that is the change of the portfolio's value caused by a parallel shift of the yield curve by 1 basis point multiplied by 100,
- the impact on net interest income over a time horizon of next 12 months resulting from one-off interest rate shock of 100 basis points.

The interest rate risk measurement is carried for all the risk management areas in the Bank, with the particular attention on Banking Book.

The results of the above-mentioned analysis for net interest income (NII), BPVx100 and economic value measures were regularly monitored and reported to the Capital, Assets and Liabilities Committee, to Risk Committee, the Management Board and Supervisory Board. The results of the IRRBB measurement as of the end of March 2024 indicate that in the EVE perspective the Group is the most exposed to the scenario of interest rates increase, while in the earnings perspective – to a decrease. The supervisory outlier test results of March 2024 show that even under the most severe outlier test scenario, the decline of EVE for Banking Book is below supervisory limit of 15% of Tier 1. Similarly, decline of EVE under standard scenario of sudden parallel +/-200 basis points shift of the yield curve also stayed far below supervisory maximum of 20% of Own Funds.

The results of sensitivity of NII for the next 12 months after 31st March 2024 and for position in Polish Zloty in Banking Book are conducted under the following assumptions:

- static balance sheet structure as of that reference date (no change during the following 12 months),
- reference level of net interest income if all assets and liabilities with variable interest rate already reflect market interest rates levels as of 31st March 2024 (for example, the NBP Reference rate was set at 5.75%),
- application of a parallel move of 100bps in the yield curve up and down is an additional shock to all market interest rates levels as of 31st March 2024 and is set at the repricing date of the assets and liabilities that happens during the 12 following months.

In a scenario of parallel decrease of interest rates by 100 bps, the results are negative and equal to -107 million or -2.01% of the Group's NII reference level. In a scenario of parallel increase of interest rates by 100 bps, the results are positive and equal to 78 million or +1.45% of the Group's NII reference level.

5.4. LIQUIDITY RISK

The liquidity risk measurement, monitoring and reporting is conducted daily with the use of both measures defined by the supervisory authorities and internally, for which limits were established.

The liquidity risk limits are revised at least once a year to consider, inter alia, the change of the size of the consolidated own funds, current and expected balance sheet structure, historical limits' consumption, as well as current market conditions and supervisory requirements. The current limits in place have been valid since 1st of January 2024. Its levels were confirmed by the annual revision conducted and approved by the Risk Committee in December 2023.

In 1Q2024, the Group continued to be characterized by solid liquidity position. All the supervisory and internal liquidity indicators remained significantly above minimum limits in place. According to rules in place, all eventual excesses of internal liquidity risk limits are always reported, documented, and ratified at the proper competence level. The steps taken as part of standard and binding risk management procedures have proved sufficient for managing liquidity in the current market environment.

The Group manages FX liquidity using FX-denominated deposits, own issue of EUR bonds as well as Cross Currency Swap and FX Swap transactions. The importance of swaps has been decreasing as a consequence of the reduction of the FX mortgage loan portfolio and the hedge in foreign currency of the provisions for legal risk. The swaps portfolio is diversified in term of counterparties and maturity dates. For most counterparties, the Group has signed a Credit Support Annex to the master agreements. As a result, in case of unfavourable changes of FX rates (PLN depreciation), the Group is obliged to place deposits as collateral with counterparties to secure the settlement of derivative instruments in the future, and in case of favourable FX rates changes (PLN appreciation) receives deposits as collateral from the counterparties. There is no relationship between level of the Bank's ratings and parameters of collateral in any of the signed ISDA Schedules and Credit Support Annexes (both international and domestic). A potential downgrade in any rating will not have an impact on the method of calculation or collateral exchange. It should be noted that the need of currency swaps has been decreasing at a relevant pace due to the reduction in the FX mortgage loan portfolio.

The Group assesses the possibility of unfavourable changes of FX rates (especially CHF and EUR, which causes increase of liquidity needs), analyses the impact on liquidity risk and reflects this risk in the liquidity plans.

In 1Q2024, the Group maintained Loan-to-Deposit ratio well below 100%. This ratio was equalled 65% at the end of March 2024 (69% at the end of December 2023). The liquid assets portfolio is treated by the Group's as liquidity reserve, which will overcome crisis situations. This portfolio consists of liquid debt securities issued or guaranteed by Polish government, other EU's sovereigns, European Union, and multilateral development banks', supplemented by the cash and exposures to the National Bank of Poland. At the end of March 2024, the share of liquid debt securities (including NBP Bills) in total securities portfolio amounted to 99.9% and allowed to reach the level of approx. PLN 48.1 billion (36% of total assets), whereas at the end of December 2023 was at the level of approx. PLN 40.9 billion (33% of total assets).

Main liquidity ratios	31.12.2023	31.03.2024
Loans/Deposits ratio (%)	69%	65%
Liquid assets portfolio (PLN million)*	41 529	47 577
Liquidity Coverage Requirement, LCR (%)	327%	334%

(*) Liquid Assets Portfolio: The sum of cash, nostro balance (reduced by the required obligatory reserve), unencumbered liquid securities portfolio, NBP-Bills and short-term, due from banks (up to 1 month).

Total Clients' deposits of the Group reached the level of PLN113.2 billion (PLN107,2 billion at the end of December 2023). The share of funds from individuals in total Client's deposits equalled to approx. 71.6% at the end of March 2024 (71.4% at the end of December 2023). The maintenance of high share of funds from individuals had a positive impact on the Group's liquidity and supported the safe compliance of the supervisory measures.

The main source of financing of the Group remains deposits base, the large, diversified, and stable funding from retail, corporate and public sectors. The deposit base is supplemented by the deposits from financial institutions and other money market operations. The source of medium-term funding included subordinated debt, own EUR bonds issue and securitization of loan and leasing portfolios.

The level of deposit concentration is regularly monitored and did not have any negative impact on the stability of the deposit base in 1Q2024. However, in case of significant increase of the share of the largest depositors, the additional funds from the depositors are not treated as stable. Despite of that, to prevent deposit base fluctuations, the Group maintains the reserves of liquid assets in the form of securities portfolio.

According to the final provisions of CRD V/CRR II package, the Group is daily calculating the liquidity coverage requirement (LCR) and monthly net stable funding requirement (NSFR). In 1Q2024, the regulatory minimum of 100% for both LCR and NSFR was fulfilled by the Group.

The LCR stayed at safe level of 334% at the end of March 2024 (327% at the end of December 2023). The comfortable liquidity position was kept due to increase of the retail Clients' deposits that guaranteed safe level of liquid assets portfolio.

Additionally, the Group employs an internal structural liquidity analysis based on cumulative liquidity gaps calculated on an actuarial basis (i.e. assuming a certain probability of cash flow occurrence). In 1Q2024 the internally defined limit of 12% total assets was not breached and the liquidity position was confirmed as solid.

Stress tests as regards structural liquidity are conducted at least quarterly to understand the Group's liquidity risk profile, to make sure that the Group can meet its commitments in the event of a liquidity crisis and to contribute to preparing a contingency plan regarding liquidity and management decisions.

The Group has also contingency procedures for an increased liquidity risk situation – the Liquidity Contingency Plan, which is revised and tested at least once a year to ensure that it is operationally robust.

5.5. OPERATIONAL RISK

In the first quarter of 2024 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with legal provisions in force and the best practice of national and international financial institutions.

The operational risk management model, implemented by the Group is reviewed and accepted on a regular basis by the Management Board.

In keeping with the adopted solution, risk management is a process of continuous improvement as regards identification, assessment, monitoring, control/mitigating, and reporting by complementary activities, which effectively translates into a real reduction in the level of operational risk in the business tasks.

In the first quarter of 2024 the registered level of operational risk losses was at the acceptable level.

5.6. CAPITAL MANAGEMENT

Capital management relates to two areas: capital adequacy management and capital allocation. For both areas, management goals were set.

The goal of capital adequacy management is: (a) meeting the requirements specified in external regulations (regulatory capital adequacy) and (b) ensuring the solvency in normal and stressed conditions (economic capital adequacy/internal capital). Completing that goal, the Bank strives to achieve internal long-term capital limits (targets), defined in Risk Strategy.

Capital allocation purpose is to create value for shareholders by maximizing the return on risk in business activity, considering established risk tolerance.

In a scope of capital management process, there is also a capital planning process. The goal of capital planning is to designate the own funds (capital base that is risk-taking capacity) and capital usage (regulatory capital requirements and economic capital) in a way to ensure that capital targets/limits shall be met, given forecasted business strategy and risk profile – in normal and stressed macroeconomic conditions.

The Bank and the Group are obliged by law to meet minimum own funds and leverage ratio requirements, set in art. 92 of the Regulation (EU) 2019/876 of the European Parliament and of the Council as of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertaking, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (CRR II). At the same time, the following levels, recommendations, and buffers were included in capital limits/targets setting:

- Pillar II FX mortgage loans buffer (P2R buffer) - KNF decision regarding order to maintain additional own funds to secure risk resulting from FX mortgage loans granted to households, under the art. 138.2.2 of Banking Act. A value of that buffer is defined for particular banks by KNF every year because of Supervisory Review and Evaluation Process (SREP) and relates to risk that is in KNF's opinion - inadequately covered by minimum own funds requirements, set in CRR art. 92. At present, the buffer was set by KNF in the decisions issued in the end of 2023 in the level of 1.47pp (Bank) and 1.46pp (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 1.10pp (Bank and Group), and which corresponds to capital requirements over CET 1 ratio of 0.82pp (Bank and Group).
- Combined buffer – defined in Act on macro prudential supervision over the financial system and crisis management – that consists of:
  - Capital conservation buffer at the level of 2.5%,
  - Other systemically important institution buffer (OSII) – at the level of 0.25% and the value is set by KNF each year,
  - Systemic risk buffer at the level of 0%, reduced from 3% in March 2020,
  - Countercyclical buffer at the 0% level.

In December 2023, the Bank received a recommendation to maintain, own funds to cover an additional capital charge ("P2G") to absorb potential losses resulting from the occurrence of stresses, at the level of 1.59pp and 1.60pp (on an individual and consolidated level) over the OCR value. According to the recommendation, the additional capital charge should consist fully of common equity Tier 1 capital (CET1 capital).

Capital adequacy of the Group was as follows (PLN mn, %, pp):

Capital adequacy	31.03.2024	31.12.2023	31.03.2023
Risk-weighted assets	42 519.5	41 354.5	47 954.4
Own Funds requirements, including:	3 401.6	3 308.4	3 836.4
- Credit risk and counterparty credit risk	2 876.6	2 841.2	3 362.9
- Market risk	19.4	15.4	20.3
- Operational risk	500.4	446.4	446.4
- Credit Valuation Adjustment CVA	5.2	5.4	6.8
Own Funds, including:	7 659.11	7 470.6	6 780.7
Common Equity Tier 1 Capital	6 340.83	6 089.7	5 294.4
Tier 2 Capital	1 318.28	1 380.9	1 486.3
Total Capital Ratio (TCR)	**18.01%**	**18.06%**	**14.14%**
Tier 1 Capital ratio (T1)	**14.91%**	**14.73%**	**11.04%**
Common Equity Tier 1 Capital ratio (CET1)	**14.91%**	**14.73%**	**11.04%**
MREL ratio	**23.65%**	**23.77%**	**14.26%**
Leverage ratio	**4.64%**	**4.66%**	**4.47%**

Capital adequacy showed as surpluses/deficits on required or recommended levels is presented in the below table.

Capital adequacy	31.03.2024	31.12.2023	31.03.2023
Total Capital Ratio (TCR)	**18.01%**	**18.06%**	**14.14%**
Minimum required level (OCR)	12.21%	12.21%	12.69%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	5.80%	5.85%	1.45%
Minimum recommended level TCR (OCR+P2G)	13.81%	13.81%	14.44%
Surplus(+) / Deficit(-) on recommended level (p.p.)	4.20%	4.25%	-0.30%
Tier 1 Capital ratio (T1)	**14.91%**	**14.73%**	**11.04%**
Minimum required level (OCR)	9.85%	9.85%	10.21%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	5.06%	4.88%	0.83%
Minimum recommended level T1 (OCR+P2G)	11.45%	11.45%	11.96%
Surplus(+) / Deficit(-) on recommended level (p.p.)	3.46%	3.28%	-0.92%
Common Equity Tier 1 Capital ratio (CET1)	**14.91%**	**14.73%**	**11.04%**
Minimum required level (OCR)	8.07%	8.07%	8.34%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	6.84%	6.66%	2.70%
Minimum recommended level CET1 (OCR+P2G)	9.67%	9.67%	10.09%
Surplus(+) / Deficit(-) on recommended level (p.p.)	5.24%	5.06%	0.95%
Leverage ratio	**4.64%**	**4.66%**	**4.47%**
Minimum required level	3.00%	3.00%	3.00%
Surplus(+) / Deficit(-) of Leverage ratio (p.p.)	1.64%	1.66%	1.47%

In Q1 2024, Tier 1 capital ratio increased slightly by 18 bps (it is equal to the Common Core Tier 1 capital ratio), with the total capital ratio stabilizing (decrease by 5 bps). T1 capital (CET1) increased by PLN 252 million (4.1%), which resulted primarily from the inclusion of the net financial result for the second half of 2023 (almost PLN 218 million) in the reserve capital. Own funds increased to a slightly smaller extent - by over PLN 188 million/2.5%. On the other hand, there was an increase in own funds requirements - by approximately PLN 93 million/2.8%. The main component of this increase was the operational risk requirements, which increased by PLN 54 million (12.1%).

In Q1 2024 financial leverage ratio almost did not change – decrease by 2 bps, from 4,66% to 4,64%. The surplus over regulatory minimum of 3% is material: 164 bps.

The minimum capital ratios required by the KNF in terms of the overall buffer requirement (OCR) are achieved with a large surplus at the end of the first quarter of 2024. Also, in terms of the levels expected by KNF, including the additional P2G capital charge, they were achieved for all capital ratios.

5.6.1 MINIMUM REQUIREMENTS FOR OWN FUNDS AND LIABILITIES SUBJECT TO WRITE DOWN OR CONVERSION (MREL)

The Bank manages MREL indicators in a manner analogous to capital adequacy management.

In terms of the MRELtrea and MRELtem requirements, the Group presents a solid surplus compared to the minimum required levels as of March 31, 2024, and also meets the MRELtrea Requirement after the inclusion of the Combined Buffer Requirement.

MREL	31.03.2024	31.12.2023	30.09.2023
MRELtrea ratio	**23.65%**	**23.77%**	**22.05%**
Minimum required level MRELtrea	18.89%	18.89%	14.42%
Surplus(+) / Deficit(-) of MRELtrea (p.p.)	4.76	4.88	7.63
Minimum required level including Combined Buffer Requirement (CBR)	21.64%	21.64%	17.17%
Surplus(+) / Deficit(-) of MRELtrea+CBR (p.p.)	2.01	2.13	4.88
MRELtem ratio	**7.33%**	**7.50%**	**7.72%**
Minimum required level of MRELtem	5.91%	5.91%	4.46%
Surplus(+) / Deficit(-) of MRELtem (p.p.)	1.42	1.59	3.26

In December 2023, the Bank received a letter from the Bank Guarantee Fund informing that due to the reduction of the P2R buffer by the PFSA, the target updated minimum required MRELtrea be of the combined buffer requirement for the Bank would be reduced to 18.03% MRELtrea with a minimum subordination requirement, while the target MRELtem would be 5.91%, with a subordination requirement. The Bank expects to receive this update during the 2nd quarter 2024 as part of the joint decision process.

6. OPERATIONAL SEGMENTS

Information about operating segments has been prepared based on the reporting structure which is used by the Management Board of the Bank for evaluating the results and managing resources of operating segments. Group does not apply additional breakdown of activity by geographical areas because of the insignificant scale of operations performed outside the Poland, in result such complementary division is not presented.

The Group's activity is pursued on the basis of diverse business lines, which offer specific products and services targeted at the market segments listed below:

Retail Customer Segment

The Retail Customers Segment covers activity targeted at mass-market Customers, affluent Customers, small companies and individual entrepreneurs.

The activity of the above business lines is developed with use of the full offer of banking products and services as well as sales of specialised products offered by subsidiaries in the group. In the credit products area the key products are mortgage loans, retail credit products, credit card revolving credit as well leasing products for small companies. Meanwhile key Customers funds include: current and saving accounts, term deposits, mutual funds and structured products. Additionally the offer comprises insurance products, mainly linked with loans and credit cards, as well as specialised savings products. The product offer for affluent customers was enriched to include selected mutual funds of other financial intermediaries, foreign funds and structured bonds issued by the Bank.

Corporate Customer Segment

The Corporate Customers Segment is based on activity targeted at Small and Medium sized Companies as well as Large Corporations. The offer is also addressed to Customers from the Public Sector.

Business in the Corporate Customers segment is pursued with use of a high quality offer of typical banking products (loans for day-to-day activity, investment loans, current accounts, term deposits) supplemented by a range of cash management products as well as treasury products (including derivatives) and leasing and factoring services.

Treasury, ALM (assets and liabilities management) and Other

This segment covers the Group's activity as regards investments by the Treasury Department, brokerage, inter-bank market transactions and taking positions in debt securities, which are not assigned to other segments.

This segment includes other assets and other liabilities, assets and liabilities connected with hedging derivatives, liabilities connected with external funding of the Group and deferred income tax assets not assigned to any of the segments.

For each segment the pre-tax profit is determined, comprising:

- Net interest income calculated on the basis of interest on external working assets and liabilities of the segment as well as allocated assets and liabilities generating internal interest income or cost. Internal income and costs are calculated based on market interest rates with internal valuation model applied;
- Net commission income;
- Other income from financial transactions and FX gains, such as: dividend income, result on investment and trading activity, FX gains/losses and result on other financial instruments;
- Other operating income and expenses;
- Costs on account of impairment of financial and non-financial assets;
- Segment share in operating costs, including personnel and administration costs;
- Segment share in depreciation costs;
- Operating profit calculated as a measure of segment profit differs from the IFRS financial result before tax due to: share in net profits of associates and charge of bank tax. These items and the income tax burden were presented only at the Group level.

The assets and liabilities of commercial segments are the operating assets and liabilities used by the segment in its operations, allocated on business grounds. The difference between operating assets and liabilities is covered by money market assets/liabilities and debt securities. The assets and liabilities of the Treasury, ALM & Other segment are money market assets/liabilities and debt securities not allocated to commercial segments.

Bank Millennium recent financial performance is significantly influenced by the costs related to managing legacy FX mortgage portfolio of loans. To isolate these costs and other financial results related to this portfolio Bank decided to isolate, commencing from 2021, a new segment from Retail and present it in financial statements as “FX mortgage”. Such change impacts only results presentation and is not triggering any organizational changes in the Bank. New segment includes loans separated based on active FX mortgage contracts for a given period and is applying to portfolios of retail mortgages originated in Bank Millennium and Eurobank in foreign currencies. This portfolio is expected to run-off in line with repayments of FX loans, conversions to PLN loans, write-offs and consequences of court verdicts. Following P&L categories are presented as part of financial performance of new segment:

1. Net Interest Income: Margin on FX loans (interest results less Fund Transfer Pricing).
2. FX results related to portfolio (mainly costs of amicable negotiations).
3. Cost of provisions for FX mortgage portfolio legal risk partially offset by valuation of SG Indemnity in other operating income line regarding ex-EB portfolio.
4. Cost of Credit Risk related to current FX portfolio.
5. Result on modification resulting from settlements with borrowers.
6. Other Costs that are directly related to FX mortgages including, but not limited to:
    i. Legal chancellery costs (administrative costs),
    ii. Court costs related to FX mortgage cases (other operating costs).

Income statement 1.01.2024 – 31.03.2024

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	1 160 368	190 739	(1 213)	1 349 894	4 351	1 354 245
Net fee and commission income	152 028	43 022	2 025	197 075	2 507	199 582
Dividends, other income from financial operations and foreign exchange profit	28 559	20 766	538	49 863	(96 634)	(46 771)
Result on non-trading financial assets mandatorily at fair value through profit or loss	3 706	0	7 011	10 717	0	10 717
Other operating income and cost	(7 360)	(51)	439	(6 972)	(90 435)	(97 407)
Operating income	1 337 301	254 476	8 800	1 600 577	(180 211)	1 420 366
Staff costs	(231 709)	(50 146)	(7 487)	(289 342)	0	(289 342)
Administrative costs, including:	(132 548)	(19 476)	(70 912)	(222 936)	(31 761)	(254 697)
- BGF costs	*0*	*0*	*(60 906)*	*(60 906)*	*0*	*(60 906)*
Depreciation and amortization	(46 678)	(6 576)	(1 037)	(54 291)	0	(54 291)
Operating expenses	(410 935)	(76 198)	(79 436)	(566 569)	(31 761)	(598 330)
Impairment losses on assets	(100 819)	(15 994)	(1 885)	(118 698)	6 048	(112 650)
Results on modification	(9 545)	(1 083)	0	(10 628)	(20 655)	(31 283)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(548 810)	(548 810)
Total operating result	**816 002**	**161 201**	**(72 521)**	**904 682**	**(775 389)**	**129 293**
Share in net profit of associated companies						0
Banking tax						0
Profit / (loss) before income tax						**129 293**
Income taxes						(867)
Profit / (loss) after taxes						**128 426**

Balance sheet items as at 31.03.2024

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	57 773 431	13 720 103	0	71 493 534	2 417 143	**73 910 677**
Liabilities to customers	85 764 155	27 419 706	0	113 183 861	0	**113 183 861**

Income statement 1.01.2023 - 31.03.2023

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	1 149 846	196 695	(94 760)	1 251 781	10 343	1 262 124
Net fee and commission income	150 157	46 544	1 090	197 791	3 141	200 932
Dividends, other income from financial operations and foreign exchange profit	32 876	20 533	541 299	594 708	(53 046)	541 662
Result on non-trading financial assets mandatorily at fair value through profit or loss	(2 671)	0	8 572	5 901	0	5 901
Other operating income and cost	(8 061)	(889)	50 745	41 795	2 126	43 921
Operating income	1 322 147	262 883	506 946	2 091 976	(37 436)	2 054 540
Staff costs	(196 664)	(42 991)	(6 391)	(246 046)	0	(246 046)
Administrative costs, including:	(91 444)	(19 980)	(90 543)	(201 967)	(21 281)	(223 248)
- BGF costs	*0*	*0*	*(83 434)*	*(83 434)*	*0*	*(83 434)*
Depreciation and amortization	(45 366)	(6 201)	(954)	(52 521)	0	(52 521)
Operating expenses	(333 474)	(69 172)	(97 888)	(500 534)	(21 281)	(521 815)
Impairment losses on assets	(128 290)	931	1 733	(125 626)	17 984	(107 642)
Results on modification	(8 492)	(574)	0	(9 066)	(18 766)	(27 832)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(863 650)	(863 650)
Total operating result	**851 891**	**194 068**	**410 791**	**1 456 750**	**(923 149)**	**533 601**
Share in net profit of associated companies						0
Banking tax						0
Profit / (loss) before income tax						**533 601**
Income taxes						(281 455)
Profit / (loss) after taxes						**252 146**

Balance sheet items as at 31.12.2023

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	57 154 036	13 499 640	0	70 653 676	2 989 384	**73 643 060**
Liabilities to customers	81 043 632	26 202 795	0	107 246 428	0	**107 246 428**

7. TRANSACTIONS WITH RELATED ENTITIES

All and any transactions between entities of the Group in 1st quarter of 2024 resulted from the current operations.

Apart from transactions described herein, in the indicated period neither Bank Millennium S.A., nor subsidiaries of Bank Millennium S.A. made any other transactions with related entities, which individually or jointly may have been significant and concluded under terms and conditions other than market-based.

7.1. TRANSACTIONS WITH THE PARENT GROUP

The following are the amounts of transactions with the Capital Group of Bank's parent company - Banco Comercial Portugues (ultimate parent company), these transactions are mainly of banking nature (in '000 PLN):

	With parent company		With other entities from parent group	
	31.03.2024	31.12.2023	31.03.2024	31.12.2023
ASSETS				
Loans and advances to banks - accounts and deposits	5 233	2 097	0	0
Financial assets held for trading	5 520	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	0	0
LIABILITIES				
Loans and deposits from banks	191	719	0	0
Debt securities	0	0	0	0
Financial liabilities held for trading	0	0	0	0
Hedging derivatives	0	0	0	0
Other liabilities	255	215	0	8

	With parent company		With other entities from parent group	
	1.01.2024 - 31.03.2024	1.01.2023- 31.03.2023	1.01.2024 - 31.03.2024	1.01.2023- 31.03.2023
Income from:				
Interest	1 482	825	0	0
Commissions	45	26	0	0
Financial assets and liabilities held for trading	5 520	0	0	0
Expense from:				
Interest	0	0	0	0
Commissions	0	0	0	0
Financial assets and liabilities held for trading	0	0	0	0
Other net operating	0	0	0	0
Administrative expenses	40	0	(18)	16

	With parent company		With other entities from parent group	
	31.03.2024	31.12.2023	31.03.2024	31.12.2023
Conditional commitments	25 563	25 513	0	0
granted	0	0	0	0
obtained	25 563	25 513	0	0
Derivatives (par value)	184 562	0	0	0

7.2. BALANCE OF THE BANK'S SHARES HELD BY THE BANK'S SUPERVISORY AND MANAGEMENT BOARD MEMBERS

Name and surname	Position/Function	Number of shares as of delivery date of I quarter 2024 report	Number of shares as of delivery date of annual report for year 2023
Joao Nuno Lima Bras Jorge	Chairman of the Management Board	380 259	380 259
Fernando Maria Cardoso Rodrigues Bicho	Deputy Chairman of the Management Board	176 252	176 252
Wojciech Haase	Member of the Management Board	151 107	151 107
Andrzej Gliński	Member of the Management Board	53 613	113 613
Wojciech Rybak	Member of the Management Board	20 613	43 613
Antonio Ferreira Pinto Junior	Member of the Management Board	13 613	143 613
Jarosław Hermann	Member of the Management Board	0	6 000

Name and surname	Position/Function	Number of shares as of delivery date of I quarter 2024 report	Number of shares as of delivery date of annual report for year 2023
Bogusław Kott	Chairman of the Supervisory Board	1 000	1 000
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Dariusz Rosati	Deputy Chairman and Secretary of the Supervisory Board	0	0
Miguel de Campos Pereira de Bragança	Member of the Supervisory Board	0	0
Olga Grygier-Siddons	Member of the Supervisory Board	0	0
Anna Jakubowski	Member of the Supervisory Board	0	0
Grzegorz Jędrys	Member of the Supervisory Board	0	0
Alojzy Nowak	Member of the Supervisory Board	0	0
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Supervisory Board	0	0
Miguel Maya Dias Pinheiro	Member of the Supervisory Board	0	0
Beata Stelmach	Member of the Supervisory Board	0	0
Lingjiang Xu	Member of the Supervisory Board	0	0

8. FAIR VALUE

The best reflection of fair value of financial instruments is the price which can be obtained for the sale of assets or paid for the transfer of liability in case of market transactions (an exit price). For many products and transactions for which market value to be taken directly from the quotations in an active market (marking-to-market) is not available, the fair value must be estimated using internal models based on discounted cash flows (marking-to-model). Financial cash flows for the various instruments are determined according to their individual characteristics, and discounting factors include changes in time both in market interest rates and margins.

According to IFRS 13 "Fair value measurement" in order to determinate fair value the Group applies models that are appropriate under existing circumstances and for which sufficient input data is available, based to the maximum extent on observable input whereas minimizing use of unobservable input, namely:

Level 1 - valuation based on the data fully observable (active market quotations);
Level 2 - valuation models using the information not constituting the data from level 1, but observable, either directly or indirectly;
Level 3 - valuation models using unobservable data (not derived from an active market).

Valuation techniques used to determine fair value are applied consistently. Change in valuation techniques resulting in a transfer between these methods occurs when:

- transfer from Level 1 to 2 takes place when for the financial instruments measured according to Level 1 quoted market prices from an active market are not available at the balance sheet day (previously used to be);
- transfer from Level 2 to 3 takes place when for the financial instruments measured according to the Level 2 value of parameters not derived from the market has become significant at the balance sheet day (and previously used to be irrelevant).

8.1. FINANCIAL INSTRUMENTS NOT RECOGNIZED AT FAIR VALUE IN THE BALANCE SHEET

All estimation models are arbitrary to some extent and this is why they reflect only the value of those instruments for which they were built. In these circumstances the presented differences between fair values and balance-sheet values cannot be understood to mean adjustments of the economic value of the Group. Fair value of these instruments is determined solely in order to meet the disclosure requirements of IFRS 13 and IFRS 7.

The main assumptions and methods applied in estimating fair value of assets and liabilities of the Group are as follows:

Receivables and liabilities with respect to banks

The fair value of these instruments was determined by discounting the future principal and interest flows with current rates, assuming that the flows arise on contractual dates.

Loans and advances granted to customers valued at amortised cost

The fair value of such instruments without specified repayment schedule, given their short-term nature and the time-stable policy of the Group with respect to this portfolio, is close to balance-sheet value.

With respect to floating rate leasing products fair value was assessed by adjusting balance-sheet value with discounted cash flows resulting from difference of spreads.

The fair value of instruments with defined maturity is estimated by discounting related cash flows on contractual dates and under contractual conditions with the use of current zero-coupon rates and credit risk margins.

In case of mortgage loans due to their long-term nature estimation of the future cash flows also includes: the effect of early repayment and liquidity risk in foreign currencies.

Debt securities valued at amortised cost

The fair value of debt securities at amortised cost (mainly Treasury bonds in the Held to Collect portfolio) was calculated on market quotations basis.

Liabilities to customers

The fair value of such instruments without maturity or with maturity under 30 days is considered by the Group to be close to balance-sheet value.

Fair value of instruments due and payable in 30 days or more is determined by discounting future cash flows from principal and interest (including the current average margins by major currencies and time periods) using current interest (including the original average margins by major currencies and time periods) in contractual terms.

Subordinated liabilities, debt securities issued and medium-term loans

The fair value of these financial instruments is estimated on the basis of a model used for determining the market value of floating-rate bonds with the current level of market rates and historical margin for credit risk and in the case of fixed-rate coupon bonds, by discounting cash flows at the current level of market rates and the original credit risk margin. Similar as in loan portfolio the Bank includes the level of the original margin as a part of mid-term cost of financing obtained in the past in relation to the current margin level for the comparable instruments, as long as reliable assessment is possible. Due to lack of the mid-term loans liquid market as a reference to estimate current level of margins, the Bank used the original margin.

The table below presents results of the above-described analyses as at 31.03.2024 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	15	20 789 685	20 882 000
Deposits, loans and advances to banks and other monetary institutions	15	426 841	426 798
Loans and advances to customers*	14	73 903 451	73 185 177
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	19	557 849	557 841
Liabilities to customers	20	113 183 861	113 206 752
Debt securities issued	22	3 323 609	3 602 116
Subordinated debt	23	1 559 214	1 557 913

** The negative impact of fair value valuation of the loans portfolio is largely attributable to growth of loan spreads. The methodology, which the Bank uses for valuation of the loans portfolio, assumes that current spreads best reflect existing market conditions and economic situation. A corresponding rule is widely applied for valuation of debt securities, which are not quoted on active markets. In result, paradoxically whenever the spreads of new loans increase, fair value of the "old" loans portfolio falls.*

The fair value of debt securities measured at amortized cost, for which market quotations are available, is determined on their basis and, consequently, these assets are included in the first valuation category. Models used for determination of the fair value of other financial instruments presented in the above table and not recognized at fair value in Group's balance sheet, use techniques based on parameters not derived from the market. Therefore, they are considered as the third level of valuation.

The table below presents data as at 31.12.2023 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	15	18 749 907	19 104 300
Deposits, loans and advances to banks and other monetary institutions	15	793 436	793 433
Loans and advances to customers*	14	73 623 711	72 628 747
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	19	563 512	563 512
Liabilities to customers	20	107 246 427	107 283 572
Debt securities issued	22	3 317 849	3 662 089
Subordinated debt	23	1 565 045	1 563 479

8.2. FINANCIAL INSTRUMENTS RECOGNIZED AT FAIR VALUE IN THE BALANCE SHEET

The table below presents balance-sheet values of instruments measured at fair value, by applied fair value measurement technique:

Data in PLN'000, as at 31.03.2024

	Note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	12			
Valuation of derivatives			133 977	418 746
Equity instruments		120		
Debt securities		445 604		
Non-trading financial assets mandatorily at fair value through profit or loss	14			
Equity instruments				66 609
Debt securities				88 026
Loans and advances				7 226
Financial assets at fair value through other comprehensive income	13			
Equity instruments		247		28 542
Debt securities		17 066 317	9 858 721	
Derivatives – Hedge accounting	16		116 528	
LIABILITIES				
Financial liabilities held for trading	12			
Valuation of derivatives			70 178	426 746
Short positions		0		
Derivatives – Hedge accounting	16		124 156	

Data in PLN'000, as at 31.12.2023

	Note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	12			
Valuation of derivatives			81 491	416 758
Equity instruments		121		
Debt securities		110 554		
Non-trading financial assets mandatorily at fair value through profit or loss	14			
Equity instruments			0	66 609
Debt securities				81 014
Loans and advances				19 349
Financial assets at fair value through other comprehensive income	13			
Equity instruments		247		28 545
Debt securities		12 270 330	9 797 077	
Derivatives – Hedge accounting	16		74 213	
LIABILITIES				
Financial liabilities held for trading	12			
Valuation of derivatives			151 487	425 346
Short positions		2 720		
Derivatives – Hedge accounting	16		193 664	

Using the criterion of valuation techniques as at 31.03.2024 Group classified into the third category following financial instruments:

- credit exposures with a leverage / multiplier feature inbuilt in the definition of interest rate (these are credit card exposures and overdraft limits for which the interest rate is based on a multiplier: 4 times the lombard rate). To estimate the fair value of loans, due to the lack of availability of the market value, an internal valuation model was used, taking into account the assumption that at the time of granting the loan the fair value is equal to the carrying value. The fair value of loans without recognized impairment is equal to the sum of future expected cash flows discounted at the balance sheet date. The discounting rate is the sum of: the cost of risk, the cost of financing, the value of the expected return. The fair value of impaired loans is equal to the sum of future expected recoveries discounted using the effective interest rate, recognizing that the average expected recoveries fully take into account the element of credit risk. In case of an increase in the discount rate by 1 p.p. valuation of the portfolio would have been reduced by -0.1% (sensitivity analysis: based on the FV model for the portfolio of credit cards);
- index options, option transactions are measured at fair value with use of option measurement models, the model measurement is supplemented with impact on fair value of the estimated credit risk parameter;
- VISA Inc. engagement shares; the method of fair value calculation of this instrument considers the time value of money and the time line for conversion of preferred stock in common stock of VISA.
- other equity instruments measured at fair value (unquoted on an active market).

In the reporting period, the Group did not make transfers of financial instruments between the techniques of fair value measurement.

Changes of fair values of instruments measured on the basis of valuation techniques with use of significant parameters not derived from the market are presented in the table below (in '000 PLN):

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 01.01.2024	**405 612**	**(414 200)**	**95 154**	**81 014**	**19 349**
Settlement/sell/purchase	(11 259)	11 602	0	0	(16 087)
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	258
Results on financial assets and liabilities held for trading	12 051	(11 806)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	7 012	3 706
Result on exchange differences	0	0	(3)	0	0
Balance on 31.03.2024	**406 404**	**(414 404)**	**95 151**	**88 026**	**7 226**

For options on indexes concluded on an inactive market, and FX options the Group concludes back-to-back transactions on the interbank market, in result estimated credit risk component has no impact on the financial result.

Accordingly Group's estimation impact of adjustments for counterparty credit risk was not significant from the point of view of individual derivative transactions concluded by the Bank. Consequently, the Bank does not consider the impact of unobservable inputs used in the valuation of derivative transactions for significant and in accordance with the provisions of IFRS 13.73 does not classify such transactions for level 3 fair value measurements.

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 01.01.2023	**247 414**	**(250 400)**	**90 758**	**72 057**	**97 982**
Settlement/sell/purchase	94 879	(96 807)	0	0	(87 670)
Change of valuation recognized in equity	0	0	4 422	0	0
Interest income and other of similar nature	0	0	0	0	9 995
Results on financial assets and liabilities held for trading	63 319	(66 993)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	8 957	(958)
Result on exchange differences	0	0	(26)	0	0
Balance on 31.12.2023	**405 612**	**(414 200)**	**95 154**	**81 014**	**19 349**

9. CONTINGENT LIABILITIES AND ASSETS

9.1. LAWSUITS

Below please find the data on the court cases pending, brought up by and against entities of the Group. A separate category are the proceedings related to the activities of the Tax Control Authority described in **Chapter 4. note 11) "Corporate Income Tax"**.

Court cases brought up by the Group

Value of the court litigations, as at 31.03.2024, in which entities of the Group were a plaintiff, totaled PLN 3,409.4 million. The increase in the value of claims in cases brought by the Bank Millennium (the Bank) compared to previous periods results from the fact that lawsuits were filed against clients from the portfolio of foreign currency mortgage loans.

Proceedings on infringement of collective consumer interests

On January 3 2018, the Bank received a decision of the Chairman of the Office for Protection of Competition and Consumers (OPCC Chairman), in which the OPCC Chairman found infringement by the Bank of the rights of consumers. In the opinion of the OPCC Chairman the essence of the violation is that the Bank informed consumers (it regards 78 agreements) in responses to their complaints, that the court verdict stating the abusiveness of the provisions of the loan agreement regarding exchange rates does not apply to them. According to the position of the OPCC Chairman the abusiveness of contract's clauses determined by the court in the course of abstract control is constitutive and effective for every contract from the beginning. As a result of the decision, the Bank was obliged to:
1) send information on the UOKiK's decision to the said 78 clients,
2) place the information on decision and the decision itself on the website and on Twitter,
3) to pay a fine amounting to PLN 20.7 mln.

The Bank lodged an appeal within the statutory time limit.

On January 7, 2020, the first instance court dismissed the Bank's appeal in its entirety. The Bank appealed against the judgment within the statutory deadline. The court presented the view that the judgment issued in the course of the control of a contractual template (in the course of an abstract control), recognizing the provisions of the template as abusive, determines the abusiveness of similar provisions in previously concluded contracts. Therefore, the information provided to consumers was incorrect and misleading. As regards the penalty imposed by OPCC, the court pointed out that the policy of imposing penalties by the Office had changed in the direction of tightening penalties and that the court agrees with this direction.

In the Bank's assessment, the Court should not assess the Bank's behaviour in 2015 from the perspective of today's case-law views on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the OPCC Chairman was published), the more penalties for these behaviours should not be imposed using current policy. The above constitutes a significant argument against the validity of the judgment and supports the appeal which the Bank submitted to the Court of second instance.

The second instance court, in its judgment of February 24, 2022, completely revoked the decision of the OPCC Chairman. On August 31, 2022, the OPCC Chairman lodged a cassation appeal to the Supreme Court. The Bank believes that the prognosis regarding the litigation chances of winning the case before the Supreme Court is positive.

Proceedings on competition-restricting practice

The Bank (along with other banks) is also a party to the dispute with OPCC, in which the OPCC Chairman recognized the practice of participating banks, including Bank Millennium, in an agreement aimed at jointly setting interchange fee rates charged on transactions made with Visa and Mastercard cards as restrictive of competition, and by decision of 29 December 2006 imposed a fine on the Bank in the amount of PLN 12.2 million. The Bank, along with other banks, appealed the decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of November 23, 2020, the case is currently pending before the court of first instance - the Court of Competition and Consumer Protection. The Bank has created a provision in the amount equal to the imposed penalty.

Proceedings in the matter of recognition of provisions of the agreement format as abusive

On 22 September 2020 The Bank received decision of the Chairman of the Office for Protection of Competition and Consumers (OPCC Chairman) recognising clauses stipulating principles of currency exchange applied in the so-called anti-spread annex as abusive and prohibited the use thereof.

Penalty was imposed upon the Bank in the amount of 10.5 million PLN. Penalty amount takes account of two mitigating circumstances: cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of provisions in question.

The Bank was also requested, after the decision becomes final and binding, to inform consumers, by registered mail, to the effect that the said clauses were deemed to be abusive and therefore not binding upon them (without need to obtain court's decision confirming this circumstance) and publish the decision in the case on the Bank's web site.

In the decision justification delivered in writing the OPCC Chairman stated that FX rates determined by the Bank were determined at Bank's discretion (on the basis of a concept, not specified in any regulations, of average inter-bank market rate). Moreover, client had no precise knowledge on where to look for said rates since provision referred to Reuters, without precisely defining the relevant site.

Provisions relating to FX rates in Bank's tables were challenged since the Bank failed to define when and how many times a day these tables were prepared and published.

In justification of the decision, the OPCC Chairman also indicated that in the course of the proceeding, Bank Millennium presented various proposed solutions, which the OPCC Chairman deemed to be insufficient.

The Bank appealed against the said decision within statutory term.

On March 31, 2022, the first instance court revoked the entire decision of the Chairman of the OPCC. On May 23, 2022, the Chairman of the OPCC filed an appeal. On October 26, 2022, the Court of Appeal changed the judgment of the court of first instance and shared the position of the Chairman of the OPCC as to the abusiveness of the provisions regarding the determination of exchange rates in the annexes concluded with foreign currency borrowers. On November 21, 2022, the Court of Appeals, at the request of the Bank, suspended the execution of the judgment until the end of the cassation proceedings. On January 30, 2023 the Bank filed a cassation appeal to the Supreme Court.

Court cases against the Group

As at 31.03.2024, the most important proceedings, in the group of the court cases where the Group's companies were defendant, were following:

- The Bank is a defendant in two court proceedings, in which the subject of the dispute is the amount of the interchange fee. The total value of claims reported in these cases is PLN 729.2 million. The procedure with the highest value of the reported claim is the case is brought by PKN Orlen SA, the plaintiff demands payment of PLN 635.7 million. The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2006-2014. In this case, the Bank was sued jointly with another bank and card organizations. In the case brought by LPP S.A. the allegations are similar to those raised in the case brought by PKN Orlen SA, while the period of the alleged agreement is indicated as 2008-2014. In this case, the Bank is sued jointly and severally with another bank. The case was resolved positively for the Bank by the courts of both instances, and is currently at the stage of a cassation appeal filed by LPP S.A. According to current estimates of the risk of losing a dispute in these matters, the Bank did not create a provision. In addition, we point out that the Bank participates as a side intervener in four other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2008-2014.

- A lawsuit brought up by shareholder of PCZ S.A. in bankruptcy (PHM, then the European Foundation for Polish-Belgian Cooperation - EFWP-B, currently called The European Foundation for Polish-Kenyan Cooperation) against Bank Millennium S.A., worth of the dispute 521.9 million PLN with statutory interest from 05.04.2016 until the day of payment. The plaintiff filed the suit dated 23.10.2015 to the Regional Court in Warsaw; the suit was served to the Bank on 04.04.2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by the Bank and consisting in the wrong interpretation of the Agreement for working capital loan concluded between the Bank and PCZ S.A., which resulted in placing the loan on demand. The Bank is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Supporting the position of the Bank, the Bank's attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to the Bank, issued in the same legal state in the action brought by PCZ SA against the Bank. On May 10, 2023, the Court of First Instance announced a judgment dismissing the claim in its entirety. The verdict is not final, the plaintiff filed an appeal, the date of the appeal hearing has not yet been set.

As at 31.03.2024, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at PLN 5,810.1 million (excluding the class actions described below and in the **Chapter 10)**. In this group the most important category are cases related with FX loans mortgage portfolio.

The class action related to the LTV insurance:

On the 3 of December 2015 a class action was served on the Bank. A group of the Bank's debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million, claiming that the clauses of the agreements, pertaining to the low down payment insurance, are unfair and thus not binding. Plaintiff extended the group in the court letter filed on the 4th of April 2018, therefore the claims increased from PLN 3.5 million to over PLN 5 million.

Actual status:

On the 1 of October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94.

By the resolution of 1 April 2020 the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing. The hearing date was set for October 18, 2024.

As at 31 March 2024, there were also 119 individual court cases regarding LTV insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

Lawsuits filed by Financial Ombudsman for discontinuation of unfair market practices

On 13 August 2020 the Bank received lawsuit from the Financial Ombudsman. The Financial Ombudsman, in the lawsuit, demands that the Bank and the Insurer (TU Europa) be ordered to discontinue performing unfair market practices involving, as follows:

- presenting the offered loan repayment insurance as protecting interests of the insured in case when insurance structure indicates that it protects the Bank's interests;
- use of clauses linking the value of insurance benefit with the amount of borrower's debt;
- use of clauses determining the amount of insurance premium without prior risk assessment (underwriting);
- use of clauses excluding insurer's liability for insurance accidents resulting from earlier causes.

Furthermore, the Ombudsman requires the Bank to be ordered to publish, on its web site, information on use of unfair market practices.

The lawsuit does not include any demand for payment, by the Bank, of any specified amounts. Nonetheless, if the practice is deemed to be abusive it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance.

Court cases concerning Art. 45 of the Consumer Credit Act

By March 31, 2024, the Bank received 532 lawsuits in which the plaintiffs (both clients and companies purchasing claims), alleging violation of the information obligations provided in Art. 30 of the Consumer Credit Act, demand reimbursement of interest and other costs incurred in connection with taking out a loan (free loan sanction within the meaning of Article 45). As of March 31, 2024, 33 cases have been legally concluded, in 32 cases the Bank won the dispute and lost in 1 case. The Bank believes that the prognosis regarding the litigation chances of winning the remaining disputes are positive and therefore it has not created provisions in this respect.

Court cases regarding mortgage loans in PLN

By March 31, 2024, the Bank recorded the receipt of 76 lawsuits by borrowers of mortgage loans in PLN for reimbursement of benefits provided under the loan agreement. One final judgment was issued dismissing the borrowers' claim. The borrowers' allegations focus on the WIBOR ratio as an incomprehensible, unverifiable element affecting the consumer's liability, as well as the issue of insufficient information on the effects of variable interest rates provided to the consumer by the bank before the conclusion of the contract.

Based on publicly available information, it can be assumed that there will be an increase in the number of lawsuits concerning mortgage loans in PLN. This phenomenon affects the entire sector of banking services. It is possible that a "new business model" will be created in the area of law firms, which consists in questioning mortgage contracts containing a variable interest rate clause based on the WIBOR reference index.

On June 29, 2023, The Polish Financial Supervision Authority (KNF) announced that it had assessed the ability of the WIBOR interest rate reference index to measure the market and economic realities. The KNF stated that the WIBOR interest rate reference index is capable of measuring the market and economic realities for which it was established. According to the Commission's assessment, the WIBOR ratio responds appropriately to changes in liquidity conditions, changes in central bank rates and economic realities (https://www.knf.gov.pl/komunikacja/komunikaty?articleId=82924&p_id=18).

On July 26, 2023, the Polish Financial Supervision Authority (PFSA) presented its position on legal and economic issues related to mortgage loan agreements in Polish currency in which the WIBOR interest rate reference index is used. This position can be used in court proceedings and can then be treated as an “amicus curiae” opinion. The Polish Financial Supervision Authority stated that the WIBOR reference index meets all legal requirements. In the opinion of the Polish Financial Supervision Authority, there are no grounds to question the credibility and legality of WIBOR, in particular in the context of the use of this indicator in mortgage loan agreements in the Polish currency (Stanowisko_UKNF_dot_zagadnien_prawnych_i_ekonomicznych_zw_ze_wskaznikiem_referencyjnym_WIBOR_83233.pdf).

Administrative penalty proceedings by the Polish Financial Supervision Authority

On 22 December 2023, the Polish Financial Supervision Authority (KNF) started administrative proceedings against bank Millennium S.A. that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. At this stage of the proceedings, the amount of the potential penalty cannot be estimated.

FX mortgage loans legal risk

FX mortgage loans legal risk is described in the **Chapter 10.** “Legal risk related to foreign currency mortgage loans”.

9.2. OFF – BALANCE ITEMS

Amount ‘000 PLN	31.03.2024	31.12.2023	31.03.2023
Off-balance conditional commitments granted and received	**16 058 586**	**16 101 465**	**14 995 570**
Commitments granted:	13 203 453	13 385 540	12 485 327
loan commitments	11 584 801	11 709 292	10 603 958
guarantee	1 618 652	1 676 248	1 881 369
Commitments received:	2 855 134	2 715 925	2 510 243
financial	4 054	0	2 185
guarantee	2 851 080	2 715 925	2 508 058

10. LEGAL RISK RELATED TO FOREIGN CURRENCY MORTGAGE LOANS

On March 31, 2024, the Bank had 21,725 loan agreements and additionally 1,917 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by the Bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts (60% loans agreements before the courts of first instance and 40% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 4,371.4 million and CHF 301.6 million (Bank Millennium portfolio: PLN 3,987.6 million and CHF 292.0 million and former Euro Bank portfolio: PLN 383.8 million and CHF 9.5 million). Out of 21,725 BM loan agreements in ongoing individual cases 284 are also part of class action. From the total number of individual litigations against the Bank approximately 2,550 or 12% were submitted by borrowers that had already naturally or early fully repaid the loan or were converted to polish zloty at the moment of submission and had not a settlement agreement and approximately another 760 cases correspond to loans that were fully repaid since then (as court proceedings are lengthy).

The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of paid principal and interest instalments as undue performance, due to the abusive nature of indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor.

In addition, the Bank is a party to the group proceedings (class action) subject matter of which is to determine the Bank's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3,273. Out of 3,273 loan agreements in class action 284 are also part of ongoing individual cases, 999 concluded settlements and 10 received final verdicts (invalidation of loan agreement). On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022. On 20 November 2023 the claimant requested granting interim measures to secure the claims against the Bank. In a decision of 27 December 2023, the request for granting interim measures was dismissed.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,984 individual claims were filed against the Bank (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,158 (423), in 2022 the number increased by 5,756 (408), in 2023 the number increased by 6,879 (646), while in the first quarter of 2024 the number increased by 1,588 (196).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved against the banks. As far as the Bank Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of the first quarter of 2024, 4,193 cases were finally resolved (4,109 in claims submitted by clients against the Bank and 84 in claims submitted by the Bank against clients i.e. debt collection cases) out of which 1,215 were settlements, 56 were remissions, 65 rulings were favourable for the Bank and 2,857 were unfavourable including both invalidation of loan agreements as well as conversions into PLN+LIBOR. The Bank undertakes proper legal actions in order to secure repayment of initially disbursed capital of the loan.

The outstanding gross balance of the loan agreements under individual court cases and class action against the Bank (incl. former Euro Bank portfolio) on 31 March 2024 was PLN 5,998 million (of which the outstanding amount of the loan agreements under the class action proceeding was PLN 673 million).

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 6,812 million excluding potential amounts connected with interest. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the 3 months of 2024, the Bank created PLN 507.3 million of provisions for Bank Millennium originated portfolio and PLN 41.5 million for the former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of March 2024 was PLN 7,225.6 million, and for the former Euro Bank portfolio - PLN 631.1 million.

The methodology developed by the Bank of calculating provisions for legal risk involved with indexed loans is based on the following main parameters:

(i) the number of ongoing cases (including class action agreements) and potential future lawsuits that will arise within the specified (three-year) time horizon.

(ii) As regards the number of future court cases, the Bank monitors customer behaviours, and has the following assumptions:

   a. regarding active loans (i.e., loans with an outstanding balance), the Bank estimates the percentage of customers covered by methodology in this group of clients at 84% of the total number of currently active loans (including expected number of amicable settlements) loans compared to 83% at the end of IVQ2023.

   b. regarding loans already fully repaid or converted to polish zloty, the Bank attributes a much lower probability of becoming the subject of a court case based on statistical analysis (the Bank assumes that circa 16% of repaid not settled loans sued or will decide to sue the Bank in the future. In particular, the Bank assesses the risk connected with the settlements reached with the clients in the past as negligible).

(iii) the amount of the Bank's potential loss in the event of a specific court judgment,

(iv) estimates involved with amicable settlements with clients, concluded in court or out of court:

   a. the bank assumes a 12% probability of success in concluding a settlement as part of negotiations conducted with clients in the course of court proceedings,

   b. negotiations are conducted on a case-by-case basis and can be stopped at any time by the Bank,

   c. due to significant negotiation efforts already made in the past, the probability of success in these negotiations in the future is decreasing, and at the same time most customers have already contacted the Bank regarding the possible conversion of loans into PLN, so at the moment the Bank adopts a conservative approach when taking into account the potential impact of this factor.

The Bank is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX mortgage loans originated by Bank Millennium decreased by 22,530: 1,362 in 2020; 8,450 in 2021; 7,943 in 2022; 3,671 in 2023 and 1,104 in the first quarter of 2024. As of the end of first quarter of 2024, the Bank had 30,763 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN 1,507.8 million: PLN 44.4 million in 2020; PLN 364.6 million in 2021; PLN 515.2 million in 2022; PLN 415.6 million in 2023 and PLN 168.0 million in the first quarter of 2024. This cost is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement (the values of costs charged to particular items of the Income Statement due to settlements are presented **in Note 14 in Chapter 13** of the Notes to the Financial Statements).

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Société Générale S.A.

The Bank analyzed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on the loss
Change in the assumed number of court cases	In addition to above assumed numbers, 1,000 new customers file a lawsuit against the Bank	PLN 165 mln
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 pp	PLN 74 mln
Change in probability of success in negotiations with court client	Change of probability by 1 pp	PLN 16 mln

On December 8, 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority ("PFSA") proposed a "sector" solution to address the sector risks related to FX mortgages. The solution would consist in offering banks' clients a voluntary possibility of concluding arrangements based on which a client would settle a CHF Mortgage Loan as if it was a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans. The decision to generally implement this solution could imply the need of creating upfront provisions for the losses resulting from the conversion of CHF Mortgage Loans. The Bank in practice has been using elements of the proposal of above system solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the circumstances stemming from the CJEU which excludes demanding by the Bank amounts exceeding the return of disbursed capital, the possibility of successful implementation of a general offer of KNF solution is low.

Finally it should also be mentioned, that the Bank, as at 31 March 2024, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 1.47 pp (1.46 pp at the Group level), part of which is allocated to operational/legal risk.

Taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, the Bank will have to regularly review and may need to continue to increase the balance of provisions allocated to court litigations.

It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the national courts within the framework of disputes considered which would possibly result in the emergence of further interpretations, which are relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis of these matters.

The Court of Justice of the European Union and the Polish Supreme Court rulings relevant to risk assessment

Jurisprudence of the Court of Justice of the European Union

On 3 October 2019, the Court of Justice of the European Union (the CJEU) issued the judgment in Case C-260/18 in connection with the preliminary questions formulated by the District Court of Warsaw in the case against Raiffeisen Bank International AG. The judgment of the CJEU, as regards the interpretation of European Union law made therein, is binding on domestic courts. The judgment in question interpreted Article 6 of Directive 93/13. In the light of the subject matter judgment the said provision must be interpreted in such a way that (i) the national court may invalidate a credit agreement if the removal of unfair terms detected in this agreement would alter the nature of the main subject-matter of the contract; (ii) the effects for the consumer's situation resulting from the cancellation of the contract must be assessed in the light of the circumstances existing or foreseeable at the time when the dispute arose and the will of the consumer is decisive as to whether he wishes to maintain the contract; (iii) Article 6 of the Directive precludes the filling-in of gaps in the contract caused by the removal of unfair terms from the contract solely on the basis of national legislation of a general nature or established customs; (iv) Article 6 of the Directive precludes the maintenance of unfair terms in the contract if the consumer has not consented to the maintenance of such terms. It can be noticed the CJEU found doubtful the possibility of a credit agreement being performed further in PLN while keeping interest calculated according to LIBOR.

The CJEU judgment concerns only the situation where the national court has previously found the contract term to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a particular contract term can be regarded as abusive in the circumstances of the case.

On 29 April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., the CJEU said that:

(i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term is unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;

(ii) the national court may remove only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by Council Directive 93/13 is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. At the same time, provisions of the Directive preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance;

(iii) the consequences of a judicial finding that a term if a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;

(iv) the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, shall inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On November 18, 2021, the Court of Justice of the European Union (CJEU) issued a judgment in case C-212/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Raiffeisen Bank International AG. The CJEU stated that:

(i) the content of the clause of the loan agreement concluded between the entrepreneur and the consumer fixing the purchase and sale price of the foreign currency to which the loan is indexed should, on the basis of clear and comprehensible criteria, enable the consumer who is reasonably well informed and sufficiently observant and rational to understand how the exchange rate of the foreign currency used to calculate the amount of the loan instalments is determined, so that the consumer is able to determine himself at any time the exchange rate used by the entrepreneur;

(ii) a national court which has found that a term of the agreement concluded between an entrepreneur and a consumer is unfair cannot interpret that term in order to mitigate its unfairness, even if such an interpretation would correspond to the common will of the parties.

On 10 June 2021, the Court of Justice of the European Union (CJEU) issued an order in case C-198/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Santander Bank Polska SA. The CJEU stated that the protection provided for in Council Directive 93/13/EEC is granted to all consumers, not just those who can be considered to be "duly informed and reasonably observant and circumspect average consumer".

On 8 September 2022, the Court of Justice of the European Union (CJEU) issued a judgment in joined cases C-80/21, C-81/21, C-82/21 in connection with questions submitted by the District Court for Warsaw Śródmieście in Warsaw in cases against Deutsche Bank SA and mBank SA. The CJEU stated that:

(i) a national court may find that the parts of a contractual term of the agreement concluded between a consumer and an entrepreneur which render it unfair are unfair, if such a deletion would not amount to a change in the content of that term that affects its substance, which is for the referring court to verify;

(ii) a national court cannot, after annulling an unfair term contained in an agreement concluded between a consumer and an entrepreneur which does not render the agreement invalid in its entirety, replace that term with a supplementary provision of the national law;

(iii) a national court may not, after having declared invalid an unfair term contained in an agreement concluded between a consumer and an entrepreneur which entails the invalidity of that agreement in its entirety, replace the contractual term which has been declared invalid either by interpretation of the parties' declaration of intent in order to avoid the cancellation of that agreement or by a provision of national law of a supplementary nature, even if the consumer has been informed of the effects of the invalidity of that agreement, and accepted them;

(iv) the ten-year limitation period for a consumer's claim seeking reimbursement of sums unduly paid to the entrepreneur in performance of an unfair term of a loan agreement does not start to run on the date of each performance made by the consumer if the consumer was not able on that date to assess on his own the unfairness of the contractual term or if he had not become aware of the unfair nature of that term and without taking into account the circumstances that the agreement provided for a repayment period – in this case thirty years – well in excess of the ten-year statutory limitation period.

On March 16, 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-6/22, following preliminary questions submitted by the District Court for Warsaw-Wola in a case against the former Getin Noble Bank S.A. In the judgment, the CJEU ruled that:

(i) in the event that a contract concluded between a consumer and a seller or supplier is declared invalid because one of its terms is unfair, it is for the Member States, by means of their national law, to make provision for the effects of that invalidation, in compliance with the protection granted to the consumer by that directive, in particular, by ensuring the restoration of the legal and factual situation that he or she would have been in if that unfair term had not existed;

(ii) a national court is not allowed:

   a. to examine of its own motion, without any prerogative conferred on it by national law in that regard, the financial situation of a consumer who has sought the invalidation of the contract between him or her and a seller or supplier on account of the presence of an unfair term without which the contract cannot legally continue to exist, even if that invalidation is liable to expose the consumer to particularly unfavourable consequences and

   b. to refuse to declare that invalidation where the consumer has expressly sought it, after being objectively and exhaustively informed of the legal consequences and the particularly unfavourable financial consequences which it may have for him or her;

(iii) a national court is not allowed, after it has found that a term in a contract concluded between a seller or supplier and a consumer is unfair, to fill gaps resulting from the removal of the unfair term contained therein by the application of a provision of national law which cannot be characterised as a supplementary provision. However, it is for the national court, taking account of its domestic law as a whole, to take all the measures necessary to protect the consumer from the particularly unfavourable consequences which annulment of the contract might entail for him or her.

On June 8, 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-570/21, following preliminary questions submitted by the District Court in Warsaw in a case against the former Getin Noble Bank S.A. In the judgment, the CJEU ruled that:

(i) provisions of Council Directive 93/13 must be interpreted as meaning that the concept of ‘consumer’, within the meaning of that provision, covers a person who has concluded a loan contract intended for a purpose in part within and in part outside his or her trade, business or profession, together with a joint-borrower who did not act within his or her trade, business or profession, where the trade, business or professional purpose is so limited as not to be predominant in the overall context of that contract;

(ii) provisions of Directive 93/13 must be interpreted as meaning that in order to determine whether a person falls within the concept of ‘consumer’, within the meaning of that provision, and, specifically, whether the trade, business or professional purpose of a loan contract concluded by that person is so limited as not to be predominant in the overall context of that contract, the referring court is required to take into consideration all the relevant circumstances surrounding that contract, both quantitative and qualitative, such as, in particular, the distribution of the borrowed capital between, on the one hand, a trade, business or profession and, on the other hand, a non-professional activity and, where there are several borrowers, the fact that only one of them is pursuing a professional purpose or that the lender made the grant of credit intended for consumer purposes conditional on a partial allocation of the amount borrowed to the repayment of debts connected with a trade, business or profession.

On June 15, 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-287/22, following preliminary questions submitted by the District Court in Warsaw in a case against the former Getin Noble Bank S.A. In the judgment, the CJEU ruled that provisions of the Directive 93/13 must be interpreted as precluding national case-law according to which a national court may dismiss an application for the grant of interim measures lodged by a consumer seeking the suspension, pending a final decision on the invalidity of the loan agreement concluded by that consumer on the ground that that loan agreement contains unfair terms, of the payment of the monthly instalments due under that loan agreement, where the grant of those interim measures is necessary to ensure the full effectiveness of that decision.

On June 15, 2023, the CJEU issued a judgment in a case registered under case number C-520/21, following preliminary questions submitted by the District Court in Warsaw in a case against Bank Millennium, in which indicated that Directive 93/13 does not expressly regulate the consequences of invalidity of a contract concluded between a credit institution and a consumer after the removal of unfair terms contained therein. The CJEU stated that:

(i) the provisions of the Directive 93/13 do not preclude a judicial interpretation of national law, according to which the consumer has the right to demand compensation from the credit institution beyond the reimbursement of monthly instalments and costs paid for the performance of this contract and the payment of statutory default interest from the date of the request for payment provided that the objectives of Directive 93/13 and the principle of proportionality are respected;
(ii) the provisions of Directive 93/13 preclude the judicial interpretation of national law, according to which a credit institution has the right to demand compensation from the consumer that goes beyond the return of the capital paid for the performance of this contract and beyond the payment of statutory default interest from the date of the request for payment.

On September 21, 2023, the CJEU issued a judgement in a case registered under case number C-139/22, following preliminary questions submitted by the District Court in Warsaw in a case against mBank. The CJEU stated that:

(i) provisions of the Directive 93/13 must be interpreted as not precluding a contractual term which has not been individually negotiated from being regarded as unfair by the national authorities concerned merely by virtue of the fact that its content is equivalent to that of a standard contract term entered in the national register of standard business terms held to be unlawful;
(ii) the contractual term which, because of the circumstances for the performance of certain obligations of the consumer concerned provided for in that term, must be regarded as unfair, may not cease to be considered unfair on account of another term of that contract which provides for the possibility for that consumer to perform those obligations under different circumstances;
(iii) a seller or supplier is obliged to inform the consumer concerned of the essential characteristics of the contract concluded with that seller or supplier and the risks associated with that contract, even though that consumer is its employee and has relevant knowledge in the field of the contract.

On December 7, 2023, the CJEU issued the judgement in the case C-140/22 in connection with the preliminary questions formulated by the District Court in Warsaw in the case against of mBank S.A. The Court stated that provisions of the Directive 93/13 must be interpreted as meaning that, in the context of the cancellation, in its entirety, of a mortgage loan agreement concluded with a consumer by a banking institution on the ground that that agreement contains an unfair term without which it cannot continue in existence:

(i) they preclude the judicial interpretation of national law according to which the exercise of the rights which that consumer draws from that directive is conditional on the lodging, by that consumer, before a court, of a declaration by which he or she states, first, not to consent to that unfair term remaining effective, secondly, to be aware of the fact that the nullity of that term entails the cancellation of that agreement and, moreover, of the consequences of that cancellation and, thirdly, to consent to the cancellation of that agreement;
(ii) they preclude the compensation sought by the consumer concerned in respect of the restitution of the sums paid by him or her in the performance of the agreement at issue being reduced by the equivalent of the interest which that banking institution would have received if that agreement had remained in force.

The Court of Justice of European Union by an order of December 11, 2023, closed the case registered under case number C-756/22 initiated by the District Court in Warsaw in the case brought by Bank Millennium and ruled that the provisions of Directive 93/13 must be interpreted as meaning that, in the context of declaring a mortgage loan agreement concluded with a consumer by a banking institution to be invalid in its entirety on the grounds that, that the contract contains unfair terms without which it cannot be continued, they preclude a judicial interpretation of the law of a Member State according to which that institution is entitled to recover from that consumer amounts other than the capital paid in performance of that contract and statutory interest for delay from the time of the demand for payment.

On December 14, 2023, the CJEU issued the judgement in the case C-28/22 in connection with the preliminary questions referred by the District Court in Warsaw in the case of ex-Getin Noble Bank S.A. The Court stated that:

(i) provisions of Directive 93/13 read in the light of the principle of effectiveness must be interpreted as precluding a judicial interpretation of national law according to which, following the cancellation of a mortgage loan agreement concluded with a consumer by a seller or supplier, on account of unfair terms contained in that agreement, the limitation period for the claims of that seller or supplier stemming from the nullity of that agreement starts to run only as from the date on which the agreement becomes definitively unenforceable, whereas the limitation period for the claims of that consumer stemming from the nullity of that agreement begins to run as from the day on which the consumer became aware, or should reasonably have become aware, of the unfair nature of the term entailing such nullity;
(ii) provisions of the Directive 93/13 must be interpreted as not precluding a judicial interpretation of national law according to which it is not for a seller or supplier who has concluded a mortgage loan agreement with a consumer to ascertain whether the consumer is aware of the consequences of the removal of the unfair terms contained in that agreement or of that agreement being no longer capable of continuing in existence if those terms were removed;
(iii) provisions of the Directive 93/13, read in the light of the principle of effectiveness, must be interpreted as precluding a judicial interpretation of national law according to which, where a mortgage loan agreement concluded with a consumer by a seller or supplier is no longer capable of continuing in existence after the unfair terms in that agreement have been removed, that seller or supplier may rely on a right of retention which allows him or her to make the restitution of the sums which it has received from that consumer conditional on that consumer making an offer to repay the sums which he or she has himself or herself received from that seller or supplier or to provide a security for the repayment of those sums, where the exercise by that seller or supplier of that right of retention entails the loss, for that consumer, of the right to obtain default interest as from the expiry of the time limit set for performance by the seller or supplier concerned, following receipt by that seller or supplier of a request to repay the sums he or she had been paid in performance of that agreement.

The Court of Justice of the European Union by an order of January 15, 2024, closed the case registered under case number C-488/23 following a question from the District Court of Warsaw, indicating that the right of a financial institution to demand the valorization of the disbursed capital after a loan agreement has been declared invalid was excluded in the judgment of June 15, 2023 issued in case C-520/21.

On January 18, 2024, the CJEU issued the judgement in the case C-531/22 in connection with the preliminary questions referred by the District Court in Warsaw in the case of ex-Getin Noble Bank S.A. The Court stated that:

(i) the provisions of Directive 93/13 preclude national legislation which provides that a national court may not examine of its own motion the potentially unfair nature of the terms contained in a contract and draw the consequences thereof, where it is supervising enforcement proceedings carried out on the basis of a final decision to issue an order for payment which is subject to res judicata:

    a. if the regulations do not provide for such an examination at the stage of issuing a payment order, or

    b. if such examination is provided for only at the stage of opposition to the order for payment in question, provided that there is a significant risk that the consumer in question will not file the required opposition either because the time limit specified for this purpose is very short, or because of the cost of the proceedings before the court in relation to the amount of the disputed debt, or because the national legislation does not provide for the obligation to provide that consumer with all the information necessary for him to establish the extent of his rights;

(ii) the provisions of Directive 93/13 do not preclude national case law according to which the entry of a term of a contract in a national register of prohibited clauses has the effect of declaring that term unfair in any proceedings involving a consumer, including against a trader other than the one against whom proceedings for the entry of the said term in that national register were pending, and where that term does not have the same wording as the term entered in the said register, but has the same meaning and has the same effect with respect to the consumer in question.

Jurisprudence of the Polish Supreme Court

On 7 May 2021, the Supreme Court composed of 7 judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

(i) an abusive contractual clause (art. 385(1) § 1 of the Civil Code), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively;

(ii) if without the ineffective clause the loan agreement cannot bind, the consumer and the lender shall be eligible for separate claims for return of monetary performances made in exercising this agreement (art. 410 § 1 in relation to art. 405 of the Civil Code). The lender may demand return of the performance from the moment the loan agreement becomes permanently ineffective.

On April 28, 2022 the Supreme Court issued a resolution (III CZP 40/22) in which it indicated that in disputes with consumers, the provision of Article 358(1) of the Civil Code is a special provision to Article 353(1) of the Civil Code, which means that if the prerequisites for the application of both provisions exist, the court should apply the special provision and declare the contractual provision permanently ineffective, rather than invalid. This decision of the Supreme Court should be perceived as significantly limiting the risk of the bank's claims for return of capital being time-barred.

The effect of the Supreme Court's resolution of 7 May 2021 is that the bank is entitled to a refund of the cash benefit provided by the bank in performance of a permanently ineffective contract. Taking into account the uncertainty as to the starting point of the limitation period for the bank's claims, the Bank, in order to protect its interests, files lawsuits for payment against borrowers in a court dispute with the bank. The bank's demand consists of a claim for return of the capital made available to the borrower under the contract. By 31 March 2024 the Bank filed about 8.1 thousands lawsuits against the borrowers.

On 25 April 2024, a session of the Civil Chamber of the Supreme Court was held to answer questions formulated by the First President of the Supreme Court, published on 29 January 2021, on key issues related to FX mortgage loan agreements. The Supreme Court, composed of the entire Civil Chamber, adopted a resolution having the force of a legal principle, in which it stated that:

(i) When finding that a provision of an indexed or denominated credit agreement relating to the manner of determining the foreign currency exchange rate constitutes an unfair contractual provision and is not binding, then in currently existing legal situation it cannot be stated that such a provision could be replaced by another formula of defining the foreign currency exchange rate resulting from law or custom.

(ii) In case of impossibility to determine the foreign currency exchange rate binding the parties in the indexed or denominated loan agreement, the agreement is not binding also in the remaining scope.

(iii) If, in the performance of a credit agreement which is not binding due to the unfair nature of its provisions, the bank has disbursed to the borrower all or part of the amount of the credit and the borrower has made repayments of the credit, independent claims for repayment of the undue performance shall arise in favour of each party.

(iv) If a credit agreement is not binding due to the unfair nature of its provisions, the statute of limitations of the bank's claim for repayment of amounts disbursed under the credit shall, as a rule, start to run from the day following the day on which the borrower challenges being bound by the provisions of agreement.

(v) If a credit agreement is not binding due to the unfair nature of its provisions, there shall be no legal basis for any party to claim interest or other remuneration because of using party's pecuniary means during the period from the provision of undue benefit until the delay in the return of this benefit.

Due to the CJEU jurisprudence interpreting the causes and effects of invalidity of foreign currency mortgage loan agreements as well as above indicated resolution of the Civil Chamber of the Supreme Court, the area of interpretation of regulations by Polish courts in this respect appears to be limited. However, further jurisprudential practice of the Polish courts will play certain role in practical realisation of the CJEU's and the Supreme Court’s guidance.

11. ADDITIONAL INFORMATION

11.1. DATA ABOUT ASSETS, WHICH SECURE LIABILITIES

As at 31.03.2024 r. (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury Bonds DS0727	Held to maturity	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	243 000	221 040
2.	Treasury Bonds PS0527	Held to maturity	Security of payment obligation to BFG contribution - guarantee fund	142 000	138 580
3.	Treasury Bonds DS0726	Held to maturity	Security of payment obligation to BFG contribution - compulsory resolution fund	135 000	127 941
4.	Treasury Bonds PS0425	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	572 500	550 808
5.	Treasury Bonds WZ0525	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	270 500	277 008
6.	Treasury Bonds PS0527	Held to maturity	financial and registered pledge on the Bank's account in the brokerage house	188 850	184 222
7.	Treasury Bonds PS0527	Held to maturity	financial pledge on the Bank's account in the brokerage house	583 659	569 600
8.	Treasury Bonds PS1024	Held to maturity	pledge on the Millennium Leasing account related to a securitization transaction	317 000	314 338
9.	Cash	receivables	initial settlement deposit in KDPW CCP (MAGB)	11 000	11 000
10.	Cash	receivables	ASO guarantee fund (PAGB)	1 331	1 331
11.	Cash	receivables	appropriate security deposit at KDPW CCP (MATS)	247	247
12.	Cash	receivables	Settlement on transactions concluded	27 958	27 958
13.	Deposits placed	Deposits in banks	Settlement on transactions concluded	112 463	112 833
		TOTAL		**2 605 508**	**2 536 905**

In addition, as at March 31, 2024, the Group had concluded short-term (usually settled within 7 days) transactions of sale of treasury securities with a repurchase agreement, the subject of which were securities worth PLN 380,335 thousand.

As at 31.12.2023 r. (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury Bonds DS0727	Held to maturity	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	255 000	228 434
2.	Treasury Bonds DS0726	Held to maturity	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	52 000	48 267
3.	Treasury Bonds PS0527	Held to maturity	Security of payment obligation to BFG contribution - guarantee fund	142 000	136 644
4.	Treasury Bonds DS0726	Held to maturity	Security of payment obligation to BFG contribution - compulsory resolution fund	135 000	125 307
5.	Treasury Bonds PS0425	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	572 500	544 528
6.	Treasury Bonds WZ0525	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	220 500	221 887
7.	Treasury Bonds PS0524	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	50 000	50 425
8.	Treasury Bonds PS0527	Held to maturity	financial and registered pledge on the Bank's account in the brokerage house	64 850	62 404
9.	Treasury Bonds PS0527	Held to maturity	financial pledge on the Bank's account in the brokerage house	583 659	561 643
10.	Treasury Bonds PS0527	Held to maturity	financial pledge on the Bank's account in the brokerage house	124 000	119 323
11.	Treasury Bonds PS0527	Held to maturity	pledge on the Millennium Leasing account related to a securitization transaction	317 000	310 127
12.	Cash	receivables	initial settlement deposit in KDPW CCP (MAGB)	11 000	11 000
13.	Cash	receivables	ASO guarantee fund (PAGB)	1 927	1 927
14.	Cash	receivables	settlement of concluded transactions	47 909	47 909
15.	Deposits placed	Deposits in banks	settlement of concluded transactions	159 804	160 135
			TOTAL	2 737 149	2 629 958

As at 31 December 2023, the Group did not have concluded transactions of sale of treasury securities with repurchase agreements.

11.2. SECURITIES COVERED BY TRANSACTIONS WITH A BUY-BACK CLAUSE

Following securities (presented in the Group's balance-sheet) were underlying Sell-buy-back transactions (PLN'000):

As at 31.03.2024

Type of security	Par value	Balance sheet value
Treasury bonds	395 121	380 335
TOTAL	395 121	380 335

As at 31.12.2023

Type of security	Par value	Balance sheet value
Treasury bonds	0	0
TOTAL	0	0

In result of conclusion of Sell-Buy-Back transactions with the underlying securities presented in the table above, the Group is exposed to risks, which are the same as in case of holding securities with the same characteristics in its treasury portfolio.

11.3. 2023 DIVIDEND

Bank Millennium has a dividend policy of distribution between 35% and 50% of net profit, taking into account supervisory recommendations. Considering that in the Recovery Plan and the Capital Protection Plan, the Bank adopted the assumption that no dividend would be paid from the 2023 profit, as well as taking into account the recommendation of the Polish Financial Supervision Authority formulated in the letter of 22 February 2024 regarding the non-payment of dividend, the Management Board of the Bank presented a proposal and the Ordinary General Meeting of the Bank, held on March 27, 2024, decided to allocate the entire profit earned in 2023 in the amount of PLN 510,259,398.40 to reserve capital.

11.4. EARNINGS PER SHARE

Profit per share calculated for I quarter of 2024 (and diluted profit per share) on the basis of the consolidated data amounts to PLN 0.11.

11.5. SHAREHOLDERS HOLDING NO LESS THAN 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL SHAREHOLDERS MEETING OF THE GROUP'S PARENT COMPANY – BANK MILLENNIUM S.A.

According to the information available to the Bank, with regard to shareholders holding over 5% of votes at the General Meeting, the Bank's shareholders are the following entities

Shareholder as at 31.03.2024	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	107 970 000	8.90	107 970 000	8.90
Allianz Polska Otwarty Fundusz Emerytalny	105 043 837	8.66	105 043 837	8.66
Otwarty Fundusz Emerytalny PZU „Złota Jesień"	65 492 207	5.40	65 492 207	5.40

The data included in the table were collected in connection with the registration of shareholders entitled to participate in the Ordinary General Meeting of the Bank convened on March 27, 2024.

Shareholder as at 31.12.2023	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	107 970 039	8.90	107 970 039	8.90
Allianz Polska Otwarty Fundusz Emerytalny	100 990 351	8.32	100 990 351	8.32
Otwarty Fundusz Emerytalny PZU „Złota Jesień"	65 492 207	5.40	65 492 207	5.40

11.6. INFORMATION ABOUT LOAN SURETIES OR GUARANTEES EXTENDED BY THE GROUP

In the first quarter of 2024, the Group did not grant any sureties or guarantees for a loan or bank loan which would cause the Group's exposure on this account as at 31 March 2024 to be significant.

11.7. SEASONALITY AND BUSINESS CYCLES

In the Group's activity, there are no significant phenomena, which are cyclical or subject to seasonal variations.

11.8. OTHER ADDITIONAL INFORMATION AND EVENTS AFTER THE BALANCE SHEET DATE

As at 31 March 2024, the Group has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed consolidated statements, Group did not:

- create substantial write-offs for inventories,
- conclude significant acquisitions and sales of property, plant and equipment,
- make correction of prior period errors,
- introduce significant changes in determining the fair value for financial instruments valued at fair value,
- make any reclassification of financial assets as a result of changes in purpose or use,
- change the method of determining the estimated values, which would exert a significant influence on the current interim period.

REFORM OF BENCHMARKS

1. WIBOR

In May 2022, the Polish government announced that WIBOR would be replaced by a different (lower) rate from 1 January 2023. In June 2022, a Working Group was established, including commercial banks, GPW Benchmark (Administrator of WIBOR), KNF.

In July 2022, the National Working Group on Reference Rate Reform (NWG) was established in connection with the planned reform of reference rates in Poland. The objective of the NGR's work to introduce a new interest rate benchmark and replace the currently used WIBOR index with it while ensuring the compliance with BMR, including in particular ensuring credibility, transparency and reliability in the development and application of the new benchmark.

The National Working Group involves representatives of the Ministry of Finance, the National Bank of Poland, the Office of the Financial Supervision Authority, the Bank Guarantee Fund, the Polish Development Fund, the Warsaw Stock Exchange, the National Depository for Securities, Bank Gospodarstwa Krajowego, the GPW Benchmark, as well as representatives of credit institutions, i.e. in particular, banks, financial institutions, including investment funds, insurance companies, factoring and leasing companies, entities that are bond issuers, including corporate and municipal bonds, clearing houses.

The work of the National Working Group is coordinated and supervised by a Steering Committee including representatives of key institutions: Financial Supervision Authority, the National Bank of Poland, the Ministry of Finance, the Bank Guarantee Fund, the Polish Development Fund, as well as the GPW Benchmark - the administrator of the reference rates - and the Polish Bank Association (Polish: Związek Banków Polskich).

The NWG's activities are executed in a project formula, where project streams have been identified and where Bank Millennium representatives are actively contributing to the work.

The National Working Group selected the WIRON index to become the key interest rate benchmark under the BMR and to be used in financial contracts, financial instruments and as the preferred alternative benchmark to WIBOR.

In connection with this, Bank Millennium S.A. established, by resolution of the Bank's Management Board of 24 August 2022, an internal project reporting to the Management Board (Deputy Chairman of the Management Board - CFO and Member of the Management Board overseeing the areas of retail and corporate products), in order to duly manage the WIBOR to WIRON transition process and to implement the work in accordance with the roadmap. This work involves representatives from a significant number of the Bank's business units, including, in particular, representatives responsible for product areas and risk management issues, including, in particular, interest rate risk and operational risk. The structure of the project includes the division into streams covering products and processes where the WIBOR benchmark is applied, the management of the project by a dedicated project manager and the periodical reporting of statuses on the individual streams. In the current phase of the project, work is underway at the Bank to adjust the technological infrastructure, as well as including the preparation of internal processes and documentation.

The Bank uses the WIBOR reference rate in the following products (in million PLN as of 31 March 2024):

- mortgage loans: **24 047,24** mortgage loans based on WIBOR (excluding **11 239,78** mortgage loans currently with temporary fixed rate where the clients have the option to switch to variable rate indexed to WIBOR after the end of such temporary fixed rate initial period);
- loan products, factoring and corporate discounting products: **17 126,13**;
- debt instruments (**9 754, 37**);
  - Assets: 7 492,87
  - Liabilities: 2 261.50
- derivative instruments: **10 744,92**

The Bank also applies instruments based on WIBOR benchmarks in hedge accounting, details of the hedging relationships used by the Group, the items designated as hedged and hedging and the presentation of the result on these transactions are presented in Note 16 "Derivatives - Hedge accounting" in Chapter 4 "Notes to the Consolidated Financial Statements.

Bank Millennium S.A. is working on the analysis of the risks and monitors them on a regular basis. In addition, according to the project of changes of the Roadmap announced by the Steering Committee of the National Working Group in October 2023 and was confirmed by the NWG in April 2024, the final moment of conversion would happen by end of 2027, r. Currently, the Roadmap is being updated to reflect the provisions of the NGR SC with regard to the revision of the benchmark reform schedule. Therefore, a regulatory event has been postponed and should occur in Q3/Q4 2026. However, there is currently a) no information regarding the potential regulatory event referred to in Article 23c(1) of the BMR; b) lack of a regulation of the Minister of Finance referred to in Article 61c of the Act of 5 August 2015 on macro-prudential supervision of the financial system and crisis management in the financial system concerning a replacement or at least a draft of such a regulation and thus information, whether the Minister of Finance will designate one or several WIBOR replacements; c) lack of information on the amount of the adjustment spread or the method of calculating this spread, whether there will be corresponding adjustment changes related to this (and if so, which ones). Therefore given the current stage of the work of the National Working Group and the planned postponement of the maximum dates for the implementation of the Roadmap, indicating a final conversion date at the end of 2027, it is currently not possible to estimate the financial impact of the WIBOR reform.

In March 2023, the Steering Committee of the National Working Group on Benchmark Reform adopted recommendations on new products, both banking, leasing and factoring, as well as previously published ones on bonds and derivatives.

In July 2023, the NWG SC adopted a Recommendation on applying a fallback rate for WIBOR benchmark in interest rate derivatives. The recommendation presents the method of replacing WIBOR with an Alternative Benchmark in WIBOR-based interest rate derivatives in the event where a Fallback Trigger of a permanent nature occurs.

In August 2023, The NWG Steering Committee has adopted a Recommendation on the rules and methods of conversion of WIBOR-based debt instruments. The recommendation was prepared assuming the occurrence of a Regulatory Event, i.e. an event resulting in the cessation of the development of the WIBOR benchmark (according to the adopted Roadmap, the readiness to cease and publish the WIBID and WIBOR Reference Rates should occur in 2025).

On 29 March 2024, the Steering Committee of the National Working Group for benchmark reform unanimously decided to commence a review and analysis of risk-free-rate (RFR) replacement choices for WIBOR benchmark, including both WIRON and other possible interest rate indices or benchmarks. Formal request in this respect was filed by the Ministry of Finance. Certain changes may be made with regard to the milestones of the current Roadmap, but without changing the final deadlines regarding the completion of the benchmark reform. Decisions in this regard will be made by the Steering Committee of the NWG and communicated separately following the completion of the review, including public consultation.

In April 2024, The Steering Committee of the National Working Group for benchmark reform has adopted a paper on Methods of applying the RFR and selected rules for calculating compound rates.

2. LIBOR USD

The Bank applies the USD LIBOR benchmark to the following products:

- Retail banking/mortgage portfolio: **2,86 million PLN**;

On 3 April 2023, the Financial Conduct Authority supervising ICE Benchmark Administration Limited announced a decision regarding the future of LIBOR USD 3M and LIBOR USD 6M. FCA indicated that LIBOR USD 3M and LIBOR USD 6M will continue to be calculated and published after 30 June 2023 using the revised „synthetic” methodology, most likely until 30 September 2024. Considering the marginal number and value of such contracts in the Bank’s portfolio, Bank is continues its efforts to implement individual approach to each of these contracts.

CREDIT HOLIDAYS 2024

On May 7, 2024, the Management Board of Bank Millennium S.A. informed that, following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland of an Act of April 12, 2024 on changes to the Act on support for mortgage borrowers who are in challenging financial situation and the Act on crowdfunding for business ventures and assistance to borrowers (‘the Act’), introducing, among others, an extension of credit holidays for PLN mortgage borrowers by four more months in 2024, the Bank preliminarily estimates that the impact of the implementation of this Act on results of the Group would be in the range between PLN 201 million to PLN 247 million before tax. The estimated cost resulting from the Act will be booked in 2nd quarter 2024 accounts and its final estimate will be disclosed in the 1st half 2024 report.

Date	Name and surname	Position/Function	Signature
09.05.2024	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature

Condensed Interim Standalone Financial Statements of the Bank Millennium S.A. for the 3 months ended 31 March 2024

Contents

1. INTRODUCTION AND ACCOUNTING POLICY

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed consolidated interim financial statement do not include all of the information which is presented in full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2023.

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the three months ending March 31, 2024.

Condensed interim financial statements of the Bank:

- are prepared on the basis of the assumption of business continuity by the Bank, namely scale of business is not to be reduced substantially in a period of not less than one year from the balance sheet date;
- have been prepared in PLN, and all values, unless otherwise indicated, are given in PLN rounded to one thousand.

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank's economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the three months period ended 31 March 2024. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the three months period ended 31 March 2024 contain all important information, which also serves as explanatory data to these standalone statements of the Bank.

Following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland on the same day of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers ('the Act'), introducing, among others, a possibility of up to 8 months of Credit Holidays in 2022-2023 for PLN mortgage borrowers, the Group recorded in 2022 a pre-tax cost of PLN 1,324.2 million (PLN 1,072,6 million after tax), of which PLN 1,291.6 million related to the Bank, and PLN 32.6 million related to Millennium Bank Hipoteczny S.A.

Due to costs generated as a result of the above mentioned Act, it could be reasonably assumed that the Bank would record a negative net result for the 3rd quarter of 2022 and as a result its capital ratios could fall below the current minimum requirements set by Polish Financial Supervision Authority ('PFSA'). As the emergence of risk of a breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended), on July 15th 2022 the Management Board of the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSA and Bank Guarantee Fund.

Additionally, the Bank has also submitted to PFSA the Capital Protection Plan, pursuant to the Article 60 sec. 1 of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system (Journal of Laws of 2022, item 963, i.e. of 6 May 2022, as amended). PFSA approved this plan on 28th October 2022 and communicated this fact to the Bank on 14th November 2022.

In 2023 and I quarter 2024 Bank continued to realize Capital Protection Plan (and Recovery Plan, which according to the rules of the banking law is updated yearly), which foresaw the increase of capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimization initiatives such as management of risk weighted assets (including securitizations).

Since the launch of the Capital Protection Plan, the Bank/Group has managed to significantly improve its capital ratios, placing them clearly above the new regulatory requirements: as at March 31, 2024, the Tier 1 ratio was 542 bps (Bank) and 506 bps (Group) above the minimum requirement, and the total capital ratio (TCR) was 642 bps (Bank) and 580 bps (Group) above the minimum requirement.

As part of the capital improvement initiatives, in 2023, the Group completed two synthetic securitization transactions: the first was completed in July and concerned a portfolio of leasing receivables, while the second one was completed in December and concerned a cash loan portfolio. As part of these transactions, the Bank/Group transferred a significant part of the credit risk of the securitized portfolios to investors. Assuming no extraordinary factors, the Bank/Group plans to maintain capital ratios above the minimum required levels with a safe surplus.

In terms of MRELtrea and MRELtem requirements, the Group presents a surplus compared to the minimum levels required as at December 31, 2023, and also meets the MRELtrea requirement after the inclusion of the Combined Buffer Requirement. Assuming no extraordinary factors, the Group plans to maintain both MREL ratios above the minimum required levels with a safe surplus. In addition, in December 2023, the Bank received a letter from the Bank Guarantee Fund informing that due to the reduction of the P2R buffer by the PFSA, the target updated minimum required MRELtrea be of the combined buffer requirement for the Bank would be reduced to 18.03% MRELtrea with a minimum subordination requirement, while the target MRELtem would be 5.91%, with a subordination requirement. The Bank expects to receive this update during the 2nd quarter 2024 as part of the joint decision process.

The Bank monitors, on the current basis, the financial situation and, if needed, will undertake actions to launch additional remedial activities. In particular, The Bank is aware of the risks associated with the extension of the so-called credit holidays for 2024. more information on this topic has been posted in **Chapter 7.4 “Credit holidays 2024”.** Additionally, further negative developments regarding the legal risk of FX mortgage loans could imply the need to increase the level of provisions for such risk apart from the provisions that might result from current trends. In the Bank’s view, these events, if materialized, would adversely affect the results of the Bank/Group in 2024, and would reduce the organic generation of capital that is envisaged, but would not prevent the Bank/Group from continuing to implement its strategy and the generation of results that would mitigate the impact of such events.

The liquidity position of Bank Millennium Group remained very strong in 1Q 2024. LCR ratio reached the level of 334% at the of March 2024, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 65% and the share of liquid debt securities (mainly bonds issued by the sovereigns, European Union, multilateral development banks and NBP bills) in the Group’s total assets remains significant at 36%.

At same time the Bank achieved good operational and business results, while actively managing and mitigating the different risks related to the banking activity. Taking into account the above circumstances and identified uncertainties, in particular, the Bank's capacity to meet capital solvency ratios and MREL requirements in subsequent reporting periods - the Bank's Management Board based on the analysis of all aspects of the Bank's operations and its current and forecast financial position, concluded that the application of the going concern assumption in the preparation of these financial statements is appropriate.

The Management Board approved these condensed interim financial statements on 9th May 2024.

2. STANDALONE FINANCIAL DATA (BANK)

STATEMENT OF PROFIT AND LOSS

Amount '000 PLN	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Net interest income	1 327 990	1 232 074
Interest income and other of similar nature	2 133 123	2 042 783
Income calculated using the effective interest method	2 103 870	2 018 454
Interest income from Financial assets at amortised cost, including:	1 576 973	1 530 810
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays	0	0
Interest income from Financial assets at fair value through other comprehensive income	526 897	487 644
Result of similar nature to interest from Financial assets at fair value through profit or loss	29 253	24 329
Interest expenses	(805 133)	(810 709)
Net fee and commission income	173 502	177 117
Fee and commission income	229 628	230 774
Fee and commission expenses	(56 126)	(53 657)
Dividend income	26 770	28 911
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	2 300	546 223
Results on financial assets and liabilities held for trading	1 336	3 115
Result on non-trading financial assets mandatorily at fair value through profit or loss	10 717	5 901
Result on hedge accounting	(1 247)	322
Result on exchange differences	(46 729)	(8 613)
Other operating income	54 359	104 264
Other operating expenses	(150 889)	(59 368)
Administrative expenses	(526 241)	(453 931)
Impairment losses on financial assets	(102 367)	(96 389)
Impairment losses on non-financial assets	(1 885)	1 733
Provisions for legal risk connected with FX mortgage loans	(548 810)	(863 650)
Result on modification	(31 283)	(27 832)
Depreciation	(53 403)	(51 470)
Share of the profit of investments in subsidiaries	0	0
Banking tax	0	0
Profit before income taxes	**134 120**	**538 407**
Corporate income tax	3 855	(276 791)
Profit after taxes	**137 975**	**261 616**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Profit after taxes	137 975	261 616
Other comprehensive income items that may be (or were) reclassified to profit or loss	(17 268)	342 959
Result on debt securities	59 200	285 288
Result on credit portfolio designated for pooling to Mortgage Bank	(88 929)	(58 797)
Hedge accounting	12 461	116 468
Other comprehensive income items that will not be reclassified to profit or loss	0	0
Actuarial gains (losses)	0	0
Result on equity instruments	0	0
Total comprehensive income items before taxes	**(17 268)**	**342 959**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	3 281	(65 162)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0
Total comprehensive income items after taxes	**(13 987)**	**277 797**
Total comprehensive income for the period	**123 988**	**539 413**

STATEMENT OF FINANCIAL POSITION

ASSETS

Amount '000 PLN	31.03.2024	31.12.2023	31.03.2023
Cash, cash balances at central banks	4 937 063	5 094 984	5 452 016
Financial assets held for trading	998 565	609 252	527 972
Derivatives	552 841	498 577	371 436
Equity instruments	120	121	123
Debt securities	445 604	110 554	156 413
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	154 635	147 623	142 879
Equity instruments	66 609	66 609	66 609
Debt securities	88 026	81 014	76 270
Financial assets at fair value through other comprehensive income	26 695 060	21 924 652	18 098 078
Equity instruments	28 786	28 789	24 392
Debt securities	26 666 274	21 895 863	18 073 686
Loans and advances to customers	72 289 617	72 405 446	74 678 369
Mandatorily at fair value through profit or loss	7 226	19 349	75 078
Fair valued through other comprehensive income	11 976 869	11 799 748	10 942 249
Valued at amortised cost	60 305 522	60 586 349	63 661 042
Financial assets at amortised cost other than Loans and advances to customers	22 660 993	21 469 710	11 584 972
Debt securities	20 475 347	18 439 780	10 322 224
Deposits, loans and advances to banks and other monetary institutions	1 754 532	1 866 688	1 262 748
Reverse sale and repurchase agreements	431 114	1 163 242	0
Derivatives – Hedge accounting	116 528	74 213	60 754
Investments in subsidiaries, joint ventures and associates	519 223	399 223	291 236
Tangible fixed assets	547 404	553 087	549 509
Intangible fixed assets	480 758	481 128	432 924
Income tax assets	410 760	368 279	583 686
Current income tax assets	0	0	0
Deferred income tax assets	410 760	368 279	583 686
Other assets	1 580 236	1 360 160	1 119 930
Non-current assets and disposal groups classified as held for sale	0	0	0
Total assets	**131 390 842**	**124 887 757**	**113 522 325**

LIABILITIES AND EQUITY

Amount '000 PLN	31.03.2024	31.12.2023	31.03.2023
LIABILITIES			
Financial liabilities held for trading	496 866	579 331	433 117
Derivatives	496 866	576 611	430 037
Liabilities from short sale of securities	0	2 720	3 080
Financial liabilities measured at amortised cost	118 935 703	112 664 017	103 316 374
Liabilities to banks and other monetary institutions	559 566	565 384	413 483
Liabilities to customers	113 402 746	107 505 636	101 082 729
Sale and repurchase agreements	380 430	0	0
Debt securities issued	3 033 747	3 027 952	256 280
Subordinated debt	1 559 214	1 565 045	1 563 882
Derivatives – Hedge accounting	124 156	193 664	394 859
Provisions	1 821 053	1 444 173	972 917
Pending legal issues	1 778 997	1 401 798	935 677
Commitments and guarantees given	42 056	42 375	37 240
Income tax liabilities	31 983	460 456	252 329
Current income tax liabilities	31 983	460 456	252 329
Deferred income tax liabilities	0	0	0
Other liabilities	3 242 830	2 931 853	2 208 823
Total Liabilities	**124 652 591**	**118 273 494**	**107 578 419**
EQUITY			
Share capital	1 213 117	1 213 117	1 213 117
Own shares	(21)	(21)	(21)
Share premium	1 147 241	1 147 241	1 147 241
Accumulated other comprehensive income	(153 329)	(139 342)	(561 056)
Retained earnings	4 531 243	4 393 268	4 144 625
Total equity	6 738 251	6 614 263	5 943 906
Total equity and total liabilities	**131 390 842**	**124 887 757**	**113 522 325**

Book value of net assets	6 738 251	6 614 263	5 943 906
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	5,55	5.45	4.90

STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total equity	Share capital	Own Shares	Share premium	Accumulated other comprehensive income	Retained earnings	
						Unappropriated result	Other reserves
01.01.2024 - 31.03.2024							
Equity at the beginning of the period	**6 614 263**	**1 213 117**	**(21)**	**1 147 241**	**(139 342)**	**510 259**	**3 883 009**
Total comprehensive income for the period (net)	123 988	0	0	0	(13 987)	137 975	0
net profit/ (loss) of the period	137 975	0	0	0	0	137 975	0
valuation of debt securities	47 952	0	0	0	47 952	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(72 032)	0	0	0	(72 032)	0	0
hedge accounting	10 093	0	0	0	10 093	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	(510 259)	510 259
Equity at the end of the period	**6 738 251**	**1 213 117**	**(21)**	**1 147 241**	**(153 329)**	**137 975**	**4 393 268**
01.01.2023 - 31.12.2023							
Equity at the beginning of the period	**5 404 493**	**1 213 117**	**(21)**	**1 147 241**	**(838 853)**	**(1 029 899)**	**4 912 908**
Total comprehensive income for the period (net)	1 209 770	0	0	0	699 511	510 259	0
net profit/ (loss) of the period	510 259	0	0	0	0	510 259	0
valuation of debt securities	544 119	0	0	0	544 119	0	0
valuation of shares	3 582	0	0	0	3 582	0	0
valuation of loans portfolio dedicated for pooling to Mortgage Bank	(124 751)	0	0	0	(124 751)	0	0
hedge accounting	285 013	0	0	0	285 013	0	0
actuarial gains (losses)	(8 452)	0	0	0	(8 452)	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 029 899	(1 029 899)
Equity at the end of the period	**6 614 263**	**1 213 117**	**(21)**	**1 147 241**	**(139 342)**	**510 259**	**3 883 009**
01.01.2023 - 31.03.2023							
Equity at the beginning of the period	**5 404 493**	**1 213 117**	**(21)**	**1 147 241**	**(838 853)**	**(1 029 899)**	**4 912 908**
Total comprehensive income for the period (net)	539 413	0	0	0	277 797	261 616	0
net profit/ (loss) of the period	261 616	0	0	0	0	261 616	0
valuation of debt securities	231 084	0	0	0	231 084	0	0
valuation of shares	0	0	0	0	0	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(47 626)	0	0	0	(47 626)	0	0
hedge accounting	94 339	0	0	0	94 339	0	0
actuarial gains (losses)	0	0	0	0	0	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 029 899	(1 029 899)
Equity at the end of the period	**5 943 906**	**1 213 117**	**(21)**	**1 147 241**	**(561 056)**	**261 616**	**3 883 009**

CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Profit (loss) after taxes	137 975	261 616
Total adjustments:	6 515 936	3 054 688
Interest received	1 723 685	1 762 411
Interest paid	(717 513)	(726 220)
Depreciation and amortization	53 403	51 470
Foreign exchange (gains)/ losses	0	0
Dividends	(26 770)	(28 911)
Changes in provisions	376 880	(42 349)
Result on sale and liquidation of investing activity assets	320	(546 740)
Change in financial assets held for trading	(407 337)	61 132
Change in loans and advances to banks	(243 688)	51 628
Change in loans and advances to customers	(1 430 491)	(471 668)
Change in receivables from securities bought with sell-back clause (loans and advances)	718 767	(2 586)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(151 973)	(111 496)
Change in deposits from banks	51	(199 514)
Change in deposits from customers	6 569 259	3 517 155
Change in liabilities from securities sold with buy-back clause	389 286	19 936
Change in debt securities	36 435	12 527
Change in income tax settlements	(414 256)	278 166
Income tax paid	(53 417)	(63 151)
Change in other assets and liabilities	61 723	(543 067)
Other	31 574	35 965
Net cash flows from operating activities	**6 653 911**	**3 316 304**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Inflows:	26 935	531 671
Proceeds from sale of property, plant and equipment and intangible assets	165	2 760
Proceeds from sale of shares in related entities	0	500 000
Proceeds from sale of investment financial assets	0	0
Other	26 770	28 911
Outflows:	(5 443 474)	(2 763 571)
Acquisition of property, plant and equipment and intangible assets	(18 656)	(41 448)
Purchase o shares in related entities	(120 000)	(200)
Acquisition of investment financial assets	(5 304 818)	(2 721 923)
Other	0	0
Net cash flows from investing activities	**(5 416 539)**	**(2 231 900)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Inflows from financing activities:	0	0
Long-term bank loans	0	0
Issue of debt securities	0	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(37 406)	(45 273)
Repayment of long-term bank loans	0	(5 000)
Redemption of debt securities	0	0
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other outflows from financing activities	(37 406)	(40 273)
Net cash flows from financing activities	**(37 406)**	**(45 273)**

D. Net cash flows. Total (a + b + c)	**1 199 966**	**1 039 131**
including change resulting from FX differences	(1 859)	(2 664)
E. Cash and cash equivalents at the beginning of the reporting period	**18 396 413**	**14 231 089**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**19 596 379**	**15 270 220**

3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

As at 31 March 2024, the Bank has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed statements, Bank did not:

- create substantial write-offs for inventories,
- conclude significant acquisitions and sales of property, plant and equipment,
- make correction of prior period errors,
- introduce significant changes in determining the fair value for financial instruments valued at fair value,
- change the method of determining the estimated values, which would exert a significant influence on the current interim period.

There are no significant phenomena, in Bank's activity which are cyclical or subject to seasonal variations.

Impairment losses on financial assets

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Impairment losses on loans and advances to customers	(102 661)	(99 307)
Impairment charges on loans and advances to customers	(452 216)	(465 991)
Reversal of impairment charges on loans and advances to customers	340 576	356 584
Amounts recovered from loans written off	8 979	10 158
Sale of receivables	0	0
Other directly recognised in profit and loss	0	(58)
Impairment losses on securities	1	0
Impairment charges on securities	0	0
Reversal of impairment charges on securities	1	0
Impairment losses on off-balance sheet liabilities	293	2 918
Impairment charges on off-balance sheet liabilities	(17 404)	(16 955)
Reversal of impairment charges on off-balance sheet liabilities	17 697	19 873
Total	**(102 367)**	**(96 389)**

Movements in impairment allowances for loans and advances to customers carried at amortised cost

	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 31.03.2023
Balance at the beginning of the period	2 299 364	2 242 135	2 242 135
Change in value of provisions:	77 075	57 229	29 550
Impairment allowances created in the period	423 632	1 214 029	439 968
Amounts written off	(49 176)	(165 261)	(83 153)
Impairment allowances released in the period	(308 518)	(885 407)	(343 565)
Sale of receivables	0	(173 110)	0
KOIM created in the period(*)	17 553	71 261	18 314
Changes resulting from FX rates differences	(7 948)	(8 016)	(3 507)
Other	1 532	3 733	1 493
Balance at the end of the period	**2 376 439**	**2 299 364**	**2 271 685**

** In accordance with IFRS 9, the Bank calculates interest on the loan portfolio with a recognized impairment based on the net exposure value. For this purpose, the so-called impaired interest adjustment ("KOIM") is calculated and recorded as a reduction of interest income. Aforementioned KOIM adjustment in the balance sheet is presented as an impairment allowances, and as a consequence the reconciliation of the change in impairment allowances requires consideration of the KOIM recognized in the interest income.*

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Investments in subsidiaries, joint ventures and associates	Property. plant and equipment	Intangibles	Other assets
As at 01.01.2024	5 001	6 700	797	0	24 546
- Write-offs created	0	0	0	0	3 560
- Write-offs released	(1)	0	0	0	(1 675)
- Utilisation	0	0	0	0	(262)
- Other	0	0	0	0	0
As at 31.03.2024	5 000	6 700	797	0	26 169
As at 01.01.2023	5 002	6 700	797	0	25 845
- Write-offs created	2	0	0	0	19 352
- Write-offs released	(3)	0	0	0	(19 268)
- Utilisation	0	0	0	0	(1 383)
- Other	0	0	0	0	0
As at 31.12.2023	5 001	6 700	797	0	24 546
As at 01.01.2023	5 002	6 700	797	0	25 845
- Write-offs created	0	0	0	0	7 203
- Write-offs released	(1)	0	0	0	(7 649)
- Utilisation	0	0	0	0	(327)
- Other	0	0	0	0	0
As at 31.03.2023	5 001	6 700	797	0	25 072

Change of Provision for commitments and guarantees given

	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 31.03.2023
Balance at the beginning of the period	42 375	40 174	40 174
Charge of provision	17 404	40 336	16 955
Release of provision	(17 697)	(37 916)	(19 873)
FX rates differences	(26)	(219)	(16)
Balance at the end of the period	**42 056**	**42 375**	**37 240**

Change of Provision for pending legal issues

	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 31.03.2023
Balance at the beginning of the period	1 401 798	975 092	975 092
Charge of provision	1 153	30 208	4 377
Release of provision	(652)	(11 783)	(2 215)
Utilisation of provision	(183)	(112 313)	0
Creation of provision for legal risk connected with FX mortgage loans	548 810	3 065 380	863 650
Allocation to the loans portfolio	(171 929)	(2 544 786)	(905 227)
Balance at the end of the period	**1 778 997**	**1 401 798**	**935 677**

Provisions for legal risk connected with fx mortgage loans

01.01.2024 - 31.03.2024	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	7 871 789	6 516 460	1 355 329
Amounts written off	(187 210)	(187 210)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	548 810	0	548 810
Allocation to the loans portfolio	0	172 536	(172 536)
Change of provisions due to FX rates differences	(376 696)	(376 696)	0
Balance at the end of the period	7 856 693	6 125 090	1 731 603

01.01.2023 - 31.03.2023	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	5 395 344	4 572 901	822 443
Amounts written off	(98 000)	(98 000)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	863 650	0	863 650
Allocation to the loans portfolio	0	905 227	(905 227)
Change of provisions due to FX rates differences	(85 293)	(85 293)	0
Balance at the end of the period	6 075 701	5 294 835	780 866

	1.01.2024 - 31.03.2024	1.01.2023 - 31.03.2023
Costs of settlements recognized in the profit and loss account, including:	(118 208)	(72 199)
- included in the “Result on exchange differences”	(97 553)	(53 433)
- included in the “Result on modification”	(20 655)	(18 766)
Costs of settlements charged to previously created provisions	51 332	7 622

Deferred income tax assets and liability

	31.03.2024		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	128	(1 437)	(1 309)
Balance sheet valuation of financial instruments	10 075	(39 786)	(29 711)
Unrealised receivables/ liabilities on account of derivatives	43 662	(61 957)	(18 295)
Interest on deposits and securities to be paid/ received	123 441	(356 424)	(232 983)
Interest and discount on loans and receivables	0	(121 720)	(121 720)
Income and cost settled at effective interest rate	45 660	0	45 660
Impairment of loans presented as temporary differences	495 090	0	495 090
Employee benefits	21 801	0	21 801
Rights to use	4 215	0	4 215
Provisions for future costs	195 401	0	195 401
Asset due to future cancellations of CHF loans	51 565	0	51 565
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in OCI	43 637	(7 671)	35 966
Valuation of shares	1 273	(34 633)	(33 360)
Other	73	(1 633)	(1 560)
Total	1 036 021	(625 261)	410 760

	31.12.2023			31.03.2023		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	128	(1 498)	(1 370)	128	(2 041)	(1 913)
Balance sheet valuation of financial instruments	1 332	(36 476)	(35 144)	2 935	(30 095)	(27 160)
Unrealised receivables/ liabilities on account of derivatives	67 024	(67 597)	(573)	55 597	(46 342)	9 255
Interest on deposits and securities to be paid/ received	122 682	(323 515)	(200 833)	85 870	(245 797)	(159 927)
Interest and discount on loans and receivables	0	(113 015)	(113 015)	0	(109 660)	(109 660)
Income and cost settled at effective interest rate	60 214	0	60 214	196 198	0	196 198
Impairment of loans presented as temporary differences	494 879	0	494 879	480 137	0	480 137
Employee benefits	21 984	0	21 984	18 478	0	18 478
Rights to use	4 128	0	4 128	4 450	0	4 450
Provisions for future costs	138 929	0	138 929	81 316	0	81 316
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in OCI	57 252	(24 567)	32 685	175 273	(43 667)	131 606
Valuation of shares	1 273	(33 300)	(32 027)	1 273	(39 762)	(38 489)
Other	144	(1 723)	(1 579)	636	(1 241)	(605)
Total	969 970	(601 692)	368 279	1 102 291	(518 605)	583 686

4. TRANSACTIONS WITH RELATED ENTITIES

All transactions among members of the Group made in 1st quarter of 2024 and 2023 were driven by current activity. The below table presents major amounts of intergroup transactions, these were transactions with the following entities:

- MILLENNIUM BANK HIPOTECZNY,
- MILLENNIUM LEASING,
- MILLENNIUM CONSULTING
- MILLENNIUM TFI
- MILLENNIUM SERVICE,
- MILLENNIUM TELECOMMUNICATION SERVICES,
- MILLENNIUM GOODIE,
- PIAST EXPERT.

and with the Capital Group of Bank parent company - Banco Comercial Portugues (ultimate parent company), these transactions are mainly of banking nature.

Apart from transactions described herein, in the indicated period neither Bank Millennium S.A., nor subsidiaries of Bank Millennium S.A. made any other transactions with related entities, which individually or jointly may have been significant and concluded under terms and conditions other than market-based.

Assets and liabilities from transactions with related parties (data in '000 pln) as at 31.03.2024

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	1 327 691	5 233	0
Loans and advances to customers	6 480 103	0	0
Investments in associates	466 714	0	0
Financial assets valued at fair value through profit and loss (held for trading)	118	5 520	0
Hedging derivatives	0	0	0
Other assets	15 771	0	0
LIABILITIES			
Deposits from banks	1 718	191	0
Deposits from customers	218 885	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	640	0	0
Subordinated debt	0	0	0
Other liabilities, including:	39 777	255	0
- financial leasing liabilities	34 002	0	0

Assets and liabilities from transactions with related parties (data in '000 pln) as at 31.12.2023

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	1 073 252	2 097	0
Loans and advances to customers	6 397 168	0	0
Investments in associates	346 714	0	0
Financial assets valued at fair value through profit and loss (held for trading)	328	0	0
Hedging derivatives	0	0	0
Other assets	18 815	0	0
LIABILITIES			
Deposits from banks	1 873	719	0
Deposits from customers	259 209	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	423	0	0
Subordinated debt	0	0	0
Other liabilities, including:	39 951	215	8
- financial leasing liabilities	34 675	0	0

Profit and loss on transactions with related parties (data in '000 pln) for the period 1.01-31.03.2024

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	107 314	1 482	0
Commissions	7 836	45	0
Financial instruments valued at fair value through profit and loss	2 287	5 520	0
Dividends	26 618	0	0
Other net operating	6 167	0	0
Expense from:			
Interest	2 536	0	0
Commissions	0	0	0
Financial instruments valued at fair value through profit and loss	0	0	0
Other net operating	0	0	0
General and administrative expenses	3 904	40	(18)

Profit and loss on transactions with related parties (data in '000 pln) for the period 1.01-31.03.2023

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	109 031	825	0
Commissions	5 506	26	0
Financial instruments valued at fair value through profit and loss	255	0	0
Dividends	28 706	0	0
Other net operating	6 642	0	0
Expense from:			
Interest	3 044	0	0
Commissions	0	0	0
Financial instruments valued at fair value through profit and loss	0	0	0
Other net operating	0	0	0
General and administrative expenses	3 634	0	16

Off-balance transactions with related parties (data in '000 pln) as at 31.03.2024

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	2 230 526	25 563	0
granted	1 921 755	0	0
obtained	308 770	25 563	0
Derivatives (par value)	134 303	184 562	0

Off-balance transactions with related parties (data in '000 pln) as at 31.12.2023

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	1 181 891	25 513	0
granted	879 028	0	0
obtained	302 863	25 513	0
Derivatives (par value)	124 156	0	0

5. FAIR VALUE

The methodology used by the Bank for valuation of assets and liabilities at fair value is described in detail in Chapter 8. Condensed interim consolidated financial statements of Bank Millennium S.A. for the 3 months ended 31 March 2024.

The following tables show the figures for Bank Millennium S.A.

5.1. FINANCIAL INSTRUMENTS NOT RECOGNIZED AT FAIR VALUE IN THE BALANCE SHEET

31.03.2024	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST		
Debt securities	20 475 347	20 565 563
Deposits, loans and advances to banks and other monetary institutions	1 754 532	1 754 489
Loans and advances to customers (*)	60 305 522	59 574 123
LIABILITIES MEASURED AT AMORTISED COST		
Liabilities to banks and other monetary institutions	559 566	559 558
Liabilities to customers	113 402 746	113 425 637
Debt securities issued	3 033 747	3 309 079
Subordinated debt	1 559 214	1 557 913

** The negative impact of fair value valuation of the loans portfolio is largely attributable to growth of loan spreads. The methodology, which the Bank uses for valuation of the loans portfolio, assumes that current spreads best reflect existing market conditions and economic situation. A corresponding rule is widely applied for valuation of debt securities, which are not quoted on active markets. In result, paradoxically whenever the spreads of new loans increase, fair value of the "old" loans portfolio falls.*

31.12.2023	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST		
Debt securities	18 439 780	18 794 293
Deposits, loans and advances to banks and other monetary institutions	1 866 688	1 866 684
Loans and advances to customers (*)	60 586 349	59 576 844
LIABILITIES MEASURED AT AMORTISED COST		
Liabilities to banks and other monetary institutions	565 384	565 384
Liabilities to customers	107 505 636	107 542 781
Debt securities issued	3 027 952	3 369 409
Subordinated debt	1 565 045	1 563 479

5.2. FINANCIAL INSTRUMENTS RECOGNIZED AT FAIR VALUE IN THE BALANCE SHEET

The table below presents balance-sheet values of instruments measured at fair value, by applied fair value measurement technique:

Data in PLN'000, as at 31.03.2024

	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		134 095	418 746
Shares	120		
Debt securities	445 604		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments			66 609
Debt securities			88 026
Loans and advances			7 226
Financial assets at fair value through other comprehensive income			
Equity instruments	247		28 539
Debt securities	16 985 939	9 680 335	
Loans and advances			11 976 869
Derivatives – Hedge accounting		116 528	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		70 120	426 746
Short positions	0		
Derivatives – Hedge accounting		124 156	

Data in PLN'000, as at 31.12.2023

	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		81 819	416 758
Shares	121		
Debt securities	110 554		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments		0	66 609
Debt securities			81 014
Loans and advances			19 349
Financial assets at fair value through other comprehensive income			
Equity instruments	247		28 542
Debt securities	12 201 721	9 694 142	
Loans and advances			11 799 748
Derivatives – Hedge accounting		74 213	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		151 265	425 346
Short positions	2 720		
Derivatives – Hedge accounting		193 664	

As a result of the creation of a new business model at the Bank's individual level the Bank measures the fair value of mortgage loans classified to the Held to Collect and for Sale model using the discounted cash flow method and as that the valuation is based on input data that is not observable market data, the valuation method is classified under Level 3.

Changes of fair values of instruments measured on the basis of valuation techniques with use of significant parameters not derived from the market are presented in the table below (in '000 PLN).

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances at fair value through profit or loss	Loans and advances at fair value through other comprehensive income
Balance as at 01.01.2024	**405 612**	**(414 200)**	**95 151**	**81 014**	**19 349**	**11 799 748**
Settlement/sell/purchase/transfer to the portfolio	(11 259)	11 602	0	0	(16 087)	39 145
Change of valuation recognized in equity	0	0	0	0	0	(88 929)
Interest income and other of similar nature	0	0	0	0	258	226 905
Results on financial assets and liabilities held for trading	12 051	(11 806)	0	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	7 012	3 706	0
Result on exchange differences	0	0	(3)	0	0	0
Balance as at 31.03.2024	**406 404**	**(414 404)**	**95 148**	**88 026**	**7 226**	**11 976 869**

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances at fair value through profit or loss	Loans and advances at fair value through other comprehensive income
Balance as at 01.01.2023	**247 414**	**(250 400)**	**90 755**	**72 057**	**97 982**	**11 221 252**
Settlement/sell/purchase/transfer to the portfolio	94 879	(96 807)	0	0	(87 670)	(202 552)
Change of valuation recognized in equity	0	0	4 422	0	0	(154 014)
Interest income and other of similar nature	0	0	0	0	9 995	935 062
Results on financial assets and liabilities held for trading	63 319	(66 993)	0	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	8 957	(958)	0
Result on exchange differences	0	0	(26)	0	0	0
Balance as at 31.12.2023	**405 612**	**(414 200)**	**95 151**	**81 014**	**19 349**	**11 799 748**

6. LEGAL RISK RELATED TO FOREIGN CURRENCY MORTGAGE LOANS

On March 31, 2024, the Bank had 21,725 loan agreements and additionally 1,917 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by the Bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts (60% loans agreements before the courts of first instance and 40% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 4,371.4 million and CHF 301.6 million (Bank Millennium portfolio: PLN 3,987.6 million and CHF 292.0 million and former Euro Bank portfolio: PLN 383.8 million and CHF 9.5 million). Out of 21,725 BM loan agreements in ongoing individual cases 284 are also part of class action. From the total number of individual litigations against the Bank approximately 2,550 or 12% were submitted by borrowers that had already naturally or early fully repaid the loan or were converted to polish zloty at the moment of submission and had not a settlement agreement and approximately another 760 cases correspond to loans that were fully repaid since then (as court proceedings are lengthy).

The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of paid principal and interest instalments as undue performance, due to the abusive nature of indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor.

In addition, the Bank is a party to the group proceedings (class action) subject matter of which is to determine the Bank's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3,273. Out of 3,273 loan agreements in class action 284 are also part of ongoing individual cases, 999 concluded settlements and 10 received final verdicts (invalidation of loan agreement). On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022. On 20 November 2023 the claimant requested granting interim measures to secure the claims against the Bank. In a decision of 27 December 2023, the request for granting interim measures was dismissed.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,984 individual claims were filed against the Bank (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,158 (423), in 2022 the number increased by 5,756 (408), in 2023 the number increased by 6,879 (646), while in the first quarter of 2024 the number increased by 1,588 (196).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved against the banks. As far as the Bank Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of the first quarter of 2024, 4,193 cases were finally resolved (4,109 in claims submitted by clients against the Bank and 84 in claims submitted by the Bank against clients i.e. debt collection cases) out of which 1,215 were settlements, 56 were remissions, 65 rulings were favourable for the Bank and 2,857 were unfavourable including both invalidation of loan agreements as well as conversions into PLN+LIBOR. The Bank undertakes proper legal actions in order to secure repayment of initially disbursed capital of the loan.

The outstanding gross balance of the loan agreements under individual court cases and class action against the Bank (incl. former Euro Bank portfolio) on 31 March 2024 was PLN 5,998 million (of which the outstanding amount of the loan agreements under the class action proceeding was PLN 673 million).

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 6,812 million excluding potential amounts connected with interest. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the 3 months of 2024, the Bank created PLN 507.3 million of provisions for Bank Millennium originated portfolio and PLN 41.5 million for the former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of March 2024 was PLN 7,225.6 million, and for the former Euro Bank portfolio - PLN 631.1 million.

The methodology developed by the Bank of calculating provisions for legal risk involved with indexed loans is based on the following main parameters:

(i) the number of ongoing cases (including class action agreements) and potential future lawsuits that will arise within the specified (three-year) time horizon.

(ii) As regards the number of future court cases, the Bank monitors customer behaviours, and has the following assumptions:

   a. regarding active loans (i.e., loans with an outstanding balance), the Bank estimates the percentage of customers covered by methodology in this group of clients at 84% of the total number of currently active loans (including expected number of amicable settlements) loans compared to 83% at the end of IVQ2023.
   b. regarding loans already fully repaid or converted to polish zloty, the Bank attributes a much lower probability of becoming the subject of a court case based on statistical analysis (the Bank assumes that circa 16% of repaid not settled loans sued or will decide to sue the Bank in the future. In particular, the Bank assesses the risk connected with the settlements reached with the clients in the past as negligible).

(iii) the amount of the Bank's potential loss in the event of a specific court judgment,

(iv) estimates involved with amicable settlements with clients, concluded in court or out of court:

   a. the bank assumes a 12% probability of success in concluding a settlement as part of negotiations conducted with clients in the course of court proceedings,
   b. negotiations are conducted on a case-by-case basis and can be stopped at any time by the Bank,
   c. due to significant negotiation efforts already made in the past, the probability of success in these negotiations in the future is decreasing, and at the same time most customers have already contacted the Bank regarding the possible conversion of loans into PLN, so at the moment the Bank adopts a conservative approach when taking into account the potential impact of this factor.

The Bank is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX mortgage loans originated by Bank Millennium decreased by 22,530: 1,362 in 2020; 8,450 in 2021; 7,943 in 2022; 3,671 in 2023 and 1,104 in the first quarter of 2024. As of the end of first quarter of 2024, the Bank had 30,763 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN 1,507.8 million: PLN 44.4 million in 2020; PLN 364.6 million in 2021; PLN 515.2 million in 2022; PLN 415.6 million in 2023 and PLN 168.0 million in the first quarter of 2024. This cost is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement (the values of costs charged to particular items of the Income Statement due to settlements are presented **in Note 14 in Chapter 13** of the Notes to the Financial Statements).

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Société Générale S.A.

The Bank analyzed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on the loss
Change in the assumed number of court cases	In addition to above assumed numbers, 1,000 new customers file a lawsuit against the Bank	PLN 165 mln
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 pp	PLN 74 mln
Change in probability of success in negotiations with court client	Change of probability by 1 pp	PLN 16 mln

On December 8, 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority ("PFSA") proposed a "sector" solution to address the sector risks related to FX mortgages. The solution would consist in offering banks' clients a voluntary possibility of concluding arrangements based on which a client would settle a CHF Mortgage Loan as if it was a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans. The decision to generally implement this solution could imply the need of creating upfront provisions for the losses resulting from the conversion of CHF Mortgage Loans. The Bank in practice has been using elements of the proposal of above system solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the circumstances stemming from the CJEU which excludes demanding by the Bank amounts exceeding the return of disbursed capital, the possibility of successful implementation of a general offer of KNF solution is low.

Finally it should also be mentioned, that the Bank, as at 31 March 2024, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 1.47 pp (1.46 pp at the Group level), part of which is allocated to operational/legal risk.

Taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, the Bank will have to regularly review and may need to continue to increase the balance of provisions allocated to court litigations.

It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the national courts within the framework of disputes considered which would possibly result in the emergence of further interpretations, which are relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis of these matters.

The Court of Justice of the European Union and the Polish Supreme Court rulings relevant to risk assessment

Jurisprudence of the Court of Justice of the European Union

On 3 October 2019, the Court of Justice of the European Union (the CJEU) issued the judgment in Case C-260/18 in connection with the preliminary questions formulated by the District Court of Warsaw in the case against Raiffeisen Bank International AG. The judgment of the CJEU, as regards the interpretation of European Union law made therein, is binding on domestic courts. The judgment in question interpreted Article 6 of Directive 93/13. In the light of the subject matter judgment the said provision must be interpreted in such a way that (i) the national court may invalidate a credit agreement if the removal of unfair terms detected in this agreement would alter the nature of the main subject-matter of the contract; (ii) the effects for the consumer's situation resulting from the cancellation of the contract must be assessed in the light of the circumstances existing or foreseeable at the time when the dispute arose and the will of the consumer is decisive as to whether he wishes to maintain the contract; (iii) Article 6 of the Directive precludes the filling-in of gaps in the contract caused by the removal of unfair terms from the contract solely on the basis of national legislation of a general nature or established customs; (iv) Article 6 of the Directive precludes the maintenance of unfair terms in the contract if the consumer has not consented to the maintenance of such terms. It can be noticed the CJEU found doubtful the possibility of a credit agreement being performed further in PLN while keeping interest calculated according to LIBOR.

The CJEU judgment concerns only the situation where the national court has previously found the contract term to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a particular contract term can be regarded as abusive in the circumstances of the case.

On 29 April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., the CJEU said that:

(i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term is unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;

(ii) the national court may remove only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by Council Directive 93/13 is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. At the same time, provisions of the Directive preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance;

(iii) the consequences of a judicial finding that a term if a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;

(iv) the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, shall inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On November 18, 2021, the Court of Justice of the European Union (CJEU) issued a judgment in case C-212/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Raiffeisen Bank International AG. The CJEU stated that:

(i) the content of the clause of the loan agreement concluded between the entrepreneur and the consumer fixing the purchase and sale price of the foreign currency to which the loan is indexed should, on the basis of clear and comprehensible criteria, enable the consumer who is reasonably well informed and sufficiently observant and rational to understand how the exchange rate of the foreign currency used to calculate the amount of the loan instalments is determined, so that the consumer is able to determine himself at any time the exchange rate used by the entrepreneur;

(ii) a national court which has found that a term of the agreement concluded between an entrepreneur and a consumer is unfair cannot interpret that term in order to mitigate its unfairness, even if such an interpretation would correspond to the common will of the parties.

On 10 June 2021, the Court of Justice of the European Union (CJEU) issued an order in case C-198/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Santander Bank Polska SA. The CJEU stated that the protection provided for in Council Directive 93/13/EEC is granted to all consumers, not just those who can be considered to be “duly informed and reasonably observant and circumspect average consumer”.

On 8 September 2022, the Court of Justice of the European Union (CJEU) issued a judgment in joined cases C-80/21, C-81/21, C-82/21 in connection with questions submitted by the District Court for Warsaw Śródmieście in Warsaw in cases against Deutsche Bank SA and mBank SA. The CJEU stated that:

(i) a national court may find that the parts of a contractual term of the agreement concluded between a consumer and an entrepreneur which render it unfair are unfair, if such a deletion would not amount to a change in the content of that term that affects its substance, which is for the referring court to verify;

(ii) a national court cannot, after annulling an unfair term contained in an agreement concluded between a consumer and an entrepreneur which does not render the agreement invalid in its entirety, replace that term with a supplementary provision of the national law;

(iii) a national court may not, after having declared invalid an unfair term contained in an agreement concluded between a consumer and an entrepreneur which entails the invalidity of that agreement in its entirety, replace the contractual term which has been declared invalid either by interpretation of the parties' declaration of intent in order to avoid the cancellation of that agreement or by a provision of national law of a supplementary nature, even if the consumer has been informed of the effects of the invalidity of that agreement, and accepted them;

(iv) the ten-year limitation period for a consumer's claim seeking reimbursement of sums unduly paid to the entrepreneur in performance of an unfair term of a loan agreement does not start to run on the date of each performance made by the consumer if the consumer was not able on that date to assess on his own the unfairness of the contractual term or if he had not become aware of the unfair nature of that term and without taking into account the circumstances that the agreement provided for a repayment period – in this case thirty years – well in excess of the ten-year statutory limitation period.

On March 16, 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-6/22, following preliminary questions submitted by the District Court for Warsaw-Wola in a case against the former Getin Noble Bank S.A. In the judgment, the CJEU ruled that:

(i) in the event that a contract concluded between a consumer and a seller or supplier is declared invalid because one of its terms is unfair, it is for the Member States, by means of their national law, to make provision for the effects of that invalidation, in compliance with the protection granted to the consumer by that directive, in particular, by ensuring the restoration of the legal and factual situation that he or she would have been in if that unfair term had not existed;

(ii) a national court is not allowed:

   a. to examine of its own motion, without any prerogative conferred on it by national law in that regard, the financial situation of a consumer who has sought the invalidation of the contract between him or her and a seller or supplier on account of the presence of an unfair term without which the contract cannot legally continue to exist, even if that invalidation is liable to expose the consumer to particularly unfavourable consequences and

   b. to refuse to declare that invalidation where the consumer has expressly sought it, after being objectively and exhaustively informed of the legal consequences and the particularly unfavourable financial consequences which it may have for him or her;

(iii) a national court is not allowed, after it has found that a term in a contract concluded between a seller or supplier and a consumer is unfair, to fill gaps resulting from the removal of the unfair term contained therein by the application of a provision of national law which cannot be characterised as a supplementary provision. However, it is for the national court, taking account of its domestic law as a whole, to take all the measures necessary to protect the consumer from the particularly unfavourable consequences which annulment of the contract might entail for him or her.

On June 8, 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-570/21, following preliminary questions submitted by the District Court in Warsaw in a case against the former Getin Noble Bank S.A. In the judgment, the CJEU ruled that:

(i) provisions of Council Directive 93/13 must be interpreted as meaning that the concept of 'consumer', within the meaning of that provision, covers a person who has concluded a loan contract intended for a purpose in part within and in part outside his or her trade, business or profession, together with a joint-borrower who did not act within his or her trade, business or profession, where the trade, business or professional purpose is so limited as not to be predominant in the overall context of that contract;

(ii) provisions of Directive 93/13 must be interpreted as meaning that in order to determine whether a person falls within the concept of 'consumer', within the meaning of that provision, and, specifically, whether the trade, business or professional purpose of a loan contract concluded by that person is so limited as not to be predominant in the overall context of that contract, the referring court is required to take into consideration all the relevant circumstances surrounding that contract, both quantitative and qualitative, such as, in particular, the distribution of the borrowed capital between, on the one hand, a trade, business or profession and, on the other hand, a non-professional activity and, where there are several borrowers, the fact that only one of them is pursuing a professional purpose or that the lender made the grant of credit intended for consumer purposes conditional on a partial allocation of the amount borrowed to the repayment of debts connected with a trade, business or profession.

On June 15, 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-287/22, following preliminary questions submitted by the District Court in Warsaw in a case against the former Getin Noble Bank S.A. In the judgment, the CJEU ruled that provisions of the Directive 93/13 must be interpreted as precluding national case-law according to which a national court may dismiss an application for the grant of interim measures lodged by a consumer seeking the suspension, pending a final decision on the invalidity of the loan agreement concluded by that consumer on the ground that that loan agreement contains unfair terms, of the payment of the monthly instalments due under that loan agreement, where the grant of those interim measures is necessary to ensure the full effectiveness of that decision.

On June 15, 2023, the CJEU issued a judgment in a case registered under case number C-520/21, following preliminary questions submitted by the District Court in Warsaw in a case against Bank Millennium, in which indicated that Directive 93/13 does not expressly regulate the consequences of invalidity of a contract concluded between a credit institution and a consumer after the removal of unfair terms contained therein. The CJEU stated that:

(i) the provisions of the Directive 93/13 do not preclude a judicial interpretation of national law, according to which the consumer has the right to demand compensation from the credit institution beyond the reimbursement of monthly instalments and costs paid for the performance of this contract and the payment of statutory default interest from the date of the request for payment provided that the objectives of Directive 93/13 and the principle of proportionality are respected;
(ii) the provisions of Directive 93/13 preclude the judicial interpretation of national law, according to which a credit institution has the right to demand compensation from the consumer that goes beyond the return of the capital paid for the performance of this contract and beyond the payment of statutory default interest from the date of the request for payment.

On September 21, 2023, the CJEU issued a judgement in a case registered under case number C-139/22, following preliminary questions submitted by the District Court in Warsaw in a case against mBank. The CJEU stated that:

(i) provisions of the Directive 93/13 must be interpreted as not precluding a contractual term which has not been individually negotiated from being regarded as unfair by the national authorities concerned merely by virtue of the fact that its content is equivalent to that of a standard contract term entered in the national register of standard business terms held to be unlawful;
(ii) the contractual term which, because of the circumstances for the performance of certain obligations of the consumer concerned provided for in that term, must be regarded as unfair, may not cease to be considered unfair on account of another term of that contract which provides for the possibility for that consumer to perform those obligations under different circumstances;
(iii) a seller or supplier is obliged to inform the consumer concerned of the essential characteristics of the contract concluded with that seller or supplier and the risks associated with that contract, even though that consumer is its employee and has relevant knowledge in the field of the contract.

On December 7, 2023, the CJEU issued the judgement in the case C-140/22 in connection with the preliminary questions formulated by the District Court in Warsaw in the case against of mBank S.A. The Court stated that provisions of the Directive 93/13 must be interpreted as meaning that, in the context of the cancellation, in its entirety, of a mortgage loan agreement concluded with a consumer by a banking institution on the ground that that agreement contains an unfair term without which it cannot continue in existence:

(i) they preclude the judicial interpretation of national law according to which the exercise of the rights which that consumer draws from that directive is conditional on the lodging, by that consumer, before a court, of a declaration by which he or she states, first, not to consent to that unfair term remaining effective, secondly, to be aware of the fact that the nullity of that term entails the cancellation of that agreement and, moreover, of the consequences of that cancellation and, thirdly, to consent to the cancellation of that agreement;

(ii) they preclude the compensation sought by the consumer concerned in respect of the restitution of the sums paid by him or her in the performance of the agreement at issue being reduced by the equivalent of the interest which that banking institution would have received if that agreement had remained in force.

The Court of Justice of European Union by an order of December 11, 2023, closed the case registered under case number C-756/22 initiated by the District Court in Warsaw in the case brought by Bank Millennium and ruled that the provisions of Directive 93/13 must be interpreted as meaning that, in the context of declaring a mortgage loan agreement concluded with a consumer by a banking institution to be invalid in its entirety on the grounds that, that the contract contains unfair terms without which it cannot be continued, they preclude a judicial interpretation of the law of a Member State according to which that institution is entitled to recover from that consumer amounts other than the capital paid in performance of that contract and statutory interest for delay from the time of the demand for payment.

On December 14, 2023, the CJEU issued the judgement in the case C-28/22 in connection with the preliminary questions referred by the District Court in Warsaw in the case of ex-Getin Noble Bank S.A. The Court stated that:

(i) provisions of Directive 93/13 read in the light of the principle of effectiveness must be interpreted as precluding a judicial interpretation of national law according to which, following the cancellation of a mortgage loan agreement concluded with a consumer by a seller or supplier, on account of unfair terms contained in that agreement, the limitation period for the claims of that seller or supplier stemming from the nullity of that agreement starts to run only as from the date on which the agreement becomes definitively unenforceable, whereas the limitation period for the claims of that consumer stemming from the nullity of that agreement begins to run as from the day on which the consumer became aware, or should reasonably have become aware, of the unfair nature of the term entailing such nullity;

(ii) provisions of the Directive 93/13 must be interpreted as not precluding a judicial interpretation of national law according to which it is not for a seller or supplier who has concluded a mortgage loan agreement with a consumer to ascertain whether the consumer is aware of the consequences of the removal of the unfair terms contained in that agreement or of that agreement being no longer capable of continuing in existence if those terms were removed;

(iii) provisions of the Directive 93/13, read in the light of the principle of effectiveness, must be interpreted as precluding a judicial interpretation of national law according to which, where a mortgage loan agreement concluded with a consumer by a seller or supplier is no longer capable of continuing in existence after the unfair terms in that agreement have been removed, that seller or supplier may rely on a right of retention which allows him or her to make the restitution of the sums which it has received from that consumer conditional on that consumer making an offer to repay the sums which he or she has himself or herself received from that seller or supplier or to provide a security for the repayment of those sums, where the exercise by that seller or supplier of that right of retention entails the loss, for that consumer, of the right to obtain default interest as from the expiry of the time limit set for performance by the seller or supplier concerned, following receipt by that seller or supplier of a request to repay the sums he or she had been paid in performance of that agreement.

The Court of Justice of the European Union by an order of January 15, 2024, closed the case registered under case number C-488/23 following a question from the District Court of Warsaw, indicating that the right of a financial institution to demand the valorization of the disbursed capital after a loan agreement has been declared invalid was excluded in the judgment of June 15, 2023 issued in case C-520/21.

On January 18, 2024, the CJEU issued the judgement in the case C-531/22 in connection with the preliminary questions referred by the District Court in Warsaw in the case of ex-Getin Noble Bank S.A. The Court stated that:

(i) the provisions of Directive 93/13 preclude national legislation which provides that a national court may not examine of its own motion the potentially unfair nature of the terms contained in a contract and draw the consequences thereof, where it is supervising enforcement proceedings carried out on the basis of a final decision to issue an order for payment which is subject to res judicata:

   a. if the regulations do not provide for such an examination at the stage of issuing a payment order, or

   b. if such examination is provided for only at the stage of opposition to the order for payment in question, provided that there is a significant risk that the consumer in question will not file the required opposition either because the time limit specified for this purpose is very short, or because of the cost of the proceedings before the court in relation to the amount of the disputed debt, or because the national legislation does not provide for the obligation to provide that consumer with all the information necessary for him to establish the extent of his rights;

(ii) the provisions of Directive 93/13 do not preclude national case law according to which the entry of a term of a contract in a national register of prohibited clauses has the effect of declaring that term unfair in any proceedings involving a consumer, including against a trader other than the one against whom proceedings for the entry of the said term in that national register were pending, and where that term does not have the same wording as the term entered in the said register, but has the same meaning and has the same effect with respect to the consumer in question.

Jurisprudence of the Polish Supreme Court

On 7 May 2021, the Supreme Court composed of 7 judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

(i) an abusive contractual clause (art. 385(1) § 1 of the Civil Code), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively;

(ii) if without the ineffective clause the loan agreement cannot bind, the consumer and the lender shall be eligible for separate claims for return of monetary performances made in exercising this agreement (art. 410 § 1 in relation to art. 405 of the Civil Code). The lender may demand return of the performance from the moment the loan agreement becomes permanently ineffective.

On April 28, 2022 the Supreme Court issued a resolution (III CZP 40/22) in which it indicated that in disputes with consumers, the provision of Article 358(1) of the Civil Code is a special provision to Article 353(1) of the Civil Code, which means that if the prerequisites for the application of both provisions exist, the court should apply the special provision and declare the contractual provision permanently ineffective, rather than invalid. This decision of the Supreme Court should be perceived as significantly limiting the risk of the bank's claims for return of capital being time-barred.

The effect of the Supreme Court's resolution of 7 May 2021 is that the bank is entitled to a refund of the cash benefit provided by the bank in performance of a permanently ineffective contract. Taking into account the uncertainty as to the starting point of the limitation period for the bank's claims, the Bank, in order to protect its interests, files lawsuits for payment against borrowers in a court dispute with the bank. The bank's demand consists of a claim for return of the capital made available to the borrower under the contract. By 31 March 2024 the Bank filed about 8.1 thousands lawsuits against the borrowers.

On 25 April 2024, a session of the Civil Chamber of the Supreme Court was held to answer questions formulated by the First President of the Supreme Court, published on 29 January 2021, on key issues related to FX mortgage loan agreements. The Supreme Court, composed of the entire Civil Chamber, adopted a resolution having the force of a legal principle, in which it stated that:

(i) When finding that a provision of an indexed or denominated credit agreement relating to the manner of determining the foreign currency exchange rate constitutes an unfair contractual provision and is not binding, then in currently existing legal situation it cannot be stated that such a provision could be replaced by another formula of defining the foreign currency exchange rate resulting from law or custom.
(ii) In case of impossibility to determine the foreign currency exchange rate binding the parties in the indexed or denominated loan agreement, the agreement is not binding also in the remaining scope.
(iii) If, in the performance of a credit agreement which is not binding due to the unfair nature of its provisions, the bank has disbursed to the borrower all or part of the amount of the credit and the borrower has made repayments of the credit, independent claims for repayment of the undue performance shall arise in favour of each party.
(iv) If a credit agreement is not binding due to the unfair nature of its provisions, the statute of limitations of the bank's claim for repayment of amounts disbursed under the credit shall, as a rule, start to run from the day following the day on which the borrower challenges being bound by the provisions of agreement.
(v) If a credit agreement is not binding due to the unfair nature of its provisions, there shall be no legal basis for any party to claim interest or other remuneration because of using party's pecuniary means during the period from the provision of undue benefit until the delay in the return of this benefit.

Due to the CJEU jurisprudence interpreting the causes and effects of invalidity of foreign currency mortgage loan agreements as well as above indicated resolution of the Civil Chamber of the Supreme Court, the area of interpretation of regulations by Polish courts in this respect appears to be limited. However, further jurisprudential practice of the Polish courts will play certain role in practical realisation of the CJEU's and the Supreme Court’s guidance.

7. ADDITIONAL INFORMATION

7.1. ISSUE, REDEMPTION OR REPAYMENT OF DEBT OR EQUITY INSTRUMENTS

During the 3 months ended March 31, 2024, the Bank's liabilities arising from the issue of debt securities increased by PLN 5.7 million and their balance as at that date amounted to PLN 3.033,7 million. The increase in these liabilities results primarily from positive balance of interest accrued and paid for the period in the amount of PLN 55.7 million, changes in the valuation of issued securities in a hedging relationship in the amount of PLN -25.6 million and the balance of other changes in the amount of PLN -24.4 million (mainly due to strengthening of the zloty exchange rate against the euro in the first quarter of 2024).

7.2. OFF BALANCE SHEET ITEMS

Structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	31.03.2024	31.12.2023	31.03.2023
Off-balance conditional commitments granted and received	**18 289 112**	**17 283 356**	**16 014 229**
Commitments granted:	15 125 208	14 264 568	13 500 673
- financial	13 479 810	12 550 588	11 531 642
- guarantee	1 645 398	1 713 980	1 969 031
Commitments received:	3 163 904	3 018 788	2 513 556
- financial	4 054	0	2 185
- guarantee	3 159 850	3 018 788	2 511 371

7.3. REFORM OF BENCHMARKS

1. WIBOR

In May 2022, the Polish government announced that WIBOR would be replaced by a different (lower) rate from 1 January 2023. In June 2022, a Working Group was established, including commercial banks, GPW Benchmark (Administrator of WIBOR), KNF.

In July 2022, the National Working Group on Reference Rate Reform (NWG) was established in connection with the planned reform of reference rates in Poland. The objective of the NGR's work to introduce a new interest rate benchmark and replace the currently used WIBOR index with it while ensuring the compliance with BMR, including in particular ensuring credibility, transparency and reliability in the development and application of the new benchmark.

The National Working Group involves representatives of the Ministry of Finance, the National Bank of Poland, the Office of the Financial Supervision Authority, the Bank Guarantee Fund, the Polish Development Fund, the Warsaw Stock Exchange, the National Depository for Securities, Bank Gospodarstwa Krajowego, the GPW Benchmark, as well as representatives of credit institutions, i.e. in particular, banks, financial institutions, including investment funds, insurance companies, factoring and leasing companies, entities that are bond issuers, including corporate and municipal bonds, clearing houses.

The work of the National Working Group is coordinated and supervised by a Steering Committee including representatives of key institutions: Financial Supervision Authority, the National Bank of Poland, the Ministry of Finance, the Bank Guarantee Fund, the Polish Development Fund, as well as the GPW Benchmark - the administrator of the reference rates - and the Polish Bank Association (Polish: Związek Banków Polskich).

The NWG's activities are executed in a project formula, where project streams have been identified and where Bank Millennium representatives are actively contributing to the work.

The National Working Group selected the WIRON index to become the key interest rate benchmark under the BMR and to be used in financial contracts, financial instruments and as the preferred alternative benchmark to WIBOR.

In connection with this, Bank Millennium S.A. established, by resolution of the Bank's Management Board of 24 August 2022, an internal project reporting to the Management Board (Deputy Chairman of the Management Board - CFO and Member of the Management Board overseeing the areas of retail and corporate products), in order to duly manage the WIBOR to WIRON transition process and to implement the work in accordance with the roadmap. This work involves representatives from a significant number of the Bank's business units, including, in particular, representatives responsible for product areas and risk management issues, including, in particular, interest rate risk and operational risk. The structure of the project includes the division into streams covering products and processes where the WIBOR benchmark is applied, the management of the project by a dedicated project manager and the periodical reporting of statuses on the individual streams. In the current phase of the project, work is underway at the Bank to adjust the technological infrastructure, as well as including the preparation of internal processes and documentation.

The Bank uses the WIBOR reference rate in the following products (in million PLN as of 31 March 2024):

- mortgage loans: **24 047,24** mortgage loans based on WIBOR (excluding **11 239,78** mortgage loans currently with temporary fixed rate where the clients have the option to switch to variable rate indexed to WIBOR after the end of such temporary fixed rate initial period);
- loan products, factoring and corporate discounting products: **17 126,13**;
- debt instruments (**9 754, 37**);
    - Assets: 7 492,87
    - Liabilities: 2 261.50
- derivative instruments: **10 744,92**

The Bank also applies instruments based on WIBOR benchmarks in hedge accounting, details of the hedging relationships used by the Group, the items designated as hedged and hedging and the presentation of the result on these transactions are presented in Note 16 "Derivatives - Hedge accounting" in Chapter 4 "Notes to the Consolidated Financial Statements.

Bank Millennium S.A. is working on the analysis of the risks and monitors them on a regular basis. In addition, according to the project of changes of the Roadmap announced by the Steering Committee of the National Working Group in October 2023 and was confirmed by the NWG in April 2024, the final moment of conversion would happen by end of 2027, r. Currently, the Roadmap is being updated to reflect the provisions of the NGR SC with regard to the revision of the benchmark reform schedule. Therefore, a regulatory event has been postponed and should occur in Q3/Q4 2026. However, there is currently a) no information regarding the potential regulatory event referred to in Article 23c(1) of the BMR; b) lack of a regulation of the Minister of Finance referred to in Article 61c of the Act of 5 August 2015 on macro-prudential supervision of the financial system and crisis management in the financial system concerning a replacement or at least a draft of such a regulation and thus information, whether the Minister of Finance will designate one or several WIBOR replacements; c) lack of information on the amount of the adjustment spread or the method of calculating this spread, whether there will be corresponding adjustment changes related to this (and if so, which ones). Therefore given the current stage of the work of the National Working Group and the planned postponement of the maximum dates for the implementation of the Roadmap, indicating a final conversion date at the end of 2027, it is currently not possible to estimate the financial impact of the WIBOR reform.

In March 2023, the Steering Committee of the National Working Group on Benchmark Reform adopted recommendations on new products, both banking, leasing and factoring, as well as previously published ones on bonds and derivatives.

In July 2023, the NWG SC adopted a Recommendation on applying a fallback rate for WIBOR benchmark in interest rate derivatives. The recommendation presents the method of replacing WIBOR with an Alternative Benchmark in WIBOR-based interest rate derivatives in the event where a Fallback Trigger of a permanent nature occurs.

In August 2023, The NWG Steering Committee has adopted a Recommendation on the rules and methods of conversion of WIBOR-based debt instruments. The recommendation was prepared assuming the occurrence of a Regulatory Event, i.e. an event resulting in the cessation of the development of the WIBOR benchmark (according to the adopted Roadmap, the readiness to cease and publish the WIBID and WIBOR Reference Rates should occur in 2025).

On 29 March 2024, the Steering Committee of the National Working Group for benchmark reform unanimously decided to commence a review and analysis of risk-free-rate (RFR) replacement choices for WIBOR benchmark, including both WIRON and other possible interest rate indices or benchmarks. Formal request in this respect was filed by the Ministry of Finance. Certain changes may be made with regard to the milestones of the current Roadmap, but without changing the final deadlines regarding the completion of the benchmark reform. Decisions in this regard will be made by the Steering Committee of the NWG and communicated separately following the completion of the review, including public consultation.

In April 2024, The Steering Committee of the National Working Group for benchmark reform has adopted a paper on Methods of applying the RFR and selected rules for calculating compound rates.

2. LIBOR USD

The Bank applies the USD LIBOR benchmark to the following products:

- Retail banking/mortgage portfolio: **2,86 million PLN**;

On 3 April 2023, the Financial Conduct Authority supervising ICE Benchmark Administration Limited announced a decision regarding the future of LIBOR USD 3M and LIBOR USD 6M. FCA indicated that LIBOR USD 3M and LIBOR USD 6M will continue to be calculated and published after 30 June 2023 using the revised „synthetic" methodology, most likely until 30 September 2024. Considering the marginal number and value of such contracts in the Bank's portfolio, Bank is continues its efforts to implement individual approach to each of these contracts.

7.4. CREDIT HOLIDAYS 2024

On May 7, 2024, the Management Board of Bank Millennium S.A. informed that, following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland of an Act of April 12, 2024 on changes to the Act on support for mortgage borrowers who are in challenging financial situation and the Act on crowdfunding for business ventures and assistance to borrowers ('the Act'), introducing, among others, an extension of credit holidays for PLN mortgage borrowers by four more months in 2024, the Bank preliminarily estimates that the impact of the implementation of this Act on results of the Group would be in the range between PLN 201 million to PLN 247 million before tax. The estimated cost resulting from the Act will be booked in 2nd quarter 2024 accounts and its final estimate will be disclosed in the 1st half 2024 report.

Date	Name and surname	Position/Function	Signature
09.05.2024	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature