Consolidated report of the Bank Millennium S.A. Capital Group for 3rd quarter of 2022

Consolidated Financial Highlights

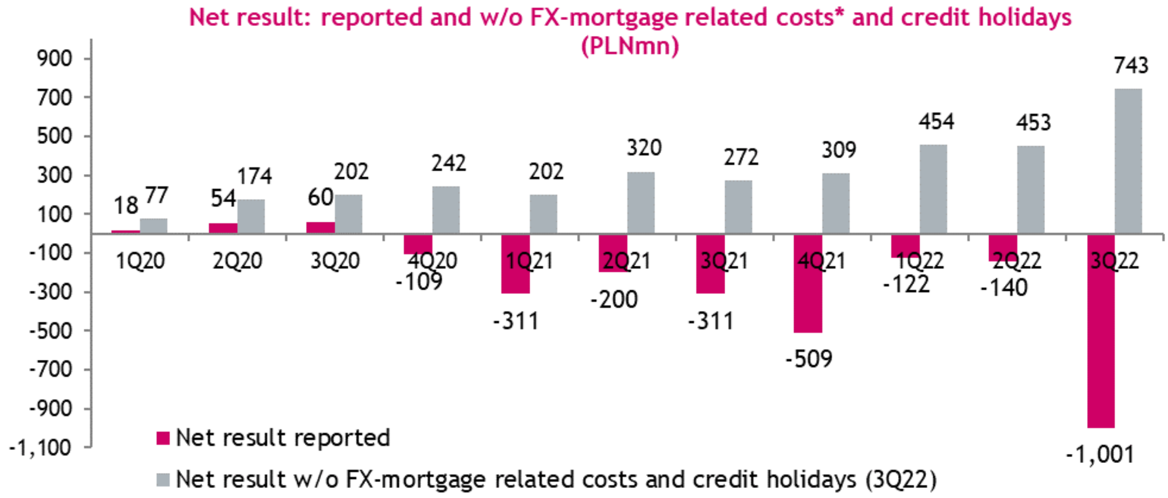
	Amount '000 PLN		Amount '000 EUR	
	1.01.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.01.2022 - 30.09.2022	1.01.2021 - 30.09.2021
Interest income and other of similar nature	4 381 556	2 036 306	934 632	446 705
Fee and commission income	768 262	751 746	163 878	164 911
Profit (loss) before income tax	(1 144 207)	(593 882)	(244 071)	(130 280)
Profit (loss) after taxes	(1 263 503)	(822 956)	(269 519)	(180 532)
Total comprehensive income of the period	(1 826 844)	(1 108 838)	(389 685)	(243 246)
Net cash flows from operating activities	6 252 546	3 611 556	1 333 734	792 269
Net cash flows from investing activities	1 200 191	(821 685)	256 013	(180 253)
Net cash flows from financing activities	(181 370)	(127 043)	(38 688)	(27 869)
Net cash flows, total	7 271 367	2 662 828	1 551 059	584 146
Earnings (losses) per ordinary share (in PLN/EUR)	(1.04)	(0.68)	(0.22)	(0.15)
Diluted earnings (losses) per ordinary share	(1.04)	(0.68)	(0.22)	(0.15)
	30.09.2022	31.12.2021	30.09.2022	31.12.2021
Total Assets	110 193 773	103 913 908	22 627 987	22 592 927
Liabilities to banks and other monetary institutions	603 646	539 408	123 957	117 278
Liabilities to customers	97 770 565	91 447 515	20 076 916	19 882 488
Equity	4 865 780	6 697 246	999 175	1 456 113
Share capital	1 213 117	1 213 117	249 110	263 755
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)	4.01	5.52	0.82	1.20
Diluted book value per share (in PLN/EUR)	4.01	5.52	0.82	1.20
Total Capital Ratio (TCR)	12.36%	17.06%	12.36%	17.06%
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	-	-	4,8698	4,5994
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)	-	-	4,6880	4,5585

INFORMATION ABOUT THE ACTIVITY OF BANK MILLENNIUM AND CAPITAL GROUP OF BANK MILLENNIUM S.A. DURING 3Q22

FINANCIAL RESULTS IN BRIEF

In 3Q22 Bank Millennium S.A. Capital Group ('BM Group', 'Group') reported net loss PLN1,001 million (1-3Q22: net loss of PLN1,264 million). This unprecedent level of quarterly loss was entirely an outcome of upfront recognition of costs of credit holidays (PLN1,423 million pre-tax / PLN1,153 million after tax) imposed on Polish banks in July. Excluding these, BM Group would post net profit of PLN152 million (PLN68 million with banking tax included) despite incurring high costs related to FX-mortgages (PLN640 million pre-tax / PLN 591 million after tax altogether) and a couple of sizeable negative extraordinary items. This was the second quarter in a row, when results of the core business more than offset costs related to FX-mortgages. Importantly, the surplus continued to widen.



(*) adjusted for provisions against legal risk, legal costs related to FX-mortgages and costs of amicable conversions

Trends in core business remained strong with growth in core income up 67% y/y (1-3Q22: up 157% y/y) and total income (3Q22: up 59% y/y, 1-3Q22: up 46% y/y) comfortably offsetting the growth of reported opex (3Q22: up 15% y/y, 1-3Q22: up 34% y/y).

Credit holidays for PLN mortgage borrowers

On July 7, 2022 the Parliament approved and on July 14, the President of the Republic of Poland signed a bill on crowdfunding for business ventures and assistance to borrowers ('the Act'). The Act, among others, introduced credit holidays for PLN mortgage borrowers. Eligible borrowers, i.e. those who took a loan for own housing purposes before July 1, 2022, will be able to apply for a suspension of eight instalments (capital + interest) in 2022 and 2023 (two instalments in 3Q22 and 4Q22 each and one instalment in each quarter of 2023). Borrowers can apply for credit holidays with regards to one loan only. Instalments are to be suspended not annulled, thereby credit repayment period is to be extended respectively.

The Bank estimates the maximum impact of the implementation of this Act at PLN1,779 million at the Group level (PLN1,731 million at the solo level) if all eligible Group's borrowers were to use such an opportunity. The impact of each 10% of eligible borrowers fully using the credit holidays is estimated at PLN178 million at the Group level.

In 3Q22 results the Group / Bank recognised an upfront cost of credit holidays in the amount of PLN1,423 million / PLN 1,385 million, equivalent to assumption of 80% participation rate of eligible borrowers. These costs were the direct reason for the significant net loss in 3Q22 and consequently a breach of the regulatory minimum capital requirements.

In 3Q22 the actual participation rate averaged at 66% of eligible borrowers with participation rate in September higher than this in August. The Bank intends to review its estimates of credit holiday cost in early 2023 when the actual data for half of the instalments available for suspension will be available.

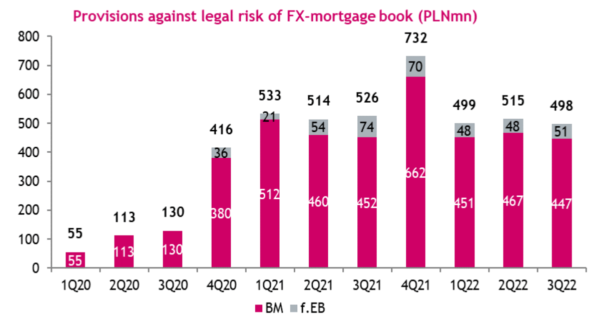
Substantial extraordinary P&L items / presentational changes

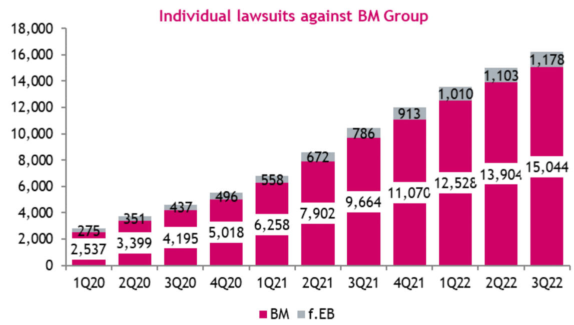
Apart from the above mentioned upfront cost of credit holidays (PLN1,423 million pre-tax / PLN1,153 million after tax) presented in a separate P&L line, the results were burdened by additional contribution to IPS (PLN24.4 million in admin costs) and a provision for return of fees charges on newly granted housing loans before the registration of mortgage (PLN30.5 million altogether of which PLN18.5 million decreased loan fee income and the remaining PLN12 million part was booked in other operating cost). Additionally, costs of modifications were higher than in the past, as the Bank started to book costs of certain types of settlements in this P&L line.

FX-mortgage portfolio and related costs

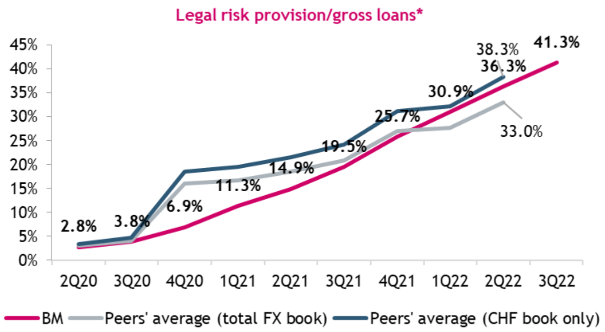
Similarly to recent reporting periods, costs related to FX-mortgage portfolio (legal risk provisions, costs of amicable settlements and legal costs) remained elevated and continued to be the main drag on the increasingly profitable core business of the Group.

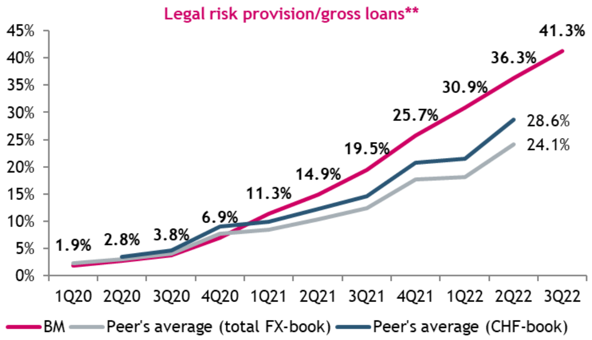
Total provisions against legal risk related to FX-mortgage portfolio ('FX-mortgage provisions') amounted to PLN498 million (pre-tax) in 3Q22 (1-3Q22: PLN1,513 million) with PLN447 million (1-3Q22: PLN1,366 million) attributable to FX-mortgages originated by the Bank. Excluding all FX-mortgage related costs (3Q22: PLN640 million pre-tax, PLN591 million after tax) and cost of credit holidays, the Group would post 3Q22 net profit of PLN743 million (1-3Q22: net profit of PLN1,650 million) vs. adjusted 3Q21 net profit of PLN271 million (1-3Q21: PLN794 million).





The further increase of FX-mortgage provisions resulted from updated inputs into the Bank's provisioning methodology, reflecting, inter alia, the inflow of court claims (individual lawsuits related to loan agreements originated by the Bank stood at 15,044 at end of September 2022 vs. 13,904 at the end of June 2022) and higher proportion of cases lost by banks (details regarding litigations against the BM Group can be found further in the report). At the end of September 2022, the balance of provisions for the portfolio originated by the Bank stood at PLN4,881 million (end of December 2021: PLN3,079 million), an equivalent of 41.3% of the FX-mortgage grossed-up book (end of December 2021: 25.7%).

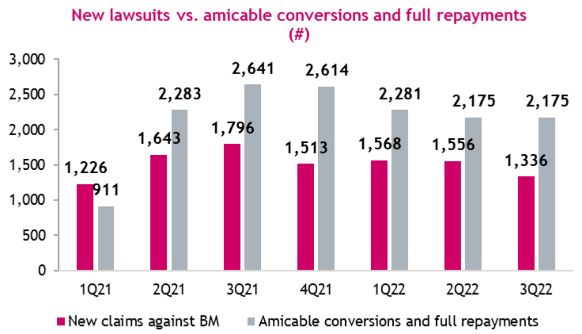


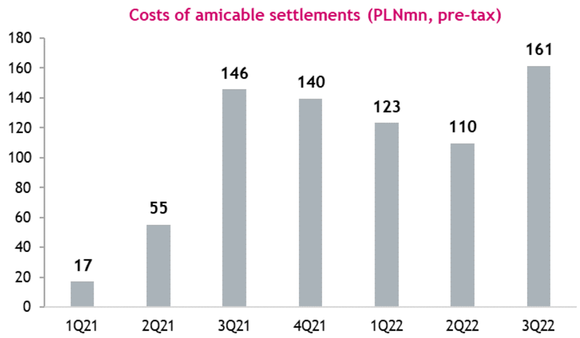


(*) including provisions for settlements, (**) w/o provisions for settlements
Note: legal risk provisions/gross FX mortgage book (post IFRS9 adjustments where necessary); ex-EB portfolio in case of BM; data for peers may differ for this previously presented due to exclusion of GNB

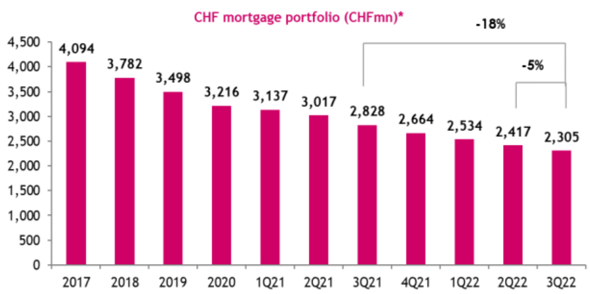
At the same time, the Bank continued to be open to its customers in order to reach amicable solutions (i.a. conversions to Polish zloty, pre-payments, early repayments or collectively ‘amicable settlements’) regarding FX-mortgages on negotiated terms. As a result of these negotiations and other natural drivers, the number of active FX-mortgage loans decreased during 9M22 by over 7,800 (2021 overall: down by 10,300 agreements, 2020: down by nearly 3,600 agreements) from nearly 47,600 active loans agreements at the end of 2021. The number of amicable settlements reached 2,175 in 3Q22 (1-3Q22: 6,631) despite unfavourable FX trends and higher PLN interest rates. As a result, it was the sixth consecutive quarter during which the reduction of the number of active FX-mortgage loans was higher than the inflow of new individual court cases against the Bank.

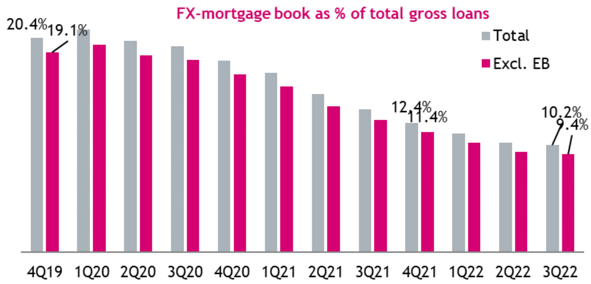
Costs related to amicable settlements totalled PLN161 million (pre-tax, booked largely in FX-result and in result on modifications) in 3Q22 (1-3Q22: PLN394 million), while legal costs, largely booked in admin costs, PLN32 million (1-3Q22: PLN76 million).





As a result of these trends, the BM’s FX-mortgage portfolio contracted 5% in 3Q22 (in CHF terms, gross, w/o impact of allocated legal risk provisions) while the y/y contraction rate stood at 18%. The share of total FX-mortgage book (gross loans less allocated legal risk provisions) in total Group’s gross loans dropped to 10.2% at the end of 3Q22, while the share of FX-mortgage loans originated by BM dropped to 9.4%.





*BM originated

Main financial and business achievements of the Group

3Q22 brought a continuation of growth in core revenues with NII, the main driver, up by 8% q/q and 90% y/y (1-3Q22: up 75% y/y). This P&L line continued to benefit from recent increases of NBP’s base rate (3Q22: up 75bps, 2Q22: up 250bps, 1Q22: up 175bps) and higher levels of market interest rates (average 3M WIBOR in 3Q22 increased by 82bps, following 277bps increase in 2Q22 and 196bps in 1Q22). Fees contracted by 13% q/q (-11% y/y) chiefly due to a provision for return of bridge insurance fees for mortgage customers with deposit and asset management fees also contributing negatively.

3Q22 pre-provision profit adjusted for costs related to FX-mortgage portfolio (costs of amicable conversions, legal costs and netting-off EB's FX-mortgage provisions) amounted to PLN1,045 million, up 40% q/q (much smaller IPS costs explain the bulk of the improvement) and up 97% y/y (1-3Q22: up 68% y/y).

BM Group: adjusted results (PLNmn)

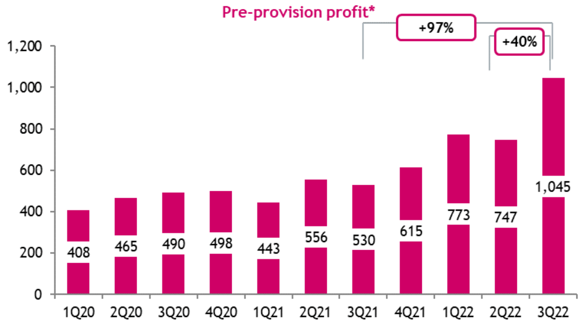
	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	y/y	q/q	9M22	y/y
NII*	622	655	669	767	961	1,179	1,271	90%	8%	3,411	75%
Net fees	205	209	202	215	221	206	179	-11%	-13%	606	-2%
Other income**	36	61	49	31	60	26	81	66%	215%	166	14%
Total income**	**863**	**925**	**919**	**1,013**	**1,241**	**1,411**	**1,531**	**67%**	**9%**	**4,183**	**55%**
Opex w/o BFG, IPS and FX-mortgage legal costs	-367	-339	-372	-381	-382	-377	-462	24%	23%	-1,220	13%
BFG & IPS	-53	-30	-17	-17	-86	-287	-24	40%	-91%	-397	294%
Pre-provision profit ex-FX-mortgage costs	**443**	**556**	**530**	**615**	**773**	**747**	**1,045**	**97%**	**40%**	**2,566**	**68%**
FX-mortgage related costs (legal and conversions)	-24	-65	-161	-180	-141	-135	-193	20%	43%	-470	89%
Risk charge***	-76	-57	-83	-82	-83	-71	-113	35%	59%	-266	23%
FX-mortgage provisions w/o EB	-512	-460	-452	-662	-451	-467	-447	-1%	-4%	-1,366	-4%
Credit holidays							-1,423				
Net result reported	**-311**	**-200**	**-311**	**-509**	**-122**	**-140**	**-1,001**	**-**	**-**	**-1,264**	**-**
Net result w/o FX-mortgage related costs	**202**	**320**	**271**	**306**	**454**	**453**	**-410**	**-**	**-**	**497**	**-37%**

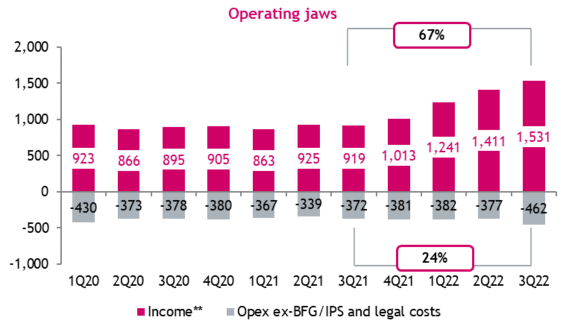
(*) NII including swap income from derivatives, (**) w/o result on FV portfolio, cost of amicable solutions for FX-mortgage borrowers, part of legal costs and netting-off EB's FX-mortgage provisions, (***) incl. result on FV portfolio, impairment losses on non-financial assets, modifications.

Note: FX-mortgage cost adjusted results differ from segment results presented later in the report

Similarly to previous quarters, the y/y improvement was driven by positive operating jaws. 3Q22 adjusted operating income was up 67% y/y (reported: up 59% y/y) while adjusted opex up 24% y/y (reported up 15% y/y).

Core income (3Q22: +67% y/y vs.+60% y/y in 2Q22 and 43% in 1Q22) continued to be the main driver behind the growth in revenues, while non-core income remained relatively insignificant and volatile. The good performance of opex was, in turn, an outcome of relatively moderate growth in staff and non-staff costs incl. D&A (up 15% y/y and up 13% y/y respectively). BFG/IPS costs were low in the quarter (only additional IPS cost of PLN24 million was incurred) although their level in 1-3Q22 was significant, totalling PLN397 million (up 294% y/y).

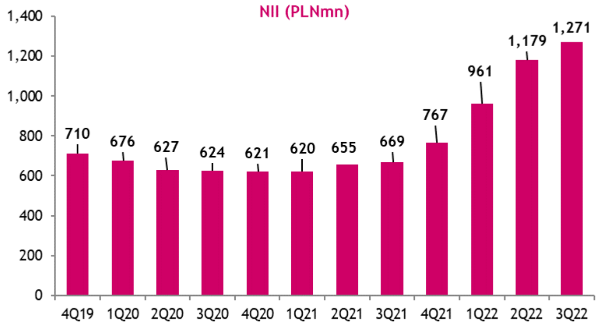


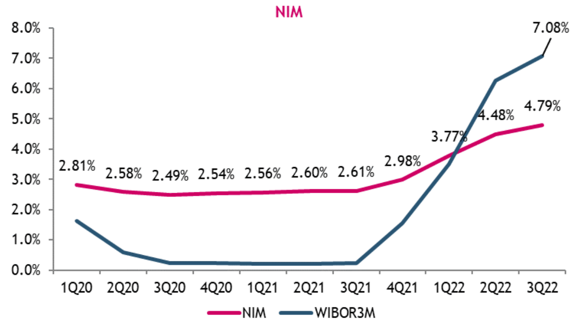


* Adjusted for provisions against credit risk, Covid-19, result on FV portfolio, impairment losses on non-financial assets, modifications and legal risk on FX-mortgages; ** Income adjusted for result on FV portfolio and netting-off of legal risk provisions on FX-mortgages of f.EB

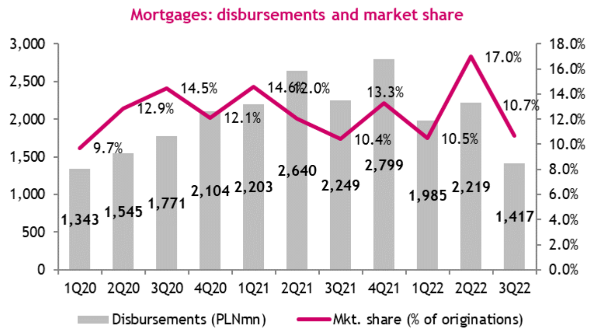
The key developments in 3Q22 that drove the y/y improvement of the results and which, we believe, are particularly worth highlighting are as follows:

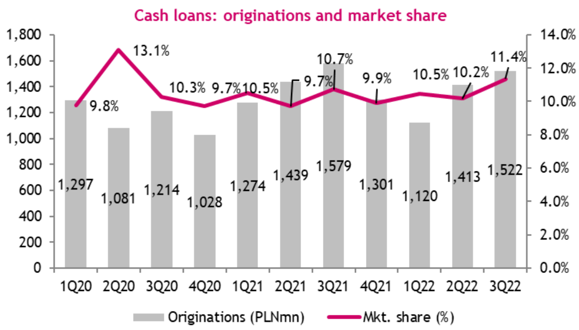
- **continuing recovery of NII** with 3Q22 bringing y/y growth of 90%;
- **continuing improvement of quarterly NIM** (479bps vs. 448bps in 2Q22 and 377bps in 1Q22);



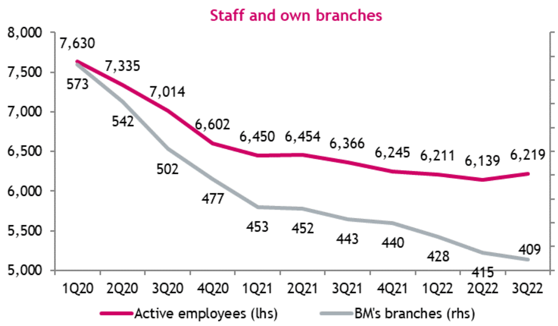


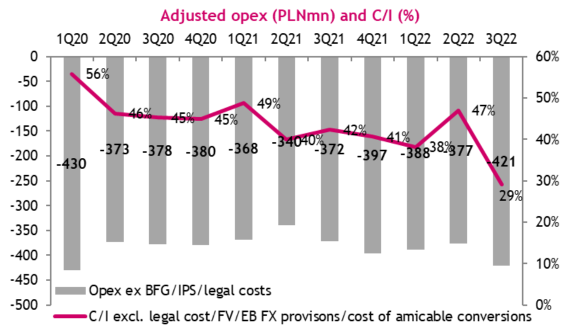
- **stable loan portfolio (net/gross loans: +2%/2% y/y) with reduction of the FX-mortgage portfolio, lower appetitive for risk and RWA focus taking an increasing toll on q/q growth;** retail loan originations slowed compared to 2Q22; disbursements of mortgages in 3Q22 fell to PLN1.4bn and were 19% lower than in the same period last year; in contrast, origination of cash loans improved q/q to PLN1.5bn but was 4% below this in the all-time high 3Q21; on a separate count, gross FX-mortgage book in PLN terms contracted 23% y/y on a combination of repayments, provisioning (in line with IFRS9 most of legal risk provisions are booked against gross value of loans under court proceedings) and amicable settlements; as a result, the share of all FX-mortgages in total gross loans decreased to 10.2% (BM originated only: 9.4%) from 13.6% (12.6%) in the same period last year;





- **improving cost efficiency** owing to a combination of a steady increase in the digitalisation of our business and well as relations with clients with strong cost response to revenue pressures; falling headcount (number of active employees down 147 or 2% since 3Q21), ongoing optimisation of our physical distribution network (own branches down by 34 units or 8% in the last twelve months) complemented the increasing share of digital services (digital customers: 2.48 million, up 13% y/y, number of active mobile customers: 2.2 million, up 18% y/y); cost optimisation initiatives helped to control inflation driven growth in opex but also translated into much improved cost efficiency; reported C/I ratio dropped to 32.7% in 3Q22 from 45.2% in the same period last year while C/I ratio excluding BFG/IPS, FV portfolio, costs of amicable settlements offered to FX-mortgage borrower, legal FX-mortgage related costs and netting-off of FX-mortgage provisions on f.EB book eased further to well below 30% mark from c40% in the same period last year;





- **broadly stable loan book quality** resulting in a relatively low cost of risk (56bps in 3Q22 vs. 35bps in 2Q22 vs. 40bps in 1Q22) with somewhat divergent trends in quality of retail (slight deterioration, particularly in the non-mortgage part) and corporate books (further improvement) and with no support from NPL sale this quarter; NPL ratio (4.5%) ticked up compared to end of December 2021 (4.4%) and 2Q22 (4.3%) partly due to denominator effect; NPL coverage remained practically intact at 69%;

- **customer deposits increased in the quarter** (up 2%) with retail deposits up 3% q/q and corporate ones stable; retail deposit mix continued to gradually change with term deposits accounting for 28% at the end of September vs. 15% at YE21; the liquidity of the Bank remained very comfortable with L/D ratio easing to 81%;

- **capital ratios decreased in the quarter** (Group TCR: 12.4%/T1: 9.4% vs. 15.2%/12.1% respectively at the end June 2022) to below required minimum levels as highlighted earlier; cost of credit holidays was the main reason for the drop of regulatory capital; negative contribution from valuation of bonds through comprehensive income was lower after the drop of market bond yields; RWAs increased somewhat chiefly due to methodological adjustments;

- **AuM of Millennium TFI and third party funds combined dropped 6% q/q** to below PLN6.4 billion with y/y contraction rate at 33%.

STRATEGY IMPLEMENTATION

The Bank’s new 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 16 strategic initiatives/business areas. Strategic portfolio will be 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. However, turbulent and fast changing external circumstances are observed, what could affect abovementioned targets, that are assigned to the current 3-year strategic perspective.

In 3Q22 the Group was on track to deliver on most of its 2024 targets.

LAUNCHING OF RECOVERY PLAN AND CAPITAL PROTECTION PLAN

On July 15, 2022, the Bank informed that due to expected costs of credit holidays 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 the Bank Guarantee Fund.

The Management Board of the Bank intends to increase 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).

Following the calculation of actual end of July 2022 capital ratios, 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), the Bank notified PFSA of the actual breach of the combined buffer requirement for the T1 and TCR ratios and submitted Capital Protection Plan.

MREL REQUIREMENTS

On April 1, 2022 the Bank received a letter from the Banking Guarantee Fund ('BFG') regarding the joint decision of the resolution authorities, i.e. the Single Resolution Board and BFG obliging the Bank to meet the communicated MREL (minimum requirement for own funds and eligible liabilities) requirements.

Pursuant to the above decision, at the consolidated level the Bank is obliged to meet by December 31, 2023, the minimum MRELtrea requirement of 20.42% and MRELtem of 5.91%. At the individual level, the Bank is obliged the requirements of 20.32% and 5.91% respectively. These targets represent a decrease compared to most targets set in November 2021 (the minimum consolidated MRELtrea requirement of 21.41% and MRELtem of 5.91%; Bank only requirements of 21.13% and 5.88% respectively) reflecting chiefly a drop in the P2R (Current report on initial MREL requirements).

Additionally, the above-mentioned decision sets the path to achieve the target MREL level. As a part of mid-term objectives, at the moment of communication of the decision the Bank was obliged to meet the minimum consolidated MRELtrea requirement of 15.60% and MRELtem of 3.00%. At the individual level, the Bank was obliged to meet the minimum MRELtrea requirement of 15.55% and MRELtem of 3.00%.

The Bank is still to meet these due to the recent net losses booked in 2021 (higher-than-initially planned provisions against legal risk related to FX-mortgage portfolio) and the fact that an issue of senior non-preferred bonds on the Polish market initially planned for 4Q21 and was not possible to execute due to a gap in the Polish bond law. As a result, the Bank decided to alternatively prepare and launch a new Euro Medium Term Note Programme ('EMTN Programme') programme (details here: Current report on EMTN programme) that is expected to allow the international issue of senior non-preferred bonds ('SNP bonds'). On April 6, 2022, the Luxembourg Commission de Surveillance du Secteur Financier, the authority supervising the capital markets in Luxembourg approved the Bank's base prospectus for the EMTN Programme established by the Bank, which was published on the website of the Luxembourg Stock Exchange. Due to the combination of unfavourable market conditions (markets were effectively shut for issuers of SNP bonds from the CEE region) and looming risk of Poland's government enforcement of costly extraordinary measures on the banking sector (credit holidays and replacement of WIBOR, among others) the offer of SNPs bonds could not be started until now.

Following the changes in the Polish bond law in May, the Bank started preparations for a domestic issue, but due to the above mentioned external factors, the decision to officially start the domestic offering was also put on hold.

Restoring capital ratios to minimum required ratios is currently the Bank's priority and once this is achieved the Bank will take further needed steps aimed at meeting the MREL requirements.

IMPACT OF WAR IN UKRAINE

On February 24, 2022, Russia invaded Ukraine, starting a new stage in history of Europe and the world. Leaving aside the unprecedented human, humanitarian, and political aspects, in this section the present Bank's understanding of the actual and foreseeable direct and indirect impacts of the crisis on its business activities, exposures to the affected markets, financial situation and economic performance is outlined.

Predictability remains low but macro outlook has definitely changed

Financial markets immediately reacted to the unexpected outbreak of the war, with prices of most assets classes, bar some commodities, tumbling. International community reacted instantly by introducing first sanctions, which were tightened significantly in subsequent days and weeks. Early days of March saw higher cash withdrawals at branches and from ATMs. The situation has since stabilised and returned to normal levels. However, in 1Q22 overall, retail deposits contracted by 3%. At the same time, the Bank enjoyed a very strong inflow of corporate deposits (up 30% q/q). Following 1.4% of increase of retail deposits in 2Q22 and 6.3% of decrease of corporate deposits, 3Q22 brought a further increase of retail deposits (+3% q/q), while corporate deposits were practically flat. Following the improvement in 2Q22, in 3Q22 the LCR ratio remained at highly satisfactory level of 165%.

As highlighted in the macroeconomic section below, the prospects of the Polish and global economy are deteriorating, the situation is extremely uncertain and currently it very difficult to precisely determine the economic consequences of military actions and sanctions imposed on Russia and Belarus by Western countries, as well as possible disruptions in supply of gas to Europe on the Bank's business and near- and mid-term prospects.

Direct/indirect corporate exposures and exposure to Ukrainian citizens
Details are presented in section "Liquidity, asset quality and solvency".

Exposures sensitive to macro risks
As the companies have faced (and will likely continue to face) indirect widespread consequences of the conflict (i.e. limited supply and rising prices of some raw materials on global market, disrupted supply chains and high prices of various means of energy), some companies from many sectors, especially those with already low profitability, may as a result experience more or less temporary financial problems and operational challenges. The Bank reviewed its corporate portfolio in order to identify its potentially challenged customers. The monitoring is conducted on a regular basis with special focus on companies with already relatively low margins before the outbreak of the war. The BM Group decided to temporary avoid increasing financing to such corporates.

Retail borrowers are particularly exposed to heightened inflation and high (and likely higher) PLN interest rates which, among others, may increase monthly instalments and prices of goods and services, putting pressure on households' disposable income. For a part of the Bank's customers disposable income may potentially become lower than the social minimum. At the end of June 2022 data, the „at risk" portfolio represented over 6% of the cash loan portfolio (high inflation is the key risk factor) and over 7% of the mortgage portfolio (elevated interest rates are the key risk factor). Currently both sub-portfolios show first signs of deterioration and increase of default rates, however the amount of defaults is still not material – below PLN40mn in 2Q22. Additionally, mortgage borrowers for whom, on Bank's estimates, monthly instalments will shortly double compared to 3Q21 but their disposable income will remain above social minimum, were identified. In 2Q22 the main reason of defaults for mortgage loans portfolio was rescheduling with the use of Borrowers Support Fund. Amount of portfolio with newly granted support of this fund increased from PLN8mn in 1Q22 to PLN87mn in 2Q22. The Bank monitors all these portfolios carefully and proactively adopted a number of precautionary measures offering, among others, conversion to fixed rate mortgages or renegotiations of some terms of the credit agreements. Should be also noted that governmental measures i.e., credit holidays should very significantly reduce future cost of risk for PLN mortgage loans in years 2022-2023.

BUSINESS TRENDS AND HIGHLIGHTS

RETAIL BANKING

In 3Q22, the Bank has increased its active client base by over 53 thousand. As on September 30, 2022 the Bank provided services to more than 2.85 million active retail clients. Altogether, 2.5 million clients were using electronic banking actively while the mobile channel (app and web on mobile) was in use by 2.2 million.

Sale of current accounts in 3Q22 exceeded the level of 125 thousand, i.e. an increase by 27% vs. the same period of the previous year. The key product supporting acquisition of new clients was the new Millennium 360° account.

3Q22 was a period of relative stabilization and gradual recovery in retail deposit balances. Rising interest rates on term deposits and savings accounts, with high volatility in financial markets, increased the attractiveness of depositing funds and encouraged customers to take advantage of increasingly interesting deposit offers. As a result, the Bank increased the volume of retail customer deposits in 3Q22 by PLN1.9 billion. This translated into a retail deposit balance of PLN71.3 billion at the end of September 2022. The Bank continued to acquire new volumes based on the Profit Savings Account (KO Profit) with attractive interest rates for new funds.

In 3Q22, Bank Millennium decreased sales of mortgage loans, which was in line with the market trends. The Bank concluded new contracts with a total value of almost PLN 730 million (decrease q/q by 70%, although disbursements were 37% lower q/q). The result placed the Bank with a market share of 10.7% The so-called "Statutory credit holidays" were implemented, enabling the suspension of mortgage repayment remotely in the Millenet service or at any branch of the Bank. The Bank also made it possible to submit an application for support from the Borrowers Support Fund in the Millenet service. The bank's lending operation, similarly to the previous years, was based on the unconditional 0% commission for granting the credit and 0% commission for early repayment.

In 3Q22, the Bank increased sales of cash loan to the level of PLN1.5 billion. As compared to the second quarter the result was higher by almost 8% and by 36% as compared to the first quarter. The aforementioned increase was the result of the implementation of a number of changes in product offerings and sales processes, as well as the good reception by customers of a holiday promotion dedicated to new customers. Thanks to the achieved sales levels, with a slight decrease in sales in the overall market, the Bank recorded an increase in market share. At the end of 3Q22, the Bank's market share in new sales was 11.4%, compared to 10.2% in the preceding quarter. The Bank continues to work to increase sales in digital channels. At the end of September, 68% of cash loan sales were finalized in digital channels (in terms of the amount of loans granted).

The Bank maintained the increasing trend of the payment cards portfolio ending the quarter with 3.8 million cards (+2% vs. 2Q22). Spending on cards in 3Q22 was PLN17,844 million for debit cards (+4% vs 2Q22) and PLN1,535 million for credit cards (+3% vs 2Q22). This result was supported by new product solutions: multicurrency package and better rates for FX transactions for all credit cards.

The third quarter of 2022 was a period of significant outflows from capital markets, which were under severe pressure due to rising interest rates in many countries around the world, including developed markets. The Bank focused on intensive communication with clients who were considering making investment decisions by providing informational materials, holding meetings in the form of online conferences and webinars with experts to provide ongoing commentary on the market situation and ongoing developments. The cyclical promotions of mutual funds handling fee in remote channels, which are gradually gaining in importance, also continued. In 3Q22 there was a promotion reducing the handling fee rates of Millennium TFI funds. For orders placed in Millenet, they were abolished and amounted to 0%. In a period of high volatility, new editions of structured deposits offered with guaranteed profit and capital protection were very popular among customers.

In 3Q22, Bank Millennium has launched Millennium POS application. It is digital tool for Business segment clients, which substitutes standard payment terminal. Using the application, entrepreneur can accept cashless payments anywhere and at any time. Millennium POS is a following achievement in development of the offer for microbusiness.

CORPORATE BANKING

Electronic banking

In 3Q22, we continued the development of electronic banking channels, implementing further solutions facilitating financial service of companies and implementing the vision of providing customers with a multifunctional and multi-product platform for contact with the Bank.

We made conditional order functionality available to another group of clients for spot foreign exchange transactions. The new functionality of the online service is a solution for companies actively managing their currency position. The conditional order module is now available to all companies using Millennium Forex Trader, concluding currency transactions based on the account balance.

We have also introduced improvements for customers using factoring. Since July, they have access to the factoring system immediately after logging in to Millenet for Companies, without the need for additional login. This is another product area - after transactional banking, leasing, trade finance and currency exchange - available to customers within a single login.

We continue the development of eBOK Millennium Leasing, providing our clients with the opportunity to handle bank and leasing settlements in one place – Millenet for Companies. More than 82% of customers have already activated access to the service. The service has been extended with the possibility of submitting e-forms. By September, more than 23% of applications in the processes of after-sales service of contracts were submitted via the digital customer service centre platform in Millenet. By the end of the year it is planned to implement further improvements increasing the degree of digitalisation of after-sales customer service.

Supporting public administration in the implementation of aid programs for companies, in Millenet for Companies we have made available decisions on the redemption of subsidies under the PFR 2.0 shield.

The development of Millenet also means consistent implementation of new functionalities in the documents exchange module. After the implementation of significant improvements and automation in the handling of signatures and electronic seals in 2Q22, we have recently added another functionality – notifications about documents required in the credit process.

To improve the operational work of customers making the largest number of transactions, we covered them with a free exchange of tokens for a newer model with a graphic code reader.

It shortens the time of logging in and authorising operations in Millenet for Companies, while ensuring the highest level of security.

Product offer

Transactional banking
In July, we adjusted our housing escrow account to the requirements of the so-called new developer act. An important element of the implementation was integration with the Insurance Guarantee Fund system, ensuring that information about changes in accounts is sent to UFG. Together with the Polish Developer Association and the Polish Bank Association, we organised a webinar for our clients, during which we discussed the changes to the housing escrow accounts rules, introduced by the new act.

Lending activity
As part of the agreement with BGK, in July we introduced the possibility of securing loans with a crisis guarantee under a new program dedicated to medium and large enterprises. The maximum guarantee amount is PLN200 million and the maximum guarantee period is 39 months for loans to finance current operations and 72 months for investment loans. The guarantee can be used for a loan in PLN and in foreign currency.

Thanks to the Bank's cooperation with the EIB Group, the Bank's clients received additional support.

From September 1, transactions of companies from the SME sector qualified for the program, will receive more favourable financing conditions in the form of lower margins.

Factoring
In July, we made available the possibility of securing reverse factoring with a crisis guarantee under the new BGK program.

We have also expanded the offer of full factoring with insurance with a new policy - KUKE S.A., which allows us to include domestic and foreign contractors for whom insurance limits have been granted under the new policy concluded by the Bank with KUKE S.A.

Millennium Leasing
In 3Q22, Millennium Leasing continued promotional campaigns for selected products:

- Promotion of the Konto Mój Biznes account - the promotion is addressed to sole traders who do not have a company account at Bank Millennium. As part of the promotion, a customer who opens a Konto Mój Biznes account and meets certain conditions of the promotion may gain a benefit in the total amount of PLN 1,500 to 2,000, depending on periodic conditions of the campaign.

- TOP HT - an action addressed to companies in the transport industry that may be interested in financing heavy transport vehicles. So far, 10 different editions of this actions have already taken place.

Leasing of photovoltaic systems
The company continued to actively develop MilleSun - a programme dedicated to financing investments in photovoltaics. Leasing of solar panels is a solution intended for entrepreneurs oriented at reducing the cost of electricity, but also changing the public awareness of environmental protection. The programme has been extended to include the financing of heat pumps. In the 3rd quarter, only in cooperation with Vendors, the company granted leasing for the purchase of photovoltaic systems worth PLN 18.5 million for 140 new customers.

Support from Millennium Leasing for SMEs thanks to BGK guarantees
In 2022, the active offering of leasing agreements secured by the guarantee of Bank Gospodarstwa Krajowego to customers continued. The offer is addressed to customers from the SME sector leasing vehicles with low CO2 emissions, machines, especially with a lower degree of marketability. In the 3rd quarter, the company concluded agreements secured by BGK's guarantee for the amount of over PLN43 million. From the beginning of the year to the end of September, the company concluded agreements secured by BGK's guarantee in the amount of over PLN150 million.

Under the portfolio agreement signed with BGK, Millennium Leasing has a guarantee line in the amount raised to PLN400 million in the third quarter. The instrument, prepared in collaboration with the European Investment Fund from the Pan-European Guarantee Fund, is designed to provide support and protection to Entrepreneurs against the consequences of the COVID-19 pandemic.

"My Electric" programme - leasing of electric vehicles with a subsidy from Bank Ochrony Środowiska
Thanks to the cooperation agreement with BOŚ Bank S.A., from September customers can take advantage of leasing with a subsidy for the purchase of new electric cars. The "My Electric" programme aims to avoid the emission of air pollutants, thanks to the co-financing of projects consisting in reducing the consumption of CO2 emissions in road transport, through co-financing of the purchase/leasing of zero-emission vehicles. The programme is to be implemented until mid-2026. Thanks to cooperation with BOŚ Bank and the National Fund for Environmental Protection and Water Management, Millennium Leasing enables its Customers to take advantage of the co-payment to Downpayment in an amount depending on the category of vehicle financed. The total production of the company in 3Q22 amounted to PLN937 million, which means an increase by 3.6% compared to the second quarter of this year.

Activities in the field of expanding access to knowledge for customers
In the Millenet for Companies transactional system, we have made available to our clients the Inspiration Zone – a new section in which we publish useful information and educational materials. Clients will find there, among others, articles about grant programs, weekly market and macroeconomic analyses, information about tax changes, practical advice on cybersecurity and invitations to educational webinars.

We are a partner of the "Investments in difficult times" Report published at the beginning of October, made out jointly with ICAN Research. The aim of the study was to check the investment sentiment of medium and large companies and to learn about the reasons and motivations associated with these plans. The report is available to Club members and, inter alia, on the CFO Club website.

In 3Q22, two webinars for entrepreneurs were held with the participation of experts of the EU Funds Competence Centre of Bank Millennium, providing practical knowledge about public investment support and practical aspects of applying for subsidies.

In September, a series of nine meetings across the country began within the framework of the 5th edition of the Family Business Forum – a joint initiative of Forbes magazine and Bank Millennium. It is a cyclical annual event bringing together family businesses. Bank Millennium is the strategic partner of the Family Business Forum since 2018.

Customer satisfaction survey

In the third quarter, we conducted an annual customer satisfaction survey in the corporate banking area. In the survey lasting several weeks, corporate banking customers answered questions related to product evaluation and service quality. Currently, as many as 95% of our customers are very and rather satisfied with the relationship with the Relationship Manager. Particularly noteworthy is the high rating of consultants, because as many as 99% of customers are very and rather satisfied with their work.

DIGITAL BANKING

We ended 3Q22 with nearly 2.5 million (+13% y/y) active digital channel users. This number has doubled over the past 5 years. Of these, almost 2.2 million users logged into the bank on mobile devices. This translates into an 18% y/y increase in mobile users. The share of customers with access to digital channels who log in to their accounts on mobile devices is 87%.

There are already 2 million users logging in to their account on the mobile app. In 3Q22, we recorded 186 million successful logins to the app. And since the launch of the app, we can talk about up to 2.3 billion logins.

BLIK and e-commerce payments

In September 2022, we were the first bank, together with PSP, to start piloting BLIK Pay Later payments. It is worth recalling that a year ago we were also the first bank to provide customers with another BLIK solution - contactless payments. Since the launch of the service in July 2021, customers have already made 12.5 million BLIK contactless transactions. Analysing the number of payments made with "traditional" BLIK code, we see a steady upward trend. Year to date, 1.5 million clients used BLIK at least once. This year's Blikomania was also a success – 49% more of our customers than a year ago registered for the lottery.

We also see a high level of customer interest in e-commerce payments in general. In 3Q22, customers made almost 39 million of them. Following these trends, we want to accompany customers in smart shopping, which is why we are promoting the Cashback program with goodie. The number of customers with at least 1 cashback transaction is systematically increasing. An active user makes up to 10 such transactions a day. The service is used primarily by users of the new Millennium 360° account.

Meanwhile, in stationary stores, cash and cards are increasingly being replaced by a mobile device. Bank Millennium provides customers with three technologies that make such payments possible: HCE, Apple Pay, and contactless BLIK. Since the beginning of the year, customers have made almost 124 million such transactions with a total value of more than PLN5.6 billion.

Digital share in sales and acquisition

The share of digital channels in the sale of a cash loan has been steadily increasing for several quarters now, and in 3Q22 we exceeded the 80% threshold and reached 81%. The share of digital channels in opening current accounts increased by three percentage points compared to the previous quarter, and amounted to 35%, while there was a record increase in the number of accounts opened in online channels which reached 71% in 3Q22. The share of digital channels in opening term deposits remained steady. In 3Q22 we updated the algorithm counting this value and thus recorded a slight increase of this metric to 94%.

Innovations and contribution of online channels to ESG:

- **Mobile authorisation.** This September marked two years since the implementation of mobile authorization in branches. Since the start of the service, customers have approved about 10 million operations at branches this way. This has saved at least 100,000 reams of paper, or about 250 tons of paper, which translates into 4,500 trees saved.

- **Official applications.** On July 1, we made applications for the Good Start 300+ benefit available for the first time on the mobile app, thus becoming the first bank to have all applications (also 500+, Family Care Capital and nursery subsidy) on the mobile app. In addition, we also made applications for 500+ and 300+ available in Ukrainian. This year, customers have already submitted more than 226,000 300+ benefit applications via mobile app and Millenet. The bank's customers were also able to apply for statutory credit vacations using an intuitive form in Millenet.
- **Open banking.** We are constantly developing our open banking services. In 3Q22, thanks to an algorithm specially designed in-house, we were able to expand the Finance 360° service, which is an aggregation of accounts, with the ability to display the last recipients of transfers. We also actively use open banking in campaigns, built on the basis of the history of aggregated accounts. This allows us to personalize the presented offer and respond to customers' needs as accurately as possible.

Innovations for entrepreneurs:

- **Lease forms available in millenet for companies.** We are gradually implementing more forms for customers with leases. Already 30% of leasing cases are reported by customers online.
- **Millennium pos.** Last summer, together with PayTel, we made available an application that allows a business customer use their phone like a payment terminal and accept contactless payments anywhere.
- **Token exchange.** As part of a campaign organized by the bank, as many as 1,000 corporate banking customers could exchange their old hardware tokens for modern tokens based on cronto technology free of charge.
- **Inspiration zone.** We accompany our customers not only on banking topics, but also want to support them in running their business, finding ways to raise funds for their activities and offer expert assistance. We do this through a specially designed space in Millenet for Enterprises.

Awards for electronic banking

3Q22 has been very kind to us in terms of international recognition for our projects. For the third consecutive year, we won the title of **Best Digital Bank in Poland**, which was awarded to us by the world-known Global Finance magazine. In the same ranking, we also received awards in three categories:

- **The Best Integrated Consumer Bank Site in Central and Eastern Europe for 2022**
- **The Best Integrated Corporate Bank Site in Central and Eastern Europe for 2022**
- **The Best Information Security and Fraud Management in Central and Eastern Europe for 2022**

Also, three of our projects made it to the finals of Informa's Banking Tech Awards. The results will be announced this December.

Goodie application

3Q22 was yet another quarter with record-high interest in the cashback service. The number and value of cashback transactions keep going up. During 3Q22, goodie users made over 1.3 million (+33% y/y) transactions for almost PLN200 million (+53% y/y). At that time, over PLN3.7 million returned to the buyers' cashback accounts (+43% y/y). Thus, goodie cashback has reached a total of more than 11 million transactions worth over PLN1.5 billion since the beginning of its operation, and users have received cashback of more than PLN33 million.

In 3Q22, goodie introduced Superoferta (Super offer) functionality, which allows to grant cashback users a temporarily increased refund on specific brands.

Also in Bank Millennium, the cashback service under the name “Zwroty za Zakupy” has been becoming increasingly more popular. The promotion launched in June this year, in which after making the first cashback transaction the user will receive PLN20, has been extended until the end of October.

Sales of e-gift cards have been constantly growing - in 3Q22, a 40% increase y/y was recorded.

QUALITY AND INNOVATIONS

For Bank Millennium, the third quarter of 2022 was continuation of quality activities and slow return to normality in service despite the still ongoing war in Ukraine and the pandemic threat. Employee empathy and empathetic marketing have become the core of operation at Bank Millennium, not only in times of crisis. Empathization is a tool used to change existing processes and build a new and relevant way of serving the modern customer. We are implementing actions that help our organization to see the world from the customer's point of view and put the customer at the centre of our strategy. Answering the who, what and why questions is the basis of inspiration with the customer, which drives the creation of new solutions and the improvement of those already available.

Education first, education second

The rapid development of digitalization makes it easier for customers to access the bank's offer, to perform transactions anywhere and at any time. It also brings challenges - especially for people who have had no previous experience with the digital world. Introducing the digital opportunities to the customer, telling them about the tools, is only the first step. The second, particularly important in branches, is to work on changing customer behaviour in the long run. Bank Millennium makes an effort to ensure that the customer's transition to the digital service world brings a positive experience and a well-founded belief in the right choice and benefits.

At Bank Millennium, we pay a lot of attention to proper education of customers and employees not only about the capabilities of electronic tools. We also focus on the risks that users may encounter in the digital world. We make sure that both customers and employees are well prepared for the new challenges behind digitalization. Bank Millennium conducts projects focused on the customer's perspective in the area of security. A detailed analysis of the needs of customers and employees has allowed us to introduce changes to the security conversation models in Q3 2022, where, in addition to the bank's quick response, empathy and support for the customer in a difficult situation are also important. We aim to optimize processes so that employees have more time to educate customers. We want customers to be able to avoid risky behaviour in their banking area, to be able to recognize fraud attempts when they come into contact with a fraudster or receive dangerous correspondence. We focus not only on customers who frequently use digital channels. In branches, employees focus on educating customers who use the internet less frequently, with lower risk awareness.

Human to human

Bank Millennium pays great attention to the transparency and clarity of documents provided to the customer. Without plain and straightforward language, it is difficult to build good relations with customers. We want the recipient to be able to read the text quickly and know immediately what we expect of them or what we are informing them about. We aim to make plain language the standard at Bank Millennium. We are focusing not only on new texts, but also on after-sales communication to current customers. We are gradually simplifying further documents such as letters or certificates. We aim to ensure that, based on these, customers not only know how to use the information they have read. We also make sure that the texts build our relations with the recipient.

Apart from above mentioned winning the title of Best Digital Bank in Poland, which was awarded to us by the world-known Global Finance magazine as mentioned above, in 3Q22 Bank Millennium was distinguished in the following areas:

- **Contact Center employees stood on the podium of the Polish Contact Centre Awards 2022 7 times.** PCCA is the largest event of the contact centre and customer care/service industry in Poland, created as a result of the merger of two industry competitions – Telemarketer of the Year and Golden Handset, organised by the Polish Marketing Association SMB. Once again, our employees dominated the competition and knocked out the competition.
- The Bank was highly regarded in the customer satisfaction survey carried out as part of the Bank Ranking of the BANK Financial Monthly. **We were 1st in the online banking category and took the medal-winning 3rd place in the general classification.** The customer survey evaluating financial institutions accompanies the main ranking, which has been prepared for 27 years. The respondents, who represented the full spectrum of the Polish society, acted as jurors. The Bank was ranked 2nd in the sense of security category. Respondents also appreciated the quality of the personal account, recommendations and customer loyalty of our Bank, which took the 3rd position in these categories.

ESG ACTIVITIES: ENVIRONMENTAL, SOCIAL, GOVERNANCE

ESG activities, one of the pillars of Bank Millennium's business strategy, are implemented in the company's day-to-day activity and apply to three main groups: customers, employees and community. The Bank also supports UN Sustainable Development Goals (SDG) and is also a signatory of the Diversity Charter.

Key ESG actions in 3Q22

ENVIRONMENT:

Millennium TFI green funds

Integration of the ESG factors in the processes of asset selection for investment portfolios is one of the activities carried out as part of the Bank Millennium Group Strategy. Having observed the dynamically developing trend of basing investment decisions on sustainability criteria by investors in Europe and all over the world, and taking into account the bank's business strategy, Millennium TFI product offer was changed. Millennium TFI has transformed three Sub-funds separated under the Millennium Specialist Open Investment Fund in accordance with the requirements of Article 8 of SFDR[1]. They promote environmental, social and corporate governance compliance aspects (as so-called light green products) through including them in the deposit selection criteria and in the investment restrictions applied. Clients who would like to support sustainable development with their investment decisions can choose products from the Millennium TFI offer.

Sub-funds that meet the ESG criteria are available both in Bank Millennium branches and, driven by care for the natural environment, via electronic channels – Millenet online banking and the bank's mobile application. Clients can choose from among three Sub-funds designed under the fund-of-fund formula:

- Sub-fundusz Plan Spokojny - investing predominantly in global debt instruments,
- Sub-fundusz Plan Wyważony - investing to a sustainable extent in global debt and equity instruments,
- Sub-fundusz Plan Aktywny - investing predominantly in global equity instruments.

1 Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation)

Pro-environmental digitization measure - Millennium POS application for non-cash settlements

Bank Millennium has been a leader in the implementation of digital solutions. Another innovative solution in this area is Millennium POS application. This solution allows you to transform your Android phone or tablet into a payment terminal, so that the bank's corporate customer does not buy a new device, but uses the already owned assets.

From 19 July 2022, the innovative application Millennium POS allows entrepreneurs to accept payments using a smartphone or tablet with Internet access. Thanks to this solution, you can accept contactless transactions with a card, smartphone or other device equipped with an NFC module. The whole process is similar to the one performed in traditional payment terminals. The Millennium POS application guarantees security during every transaction. The highest security standards have been confirmed by Visa and Mastercard certificates. The application guarantees entrepreneurs full freedom to settle non-cash transactions with their customers. The next step in the digitization of processes is yet another step to reduce the consumption of natural resources and energy, i.e. to reduce the negative impact of users on the environment.

Reducing consumption of energy and resources - switching off signboards and lightboards

ESG activities, including actions to reduce electricity consumption and GHG emissions, have been reflected in the activities of the Bank Millennium Group for many years. One of such actions is switching off the light boards in branches and offices in Warsaw, Wrocław and Gdańsk after working hours in autumn and winter. Thus, we encourage saving and reduction of electricity consumption in the face of potential difficulties on the energy market. This action is also an expression of our constant care for the natural environment and results from the need for reasonable management of resources. The Bank's action has covered 600 branches, including 200 franchise branches.

Awareness building

The bank's pro-environmental activities also include environmental education.

The educational activities of Bank Millennium as a partner of the EcoCraft 2022 Hackathon consisted in transferring practical knowledge in the area of ESG so as to enable participants to understand the scale of risks associated with climate change, and then to check their skills to transfer the acquired know-how to the Minecraft universe through designing a plugin introducing pro-ecological elements to the game. The solutions proposed by the winners, depicting the actions that affect the environment both negatively and positively, have a great educational value for players. The final Gala of the EcoCraft 2022 Hackathon project was the last stage of the competition and a meeting opportunity for the representatives of socially responsible companies and young winners. The Gala accompanying the Stanisław Lem Festival in Krakow took place on 13 September.

The 5th edition of the Family Business Forum, a joint initiative of Forbes magazine and Bank Millennium, is not only a cyclical event bringing together family businesses, but also a forum for debates and meetings, which allows you to establish business relations, gain new partners and distinguish the best family businesses in individual voivodships. Thanks to Bank Millennium, the Forum also had also a strong educational aspect this year. In this edition, Bank Millennium experts shared with companies their knowledge about ESG and presented business opportunities related to the implementation of sustainable development solutions.

SOCIETY:

Comprehensive aid to Ukraine

The entire community of the Group and the Bank Millennium Foundation have joined the aid activities for refugees arriving from Ukraine. Bank Millennium allocated 1 million PLN to non-governmental organizations that help refugees from Ukraine in Poland in the long term and to a special edition of the Bank Millennium Foundation's "#sluchaMYwspieraMY for Citizens of Ukraine" programme, under which 140 volunteers implemented 33 initiatives addressed to the refugees, and over 8,000 Ukrainian citizens received help.

Since the beginning of the Russian invasion on Ukraine, Bank Millennium has i.a. simplified account opening procedures and waived some fees. Since 1 July, Bank Millennium has made available applications for Dobry Start benefit in the bank's mobile app and in the Millenet online banking system, also allowing the citizens of Ukraine and other countries who have a PESEL number to submit their applications. Customers may find the application in the mobile app and Millenet, in the MilleOffice tab, next to the Family 500+, RKO and Co-financing of stay in the nursery.
The Bank also showed solidarity with Ukraine in the 19th edition of the Millennium Docs Against Gravity Festival, supporting the Ukrainian cinematography by funding two special awards for Ukrainian artists.

Fostering Culture

Bank Millennium is a comprehensive institution that goes far beyond its core financial activity. It has been patron of 360° culture, for over thirty years supporting cultural projects and promoting culture in almost all its forms. The most important events of the third quarter of this year are:

- Patronage of the "Solidarity" exhibition, which from 4 September to 3 October could be seen on the fence of Oliwa Park in Gdańsk. It presented the drama of refugees from war-torn Ukraine and the extraordinary solidarity of Polish people. The exhibition will also be presented in Warsaw and Chełm.

- 51st International Festival of Traditional Jazz Old Jazz Meeting - Złota Tarka, which was held in Iława on 12-14 August. For more than twenty years now, Bank Millennium has been a sponsor of one of the most important events on the jazz map of Poland. This year's edition was held under the motto of "100 Years of Jazz in Poland".
- Support for the oldest cabaret festival in Poland as part of the 43rd Lidzbarskie Wieczory Humoru i Satyry (Lidzbark Evenings of Humour and Satire).

Supporting education and lifting educational barriers:

- **Bank Millennium's digital support for those in need.** Bank Millennium decided to donate, from March till September 2022, nearly 500 pcs of computer hardware to Forani Foundation. Under the educational project "Komputer od Anioła" ("Computer from an Angel"), monitors (223 pcs.), notebooks (185 pcs.), printers (34 pcs.) and stations (30 pcs.) will go to schools and aid institutions such as hospices or common rooms, and to persons in a difficult situation who do not have any computer.
- **Cooperation with the Ministry of Finance for financial education of the youngest.** The Bank Millennium Foundation shared its experience in teaching the youngest with the institutions developing a nationwide financial education programme under the aegis of the Ministry of Finance. The Foundation recommended that the nationwide educational program, which is currently being worked on under the aegis of the Ministry of Finance, should also cover preschool children, as well as parents who in opinion surveys show a sense of responsibility for children's education and readiness to build financial awareness and attitudes of their children.
- **Intercultural support for students of Iberian and Ibero-American Studies.** For several years now, during the holiday season, Bank Millennium in cooperation with the Camões Institute has been funding scholarships for the best students of the Institute of Iberian and Ibero-American Studies of the University of Warsaw. Through awarding the best students, we support their development and help them expand their intercultural experiences as well as highlight the strong ties that we have with Portugal thanks to our main shareholder - Millennium bcp.

Sport

Paralympic support

For the second time, in an effort to support Paralympic athletes, this year preparing to compete in the Olympic Games in Paris, Bank Millennium funded a scholarship for one of the Polish and two Ukrainian athletes. The Bank contributed to the relevant fundraising in cooperation with Martyna Wojciechowska's foundation "Unaweza" and #CorinneRunsForGood campaign.

CORPORATE GOVERNANCE:

- Report "Responsible business in Poland. Good Practices"

Bank Millennium submitted its activities to the Report "Responsible Business in Poland. Good Practices". The publication prepared annually by the Responsible Business Forum is the largest review of CSR and sustainable development initiatives in Poland. The practices are catalogued in terms of the implementation of individual UN Sustainable Development Goals (SDGs).

The bank reported four practices in line with five of these objectives:

- Quality education (4): development of climate education,
- Gender equality (5) - promoting gender equality,
- Innovation, industry, infrastructure (9): a new, green branch of the bank,
- Less inequality (10): involvement of employees - volunteers in helping local communities, which suffered as a result of the pandemic; promoting gender equality and persons with disabilities,
- Climate action (13): a new green branch of the bank; development of climate education.

Awards

Ranking of Responsible Companies

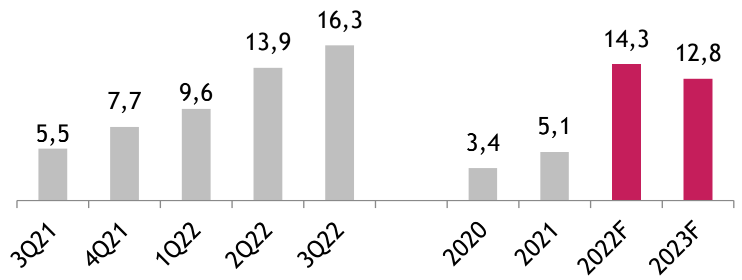
In June, the results of the 16th Ranking of Responsible Companies – one of the most important events devoted to the issue of sustainable development – were announced at the headquarters of Kozminski University. Bank Millennium was ranked in the top ten of the ranking, which evaluates companies for i.a. efficiency in implementing various declarations and policies in the field of sustainable management. In the banking, financial and insurance sector category, the Bank took fifth place.

MACROECONOMIC SITUATION

In 3Q22, inflation in many economies set new multi-year records, especially in Europe, where supply restrictions and the European Union's policy of sanctions against Russia caused increases in the prices of energy resources. Moreover, concerns about the availability of energy resources in the autumn-winter period, in particular natural gas, grew, although some European Community countries, including Poland, have been taking measures to diversify supply directions. High inflation and weakening business and consumer sentiment have contributed to a decline in global economic activity, despite signs of a slow easing of tensions in international supply chains. In an environment of inflation persistently at an elevated level, the world's most important central banks have increased the pace of monetary policy tightening while communicating higher targets for terminal interest rates.

3Q22 was a period of inflation growth also in Poland. In Sep’22, the CPI was 17.2% y/y vs. 15.5% y/y at the end of 2Q22 and turned out to be the highest in 25 years. Invariably, the CPI index was increased the strongest by the prices of fuels and energy carriers, the impact of which was intensified by the weaker zloty. Food price inflation also increased steadily, reaching a level close to 20% y/y in Sep’22. In the conditions of record low unemployment, companies continued to pass on rising costs, including wages, to the prices of services and goods. As a result, the core inflation, i.e. CPI excluding food and energy prices, reached double digits in Sep’22 for the first time in the history of data, growing to 10.7% y/y, while at the end of 2Q22 it amounted to 9.1% y/y. In the Bank's opinion, this information indicates that high inflation in Poland is the result of supply factors intensified by Russian aggression against Ukraine, but also of demand, which is facilitated by very low unemployment and dynamically growing wages.

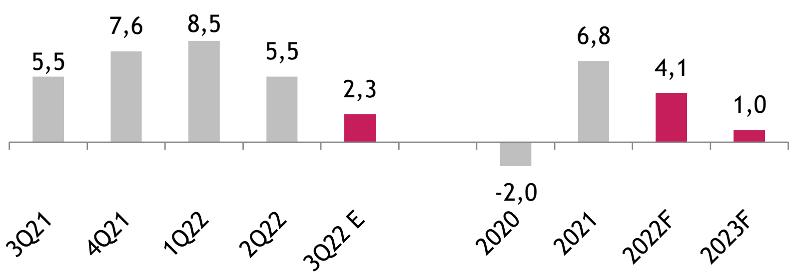
CPI inflation and its forecasts for Poland (% y/y)



Source: Source: Bank Millennium, Macrobond

Current data indicate that in the conditions of high inflation, geopolitical uncertainty and weakening activity abroad, economic growth in Poland in 3Q22 continued to slow down. According to the Bank's estimates, GDP increased by 2.6% y/y in this period after an increase of 5.5% y/y in 2Q22. In the Bank's opinion, this slowdown in consumption growth in the household sector was the factor most responsible for it, which resulted from falling incomes in real terms. According to the Bank's estimates, in 3Q22 investments growth also slowed down, driven by geopolitical uncertainty, high nominal interest rates and high inflation of capital goods' prices. The industrial sector may however turn out to be a positive surprise in 3Q22. In the Bank's opinion, it was supported by a better situation in global supply chains, as well as price competitiveness of the sector and high product diversification of the Polish producers.

GDP growth rate and its forecasts for Poland (%)



Source: Bank Millennium, Macrobond, E-estimate, F-forecast

With rising inflation, including core inflation, the Monetary Policy Council continued in 3Q22 the monetary policy tightening cycle, albeit at a slower pace. As a result, the reference rate of National Bank of Poland reached 6.75% in Sep'22. However, at the meeting in Oct'22, for the first time in a year, no changes were made in interest rate levels, and the Council adopted a wait-and-see approach, making further decisions regarding monetary policy dependent on incoming information and data.

In an environment of high nominal interest rates, the value of newly granted loans to households for residential real estate decreased in Jul'22 and Aug'22 compared to 2Q22. On the other hand, the value of new consumer loans was similar to the data from Apr'22-Jun'22 period. In the case of non-financial corporations, lending in Jul'22 and Aug'22 weakened slightly, although the value of newly granted loans was relatively high. At the end of Aug'22, the value of deposits in the banking system was clearly higher than in Jun'22, which was due to increases from both households and enterprises. This was supported by the good income situation of households and probably still high corporate profits in 3Q22.

Data and information released in recent months support an upward revision of CPI inflation forecasts for both 2022 and 2023 compared to the previous quarter. According to the Bank's baseline scenario, the average annual CPI will increase in 2022 to 14.3% y/y from 5.1% y/y in 2021, while in 2023 the index is expected to decrease to 12.8% y/y. In the Bank's opinion, the factor maintaining high inflation will continue to be the prices of energy carriers and fuels, as well as food. Core inflation should also remain high, although with the expected significant economic slowdown at the end of 2022 and in 2023, the ability of companies to protect markups and pass costs on to customers will decrease. Despite this, core inflation in the coming quarters will be still significantly exceeding the inflation target of the Monetary Policy Council. Therefore, in the Bank's opinion, in the conditions of expected high inflation, loose fiscal policy and a only limited increase in unemployment, NBP interest rates will not decrease in the coming quarters. In addition, in the Bank's opinion, risks for their level in the future are significantly directed upwards.

Higher inflation forecasts along with new data and information support more pessimistic expectations also for economic activity in Poland and its external environment in the coming quarters. According to the Bank's forecasts, GDP in 2022 will grow by 4.1%, although 2H22 will probably be much weaker than the very good 1H22. In the Bank's baseline scenario, GDP growth in 2023 is expected to slow down to 1.0% as the impulse from higher interest rates consolidates and due to high inflation as well as weaker demand for labour. In addition, uncertainty, along with high prices of capital goods, will not be conducive to an increase in investments expenditure. Expectations for demand from abroad are also pessimistic. In the Bank's baseline scenario, it has been assumed that gas supply to the Polish economy will continue and that funds under the National Recovery Plan will not be received until the end of 2023. It should be emphasised that the economic situation in Poland and its environment is still burdened with very high uncertainty.

FACTORS OF MACROECONOMIC UNCERTAINTY FOR THE ECONOMY AND THE BANK MILLENNIUM GROUP

The following summary list presents the most important according to Bank Millennium negative risk factors for the economy and the Bank Millennium Group.

- Deterioration of the geopolitical situation as a result of the intensification of hostilities in Ukraine. This would result in a significant increase in uncertainty and risk premium, which would translate into a deterioration in the valuation of domestic assets, as well as a weaker zloty exchange rate conducive to higher inflation in the prices of imported goods and services. Geopolitical uncertainty would also negatively affect the prospects for investments in Poland and the global economy.
- Cessation or stronger disruptions of supply of energy resources from Russia, which would result in strong increases in their prices on international markets and the possible need to suspend or reduce the scale of economic activity, mainly abroad, but possibly to some extent also in Poland.
- More persistent than expected inflation globally, resulting in a stronger than assumed tightening of monetary policy by monetary authorities of most important economies, which would translate into weaker growth in world economy.
- A stronger than expected economic slowdown in Poland and abroad as a result of higher-than-expected inflation and a stronger deterioration in business and household sentiment. This would entail a greater than assumed decline in labour demand and an increase in unemployment, thereby worsening the situation of households and businesses.
- Sub-optimal economic policy in Poland, which would perpetuate inflationary pressures and foster the growth of imbalances in the economy, including external and fiscal ones. This would result in a weaker exchange rate, higher inflation and a deterioration in bond valuations, as well as a stronger than expected tightening of monetary policy.
- Legal uncertainty and unpredictability translating into legal acts such as borrowers support with huge costs for banks, hampering their profitability and capital base.
- Legal and judiciary uncertainty and unpredictability regarding FX mortgage loans legal risk.
- Rapid development of the COVID-19 pandemic, e.g. vaccine-resistant mutations of the SARS-CoV-2 virus.

As a result of the materialisation of these negative risk factors, the financial standing of the BM Group's clients would deteriorate, reducing the demand for its offer and increasing credit risk. At the same time, disturbances on the financial markets could result in a deterioration in the valuation of assets in the Group's portfolio.

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 abatement of military operations in Ukraine, resulting in lower pressure on the prices of raw materials, increasing their supply and quicker unlocking of gridlocks in supply chains as well as stronger investment demand. In such conditions, the risk premium would decrease, and the zloty's exchange rate would strengthen vs. the baseline scenario. The stabilisation of the economy would also be facilitated by an increase in the number of foreign workers and a faster inflow of funds from the European Union as part of the National Recovery Plan and the new EU budgetary perspective.

In light of new macroeconomic reality, in particular quick and faster than originally assumed growth of interest rates in Poland and globally, higher devaluation of PLN and last but not least higher inflation prospects, the Bank and the Group have reviewed their near-term assumptions. As a result, lower origination of mortgage loans, lower fees (chiefly in asset management and bancassurance lines) and higher cost of credit risk (c60bp in 2022 and further increase in 2023) were factored in. At the same time, the much higher than expected interest rate trajectory should be a significant offsetting factor, so that as a result the expected financial situation of the Bank and the Group did not deteriorate or in fact improved somewhat. On the other hand, negative indirect implications of high interest rates such as, windfall tax(es) and other burdens levied on the banking sector, cannot be excluded. The recent enforcement of credit holidays by the government and lawmakers of Poland and as a result significant resultant cost for the banking sector is the most acute and recent example of materialisation of such risk (for details pls refer to a separate section).

GROUP PROFIT AND LOSS ACCOUNT

Group's operating income *(PLNmn)*	1-3Q22	1-3Q21	Change y/y	3Q22	2Q22	Change q/q
Net interest income	3 411.3	1 946.0	75.3%	1 271.4	1 178.9	7.8%
Net commission income	606.3	615.7	-1.5%	179.4	206.1	-13.0%
Core income	4 017.6	2 561.7	56.8%	1 450.8	1 385.0	4.7%
Other non-interest income	(116.0)	73.3	-	(45.9)	(48.2)	-
Total operating income	3 901.6	2 635.0	48.1%	1 404.8	1 336.8	5.1%

Net interest income in 1-3Q22 reached PLN3 411mn, which signifies very high annual growth of 75%. 3Q22 was another quarter of visible increase of NII (+8% q/q and +90% y/y) with this year's quarterly values reaching the levels not witnessed earlier in the Bank's history. This was mostly correlated with higher market interest rates reflected in higher Bank's interest margin.

The series of interest rate hikes (11) by Monetary Policy Council starting from October 2021 materially improved conditions for banking revenues (base rate increased from 0.1% to 6.75% in September this year, i.e. by 665 bps) from very low levels in the first three quarters of 2021, resulting from previously ultra-loose monetary policy.

Net interest margin (over average interest earning assets) (NIM) maintained its strong upward trend in 3Q22 growing to 4.79% and was 31 basis points higher compared to 2Q222 or 218 basis points higher than in 3Q21 (2.61%), which considerably supported the Group's profitability. The NIM for 1-3Q22 reached 4.36%.

Net commission income in 1-3Q22 amounted to PLN606mn and showed a slight decrease of 2% y/y following considerable contraction of the item in 3Q22 (-13% q/q) resulting mainly from a negative impact (PLN18.5mn) of reimbursement the clients the commissions for temporary (bridge) insurance as a collateral of a mortgage loan. The mentioned reimbursement resulted from the decision of Competition and Consumer Protection Authority (UOKiK) which put into question securing by banks such a collateral. Also on the negative side, fees on management and distribution of mutual funds and other investment products contracted strongly as a result of unfavourable conditions on capital markets. On the other hand, the main source of the improvement in the income line was growing commissions from banking transactions (accounts, loans and cards) supported by fees from bancassurance activity.

Core income, defined as a combination of net interest and net commission income, reached PLN4 018mn in 1-3Q22 showing strong growth by 57% y/y and by 5% q/q in 3Q22, driving up the Group’s recurrent profitability.

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 turned negative in 1-3Q22 and amounted to PLN -116mn. The negative value reflects first of all significant part of the costs related to amicable settlements negotiated with FX mortgage borrowers (PLN379mn ytd) charged against FX income and other operating costs lines.

Total operating income of the Group reached PLN3 902mn in 1-3Q22 and showed significant increase by 48% y/y, mainly thanks to strong dynamics of net interest income, becoming the key factor of the Group’s efficiency improvement. The income for 3Q22 amounted to PLN1 405mn and increased by 5% q/q.

Total costs amounted to PLN1 625mn in 1-3Q22, translating into high 34% increase y/y, mainly due to much higher contribution to Banking Guarantee Fund (BFG) funds and contribution to the institutional protection scheme (‘IPS’) established by eight Polish banks. IPS cost for the Bank amounted to PLN276.1mn (pre-tax), most of which was booked in 2Q22, translating into a 294% y/y growth of BFG/IPS in 1-3Q22. Total costs excluding BFG fees grew 11% y/y and by 12 q/q%.

Operating costs *(PLNmn)*	**1-3Q22**	**1-3Q21**	**Change y/y**	**3Q22**	**2Q22**	**Change q/q**
Personnel costs	(678.1)	(613.3)	10.6%	(232.6)	(227.5)	2.3%
Other administrative costs	(946.5)	(594.9)	59.1%	(228.9)	(449.3)	-49.1%
of which Banking Guarantee Fund (BFG) fees and IPS contribution	*(396.8)*	*(100.7)*	*294.0%*	*(24.4)*	*(286.5)*	*-91.5%*
Total operating costs	(1 624.6)	(1 208.2)	34.5%	(461.5)	(676.8)	-31.8%
Total costs without BFG/IPS	*(1 227.8)*	*(1 107.5)*	*10.9%*	*(437.1)*	*(390.3)*	*12.0%*
Cost/income - reported	41.6%	45.9%	-4.2 pp	32.9%	50.6%	-17.8 pp
*Cost/income - adjusted **	*32.6%*	*43.1%*	-10.5 pp	*32.4%*	*30.6%*	1.8 pp

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

Personnel costs amounted to PLN678mn in 1-3Q22 and increased by 11% y/y (and by 2% q/q), mainly as a result of higher base salaries and bonuses compared to the corresponding period of the previous year, which reflects high inflationary pressure and growing salaries in the Polish economy during the reported period. The Group adjusts the number of its branches and personnel according to its current needs reflecting the growing importance of online channels while simultaneously keeping strong geographical presence in traditional outlets. At the end of September 2022, the total number of outlets was 633 and their number was reduced by 32 outlets vs. the end of September 2021. The number of Group’s employees amounted to 6 778 FTEs at the end of September 2022 and in annual terms it was reduced by 257 FTEs (-4% y/y). Without employees absent due to long leaves (‘active FTEs’), the headcount was much lower, i.e. at 6 219 staff.

Employment *(FTEs)*	30.09.2022	30.09.2021	Change y/y	30.06.2022	Change q/q
Bank Millennium S.A.	6 499	6 696	-2.9%	6 407	1.4%
Subsidiaries	279	339	-17.9%	328	-15.0%
Total Bank Millennium Group	6 778	7 035	-3.7%	6 735	0.6%
Total BM Group (active* FTEs)	6 219	6 366	-2.3%	6 139	1.3%

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

Other administrative costs (including depreciation) reached PLN947mn in 1-3Q22 and recorded high increase by 59% y/y due to higher contribution to BFG and the Protection Scheme mentioned above. Other administrative costs without contributions to BFG or the costs of IPS increased by 11% y/y due to higher marketing, legal and advisory costs and IT and telecommunication costs, compared to the corresponding period of the previous year. Legal costs resulting from negotiations and litigations with FX mortgage borrowers are additional burden to this cost group (PLN41.4mn in the reporting period, not including PLN34.3mn booked additionally in other operating costs).

Cost-to-income ratio for 1-3Q22 amounted to 41.6% and was lower by 4.2 percentage points vs. the level for 1-3Q21 (45.9%). Cost-to-income ratio without extraordinary items mentioned above (mainly legal costs and FX losses related to litigations/settlements with FX mortgage borrowers), reached record low level of 32.6% in 1-3Q22 and was 10.5 percentage points lower compared to 1-3Q21 level.

Net profit *(PLNmn)*	1-3Q22	1-3Q21	Change y/y	3Q22	2Q22	Change q/q
Operating income	3 901.6	2 635.0	48.1%	1 404.8	1 336.8	5.1%
Operating costs	(1 624.6)	(1 208.2)	34.5%	(461.5)	(676.8)	-31.8%
Impairment provisions and other cost of risk *	(266.8)	(217.0)	23.0%	(113.0)	(70.7)	59.9%
Other modifications**	(49.7)	-	-	(49.7)	-	-
FX legal risk related provision	(1 512.8)	(1 573.2)	-3.8%	(498.2)	(515.5)	-3.4%
Provision for credit holidays	(1 422.9)	0.0	-	(1 422.9)	0.0	-
Banking tax	(169.1)	(230.6)	-26.7%	(0.2)	(86.8)	-99.7%
Pre-tax profit	(1 144.2)	(593.9)	-	(1 140.7)	(13.0)	-
Income tax	(119.3)	(229.1)	-47.9%	139.8	(127.3)	-
Net profit - reported	(1 263.5)	(823.0)	-	(1 000.9)	(140.3)	-
Net profit - adjusted*	1 832.4	805.8	127.4%	704.5	637.3	10.6%

(*) impairment provisions for financial and non-financial assets including also fair value adjustment on loans (PLN 13.6mn in 1-3Q22 and PLN39.2mn in 1-3Q21) and loans modification effect (PLN-7.0mn in 1-3Q22 and PLN-9.4mn in 1-3Q21)

(**) the value of modification booked in 3Q22 resulting from amicable settlements with FX mortgage borrowers and referring to a specific group of such agreements. (PLN-49.7mn in the period)

(***) without extraordinary items, i.e. provision for credit holidays, provisions for FX mortgage legal risk, costs related to amicable settlements with borrowers of those loans, impact of payment to the Protection Scheme (IPS) and with linear distribution of BFG resolution fund fee

Total cost of risk, which comprised net impairment provisions, fair value adjustment of a part of credit portfolio and result on modifications (excluding the part related to settlements with FX mortgage borrowers), bore by the Group amounted to PLN267mn in 1-3Q22 and was 23% higher than in 1-3Q21 (60% increase q/q).

Risk charges for retail segment were the main driver of cost of risk increase and amounted to PLN256mn in 1-3Q22. Risk charge for corporate and other segments amounted to PLN11mn. In relative terms, the cost of risk (i.e. net charges to average gross loans) for 1-3Q22 reached 44 basis points, so it was 8 basis points higher vs. 1-3Q21 (36 basis points).

In 3Q22 the Group booked in modifications line a part of costs related to settlements with FX mortgage borrowers in the amount of PLN49.7mn.

In 3Q22, the Bank continued to create provisions for legal risk related to FX-mortgage portfolio, which were a significant item in P&L statement. In 3Q22 they were at similar level as in the previous quarters of the current financial year, reaching PLN498mn (PLN447mn excluding loans generated by former Euro Bank as they are subject to indemnity clauses and guarantees from Societe Generale). The balance of provisions increased to PLN5 270mn or PLN4 881mn excluding loans originated by Euro Bank, the latter being an equivalent of 41.3% of the FX-mortgage portfolio originated by Bank Millennium.

In 3Q22 the Bank booked the cost of credit holidays (resulting from Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers) in the amount of PLN1 423mn, which had significant adverse impact on pre-tax and net result as well as the capital position of the Group in the reported period (material positive operating profit for 1-3Q22 without that provision).

Pre-income tax result in 1-3Q22 was negative and amounted to PLN1 144mn (PLN594mn loss in 1-3Q21). This loss was mostly the result of the above-mentioned considerably high negative items such as: credit holidays provision, FX-mortgage provisions and one-off contribution to the IPS. The pre-provision profit (without credit holidays) in the analysed period amounted to PLN2 277mn and was up 60% y/y.

Banking tax was another burden to operating profit of the Group and in 1-3Q22 it amounted to PLN169mn . On July 15, 2022, in connection with emergence of risk of a breach of required level of capital ratios, the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSA and Bank Guarantee Fund. As a result, during the time of recovery process, the Bank is not due to pay banking tax.

In 3Q22, the Group reported net loss of PLN1 001mn (PLN1 264mn net loss for 1-3Q22). The net loss was higher than operating loss and pre-tax loss in 1-3Q22 due to negative impact of banking tax and corporate income tax (in the amount of PLN119mn, as most of FX-mortgage legal risk provisions and BFG costs are not tax deductible). Adjusted for the abovementioned extraordinary items (i.a. credit holidays provision, IPS contribution and FX-mortgage related costs) the Group would achieve the net profit of PLN1 832mn in 1-3Q22, which is 127% higher compared to adjusted 1-3Q21 net profit of PLN806mn. Adjusted net profit for 3Q22 would amount to PLN705mn, 11% higher than 2Q22 adjusted profit of PLN637mn.

Loans and advances to clients

Total net loans of Bank Millennium Group reached PLN78 966mn as at the end of September 2022 and grew by 2% y/y (1% decrease vs. the end of previous quarter). The growth of loans without foreign currency mortgage portfolio was higher, at 6% y/y. FX mortgage loans net of provisions decreased visibly during the last twelve months (down 24%) and the share of FX mortgage loans (excluding these taken over with Euro Bank) in total gross loans has dropped visibly during the year to 9.4% from 12.6% a year ago.

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

Loans and advances to clients *(PLNmn)*	30.09.2022	30.09.2021	Change y/y	30.06.2022	Change q/q
Loans to households	58 761.0	58 328.7	*0.7%*	59 556.6	*-1.3%*
- *PLN mortgage loans*	*34 850.1*	*31 752.0*	*9.8%*	*35 624.4*	*-2.2%*
- *FX mortgage loans*	*8 112.9*	*10 653.8*	*-23.8%*	*8 279.1*	*-2.0%*
- *of which Bank Millennium loans*	*7 414.6*	*9 856.7*	*-24.8%*	*7 601.9*	*-2.5%*
- *of which ex-Euro Bank loans*	*698.3*	*797.1*	*-12.4%*	*677.2*	*3.1%*
- *consumer loans*	*15 798.0*	*15 922.9*	*-0.8%*	*15 653.0*	*0.9%*
Loans to companies and public sector	20 204.5	18 950.9	*6.6%*	19 785.3	*2.1%*
- *leasing*	*7 114.3*	*6 657.1*	*6.9%*	*6 919.1*	*2.8%*
- *other loans to companies and factoring*	*13 090.2*	*12 293.8*	*6.5%*	*12 866.2*	*1.7%*
Net loans & advances to clients	**78 965.5**	**77 279.7**	*2.2%*	**79 341.9**	*-0.5%*
Net loans and advances to clients excluding FX mortgage loans	*70 852.6*	*66 625.9*	*6.3%*	*71 062.8*	*-0.3%*
Impairment write-offs	2 539.4	2 509.0	*1.2%*	2 384.7	*6.5%*
Gross* loans and advances to clients	**81 504.9**	**79 788.7**	*2.2%*	**81 726.6**	*-0.3%*

(*) Including, besides provisions for credit risk, also fair value adjustment of loan portfolio presented in fair value as well as modification. Includes also IFRS9 initial adjustment. Gross loan portfolio in this case presents value of loans and advances before mentioned provisions and adjustments.

The net value of loans to households amounted to PLN58 761mn as at the end of September 2022, showing a slight growth of 1% y/y (a decrease by 1% quarterly). Within this line, PLN mortgages grew considerably by 9% y/y, although contracted quarterly by 2% as quarterly disbursements decreased visibly in high interest rates environment. In 3Q22 disbursements of mortgage loans reached PLN1.4bn and fell by 37% vs. 3Q21.

The net value of consumer loans reached PLN15 798mn presenting a bit lower level compared to the balances one year ago (-1% y/y). Origination of cash loans in 3Q22 reached the value of PLN1.5bn i.e. 4% decrease vs. the level of relatively good 3Q21 (a growth by 8% vs. 2Q22).

Net value of loans to companies amounted to PLN20 205mn as at the end of September 2022 and increased by 7% y/y (+2% q/q).

Customers' deposits

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

Customer deposits *(PLN million)*	30.09.2022	30.09.2021	Change y/y	30.06.2022	Change q/q
Deposits of individuals	66 867.3	64 965.0	2.9%	65 165.2	2.6%
Deposits of companies and public sector	30 903.3	25 285.1	22.2%	30 956.8	-0.2%
Total deposits	97 770.6	90 250.1	8.3%	96 122.0	1.7%

Total deposits amounted to PLN97 771mn as at 30 September 2022 and presented a visible increase by 8% y/y (an increase by 2% q/q).

The main driver of this growth were deposits of companies and public sector, which reached PLN30 903mn as at the end of September 2022 translating into a strong growth of 22% y/y (stable quarterly).

Deposits of individuals reached PLN66 867mn as on 30 September 2022, and increased 3% y/y (similar scale of quarterly increase). Out of this item, term deposits grew strongly by 82% y/y as they became more attractive to clients along with growing market interest rates whereas current and saving accounts of individuals fell by 12% y/y.

LIQUIDITY, ASSET QUALITY AND SOLVENCY

The liquidity position of Bank Millennium Group remained strong during 3Q22. LCR ratio at 165% as at the end of September 2022 was materially above the 100% minimum. Loan-to-deposit ratio remained at low level (81%) and the share of liquid securities (mainly treasury bonds and NBP bills) in Group's total assets remained considerable at 14%.

Group loans quality and liquidity indicators *(PLNmn)*	**3Q22**	**3Q21**	**Change y/y**	**2Q22**	**Change q/q**
Total impaired loans	3 702	3 712	-10	3 507	195
Impairment provisions	2 495	2 437	58	2 333	162
FV correction	44	72	-28	52	-8
Total impairment provisions and FV correction	2 539	2 509	30	2 385	155
Impaired over total loans ratio (%)	4.54%	4.65%	-0.11%	4.29%	0.25%
Loans past-due over 90 days /total loans (%)	2.25%	2.53%	-0.28%	2.07%	0.18%
Coverage ratio (Total provisions + FV correction/impaired loans) (%)	68.60%	67.58%	1.01%	68.01%	0.59%
Total provisions and FV correction/loans past-due (>90d) (%)	138.37%	124.28%	14.09%	140.82%	-2.46%
Liquidity Coverage Ratio (LCR) for Group	165%	184%	-19%	158%	7%

The Group continued to exhibit a very good asset quality among Polish banks: the share of impaired loans in total loan portfolio remained at the low level of 4.54%. The share of loans past-due more than 90 days in total portfolio decreased from 2.53% in September 2021 to 2.25% at the end of September 2022.

Coverage ratio of impaired loans increased during the year from 67.58% at the end of September 2022 to 68.60% at the end of September 2022. Coverage of loans past-due by more than 90 days also increased during the year from 124.28% up to 138.37%, because of increase of provisions level on delayed cases.

In the mortgage portfolio impaired loan ratio increased from 2.24% in September 2021 and 2.17% at the end of 2021 to 2.54%, all other retail products showed an decrease from 11.21% to 10.14% at the end of September 2022. Deterioration was observed in the leasing portfolio (from 3.18% to 4.07%). In the corporate portfolio, the ratio was improved from 4.27% to 3.57%.

War in Ukraine – impact on credit portfolio

On February 24, 2022, Russia invaded Ukraine causing dramatic humanitarian crisis and significant changes in the economic environment. The international community reacted by progressive implementation of sanctions against Russia and Belarus and by revising strategic assumptions regarding international economy. Business relations with Russian and Belarusian governments and companies have been significantly reduced, which have indirect consequences in the form of limited supply and rising prices of some raw materials on global market, disrupted supply chains and high prices of energy and fuel. Changed economic conditions have a negative impact on the entire economy, on the situation of both enterprises and consumers. The Bank monitors the portfolio of clients particularly exposed to identified risks and implements appropriate mitigating measures.

Impact on Bank Millennium portfolio – September 2022

Retail: The portfolio to citizens of Ukraine that are resident in Poland amounts to approximately PLN1.2bn what represents 1.7% of Bank's retail portfolio and approx. 1.2% of the Group Loan Portfolio. Consumer Loans represents 58% the portfolio to citizens of Ukraine, while remaining part are Mortgage Loans granted to finance real estates in Poland. The Bank has already implemented dedicated strict monitoring of quality of portfolio of loans to foreigners and implemented efficient risk management measures in this portfolio. As of September 2022, Bank does not observe significant signs of deterioration of quality of portfolio.

Corporate: The BM Group does not finance residents from Ukraine, Belarus, Russia. After the outbreak of the conflict in Ukraine, the BM reviewed the credit exposures of companies potentially most affected by the conflict (the criterion was more than 15% share in the structure of suppliers or the share of sales to these 3 countries above 15% or the dominant share capital from these countries or direct capital investments in in these countries exceeding 15% of equity). The involvement of the selected enterprises amounts to approximately PLN383mn, which accounts for 1.5% of the BM Group's enterprise portfolio and approximately 0.4% of the entire BM Group's loan portfolio (data as at 30/09/2022, balance sheet and off-balance sheet exposure). The companies selected on the basis of the criteria described above have implemented measures to minimize the risk resulting from the conflict in Ukraine, which allowed them to diversify their supply chains and customers' structure. At present, the Bank assesses the risk of the impact of the conflict in Ukraine on the financial standing of these enterprises as low. Nevertheless, the general consequences of changes in the economic situation (related to an increase in energy, fuel and raw material prices) on the condition of enterprises are still difficult to estimate and require close monitoring.

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).

In 3Q22 compared to the previous quarter, Group TCR decreased by 283bp, and regarding T1 and CET1 the change was similar (decrease by 267bp).

Main capital indicators* *(PLNmn)*	**3Q22**	**3Q21**	**Change y/y**	**2Q22**	**Change q/q**
Risk-weighted assets (RWA) for Group	52 587.1	50 220.2	2 366.9	49 819.7	2 767.4
Risk-weighted assets (RWA) for Bank	52 085.5	49 721.7	2 363.8	49 487.2	2 598.3
Own funds requirements for Group	4 207.0	4 017.2	189.8	3 985.6	221.4
Own funds requirements for Bank	4 166.8	3 977.7	189.1	3 959.0	207.8
Own funds for Group	6 497.2	9 123.8	-2 626.6	7 570.1	-1 072.9
Own funds for Bank	6 472.1	8 957.8	-2 485.7	7 552.3	-1 080.2
Total Capital Ratio (TCR) for Group	12.36%	18.17%	-5.8	15.19%	-2.8
Minimum required level TCR	13.54%	14.10%	-0.6	13.54%	0.0
Total Capital Ratio (TCR) for Bank	12.43%	18.02%	-5.6	15.26%	-2.8
Tier 1 ratio for Group	9.45%	15.12%	-5.7	12.12%	-2.7
Minimum required level T1	10.84%	11.27%	-0.4	10.84%	0.0
Tier 1 ratio for Bank	9.49%	14.94%	-5.4	12.17%	-2.7
Common Equity Tier 1 (=T1) ratio for Group	9.45%	15.12%	-5.7	12.12%	-2.7
Minimum required level CET1	8.81%	11.27%	-2.5	8.81%	0.0
Common Equity Tier 1 (=T1) ratio for Bank	9.49%	14.94%	-5.4	12.17%	-2.7
Leverage Ratio (LR) for Group	4.28%	7.09%	-2.8	5.41%	-1.1

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

The drop of capital ratios was driven mainly by the fall of own funds by PLN1,073mn (by 14.2%), being before all a result of a creation of provisions to "Credit holidays" assistance program and further creation of legal risk provisions. Those both drivers influenced negative net result amounted to PLN1,264mn. Risk-weighted assets rose by PLN2,767mn (by 5.6%).

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 2021 in the level of 2.82pp (Bank) and 2.79pp (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 2.11pp in the Bank and of 2.09pp in the Group, and which corresponds to capital requirements over CET 1 ratio of 1.58pp in the Bank and 1.56pp in 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.

Bank and Group do not meet above capital limits in terms of combined buffer requirements what was announced in the current report no 21/2022. In accordance to the regulations, Bank developed the Capital Restoration Plan, which was delivered to KNF. The Plan assumes a restoration of capital adequacy in the 2nd half of 2023.

In April 2022 the Bank received the joint decision of the resolution authorities obliging to meet MREL requirements. At the moment of communication of the decision, the Bank at the consolidated level is obliged to meet the minimum MRELtrea requirements of 15.60% and MRELtem of 3.00%. At the individual level, the minimum MRELtrea was set at 15.55% and MRELtem 3.00%. Additionally, the above mentioned decision sets updated minimum requirements that must be met by December 31, 2023, along with mid-term objectives. Having reference to that, the Bank prepared a Eurobond Issue Programme of the total nominal value not higher than EUR 3 billion, what was communicated in a current report in January 2022. More details are available in the 'MREL requirements' section.

INFORMATION ON SHARES AND RATINGS

Following strong equity returns in 2021, beginning of the year brought an abrupt end with an outbreak of war in Ukraine on February 24 sending prices of equities, bonds, FX and many other asset classes spiralling down. On the day of the Russian attack on Ukraine, WIG index lost 11% and the WIG-Banks index lost 15%. Equity markets started to recover in early March with recovering CEE currencies and somewhat lessened risk aversion towards the whole CEE region. The uptrend lasted until the end of March, when heightened stagflation (or GDP growth slowdown risk at the very least) risks started to outweigh seemingly attractive valuations and Polish equities returned to their downward trend.

In 3Q22, brought mixed performance of Polish equities with recovery of indices in July and early August and further deepening of losses thereafter, as risk aversion returned globally.

All in all, 9M22 brought 34% drop of WIG index, 47% drop of WIG Bank and 60% drop of Bank Millennium's share price.

During the 12 months ending 30 September 2022, WIG broad market index fell 35%, WIG20 index of largest companies and WIG Banks decreased by 40%. At the same time Bank Millennium shares lost 51% as well.

Bank Millennium: ytd share price performance vs. WIG Banks

In 9M22, the average daily turnover of Bank Millennium shares was 5% higher compared to the same period last year.

Market ratios	30.09.2022	30.12.2021(*)	Change y-t-d	30.09.2021	Change y/y
Number of Bank's shares ('000)	1 213 117	1 213 117	0.00%	1 213 117	0.00%
Average daily turnover in annual terms (in PLN'000)	8 052			7 639	5.4%
Bank's share price (PLN)	3.33	8.20	-59.3%	6,74	-50.6%
Market capitalisation of the Bank (PLNmn)	4 042	9 941	-59.3%	8 176	-50.6%
WIG Banks	4 571	8 640	-47.1%	7 658	-40.3%
WIG20	1 378	2 267	-39.2%	2 310	-40.4%
WIG30	1 689	2 765	-38.9%	2 801	-39.7%
WIG - main index	45 971	69 296	-33.7%	70 341	-34.6%

(*) the last day of quotation in 2021

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 27 January 2022, rating agency Moody's affirmed Bank Millennium S.A.'s (BM) long and short-term bank deposit ratings at Baa1/Prime-2, both the Baseline Credit Assessment (BCA) and Adjusted BCA at baa3, the Counterparty Risk Assessment (CRA) at A3(cr)/Prime-2(cr) and the Counterparty Risk Ratings (CRR) at A3/Prime-2. Concurrently, Moody's maintains a stable outlook on BM's long-term deposit ratings. The rating affirmation reflects Moody's expectation that the bank will be able to absorb adverse impacts from its legacy Swiss franc mortgages exposure over the next 12 to 18 months, based on the bank's strong financial flexibility, a result of above-peer efficiency and revenue generation (details in CR 3/2022, Current reports - Investor relations - Bank Millennium).

On April 7, 2022, rating agency Moody's Investors Service (Moody's Deutschland GmbH) has assigned (P)Baa3 junior senior unsecured EMTN program ratings to the Bank. All other ratings and assessments remained unaffected by this rating action (Rating of EUR3bn EMTN programme by Moody's).

On July 20, 2022 Moody's rating agency downgraded Bank's long-term and short-term ratings to following levels:

Long-term Bank Deposits Rating: Baa3 (previously Baa1),

Baseline Credit Assessment (BCA) and adjusted BCA: ba2 (previously baa3),

Long-term Counterparty Risk Assessment: (CRA): Baa2(cr) (previously A3(cr)),

Long-term Counterparty Risk Ratings (CRR): Baa2 (previously A3),

Short-term Bank Deposit Rating: P-3 (previously P-2),

Junior senior unsecured MTN program rating: (P)Ba2 (previously (P)Baa3).

As a part of the rating action, Moody's also placed all long-term and short-term ratings and assessments of the Bank on review for further downgrade (details in CR 22/2022, Current reports - Investor relations - Bank Millennium). In their report, Moody's stated, among others, that 'The rating action follows BM's (Bank's) announcement that it expects its capital ratios to drop below regulatory minimum capital requirements as a result of the implementation of new borrower-friendly legislation in Poland, the key component of which is a loan moratorium scheme for Polish Zloty (PLN) mortgage borrowers'.

On August 5, 2022 Fitch rating agency downgraded Bank's long-term and short-term ratings to following levels:

Long-term Issuer Default Rating (IDR) to 'BB' (previously 'BBB-'). The Outlook is Stable,

Short-term Issuer Default Rating (IDR) to 'B' (previously 'F3'),

Bank's Viability Rating (VR) to 'bb' (previously 'bbb-'),

National Long-term Rating to 'BBB+(pol)' (previously 'A(pol)').

The National Short-term Rating has been affirmed at 'F1(pol)'.

Fitch has withdrawn Millennium's Support Rating as it is no longer relevant to the agency's coverage following the publication of its updated Bank Rating Criteria on 12 November 2021. In line with the updated criteria, Fitch has assigned the Bank a Shareholder Support Rating (SSR) of 'b' (details in CR 25/2022, Current reports - Investor relations - Bank Millennium). In their report Fitch stated, among others, that: 'Millennium's ratings reflect capital pressures predominantly from above-average exposure of the bank to products which have become the subject of government or judicial intervention negatively impacting reported profitability. At the same time, they are supported by solid franchise, reasonable core profitability and asset quality as well as strong funding and liquidity profile.'

The Bank's corporate ratings, as at 30 September 2022, were as follows:

Rating	MOODY'S
Long-term deposit	Baa3
Short-term deposit	Prime-3
Baseline Credit Assessment (BCA)/Adj. BCA	ba2
Counterparty Risk Assessment (CRA)	Baa2(cr)/Prime-2(cr)
Rating outlook	Rating(s) under review

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	stable

Date	Name and surname	Position/Function	Signature
21.10.2022	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
21.10.2022	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
21.10.2022	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
21.10.2022	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
21.10.2022	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
21.10.2022	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
21.10.2022	Jarosław Hermann	Member of the Management Board	Signed by a qualified electronic signature

Consolidated report of the Bank Millennium S.A. Capital Group for 3rd quarter of 2022

Contents

Condensed interim consolidated financial statements of the Bank Millennium s.a. Capital Group for the 9 months ended 30 September 2022

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 a 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 30 September 2022

Composition of the Supervisory Board as at 30 September 2022 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 30 September 2022 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 30 September 2022, 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
MILLENNIUM FINANCIAL SERVICES Sp. z o.o.	the company is not yet operating	Warsaw	100	100	full consolidation
Piast Expert Sp. z o.o. in liquidation	marketing services	Tychy	100	100	full consolidation
LUBUSKIE FABRYKI MEBLI S.A. in liquidation	furniture manufacturer	Świebodzin	50 (+1 share)	50 (+1 share)	equity method valuation **

** The Bank and Millennium Dom Maklerski made a decision on the Demerger by including the brokerage activity in the Bank's structures, while the organized part of the enterprise conducting activities not related brokerage services changed its name to Millennium Consulting S.A., more information on the issue is presented in Chapter 11.8 "Other additional information and events after the balance sheet date" .*

*** 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 2021.

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 nine months ending September 30, 2022.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2022 to 30 September 2022:

- 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.

These condensed interim consolidated financial statements have been prepared on the assumption that the Group will continue as going concerns.

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 recognized a one-off cost in the third quarter in the amount of PLN 1,422.9 million (of which PLN 1,384.6 million related to the Bank, while the costs of PLN 38.3 million were charged to Millennium Bank Hipoteczny S.A.).

For the three quarters period ended September 30, 2022, the Group incurred a financial loss. The financial loss of the Group in the amount of PLN 1,263.5 million was mainly caused by the above mentioned Act and by the creation of provisions for legal risk related to the portfolio of foreign currency mortgage loans (excluding Euro Bank) in the amount of PLN 1,365.9 million, additional costs incurred with individual amicable settlements with FX mortgage borrowers and with legal costs (more information on the issue is presented in Chapter 10 “Legal risk related to foreign currency mortgage loans”). Beside of aforementioned costs the Bank incurred single-row costs of the reserve related to the establishment of the Institutional Protection Scheme amounting to PLN 223,7 million net (after taking into account the tax effect).

Due to costs generated as a result of the above mentioned Act, and as informed by the Bank, 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 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 submited 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).

The Management Board of the Bank intends to increase 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).

The Bank will monitor, on the current basis, the financial situation and, if needed, will undertake actions to launch additional remedial activities.

The Bank would like to emphasise that the only reason for forecasted exceeding of the leading indicators of the Recovery Plan in the area of capital were external factors independent from the Bank, in the form of the announcement of the Act on Crowdfunding and the need to recognise the cost of Credit Holidays.

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 possible failure to meet capital solvency ratios in subsequent reporting periods - the Bank's Management Board based on the analyzes 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 above mentioned Act introduced also:

- ✓ a process leading to the WIBOR interest rate benchmark being replaced with a new benchmark. Act contains only a legal delegation to announce new benchmark by means of a Decree of Ministry of Finance. Due to the lack of information on the details of potential new index that will be replacing WIBOR, it is not possible to estimate the potential impact of the above changes in the future.

- ✓ contribution in amount of PLN 1,4 billion to Borrowers’ Support Fund till the end of 2022 year to be made by banking sector. There is no information yet on the exact amount that the Bank will be obliged to contribute to the Fund. The Act introduces several conditions enabling the release from the obligation to make a payment to the Fund. The Bank believes that such conditions apply to the Bank.

The Management Board approved these condensed consolidated interim financial statements on 21st October 2022.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Net interest income		3 411 305	1 271 384	1 946 044	668 878
Interest income and other of similar nature	1	4 381 556	1 830 317	2 036 306	696 410
Income calculated using the effective interest method		4 428 133	1 845 496	1 977 739	678 899
Interest income from Financial assets at amortised cost		4 096 425	1 711 758	1 870 914	645 549
Interest income from Financial assets at fair value through other comprehensive income		331 708	133 738	106 825	33 350
Result of similar nature to interest from Financial assets at fair value through profit or loss		(46 577)	(15 179)	58 567	17 511
Interest expenses	2	(970 251)	(558 933)	(90 262)	(27 532)
Net fee and commission income		606 308	179 370	615 652	201 565
Fee and commission income	3	768 262	239 857	751 746	251 897
Fee and commission expenses	4	(161 954)	(60 487)	(136 094)	(50 332)
Dividend income		3 413	353	3 438	735
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	(1 968)	(475)	10 238	973
Results on financial assets and liabilities held for trading	6	1 494	6 661	(7 145)	(1 112)
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	11 026	8 685	53 808	43 348
Result on hedge accounting		(5 578)	(2 231)	(1 754)	(1 480)
Result on exchange differences		(185 187)	(62 172)	(76 861)	(89 173)
Other operating income		210 701	69 723	210 689	94 249
Other operating expenses		(136 303)	(58 396)	(79 869)	(27 197)
Administrative expenses	8	(1 468 157)	(409 328)	(1 057 305)	(352 116)
Impairment losses on financial assets	9	(261 923)	(114 348)	(241 368)	(125 519)
Impairment losses on non-financial assets		(2 745)	224	(5 387)	(448)
Provisions for legal risk connected with FX mortgage loans	10	(1 512 780)	(498 150)	(1 573 157)	(526 113)
Cost of credit holidays resulting from Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers		(1 422 893)	(1 422 893)	0	0
Result on modification		(65 411)	(56 607)	(9 436)	(2 705)
Depreciation		(156 446)	(52 219)	(150 870)	(50 195)
Share of the profit of investments in subsidiaries		0	0	0	0
Banking tax		(169 063)	(239)	(230 599)	(78 631)
Profit before income taxes		(1 144 207)	(1 140 658)	(593 882)	(244 941)
Corporate income tax	11	(119 296)	139 756	(229 074)	(66 367)
Profit after taxes		(1 263 503)	(1 000 902)	(822 956)	(311 308)
Attributable to:					
Owners of the parent		(1 263 503)	(1 000 902)	(822 956)	(311 308)
Non-controlling interests		0	0	0	0
Weighted average number of outstanding ordinary shares (pcs.)		1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Profit (loss) per ordinary share (in PLN)		(1,04)	(0,83)	(0,68)	(0,26)

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Profit after taxes	(1 263 503)	(1 000 902)	(822 956)	(311 308)
Other comprehensive income items that may be (or were) reclassified to profit or loss	(695 440)	108 590	(352 912)	(106 412)
Result on debt securities	(482 730)	136 284	(278 691)	(71 032)
Hedge accounting	(212 710)	(27 694)	(74 221)	(35 380)
Other comprehensive income items that will not be reclassified to profit or loss	(43)	(16)	(29)	(43)
Actuarial gains (losses)	0	0	0	0
Result on equity instruments	(43)	(16)	(29)	(43)
Total comprehensive income items before taxes	(695 483)	108 574	(352 941)	(106 455)
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	132 134	(20 632)	67 053	20 217
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	8	3	6	9
Total comprehensive income items after taxes	(563 341)	87 945	(285 882)	(86 229)
Total comprehensive income for the period	(1 826 844)	(912 957)	(1 108 838)	(397 537)
Attributable to:				
Owners of the parent	(1 826 844)	(912 957)	(1 108 838)	(397 537)
Non-controlling interests	0	0	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Cash, cash balances at central banks		10 131 930	5 810 033	3 179 736	1 977 706
Financial assets held for trading	12	469 779	251 444	172 483	283 545
Derivatives		321 343	220 865	85 900	133 313
Equity instruments		88	105	145	140
Debt securities		148 347	30 474	86 438	150 092
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers		255 329	249 085	265 903	194 622
Equity instruments		186 631	120 092	138 404	139 178
Debt securities		68 697	128 993	127 499	55 444
Financial assets at fair value through other comprehensive income	13	14 000 568	17 786 074	17 997 699	21 015 843
Equity instruments		28 790	28 791	28 727	29 514
Debt securities		13 971 779	17 757 283	17 968 972	20 986 329
Loans and advances to customers	14	78 965 473	79 341 857	78 603 326	77 279 678
Mandatorily at fair value through profit or loss		135 100	189 813	362 992	497 780
Valued at amortised cost		78 830 373	79 152 044	78 240 334	76 781 898
Financial assets at amortised cost other than Loans and advances to customers	15	3 332 902	2 703 565	1 076 456	624 781
Debt securities		2 142 156	1 615 236	37 088	37 156
Deposits, loans and advances to banks and other monetary institutions		1 186 220	1 080 106	770 531	578 225
Reverse sale and repurchase agreements		4 526	8 223	268 837	9 400
Derivatives – Hedge accounting	16	0	0	14 385	4 953
Investments in subsidiaries, joint ventures and associates		0	0	0	0
Tangible fixed assets		530 658	539 860	549 788	533 736
Intangible fixed assets		415 034	397 897	392 438	377 321
Income tax assets		948 301	745 756	785 750	687 593
Current income tax assets		3 111	8 715	8 644	8 891
Deferred income tax assets	18	945 190	737 041	777 106	678 702
Other assets		1 133 811	1 023 199	857 650	793 293
Non-current assets and disposal groups classified as held for sale		9 988	9 446	18 294	18 409
Total assets		**110 193 773**	**108 858 216**	**103 913 908**	**103 791 480**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.09.2022	30.06.2022	31.12.2021	30.09.2021
LIABILITIES					
Financial liabilities held for trading	12	306 875	248 957	143 016	109 499
Derivatives		301 206	238 749	126 402	88 151
Liabilities from short sale of securities		5 669	10 208	16 614	21 348
Financial liabilities measured at amortised cost		100 701 560	98 222 501	93 585 673	92 609 308
Liabilities to banks and other monetary institutions	19	603 646	546 837	539 408	529 445
Liabilities to customers	20	97 770 565	96 122 029	91 447 515	90 250 053
Sale and repurchase agreements	21	763 502	0	18 038	0
Debt securities issued	22	0	0	39 568	290 594
Subordinated debt	23	1 563 847	1 553 635	1 541 144	1 539 216
Derivatives – Hedge accounting	16	988 841	832 073	614 573	334 770
Provisions	24	926 153	759 094	595 530	378 644
Pending legal issues		889 301	720 755	551 176	331 512
Commitments and guarantees given		36 852	38 339	44 354	47 132
Income tax liabilities		29 094	25 215	1 496	22 688
Current income tax liabilities		29 094	25 215	1 496	22 688
Deferred income tax liabilities	18	0	0	0	0
Other liabilities		2 375 470	2 991 640	2 276 374	2 357 807
Total Liabilities		**105 327 993**	**103 079 480**	**97 216 662**	**95 812 716**
EQUITY					
Share capital		1 213 117	1 213 117	1 213 117	1 213 117
Own shares		(21)	(21)	(21)	(3 395)
Share premium		1 147 502	1 147 502	1 147 502	1 147 502
Accumulated other comprehensive income		(1 421 974)	(1 509 919)	(858 633)	(86 025)
Retained earnings		3 927 156	4 928 057	5 195 281	5 707 565
Total equity		4 865 780	5 778 736	6 697 246	7 978 764
Total equity and total liabilities		**110 193 773**	**108 858 216**	**103 913 908**	**103 791 480**

Book value of net assets		4 865 780	5 778 736	6 697 246	7 978 764
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)		4,01	4,76	5,52	6,58

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total consolidated equity	Share capital	Own shares	Share premium	Accumulated other comprehensive income	Retained earnings	
						Unappropriated result	Other reserves
01.01.2022 - 30.09.2022							
Equity at the beginning of the period	**6 697 246**	**1 213 117**	**(21)**	**1 147 502**	**(858 633)**	**(1 198 425)**	**6 393 706**
Total comprehensive income for period (net)	(1 826 844)	0	0	0	(563 341)	(1 263 503)	0
net profit/ (loss) of the period	(1 263 503)	0	0	0	0	(1 263 503)	0
valuation of debt securities	(391 011)	0	0	0	(391 011)	0	0
valuation of shares	(35)	0	0	0	(35)	0	0
hedge accounting	(172 295)	0	0	0	(172 295)	0	0
Purchase and transfer of own shares to employees	(4 623)	0	0	0	0	0	(4 623)
Transfer between items of reserves	0	0	0	0	0	1 388 118	(1 388 118)
Equity at the end of the period	**4 865 780**	**1 213 117**	**(21)**	**1 147 502**	**(1 421 974)**	**(1 073 810)**	**5 000 965**
01.07.2022 - 30.09.2022							
Equity at the beginning of the period	**5 778 736**	**1 213 117**	**(21)**	**1 147 502**	**(1 509 919)**	**(72 908)**	**5 000 965**
Total comprehensive income for period (net)	(912 957)	0	0	0	87 945	(1 000 902)	0
net profit/ (loss) of the period	(1 000 902)	0	0	0	0	(1 000 902)	0
valuation of debt securities	110 390	0	0	0	110 390	0	0
valuation of shares	(13)	0	0	0	(13)	0	0
hedge accounting	(22 432)	0	0	0	(22 432)	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	0	0
Equity at the end of the period	**4 865 780**	**1 213 117**	**(21)**	**1 147 502**	**(1 421 974)**	**(1 073 810)**	**5 000 965**
01.01.2021 - 31.12.2021							
Equity at the beginning of the period	**9 090 976**	**1 213 117**	**(21)**	**1 147 502**	**199 857**	**156 258**	**6 374 263**
Total comprehensive income for period (net)	(2 390 356)	0	0	0	(1 058 490)	(1 331 866)	0
net profit/ (loss) of the period	(1 331 866)	0	0	0	0	(1 331 866)	0
valuation of debt securities	(791 803)	0	0	0	(791 803)	0	0
valuation of shares	(666)	0	0	0	(666)	0	0
hedge accounting	(270 938)	0	0	0	(270 938)	0	0
actuarial gains/losses	4 917	0	0	0	4 917	0	0
Purchase and transfer of own shares to employees	(3 374)	0	0	0	0	0	(3 374)
Transfer between items of reserves	0	0	0	0	0	(22 817)	22 817
Equity at the beginning of the period	**6 697 246**	**1 213 117**	**(21)**	**1 147 502**	**(858 633)**	**(1 198 425)**	**6 393 706**
01.01.2021 - 30.09.2021							
Equity at the beginning of the period	**9 090 976**	**1 213 117**	**(21)**	**1 147 502**	**199 857**	**156 258**	**6 374 263**
Total comprehensive income for period (net)	(1 108 838)	0	0	0	(285 882)	(822 956)	0
net profit/ (loss) of the period	(822 956)	0	0	0	0	(822 956)	0
valuation of debt securities	(225 740)	0	0	0	(225 740)	0	0
valuation of shares	(23)	0	0	0	(23)	0	0
hedge accounting	(60 119)	0	0	0	(60 119)	0	0
Purchase and transfer of own shares to employees	(3 374)	0	(3 374)	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	(15 636)	15 636
Equity at the end of the period	**7 978 764**	**1 213 117**	**(3 395)**	**1 147 502**	**(86 025)**	**(682 334)**	**6 389 899**

CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Profit (loss) after taxes	(1 263 503)	(1 000 902)	(822 956)	(311 308)
Total adjustments:	7 516 049	2 131 178	4 434 512	(1 308 625)
Interest received	4 018 008	1 663 294	2 064 209	734 209
Interest paid	(741 316)	(423 399)	(90 542)	(29 999)
Depreciation and amortization	156 446	52 219	150 870	50 195
Foreign exchange (gains)/ losses	0	0	0	0
Dividends	(3 413)	(353)	(3 438)	(735)
Changes in provisions	330 623	167 059	219 994	(29 657)
Result on sale and liquidation of investing activity assets	1 081	(271)	(10 129)	(491)
Change in financial assets held for trading	(492 925)	(250 352)	51 722	(123 484)
Change in loans and advances to banks	(292 407)	(110 678)	193 947	(90 983)
Change in loans and advances to customers	(4 030 230)	(1 141 346)	(5 484 951)	(2 138 517)
Change in receivables from securities bought with sell-back clause (loans and advances)	242 419	(9 041)	56 950	8 961
Change in financial liabilities valued at fair value through profit and loss (held for trading)	538 128	214 686	(463 134)	115 372
Change in deposits from banks	217 430	125 071	(426 866)	(185 891)
Change in deposits from customers	6 996 499	2 041 311	8 822 977	279 274
Change in liabilities from securities sold with buy-back clause	790 065	784 472	(248 518)	39
Change in debt securities	(39 043)	0	(265 425)	(19 922)
Change in income tax settlements	122 920	(127 170)	232 938	70 165
Income tax paid	(125 733)	(83 411)	(195 687)	(42 642)
Change in other assets and liabilities	(248 840)	(807 275)	(203 377)	85 601
Other	76 338	36 363	32 972	9 880
Net cash flows from operating activities	**6 252 546**	**1 130 276**	**3 611 556**	**(1 619 933)**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Inflows:	1 302 454	5 682	10 710	461 397
Proceeds from sale of property, plant and equipment and intangible assets	12 301	5 329	7 272	322
Proceeds from sale of shares in related entities	0	0	0	0
Proceeds from sale of investment financial assets	1 286 740	0	0	460 340
Other	3 413	353	3 438	735
Outflows:	(102 263)	(671 611)	(832 395)	(34 028)
Acquisition of property, plant and equipment and intangible assets	(102 263)	(51 971)	(59 714)	(34 028)
Acquisition of shares in related entities	0	0	0	0
Acquisition of investment financial assets	0	(619 640)	(772 681)	0
Other	0	0	0	0
Net cash flows from investing activities	**1 200 191**	**(665 929)**	**(821 685)**	**427 369**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Inflows from financing activities:	0	0	0	0
Long-term bank loans	0	0	0	0
Issue of debt securities	0	0	0	0
Increase in subordinated debt	0	0	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0	0	0
Other inflows from financing activities	0	0	0	0
Outflows from financing activities:	(181 370)	(82 069)	(127 043)	(35 397)
Repayment of long-term bank loans	(125 343)	(55 000)	(89 147)	(19 300)
Redemption of debt securities	0	0	0	0
Decrease in subordinated debt	0	0	0	0
Issue of shares expenses	0	0	0	0
Redemption of shares	0	0	0	0
Dividends paid and other payments to owners	0	0	0	0
Other outflows from financing activities	(56 027)	(27 069)	(37 896)	(16 097)
Net cash flows from financing activities	**(181 370)**	**(82 069)**	**(127 043)**	**(35 397)**

D. Net cash flows. Total (A + B + C)	7 271 367	382 278	2 662 828	(1 227 961)
- including change resulting from FX differences	13 725	8 904	**3 357**	**5 283**
E. Cash and cash equivalents at the beginning of the reporting period	3 372 244	10 261 333	1 586 434	5 477 223
F. Cash and cash equivalents at the end of the reporting period (D + E)	10 643 611	10 643 611	4 249 262	4 249 262

4. NOTES TO CONSOLIDATED FINANCIAL DATA

1) INTEREST INCOME AND OTHER OF SIMILAR NATURE

	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Interest income from Financial assets at fair value through other comprehensive income	331 708	133 738	106 825	33 350
Debt securities	331 708	133 738	106 825	33 350
Interest income from Financial assets at amortised cost	4 096 425	1 711 758	1 870 914	645 549
Balances with the Central Bank	108 174	54 026	315	109
Loans and advances to customers	3 822 972	1 590 188	1 793 850	621 981
Debt securities	45 720	26 092	449	148
Deposits, loans and advances to banks	14 264	7 484	(109)	(53)
Transactions with repurchase agreements	21 892	12 739	0	0
Hedging derivatives	83 403	21 229	76 409	23 364
Result of similar nature to interest, including:	(46 577)	(15 179)	58 567	17 511
Loans and advances to customers mandatorily at fair value through profit or loss	23 026	6 404	48 969	13 751
Financial assets held for trading - derivatives	(72 908)	(23 367)	9 164	3 612
Financial assets held for trading - debt securities	3 305	1 784	434	148
Total	**4 381 556**	**1 830 317**	**2 036 306**	**696 410**

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 of 2022 contains interest accrued on impaired loans in the amount of PLN 110,994 thous. (for corresponding data in the year 2021 the amount of such interest stood at PLN 79,682 thous.).

2) INTEREST EXPENSES AND OTHER OF SIMILAR NATURE

	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Financial liabilities measured at amortised cost	(970 251)	(558 933)	(90 260)	(27 532)
Liabilities to banks and other monetary institutions	(24 602)	(10 015)	(4 790)	(1 273)
Liabilities to customers	(821 014)	(492 387)	(47 005)	(13 717)
Transactions with repurchase agreement	(44 601)	(20 970)	(48)	(39)
Debt securities issued	(525)	0	(3 152)	(788)
Subordinated debt	(73 622)	(33 673)	(29 202)	(9 834)
Liabilities due to leasing agreements	(5 887)	(1 888)	(6 063)	(1 881)
Other	0	0	(2)	0
Total	**(970 251)**	**(558 933)**	**(90 262)**	**(27 532)**

3) FEE AND COMMISSION INCOME

	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Resulting from accounts service	105 745	32 213	99 919	31 340
Resulting from money transfers, cash payments and withdrawals and other payment transactions	67 550	23 174	57 835	20 111
Resulting from loans granted	152 916	35 924	156 408	51 781
Resulting from guarantees and sureties granted	10 463	3 401	9 928	3 269
Resulting from payment and credit cards	199 744	71 265	172 712	63 886
Resulting from sale of insurance products	125 419	41 845	118 555	35 667
Resulting from distribution of investment funds units and other savings products	27 970	7 212	49 879	15 062
Resulting from brokerage and custody service	11 538	3 839	12 939	3 682
Resulting from investment funds managed by the Group	43 042	12 862	52 134	19 526
Other	23 875	8 122	21 437	7 573
Total	768 262	239 857	751 746	251 897

4) FEE AND COMMISSION EXPENSE

	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Resulting from accounts service	(14 468)	(6 511)	(2 686)	(1 716)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(4 200)	(1 653)	(3 435)	(1 169)
Resulting from loans granted	(20 425)	(7 256)	(21 873)	(7 914)
Resulting from payment and credit cards	(78 398)	(29 566)	(65 976)	(25 854)
Resulting from brokerage and custody service	(2 154)	(695)	(2 356)	(674)
Resulting from investment funds managed by the Group	(8 442)	(2 608)	(8 518)	(3 146)
Resulting from insurance activity	(8 996)	(2 563)	(12 521)	(2 879)
Other	(24 871)	(9 635)	(18 729)	(6 980)
Total	(161 954)	(60 487)	(136 094)	(50 332)

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 30 September 2022 had a provision **in** the amount of PLN 81.5 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

	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Operations on debt instruments	(166)	0	12 534	1 819
Costs of financial operations	(1 802)	(475)	(2 296)	(846)
Total	(1 968)	(475)	10 238	973

6) RESULTS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Result on debt instruments	(10 578)	(114)	(4 504)	(1 021)
Result on derivatives	12 013	6 796	(2 620)	(89)
Result on other financial operations	59	(21)	(21)	(2)
Total	1 494	6 661	(7 145)	(1 112)

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

	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Loans and advances to customers	13 629	8 058	39 205	45 196
Result on equity instruments	56 198	60 922	9 494	(1 848)
Result on debt instruments	(58 801)	(60 295)	5 109	0
Total	11 026	8 685	53 808	43 348

8) ADMINISTRATIVE EXPENSES

	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Staff costs:	(678 076)	(232 649)	(613 290)	(202 275)
Salaries	(556 058)	(192 667)	(503 539)	(167 266)
Surcharges on pay	(96 900)	(31 891)	(87 233)	(27 992)
Employee benefits, including:	(25 118)	(8 091)	(22 518)	(7 017)
- provisions for retirement benefits	(4 644)	(1 548)	(4 536)	(1 068)
- provisions for unused employee holiday	(35)	(12)	(42)	(22)
- other	(20 439)	(6 531)	(17 940)	(5 927)
Other administrative expenses:	(790 081)	(176 679)	(444 015)	(149 841)
Costs of advertising, promotion and representation	(47 525)	(12 679)	(40 189)	(12 851)
IT and communications costs	(98 863)	(34 629)	(93 566)	(34 029)
Costs of renting	(36 455)	(11 755)	(40 951)	(12 861)
Costs of buildings maintenance, equipment and materials	(31 357)	(10 534)	(30 028)	(9 757)
ATM and cash maintenance costs	(24 013)	(8 401)	(20 497)	(7 405)
Costs of consultancy, audit and legal advisory and translation	(67 104)	(30 696)	(43 232)	(17 512)
Taxes and fees	(28 401)	(9 647)	(25 924)	(8 146)
KIR - clearing charges	(8 310)	(2 807)	(6 826)	(2 387)
PFRON costs	(4 495)	(1 874)	(5 370)	(1 802)
Banking Guarantee Fund costs	(120 686)	(9)	(100 725)	(17 406)
Financial Supervision costs	(9 590)	(3 338)	(9 696)	(3 350)
Costs of Institutional Protection Scheme *	(276 120)	(24 420)	0	0
Other	(37 162)	(25 890)	(27 011)	(22 335)
Total	**(1 468 157)**	**(409 328)**	**(1 057 305)**	**(352 116)**

* additional information has been presented **Chapter 11.8 "Other additional information and events after the balance sheet date"**

9) IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Impairment losses on loans and advances to customers	(269 640)	(115 970)	(246 048)	(124 756)
Impairment charges on loans and advances to customers	(1 301 408)	(421 364)	(1 189 950)	(363 511)
Reversal of impairment charges on loans and advances to customers	954 042	285 716	872 550	226 778
Amounts recovered from loans written off	34 527	12 042	40 603	13 662
Sale of receivables	43 185	3 517	32 623	(27)
Other directly recognised in profit and loss	14	4 119	(1 874)	(1 658)
Impairment losses on securities	(2)	(2)	0	4
Impairment charges on securities	(2)	(2)	(6)	0
Reversal of impairment charges on securities	0	0	6	4
Impairment losses on off-balance sheet liabilities	7 719	1 624	4 680	(767)
Impairment charges on off-balance sheet liabilities	(33 025)	(5 213)	(48 723)	(10 179)
Reversal of impairment charges on off-balance sheet liabilities	40 744	6 837	53 403	9 412
Total	**(261 923)**	**(114 348)**	**(241 368)**	**(125 519)**

10) PROVISIONS FOR LEGAL RISK CONNECTED WITH FX MORTGAGE LOANS

01.01.2022 - 30.09.2022	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	3 332 614	2 916 779	415 835
Amounts written off	(127 815)	(127 815)	0
Costs of provisions for legal risk connected wlth FX mortgage loans	1 512 780	0	1 512 780
Change of accounting principles from IAS 37 to IFRS 9	0	1 181 608	(1 181 608)
Increase of provisions due to FX rates differences	552 478	552 478	0
Balance at the end of the period	5 270 057	4 523 050	747 007

01.07.2022 - 30.09.2022	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	4 496 356	3 913 252	583 104
Amounts written off	(55 795)	(55 795)	0
Costs of provisions for legal risk connected wlth FX mortgage loans	498 150	0	498 150
Change of accounting principles from IAS 37 to IFRS 9	0	334 247	(334 247)
Increase of provisions due to FX rates differences	331 346	331 346	0
Balance at the end of the period	5 270 057	4 523 050	747 007

01.01.2021 - 30.09.2021	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	960 046	884 755	75 291
Amounts written off	0	0	0
Costs of provisions for legal risk connected wlth FX mortgage loans	1 573 157	0	1 573 157
Change of accounting principles from IAS 37 to IFRS 9	0	1 348 380	(1 348 380)
Increase of provisions due to FX rates differences	27 394	27 394	0
Balance at the end of the period	2 560 597	2 260 529	300 068

01.07.2021 - 30.09.2021	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	1 979 882	1 649 817	330 065
Amounts written off	0	0	0
Costs of provisions for legal risk connected wlth FX mortgage loans	526 113	0	526 113
Change of accounting principles from IAS 37 to IFRS 9	0	556 110	(556 110)
Increase of provisions due to FX rates differences	54 602	54 602	0
Balance at the end of the period	2 560 597	2 260 529	300 068

11) Corporate income tax

11a. Income tax reported in income statement

	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Current tax	(153 986)	(88 737)	(180 006)	(47 052)
Current year	(153 986)	(88 737)	(180 006)	(47 052)
Deferred tax:	34 690	228 493	(49 068)	(19 315)
Recognition and reversal of temporary differences	32 452	227 879	(61 773)	(39 291)
Recognition / (Utilisation) of tax loss	2 238	614	12 705	19 976
Total income tax reported in income statement	**(119 296)**	**139 756**	**(229 074)**	**(66 367)**

11b. Effective tax rate

	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Profit before tax	(1 144 207)	(1 140 658)	(593 882)	(244 941)
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	217 399	216 724	112 838	46 539
Impact of permanent differences on tax charges:	**(337 151)**	**(76 968)**	**(344 136)**	**(116 669)**
- Non-taxable income	29 008	9 231	30 162	11 017
Dividend income	469	3	460	4
Release of other provisions	27 152	9 241	29 696	14 775
Other	1 387	(13)	6	1
- Cost which is not a tax cost	(366 159)	(86 199)	(374 298)	(127 686)
Write-down of unrealized deferred tax assets	0	0	0	0
Loss on sale of receivables	(1 589)	(1 419)	(11)	0
PFRON fee	(844)	(346)	(1 019)	(347)
Fees for Banking Guarantee Fund	(22 929)	0	(19 137)	(3 307)
Banking tax	(32 122)	(45)	(43 814)	(14 940)
Income/cost of provisions for factoring and leasing receivables	283	(354)	679	342
Receivables written off	(4 308)	(253)	(17 915)	(6 616)
Costs of litigations and claims	(300 885)	(83 280)	(289 806)	(100 806)
Depreciation and insurance costs of cars (in excess of PLN 150,000)	(572)	(195)	(623)	(180)
Costs related to concluded settlements	(105)	785	(302)	(302)
BFG SKOK Piast settements	(142)	0	(397)	(397)
Other	(2 946)	(1 092)	(1 953)	(1 133)
Deduction of the tax paid abroad	0	0	0	0
Other differences between the gross financial result and taxable income (including R&D relief)	456	0	2 224	0
Total income tax reported in income statement	**(119 296)**	**139 756**	**(229 074)**	**(70 130)**
Effective tax rate	/-/*	/-/*	/-/*	/-/*

* For the III quarters 2022 and 2021, the Group recorded a negative gross financial result and at the same time a tax burden of a cost nature, therefore the Group did not calculate the effective tax rate.

11C. DEFERRED TAX REPORTED IN EQUITY

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Valuation of investment assets at fair value through other comprehensive income	221 586	247 477	129 857	(3 073)
Valuation of cash flow hedging instruments	112 408	107 146	71 993	22 542
Actuarial gains (losses)	(445)	(445)	(444)	708
Deferred tax reported directly in equity	333 549	354 178	201 406	20 177

Withholding tax audit for years 2015-17

On 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.

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.

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.

12) Financial assets held for trading

12a. Financial assets held for trading

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Debt securities	**148 347**	**30 474**	**86 438**	**150 092**
Issued by State Treasury	148 347	30 474	86 438	150 092
a) bills	0	0	0	0
b) bonds	148 347	30 474	86 438	150 092
Other securities	0	0	0	0
a) quoted	0	0	0	0
b) non quoted	0	0	0	0
Equity instruments	**88**	**105**	**145**	**140**
Quoted on the active market	88	105	145	140
a) financial institutions	2	25	53	44
b) non-financial institutions	86	79	92	96
Adjustment from fair value hedge	0	0	0	0
Positive valuation of derivatives	321 344	220 865	85 900	133 313
Total	**469 779**	**251 444**	**172 483**	**283 545**

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

	Fair Values 30.09.2022			Fair Values 30.06.2022		
	Total	Total	Total	Total	Assets	Liabilities
1. Interest rate derivatives	(37 120)	30 373	67 493	(39 161)	25 453	64 614
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	(37 101)	1 434	38 535	(40 288)	2 686	42 974
Other interest rate contracts: options	(19)	28 939	28 958	1 127	22 767	21 640
2. FX derivatives	59 096	126 568	67 472	22 179	121 759	99 580
FX contracts	20 463	30 852	10 389	10 827	21 646	10 820
FX swaps	19 206	76 289	57 083	12 985	100 113	87 128
Other FX contracts (CIRS)	19 427	19 427	0	(1 633)	0	1 633
FX options	0	0	0	0	0	0
3. Embedded instruments	(164 434)	0	164 434	(73 422)	0	73 422
Options embedded in deposits	(164 434)	0	164 434	(73 422)	0	73 422
Options embedded in securities issued	0	0	0	0	0	0
4. Indexes options	162 596	164 403	1 807	72 522	73 654	1 132
Total	**20 138**	**321 344**	**301 206**	**(17 883)**	**220 865**	**238 749**
Valuation of hedged position in fair value hedge accounting	-	0	0	-	0	0
Liabilities from short sale of debt securities	-	-	5 669	-	-	10 208

	Fair Values 31.12.2021			Fair Values 30.09.2021		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	(15 497)	10 099	25 596	4 366	15 320	10 954
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	(15 511)	4 124	19 635	4 362	13 836	9 474
Other interest rate contracts: options	14	5 975	5 961	4	1 484	1 480
2. FX derivatives	(24 530)	46 793	71 323	41 180	99 317	58 137
FX contracts	9 077	16 603	7 526	7 589	21 482	13 893
FX swaps	(33 607)	30 190	63 797	33 591	77 835	44 244
Other FX contracts (CIRS)	0	0	0	0	0	0
FX options	0	0	0	0	0	0
3. Embedded instruments	(28 872)	0	28 872	(18 688)	7	18 695
Options embedded in deposits	(28 872)	0	28 872	(18 695)	0	18 695
Options embedded in securities issued	0	0	0	7	7	0
4. Indexes options	28 397	29 008	611	18 304	18 669	365
Total	**(40 502)**	**85 900**	**126 402**	**45 162**	**133 313**	**88 151**
Valuation of hedged position in fair value hedge accounting	-	0	0	-	0	0
Liabilities from short sale of debt securities	-	-	16 614	-	-	21 348

13) Financial assets at fair value through other comprehensive income

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Debt securities	**13 971 779**	**17 757 283**	**17 968 972**	**20 986 329**
Issued by State Treasury	13 470 471	17 283 807	17 498 704	18 408 471
a) bills	0	0	0	0
b) bonds	13 470 471	17 283 807	17 498 704	18 408 471
Issued by Central Bank	116 369	85 000	34 990	2 100 000
a) bills	116 369	85 000	34 990	2 100 000
b) bonds	0	0	0	0
Other securities	384 939	388 475	435 278	477 858
a) listed	384 939	388 475	435 278	477 858
b) not listed	0	0	0	0
Shares and interests in other entities	28 789	28 791	28 727	29 514
Other financial instruments	0	0	0	0
Total financial assets at fair value through other comprehensive income	**14 000 568**	**17 786 074**	**17 997 699**	**21 015 843**

14) LOANS AND ADVANCES TO CUSTOMERS

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

Balance sheet value:	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Mandatorily at fair value through profit or loss	135 100	189 813	362 992	497 781
Companies	89	52	40	25
Individuals	135 011	189 762	362 952	497 756
Public sector	0	0	0	0

At the implementation of IFRS9 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 428 million as at 30.09.2022.

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 30.09.2022	72 303 753	5 378 678	3 642 990	(394 865)	(304 995)	(1 795 188)	78 830 373
Companies	18 273 116	1 339 301	818 502	(106 611)	(56 362)	(321 408)	19 946 538
Individuals	53 771 315	4 039 374	2 824 488	(286 770)	(248 633)	(1 473 780)	58 625 994
Public sector	259 322	3	0	(1 484)	0	0	257 841
Valued at amortised cost, as at 30.06.2022	73 916 347	4 120 640	3 447 885	(328 102)	(239 103)	(1 765 623)	79 152 044
Companies	17 989 356	1 169 662	849 005	(98 653)	(41 998)	(335 459)	19 531 913
Individuals	55 672 603	2 950 975	2 598 880	(228 394)	(197 105)	(1 430 164)	59 366 795
Public sector	254 388	3	0	(1 055)	0	0	253 336
Valued at amortised cost, as at 31.12.2021	73 262 717	3 866 807	3 485 056	(340 177)	(234 353)	(1 799 716)	78 240 334
Companies	17 458 183	1 032 369	806 767	(114 852)	(45 876)	(320 591)	18 816 000
Individuals	55 561 933	2 834 434	2 678 289	(224 196)	(188 477)	(1 479 125)	59 182 858
Public sector	242 601	4	0	(1 129)	0	0	241 476
Valued at amortised cost, as at 30.09.2021	71 694 709	3 889 083	3 635 181	(369 571)	(236 058)	(1 831 446)	76 781 898
Companies	17 140 296	1 247 541	818 245	(126 740)	(48 549)	(325 956)	18 704 837
Individuals	54 306 958	2 641 454	2 816 936	(241 365)	(187 509)	(1 505 490)	57 830 984
Public sector	247 455	88	0	(1 466)	0	0	246 077

14C. LOANS AND ADVANCES TO CUSTOMERS

	30.09.2022		30.06.2022	
	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	72 307 440	32 698	72 759 921	41 507
▪ to companies	13 065 665		12 858 695	
▪ to private individuals	59 135 261	32 698	59 808 271	41 507
▪ to public sector	106 514		92 954	
Receivables on account of payment cards	992 002	102 402	944 054	148 307
▪ due from companies	14 901	89	15 186	52
▪ due from private individuals	977 101	102 313	928 868	148 255
Purchased receivables	142 031		162 548	
▪ from companies	142 031		162 548	
▪ from public sector	0		0	
Guarantees and sureties realised	8 045		8 273	
Debt securities eligible for rediscount at Central Bank	35		43	
Financial leasing receivables	7 282 701		7 078 619	
Other	25 576		29 667	
Interest	567 591		501 748	
Total:	**81 325 421**	**135 100**	**81 484 872**	**189 813**
Impairment allowances	(2 495 048)	-	(2 332 828)	-
Total balance sheet value:	**78 830 373**	**135 100**	**79 152 044**	**189 813**

	31.12.2021		30.09.2021	
	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	72 359 455	98 324	71 150 012	203 268
▪ to companies	12 356 995		12 406 681	
▪ to private individuals	59 921 206	98 324	58 655 474	203 268
▪ to public sector	81 254		87 857	
Receivables on account of payment cards	784 087	264 668	739 351	294 513
▪ due from companies	14 572	40	14 905	25
▪ due from private individuals	769 515	264 628	724 446	294 488
Purchased receivables	96 591		114 199	
▪ from companies	96 591		114 199	
▪ from public sector	0		0	
Guarantees and sureties realised	8 020		7 020	
Debt securities eligible for rediscount at Central Bank	103		224	
Financial leasing receivables	6 949 534		6 794 291	
Other	18 876		15 772	
Interest	397 914		398 104	
Total:	**80 614 580**	**362 992**	**79 218 973**	**497 781**
Impairment allowances	(2 374 246)	-	(2 437 075)	-
Total balance sheet value:	**78 240 334**	**362 992**	**76 781 898**	**497 781**

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

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Loans and advances to customers (gross)	81 325 421	81 484 872	80 614 580	79 218 973
impaired	3 642 990	3 447 885	3 485 056	3 635 181
not impaired	77 682 431	78 036 987	77 129 524	75 583 792
Impairment write-offs	(2 495 048)	(2 332 828)	(2 374 246)	(2 437 075)
for impaired exposures	(1 795 188)	(1 765 623)	(1 799 716)	(1 831 446)
for not impaired exposures	(699 859)	(567 205)	(574 530)	(605 628)
Loans and advances to customers (net)	**78 830 373**	**79 152 044**	**78 240 334**	**76 781 898**

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

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Loans and advances to customers (gross)	81 325 421	81 484 872	80 614 580	79 218 973
case by case analysis	693 229	768 339	820 462	811 129
collective analysis	80 632 192	80 716 533	79 794 118	78 407 844
Impairment allowances	(2 495 048)	(2 332 828)	(2 374 246)	(2 437 075)
on the basis of case by case analysis	(224 612)	(255 761)	(261 290)	(249 539)
on the basis of collective analysis	(2 270 436)	(2 077 068)	(2 112 956)	(2 187 536)
Loans and advances to customers (net)	**78 830 373**	**79 152 044**	**78 240 334**	**76 781 898**

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

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Loans and advances to customers (gross)	81 325 421	81 484 872	80 614 580	79 218 973
corporate customers	20 690 244	20 262 414	19 539 924	19 453 626
individuals	60 635 177	61 222 458	61 074 656	59 765 347
Impairment allowances	(2 495 048)	(2 332 828)	(2 374 246)	(2 437 075)
for receivables from corporate customers	(485 865)	(477 165)	(482 448)	(502 711)
for receivables from private individuals	(2 009 183)	(1 855 663)	(1 891 798)	(1 934 364)
Loans and advances to customers (net)	**78 830 373**	**79 152 044**	**78 240 334**	**76 781 898**

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

	01.01.2022 - 30.09.2022	01.01.2022 - 30.06.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.09.2021
Balance at the beginning of the period	2 374 246	2 374 246	2 372 635	2 372 635
Change in value of allowances:	120 802	(41 418)	1 611	64 440
Impairment allowances created in the period	1 301 048	879 684	1 607 350	1 189 950
Amounts written off	(168 455)	(159 880)	(340 852)	(197 013)
Impairment allowances released in the period	(953 597)	(667 925)	(1 167 777)	(872 550)
Sale of receivables	(146 254)	(138 831)	(145 828)	(83 368)
KOIM created in the period*	50 431	31 209	35 850	23 438
Changes resulting from FX rates differences	36 117	13 411	9 287	559
Other	1 512	914	3 581	3 424
Balance at the end of the period	**2 495 048**	**2 332 828**	**2 374 246**	**2 437 075**

** 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 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
30.09.2022			
- Companies	58	158	216
- Individuals	172 791	(28 264)	144 528
- Public sector	0	0	0
30.06.2022			
- Companies	58	127	186
- Individuals	174 970	(14 492)	160 478
- Public sector	0	0	0
31.12.2021			
- Companies	59	231	290
- Individuals	241 218	(15 488)	225 730
- Public sector	0	0	0
30.09.2021			
- Companies	59	231	290
- Individuals	295 104	(30 309)	264 795
- Public sector	0	0	0

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

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
in Polish currency	68 424 358	68 906 281	66 605 331	64 242 280
in foreign currencies (after conversion to PLN)	12 901 063	12 578 590	14 009 249	14 976 693
currency: USD	208 917	128 665	116 213	121 054
currency: EUR	4 367 684	3 950 522	3 888 269	3 990 205
currency: CHF	8 318 895	8 493 791	9 998 378	10 857 493
other currencies	5 567	5 612	6 389	7 941
Total gross	**81 325 421**	**81 484 872**	**80 614 580**	**79 218 973**

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

30.09.2022	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	2 142 158	0	0	(2)	0	0	2 142 156
Deposits, loans and advances to banks and other monetary institutions	1 186 374	0	0	(153)	0	0	1 186 220
Repurchase agreements	4 526	0	0	0	0	0	4 526

30.06.2022	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	1 615 237	0	0	(1)	0	0	1 615 236
Deposits, loans and advances to banks and other monetary institutions	1 080 304	0	0	(198)	0	0	1 080 106
Repurchase agreements	8 223	0	0	0	0	0	8 223

31.12.2021	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	37 089	0	0	(1)	0	0	37 088
Deposits, loans and advances to banks and other monetary institutions	770 770	0	0	(239)	0	0	770 531
Repurchase agreements	268 837	0	0	0	0	0	268 837

30.09.2021	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	37 159	0	0	(3)	0	0	37 156
Deposits, loans and advances to banks and other monetary institutions	578 225	0	0	0	0	0	578 225
Repurchase agreements	9 400	0	0	0	0	0	9 400

15B. DEBT SECURITIES

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
credit institutions	350 338	0	0	0
other companies	0	0	0	0
public sector	1 791 818	1 615 236	37 088	37 156
Total	2 142 156	1 615 236	37 088	37 156

15C. DEPOSITS, LOANS AND ADVANCES TO BANKS AND OTHER MONETARY INSTITUTIONS

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Current accounts	257 851	255 357	152 661	185 076
Deposits	922 028	822 051	617 682	393 103
Other	5 066	1 560	267	0
Interest	1 428	1 336	160	46
Total (gross) deposits, loans and advances	1 186 373	1 080 304	770 770	578 225
Impairment allowances	(153)	(198)	(239)	0
Total (net) deposits, loans and advances	**1 186 220**	**1 080 106**	**770 531**	**578 225**

15D. REPURCHASE AGREEMENTS

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
credit institutions	4 525	0	0	0
other customers	0	8 220	268 534	9 400
interest	1	3	303	0
Total	4 526	8 223	268 837	9 400

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 30.09.2022) is shown in a table 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
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.
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.
Hedging instruments	IRS transactions	FX position resulting from recognized future leasing liabilities.
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.

16B. HEDGE ACCOUNTING - BALANCE SHEET VALUATION

	Wartości godziwe 30.09.2022			Wartości godziwe 30.06.2022		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(537 945)	0	537 945	(326 549)	0	326 549
IRS contracts	(450 896)	0	450 896	(505 524)	0	505 524
FXS contracts	0	0	0	0	0	0
2. Derivatives used as interest rate hedges related to interest rates						
IRS contracts	0	0	0	0	0	0
3. Total hedging derivatives	(988 841)	0	988 841	(832 073)	0	832 073

	Fair values 31.12.2021			Fair values 30.09.2021		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(283 605)	14 385	297 990	(227 520)	4 953	232 473
IRS contracts	(316 584)	0	316 584	(100 433)	0	100 433
FXS contracts	0	0	0	0	0	0
2. Derivatives used as interest rate hedges related to interest rates						
IRS contracts	0	0	0	(1 864)	0	1 864
3. Total hedging derivatives	(600 189)	14 385	614 574	(329 817)	4 953	334 770

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 01.01.2022	5 005	8 875	3 988	137	31 618
- Write-offs created	2	0	0	0	11 705
- Write-offs released	0	0	0	0	(8 960)
- Utilisation	(9)	0	0	0	(3 418)
- Other	0	0	0	0	0
As at 30.09.2022	4 998	8 875	3 988	137	30 945
As at 01.01.2022	5 005	8 875	3 988	137	31 618
- Write-offs created	0	0	0	0	8 604
- Write-offs released	0	0	0	0	(5 634)
- Utilisation	(8)	0	0	0	(3 121)
- Other	0	0	0	0	0
As at 30.06.2022	4 997	8 875	3 988	137	31 467
As at 01.01.2021	5 007	8 875	3 988	3 697	22 700
- Write-offs created	6	0	0	0	22 069
- Write-offs released	(7)	0	0	0	(14 397)
- Utilisation	0	0	0	0	(2 314)
- Other	0	0	0	(3 560)	3 560
As at 31.12.2021	5 005	8 875	3 988	137	31 618
As at 01.01.2021	5 007	8 875	3 988	3 697	22 700
- Write-offs created	6	0	0	0	18 443
- Write-offs released	(6)	0	0	0	(10 282)
- Utilisation	0	0	0	0	(1 623)
- Other	0	0	0	(3 560)	3 560
As at 30.09.2021	5 007	8 875	3 988	137	32 797

18) DEFERRED INCOME TAX ASSETS AND LIABILITY

	30.09.2022			30.06.2022		
	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	3 960	(39 367)	(35 407)	13 052	(27 678)	(14 626)
Balance sheet valuation of financial instruments	92 000	(88 877)	3 123	73 895	(83 803)	(9 908)
Unrealised receivables/ liabilities on account of derivatives	63 077	(50 703)	12 374	38 094	(31 503)	6 591
Interest on deposits and securities to be paid/ received	54 316	(272 615)	(218 299)	28 366	(287 617)	(259 251)
Interest and discount on loans and receivables	0	(106 150)	(106 150)	0	(94 368)	(94 368)
Income and cost settled at effective interest rate	337 568	(784)	336 784	136 755	(279)	136 476
Impairment of loans presented as temporary differences	495 952	0	495 952	462 800	0	462 800
Employee benefits	19 965	0	19 965	19 973	0	19 973
Rights to use	5 175	0	5 175	5 478	0	5 478
Provisions for future costs	77 166	0	77 166	109 266	0	109 266
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	369 376	(35 828)	333 548	405 487	(51 309)	354 178
Valuation of shares	1 273	(34 803)	(33 530)	1 273	(34 684)	(33 411)
Tax loss deductible in the future	57 093	0	57 093	56 480	0	56 480
Other	(2 826)	222	(2 604)	(2 669)	32	(2 637)
Net deferred income tax asset	1 574 095	(628 905)	945 190	1 348 250	(611 209)	737 041

	31.12.2021			30.09.2021		
	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	24 993	(26 214)	(1 221)	10 848	(28 229)	(17 381)
Balance sheet valuation of financial instruments	(8 231)	(2 131)	(10 362)	83 759	(88 810)	(5 051)
Unrealised receivables/ liabilities on account of derivatives	12 450	(13 284)	(834)	8 994	(11 443)	(2 449)
Interest on deposits and securities to be paid/ received	12 215	(77 358)	(65 143)	12 211	(39 547)	(27 336)
Interest and discount on loans and receivables	0	(75 831)	(75 831)	0	(76 165)	(76 165)
Income and cost settled at effective interest rate	147 394	(1 455)	145 939	158 437	(1 329)	157 108
Impairment of loans presented as temporary differences	445 223	0	445 223	456 623	0	456 623
Employee benefits	19 874	0	19 874	19 045	0	19 045
Rights to use	6 691	0	6 691	7 000	0	7 000
Provisions for future costs	93 345	0	93 345	97 247	0	97 247
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	258 220	(56 814)	201 406	48 502	(28 325)	20 177
Valuation of shares	1 273	(36 440)	(35 167)	1 273	(23 129)	(21 856)
Tax loss deductible in the future	54 855	0	54 855	69 810	0	69 810
Other	657	(2 326)	(1 669)	3 234	(1 304)	1 930
Net deferred income tax asset	1 068 959	(291 853)	777 106	976 983	(298 281)	678 702

19) LIABILITIES TO BANKS AND OTHER MONETARY INSTITUTIONS

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
In current account	42 431	39 635	63 176	124 174
Term deposits	306 990	202 699	106 570	12 203
Loans and advances received	251 015	300 418	368 313	392 595
Interest	3 210	4 085	1 349	473
Total	603 646	546 837	539 408	529 445

20) LIABILITIES TO CUSTOMERS

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Amounts due to private individuals	66 867 265	65 165 193	66 022 086	64 965 000
Balances on current accounts	48 455 623	50 929 496	56 192 055	54 831 093
Term deposits	18 053 721	13 947 811	9 565 716	9 876 924
Other	247 467	244 964	237 776	225 313
Accrued interest	110 454	42 922	26 539	31 670
Amounts due to companies	24 785 952	24 417 762	21 814 451	22 185 381
Balances on current accounts	13 266 077	14 575 737	15 070 590	15 978 472
Term deposits	11 100 062	9 409 873	6 398 936	5 855 321
Other	365 498	400 117	342 618	347 630
Accrued interest	54 315	32 035	2 307	3 958
Amounts due to public sector	6 117 348	6 539 074	3 610 978	3 099 672
Balances on current accounts	3 320 763	4 901 242	3 385 597	2 645 568
Term deposits	2 778 802	1 629 446	215 889	441 652
Other	6 066	2 471	9 417	12 441
Accrued interest	11 717	5 915	75	11
Total	**97 770 565**	**96 122 029**	**91 447 515**	**90 250 053**

21) LIABILITIES FROM SECURITIES SOLD WITH BUY-BACK CLAUSE

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
to the Central Bank	0	0	0	0
to banks	0	0	0	0
to customers	0	0	18 037	0
interest	0	0	1	0
Total	0	0	18 038	0

22) CHANGE OF DEBT SECURITIES

	01.01.2022 - 30.09.2022	01.01.2022 - 30.06.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.09.2021
Balance at the beginning of the period	39 568	39 568	558 560	558 560
Increases, on account of:	525	525	3 769	3 152
issue of Banking Securities	0	0	0	0
interest accrual	525	525	3 769	3 152
Reductions, on account of:	(40 093)	(40 093)	(522 761)	(271 119)
repurchase of Banking Securities	0	0	(234 427)	(234 427)
repurchase of bonds by the Bank	0	0	(250 000)	0
repurchase of bonds by the Millennium Leasing	(39 450)	(39 450)	(34 350)	(34 150)
interest payment	(643)	(643)	(3 984)	(2 541)
Balance at the end of the period	**0**	**0**	**39 568**	**290 594**

23) CHANGE OF SUBORDINATED DEBT

	01.01.2022 - 30.09.2022	01.01.2022 - 30.06.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.09.2021
Balance at the beginning of the period	1 541 144	1 541 144	1 540 209	1 540 209
Increases, on account of:	73 622	39 949	40 076	29 202
issue of subordinated bonds	0	0	0	0
interest accrual	73 622	39 949	40 076	29 202
Reductions, on account of:	(50 919)	(27 458)	(39 141)	(30 195)
interest payment	(50 919)	(27 458)	(39 141)	(30 195)
Balance at the end of the period	**1 563 847**	**1 553 635**	**1 541 144**	**1 539 216**

During 2021 and 2022 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

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Provision for commitments and guarantees given	36 852	38 339	44 354	47 132
Provision for pending legal issues	889 301	720 755	551 176	331 512
Total	926 153	759 094	595 530	378 644

24B. CHANGE OF PROVISION FOR COMMITMENTS AND GUARANTEES GIVEN

	01.01.2022 - 30.09.2022	01.01.2022 - 30.06.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.09.2021
Balance at the beginning of the period	44 354	44 354	51 728	51 728
Charge of provision	33 025	27 812	55 368	48 723
Release of provision	(40 744)	(33 907)	(62 805)	(53 403)
FX rates differences	217	80	63	84
Balance at the end of the period	36 852	38 339	44 354	47 132

24C. CHANGE OF PROVISION FOR PENDING LEGAL ISSUES

	01.01.2022 - 30.09.2022	01.01.2022 - 30.06.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.09.2021
Balance at the beginning of the period	551 176	551 176	106 922	106 922
Charge of provision	12 637	6 616	113 173	6 514
Release of provision	(5 509)	(4 131)	(9 463)	(6 701)
Utilisation of provision	(175)	(175)	0	0
Creation of provisions for legal risk connected with FX mortgage loans *	1 512 780	1 014 630	2 305 157	1 573 157
Allocation to the loans portfolio	(1 181 608)	(847 361)	(1 964 613)	(1 348 380)
Balance at the end of the period	889 301	720 755	551 176	331 512

* 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. CHANGES IN RISK MANAGEMENT PROCESS

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.

Credit risk

In the third quarter of 2022 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. The direct and indirect effects of the armed conflict in Ukraine have created an additional element of uncertainty in credit risk management.

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

In the corporate segment, the Group focused on analysing the loan portfolio and industries of borrowers to monitor risk, with particular emphasis on customers potentially most exposed to negative changes in the economic environment. The sector policy has been revised, considering environmental and social risks of individual industries. Additionally, the Group worked on improving credit processes and products.

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 9 months of 2022 are summarized below:

	30.09.2022		31.12.2021	
	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	75 827 521	1 186 374	75 721 712	770 770
Overdue*, but without impairment	1 975 370	0	1 765 405	0
Total without impairment	77 802 890	1 186 374	77 487 117	770 770
With impairment	3 701 991	0	3 556 803	0
Total	**81 504 882**	**1 186 374**	**81 043 920**	**770 770**
Impairment write-offs	(2 495 048)	(153)	(2 374 246)	(239)
Fair value adjustment**	(44 361)	0	(66 349)	0
Total, net	**78 965 473**	**1 186 220**	**78 603 326**	**770 531**
Loans with impairment / total loans	4.54%	0.00%	4.39%	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.

Exposures subject to measures applied in response to the COVID-19 crisis:

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria, Gross carrying amount	Number of obligors	TOTAL	Of which: legislative moratoria	Of which: expired
Loans and advances for which moratorium was offered	**51 542**	**6 098 253**		
Loans and advances subject to moratorium (granted)	**51 308**	**5 559 294**	**9 275**	**5 559 294**
of which: Households		4 925 927	9 275	4 925 927
of which: Collateralised by residential immovable property		3 763 606	8 033	3 763 606
of which: Non-financial corporations		633 367	0	633 367
of which: Small and Medium-sized Enterprises		345 790	0	345 790
of which: Collateralised by commercial immovable property		63 468	0	63 468

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria, Gross carrying amount	Residual maturity of moratoria				
	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances subject to moratorium (granted)	**0**	**0**	**0**	**0**	**0**
of which: Households	0	0	0	0	0
of which: Collateralised by residential immovable property	0	0	0	0	0
of which: Non-financial corporations	0	0	0	0	0
of which: Small and Medium-sized Enterprises	0	0	0	0	0
of which: Collateralised by commercial immovable property	0	0	0	0	0

Loans and advances subject to legislative and non-legislative moratoria Gross carrying amount	TOTAL	Performing		
		Performing Gross carrying amount	Of which: grace period of capital and interest	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)
Loans and advances subject to moratorium	**0**	0	0	0
of which: Households	**0**	0	0	0
of which: Collateralised by residential immovable property	0	0	0	0
of which: Non-financial corporations	0	0	0	0
of which: Small and Medium-sized Enterprises	0	0	0	0
of which: Collateralised by commercial immovable property	0	0	0	0

Loans and advances subject to legislative and non-legislative moratoria Gross carrying amount	Non-performing		Inflows to non-performing exposures
	Non-performing Gross carrying amount	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
Loans and advances subject to moratorium	0	0	0
of which: Households	0	0	0
of which: Collateralised by residential immovable property	0	0	0
of which: Non-financial corporations	0	0	0
of which: Small and Medium-sized Enterprises	0	0	0
of which: Collateralised by commercial immovable property	0	0	0

Information on loans and advances subject to legislative and non-legislative moratoria, Accumulated impairment	TOTAL	Performing		
		Performing Accumulated impairment	Of which: grace period of capital and interest	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)
Loans and advances subject to moratorium	0	0	0	0
of which: Households	0	0	0	0
of which: Collateralised by residential immovable property	0	0	0	0
of which: Non-financial corporations	0	0	0	0
of which: Small and Medium-sized Enterprises	0	0	0	0
of which: Collateralised by commercial immovable property	0	0	0	0

Information on loans and advances subject to legislative and non-legislative moratoria, Accumulated impairment	Non-performing		
	Non-performing Accumulated impairment	Of which: grace period of capital and interest	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratorium	0	0	0
of which: Households	0	0	0
of which: Collateralised by residential immovable property	0	0	0
of which: Non-financial corporations	0	0	0
of which: Small and Medium-sized Enterprises	0	0	0
of which: Collateralised by commercial immovable property	0	0	0

Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	Gross carrying amount		Gross carrying amount
	TOTAL	of which: forborne	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	**1 607 445**	**2 574**	**22 741**
of which: Households	0		0
of which: Collateralised by residential immovable property	0		0
of which: Non-financial corporations	1 607 445	2 574	22 741
of which: Small and Medium-sized Enterprises	769 296		6 605
of which: Collateralised by commercial immovable property	0		0

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 current limits in place have been valid since 1st June 2022.

Within the current market environment, the Group continued to act very prudently. The strong market volatility in connection with the war in Ukraine as well as with Monetary Policy Council's (MPC's) series of decisions to increase interest rates in Poland resulted in increased Group's market risk.

Open positions contain mainly 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 3Q2022, the FX Total open position (Intraday as well as Overnight) remained below internal limits in place and well below 2% of Own Funds.

In 3Q2022, the VaR remained on average at the level of approx. PLN502.4 mn for the total Group, which is jointly Trading Book and Banking Book, (91% of the limit) and at approx. PLN2.9mn for Trading Book (12% of the limit). The exposure to market risk at the end of September 2022 was approx. PLN370.5mn for Global Bank (67% of the limit) and approx. PLN2.5mn for Trading Book (11% of the limit). In 3Q2022, the market volatility was still very high. All excesses of market risk limits are always reported, documented, and ratified at the proper competence level.

The market risk exposure in 3Q2022 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)

	30.09.2022		VaR (3Q2022)			30.06.2022	
	Exposure	Limit usage	Average	Maximum	Minimum	Exposure	Limit usage
Total risk	**2 520**	**11%**	**2 900**	**6 494**	**1 310**	**1 986**	**8%**
Generic risk	2 518	n.a.	2 890	6 491	1 308	1 984	n.a.
Interest Rate VaR	2 495	13%	2 886	6 484	1 304	1 955	10%
FX Risk	66	1%	74	841	17	183	4%
Diversification Effect	1.7%					7.8%	
Specific risk	2	0%	2	2	2	2	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.

Interest rate risk in Banking Book (IRRBB)

In case of the Banking Book, the main component of the market risk is interest rate risk. To manage this risk, 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 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, affecting its economic value 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 on monthly basis covers both earnings-based and at least on quarterly basis economic value measures, in particular:

- the impact on net interest income over a time horizon of next 12 months resulting from one-off interest rate shock of upward/downward shift by 100 basis points,
- the impact on the Economic Value of Equity (EVE) of upward/downward shocks, including supervisory scenarios (standard supervisory test assuming a sudden parallel +/- 200 basis point shift of the yield curve and the supervisory outlier test (SOT) with a set of six scenarios for 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.

Considering the increase of interest rates that occurred in Poland in the last months, the results of the IRRBB measurement as of the end of September 2022 indicate that the Group is now balanced regarding the scenario of both a decline and increase in interest rates.

The results of sensitivity of NII for the next 12 months after 30th September 2022 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 30th September 2022 (for example, the NBP Reference rate was set at 6.75%),
- 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 30th September 2022 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 100bp, the results are negative and equal to -PLN200mn or -4.8% of the Group's NII reference level. In a scenario of parallel increase of interest rates by 100bp, the results are positive and equal to PLN200mn or +4.8% of the Group's NII reference level.

Sensitivity of NII for PLN to changes of interest rates	30.09.2022	30.06.2022
Parallel yield curve increase by 100bp	+4.8%	+5.0%
Parallel yield curve decrease by 100bp	-4.8%	-5.0%

When it comes to impact of interest rate changes to economic value at equity (EVE) in the long term, the supervisory outlier stress tests results as of 30th September 2022 show that even under the most severe outlier test scenario, the decline of EVE for Banking Book is still 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.

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 2022. Its levels were confirmed by the annual revision conducted and approved by the Risk Committee in December 2021.

In 3Q2022, the Group was characterized still by solid liquidity position. All the supervisory and internal liquidity indicators remained significantly above minimum limits in place. 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, bilateral loans as well as Cross Currency Swap and FX Swap transactions. The importance of swaps has been decreasing because 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 Bank has signed a Credit Support Annex to the master agreements. As a result, in case of unfavourable changes of FX rates (PLN depreciation), the Bank 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 counterparty. 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 3Q2022, the Group maintained Loan-to-Deposit ratio well below 100%. This ratio was equalled 81% at the end of September 2022 (83% at the end of June 2022). The Group continue the policy of investing the liquidity surplus in the portfolio of liquid assets, especially in the debt securities with low specific risk (Polish Government Bonds, Treasury and NBP Bills) of which the share in total debt securities amounted to 98% at the end of September 2022. During 3Q2022 this portfolio decreased to the level of approx. PLN15.2 billion at the end of September 2022 (14% of total assets) from PLN18.8 billion at the end of June 2022 (17% of total assets). Those assets are Central Bank eligible and are characterized with high liquidity and can be easily used as collateral or sold without material loss on its value. The portfolio, supplemented by the cash and exposures to the National Bank of Poland, is liquid assets portfolio and is treated as the Group's liquidity reserve, which can overcome crisis situations.

Main liquidity ratios	30.09.2022	30.06.2022
Loans/Deposits ratio (%)	81%	83%
Liquid assets portfolio (PLN million)*	21 180	21 005
Liquidity Coverage Requirement, LCR (%)	165%	158%

(*) Liquid Assets Portfolio: The sum of cash, exposure to Central Bank (the surplus above the required obligatory reserve), Polish Government debt securities, NBP-Bills and due from banks with maturity up to 1 month. The debt securities portfolio is reduced by NBP haircut for repo transactions and securities encumbered for non-liquidity purposes.

Total Clients' deposits of the Group reached the level of PLN97.8 billion (PLN96.1 billion at the end of June 2022). The share of funds from individuals in total Client's deposits equalled to approx. 68.4% at the end of September 2022 (67.8% at the end of June 2022). 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 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 remains also subordinated debt and medium-term loans.

The level of deposit concentration is regularly monitored and did not have any negative impact on the stability of the deposit base in 3Q2022. 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 as described above.

According to the Regulation of European Parliament and Council no 575/2013 on prudential requirements for credit institutions and investment firms (CRR); the Group is daily calculating the liquidity coverage requirement (LCR) and quarterly net stable funding requirement (NSFR). In 3Q2022, the regulatory minimum of 100% for both LCR and NSFR was fulfilled by the Group.

The LCR stayed at safe level of 165% at the end of September 2022 (158% at the end of June 2022). The comfortable liquidity position was kept due to increase of the 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 3Q2022 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.

Operational risk

In the third quarter of 2022 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 third quarter of 2022 the registered level of operational risk losses was at the acceptable level.

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 buffer (RRE FX) - 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. At present, the buffer was set by KNF in recommendations issued in the end of 2021 in the level of 2.82pp (the Bank) and 2.79pp (the Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements for Tier 1 ratio of 2.11pp (the Bank) and of 2.09pp (the Group), and which corresponds to capital requirements for CET 1 ratio of 1.58pp (the Bank) and 1.56pp (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.

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

Capital adequacy	30.09.2022	30.06.2022	30.00.2021
Risk-weighted assets	52 587.1	49 819.7	50220.2
Own Funds requirements, including:	4 207.0	3 985.6	4017.6
- Credit risk and counterparty credit risk	3 692.7	3 473.1	3537
- Market risk	27.4	28.0	33.4
- Operational risk	474.5	474.5	433
- Credit Valuation Adjustment CVA	12.4	10.0	14.2
Own Funds, including:	6 497.2	7 570.10	9123.8
Common Equity Tier 1 Capital	4 967.2	6 040.10	7593.8
Tier 2 Capital	1 530.0	1 530.00	1530
Total Capital Ratio (TCR)	12.36%	15.19%	18.17%
Minimum required level	13.54%	13.54%	14.10%
Surplus (+) / Deficit (-) of TCR capital adequacy (pp)	-1.18pp	1.65pp	4.07pp
Tier 1 Capital ratio (T1)	9.45%	12.12%	15.12%
Minimum required level	10.84%	10.84%	11.27%
Surplus (+) / Deficit (-) of T1 capital adequacy (pp)	-1.39pp	1.28pp	3.85pp
Common Equity Tier 1 Capital ratio (CET1)	9.45%	12.12%	15.12%
Minimum required level	8.81%	8.81%	9.13%
Leverage ratio (LR)	4.28%	5.41%	7.09%

Drop of capital adequacy ratios in 3Q22 compared to 2Q22 came mostly from the fall of own funds, and own funds requirements have been increasing. Own funds went down by ca. PLN 1.073mn (by 14.2%), being before all a result of creation of provisions to the assistance program “Credit holidays” and further creation of legal risk provisions. Those both drivers impacted financial loss in P&L amounted to 1.264mn. Own funds requirements rose by ca. PLN 221.4mn (by 5.6%). The leverage ratio is decreasing because of the said above reduction of own funds.

Bank and Group do not meet above capital limits in terms of combined buffer requirements what was announced in the current report no 21/2022. In accordance with the regulations, Bank developed the Capital Protection Plan, which was delivered to KNF. The Plan assumes a restoration of capital adequacy until the 2nd half of 2023.

The Bank received the joint decision of the resolution authorities obliging to meet MREL requirements. At the moment of communication of the decision, the Bank at the consolidated level is obliged to meet the minimum MRELtrea requirements of 15.60% and MRELtem of 3.00%. At the individual level, the minimum MRELtrea was set at 15.55% and MRELtem 3.00%. Additionally, the above-mentioned decision sets updated minimum requirements that must be met by December 31, 2023, along with mid-term objectives. The Bank is still to meet MREL requirements due to the net loss booked in recent periods and the fact that an issue of senior non-preferred bonds (SNP) on the Polish market initially planned for 4Q21 was not possible to execute due to a gap in the Polish bond law and later due to the combination of unfavourable market conditions (markets were effectively shut for issuers of SNP bonds from the CEE region) and looming risk of Poland's government enforcement of costly extraordinary measures on the banking sector (credit holidays and replacement of WIBOR, among others). Following the changes in the Polish bond law in May, the Bank also started preparations for a domestic issue, but due to the above-mentioned external factors, the decision to officially start the domestic offering was also put on hold.

The Bank prepared a Eurobond Issue Programme of the total nominal value not higher than EUR 3 billion, what was communicated in a current report in January 2022.The Bank monitors the developments in the bond market, waiting for the conditions that will allow for the issue.

Restoring capital ratios to minimum required levels is currently the Bank's priority and once this is achieved the Bank will take the further needed steps aimed at meeting the MREL requirements.

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 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 and conversions to PLN loans. 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. 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).

The comparable data for the first half of 2021 has been transformed into a new table layout that takes into account the separation of the FX mortgage segment.

Income statement 1.01.2022 - 30.09.2022

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	3 206 536	606 579	(473 262)	3 339 853	71 452	3 411 305
Net fee and commission income	444 688	149 801	964	595 453	10 855	606 308
Dividends, other income from financial operations and foreign exchange profit	108 051	68 582	7 303	183 936	(371 762)	(187 826)
Result on non-trading financial assets mandatorily at fair value through profit or loss	13 629	0	(2 603)	11 026	0	11 026
Other operating income and cost	(21 265)	(2 950)	1 605	(22 610)	97 008	74 398
Operating income	3 751 639	822 012	(465 993)	4 107 658	(192 447)	3 915 211
Staff costs	(536 473)	(117 699)	(23 904)	(678 076)	0	(678 076)
Administrative costs, including:	(583 895)	(59 578)	(105 226)	(748 699)	(41 382)	(790 081)
- BGF and protection scheme costs	*(305 163)*	*(8 214)*	*(83 430)*	*(396 806)*	*0*	*(396 806)*
Depreciation and amortization	(132 243)	(20 633)	(3 570)	(156 446)	0	(156 446)
Operating expenses	(1 252 611)	(197 910)	(132 700)	(1 583 221)	(41 382)	(1 624 603)
Impairment losses on assets	(282 236)	(8 346)	(2 745)	(293 327)	28 659	(264 668)
Results on modification	(15 931)	174	0	(15 757)	(49 654)	(65 411)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(1 512 780)	(1 512 780)
Cost of credit holidays resulting from Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers	(1 422 893)	0	0	(1 422 893)	0	(1 422 893)
Total operating result	**777 968**	**615 930**	**(601 438)**	**792 460**	**(1 767 604)**	**(975 144)**
Share in net profit of associated companies						0
Banking tax						(169 063)
Profit / (loss) before income tax						**(1 144 207)**
Income taxes						(119 296)
Profit / (loss) after taxes						**(1 263 503)**

Balance sheet items as at 30.09.2022

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	53 863 283	16 989 306	0	70 852 590	8 112 883	**78 965 473**
Liabilities to customers	71 738 119	26 032 446	0	97 770 565	0	**97 770 565**

Income statement 1.01.2021 – 30.09.2021

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	1 223 524	219 610	427 970	1 871 104	74 940	1 946 044
Net fee and commission income	473 380	139 082	3 180	615 642	10	615 652
Dividends, other income from financial operations and foreign exchange profit	80 551	54 444	9 982	144 977	(217 061)	(72 084)
Result on non-trading financial assets mandatorily at fair value through profit or loss	39 205	0	14 603	53 808	0	53 808
Other operating income and cost	(13 115)	(4 479)	1 559	(16 035)	146 855	130 820
Operating income	1 803 545	408 657	457 294	2 669 496	4 744	2 674 240
Staff costs	(485 238)	(105 370)	(22 682)	(613 290)	0	(613 290)
Administrative costs, including:	(298 302)	(48 067)	(68 016)	(414 385)	(29 630)	(444 015)
- BGF costs	*(50 656)*	*(1 430)*	*(48 639)*	*(100 725)*	*0*	*(100 725)*
Depreciation and amortization	(128 401)	(18 961)	(3 508)	(150 870)	0	(150 870)
Operating expenses	(911 941)	(172 398)	(94 206)	(1 178 545)	(29 630)	(1 208 175)
Impairment losses on assets	(232 401)	(15 877)	(5 391)	(253 669)	6 914	(246 755)
Results on modification	(9 418)	(18)	0	(9 436)	0	(9 436)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(1 573 157)	(1 573 157)
Total operating result	**649 785**	**220 364**	**357 697**	**1 227 846**	**(1 591 129)**	**(363 283)**
Share in net profit of associated companies						0
Banking tax						(230 599)
Profit / (loss) before income tax						**(593 882)**
Income taxes						(229 074)
Profit / (loss) after taxes						**(822 956)**

Balance sheet items as at 31.12.2021

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	52 364 612	16 441 570	0	68 806 182	9 797 144	**78 603 326**
Liabilities to customers	70 999 352	20 208 669	239 494	91 447 515	0	**91 447 515**

7. TRANSACTIONS WITH RELATED ENTITIES

All and any transactions between entities of the Group in 3rd quarter of 2022 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	
	30.09.2022	31.12.2021	30.09.2022	31.12.2021
ASSETS				
Loans and advances to banks - accounts and deposits	3 385	611	0	0
Financial assets held for trading	58	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	0	0
LIABILITIES				
Loans and deposits from banks	354	100	0	0
Debt securities	0	0	0	0
Financial liabilities held for trading	0	159	0	0
Hedging derivatives	0	0	0	0
Other liabilities	0	0	68	65

	With parent company		With other entities from parent group	
	2022	2021	2022	2021
Income from:				
Interest	270	(231)	0	0
Commissions	126	67	0	0
Financial assets and liabilities held for trading	57	0	0	0
Expense from:				
Interest	105	123	0	(182)
Commissions	0	0	0	0
Financial assets and liabilities held for trading	0	200	0	0
Other net operating	0	5	0	0
Administrative expenses	0	0	125	15

	With parent company		With other entities from parent group	
	30.09.2022	31.12.2021	30.09.2022	31.12.2021
Conditional commitments	141 185	103 198	0	0
granted	120 593	101 500	0	0
obtained	20 593	1 698	0	0
Derivatives (par value)	14 560	14 675	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 IIIQ 2022 report	including received under the incentive program blocked on investment accounts until 13.04.2023
Joao Nuno Lima Bras Jorge	Chairman of the Management Board,	**380 259**	101 359
Fernando Maria Cardoso Rodrigues Bicho	Deputy Chairman of the Management Board,	**176 252**	74 684
Wojciech Haase	Member of the Management Board	**151 107**	60 854
Andrzej Gliński	Member of the Management Board	**113 613**	60 854
Wojciech Rybak	Member of the Management Board	**143 613**	60 854
Antonio Ferreira Pinto Junior	Member of the Management Board	**143 613**	60 854
Jarosław Hermann	Member of the Management Board	**98 613**	60 854

Name and surname	Position/Function	Number of shares as of delivery date of annual report for year 2021	including received under the incentive program blocked on investment accounts until 14.06.22
Joao Nuno Lima Bras Jorge	Chairman of the Management Board	**278 900**	31 879
Fernando Maria Cardoso Rodrigues Bicho	Deputy Chairman of the Management Board	**101 568**	25 316
Wojciech Haase	Member of the Management Board	**90 253**	20 628
Andrzej Gliński	Member of the Management Board	**52 759**	20 628
Wojciech Rybak	Member of the Management Board	**82 759**	20 628
Antonio Ferreira Pinto Junior	Member of the Management Board	**82 759**	20 628
Jarosław Hermann	Member of the Management Board	**37 759**	20 628

The Bank made a transaction of purchasing its own shares in order to fulfill the obligations arising from the allocation of shares to employees or members of the Management Board of the Bank or the Group.

In connection with the above, from 5 May 2022 to 10 May 2022, 976,881 own shares with a total value of PLN 4,582,003.98 and the weighted average purchase price PLN 4.690 were acquired.

Name and surname	Position/Function	Number of shares as of delivery date of IIIQ 2022 report	Number of shares as of delivery date of annual report for yearf 2021
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.

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.

Liabilities from the issuance of structured debt securities

Liabilities from the issuance of structured debt securities - bank's securities (BPW) are stated/priced at fair value in accordance with Bank's model. In this model, zero coupon bond price is calculated, which afterwards is increased by the option price, which was basis for a strategy built in a given structured bond.
The fair value of other liabilities arising from debt securities issued by the Bank (bonds (BKMO)) was estimated based on the expected cash flows using current interest rates taking into account the margin for credit risk. The current level of margins was appointed on the basis of recent transactions of similar credit risk.

Subordinated liabilities 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. 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 30.09.2022 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	15	2 142 156	2 016 308
Deposits, loans and advances to banks and other monetary institutions	15	1 186 220	1 186 077
Loans and advances to customers*	14	78 830 373	76 269 972
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	19	603 646	603 712
Liabilities to customers	20	97 770 565	97 748 816
Debt securities issued	22	0	0
Subordinated debt	23	1 563 847	1 563 177

** 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.*

Models used for determination of the fair value of 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 fair value of Treasury bonds held to maturity was calculated on market quotations basis and is included in the first level of the valuation category.

The table below presents data as at 31.12.2021 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	15	37 088	37 764
Deposits, loans and advances to banks and other monetary institutions	15	770 531	770 446
Loans and advances to customers*	14	78 240 334	76 143 058
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	19	539 408	538 811
Liabilities to customers	20	91 447 515	91 385 178
Debt securities issued	22	39 568	40 148
Subordinated debt	23	1 541 144	1 538 598

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 30.09.2022

	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			156 940	164 403
Equity instruments		88		
Debt securities		148 347		
Non-trading financial assets mandatorily at fair value through profit or loss	14			
Equity instruments			120 022	66 609
Debt securities				68 697
Loans and advances				135 100
Financial assets at fair value through other comprehensive income	13			
Equity instruments		247		28 542
Debt securities		13 855 410	116 369	
Derivatives – Hedge accounting	16		0	
LIABILITIES				
Financial liabilities held for trading	12			
Valuation of derivatives			134 965	166 241
Short positions		5 669		
Derivatives – Hedge accounting	16		988 841	

Data in PLN'000, as at 31.12.2021

	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			56 892	29 008
Equity instruments		145		
Debt securities		86 438		
Non-trading financial assets mandatorily at fair value through profit or loss	14			
Equity instruments			71 795	66 609
Debt securities				127 499
Loans and advances				362 992
Financial assets at fair value through other comprehensive income	13			
Equity instruments		290		28 437
Debt securities		17 933 983	34 990	
Derivatives – Hedge accounting	16		14 385	
LIABILITIES				
Financial liabilities held for trading	12			
Valuation of derivatives			96 918	29 483
Short positions		16 614		
Derivatives – Hedge accounting	16		614 573	

Using the criterion of valuation techniques as at 30.09.2022 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 01.01.2022	**28 397**	**(28 872)**	**95 046**	**127 499**	**362 992**
Settlement/sell/purchase	139 837	(140 625)	85	0	(264 547)
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	23 026
Results on financial assets and liabilities held for trading	(5 638)	5 063	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	(58 802)	13 629
Result on exchange differences	0	0	20	0	0
Balance on 30.09.2022	**162 596**	**(164 434)**	**95 151**	**68 697**	**135 100**

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 01.01.2021	**19 911**	**(19 559)**	**95 827**	**50 335**	**1 615 753**
Settlement/sell/purchase	4 158	(5 055)	3	0	(1 348 014)
Change of valuation recognized in equity	0	0	(785)	0	0
Interest income and other of similar nature	0	0	0	0	55 372
Results on financial assets and liabilities held for trading	4 328	(4 258)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	77 164	39 881
Result on exchange differences	0	0	0	0	0
Balance on 31.12.2021	**28 397**	**(28 872)**	**95 046**	**127 499**	**362 992**

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 30.09.2022, in which the companies of the Group were a plaintiff, totalled PLN 744.9 million. The increase in the value of the subject of litigation in cases brought by the Bank in relation to previous periods results from the fact of filing lawsuits against FX mortgage loan customers.

Proceedings on infringement of collective consumer interests

On January 3 2018, the Bank received 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 decision is not final and binding. 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. The case is pending.

The Bank believes that chances for it to win the case are positive.

Court cases against the Group

As at 30.09.2022, 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 three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, the Bank was sued jointly and severally with another bank, and in one with another bank and card organizations. The total value of claims submitted in these cases is PLN 729.6 million. The proceedings with the highest value of the submitted claim are brought by PKN Orlen SA, in which 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 the other two cases, the charges are similar to those raised in the case brought by PKN Orlen SA, while the period of the alleged agreement is indicated for the years 2008-2014. 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 Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) 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. In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of 250.0 million PLN. The petition was dismissed on 5.09.2016 with legal validity by the Appellate Court. 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. At present, the Court of first instance is conducting evidence proceedings.

As at 30.09.2022, the total value of the subjects of the other litigations in which the Group appeared as defendant, stood at PLN 3,542.9 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 and cases related to forward transactions (option cases).

The class action related to the LTV insurance:

On the 3rd 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 1st 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 and called on the parties to submit questions to the witnesses. The Bank submitted a pleading with questions to witnesses in July 2020. Currently, the court is collecting written testimony from witnesses. The date of the hearing has not been set at the moment.

As at 30 September 2022, there were also 243 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.

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	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Off-balance conditional commitments granted and received	**14 976 457**	**15 723 210**	**16 007 921**	**15 944 479**
Commitments granted:	12 305 035	13 372 384	13 882 138	13 685 606
loan commitments	10 334 714	11 460 363	12 034 696	11 939 056
guarantee	1 970 321	1 912 021	1 847 442	1 746 550
Commitments received:	2 671 423	2 350 827	2 125 784	2 258 873
financial	299 680	59 301	40 000	326 024
guarantee	2 371 743	2 291 526	2 085 784	1 932 849

10. LEGAL RISK RELATED TO FOREIGN CURRENCY MORTGAGE LOANS

10.1. COURT CLAIMS AND CURRENT PROVISIONS ON LEGAL RISK

On September 30, 2022, the Bank had 15,044 loan agreements and additionally 1,178 loan agreements from former Euro Bank (84% loans agreements before the Court of first instance and 16% loans agreements before the court of second instance) 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 with the total value of claims filed by the plaintiffs amounting to PLN 2,449.4 million and CHF 183.1 million (Bank Millennium portfolio: PLN 2,250.1 million and CHF 179.2 million and former Euro Bank portfolio: PLN 199.3 million and CHF 3.9 million).

The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of allegedly 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 was originally 3,281. On 2 February 2022 the court dismissed the Bank's evidentiary motions regarding witnesses, court-appointed experts, private expert reports, as well as part of the documents submitted by the Bank, and ordered the parties to submit in writing their final positions in the case. On 24 May 2022 the court issued a decision changing the composition of the group, thus limiting the number credit agreements involved to 3,273, as well as a judgment on the merits, dismissing the claim in full. Both parties requested a written justification of the judgment. Upon receiving the written justification, the claimant will be able to appeal the judgment. The judgment is not yet final.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,982 individual claims were filed against the Bank (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,006 (265), in 2021 the number increased by 6,152 (422), while in the first 3 quarters of 2022 the number increased by 4,460 (301).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved in favour of banks until 2019 year. However, after the Court of Justice of the European Union (CJEU) judgment issued on 3 October 2019 (Case C-260/18) the proportion have adversely changed and vast majority of court cases have been lost by banks. As far as the Bank itself is concerned, until 30 of September 2022, 813 cases were finally resolved (758 in claims submitted by clients against the Bank and 55 in claims submitted by the Bank against clients i.e. debt collection cases). 45% of finalised individual lawsuits against the Bank were favourable for the Bank including remissions and settlements with plaintiffs. Unfavourable rulings (55%) included both invalidation of loan agreements as well as conversions into PLN+LIBOR. The Bank files appeals against negative judgements of the courts of 1st instance as well as submits cassation appeals to the Supreme Court against unfavourable for the Bank legally binding verdicts. Currently, the statistics of first and second instance court decisions are much more unfavourable and its number is also increasing.

The outstanding gross balance of the loan agreements under individual court cases and class action against the Bank on 30.09.2022 was PLN 5,808 million (of which the outstanding amount of the loan agreements under the class action proceeding was 1,001 million PLN).

If all Bank Millennium's loan agreements currently under individual and class action court proceedings would be declared invalid without proper compensation for the use of capital, the pre-tax cost could reach PLN 5,598 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In III quarter 2022 the Bank created PLN 447.4 million provisions and PLN 50.8 million for former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of September 2022 was at the level of PLN 4,881 million, and PLN 389 million for former Euro Bank originated portfolio.

The methodology developed by the Bank is based on the following main parameters:

(1) the number of current (including class action) and potential future court cases that will appear within a specified (three-year) time horizon,

(2) the amount of the Bank's potential loss in the event of a specific court judgment three negative judgment scenarios were taken into account:

- invalidity of the agreement
- average NBP
- PLN + LIBOR

(3) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

(4) in the case of a loan agreement invalidity scenario, a component recognized in the methodology, taking legal assessments into consideration, is the calculation of the Bank's loss taking into account the assignment of a minimum probability of receiving the settlement of a remuneration for the cost of use of capital.

(5) new component recognized in the methodology is the amicable settlement with clients in or out of court. Notwithstanding the Bank's determination to continue taking all possible actions to protect its interests in courts, the Bank has been open to its customers in order to reach amicable solutions on negotiated terms, case by case, providing favourable conditions for conversion of loans to PLN and / or early repayment (partial or total). As a result of these negotiations the number of active FX mortgage loans was materially reduced in 2021 and in 1st half 2022. As the Bank is still conducting efforts to further signing of agreements which involved some costs, a scenario of further materialization of negotiations was added. However, it should be noted that:

a. negotiations are conducted on a case-by-case basis and can be stopped at any time by the Bank
b. as the effort was material in 2021 and in 1st half 2022, the probability of success may be lower in the future and at the same time, gradually most of the client base has had contact with the Bank regarding potential negotiation of the conversion of the loans to PLN, so the Bank is taking a conservative approach when calculating the potential future impact for the time being.

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Societe Generale.

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 loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against the Bank	PLN 54 million
Change in the probability of winning a case	The probability of the Bank winning a case is lower by 1 p.p	PLN 46 million
Change in estimated losses for each variant of the judgment	Increase in losses for each variant of the judgment by 1 p.p	PLN 42 million

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 decreased by 8,450 in 2021 and 6,631 in the first 3 quarters of 2022 compared to over 47,500 active loans at the end of 2021. Cost incurred in conjunctions with these negotiations totalled PLN 364.6 million in 2021 and PLN 394.8 million in the first 3 quarters of 2022 and is presented mainly in ‘Result on exchange differences’ in the profit and loss statement, and in 2022 also in ‘Result on modification’.

Finally it should also be mentioned, that the Bank, as at 30.09.2022, 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 2.82 p.p. (2.79 p.p. at the Group level), part of which is allocated to operational/legal risk.

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 29th 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., 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 "average, reasonably well-informed and reasonably observant and circumspect consumers".

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 7th 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:

1. An abusive contractual clause (art. 3851 § 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.

2. 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.

In this context, taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, and if such trend continues, 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. Further request for clarification and ruling addressed to the European Court of Justice and Polish Supreme Court have already been filed and may still be filed with potential impact on the outcome of the court cases.

10.2. EVENTS THAT MAY IMPACT FX MORTGAGE LEGAL RISK AND RELATED PROVISION

On 29 January 2021 a set of questions addressed by the First President of the Supreme Court to the full Civil Chamber of the Supreme Court was published. This may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court has been requested for answering the questions concerning key matters related to FX mortgage agreements: (i) is it permissible to replace - with the law provisions or with a custom - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of impossibility of determining the exchange rate of a foreign currency in the indexed/denominated credit agreement - is it permissible to keep the agreement still valid in its remaining scope; as well as (iii) if in case of invalidity of the CHF credit there would be applicable the theory of balance (i.e. does arise a single claim which is equal to the difference between value of claims of bank and the customer) or the theory of two condictions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court has also been requested for answering the question on (iv) from which point in time there shall be starting the limitation period in case of bank's claim for repayment of amounts paid as a loan and (v) whether banks and consumers may receive remuneration for using their pecuniary means by another party.

On 11 May the Civil Chamber of the Supreme Court requested opinions on Swiss franc mortgage loans from five institutions including the National Bank of Poland (NBP), the Polish Financial Supervision Authority (UKNF), the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman.

The positions of: the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman are in general favorable to consumers, while the National Bank of Poland and the Polish Financial Supervision Authority present a more balanced position, including fair principles of treatment of FX mortgage borrowers vis-à-vis PLN mortgage borrowers, as well as balanced economic aspects regarding solutions for the problem that could be considered by the Supreme Court.

In the next meeting of the Supreme Court that took place on 2 September 2021, the Court did not address the answers to the submitted questions and no new meeting date is known. The Bank will assess in due time the implications of the decisions of the Supreme Court on the level of provisions for the legal risk.

In August 2021, in the case for payment brought by a consumer against Bank Millennium SA, the CJEU was asked for a preliminary ruling (C-520/21) whether, in the event that a loan agreement concluded by a bank and a consumer is deemed invalid from the beginning due to unfair contract terms, the parties, in addition to the reimbursement of the money paid in contracts (bank - loan capital, consumer - installments, fees, commissions and insurance premiums) and statutory interest for delay from the moment of calling for payment, may also claim any other benefits, including receivables in particular, remuneration, compensation, reimbursement of costs or valorization of the performance. The hearing was held on October 12, 2022. The hearing was attended by representatives of the Bank, the consumer's representative, representatives of the European Commission, the Polish government, the Financial Ombudsman, the Commissioner for Human Rights, the Polish Financial Supervision Authority and the prosecutor. In its position, the European Commission opposed granting banks the right to an additional financial benefit for the consumer's use of the capital provided. At the same time, the Commission concluded that granting consumers the right to an additional financial benefit will not be contrary to the EU law. The representatives of the Polish government, the Financial Ombudsman, the Commissioner for Human Rights and the prosecutor also objected to granting banks the right to an additional benefit. The Chairman of the

Polish Financial Supervision Authority pointed out that the essence of the problem is not the abusiveness of contractual clauses, but the appreciation of the Swiss franc (CHF) against the zloty (PLN). In the opinion of the Chairman of the Polish Financial Supervision Authority, banks are entitled to economic compensation for allowing another entity to use the capital.

The next stage in the case will be the issuance of an opinion by the Advocate General in the case. The opinion is scheduled for 16 02 2023.

With the scope of settlements between the Bank and borrower following the fall of the loan agreement is also connected the legal issue directed to the seven-person composition of the Supreme Court (case sign: III CZP 54/21). The date of case review has not been specified yet.

The Supreme Court was also presented with the issue of whether the loan agreement is a mutual agreement in the light of the regulations concerning retention right.

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 by banks to their clients a voluntary possibility of concluding arrangements based on which a client would conclude with the bank a settlement as if his/her loan from the very beginning had been a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loan.

Following that public announcement, the idea has been subject of consultations between banks under the auspices of the PFSA and Polish Banking Association. Banks in general have been assessing the conditions under which such solution could be implemented and consequent impacts.

As expressed in our previous financial reports, in the view of the Management Board of the Bank, important aspects to take into consideration when deciding on potential implementation of such program are: a) favorable opinion or at least non-objection from important public institutions; b) support from National Bank of Poland to the implementation; c) level of legal certainty of the settlement agreements to be signed with the borrowers; d) level of the financial impact on a pre- and after tax basis; e) capital consequences including regulatory adjustments in the level of capital requirements associated with FX mortgage loans.

Based on current information some of the above mentioned aspects are not likely to be fully clarified and / or achieved.

At the time of publishing this report, neither the Management Board nor any other corporate body of the Bank took any decision regarding implementation of such program. If / when a recommendation regarding the program would be ready, the Management Board would submit it to the Supervisory Board and General Shareholders meeting taking into consideration the relevance of such decision and its implications.

Due to the complexity and uncertainty regarding the outcome of court cases, as well as from potential implementation of KNF Chairman solution or from potential Supreme Court decisions or European Court of Justice decisions, it is difficult to reliably estimate potential impacts of such different outcomes and their interaction as at the date of publication of the financial statements.

11. ADDITIONAL INFORMATION

11.1. DATA ABOUT ASSETS, WHICH SECURE LIABILITIES

As at 30.09.2022 r. (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds OK0423	Held to Collect and for Sale	Lombard credit granted to the Bank by the NBP	130 000	125 151
2.	Treasury bonds OK0423	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	314 000	302 288
3.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	134 100	129 098
4.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	124 000	119 375
5.	Cash	receivables	initial settlement deposit in KDPW CCP (MAGB)	5 000	5 000
6.	Cash	receivables	ASO guarantee fund (PAGB)	473	473
7.	Cash	receivables	right settlement deposit in KDPW CCP (MATS)	1 257	1 257
8.	Cash	receivables	Settlement on transactions concluded	135 691	135 691
9.	Deposits	Deposits in banks	Settlement on transactions concluded	821 728	821 843
10.	Leasing receivables	Loans and advances	Loans granted to Millennnium Leasing	175 565	175 565
		TOTAL		1 841 814	1 815 740

As at September 30, 2022, the Group had concluded short-term (usually settled within 7 days) transactions of Treasury securities sale with a repurchase agreement, the subject of which were securities with a value of PLN 762,586 thousand.

As at 31.12.2021 r. (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds OK0423	Held to Collect and for Sale	Lombard credit granted to the Bank by the NBP	130 000	124 254
2.	Treasury bonds OK0423	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	328 000	313 502
3.	Treasury bonds PS0425	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	7 000	6 399
4.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	130 100	124 350
5.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	106 500	101 793
6.	Cash	receivables	initial deposit in KDPW CCP (MAGB)	5 000	5 000
7.	Cash	receivables	ASO guarantee fund (PAGB)	398	398
8.	Cash	receivables	payment to the OTC Guarantee Fund - KDPW_CCP	8 989	8 989
9.	Cash	receivables	Settlement on transactions concluded	111 907	111 907
10.	Deposits	Deposits in banks	Settlement on transactions concluded	572 681	572 681
11.	Leasing receivables	Loans and advances	Loans granted to Millennnium Leasing	215 120	215 120
		TOTAL		1 615 696	1 584 394

Additionally, as at December 31, 2021, the Group had concluded short-term transactions (usually settled within 7 days) of Treasury securities sale with a repurchase agreement, subject of securities worth PLN 17,933 thousand.

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 30.09.2022

Type of security	Par value	Balance sheet value
Treasury bonds	821 275	762 586
TOTAL	821 275	762 586

As at 31.12.2021

Type of security	Par value	Balance sheet value
Treasury bonds	21 347	17 933
TOTAL	21 347	17 933

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. 2021 DIVIDEND

Bank Millennium has a dividend policy of distribution between 35% and 50% of net profit, taking into account supervisory recommendations. The Bank recorded a net loss in 2021, resulting from the creation of provisions for legal risk related to FX mortgage loans, hence there was no basis for the payment of dividends. The Management Board of the Bank presented a proposal and the Ordinary General Meeting of the Bank, held on March 30, 2022, decided to allocate the amount of PLN 1,357,451,533.94 from the reserve capital to cover the loss incurred in 2021.

11.4. EARNINGS PER SHARE

Loss per share calculated III quarters 2022 (and diluted loss per share) on the basis of the consolidated data amounts to -PLN 1.04.

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.

Because the Bank is a public company whose shares are traded on the WSE primary market, the Bank has no detailed information about the shareholding structure as of September 30, 2022. Information on shareholders, contained in the table below, is provided on the basis of data collected in connection with the registration of shareholders entitled to participate in the Ordinary General Meeting of the Bank convened for March 30, 2022.

The largest shareholders of the Group's parent entity – the Bank - (above 5% share in the vote at the General Shareholders Meetings) were as follows:

Shareholder as at 30.09.2022	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	99 291 000	8.18	99 291 000	8.18
Aviva Otwarty Fundusz Emerytalny Aviva Santander	72 760 000	6.00	72 760 000	6.00
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	67 000 000	5.52	67 000 000	5.52
Shareholder as at 31.12.2021	**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	99 291 825	8.18	99 291 825	8.18
Aviva Otwarty Fundusz Emerytalny Aviva Santander	72 760 035	6.00	72 760 035	6.00
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	69 451 428	5.73	69 451 428	5.73

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

In the III quarters 2022, 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 30 September 2022 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 30 September 2022, 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.

CREATION OF INSTITUTIONAL PROTECTION SCHEME

Management Board of the Bank informed that on 7 June 2022 it received information that the Management Boards and Supervisory Boards Alior Bank S.A., Bank Millennium S.A. Bank Polska Kasa Opieki S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Santander Bank Polska S.A. (Member Banks) had passed resolutions on consenting to submitting an application to the Polish Financial Supervision Authority for approval and recognition of the Institutional Protection Scheme, the members of which are banks operating in the form of a joint-stock company together with the draft agreement on the Institutional Protection Scheme, i.e. Member Bank's participation in the creation of the Institutional Protection Scheme referred to in Article 4(1)(9a) of the Banking Law Act of 29 August 1997 (Banking Law).

The objective of the Institutional Protection Scheme is to:

1. ensure liquidity and solvency of the Member Banks on the terms and conditions and to the extent set out in the agreement on the protection scheme; and
2. support:
   a) the resolution procedure pursued by the Bank Guarantee Fund for the bank being a joint-stock company; and
   b) acquisition of the bank being a joint-stock company under Article 146b.1 of the Banking Law.

As a result of the above, the Bank recognized in the administrative costs of the nine months of 2022 a contribution to the Institutional Protection Scheme in the amount of PLN 276.1 million, at the same time, starting from the second quarter of 2022, the Bank does not recognize contributions to the Banking Guarantee Fund.

DEMERGER OF MILLENNNIUM DOM MAKLERSKI

The Bank and Millennium Dom Maklerski (100% subsidiary of the Bank, "MDM") made a decision on the Demerger by way of the inclusion of the Brokerage Activity in the Bank's structures in order to integrate within a single entity the brokerage services so far provided through the Demerged Company. The decision to effectuate the Demerger is dictated by:

– an interest in improving the efficiency of the operation of the brokerage activity in the Bank's Group both in the area of institutional and retail client services;

– efforts to increase the quality and comprehensiveness of the brokerage service offer addressed to both individual and institutional clients.

The MDM division plan (the "MDM Division Plan") has been made available pursuant to Article 535 § 3 of the CCC by being posted on the Bank's website at:

https://www.bankmillennium.pl/plan_podzialu_MDM

The MDM Division has been carried out (in accordance with the procedure specified in Article 529 § 1.4 of the CCC, i.e. through:
a) a transfer to the Bank of a part of the property (assets and liabilities) and the rights and obligations of the Company Being Divided in the form of an organised part of the enterprise of MDM connected with the provision of brokerage services (the "Brokerage Business"); and
b) the retaining by MDM of a part of the property (assets and liabilities) and the rights and obligations of the Company Being Divided in the form of an organised part of the enterprise of MDM connected with the remaining business activity (the "Non-Regulated Business").

On 29 July 2022, the Bank became aware of the registration of the decrease of the share capital of MDM, the registration of amendments to the articles of association of MDM and the registration of the information on the MDM Division in the registration files of MDM in the National Court Register by the District Court for the City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register. Thus, the division of MDM, as a result of which the Bank took over the Brokerage Business, took place and was registered by the competent registry court on 29 July 2022.

Date	Name and surname	Position/Function	Signature
21.10.2022	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
21.10.2022	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
21.10.2022	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
21.10.2022	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
21.10.2022	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
21.10.2022	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
21.10.2022	Jarosław Hermann	Member of the Management Board	Signed by a qualified electronic signature

Condensed Interim Standalone Financial Statements of the Bank Millennium S.A. for the 9 months ended 30 September 2022

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 2021.

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 nine months ending September 30, 2022.

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 six months period ended 30 September 2022. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for nine months period ended 30 September 2022 contain all important information, which also serves as explanatory data to these standalone statements of the Bank.

These condensed interim separate financial statements have been prepared on the assumption that the Bank will continue as going concerns.

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 recognized a one-off cost in the third quarter in the amount of PLN 1,422.9 million (of which PLN 1,384.6 million related to the Bank, while the costs of PLN 38.3 million were charged to Millennium Bank Hipoteczny S.A.).

For the three quarters period ended September 30, 2022, the Group incurred a financial loss. The financial loss of the Group in the amount of PLN 1,263.5 million was mainly caused by the above mentioned Act and by the creation of provisions for legal risk related to the portfolio of foreign currency mortgage loans (excluding Euro Bank) in the amount of PLN 1,365.9 million, additional costs incurred with individual amicable settlements with FX mortgage borrowers and with legal costs (more information on the issue is presented in Chapter 10 "Legal risk related to foreign currency mortgage loans"). Beside of aforementioned costs the Bank incurred single-row costs of the reserve related to the establishment of the Institutional Protection Scheme amounting to PLN 223,7 million net (after taking into account the tax effect).

Due to costs generated as a result of the above mentioned Act, and as informed by the Bank, 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 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 submited 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).

The Management Board of the Bank intends to increase 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).

The Bank will monitor, on the current basis, the financial situation and, if needed, will undertake actions to launch additional remedial activities.

The Bank would like to emphasise that the only reason for forecasted exceeding of the leading indicators of the Recovery Plan in the area of capital were external factors independent from the Bank, in the form of the announcement of the Act on Crowdfunding and the need to recognise the cost of Credit Holidays.

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 possible failure to meet capital solvency ratios in subsequent reporting periods - the Bank's Management Board based on the analyzes 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 above mentioned Act introduced also:

- ✓ a process leading to the WIBOR interest rate benchmark being replaced with a new benchmark. Act contains only a legal delegation to announce new benchmark by means of a Decree of Ministry of Finance. Due to the lack of information on the details of potential new index that will be replacing WIBOR, it is not possible to estimate the potential impact of the above changes in the future.

- ✓ contribution in amount of PLN 1,4 billion to Borrowers' Support Fund till the end of 2022 year to be made by banking sector. There is no information yet on the exact amount that the Bank will be obliged to contribute to the Fund. The Act introduces several conditions enabling the release from the obligation to make a payment to the Fund. The Bank believes that such conditions apply to the Bank.

The Management Board approved these condensed interim financial statements on 21st October 2022.

2. STANDALONE FINANCIAL DATA (BANK)

INCOME STATEMENT

Amount '000 PLN	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Net interest income	3 309 819	1 236 992	1 877 488	645 352
Interest income and other of similar nature	4 280 173	1 796 445	1 964 708	672 017
Income calculated using the effective interest method	4 326 750	1 811 623	1 906 141	654 506
Interest income from Financial assets at amortised cost	3 476 545	1 445 438	1 724 180	546 020
Interest income from Financial assets at fair value through other comprehensive income	850 205	366 185	181 961	108 486
Result of similar nature to interest from Financial assets at fair value through profit or loss	(46 577)	(15 178)	58 567	17 511
Interest expenses	(970 354)	(559 453)	(87 220)	(26 665)
Net fee and commission income	534 901	158 238	532 118	171 764
Fee and commission income	675 207	212 076	645 929	214 420
Fee and commission expenses	(140 306)	(53 838)	(113 811)	(42 656)
Dividend income	45 208	352	52 081	717
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(1 739)	(474)	9 859	830
Results on financial assets and liabilities held for trading	1 300	6 639	(6 749)	(934)
Result on non-trading financial assets mandatorily at fair value through profit or loss	11 026	8 685	53 809	43 349
Result on hedge accounting	(5 579)	(2 233)	(1 754)	(1 480)
Result on exchange differences	(185 054)	(62 041)	(77 627)	(89 305)
Other operating income	183 108	59 560	187 216	85 641
Other operating expenses	(103 319)	(49 925)	(51 138)	(19 390)
Administrative expenses	(1 417 560)	(395 014)	(1 015 571)	(337 185)
Impairment losses on financial assets	(230 386)	(105 223)	(205 608)	(117 116)
Impairment losses on non-financial assets	(2 745)	224	(5 357)	(436)
Provisions for legal risk connected with FX mortgage loans	(1 512 780)	(498 150)	(1 573 157)	(526 113)
Cost of credit holidays resulting from Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers	(1 384 600)	(1 384 600)	0	0
Result on modification	(65 411)	(56 607)	(9 436)	(2 705)
Depreciation	(151 878)	(50 690)	(144 468)	(48 415)
Share of the profit of investments in subsidiaries	0	0	0	0
Banking tax	(169 063)	(239)	(230 599)	(78 631)
Profit before income taxes	**(1 144 752)**	**(1 134 506)**	**(608 893)**	**(274 057)**
Corporate income tax	(107 896)	138 656	(214 022)	(58 668)
Profit after taxes	**(1 252 648)**	**(995 850)**	**(822 915)**	**(332 725)**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Profit after taxes	(1 252 648)	(995 850)	(822 915)	(332 725)
Other comprehensive income items that may be (or were) reclassified to profit or loss	(805 470)	27 224	(236 058)	(118 457)
Result on debt securities	(482 471)	136 272	(278 677)	(71 056)
Result on credit portfolio designated for pooling to Mortgage Bank	(110 289)	(81 354)	116 840	(12 021)
Hedge accounting	(212 710)	(27 694)	(74 221)	(35 380)
Other comprehensive income items that will not be reclassified to profit or loss	128	128	0	0
Actuarial gains (losses)	(110)	(110)	0	0
Result on equity instruments	238	238	0	0
Total comprehensive income items before taxes	**(805 342)**	**27 352**	**(236 058)**	**(118 457)**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	153 039	(5 173)	44 851	22 507
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	(24)	(24)	0	0
Total comprehensive income items after taxes	**(652 327)**	**22 155**	**(191 207)**	**(95 950)**
Total comprehensive income for the period	**(1 904 975)**	**(973 695)**	**(1 014 122)**	**(428 675)**

BALANCE SHEET

ASSETS

Amount '000 PLN	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Cash, cash balances at central banks	10 131 930	5 810 033	3 179 736	1 977 706
Financial assets held for trading	470 947	251 435	173 089	284 247
Derivatives	322 512	220 961	86 651	134 155
Equity instruments	88	0	0	0
Debt securities	148 347	30 474	86 438	150 092
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	255 328	249 085	265 903	194 622
Equity instruments	186 631	120 092	138 404	139 178
Debt securities	68 697	128 993	127 499	55 444
Financial assets at fair value through other comprehensive income	13 874 261	17 690 974	17 952 492	20 905 524
Equity instruments	28 786	28 524	28 433	29 220
Debt securities	13 845 475	17 662 450	17 924 059	20 876 304
Loans and advances to customers	78 045 342	78 472 593	78 237 587	76 990 966
Mandatorily at fair value through profit or loss	135 100	189 813	362 992	497 780
Fair valued through other comprehensive income	10 986 986	11 343 969	11 485 351	10 146 044
Valued at amortised cost	66 923 256	66 938 811	66 389 244	66 347 142
Financial assets at amortised cost other than Loans and advances to customers	4 100 615	3 471 062	1 249 240	625 044
Debt securities	2 142 156	1 615 236	37 088	37 156
Deposits, loans and advances to banks and other monetary institutions	1 953 933	1 847 603	943 315	578 488
Reverse sale and repurchase agreements	4 526	8 223	268 837	9 400
Derivatives – Hedge accounting	0	0	14 385	4 953
Investments in subsidiaries, joint ventures and associates	247 823	259 984	208 889	208 874
Tangible fixed assets	514 421	518 792	528 565	511 343
Intangible fixed assets	410 172	391 675	385 199	370 466
Income tax assets	800 752	579 860	608 395	533 968
Current income tax assets	0	0	377	0
Deferred income tax assets	800 752	579 860	608 018	533 968
Other assets	874 767	752 964	584 589	549 634
Non-current assets and disposal groups classified as held for sale	0	0	0	0
Total assets	**109 726 358**	**108 448 457**	**103 388 069**	**103 157 347**

LIABILITIES AND EQUITY

Amount '000 PLN	30.09.2022	30.06.2022	31.12.2021	30.09.2021
LIABILITIES				
Financial liabilities held for trading	306 552	248 615	143 409	109 499
Derivatives	300 883	238 407	126 795	88 151
Liabilities from short sale of securities	5 669	10 208	16 614	21 348
Financial liabilities measured at amortised cost	100 672 031	98 149 890	93 417 725	92 396 183
Liabilities to banks and other monetary institutions	357 243	257 811	186 247	155 896
Liabilities to customers	97 987 439	96 338 444	91 672 296	90 450 174
Sale and repurchase agreements	763 502	0	18 038	0
Debt securities issued	0	0	0	250 894
Subordinated debt	1 563 847	1 553 635	1 541 144	1 539 219
Derivatives – Hedge accounting	988 841	832 073	614 573	334 770
Provisions	924 958	757 973	594 405	377 608
Pending legal issues	887 575	719 029	549 450	329 897
Commitments and guarantees given	37 383	38 944	44 955	47 711
Income tax liabilities	28 639	24 670	0	21 605
Current income tax liabilities	28 639	24 670	0	21 605
Deferred income tax liabilities	0	0	0	0
Other liabilities	2 082 753	2 738 957	1 985 775	2 099 475
Total Liabilities	**105 003 774**	**102 752 178**	**96 755 887**	**95 339 140**
EQUITY				
Share capital	1 213 117	1 213 117	1 213 117	1 213 117
Own shares	(21)	(21)	(21)	(3 395)
Share premium	1 147 241	1 147 241	1 147 241	1 147 241
Accumulated other comprehensive income	(1 298 013)	(1 320 168)	(645 686)	5 802
Retained earnings	3 660 260	4 656 110	4 917 531	5 455 442
Total equity	4 722 584	5 696 279	6 632 182	7 818 207
Total equity and total liabilities	**109 726 358**	**108 448 457**	**103 388 069**	**103 157 347**

Book value of net assets	4 722 584	5 696 279	6 632 182	7 818 207
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)	3.89	4.70	5.47	6.44

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
01.01.2022 - 30.09.2022							
Equity at the beginning of the period	**6 632 182**	**1 213 117**	**(21)**	**1 147 241**	**(645 686)**	**(1 357 452)**	**6 274 983**
Total comprehensive income for the period (net)	(1 904 975)	0	0	0	(652 327)	(1 252 648)	0
net profit/ (loss) of the period	(1 252 648)	0	0	0	0	(1 252 648)	0
valuation of debt securities	(390 801)	0	0	0	(390 801)	0	0
valuation of shares	193	0	0	0	193	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(89 334)	0	0	0	(89 334)	0	0
hedge accounting	(172 295)	0	0	0	(172 295)	0	0
actuarial gains (losses)	(90)	0	0	0	(90)	0	0
Purchase and transfer of own shares to employees	(4 623)	0	0	0	0	0	(4 623)
Transfer between items of reserves	0	0	0	0	0	1 357 452	(1 357 452)
Equity at the end of the period	**4 722 584**	**1 213 117**	**(21)**	**1 147 241**	**(1 298 013)**	**(1 252 648)**	**4 912 908**
01.07.2022 - 30.09.2022							
Equity at the beginning of the period	**5 696 279**	**1 213 117**	**(21)**	**1 147 241**	**(1 320 168)**	**(256 798)**	**4 912 908**
Total comprehensive income for the period (net)	(973 695)	0	0	0	22 155	(995 850)	0
net profit/ (loss) of the period	(995 850)	0	0	0	0	(995 850)	0
valuation of debt securities	110 381	0	0	0	110 381	0	0
valuation of shares	193	0	0	0	193	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(65 897)	0	0	0	(65 897)	0	0
hedge accounting	(22 432)	0	0	0	(22 432)	0	0
actuarial gains (losses)	(90)	0	0	0	(90)	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	0	0
Equity at the end of the period	**4 722 584**	**1 213 117**	**(21)**	**1 147 241**	**(1 298 013)**	**(1 252 648)**	**4 912 908**
01.01.2021 - 31.12.2021							
Equity at the beginning of the period	**8 835 703**	**1 213 117**	**(21)**	**1 147 241**	**197 009**	**18 579**	**6 259 778**
Total comprehensive income for the period (net)	(2 200 147)	0	0	0	(842 695)	(1 357 452)	0
net profit/ (loss) of the period	(1 357 452)	0	0	0	0	(1 357 452)	0
valuation of debt securities	(791 682)	0	0	0	(791 682)	0	0
valuation of shares	(636)	0	0	0	(636)	0	0
valuation of loans portfolio dedicated for pooling to Mortgage Bank	216 334	0	0	0	216 334	0	0
hedge accounting	(270 938)	0	0	0	(270 938)	0	0
actuarial gains (losses)	4 227	0	0	0	4 227	0	0
Purchase and transfer of own shares to employees	(3 374)	0	0	0	0	0	(3 374)
Transfer between items of reserves	0	0	0	0	0	(18 579)	18 579
Equity at the end of the period	**6 632 182**	**1 213 117**	**(21)**	**1 147 241**	**(645 686)**	**(1 357 452)**	**6 274 983**
01.01.2021 - 30.09.2021							
Equity at the beginning of the period	**8 835 703**	**1 213 117**	**(21)**	**1 147 241**	**197 009**	**18 579**	**6 259 778**
Total comprehensive income for the period (net)	(1 014 122)	0	0	0	(191 207)	(822 915)	0
net profit/ (loss) of the period	(822 915)	0	0	0	0	(822 915)	0
valuation of debt securities	(225 728)	0	0	0	(225 728)	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	94 640	0	0	0	94 640	0	0
hedge accounting	(60 119)	0	0	0	(60 119)	0	0
Purchase and transfer of own shares to employees	(3 374)	0	(3 374)	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	(18 579)	18 579
Equity at the end of the period	**7 818 207**	**1 213 117**	**(3 395)**	**1 147 241**	**5 802**	**(822 915)**	**6 278 357**

CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Profit (loss) after taxes	(1 252 648)	(995 850)	(822 915)	(332 725)
Total adjustments:	7 299 673	2 038 900	4 205 413	(1 317 204)
Interest received	3 964 723	1 675 149	2 005 548	711 023
Interest paid	(747 646)	(429 789)	(87 840)	(28 027)
Depreciation and amortization	151 878	50 690	144 468	48 415
Foreign exchange (gains)/ losses	0	0	0	0
Dividends	(45 208)	(352)	(52 081)	(717)
Changes in provisions	330 553	166 985	219 237	(29 755)
Result on sale and liquidation of investing activity assets	1 041	(933)	(8 374)	(556)
Change in financial assets held for trading	(493 486)	(251 528)	51 951	(123 868)
Change in loans and advances to banks	(887 182)	(110 877)	193 629	(91 246)
Change in loans and advances to customers	(3 544 790)	(1 241 453)	(5 611 660)	(2 114 262)
Change in receivables from securities bought with sell-back clause (loans and advances)	242 419	(9 042)	56 950	8 961
Change in financial liabilities valued at fair value through profit and loss (held for trading)	537 411	214 705	(463 140)	115 367
Change in deposits from banks	199 326	112 241	(395 361)	(173 300)
Change in deposits from customers	7 000 192	2 050 179	8 700 891	278 659
Change in liabilities from securities sold with buy-back clause	790 065	784 472	(248 518)	39
Change in debt securities	0	0	(231 608)	(20 079)
Change in income tax settlements	107 454	(139 097)	218 329	62 975
Income tax paid	(118 534)	(83 400)	(179 764)	(39 333)
Change in other assets and liabilities	(263 862)	(784 326)	(136 541)	68 646
Other	75 320	35 277	29 297	9 854
Net cash flows from operating activities	**6 047 025**	**1 043 050**	**3 382 498**	**(1 649 929)**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Inflows:	1 436 358	13 897	58 162	471 977
Proceeds from sale of property, plant and equipment and intangible assets	6 892	1 384	6 081	1 049
Proceeds from sale of shares in related entities	12 161	12 161	0	0
Proceeds from sale of investment financial assets	1 372 097	0	0	470 211
Other	45 208	352	52 081	717
Outflows:	(150 764)	(646 034)	(737 468)	(34 459)
Acquisition of property, plant and equipment and intangible assets	(99 669)	(59 811)	(58 543)	(34 459)
Purchase of of shares in related entities	(51 095)	0	0	0
Acquisition of investment financial assets	0	(586 223)	(678 925)	0
Other	0	0	0	0
Net cash flows from investing activities	**1 285 594**	**(632 137)**	**(679 306)**	**437 518**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Inflows from financing activities:	0	0	0	0
Long-term bank loans	0	0	0	0
Issue of debt securities	0	0	0	0
Increase in subordinated debt	0	0	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0	0	0
Other inflows from financing activities	0	0	0	0
Outflows from financing activities:	(61 252)	(28 635)	(40 364)	(15 549)
Repayment of long-term bank loans	(10 000)	(5 000)	(10 000)	(5 000)
Redemption of debt securities	0	0	0	0
Decrease in subordinated debt	0	0	0	0
Issue of shares expenses	0	0	0	0
Redemption of shares	0	0	0	0
Dividends paid and other payments to owners	0	0	0	0
Other outflows from financing activities	(51 252)	(23 635)	(30 364)	(10 549)
Net cash flows from financing activities	**(61 252)**	**(28 635)**	**(40 364)**	**(15 549)**

D. Net cash flows. Total (A + B + C)	**7 271 367**	**382 278**	**2 662 828**	**(1 227 960)**
including change resulting from FX differences	13 725	8 904	3 357	5 283
E. Cash and cash equivalents at the beginning of the reporting period	**3 372 244**	**10 261 333**	**1 586 434**	**5 477 222**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**10 643 611**	**10 643 611**	**4 249 262**	**4 249 262**

3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

As at 30 September 2022, 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

	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022	1.01.2021 - 30.09.2021	1.07.2021 - 30.09.2021
Impairment losses on loans and advances to customers	(238 174)	(106 919)	(210 710)	(116 339)
Impairment charges on loans and advances to customers	(1 114 888)	(351 688)	(1 049 805)	(321 027)
Reversal of impairment charges on loans and advances to customers	799 186	225 226	768 784	193 454
Amounts recovered from loans written off	34 337	11 916	39 562	13 135
Sale of receivables	43 185	3 517	32 623	(243)
Other directly recognised in profit and loss	6	4 110	(1 874)	(1 658)
Impairment losses on securities	(1)	(1)	0	4
Impairment charges on securities	(2)	(2)	(6)	0
Reversal of impairment charges on securities	1	1	6	4
Impairment losses on off-balance sheet liabilities	7 789	1 697	5 102	(781)
Impairment charges on off-balance sheet liabilities	(32 955)	(5 140)	(48 301)	(10 193)
Reversal of impairment charges on off-balance sheet liabilities	40 744	6 837	53 403	9 412
Total	**(230 386)**	**(105 223)**	**(205 608)**	**(117 116)**

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

	1.01.2022 - 30.09.2022	1.01.2022 - 30.06.2022	1.01.2021 - 31.12.2021	1.01.2021 - 30.09.2021
Balance at the beginning of the period	2 210 000	2 210 000	2 204 743	2 204 743
Change in value of provisions:	79 504	(59 420)	5 257	74 370
Impairment allowances created in the period	1 064 792	733 699	1 377 980	1 031 991
Amounts written off	(159 440)	(151 630)	(270 015)	(129 400)
Impairment allowances released in the period	(766 638)	(547 812)	(992 801)	(759 261)
Sale of receivables	(146 254)	(138 831)	(145 828)	(83 368)
Exclusion of FVOCI portfolio	0	0	(12 884)	(12 884)
KOIM created in the period(*)	50 431	31 209	35 850	23 438
Changes resulting from FX rates differences	34 831	13 032	9 372	430
Other	1 782	913	3 583	3 424
Balance at the end of the period	**2 289 504**	**2 150 580**	**2 210 000**	**2 279 113**

** 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 01.01.2022	4 997	6 700	8 856	0	27 842
- Write-offs created	2	0	0	0	11 705
- Write-offs released	(1)	0	0	0	(8 960)
- Utilisation	0	0	0	0	(3 202)
- Other	0	0	0	0	0
As at 30.09.2022	4 998	6 700	8 856	0	27 385
As at 01.01.2022	4 997	6 700	8 856	0	27 842
- Write-offs created	0	0	0	0	8 604
- Write-offs released	(1)	0	0	0	(5 634)
- Utilisation	0	0	0	0	(3 029)
- Other	0	0	0	0	0
As at 30.06.2022	4 996	6 700	8 856	0	27 783
As at 01.01.2021	4 999	6 700	8 856	0	22 514
- Write-offs created	6	0	0	0	22 039
- Write-offs released	(7)	0	0	0	(14 397)
- Utilisation	0	0	0	0	(2 314)
- Other	0	0	0	0	0
As at 31.12.2021	4 997	6 700	8 856	0	27 842
As at 01.01.2021	4 999	6 700	8 856	0	22 514
- Write-offs created	6	0	0	0	18 413
- Write-offs released	(6)	0	0	0	(10 282)
- Utilisation	0	0	0	0	(1 623)
- Other	0	0	0	0	0
As at 30.09.2021	4 999	6 700	8 856	0	29 021

Change of Provision for commitments and guarantees given

	1.01.2022 - 30.09.2022	1.01.2022 - 30.06.2022	1.01.2021 - 31.12.2021	1.01.2021 - 30.09.2021
Balance at the beginning of the period	44 955	44 955	52 728	52 728
Charge of provision	32 955	27 815	54 970	48 301
Release of provision	(40 744)	(33 907)	(62 805)	(53 403)
FX rates differences	217	81	62	85
Balance at the end of the period	**37 383**	**38 944**	**44 955**	**47 711**

Change of Provision for pending legal issues

	1.01.2022 - 30.09.2022	1.01.2022 - 30.06.2022	1.01.2021 - 31.12.2021	1.01.2021 - 30.09.2021
Balance at the beginning of the period	549 450	549 450	105 643	105 643
Charge of provision	12 637	6 616	112 726	6 178
Release of provision	(5 509)	(4 131)	(9 463)	(6 701)
Utilisation of provision	(127 991)	(72 196)	(24 059)	0
Creation of provision for legal risk connected with FX mortgage loans	1 512 780	1 014 630	2 305 157	1 573 157
Allocation to the loans portfolio	(1 606 271)	(996 473)	(2 032 024)	(1 375 774)
FX differencies	552 479	221 133	91 470	27 394
Reclassification	0	0	0	0
Balance at the end of the period	887 575	719 029	549 450	329 897

Provisions for legal risk connected with fx mortgage loans

01.01.2022 - 30.09.2022	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	3 332 614	2 916 779	415 835
Amounts written off	(127 815)	0	(127 815)
Costs of provisions for legal risk connected wIth FX mortgage loans	1 512 780	0	1 512 780
Change of accounting principles from IAS 37 to IFRS 9	0	1 606 271	(1 606 271)
Increase of provisions due to FX rates differences	552 478	0	552 478
Balance at the end of the period	5 270 057	4 523 050	747 007

01.07.2022 - 30.09.2022	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	4 496 356	3 913 252	583 104
Amounts written off	(55 795)	0	(55 795)
Costs of provisions for legal risk connected wIth FX mortgage loans	498 150	0	498 150
Change of accounting principles from IAS 37 to IFRS 9	0	609 798	(609 798)
Increase of provisions due to FX rates differences	331 346	0	331 346
Balance at the end of the period	5 270 057	4 523 050	747 007

01.01.2021 - 30.09.2021	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	960 046	884 755	75 291
Amounts written off	0	0	0
Costs of provisions for legal risk connected wIth FX mortgage loans	1 573 157	0	1 573 157
Change of accounting principles from IAS 37 to IFRS 9	0	1 375 774	(1 375 774)
Increase of provisions due to FX rates differences	27 394	0	27 394
Balance at the end of the period	2 560 597	2 260 529	300 068

01.07.2021 - 30.09.2021	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	1 979 882	1 649 817	330 065
Amounts written off	0	0	0
Costs of provisions for legal risk connected wIth FX mortgage loans	526 113	0	526 113
Change of accounting principles from IAS 37 to IFRS 9	0	610 712	(610 712)
Increase of provisions due to FX rates differences	54 602	0	54 602
Balance at the end of the period	2 560 597	2 260 529	300 068

Deferred income tax assets and liability

	30.09.2022			30.06.2022		
	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	1 659	(2 435)	(776)	1 659	(2 704)	(1 045)
Balance sheet valuation of financial instruments	61 013	(88 877)	(27 864)	56 769	(83 800)	(27 031)
Unrealised receivables/ liabilities on account of derivatives	63 077	(50 703)	12 374	38 094	(31 503)	6 591
Interest on deposits and securities to be paid/ received	49 093	(272 554)	(223 461)	24 462	(287 559)	(263 097)
Interest and discount on loans and receivables	0	(105 562)	(105 562)	0	(93 528)	(93 528)
Income and cost settled at effective interest rate	332 067	0	332 067	137 603	0	137 603
Impairment of loans presented as temporary differences	445 040	0	445 040	413 778	0	413 778
Employee benefits	18 855	0	18 855	18 543	0	18 543
Rights to use	5 139	0	5 139	5 423	0	5 423
Provisions for future costs	72 780	0	72 780	105 074	0	105 074
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	339 716	(35 244)	304 472	360 346	(50 677)	309 669
Valuation of shares	1 273	(34 803)	(33 530)	1 273	(34 684)	(33 411)
Other	1 218	0	1 218	1 554	(263)	1 291
Total	1 390 930	(590 178)	800 752	1 164 578	(584 718)	579 860

	31.12.2021			30.09.2021		
	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	1 659	(3 421)	(1 762)	1 659	(3 787)	(2 128)
Balance sheet valuation of financial instruments	(21 915)	(2 128)	(24 043)	65 954	(88 807)	(22 853)
Unrealised receivables/ liabilities on account of derivatives	12 450	(13 284)	(834)	8 994	(11 443)	(2 449)
Interest on deposits and securities to be paid/ received	10 742	(77 286)	(66 544)	11 547	(39 547)	(28 000)
Interest and discount on loans and receivables	0	(75 737)	(75 737)	0	(76 056)	(76 056)
Income and cost settled at effective interest rate	147 394	0	147 394	158 437	0	158 437
Impairment of loans presented as temporary differences	398 267	0	398 267	410 347	0	410 347
Employee benefits	18 687	0	18 687	18 043	0	18 043
Rights to use	6 620	0	6 620	6 925	0	6 925
Provisions for future costs	88 584	0	88 584	93 541	0	93 541
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	207 631	(56 174)	151 457	26 158	(27 519)	(1 361)
Valuation of shares	1 273	(36 440)	(35 167)	1 273	(23 129)	(21 856)
Other	2 332	(1 236)	1 096	2 618	(1 240)	1 378
Total	873 724	(265 706)	608 018	805 496	(271 528)	533 968

4. TRANSACTIONS WITH RELATED ENTITIES

All transactions among members of the Group made in 3rd quarter of 2022 and 2021 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,
- MILLENNIUM FINANCIAL SERVICES,
- 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 30.09.2022

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks - accounts and deposits	767 713	3 385	0
Loans and advances to customers	6 954 499	0	0
Investments in associates	247 823	0	0
Financial assets valued at fair value through profit and loss (held for trading)	1 168	58	0
Hedging derivatives	0	0	0
Other assets	29 345	0	0
LIABILITIES			
Deposits from banks	1 107	354	0
Deposits from customers	216 874	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)	1 536	0	0
Subordinated debt	0	0	0
Other liabilities, including:	53 549	0	68
financial leasing liabilities	49 185	0	0

Assets and liabilities from transactions with related parties (data in '000 pln) as at 31.12.2021

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks - accounts and deposits	172 801	611	0
Loans and advances to customers	6 410 915	0	0
Investments in associates	208 874	0	0
Financial assets valued at fair value through profit and loss (held for trading)	751	0	0
Hedging derivatives	0	0	0
Other assets	34 361	0	0
LIABILITIES			
Deposits from banks	1 133	100	0
Deposits from customers	464 275	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)	394	159	0
Subordinated debt	0	0	0
Other liabilities, including:	64 085	0	65
financial leasing liabilities	60 956	0	0

Profit and loss on transactions with related parties (data in '000 pln) for the period 1.01-30.09.2022

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	220 838	270	0
Commissions	19 051	126	0
Financial instruments valued at fair value through profit and loss	519	57	0
Dividends	41 796	0	0
Other net operating	16 394	0	0
Expense from:			
Interest	8 783	105	0
Commissions	2	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	9 227	0	125

Profit and loss on transactions with related parties (data in '000 pln) for the period 1.01-30.09.2021

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	50 792	(231)	0
Commissions	19 083	67	0
Financial instruments valued at fair value through profit and loss	0	0	0
Dividends	48 663	0	0
Other net operating	10 140	0	0
Expense from:			
Interest	1 254	123	(182)
Commissions	37	0	0
Financial instruments valued at fair value through profit and loss	879	200	0
Other net operating	0	5	0
General and administrative expenses	11 801	0	15

Off-balance transactions with related parties (data in '000 pln) as at 30.09.2022

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	1 476 814	141 185	0
granted	1 473 387	120 593	0
obtained	3 426	20 593	0
Derivatives (par value)	101 271	14 560	0

Off-balance transactions with related parties (data in '000 pln) as at na 31.12.2021

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	1 510 199	103 198	0
granted	1 506 920	101 500	0
obtained	3 278	1 698	0
Derivatives (par value)	72 276	14 675	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 9 months ended 30 September 2022.

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

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

30.09.2022	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST		
Debt securities	2 142 156	2 016 308
Deposits, loans and advances to banks and other monetary institutions	1 953 933	1 953 790
Loans and advances to customers (*)	66 923 256	64 352 992
LIABILITIES MEASURED AT AMORTISED COST		
Liabilities to banks and other monetary institutions	357 243	357 011
Liabilities to customers	97 987 439	97 965 690
Debt securities issued	0	0
Subordinated debt	1 563 847	1 563 177

** 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.*

31.12.2021	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST		
Debt securities	37 088	37 764
Deposits, loans and advances to banks and other monetary institutions	943 315	943 230
Loans and advances to customers (*)	66 389 244	64 295 912
LIABILITIES MEASURED AT AMORTISED COST		
Liabilities to banks and other monetary institutions	186 247	185 787
Liabilities to customers	91 672 296	91 609 959
Debt securities issued	0	0
Subordinated debt	1 541 144	1 538 598

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 30.09.2022

	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		158 108	164 403
Shares	88		
Debt securities	148 347		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments		120 022	66 609
Debt securities			68 697
Loans and advances			135 100
Financial assets at fair value through other comprehensive income			
Equity instruments	247		28 539
Debt securities	13 845 475		
Loans and advances			10 986 986
Derivatives – Hedge accounting		0	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		134 642	166 241
Short positions	5 669		
Derivatives – Hedge accounting		988 841	

Data in PLN'000, as at 31.12.2021

	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		57 643	29 008
Debt securities	86 438		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments		71 795	66 609
Debt securities			127 499
Loans and advances			362 992
Financial assets at fair value through other comprehensive income			
Equity instruments			28 433
Debt securities	17 924 059		
Loans and advances			11 485 351
Derivatives – Hedge accounting		14 385	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		97 312	29 483
Short positions	16 614		
Derivatives – Hedge accounting		614 573	

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 01.01.2022	**28 397**	**(28 872)**	**95 042**	**127 499**	**362 992**	**11 485 351**
Settlement/sell/purchase/transfer to the portfolio	139 837	(140 625)	85	0	(264 547)	(488 511)
Change of valuation recognized in equity	0	0	0	0	0	(110 289)
Interest income and other of similar nature	0	0	0	0	23 026	521 984
Cost of credit holidays	0	0	0	0	0	(421 549)
Results on financial assets and liabilities held for trading	(5 638)	5 063	0	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	(58 802)	13 629	0
Result on exchange differences	0	0	21	0	0	0
Balance as at 30.09.2022	**162 596**	**(164 434)**	**95 148**	**68 697**	**135 100**	**10 986 986**

	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 01.01.2021	**19 911**	**(19 559)**	**95 827**	**50 335**	**1 615 753**	**0**
Settlement/sell/purchase/transfer to the portfolio	4 158	(5 055)	0	0	(1 348 014)	11 081 946
Change of valuation recognized in equity	0	0	(785)	0	0	267 079
Interest income and other of similar nature	0	0	0	0	55 372	136 326
Results on financial assets and liabilities held for trading	4 328	(4 258)	0	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	77 164	39 881	0
Result on exchange differences	0	0	0	0	0	0
Balance as at 31.12.2021	**28 397**	**(28 872)**	**95 042**	**127 499**	**362 992**	**11 485 351**

6. LEGAL RISK RELATED TO FOREIGN CURRENCY MORTGAGE LOANS

6.1. COURT CLAIMS AND CURRENT PROVISIONS ON LEGAL RISK

On September 30, 2022, the Bank had 15,044 loan agreements and additionally 1,178 loan agreements from former Euro Bank (84% loans agreements before the Court of first instance and 16% loans agreements before the court of second instance) 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 with the total value of claims filed by the plaintiffs amounting to PLN 2,449.4 million and CHF 183.1 million (Bank Millennium portfolio: PLN 2,250.1 million and CHF 179.2 million and former Euro Bank portfolio: PLN 199.3 million and CHF 3.9 million).

The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of allegedly 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 was originally 3,281. On 2 February 2022 the court dismissed the Bank's evidentiary motions regarding witnesses, court-appointed experts, private expert reports, as well as part of the documents submitted by the Bank, and ordered the parties to submit in writing their final positions in the case. On 24 May 2022 the court issued a decision changing the composition of the group, thus limiting the number credit agreements involved to 3,273, as well as a judgment on the merits, dismissing the claim in full. Both parties requested a written justification of the judgment. Upon receiving the written justification, the claimant will be able to appeal the judgment. The judgment is not yet final.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,982 individual claims were filed against the Bank (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,006 (265), in 2021 the number increased by 6,152 (422), while in the first 3 quarters of 2022 the number increased by 4,460 (301).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved in favour of banks until 2019 year. However, after the Court of Justice of the European Union (CJEU) judgment issued on 3 October 2019 (Case C-260/18) the proportion have adversely changed and vast majority of court cases have been lost by banks. As far as the Bank itself is concerned, until 30 of September 2022, 813 cases were finally resolved (758 in claims submitted by clients against the Bank and 55 in claims submitted by the Bank against clients i.e. debt collection cases). 45% of finalised individual lawsuits against the Bank were favourable for the Bank including remissions and settlements with plaintiffs. Unfavourable rulings (55%) included both invalidation of loan agreements as well as conversions into PLN+LIBOR. The Bank files appeals against negative judgements of the courts of 1st instance as well as submits cassation appeals to the Supreme Court against unfavourable for the Bank legally binding verdicts. Currently, the statistics of first and second instance court decisions are much more unfavourable and its number is also increasing.

The outstanding gross balance of the loan agreements under individual court cases and class action against the Bank on 30.09.2022 was PLN 5,808 million (of which the outstanding amount of the loan agreements under the class action proceeding was 1,001 million PLN).

If all Bank Millennium's loan agreements currently under individual and class action court proceedings would be declared invalid without proper compensation for the use of capital, the pre-tax cost could reach PLN 5,598 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In III quarter 2022 the Bank created PLN 447.4 million provisions and PLN 50.8 million for former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of September 2022 was at the level of PLN 4,881 million, and PLN 389 million for former Euro Bank originated portfolio.

The methodology developed by the Bank is based on the following main parameters:

(1) the number of current (including class action) and potential future court cases that will appear within a specified (three-year) time horizon,

(2) the amount of the Bank's potential loss in the event of a specific court judgment three negative judgment scenarios were taken into account:

- invalidity of the agreement
- average NBP
- PLN + LIBOR

(3) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

(4) in the case of a loan agreement invalidity scenario, a component recognized in the methodology, taking legal assessments into consideration, is the calculation of the Bank's loss taking into account the assignment of a minimum probability of receiving the settlement of a remuneration for the cost of use of capital.

(5) new component recognized in the methodology is the amicable settlement with clients in or out of court. Notwithstanding the Bank's determination to continue taking all possible actions to protect its interests in courts, the Bank has been open to its customers in order to reach amicable solutions on negotiated terms, case by case, providing favourable conditions for conversion of loans to PLN and / or early repayment (partial or total). As a result of these negotiations the number of active FX mortgage loans was materially reduced in 2021 and in 1st half 2022. As the Bank is still conducting efforts to further signing of agreements which involved some costs, a scenario of further materialization of negotiations was added. However, it should be noted that:

c. negotiations are conducted on a case-by-case basis and can be stopped at any time by the Bank
d. as the effort was material in 2021 and in 1st half 2022, the probability of success may be lower in the future and at the same time, gradually most of the client base has had contact with the Bank regarding potential negotiation of the conversion of the loans to PLN, so the Bank is taking a conservative approach when calculating the potential future impact for the time being.

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Societe Generale.

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 loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against the Bank	PLN 54 million
Change in the probability of winning a case	The probability of the Bank winning a case is lower by 1 p.p	PLN 46 million
Change in estimated losses for each variant of the judgment	Increase in losses for each variant of the judgment by 1 p.p	PLN 42 million

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 decreased by 8,450 in 2021 and 6,631 in the first 3 quarters of 2022 compared to over 47,500 active loans at the end of 2021. Cost incurred in conjunctions with these negotiations totalled PLN 364.6 million in 2021 and PLN 394.8 million in the first 3 quarters of 2022 and is presented mainly in 'Result on exchange differences' in the profit and loss statement, and in 2022 also in 'Result on modification'.

Finally it should also be mentioned, that the Bank, as at 30.09.2022, 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 2.82 p.p. (2.79 p.p. at the Group level), part of which is allocated to operational/legal risk.

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 29th 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., 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 "average, reasonably well-informed and reasonably observant and circumspect consumers".

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 7th 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:

1. An abusive contractual clause (art. 3851 § 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.

2. 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.

In this context, taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, and if such trend continues, 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. Further request for clarification and ruling addressed to the European Court of Justice and Polish Supreme Court have already been filed and may still be filed with potential impact on the outcome of the court cases.

6.2. EVENTS THAT MAY IMPACT FX MORTGAGE LEGAL RISK AND RELATED PROVISION

On 29 January 2021 a set of questions addressed by the First President of the Supreme Court to the full Civil Chamber of the Supreme Court was published. This may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court has been requested for answering the questions concerning key matters related to FX mortgage agreements: (i) is it permissible to replace - with the law provisions or with a custom - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of impossibility of determining the exchange rate of a foreign currency in the indexed/denominated credit agreement - is it permissible to keep the agreement still valid in its remaining scope; as well as (iii) if in case of invalidity of the CHF credit there would be applicable the theory of balance (i.e. does arise a single claim which is equal to the difference between value of claims of bank and the customer) or the theory of two condictions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court has also been requested for answering the question on (iv) from which point in time there shall be starting the limitation period in case of bank's claim for repayment of amounts paid as a loan and (v) whether banks and consumers may receive remuneration for using their pecuniary means by another party.

On 11 May the Civil Chamber of the Supreme Court requested opinions on Swiss franc mortgage loans from five institutions including the National Bank of Poland (NBP), the Polish Financial Supervision Authority (UKNF), the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman.

The positions of: the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman are in general favorable to consumers, while the National Bank of Poland and the Polish Financial Supervision Authority present a more balanced position, including fair principles of treatment of FX mortgage borrowers vis-à-vis PLN mortgage borrowers, as well as balanced economic aspects regarding solutions for the problem that could be considered by the Supreme Court.

In the next meeting of the Supreme Court that took place on 2 September 2021, the Court did not address the answers to the submitted questions and no new meeting date is known. The Bank will assess in due time the implications of the decisions of the Supreme Court on the level of provisions for the legal risk.

In August 2021, in the case for payment brought by a consumer against Bank Millennium SA, the CJEU was asked for a preliminary ruling (C-520/21) whether, in the event that a loan agreement concluded by a bank and a consumer is deemed invalid from the beginning due to unfair contract terms, the parties, in addition to the reimbursement of the money paid in contracts (bank - loan capital, consumer - installments, fees, commissions and insurance premiums) and statutory interest for delay from the moment of calling for payment, may also claim any other benefits, including receivables in particular, remuneration, compensation, reimbursement of costs or valorization of the performance. The hearing was held on October 12, 2022. The hearing was attended by representatives of the Bank, the consumer's representative, representatives of the European Commission, the Polish government, the Financial Ombudsman, the Commissioner for Human Rights, the Polish Financial Supervision Authority and the prosecutor. In its position, the European Commission opposed granting banks the right to an additional financial benefit for the consumer's use of the capital provided. At the same time, the Commission concluded that granting consumers the right to an additional financial benefit will not be contrary to the EU law. The representatives of the Polish government, the Financial Ombudsman, the Commissioner for Human Rights and the prosecutor also objected to granting banks the right to an additional benefit. The Chairman of the

Polish Financial Supervision Authority pointed out that the essence of the problem is not the abusiveness of contractual clauses, but the appreciation of the Swiss franc (CHF) against the zloty (PLN). In the opinion of the Chairman of the Polish Financial Supervision Authority, banks are entitled to economic compensation for allowing another entity to use the capital.

The next stage in the case will be the issuance of an opinion by the Advocate General in the case. The opinion is scheduled for 16 02 2023.

With the scope of settlements between the Bank and borrower following the fall of the loan agreement is also connected the legal issue directed to the seven-person composition of the Supreme Court (case sign: III CZP 54/21). The date of case review has not been specified yet.

The Supreme Court was also presented with the issue of whether the loan agreement is a mutual agreement in the light of the regulations concerning retention right.

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 by banks to their clients a voluntary possibility of concluding arrangements based on which a client would conclude with the bank a settlement as if his/her loan from the very beginning had been a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loan.

Following that public announcement, the idea has been subject of consultations between banks under the auspices of the PFSA and Polish Banking Association. Banks in general have been assessing the conditions under which such solution could be implemented and consequent impacts.

As expressed in our previous financial reports, in the view of the Management Board of the Bank, important aspects to take into consideration when deciding on potential implementation of such program are: a) favorable opinion or at least non-objection from important public institutions; b) support from National Bank of Poland to the implementation; c) level of legal certainty of the settlement agreements to be signed with the borrowers; d) level of the financial impact on a pre- and after tax basis; e) capital consequences including regulatory adjustments in the level of capital requirements associated with FX mortgage loans.

Based on current information some of the above mentioned aspects are not likely to be fully clarified and / or achieved.

At the time of publishing this report, neither the Management Board nor any other corporate body of the Bank took any decision regarding implementation of such program. If / when a recommendation regarding the program would be ready, the Management Board would submit it to the Supervisory Board and General Shareholders meeting taking into consideration the relevance of such decision and its implications.

Due to the complexity and uncertainty regarding the outcome of court cases, as well as from potential implementation of KNF Chairman solution or from potential Supreme Court decisions or European Court of Justice decisions, it is difficult to reliably estimate potential impacts of such different outcomes and their interaction as at the date of publication of the financial statements.

7. ADDITIONAL INFORMATION

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

During the 9 months ended September 30, 2022, the Bank's liabilities due to the issue of debt securities did not change and their balance as at that date amounted to PLN 0.

7.2. OFF BALANCE SHEET ITEMS

Structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Off-balance conditional commitments granted and received	**16 453 271**	**17 296 285**	**17 365 756**	**16 471 252**
Commitments granted:	13 778 422	14 942 101	15 236 694	14 719 998
- financial	11 163 434	12 345 061	12 658 407	12 211 864
- guarantee	2 614 988	2 597 040	2 578 287	2 508 133
Commitments received:	2 674 849	2 354 184	2 129 062	1 751 255
- financial	299 680	59 301	40 000	452
- guarantee	2 375 169	2 294 883	2 089 062	1 750 803

7.3. CREATION OF INSTITUTIONAL PROTECTION SCHEME

Management Board of the Bank informed that on 7 June 2022 it received information that the Management Boards and Supervisory Boards Alior Bank S.A., Bank Millennium S.A. Bank Polska Kasa Opieki S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Santander Bank Polska S.A. (Member Banks) had passed resolutions on consenting to submitting an application to the Polish Financial Supervision Authority for approval and recognition of the Institutional Protection Scheme, the members of which are banks operating in the form of a joint-stock company together with the draft agreement on the Institutional Protection Scheme, i.e. Member Bank's participation in the creation of the Institutional Protection Scheme referred to in Article 4(1)(9a) of the Banking Law Act of 29 August 1997 (Banking Law).

The objective of the Institutional Protection Scheme is to: ensure liquidity and solvency of the Member Banks on the terms and conditions and to the extent set out in the agreement on the protection scheme; and support:

1) the resolution procedure pursued by the Bank Guarantee Fund for the bank being a joint-stock company; and

2) acquisition of the bank being a joint-stock company under Article 146b.1 of the Banking Law.

As a result of the above, the Bank recognized in the administrative costs of the nine months of 2022 a contribution to the Institutional Protection Scheme in the amount of PLN 276.1 million, at the same time, starting from the second quarter of 2022, the Bank does not recognize contributions to the Banking Guarantee Fund.

7.4. DEMERGER OF MILLENNNIUM DOM MAKLERSKI

The Bank and Millennium Dom Maklerski (100% subsidiary of the Bank, "MDM") made a decision on the Demerger by way of the inclusion of the Brokerage Activity in the Bank's structures in order to integrate within a single entity the brokerage services so far provided through the Demerged Company. The decision to effectuate the Demerger is dictated by:
– an interest in improving the efficiency of the operation of the brokerage activity in the Bank's Group both in the area of institutional and retail client services;
– efforts to increase the quality and comprehensiveness of the brokerage service offer addressed to both individual and institutional clients.

The MDM division plan (the "MDM Division Plan") has been made available pursuant to Article 535 § 3 of the CCC by being posted on the Bank's website at:

https://www.bankmillennium.pl/plan_podzialu_MDM

The MDM Division has been carried out (in accordance with the procedure specified in Article 529 § 1.4 of the CCC, i.e. through:
a) a transfer to the Bank of a part of the property (assets and liabilities) and the rights and obligations of the Company Being Divided in the form of an organised part of the enterprise of MDM connected with the provision of brokerage services (the "Brokerage Business"); and
b) the retaining by MDM of a part of the property (assets and liabilities) and the rights and obligations of the Company Being Divided in the form of an organised part of the enterprise of MDM connected with the remaining business activity (the "Non-Regulated Business").

On 29 July 2022, the Bank became aware of the registration of the decrease of the share capital of MDM, the registration of amendments to the articles of association of MDM and the registration of the information on the MDM Division in the registration files of MDM in the National Court Register by the District Court for the City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register. Thus, the division of MDM, as a result of which the Bank took over the Brokerage Business, took place and was registered by the competent registry court on 29 July 2022.

Date	Name and surname	Position/Function	Signature
21.10.2022	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
21.10.2022	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
21.10.2022	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
21.10.2022	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
21.10.2022	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
21.10.2022	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
21.10.2022	Jarosław Hermann	Member of the Management Board	Signed by a qualified electronic signature