Consolidated report of the Bank Millennium S.A. Capital Group for 1st quarter of 2023

Consolidated Financial Highlights

	Amount '000 PLN		Amount '000 EUR	
	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Interest income and other of similar nature	2 071 433	1 059 315	440 684	227 947
Fee and commission income	260 648	267 907	55 451	57 649
Profit (loss) before income tax	533 601	9 431	113 520	2 029
Profit (loss) after taxes	252 146	(122 340)	53 642	(26 326)
Total comprehensive income of the period	578 096	(499 571)	122 986	(107 499)
Net cash flows from operating activities	3 376 398	6 293 351	718 306	1 354 224
Net cash flows from investing activities	(2 291 994)	(366 466)	(487 606)	(78 857)
Net cash flows from financing activities	(45 273)	(66 978)	(9 632)	(14 413)
Net cash flows, total	578 096	(499 571)	122 986	(107 499)
Earnings (losses) per ordinary share (in PLN/EUR)	0.21	(0.10)	0.04	(0.02)
Diluted earnings (losses) per ordinary share	0.21	(0.10)	0.04	(0.02)
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
Total Assets	113 827 975	110 941 969	24 345 626	23 655 508
Liabilities to banks and other monetary institutions	462 387	727 571	98 896	155 136
Liabilities to customers	100 875 841	98 038 516	21 575 412	20 904 180
Equity	6 072 502	5 494 406	1 298 792	1 171 540
Share capital	1 213 117	1 213 117	259 462	258 666
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN/EUR)	5.01	4.53	1.07	0.97
Diluted book value per share (in PLN/EUR)	5.01	4.53	1.07	0.97
Total Capital Ratio (TCR)	14.14%	14.42%	14.14%	14.42%
Pledged or paid dividend per share (in PLN/EUR)	-	-	-	-

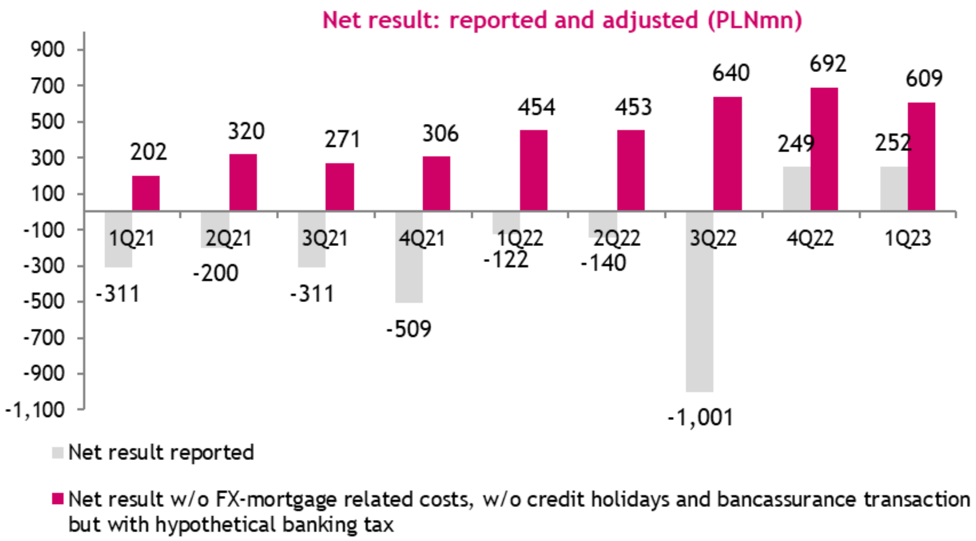
Exchange rates accepted to convert selected financial data into EUR				
for items as at the balance sheet date	-	-	4.6755	4.6899
for items for the period covered by the report (exchange rate calculated as the average of exchange rates at the end of individual months of the period)	-	-	4.7005	4.6472

INFORMATION ABOUT THE ACTIVITY OF BANK MILLENNIUM AND CAPITAL GROUP OF BANK MILLENNIUM S.A. IN DURING 1Q23

FINANCIAL RESULTS – KEY POINTS

Summary

1Q23 was the second consecutive quarter of material positive net result reported by Bank Millennium S.A. Capital Group's ('BM Group', 'Group') after a period of negative results. Reported net profit amounted to PLN252 million despite steep costs related to FX-mortgage portfolio ('FX-mortgage costs'). Net profit adjusted for FX-mortgage costs (PLN939 million after tax) but with a hypothetical bank tax (PLN99 million) would be PLN1,093 million. The Group recognised significant extraordinary profit of PLN483 million after tax resulting from the commencement of a strategic co-operation in the field of bancassurance with TU Europa Group and the resulting sale of 80% stake in Millennium Financial Services sp. z o.o. subsidiary ('MFS'). Stripping this out, adjusted net profit would be PLN609 million in the period.

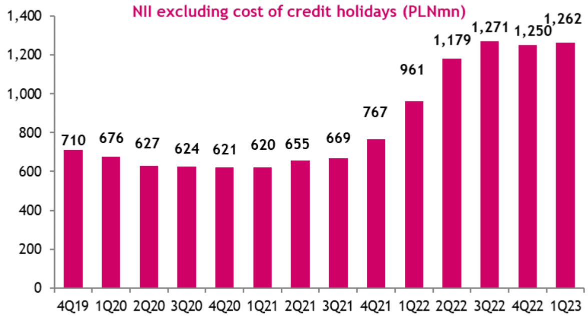


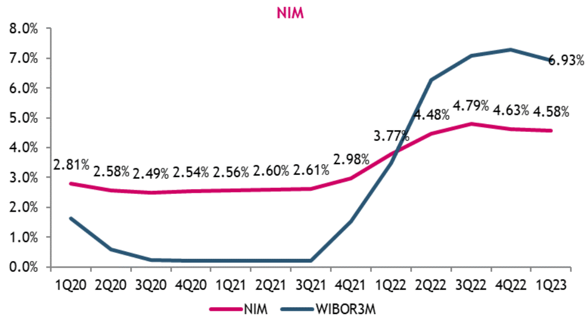
Key developments in the period

The key developments in 1Q23 were are as follows:

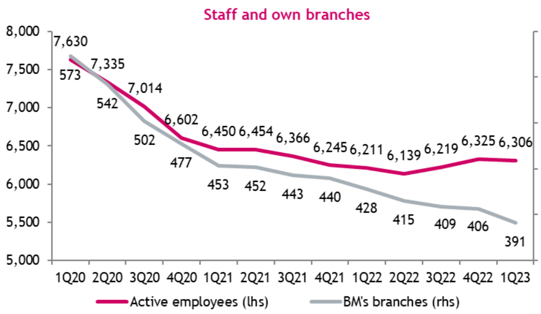
- **NII adjusted for cost of credit holidays increased 1% q/q** despite lower number of calendar days in the period and gradually declining market interest rates; this was chiefly due to the increasing size and profitability of the securities portfolio as well as changing loan mix; y/y growth remained solid at 31% but continued to decelerate;

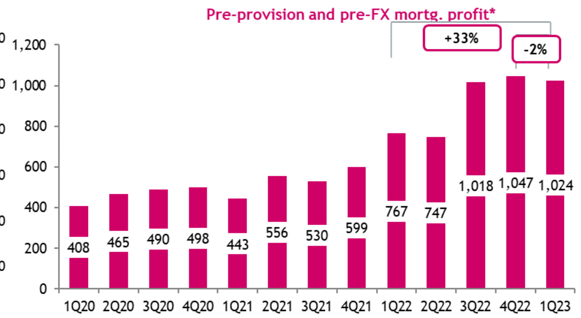
- **quarterly NIM contracted marginally to 458bp from 463bps in 4Q22** mainly due to higher cost of deposits (partially driven by higher share of term deposits in total deposits); asset yield continued to improve although at slower pace;





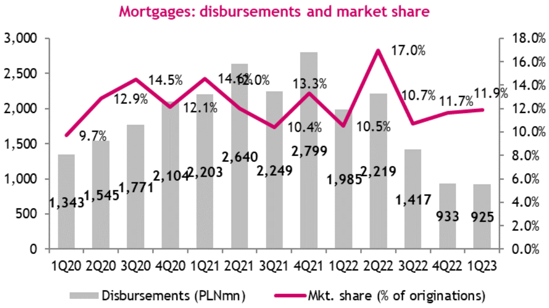
- **cost efficiency remained high** owing to a combination of a steady increase in the digitalisation of our business and well as relations with clients with strong cost response to revenue pressures; headcount remained broadly stable (number of active employees up 95 or 2% since 1Q22), optimisation of the physical distribution network continued (own branches down by 37 units or 9% in the last twelve months) complemented the increasing share of digital services (digital customers: 2.6 million, up 11% y/y, number of active mobile customers: 2.3 million, up 16% y/y);

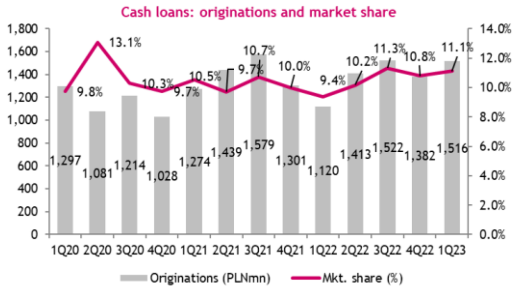




(*) Reported adjusted for cost of credit holidays, provisions against credit risk, Covid-19, result on FV portfolio, impairment losses on non-financial assets, modifications, legal risk on FX-mortgages and results on bancassurance transaction in 1Q23.

- **loan portfolio contracted slightly** (net/gross loans: -4% y/y each and -2%/-1% q/q respectively) with contracting FX-mortgage portfolio being the main reason for the drop (loan book w/o FX-mortgages was flat on all counts); FX-mortgages continued to shrink fast (-38% y/y, -19% q/q on reported basis) on a combination of FX movements, repayments, provisioning (in line with IFRS9 most of legal risk provisions are booked against gross value of loans under court proceedings) and amicable settlements; as a result, the share of all FX-mortgages in total gross loans decreased to 7.3% (BM originated only: 6.6%) from 11.3% (11.5%) in the same period last year; non-mortgage retail portfolio was marginally up 1% q/q and up 2% y/y owing partly to improved origination of cash loans (1Q23: PLN1.5bn, up 35% y/y);





- **loan book quality remained stable** with low origination and contracting loan book being main drivers of the slight uptick of the NPL ratio (4.74% from 4.45% at YE22); retail segment saw a slight uptick of the NPL ratio to 5.1% due to a combination of a slight increase of stage 3 loan with contracting loan book; corporate segment saw NPL ratio increasing to 3.4% from 3.1% at YE22; NPL coverage slightly eased (68% from nearly 70% at YE22); cost of risk remained moderate (63bps vs. 45bps in 4Q22 and 44bps in FY22) with no NPL sale this quarter;

- **customer deposits increased 3% in the quarter** with retail deposits up 2% q/q and corporate ones up 5%; deposit mix continued to gradually change with term deposits accounting for 36% at the end of March'23 vs. 33% at YE22 and 18% at YE21); the liquidity of the Bank remained very comfortable with L/D ratio easing further to 75%;

- **capital ratios eased somewhat** (Group TCR: 14.1%/T1:11.0% vs. 14.4%/11.3% respectively at YE22) but remained well above required minimum levels; the drop in own funds was the main reason for the lower capital ratios (partially offset by lower risk-weighted assets); this was mainly a result of the reduction of IFRS9 transition period deferral, discontinuation of the temporary treatment of unrealized gains and losses on securities measured at fair value through other comprehensive income, in accordance with Art. 468 CRR (which was to a large extent mitigated by better market valuation of bonds portfolio) and combination of other factors including lower Tier 2 balance.

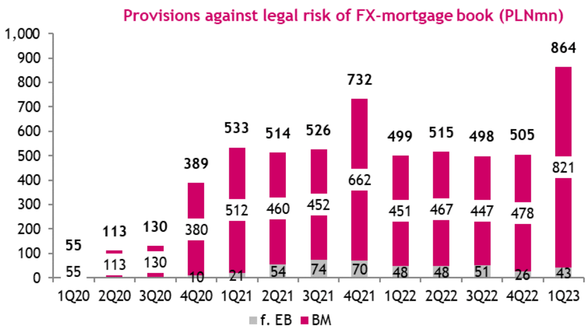
Substantial extraordinary P&L items

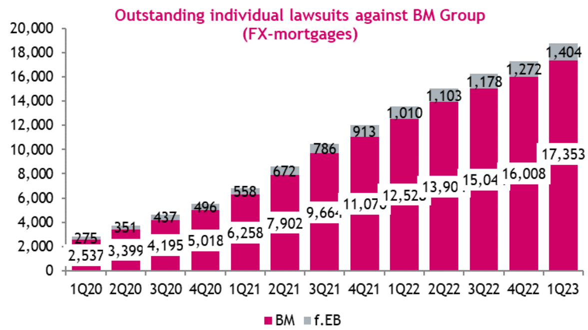
In 1Q23, the BM Group entered into a strategic co-operation agreement with TU Europa Group. This included a sale of 80% of shares in MFS, which resulted in a pre-tax profit of PLN500 million. Additionally, PLN97 million pre-tax profit was recognised in the period in connection with the transaction and the bancassurance agreement. Furthermore, opex included estimated annual BFG fee (resolution fund) of PLN83 million.

FX-mortgage portfolio and related costs

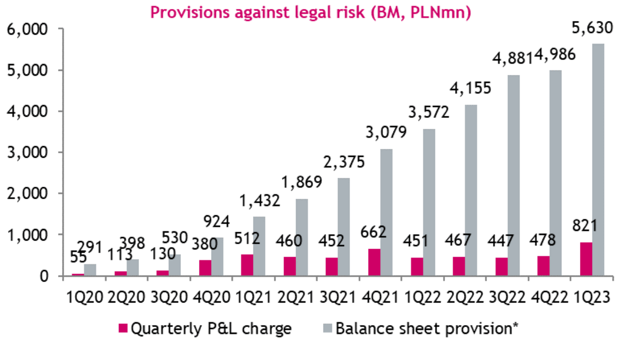
Costs related to FX-mortgage portfolio (legal risk provisions, costs of amicable settlements and legal costs) remained elevated and continued to be a material drag on the increasingly profitable core business of the Group. Owing to conservative adjustment to legal risk provisioning methodology (PLN 337 million pre-tax/after tax), these costs totalled record high PLN969 million pre-tax (PLN940 million after tax) in the period.

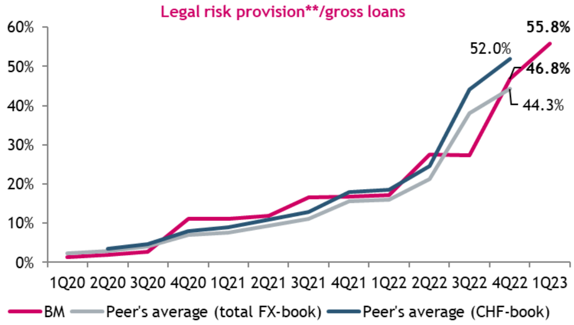
Total provisions against legal risk related to FX-mortgage portfolio ('FX-mortgage provisions') amounted to PLN864 million (pre-tax) in 1Q23 with PLN821 million attributable to FX-mortgages originated by the Bank and with PLN337 million related to the above mentioned changes to the methodology. The further increase of 'regular' FX-mortgage provisions in 1Q23 resulted from updated inputs into the Bank's provisioning methodology, reflecting, inter alia, the inflow of court claims and higher proportion of cases lost by the Bank.





At the end of March'23, provisions for the portfolio originated by Bank Millennium were at the level of PLN5,630 million (an equivalent of 55.8% of the grossed-up FX-mortgage book) and at PLN445 million for the portfolio originated by former Euro Bank.



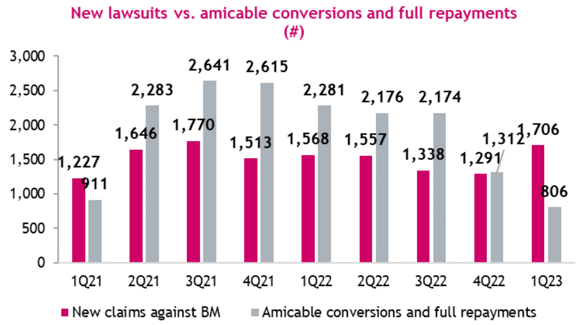


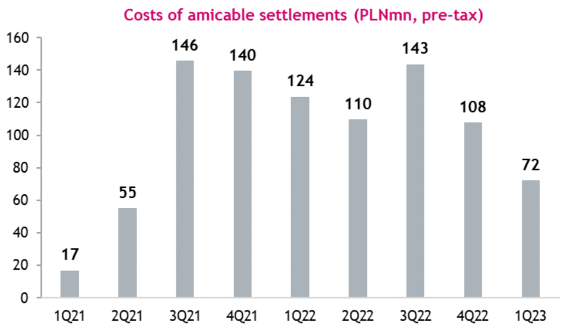
(*) actual outstanding B/S provisions not equal to the sum of P&L charges. ** including provisions for settlements
Note: legal risk provisions/gross FX mortgage book (post IFRS9 adjustments where necessary); excl.f.EB portfolio in case of BM; peer group composition has been changed hence there may be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

On March 31, 2023, the Bank had 17,353 loan agreements and additionally 1,404 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by the Bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the court.

The Bank is highly focused on reduction of its FX-mortgage portfolio and the related risk and therefore continues to actively offer its customers amicable solutions (i.a. conversions to Polish zloty, pre-payments, early repayments or collectively 'amicable settlements') regarding FX-mortgages on negotiated terms. The number of amicable settlements reached 806 in 1Q23, lower than in the preceding quarters. Since early 2020 when more intensive effort was launched, nearly 18,600 amicable settlements took place, which represents 30% of the number of active FX-mortgage agreements at the start of the effort. As a result of these negotiations, final court verdicts and other natural drivers, in 1Q23 the number of active FX-mortgage loans decreased by over 1,200 to 36,782, following the nearly 9,600 drop in 2002.

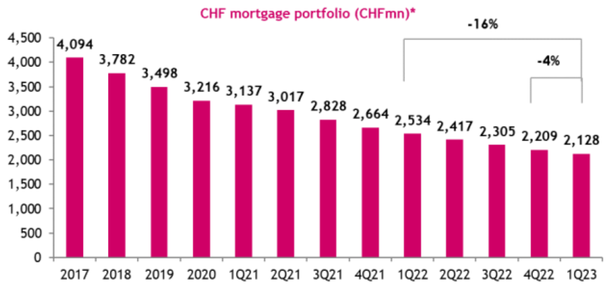
In 1Q23, costs related to amicable settlements totalled PLN72 million (pre-tax, booked in FX-result and in result on modifications). Legal costs, booked in admin costs and other operating cost, totalled PLN61 million in the period.

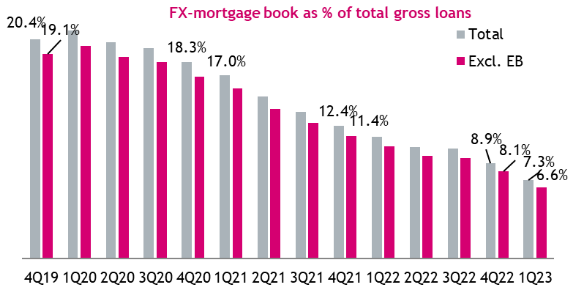




Note: some items were adjusted from the previously reported values

As a result of these trends, the BM's FX-mortgage portfolio contracted 4% in 1Q23 (in CHF terms, gross, w/o impact of allocated legal risk provisions) while the y/y contraction rate stood at 16%. The share of total FX-mortgage book (gross loans less allocated legal risk provisions) in total Group's gross loans dropped to 7.3% at the end of March'23, while the share of FX-mortgage loans originated by BM dropped to 6.6%.





(*) Originated by Bank Millennium
Note: the share of gross FX-mortgages not deducting allocated legal risk provisions was 13.2% at the end of March'23.

Excluding all FX-mortgage related costs (PLN968 million pre-tax, PLN940 million after tax), adjusting for gains on the bancassurance agreement (PLN597 million pre-tax, PLN484 million after tax) and adding hypothetical bank tax (PLN99 million), the BM Group would post 1Q23 net profit of PLN609 million vs. adjusted 1Q22 net profit of PLN454 million.

FINANCIAL RESULTS IN DETAIL

Group P&L

Group's operating income *(PLNmn)*	1Q23	1Q22	Change y/y	4Q22	Change q/q
Net interest income	1 262	961	31%	1 349	-6%
Net interest income without credit holidays impact	*1 262*	*961*	*31%*	*1 250*	*1%*
Net commission income	201	221	-9%	202	-1%
Core income (without credit holidays impact)	1 463	1 182	24%	1 452	1%
Other non-interest income	594	(22)	-	(21)	-
Total operating income*	**2 057**	**1 160**	**77%**	**1 530**	**34%**
Total operating income without extraordinary items*	**1 524**	**1 242**	**23%**	**1 498**	**2%**

(*) Without fair value adjustment of credit portfolio (PLN-2.7mn in 1Q23 and PLN2.1mn in 1Q22), which is included in the cost of risk line

(**) Without financial impact of selling shares in bancassurance business (PLN597mn in 1Q23), and FX mortgage loan related costs/incomes (in FX position and other operating income/cost including indemnity from Societe Generale)

Net interest income (NII) in 1Q23 reached PLN1 262mn and was materially up (31% y/y). The quarterly decrease of reported NII resulted from released part of costs of credit holidays for mortgage loans borrowers in 4Q22 (+1% q/q without this effect). Significant y/y improvement of quarterly NII was mostly driven by higher market interest rates and the resulting higher Bank's interest margin.

Net interest margin (over average interest earning assets) (NIM) showed a strong upward quarterly trend until achieving its peak in 3Q22 of 4.78% and has since started to marginally contract to the level of 4.58% in 1Q23 (without the cost of credit holidays).

Net commission income in 1Q23 amounted to PLN201mn and decreased -9% y/y, mainly due to contraction of commissions related to accounts service and lending activity (a decrease by PLN25mn). 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 strongly growing commissions from cards and bancassurance activity.

Core income, defined as a combination of net interest and net commission income, reached PLN1 463mn in 1Q23 and grew 24% y/y, reflecting strong Group's recurrent income dynamics.

Other non-interest income, which comprises FX result, results on financial assets and liabilities (without fair value adjustment on credit portfolio) and net other operating income and costs showed highly positive value of PLN594mn in 1Q23, mostly driven by the insurance transaction (sale of shares in Millennium Financial Services to external insurance partner in March'23, with pre-tax impact of PLN597mn). Costs related to amicable settlements negotiated with FX mortgage borrowers (PLN53mn) continued to negatively impact this line.

Total operating income of the Group reached PLN2 057mn in 1Q23 and showed an increase of 77% y/y. Without the extraordinary income and costs mentioned above, it reached PLN1 524mn, up 23% y/y (+2% q/q), remaining the key factor of the Group's efficiency improvement.

Total costs amounted to PLN522mn in 1Q23, translating into 7% increase y/y, mainly due to higher personnel costs.

Operating costs *(PLNmn)*	1Q23	1Q22	Change y/y	4Q22	Change q/q
Personnel costs	(246)	(218)	13%	(238)	3%
Other administrative costs	(276)	(268)	3%	(231)	20%
of which Banking Guarantee Fund (BFG) fees and IPS contribution	*(83)*	*(86)*	*-3%*	*(0)*	-
Total operating costs	(522)	(486)	7%	(469)	11%
Total costs without BFG/IPS	*(438)*	*(400)*	*9%*	*(468)*	*-6%*
Cost/income - reported	25.4%	41.9%	-16.6 p.p.	32.7%	-7.4 p.p.
*Cost/income - adjusted **	*28.7%*	*35.3%*	-6.6 p.p.	*31.5%*	-2.8 p.p.

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

Personnel costs amounted to PLN246mn in 1Q23 and increased by 13% y/y, mainly as a result of wage inflation feeding through higher base salaries. The Group continued to adjusts the number of its branches and personnel to its needs, reflecting the growing importance of online channels while simultaneously keeping strong geographical presence in traditional outlets. At the end of March 2023, the total number of outlets was 622 and their number was reduced by 24 outlets vs. the end of March 2022. The number of Group's employees amounted to 6 815 FTEs at the end of March 2023 and in annual terms it was reduced slightly by 28 FTEs. Without employees absent due to long leaves ('active FTEs'), the headcount was much lower i.e. at 6 306 staff.

Employment *(FTEs)*	31.03.2023	31.03.2022	Change y/y	31.12.2022	Change q/q
Bank Millennium S.A.	6 539	6 509	0%	6 578	-1%
Subsidiaries	276	334	-17%	282	-2%
Total Bank Millennium Group	6 815	6 842	0%	6 860	-1%
Total BM Group (active* FTEs)	6 306	6 211	2%	6 325	0%

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

Other administrative costs (including depreciation) reached PLN276mn in 1Q23 and recorded moderate 3% y/y increase due to lower contribution to BFG whereas such items as legal and advisory costs, rental and IT and telecommunication costs increased visibly compared to the corresponding period of the previous year. Legal costs resulting from negotiations and litigations with FX mortgage borrowers were additional burden to this cost group (PLN21mn in the reporting period).

Cost-to-income ratio for 1Q23 amounted to 25.4% and was lower by 16.6 percentage points vs. the level for 1Q22 (41.9%). Cost-to-income ratio without extraordinary items mentioned above (mainly the bancassurance transaction and legal costs and FX losses related to litigations/settlements with FX mortgage borrowers), reached record low level of 28.7% in 1Q23 and was 6.6 percentage points lower compared to this in 1Q22.

Net profit *(PLNmn)*	1Q23	1Q22	Change y/y	4Q22	Change q/q
Operating income	2 057	1 160	77%	1 530	34%
Operating costs	(522)	(486)	7%	(469)	11%
Impairment provisions and other cost of risk*	(119)	(83)	44%	(91)	32%
Other modifications**	(19)	0	-	(52)	-64%
FX legal risk related provision	(864)	(499)	73%	(505)	71%
Banking tax	0	(82)	-100%	0	-
Pre-tax profit	534	9	5558%	413	29%
Income tax	(281)	(132)	114%	(165)	71%
Net profit - reported	252	(122)	-	249	1%
Net profit - adjusted*	672	491	37%	671	0%

(*) Impairment provisions for financial and non-financial assets including also fair value adjustment on loans (PLN-2.7mn in 1Q23 and PLN2.1mn in 1Q22) and loans modification effect (PLN-9.1mn in 1Q23 and PLN-3.8mn in 1Q22)

(**) The value of modification booked in 1Q23 and 4Q22 resulting from amicable settlements with FX mortgage borrowers and referring to a specific group of such agreements. (PLN-18.8mn in 1Q23 and PLN-52.5mn in 4Q22)

(***) Without extraordinary items, i.e. financial impact of bancassurance transaction (PLN597mn in 1Q23), cost (and its adjustments) of credit holidays, FX-mortgage related costs, linear distribution of BFG resolution fund fee and hypothetical banking tax in 1Q23 and 4Q22

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 PLN119mn in 1Q23 and was higher than in 1Q22 (+44% y/y) and in 4Q22 (+32% q/q).

Risk charges for retail segment were the main driver of cost of risk increase and amounted to PLN121mn in 1Q23. Risk charge for corporate and other segments was negative (slight release of provisions) and amounted to PLN-2mn. In relative terms, the cost of risk (i.e. net charges to average gross loans) for 1Q23 reached 63 basis points (annualised), so it was 23 basis points higher vs. 1Q22 (40 basis points).

In 1Q23 the Group booked in modifications line a part of costs related to settlements with FX mortgage borrowers in the amount of PLN19mn (PLN53mn in 4Q22).

In 1Q23, the Bank continued to create **provisions for legal risk related to FX-mortgage portfolio**, which were a significant item in P&L statement and reached PLN864mn (PLN821mn excluding loans generated by former Euro Bank as they are subject to indemnity clauses and guarantees from Societe Generale). Out of this sum, PLN337 million was related to the changes to the methodology, which has been explained above in the previous chapter. At the end of March'23, provisions for the portfolio originated by Bank Millennium were at the level of PLN5 630 million (an equivalent of 55.8% of the grossed-up FX-mortgage book) and at PLN445 million for the portfolio originated by former Euro Bank.

Pre-income tax result in 1Q23 was positive and amounted to PLN534mn and was 29% higher vs. the level of the previous quarter. The Bank is not due to pay banking tax since July 15, 2022, the date of the Bank's decision to launch the Recovery Plan and notification the fact both PFSA and Bank Guarantee Fund.

In 1Q23 the Group reported **net profit** of PLN252mn and it was a second quarter profit generation (PLN249mn 4Q22) after preceding eight consecutive quarters of net losses. Adjusted for the abovementioned extraordinary items (i.a. the transaction of sale of shares in bancassurance business and FX-mortgage related costs) the Group would achieve the net profit of PLN672mn in 1Q23, 37% above the adjusted 1Q22 net profit of PLN491mn and level similar to this in 4Q22.

Loans and advances to clients

Total net loans of the BM Group reached PLN75 380mn at the end of March'23 and were down 4% y/y (-2% q/q). Loans without FX-mortgage portfolio were flat y/y and q/q. FX mortgage loans net of provisions decreased visibly during the last twelve months (down 38%) 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 6.6% from 10.5% a year ago (partly due to the fact that most of legal risk provisions lower the gross value of the loans apart from standard amortisation and earlier repayments).

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

Loans and advances to clients *(PLNmn)*	31.03.2023	31.03.2022	Change y/y	31.12.2022	Change q/q
Loans to households	56 547	59 483	-5%	57 859	-2%
- *PLN mortgage loans*	*35 004*	*34 844*	*0%*	*35 108*	*0%*
- *FX mortgage loans*	*5 531*	*8 989*	*-38%*	*6 840*	*-19%*
- *of which Bank Millennium loans*	*5 012*	*8 285*	*-40%*	*6 240*	*-20%*
- *of which ex-Euro Bank loans*	*519*	*705*	*-26%*	*600*	*-13%*
- *consumer loans*	*16 012*	*15 649*	*2%*	*15 911*	*1%*
Loans to companies and public sector	18 833	19 220	-2%	18 706	1%
- *leasing*	*6 971*	*6 813*	*2%*	*7 030*	*-1%*
- *other loans to companies and factoring*	*11 862*	*12 407*	*-4%*	*11 676*	*2%*
Net loans & advances to clients	**75 380**	**78 703**	-4%	**76 565**	-2%
Net loans and advances to clients excluding FX mortgage loans	*69 849*	*69 713*	0%	*69 725*	0%
Impairment write-offs	2 508	2 480	1%	2 460	2%
Gross* loans and advances to clients	**77 888**	**81 183**	-4%	**79 025**	-1%

(*) 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 PLN56 547mn as at the end of March 2023, showing a decline of 5% y/y (-2% q/q). Within this line, PLN mortgages were flat year-on-year, as quarterly disbursements decreased visibly in high interest rates environment. In 1Q23 disbursements of PLN mortgage loans reached PLN925mn and fell by 53% vs.1Q22.

The net value of consumer loans reached PLN16 012mn and increased 2% y/y. Origination of cash loans in 1Q23 reached PLN1.5bn, up 35% compared to 1Q22 and up 10% vs. 4Q22.

Net value of loans to companies amounted to PLN18 833mn at the end of March'23 and decreased by 2% y/y (+1% q/q). Stagnation of growth was largely caused by the Group's focus on risk weighted assets (RWA) optimisation following capital constraints.

Customers' deposits

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

Customer deposits *(PLN million)*	31.03.2023	31.03.2022	Change y/y	31.12.2022	Change q/q
Deposits of individuals	70 101	64 272	9%	68 787	2%
Deposits of companies and public sector	30 774	33 033	-7%	29 252	5%
Total deposits	100 876	97 305	4%	98 039	3%

Total deposits amounted to PLN100 876mn as at 31 March'23 and were up 4% y/y.

The main driver of this growth were deposits of individuals, which reached PLN70 101mn on 31 March 2023 and increased 9% y/y. Term deposits grew strongly and almost doubled their value (+90% y/y) from a low base, whereas current and saving accounts of individuals fell by 7% y/y.

Deposits of companies and public sector, which reached PLN30 774mn on 31 March 2023, fell 7% y/y from the high level in March'22.

LIQUIDITY, ASSET QUALITY AND SOLVENCY

The liquidity position of Bank Millennium Group remained very strong in 1Q23. LCR ratio reached the level of 228% at the of March 2023, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 75% and the share of liquid debt securities (mainly bonds issued by the sovereigns, multilateral development banks and NBP bills) in the Group's total assets remains significant at 25%.

Group loans quality and liquidity indicators *(PLNmn)*	1Q23	1Q22	Change y/y	4Q22	Change q/q
Total impaired loans	3 694	3 608	86	3 518	176
Impairment provisions	2 476	2 420	56	2 421	55
FV adjustment	32	60	-28	39	-7
Total impairment provisions and FV adjustment	2 508	2 480	28	2 460	48
Impaired over total loans ratio (%)	4.74%	4.44%	0.30%	4.45%	0.29%
Loans past-due over 90 days /total loans (%)	2.05%	2.28%	-0.22%	2.03%	0.02%
Coverage ratio (Total provisions + FV adjustment/impaired loans) (%)	67.90%	68.74%	-0.84%	69.91%	-2.02%
Total provisions and FV adjustment/loans past-due (>90d) (%)	157.02%	134.26%	22.76%	153.58%	3.44%
Liquidity Coverage Ratio (LCR) for Group	228%	151%	77%	223%	5%

The Group continued to exhibit a very good asset quality: the share of impaired loans in total loan portfolio remained at the relatively low level of 4.74%. The share of loans past-due more than 90 days in total portfolio decreased from 2.28% in March 2022 to 2.05% at the end of March 2023.

Coverage ratio of impaired loans decreased slightly during the year from 68.74% at the end of March 2022 to 67.90% at the end of March 2023. Coverage of loans past-due by more than 90 days increased during the year from 134.26% up to 157.02%, because of reduction of 90DPD portfolio while total provisions level increased.

In the mortgage portfolio impaired loan ratio increased from 2.14% in March 2022 and 2.65% at the end of 2022 to 2.92% while other retail products showed an decrease from 10.49% to 10.03% at the end of March 2023. Stable impaired ratio in the leasing portfolio (small difference 3.91% vs 3.92%). In the corporate portfolio impaired ratio was improved from 4.20% to 3.04%.

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 1Q23 compared to the previous quarter, Group TCR decreased by 28bp, and T1 and CET1 went down by 24bp).

Main capital indicators* *(PLNmn)*	1Q23	1Q22	Change y/y	4Q22	Change q/q
Risk-weighted assets (RWA) for Group	47 954.4	48 956.9	-1 003	48 497.3	-542.9
Risk-weighted assets (RWA) for Bank	47 793.0	48 713.9	-921	48 046.0	-253.0
Own funds requirements for Group	3 836.4	3 916.6	-80	3 879.8	-43.4
Own funds requirements for Bank	3 823.4	3 897.1	-74	3 843.7	-20.3
Own funds for Group	6 780.7	7 824.7	-1 044	6 991.1	-210.4
Own funds for Bank	6 743.3	7 821.4	-1 078	6980.1	-236.8
Total Capital Ratio (TCR) for Group	14.14%	15.98%	-1.84	14.42%	-0.28
Minimum required level TCR	12.69%	13.54%	-0.85	12.69%	0.00
Total Capital Ratio (TCR) for Bank	14.11%	16.06%	-1.95	14.53%	-0.42
Tier 1 ratio for Group	11.04%	12.86%	-1.82	11.28%	-0.24
Minimum required level T1	10.21%	10.84%	-0.63	10.21%	0.00
Tier 1 ratio for Bank	11.00%	12.92%	-1.92	11.36%	-0.36
Common Equity Tier 1 (=T1) ratio for Group	11.04%	12.86%	-1.82	11.28%	-0.24
Minimum required level CET1	8.34%	8.81%	-0.47	8.34%	0.00
Common Equity Tier 1 (=T1) ratio for Bank	11.04%	12.92%	-1.88	11.36%	-0.32
Leverage Ratio (LR) for Group	4.47%	5.60%	-1.13	4.72%	-0.25

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

The small decrease in capital ratios in 1Q23 compared to 4Q22 resulted mainly from a decrease in own funds, which was partially offset by a decrease in risk-weighted assets. Own funds decreased by PLN 210 million (3%), mainly as a result of the reduction of IFRS9 transition period deferral (negative impact of PLN 90 million), discontinuation of the temporary treatment of unrealized gains and losses on securities measured at fair value through other comprehensive income, in accordance with Art. 468 CRR which was to a large extent mitigated by better market valuation of bonds portfolio (negative impact of PLN 41 million) and combination of other factors including lower Tier 2 balance. Own funds requirements decreased by approx. PLN 43 million (1.1%). The leverage ratio decreases due to the aforementioned reduction of own funds.

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 1.95pp (Bank) and 1.94pp (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 1.47pp in the Bank and of 1.46pp in the Group, and which corresponds to capital requirements over CET 1 ratio of 1.10pp in the Bank and 1.09pp 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.

In December 2022, the Bank received a recommendation to maintain own funds to cover an additional capital charge ("P2G") in order to absorb potential losses resulting from the occurrence of stresses, at the level of 1.72 pp and 1.75 (on an individual and consolidated level) over the OCR value. According to the recommendation, the additional capital charge should consist fully of common equity Tier 1 capital (CET1 capital).

Minimum required by KNF capital ratios in terms of overall capital requirements were achieved in 1Q23. As regards the levels including the additional P2G expected by KNF, the Group has not yet achieved them for TCR and T1 Capital ratio.

It should be noted that above mentioned levels of capital ratios of the Group as of end of March 2023 do not include the net profit generated in the period. Should that profit be considered in own funds, the capital ratios of the Group would be higher by 0.53 percentage points.

Leverage ratio stood at the safe level of 4.47%, and it significantly exceeds the regulatory minimum (3%).

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 1Q23 the Group was on track to deliver on most of its 2024 targets.

RECOVERY PLAN AND CAPITAL PROTECTION PLAN

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

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

As presented in the 2022 Annual report, in 4Q22 the Bank/BM Group improved capital ratios , bringing them clearly above the updated regulatory requirements. Capital ratios eased only slightly during the 1Q23 despite the end of transitory treatment of unrealised losses on securities held in HTC&FS portfolio. Assuming no other extraordinary factors, the Bank plans to keep capital ratios above the minimum required levels throughout the rest of the year 2023. The Bank monitors, on the current basis, the financial situation and, if needed, will undertake actions to launch additional remedial activities.

As soon as all Recovery Plan leading indicators will become green ('business as usual' zone), the Bank will complete the key milestones of the Recovery Plan. The Bank anticipates that this may occur around the end 2023 or in the first half of 2024 at the latest, assuming no significant negative extraordinary events.

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

MREL REQUIREMENTS

Details are available later in the report.

BUSINESS TRENDS AND HIGHLIGHTS

The rapidly changing environment had a major impact on the Bank's activities in the areas of customer service, scope and quality of products and services. The starting point was a thorough analysis of market trends, new customer needs and approaches to banking.

The beginning of 2023 at Bank Millennium was a continuation of quality measures that support digital solutions.

The Bank is focusing on strengthening customer self-service while providing customers with employee support. We are dynamically developing the service of remote advisors, also in the area of the affluent customer, which increases the convenience of access to the Bank's services and products. Effectively and in line with customers' needs, the Bank combines modern ways of banking through a mobile application or online banking with permanent access to highly qualified branch and telephone advisors in all business lines. The contact channels are complemented by the availability of Voicebot and chat for customer service.

The Bank has consistently been strengthening the standard of the Branch Host. His or her task is to properly identify the customer's need and offer the customer the best and most convenient service channel. This affects the service time and the customer's comfort when visiting the branch.

In addition to providing customers with traditional service, advisers in banking branches focus on changing their habits and switching from cash to non-cash service. Employees support customers in learning about banking in digital channels - using mobile authorisation to confirm cash transactions, among other things. The support of a branch employee is an important step in familiarising the customer with digital tools that enable customers to use the bank's offerings on their own in the future.

The Bank is working dynamically to integrate contact channels and further improve the flow of customer information and knowledge. The Bank is improving solutions on the branch service - remote service line. These allow customers to move seamlessly between service channels and to be able to complete a transaction, including one initiated in another contact channel. Increasing flexibility and comfortable transition between contact channels, provides customers with comfortable banking and a sense of consistent service.

Bank Millennium is continuing its efforts in the area of increasing customer satisfaction also in terms of transparency of communication and simplification of language.

Activities are focused not only on new texts, but also on post-sales communication to existing customers. We are simplifying the texts communicated to customers at different stages of the relationship - from account opening to information on how to handle the products they own. We are successively transferring the experience from the retail customer area to other business lines.

Bank Millennium's activities were recognized by the Institutions of the Year ranking, which focuses on the quality of customer service. The bank was awarded in the following categories:

- Best mobile app,
- Best online banking,
- Best remote account opening process, and
- Best branch account opening process.

In addition, the mobile app for individual customers made it to the finals of this year's Mobile Trends Awards, in the 12th ranking for mobile technology companies and institutions. The app was recognised by the jury for its development in 2022.

In the ranking of the My Banking portal, 21 branches of the Bank also were recognized as the Best banking branch in Poland.

The Bank was awarded the title of Service Quality Star for another year in a row. The recognition is awarded by the Polish Service Quality Standard to the most friendly companies in Poland based on consumer opinions and the results of surveys conducted.

RETAIL BANKING

In 1Q23, the Bank increased its active client base by nearly 36 thousand. On March 31, 2023 the Bank provided services to more than 2.92 million active retail clients. Altogether, 2.6 million clients were using electronic banking actively while the mobile channel (app and web on mobile) was in use by 2.3 million.

Sale of current accounts in 1Q23 exceeded the level of 113 thousand, i.e. an increase by 7% vs. the same period of the previous year. The key product supporting acquisition of new clients was the new Millennium 360° account.

The first quarter of 2023 was a period of growth in the volume of retail deposits. Continued relatively high interest rates on term deposits and savings accounts encouraged customers to take advantage of promotional offers. As a result, the Bank increased the volume of retail customer deposits in 1Q23 by PLN1.1bn. This translated into a retail deposit balance of PLN74.4bn at the end of March'23.

The bank strengthened its marketing communication regarding the savings offer and continued to acquire new volumes based on the Profit Savings Account (KO Profit) with attractive interest rates for new funds but at the same time made the retention offer more attractive based on dedicated term deposits

In 1Q23, Bank Millennium increased sales of mortgage loans. The Bank concluded new contracts with a total value of almost PLN 867 million (+23% q/q). The result placed the Bank with a market share of 12.7% (market share for January and February) . From March 1, 2023, the Bank suspended offering mortgage loans with a variable interest rate throughout the loan period. The offer includes mortgage loans with a periodically fixed interest rate for the first 5 years. 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 the first quarter of 2023, the Bank recorded the sale of cash loans at the level of over PLN1.5bn. Compared to the last quarter of 2022, it was the increase by almost 10%, and compared to the first quarter of 2022, by 35%. After the last increase in interest rates by the NBP, which took place in September last year, in 1Q23 the downward trend in the sale of new cash loans on the market stopped. The Bank's share in the sale of cash loans on the market is above 11%. A steady increase in the Bank's share in the balance of cash loans is observed, which at the end of February 2023 reached 9.2%.

The introduction of a fixed interest rate for the entire cash loan offer of the Bank in 1Q23 was positively perceived by customers. The bank maintained one of the most attractive promotional offers on the market. The first quarter ended with the finalization, in terms of amounts, of over 71% of contracts in remote channels (electronic banking and telephone). This confirms that the banks' customers willingly use the offered omni-channels, and the Bank uses the synergy effect of traditional and remote channels when selling credit products.

The Bank maintained the upward trend in the payment card portfolio with the result of 3.9 million cards at the end of March 2023 (+2% compared to 4Q22). The turnover in 1Q23 amounted to PLN16,607mn on debit cards (+9% compared to 1Q22) and PLN1,503mn on credit cards (+17% compared to 1Q22). This result was supported by new product solutions, including introduction of cash deposits in external Euronet and ITCARD networks and more favorable rules for converting foreign transactions for all payment cards.

The first quarter of 2023 brought an improvement in the capital markets. The Polish mutual fund market saw both positive net inflows and asset value growth. Improved capital market sentiment and initiatives undertaken by the Bank had a positive impact on mutual fund sales and resulted in positive net sales in each of the first three months of 2023.

The Bank, especially in the retail customer segment, focused on developing and promoting regular investment, including, among others, the investment advisory service. This service provides customers with an easy and convenient way to access investment products, especially by investing even small amounts on a regular basis. The special strategy of rewarding the use of remote channels was also continued, with a reduction to 0% in handling fees for the purchase of selected units through Millenet and the Mobile Application. New editions of structured deposits offered with guaranteed profit and capital protection were very popular among customers. In 1Q23 sales of structured deposit amounted to more than PLN500mn.

In 1Q23 Bank Millennium have opened over 10 thousands Business current accounts. Almost 2/3 were opened in digital processes. Disclosing to all individual clients possibility of registering company via e-banking was a new initiative supporting acquisition.

In the first quarter of 2023, the Bank recorded an increase in sales of Business loans to the level of PLN247mn. Compared to the first quarter of last year, this means an almost two-fold increase and an increase of 25% compared to the previous quarter. The market share in sales of loans to the micro segment, increased from 2.3% at the end of the first quarter of 2022 to 6% at the end of the first quarter of 2023. The recorded increase was the result of the implementation of a number of changes in the credit processes, including the launch of the first in Poland fully remote pre-approval process for Business cash loan with a de minimis guarantee.

CORPORATE BANKING

Electronic banking

In 2Q23, we are planning to implement a new mobile application for companies. Currently, during the pilot of the application, clients used basic functions, i.e. authorization of transactions prepared in the browser version, transfer orders, preview of balances and operations. A representative group of several dozen customers participated in the testing - we take into account their opinions and observations which shape subsequent versions of the app.

We extended the functionalities of the eBOK website used for handling leasing agreements by customers, adding i.a. application for early termination of the agreement, authorization to travel outside the EU, lending of the asset, notification of a change of the legal form, restructuring of the agreement, confirmation of the statutory balance. This means that customers can already file any requests regarding their leasing agreement online on the eBOK website. The share of customers using eBOK at the end of March 2023 is 87%.

Product offering

Transactional Banking

We expanded the network of available CDMs for corporate clients. From the beginning of April, they may deposit cash also in 3,000 Euronet CDMs. The service is available to every bank customer with a debit or charge payment card. Deposited funds are available on the next business day at the latest.

Lending activity

Since January, we have introduced a loan for the construction of a photovoltaic installation or power plant. With our product, we support environmentally friendly solutions, energy transformation and at the same time respond to rising electricity prices. The product is available in two variants:

Loan for photovoltaics - self-consumption, with which we can finance 100% of the net construction costs of micro and small photovoltaic installations up to 1 MWp, intended for the production of renewable energy entirely for company's own needs. The maximum loan amount is PLN 2 million.

Loan for photovoltaics – a mix, with which we can finance 80% of the total net construction costs of a photovoltaic installation with the production of renewable energy for sale and own needs, and a minimum level of 50% self-consumption. The investment may also include the purchase and installation of an energy storage facility up to and including 10 MW. The maximum loan amount in this variant is PLN 20 million.

Since the end of March, companies may apply for a technological loan, which allows to obtain co-financing in the form of a non-returnable technological bonus from Bank Gospodarstwa Krajowego. The Technological Loan is a continuation of the competition known in the past as Loan for technological innovations. It allows obtaining co-financing of up to 70% of eligible investment costs, consisting in the implementation of a new technology, understood as any significant and beneficial change in the process that was not previously used in the enterprise, and which at the same time causes improvement of the features of the manufactured product or service provided. The condition for participation in the competition is to have a credit decision in principle or a conditional Technological Loan agreement, at the latest on the day of filing the application.

We continue cooperation with Bank Gospodarstwa Krajowego in granting guarantees securing loan repayment. In the first quarter of 2023, we received another tranche of the limit for de minimis guarantees granted from the National Guarantee Fund. De minimis guarantees are one of the forms of public aid securing the repayment of a working capital loan or investment loan for micro, small or medium-sized enterprises (SMEs).

Trade finance

In the area of trade finance, we implemented new functionalities and solutions that speed up the guarantee preparation process, digitize and streamline processes related to documentary cash collection transactions and reduce paper consumption.

Millennium Leasing

Leasing with BGK de minimis guarantee

In January, we were the first on the market to launch a new leasing product with a BGK de minimis guarantee. The de minimis guarantee replaces the existing leasing product with a BGK guarantee, the sale of which ended in December 2022. Additionally, it was made possible for customers to use "3 lower instalments" start promotion.

Mój elektryk Programme

In January 2023, customers could file applications for a subsidy, under Mój elektryk programme, for electric car leasing agreements concluded before the implementation of the programme in Millennium Leasing. Such agreements will be successively verified in terms of the possibility of filing a subsidy application.

MilleFlota Programme

As part of the MilleFlota programme, new Benefit Packages were introduced to the offer regarding the purchase of parts and maintenance services for vehicles in use (up to 3.5 t) and fleet management. Client can choose one of 3 Packages. Furthermore, to support the promotion of the Packages, apart from training and provision of new materials, an incentive competition for the sales network was prepared.

Activities in the field of expanding access to knowledge for customers

In the Millenet transaction system for Companies, in the Inspiration Zone – a section introduced in 2022, we publish useful information and educational materials. Clients will find there, among others, articles about subsidy programmes, weekly market and macroeconomic analyses, information about tax changes, practical advice on cybersecurity and invitations to educational webinars.

As part of our cooperation with the CFO Club – a joint initiative of ICAN Institute and i.a. KPMG, Microsoft and Bank Millennium, 2 webinars were organized. Financial directors, chairpersons, Members of Management Boards could take part in a meeting devoted to data analytics, artificial intelligence, GPT chat with the participation of Jarosław Hermann, Member of the Management Board responsible for IT at the Bank, and financial management and challenges faced by CFO in 2023 with Grzegorz Maliszewski, Chief Economist of the Bank. On February 2, Grzegorz Maliszewski also hosted yet another webinar with entrepreneurs. The topic of the meeting was the economic prospects in 2023 and the nearest challenges of the Polish and global economy in the context of the events of the past year.

In March, an online meeting of representatives of companies interested in technological loan was held with experts from the Bank and ADM Consulting Group S.A., a company co-operating with the Bank.

DIGITAL BANKING

We ended 1Q23 with 2.6 million (+11% y/y) active digital channel users. Of these, over 2.3 million users logged into the Bank on mobile devices. This gives an 16% year-on-year increase in mobile users. In 1Q23, customers logged into the app more than 200 million times. The results illustrate the steady growth of app users and the decreasing number of customers who only use online banking on a desktop.

Digital share in sales and acquisition

The share of digital channels in the sale of a cash loan in 1Q23 by number was 80% and in the sales of term deposits 96%, which means that the vast majority of customers choose remote processes to get these products. It is worth noting the exceptional growth in the share of digital channels when it comes to current account acquisition. Already almost half of all accounts are opened remotely. Compared to the previous quarter, we saw an increase of up to 10 percentage points in the share of digital channels, as well as an increase of 42% in the number of accounts opened online. Customers are keen to choose a simple process with selfie and a process with identity confirmation from another bank based on open banking solutions. The third option we offer customers on our website is to complete an online application and sign the documents at a branch. Existing customers can also open new accounts via online banking and the mobile app.

Mobile payments and VAS

In 1Q23, more than 1.5 million users used BLIK at least once, an increase of 25% compared to the same period in 2022. The number of BLIK transactions is also growing steadily. In 1Q22 customers used BLIK 45 million times, an increase of 57% compared to 1Q22. Users are also keen to use P2P transfers, up 71% in 1Q23 compared to 1Q22.

It is worth noting the steady increase in the use of VAS, which have been available for several years now in Bank Millennium:

- Parking ticket purchases - up 67% in 1Q23 compared to 1Q22
- Public transport ticket purchase - up 38% in 1Q23 compared to 1Q22
- Purchase of travel and third party/AC insurance - up 45% in 1Q23 compared to 1Q22

In February the new application period for the Family 500+ benefit started. Since the start on 1 February, customers have submitted more than 253 thousand of them via our Bank, 62% of which were submitted via the mobile app. Applications in the app have been available since the beginning of 2022, previously they were only available in Millenet.

We have seen huge interest in our new online identity confirmation tool. Millennium ID, which we introduced in December 2022, has been well received by customers and now, on average, someone confirms their identity in this way every two seconds. The service is based on mojeID service and allows people to confirm their identity not only in e-offices, but also when using commercial services, such as buying an insurance policy.

New projects in 1Q23:

- **BLIK TRANSFER REQUEST (P2PR)** - a new BLIK service that allows customer to send friends a BLIK transfer request and easily settle a joint bill.
- **BLIK PAY LATER - PILOT PHASE COMPLETE.** We are starting the next phase of the project so that the solution can become generally available on the Polish market.
- **AUTHORISATION OF TRANSACTIONS WITH BIOMETRICS**. Our customers are keen to use biometrics, which provides a high level of security. More than one million customers log in to the application in this way. Now customers can also confirm transactions with a fingerprint or facial scan.
- **ACCESS TO EURONET AND PLANET CASH NETWORK MACHINES**. Based on agreements with partners, our customers gained the possibility to deposit cash in Euronet machines in January this year, and since 17 April also in Planet Cash machines. As a result, Bank Millennium customers gained access to a total of more than 5,000 devices in which they can deposit cash.
- **NEW OMNICHANNEL CREDIT CARD APPLICATION PROCESS**. We are in the pilot phase of the new process, which we have built similarly to the customer-appreciated cash loan process, which the customer can start in the traditional channel, e.g. via the call centre, and finish in the app or online banking.

In addition, we have made some new features available in the mobile app for customers with a company account. Customers were already able to use these options on their retail profile, but for the first time they gained access to them from their business profile. These include:

- Purchase of public transport tickets
- Parking payments
- BLIK contactless payments
- Tap to call service. The customer is logged into the app, so does not need to additionally confirm identity, which makes it much quicker to get support from the consultant.

Goodie application

1Q23 was a continuation of record results with goodie cashback. The number of users actively using cashback increased by almost 50% y/y. Impressive and higher by almost 100% y/y is the number of new users starting purchases with cashback. Undoubtedly, goodie cashback functionalities such as Superoffers, introduced in 3Q2022 and enabling cashback users to be granted a temporarily increased return in specific brands, as well as new marketing campaigns, contributed to the results.

Cooperation with Bank Millennium in the field of the Refunds for purchases service also achieves very good results – the number of users in 1Q2023 increased by 42% compared to 4Q2022. The service still maintains the PLN 20 promotion for a new user of Refunds for purchases and Superoffers with attractive refund rates for purchases.

Sales of eCards achieved results in line with expectations and seasonality of the product.

ESG ACTIVITIES: ENVIRONMENTAL, SOCIAL, GOVERNANCE

ESG activities are 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 and is a signatory of the Diversity Charter.

The most important ESG activities carried out in the first quarter of 2023

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

Bank Millennium prepared and published the ESG Report of Bank Millennium and Bank Millennium Group for 2022. The key achievement indicated in the Report regarding the impact on the natural environment is the achievement of a measurable goal, i.e. a reduction of over 50% of own greenhouse gas emissions (compared to 2020, emission reductions in scope 1 and 2). This is an important step, in line with the assumptions of the Bank's ESG Strategy, assuming achieving climate neutrality with regard to the Bank's own emissions by 2027. In addition, the Report indicates other significant achievements of the Bank in 2022, such as the extension of the green product offer with investment funds promoting ESG aspects. In addition, the activities undertaken by the Bank and the Bank Millennium Foundation in the social area are widely described. Particularly noteworthy are the actions taken after the outbreak of the war in Ukraine, aimed at supporting refugees - citizens of Ukraine. The Bank provided support both as part of employee volunteering as well as directly financially supporting nationwide and local aid organisations. In addition, it has introduced numerous facilitations in the Bank's products and services for Ukrainian citizens (e.g. opening a bank account only on the basis of a passport, Trusted Profile) or waiver of the costs of such products and services (maintaining an account, withdrawals from ATMs, transfers to Ukraine for private clients). These activities are now continuing.

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

Green loan for companies - financing photovoltaic projects

In January 2023 the Bank started to provide businesses with loans for financing photovoltaic projects available in two variants. Details are available above.

BiznesMax

In 2023, the Bank continues its cooperation with BGK in the field of programmes for companies from the SME sector, i.a. in the field of Biznesmax guarantees. Biznesmax is a free guarantee programme for SMEs, currently implemented as part of the Guarantee Fund to support innovative enterprises of the Smart Growth Operational Programme (FG POIR). The programme supports investment projects, including pro-ecological innovations (e.g. RES, energy efficiency, electromobility) and covers a wide range of costs financed with an investment loan: investment costs, accompanying investments, costs related to ongoing investment service, VAT. In the case of an ecological investment, it may also be implemented for a third party (excluding projects that have already received EU support in this respect).

The programme is intended for innovative, ecologically efficient companies and those planning to increase the potential of innovation / ecology in the SME sector. It has a nationwide range. It allows you to reduce the cost of financing. The company does not pay a BGK commission for granting the guarantee and has the option of obtaining a refund of part of the interest paid on the loan. The company can apply for subsidies until 2027.

Technological loan with non-returnable bonus

The Technological Loan is a continuation of the competition known in the past as Loan for technological innovations. It allows obtaining co-financing of up to 70% of eligible investment costs, consisting in the implementation of a new technology, understood as any significant and beneficial change in the process that was not previously used in the enterprise, and which at the same time causes improvement of the features of the manufactured product or service provided. The bank offers financing, the enrolment of applications for bonuses is carried out by BGK.

Education activities - Education Career Fair EDU OFFSHORE WIND as well as presentation of Millennium Eco-index

Bank Millennium became the strategic partner of the 1st Education Career Fair EDU OFFSHORE WIND 2023. The fair is the first such event in Poland. It is devoted to education in the area of offshore wind power development in Poland. The idea of the event, which is addressed to over five thousand high school students from the Pomeranian Voivodeship, is to show secondary school students innovative directions of career development and to create the opportunity to meet with representatives of leading companies in the offshore wind power sector. The fair is organised in the Pomeranian Voivodeship, which is the leader of the 2022 Millennium Eco-index ranking. The fair is the culmination of an educational programme related to wind power and prepared for secondary schools from the Pomeranian Voivodeship, which began in November last year.

During the Fair, Grzegorz Maliszewski, chief economist at Bank Millennium and author and originator of the Millennium Eco-Index, presented the index and the results of the ranking (in which the Pomeranian Voivodeship has taken the leader’s position), which can serve as an inspiration for the directions of development of green innovations.

Millennium Group for the fourth time distinguished in the Bloomberg Gender-Equality index

Banco Comercial Portugues has been included in the international Bloomberg Gender-Equality index for the fourth consecutive year. In 2023, it achieved the best result so far. It is higher than the results reported by 73% of companies included in the index. The high position of Banco Comercial Portugues was due to data from its three companies: Bank Millennium, Millennium bcp, Millennium Bim.

The Bloomberg Gender-Equality Index (GEI) 2023 is a global ranking. It covers 54 sectors of the economy from 45 countries. It analyses the performance of companies that are committed to ESG transparency. The index measures gender equality in five categories: leadership and talent development, equality and wage parity, inclusive work culture, anti-harassment policy, and brand reputation. Only companies whose score meets or exceeds the globally defined entry threshold are included in the index.

M#leaders – leadership development programme

The 4th edition of M#leaders programme started in the Bank, based on the methodology of John C. Maxwell, world expert in leadership. It is directed to persons holding managerial functions in the head office and companies of our Bank. The purpose of this project is the development of leadership skills.

Financial education

Global Money Week

On March 20-26, 2023, “Global Money Week" took place. The theme of the Global Money Week 2023 campaign is "Plan your money, plan your future". The aim of the Polish campaign as part of GMW 2023 is to encourage people to look at the financial future, verify it from a different perspective, also in the social and environmental field, and to take initiatives for the education of the youngest and youth throughout Poland, so that they can make good financial decisions that affect our common future. This year's edition is also a time of verification of financial education activities in a new environment, for new recipients - including smaller and weaker social groups and inclusion of research, scientific and development circles in the activities. Representatives of the Bank Millennium Foundation took part in Global Money Week also by participating in discussions – i.a. with the Warsaw Banking Institute Foundation acting on behalf of the Polish banking community and the GMW Foundation, which create an annual inter-environmental forum for discussion, exchange of experiences, cooperation and educational activities in the field of finance, security in cyberspace and entrepreneurship of the financial sector. On 22 March 2023, at the VII Congress of Financial Education and Entrepreneurship, Bank Millennium and the Bank Millennium Foundation were represented by Wojciech Rybak, a member of the Management Board, who took part in an expert debate devoted to the expectations and possibilities of clients in the environment of the conditions of the Polish banking sector in the field of finance and entrepreneurship.

Financial ABCs

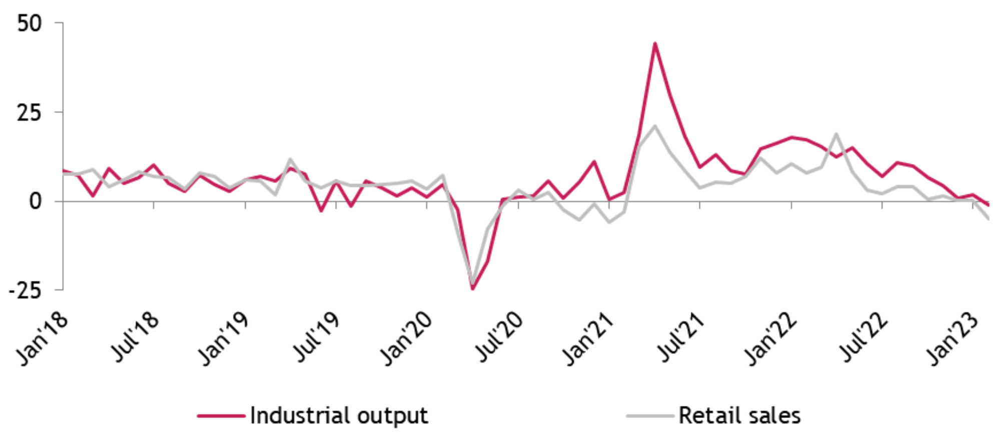
Another edition of the "Financial ABCs" programme was launched in Q1 2023. It is a proprietary preschoolers education programme started by Bank Millennium Foundation in 2016, carried out by Bank Millennium employees in cooperation with a non-governmental organisation. The programme consists of workshops conducted in kindergartens, accessibility of educational resources on the internet as well as tutorial for parents who would like to play an important role in the financial education of their kids. The essence of the programme is to explain to the youngest, through fun, workshops, games and various educational formulas, the basic concepts in the field of finance. In the spring-summer edition, it is planned to conduct inter alia, about 200 workshops in kindergartens throughout Poland. From the beginning of the "Financial ABCs" programme until the end of 2022, the Foundation organised over 27,000 workshops and trained 68,000 children in kindergartens throughout Poland. In 2022, during the "Financial ABCs" workshops in kindergartens, the Foundation additionally focused on cybersecurity and technologies in banking and conducted nearly 400 workshops in 118 kindergartens for approx. 10,000 children.

MACROECONOMIC SITUATION

Global economic activity in 1Q23 was low. In particular, developed economies were affected by high inflation, rapid and significant monetary policy tightening and uncertainty about the future. However, the lack of fulfilment of concerns about insufficient supply of natural gas in Europe and the continuation of disinflationary trends gradually improved business and consumer sentiment. Available data indicate that the euro area managed to avoid a decline in GDP in 1Q23. The US economy is likely to remain on the growth path, although macroeconomic data were weaker than a quarter earlier. On the other hand, China recorded an acceleration in growth, which was the result of the abolition of the radical anti-epidemic policy. Those changes have resulted in the upward revision compared to the end of 2022 of GDP growth forecasts for many economies. In Mar'23, however, the risks associated with the stability of the global banking system were highlighted, although quick action by the authorities have allowed to avoid escalation of turbulence and the contagion effect. In the baseline scenario of Bank Millennium, it was assumed that problems that occurred in the financial system of the United States and Switzerland would not have a significant impact on the domestic economy. It should be noted that the economy is now more resilient to possible shocks in the global banking sector than in 2008-2013 period.

Quickly growing prices, high interest rates and slowdown in global trade also affected the domestic economy in 1Q23. In January and February 2023, retail sales decreased at constant prices by 1.9% compared to the same period of 2022, and industrial production increased only by 0.3%. At the same time, the lower demand for labour is becoming visible in some sectors such as construction and trade. According to Bank Millennium estimates, GDP in 1Q23 decreased by 0.7% y/y, after an increase of 2.0% y/y in 4Q22, which means it was the lowest growth rate since 2020, when anti-epidemic restrictions were in force. It should be emphasised, however, that the slowdown in the domestic economy is not a surprise and it is in line with the Bank's forecasts.

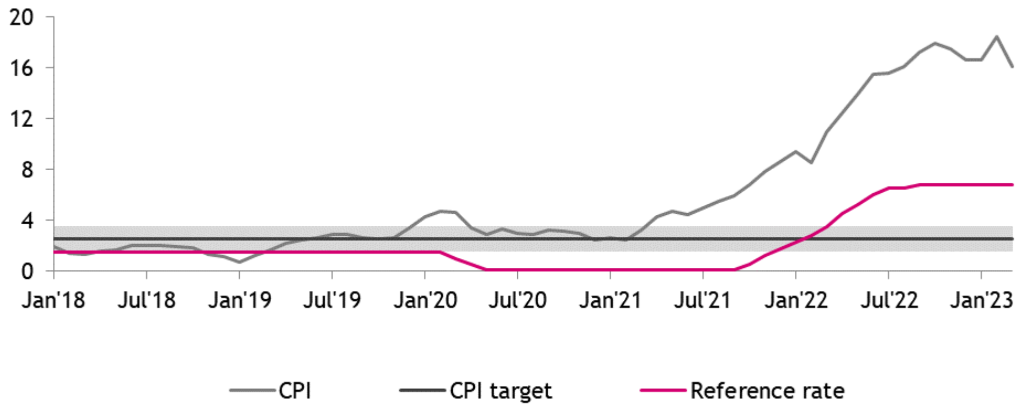
Industrial output and retail sales (% y/y)



Source: GUS, Macrobond

In Feb'23, CPI inflation in Poland increased to 18.4% y/y, i.e. it was the highest in nearly three decades. In Mar'23 it fell to 16.1% y/y, which, in the opinion of Bank Millennium, indicates that inflation has passed its peak in this cycle. High inflation is due to i.a. the supply shock on commodity markets resulting from the outbreak of the war in Ukraine. However, higher cost pressure in the economy has fallen on the ground of strong demand for labour, which gives producers and service providers room for price increases. As a consequence, core inflation calculated as the CPI excluding food and energy prices increased in Mar'23 to 12.3% y/y, i.e. to the highest value in the history of available data. Against this backdrop, the Monetary Policy Council continued in 1Q23 and in Apr'23, the "wait-and-see" stance. The reference rate of the National Bank of Poland therefore remains unchanged at 6.75% since Sep'22. In the Bank's opinion, the cycle of interest rate increases in Poland has already ended.

CPI inflation, inflation target (% y/y) and NBP reference rate (%)



Source: Macrobond, NBP

In the conditions of high interest rates, credit creation in the economy in January-February 2023 remained low. In particular, the value of newly granted housing loans to households was 63% lower than in the same period of 2022. At the beginning of 2023, the growth of deposits in the economy remained solid. At the end of Feb'23 deposits were PLN44.8bn higher than at the end of Dec'22. In the Bank's opinion, this is supported by a quickly growing wage fund, an increase in saving propensity of households and likely still good financial results of companies which, in the conditions of unanchored inflation expectations, can partially protect margins.

Expectations for the domestic economy in 2023 and 2024 did not undergo significant modifications in 1Q23 as the impact on the baseline macroeconomic scenario of new data and information was balanced. On the one hand, the negative impact of high inflation on consumption turned out to be stronger than forecasted, and on the other hand, expectations for activity among the most important trade partners of Poland have improved. Thus, the bank's GDP growth forecast for 2023 amounting to 0.7% is unchanged vs. the end of 2022. This means that economic growth in 2023 will be weak, although a recession will be avoided. According to the Bank's expectations, the trough in economic activity took place in 1Q23, and subsequent quarters should bring an improvement in demand. According to the Bank's forecasts, however, it will not be strong due to the still high inflation. Although after the peak in Feb'23 it will decrease reaching in the 4Q23 a single-digit value, the Bank expects average annual inflation in 2023 at 12.8% y/y. This means only a slight decrease from the 14.4% y/y recorded in 2022. According to the Bank, the still low unemployment and quick wage growth will contribute to the high-cost pressure. Thus, in the Bank's assessment there will be in 2023 no room for interest rate cuts. According to the Bank, they will start in 2024, which should be a year of slowly increasing activity and a further decline in inflation. Achieving the inflation target is however an even longer perspective. It should be emphasised that there is a high uncertainty regarding economic forecasts for both the domestic economy and its environment.

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

The summary list below presents the most important negative risk factors, in the opinion of Bank Millennium, for the economy and the Bank Millennium Group, connected with the macroeconomic situation in the horizon of one year.

- The geopolitical situation in the world, including, i.a. the possibility of a significant intensification of hostilities between Russia and Ukraine. This would result in a renewed increase in uncertainty and risk aversion and would affect commodity prices on international markets, asset valuation and weaken zloty exchange rate. This would increase inflation in Poland and globally, which would translate into a downturn and a stronger than expected increase in unemployment.
- Suboptimal economic policy in Poland, especially during the elections' periods, which could result in perpetuating inflationary pressures and foster imbalances in the economy, including external and fiscal ones. This would translate into higher debt servicing costs, a weaker exchange rate, higher inflation and further tightening of monetary policy.
- Higher and more persistent inflation abroad resulting in an economic slowdown and further significant tightening of monetary policy by the largest central banks. In the environment of the domestic economy, this would result in the possibility of escalation of tensions in the global financial system and, consequently an increase in risk aversion, tightening of credit standards and potential increases in fiscal costs.
- Insufficient supply of natural gas in Europe in the future heating period, which in a negative scenario would mean rationing of supplies and most likely stopping or reducing the activity of companies.
- Rapid expansion of a pandemic, including COVID-19, e.g. through vaccine-resistant mutations of SARS-CoV-2.

As a result of 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 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 i.a. from a faster than expected abatement of military operations in Ukraine. The stabilisation of the economy would also be facilitated by an increase in the number of employees from abroad and faster than assumed inflow of funds from the European Union for the National Recovery Plan.

INFORMATION ON SHARES AND RATINGS

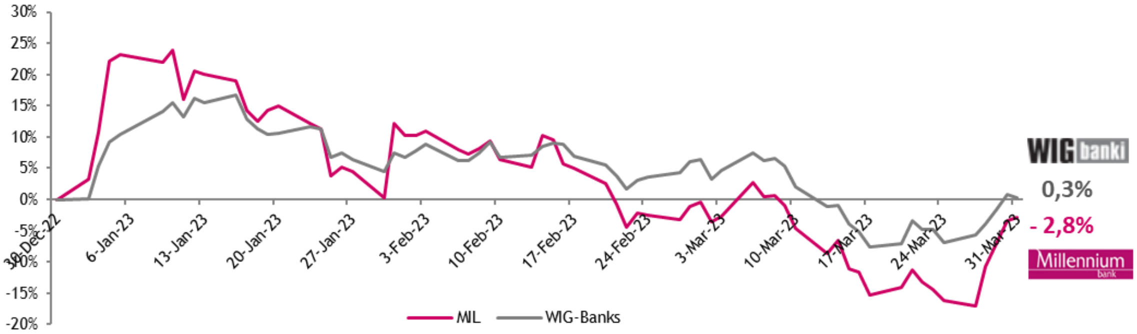
In 1Q23, the main risk factors that affected banks' quotations were the opinion of CJEU spokesman on FX loans and unexpected information about problems of banks in the United States and the collapse of Credit Suisse - one of the largest banks in Europe. These caused banking shares listed on the WSE to tumble after gains at the start of the year.

Concerns about the stability of the financial sector caused a panic, albeit short-lived, sell-off in the shares of most banking companies. At the end of March 2023, the quotations of companies from the banking sector recouped some of the losses.

All in all, 1Q23 brought 1.7% increase of WIG index, 0.3% increase of WIG Banks and 2.8% drop of Bank Millennium's share price.

During the 12 months ending 31 March 2023, WIG broad market index fell 10%, WIG20 index of largest companies and WIG Banks decreased by 18%. At the same time Bank Millennium shares lost 33%.

Bank Millennium: ytd share price performance vs. WIG Banks



In 1Q23 the average daily turnover of Bank Millennium shares was 46% lower compared to the same period last year.

Market ratios	31.03.2023	31.03.2022	Change y/y	30.12.2022(*)	Change y-t-d
Number of Bank's shares ('000)	1 213 117	1 213 117	0,0%	1 213 117	0,0%
Average daily turnover in annual terms (in PLN'000)	6 856	12 743	-46.2%		
Bank's share price (PLN)	4.45	6.63	-32.8%	4,58	-2.8%
Market capitalisation of the Bank (PLNmn)	5 401	8 037	-32.8%	5 556	-2.8%
WIG Banks	6 269	7 644	-18.0%	6 252	0.3%
WIG20	1 759	2 133	-17.6%	1 802	-2.4%
WIG30	2 169	2 590	-16.2%	2 197	-1.2%
WIG - main index	58 609	64 900	-9.7%	57 638	1.7%

(*) the last day of quotation in 2022.

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 March 24th, 2023 Moody's rating agency ('Moody's') confirmed Bank's long- and short-term deposit ratings at Baa3/P-3 and its (P)Ba2 junior senior unsecured MTN program ratings and changed the outlook on the long-term deposit ratings from ratings under review for downgrade to negative. The Bank's BCA was downgraded to ba3 from ba2 and Adjusted BCA was confirmed at ba2.

This rating actions concluded the review opened on 20 July 2022 and extended on 20 December 2022 (details in CR 9/2023 Current reports - Investor relations - Bank Millennium).

The Bank's corporate ratings, as at 31 March 2023, were as follows:

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

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
27.04.2023	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
27.04.2023	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
27.04.2023	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
27.04.2023	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
27.04.2023	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
27.04.2023	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
27.04.2023	Jarosław Hermann	Member of the Management Board	Signed by a qualified electronic signature

CONSOLIDATED REPORT OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR 1ST QUARTER OF 2023

CONTENTS

Condensed interim consolidated financial statements of the Bank Millennium s.a. Capital Group for the 3 months ended 31 March 2023

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 6,800 employees with core business comprising banking (including mortgage bank), leasing, factoring, brokerage, capital operations, investment fund management and web portals activity.

Supervisory Board and Management Board of Bank Millennium S.A. as at 31 March 2023

Composition of the Supervisory Board as at 31 March 2023 was as follows:

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

Composition of the Management Board as at 31 March 2023 was as follows:

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

Capital Group of Bank Millennium S.A.

The Group's parent entity is Bank Millennium S.A. while the ultimate parent entity of the Bank Millennium S.A. is the Banco Comercial Portugues - company listed on the stock exchange in Lisbon. The companies that belong to the Capital Group as at 31 March 2023, 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.*	activities of insurance agents and brokers	Warsaw	20	20	equity method valuation
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 **

** On March 29, 2023, 80% of shares in Millennium Financial Services sp. z o.o. were transferred from the Bank to Towarzystwo Ubezpieczeń na Życie Europa S.A., which acquired 72% of the Company's shares, and Towarzystwo Ubezpieczeń Europa S.A., which acquired 8% of the Company's shares, respectively, which is described in more details in note 5 "Result on derecognition of financial assets and liabilities not measured at value fair through profit or loss" in Chapter 4 "Notes to Consolidated Financial Data". In addition, the Bank contributed PLN 200,000 to MFS.*

*** 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 2022.

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the three months ending March 31, 2023.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2023 to 31 March 2023:

- 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.

In 2023 Bank continues to realize Capital Protection Plan submitted to PFSA pursuant to the Article 60 sec. 1 of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system (Journal of Laws of 2022, item 963, i.e. of 6 May 2022, as amended), PFSA approved this plan on 28th October 2022. The Plan foresees the increase of capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations).

Since launching the Plan the Bank/Group managed to significantly improve its capital ratios, bringing them clearly above the new regulatory requirements (without P2G): Tier 1 ratio stood 78 bps (Bank) and 83 bps (Group) above minimum requirement and Total Capital Ratio stood 141 bps (Bank) and 145 bps (Group) above minimum requirement. Assuming no other extraordinary factors, the Bank plans to keep capital ratios above the minimum required levels throughout the year of 2023.

The Bank monitors, on the current basis, the financial situation and, if needed, will undertake actions to launch additional remedial activities. In particular, the Bank is aware of potential risks connected with potential extension of so-called Credit Holidays for 2024. If such risk would materialize, it could imply additional provisions that would decrease the net result of the Bank/Group. Additionally, further negative developments regarding the legal risk of FX mortgage loans could imply the need to increase the level of provisions for such risk apart from the provisions that might result from current trends. In the Bank's view, these events, if materialized, would adversely affect the results of the Bank/Group in 2023-2024, and would reduce the organic generation of capital that is envisaged, but would not prevent the Bank/Group from continuing to implement its strategy and the generation of results that would mitigate the impact of such events.

The liquidity position of Bank Millennium Group remained very strong in 1Q 2023. LCR ratio reached the level of 228% at the of March 2023, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 75% and the share of liquid debt securities (mainly bonds issued by the sovereigns, multilateral development banks and NBP bills) in the Group's total assets remains significant at 25%.

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 Management Board approved these condensed consolidated interim financial statements on 27th April 2023.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Net interest income		1 262 124	961 039
Interest income and other of similar nature	1	2 071 433	1 059 315
Income calculated using the effective interest method		2 047 104	1 065 655
Interest income from Financial assets at amortised cost		1 797 093	983 669
Interest income from Financial assets at fair value through other comprehensive income		250 011	81 986
Result of similar nature to interest from Financial assets at fair value through profit or loss		24 329	(6 340)
Interest expenses	2	(809 309)	(98 276)
Net fee and commission income		200 932	220 816
Fee and commission income	3	260 648	267 907
Fee and commission expenses	4	(59 716)	(47 091)
Dividend income		205	299
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	546 223	(719)
Results on financial assets and liabilities held for trading	6	3 135	(2 735)
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	5 901	10 826
Result on hedge accounting		322	(2 670)
Result on exchange differences		(8 223)	(63 141)
Other operating income		116 108	73 597
Other operating expenses		(72 187)	(35 328)
Administrative expenses	8	(469 294)	(434 626)
Impairment losses on financial assets	9	(109 375)	(78 762)
Impairment losses on non-financial assets		1 733	(2 622)
Provisions for legal risk connected with FX mortgage loans	10	(863 650)	(499 180)
Result on modification		(27 832)	(3 777)
Depreciation		(52 521)	(51 602)
Share of the profit of investments in subsidiaries		0	0
Banking tax		0	(81 984)
Profit before income taxes		533 601	**9 431**
Corporate income tax	11	(281 455)	(131 771)
Profit after taxes		252 146	**(122 340)**
Attributable to:			
Owners of the parent		252 146	(122 340)
Non-controlling interests		0	0
Weighted average number of outstanding ordinary shares (pcs.)		1 213 116 777	1 213 116 777
Profit (loss) per ordinary share (in PLN)		0.21	(0.10)

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Profit after taxes	252 146	(122 340)
Other comprehensive income items that may be (or were) reclassified to profit or loss	402 407	(465 713)
Result on debt securities	285 939	(394 387)
Hedge accounting	116 468	(71 326)
Other comprehensive income items that will not be reclassified to profit or loss	0	(4)
Actuarial gains (losses)	0	0
Result on equity instruments	0	(4)
Total comprehensive income items before taxes	402 407	**(465 717)**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(76 457)	88 485
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	1
Total comprehensive income items after taxes	325 950	**(377 231)**
Total comprehensive income for the period	578 096	**(499 571)**
Attributable to:		
Owners of the parent	578 096	(499 571)
Non-controlling interests	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	31.03.2023	31.12.2022	31.03.2022
Cash, cash balances at central banks		5 452 016	9 536 090	8 285 941
Financial assets held for trading	12	527 958	363 519	289 033
Derivatives		371 422	339 196	188 433
Equity instruments		123	113	121
Debt securities		156 413	24 210	100 479
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers		142 879	201 036	257 121
Equity instruments		66 609	128 979	122 786
Debt securities		76 270	72 057	134 335
Financial assets at fair value through other comprehensive income	13	18 192 605	16 505 606	17 707 350
Equity instruments		24 395	24 396	28 727
Debt securities		18 168 210	16 481 210	17 678 623
Loans and advances to customers	14	75 380 270	76 565 163	78 702 577
Mandatorily at fair value through profit or loss		75 078	97 982	296 693
Valued at amortised cost		75 305 192	76 467 181	78 405 884
Financial assets at amortised cost other than Loans and advances to customers	15	10 907 828	4 631 170	1 801 672
Debt securities		10 322 224	3 893 212	789 465
Deposits, loans and advances to banks and other monetary institutions		585 603	733 095	986 269
Reverse sale and repurchase agreements		0	4 863	25 938
Derivatives – Hedge accounting	16	60 754	135 804	52 245
Investments in subsidiaries, joint ventures and associates		43 522	0	0
Tangible fixed assets		566 375	572 810	552 168
Intangible fixed assets		435 896	436 622	383 648
Income tax assets		732 494	805 624	775 255
Current income tax assets		4 642	4 232	19 734
Deferred income tax assets	18	727 852	801 392	755 521
Other assets		1 371 630	1 177 134	933 377
Non-current assets and disposal groups classified as held for sale		13 749	11 391	15 578
Total assets		**113 827 975**	**110 941 969**	**109 755 965**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	31.03.2023	31.12.2022	31.03.2022
LIABILITIES				
Financial liabilities held for trading	12	433 296	385 062	219 321
Derivatives		430 216	380 278	198 498
Liabilities from short sale of securities		3 080	4 784	20 823
Financial liabilities measured at amortised cost		103 158 389	100 577 923	99 539 430
Liabilities to banks and other monetary institutions	19	462 387	727 571	646 646
Liabilities to customers	20	100 875 841	98 038 516	97 304 820
Sale and repurchase agreements	21	0	0	27
Debt securities issued	22	256 280	243 753	39 644
Subordinated debt	23	1 563 882	1 568 083	1 548 293
Derivatives – Hedge accounting	16	394 859	554 544	661 003
Provisions	24	974 133	1 016 169	721 054
Pending legal issues		937 002	976 552	681 782
Commitments and guarantees given		37 132	39 617	39 272
Income tax liabilities		252 978	32 533	1 630
Current income tax liabilities		252 706	32 533	1 630
Deferred income tax liabilities	18	272	0	0
Other liabilities		2 541 818	2 881 332	2 415 852
Total Liabilities		**107 755 473**	**105 447 563**	**103 558 290**
EQUITY				
Share capital		1 213 117	1 213 117	1 213 117
Own shares		(21)	(21)	(21)
Share premium		1 147 502	1 147 502	1 147 502
Accumulated other comprehensive income		(716 334)	(1 042 284)	(1 235 864)
Retained earnings		4 428 238	4 176 092	5 072 941
Total equity		6 072 502	5 494 406	6 197 675
Total equity and total liabilities		**113 827 975**	**110 941 969**	**109 755 965**

Book value of net assets	6 072 502	5 494 406	6 197 675
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	5.01	4.53	5.10

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
01.01.2023 - 31.03.2023							
Equity at the beginning of the period	5 494 406	1 213 117	(21)	1 147 502	(1 042 284)	(824 873)	5 000 965
Total comprehensive income for period (net)	578 096	0	0	0	325 950	252 146	0
net profit/ (loss) of the period	252 146	0	0	0	0	252 146	0
valuation of debt securities	231 611	0	0	0	231 611	0	0
valuation of shares	0	0	0	0	0	0	0
hedge accounting	94 339	0	0	0	94 339	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 041 432	(1 041 432)
Equity at the end of the period	**6 072 502**	**1 213 117**	**(21)**	**1 147 502**	**(716 334)**	**468 705**	**3 959 533**
01.01.2022 - 31.12.2022							
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)	(1 198 217)	0	0	0	(183 651)	(1 014 566)	0
net profit/ (loss) of the period	(1 014 566)	0	0	0	0	(1 014 566)	0
valuation of debt securities	(165 275)	0	0	0	(165 275)	0	0
valuation of shares	(3 583)	0	0	0	(3 583)	0	0
hedge accounting	(21 991)	0	0	0	(21 991)	0	0
actuarial gains/losses	7 198	0	0	0	7 198	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 beginning of the period	5 494 406	1 213 117	(21)	1 147 502	(1 042 284)	(824 873)	5 000 965
01.01.2022 - 31.03.2022							
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)	(499 571)	0	0	0	(377 231)	(122 340)	0
net profit/ (loss) of the period	(122 340)	0	0	0	0	(122 340)	0
valuation of debt securities	(319 454)	0	0	0	(319 454)	0	0
valuation of shares	(3)	0	0	0	(3)	0	0
hedge accounting	(57 774)	0	0	0	(57 774)	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 388 118	(1 388 118)
Equity at the end of the period	**6 197 675**	**1 213 117**	**(21)**	**1 147 502**	**(1 235 864)**	**67 353**	**5 005 588**

CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Profit (loss) after taxes	252 146	(122 340)
Total adjustments:	3 124 252	6 415 691
Interest received	1 791 573	1 000 765
Interest paid	(727 433)	(79 148)
Depreciation and amortization	52 521	51 602
Foreign exchange (gains)/ losses	0	0
Dividends	(205)	(299)
Changes in provisions	(42 036)	125 524
Result on sale and liquidation of investing activity assets	(548 445)	645
Change in financial assets held for trading	61 047	(228 276)
Change in loans and advances to banks	51 627	(30 507)
Change in loans and advances to customers	(435 236)	(1 010 492)
Change in receivables from securities bought with sell-back clause (loans and advances)	(2 586)	239 707
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(111 451)	122 736
Change in deposits from banks	(248 915)	168 600
Change in deposits from customers	3 533 658	5 923 886
Change in liabilities from securities sold with buy-back clause	19 936	(10 814)
Change in debt securities	12 527	393
Change in income tax settlements	283 863	131 671
Income tax paid	(66 198)	(32 557)
Change in other assets and liabilities	(535 963)	24 402
Other	35 968	17 854
Net cash flows from operating activities	**3 376 398**	**6 293 351**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Inflows:	507 717	5 511
Proceeds from sale of property, plant and equipment and intangible assets	7 600	5 212
Proceeds from sale of shares in related entities	499 912	0
Proceeds from sale of investment financial assets	0	0
Other	205	299
Outflows:	(2 799 711)	(371 977)
Acquisition of property, plant and equipment and intangible assets	(49 333)	(11 015)
Acquisition of shares in related entities	0	0
Acquisition of investment financial assets	(2 750 378)	(360 962)
Other	0	0
Net cash flows from investing activities	**(2 291 994)**	**(366 466)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Inflows from financing activities:	0	0
Long-term bank loans	0	0
Issue of debt securities	0	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(45 273)	(66 978)
Repayment of long-term bank loans	(5 000)	(55 000)
Redemption of debt securities	0	0
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other outflows from financing activities	(40 273)	(11 978)
Net cash flows from financing activities	**(45 273)**	**(66 978)**

D. Net cash flows. Total (A + B + C)	**1 039 131**	**5 859 907**
- including change resulting from FX differences	(2 664)	2 375
E. Cash and cash equivalents at the beginning of the reporting period	**14 231 089**	**3 372 244**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**15 270 220**	**9 232 151**

4. NOTES TO CONSOLIDATED FINANCIAL DATA

1) INTEREST INCOME AND OTHER OF SIMILAR NATURE

	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Interest income from Financial assets at fair value through other comprehensive income	250 011	81 986
Debt securities	250 011	81 986
Interest income from Financial assets at amortised cost	1 797 093	983 669
Balances with the Central Bank	55 573	12 837
Loans and advances to customers	1 641 333	938 578
Debt securities	73 768	345
Deposits, loans and advances to banks	10 281	2 269
Transactions with repurchase agreements	7 449	3 191
Hedging derivatives	8 689	26 449
Result of similar nature to interest, including:	24 329	(6 340)
Loans and advances to customers mandatorily at fair value through profit or loss	3 720	7 674
Financial assets held for trading - derivatives	19 513	(14 549)
Financial assets held for trading - debt securities	1 096	535
Total	**2 071 433**	**1 059 315**

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 I quarter of 2023 contains interest accrued on impaired loans in the amount of PLN 50 059 thous. (for corresponding data in the year 2022 the amount of such interest stood at PLN 21,593 thous.).

2) INTEREST EXPENSES AND OTHER OF SIMILAR NATURE

	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Financial liabilities measured at amortised cost	(809 309)	(98 276)
Liabilities to banks and other monetary institutions	(6 386)	(6 362)
Liabilities to customers	(732 390)	(64 577)
Transactions with repurchase agreement	(19 936)	(7 197)
Debt securities issued	(12 527)	(317)
Subordinated debt	(35 967)	(17 819)
Liabilities due to leasing agreements	(2 103)	(2 004)
Other	0	0
Total	**(809 309)**	**(98 276)**

3) Fee and commission income

	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Resulting from accounts service	29 624	40 489
Resulting from money transfers, cash payments and withdrawals and other payment transactions	22 817	21 326
Resulting from loans granted	53 358	59 976
Resulting from guarantees and sureties granted	3 809	3 876
Resulting from payment and credit cards	68 902	60 960
Resulting from sale of insurance products	48 854	41 136
Resulting from distribution of investment funds units and other savings products	6 307	11 351
Resulting from brokerage and custody service	2 808	5 002
Resulting from investment funds managed by the Group	14 241	16 433
Other	9 928	7 358
Total	260 648	267 907

4) Fee and commission expense

	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Resulting from accounts service	(10 321)	(2 759)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(1 137)	(1 229)
Resulting from loans granted	(6 461)	(6 608)
Resulting from payment and credit cards	(26 297)	(23 971)
Resulting from brokerage and custody service	(573)	(863)
Resulting from investment funds managed by the Group	(2 582)	(2 993)
Resulting from insurance activity	(2 190)	(2 464)
Other	(10 155)	(6 204)
Total	(59 716)	(47 091)

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

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

Taking into consideration this verdict, the Group as at 31 March 2023 had a provision **in** the amount of PLN 76.9 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

	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Operations on shares	553 912	0
Operations on debt instruments	(7 333)	(166)
Costs of financial operations	(356)	(553)
Total	546 223	(719)

On 29 March 2023 took place transfer of 80% of the shares (the “**Shares**”) in Millennium Financial Services sp. z o.o. (the “**Company**”) from the Bank to Towarzystwo Ubezpieczeń na Życie Europa S.A. which acquired 72% of the Company’s shares and Towarzystwo Ubezpieczeń Europa S.A. which acquired 8% of the Company’s shares (collectively the "**Buyers**") as well as payment of the price for the Shares to the Bank, amounting to PLN 500.0 million.

The sale of the Shares by the Bank to the Buyers constituted the finalisation of the Transaction and resulting in recognition of the correspondent positive financial result and triggers the commencement of the Strategic Insurance Cooperation between the Bank and the Buyers, as described in the Current Report No. 7/2023 of 13 February 2023.

Simultaneously, due to selling 80% of Company’s shares and losing control over the Company, the Bank initially measured its remaining non-controlling stake in the Company at fair value, recording PLN 43,3 million (gross).

Additionally, the Bank recognised positive impact amounting to PLN 54.0 million (gross) as valuation of derivative resulting from potential future earnouts payments.

Considering Profit and Loss statement perspective: result realised on the sale (PLN 499.9 million; payment for the price minus book value of sold shares) and valuation of derivative resulting from the potential future earnout payments (PLN 54.0 million) were recorded in caption “Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss” whereas valuation of non-controlling remaining stake was recognised in “Other operating income” (PLN 43.3 million).

6) RESULTS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Result on debt instruments	1 471	(3 403)
Result on derivatives	1 663	654
Result on other financial operations	1	14
Total	3 135	(2 735)

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

	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Loans and advances to customers	(2 671)	2 081
Result on equity instruments	4 359	1 908
Result on debt instruments	4 213	6 837
Total	5 901	10 826

8) ADMINISTRATIVE EXPENSES

	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Staff costs:	(246 046)	(217 934)
Salaries	(200 795)	(176 863)
Surcharges on pay	(36 932)	(32 322)
Employee benefits, including:	(8 319)	(8 749)
- provisions for retirement benefits	(1 150)	(1 548)
- provisions for unused employee holiday	(8)	(17)
- other	(7 161)	(7 184)
Other administrative expenses:	(223 248)	(216 692)
Costs of advertising, promotion and representation	(17 806)	(15 320)
IT and communications costs	(36 604)	(31 173)
Costs of renting	(18 784)	(12 511)
Costs of buildings maintenance, equipment and materials	(11 714)	(10 336)
ATM and cash maintenance costs	(8 761)	(7 161)
Costs of consultancy, audit and legal advisory and translation	(29 574)	(17 153)
Taxes and fees	(11 473)	(8 553)
KIR - clearing charges	(3 042)	(2 678)
PFRON costs	(2 002)	(836)
Banking Guarantee Fund costs	(83 434)	(85 847)
Financial Supervision costs	(4 585)	(3 109)
Other	4 531	(22 015)
Total	**(469 294)**	**(434 626)**

9) IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Impairment losses on loans and advances to customers	(111 845)	(83 894)
Impairment charges on loans and advances to customers	(539 863)	(477 338)
Reversal of impairment charges on loans and advances to customers	417 833	385 498
Amounts recovered from loans written off	10 225	10 855
Sale of receivables	0	0
Other directly recognised in profit and loss	(40)	(2 910)
Impairment losses on securities	0	0
Impairment charges on securities	0	0
Reversal of impairment charges on securities	0	0
Impairment losses on off-balance sheet liabilities	2 470	5 133
Impairment charges on off-balance sheet liabilities	(17 403)	(17 715)
Reversal of impairment charges on off-balance sheet liabilities	19 873	22 848
Total	**(109 375)**	**(78 762)**

10) PROVISIONS FOR LEGAL RISK CONNECTED WITH FX MORTGAGE LOANS

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

01.01.2022 - 31.03.2022	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	(25 160)	(25 160)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	499 180	0	499 180
Allocation to the loans portfolio	0	369 816	(369 816)
Change of provisions due to FX rates differences	65 471	65 471	0
Balance at the end of the period	3 872 105	3 326 906	545 199

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Costs of settlements recognized in the profit and loss account, including:	(72 199)	(123 641)
- included in the “Result on exchange differences”	(53 433)	(123 641)
- included in the “Result on modification”	(18 766)	0
Costs of settlements charged to previously created provisions	7 622	0

11) Corporate income tax

11a. Income tax reported in income statement

	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Current tax	(284 191)	(20 632)
Current year	(285 565)	(20 632)
Adjustment to prior years	1 374	0
Deferred tax:	2 736	(111 138)
Recognition and reversal of temporary differences	98	(108 370)
Recognition / (Utilisation) of tax loss	2 638	(2 768)
Total income tax reported in income statement	**(281 455)**	**(131 771)**

11b. Effective tax rate

	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Profit before tax	533 601	9 431
Statutory tax rate	19%	19%
Income tax according to obligatory income tax rate of 19%	(101 384)	(1 792)
Impact of permanent differences on tax charges:	**(181 567)**	**(129 979)**
- Non-taxable income	7 337	9 622
Release of other provisions	7 326	9 467
Other	11	155
- Cost which is not a tax cost	(188 904)	(139 601)
PFRON fee	(381)	(159)
Fees for Banking Guarantee Fund	(15 853)	(16 311)
Banking tax	0	(15 577)
Income/cost of provisions for factoring and leasing receivables	1 076	52
Receivables written off	(9 238)	(695)
Costs of litigations and claims	(164 945)	(102 667)
Depreciation and insurance costs of cars (in excess of PLN 150,000)	(151)	(124)
Costs related to concluded settlements	1 418	(678)
BFG SKOK Piast settements	0	(97)
Other	(830)	(3 345)
Deduction of the tax paid abroad	0	0
Other differences between the gross financial result and taxable income (including R&D relief)	1 496	0
Total income tax reported in income statement	**(281 455)**	**(131 771)**
Effective tax rate	52.75%	1397.21%

11C. DEFERRED TAX REPORTED IN EQUITY

	31.03.2023	31.12.2022	31.03.2022
Valuation of investment assets at fair value through other comprehensive income	115 139	169 468	204 793
Valuation of cash flow hedging instruments	55 022	77 151	85 545
Actuarial gains (losses)	(2 133)	(2 133)	(445)
Deferred tax reported directly in equity	168 028	244 486	289 893

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 (NSA).

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

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

12) Financial assets held for trading

12a. Financial assets held for trading

	31.03.2023	31.12.2022	31.03.2022
Debt securities	**156 413**	**24 210**	**100 479**
Issued by State Treasury	156 413	24 210	100 479
a) bills	0	0	0
b) bonds	156 413	24 210	100 479
Other securities	0	0	0
a) quoted	0	0	0
b) non quoted	0	0	0
Equity instruments	**123**	**113**	**121**
Quoted on the active market	123	113	121
a) financial institutions	42	27	34
b) non-financial institutions	81	86	88
Adjustment from fair value hedge	0	0	0
Positive valuation of derivatives	371 422	339 196	188 433
Total	**527 958**	**363 519**	**289 033**

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

	Fair Values 31.03.2023		
	Total	Assets	Liabilities
1. Interest rate derivatives	(23 271)	26 356	49 627
Forward Rate Agreements (FRA)	0	0	0
Interest rate swaps (IRS)	(23 721)	948	24 669
Other interest rate contracts: options	450	25 408	24 958
2. FX derivatives	(30 941)	39 184	70 125
FX contracts	(23 142)	7 712	30 854
FX swaps	(7 799)	31 472	39 271
Other FX contracts (CIRS)	0	0	0
FX options	0	0	0
3. Embedded instruments	(304 635)	0	304 635
Options embedded in deposits	(304 635)	0	304 635
Options embedded in securities issued	0	0	0
4. Indexes options	300 053	305 882	5 829
Total	**(58 794)**	**371 422**	**430 216**
Valuation of hedged position in fair value hedge accounting	-	0	0
Liabilities from short sale of debt securities	-	-	3 080

	Fair Values 31.12.2022			Fair Values 31.03.2022		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	(28 842)	29 235	58 077	(28 917)	16 164	45 081
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	(29 344)	1 293	30 637	(29 473)	1 770	31 243
Other interest rate contracts: options	502	27 942	27 440	556	14 394	13 838
2. FX derivatives	(9 254)	58 525	67 779	19 529	118 131	98 602
FX contracts	(12 289)	11 840	24 129	9 653	26 151	16 498
FX swaps	1 436	44 663	43 227	15 379	91 980	76 601
Other FX contracts (CIRS)	1 599	2 022	423	(5 503)	0	5 503
FX options	0	0	0	0	0	0
3. Embedded instruments	(250 400)	0	250 400	(53 568)	9	53 577
Options embedded in deposits	(250 400)	0	250 400	(53 577)	0	53 577
Options embedded in securities issued	0	0	0	9	9	0
4. Indexes options	247 414	251 436	4 022	52 891	54 129	1 238
Total	**(41 082)**	**339 196**	**380 278**	**(10 065)**	**188 433**	**198 498**
Valuation of hedged position in fair value hedge accounting	-	0	0	-	0	0
Liabilities from short sale of debt securities	-	-	4 784	-	-	20 823

13) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.03.2023	31.12.2022	31.03.2022
Debt securities	**18 168 210**	**16 481 210**	**17 678 623**
Issued by State Treasury	11 701 827	13 554 072	17 228 428
a) bills	0	0	0
b) bonds	11 701 827	13 554 071	17 228 428
Issued by Central Bank	6 048 195	2 528 310	42 500
a) bills	6 048 195	2 528 310	42 500
b) bonds	0	0	0
Other securities	418 188	398 828	407 695
a) listed	418 188	398 828	407 695
b) not listed	0	0	0
Shares and interests in other entities	24 395	24 396	28 727
Other financial instruments	0	0	0
Total financial assets at fair value through other comprehensive income	**18 192 605**	**16 505 606**	**17 707 350**

14) LOANS AND ADVANCES TO CUSTOMERS

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

Balance sheet value:	31.03.2023	31.12.2022	31.03.2022
Mandatorily at fair value through profit or loss	75 078	97 982	296 693
Companies	32	66	100
Individuals	75 046	97 916	296 593
Public sector	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 413 million as at 31.03.2023.

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

	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Valued at amortised cost, as at 31.03.2023	66 638 998	7 491 077	3 650 720	(376 245)	(357 577)	(1 741 781)	75 305 192
Companies	16 870 308	1 498 975	705 385	(103 327)	(71 896)	(264 760)	18 634 685
Individuals	49 569 249	5 991 239	2 945 335	(271 127)	(285 681)	(1 477 021)	56 471 994
Public sector	199 441	863	0	(1 791)	0	0	198 513
Valued at amortised cost, as at 31.12.2022	68 696 492	6 725 350	3 466 149	(372 163)	(364 173)	(1 684 475)	76 467 182
Companies	16 775 373	1 508 622	637 682	(115 976)	(59 368)	(238 824)	18 507 510
Individuals	51 722 402	5 215 685	2 828 467	(254 633)	(304 804)	(1 445 651)	57 761 466
Public sector	198 718	1 043	0	(1 554)	(1)	0	198 206
Valued at amortised cost, as at 31.03.2022	73 342 811	3 942 489	3 540 314	(315 933)	(238 758)	(1 865 039)	78 405 884
Companies	17 392 746	1 212 758	848 019	(103 708)	(50 692)	(336 250)	18 962 873
Individuals	55 692 623	2 729 726	2 692 295	(211 387)	(188 066)	(1 528 789)	59 186 402
Public sector	257 442	5	0	(838)	0	0	256 609

14C. LOANS AND ADVANCES TO CUSTOMERS

	31.03.2023	
	Valued at amortised cost	Mandatorily at fair value through profit or loss
Loans and advances	68 820 961	19 257
▪ to companies	11 849 163	0
▪ to private individuals	56 901 554	19 257
▪ to public sector	70 244	0
Receivables on account of payment cards	1 055 981	55 821
▪ due from companies	13 961	32
▪ due from private individuals	1 042 020	55 789
Purchased receivables	166 605	
▪ from companies	166 605	
▪ from public sector	0	
Guarantees and sureties realised	1 551	
Debt securities eligible for rediscount at Central Bank	0	
Financial leasing receivables	7 113 019	
Other	32 842	
Interest	589 836	
Total:	**77 780 795**	**75 078**
Impairment allowances	(2 475 603)	-
Total balance sheet value:	**75 305 192**	**75 078**

	31.12.2022		31.03.2022	
	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	69 897 310	23 708	72 462 188	59 924
▪ to companies	11 642 443	0	12 481 601	0
▪ to private individuals	58 199 858	23 708	59 898 040	59 924
▪ to public sector	55 009	0	82 547	0
Receivables on account of payment cards	1 034 385	74 274	799 579	236 769
▪ due from companies	13 946	66	14 448	100
▪ due from private individuals	1 020 439	74 208	785 131	236 669
Purchased receivables	195 655		114 501	
▪ from companies	195 655		114 501	
▪ from public sector	0		0	
Guarantees and sureties realised	7 203		7 749	
Debt securities eligible for rediscount at Central Bank	76		33	
Financial leasing receivables	7 160 606		6 965 087	
Other	30 277		24 044	
Interest	562 478		452 433	
Total:	**78 887 990**	**97 982**	**80 825 614**	**296 693**
Impairment allowances	(2 420 809)	-	(2 419 730)	-
Total balance sheet value:	**76 467 181**	**97 982**	**78 405 884**	**296 693**

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

	31.03.2023	31.12.2022	31.03.2022
Loans and advances to customers (gross)	77 780 795	78 887 990	80 825 614
impaired	3 650 720	3 466 148	3 540 314
not impaired	74 130 075	75 421 842	77 285 300
Impairment write-offs	(2 475 603)	(2 420 809)	(2 419 730)
for impaired exposures	(1 741 781)	(1 684 474)	(1 865 039)
for not impaired exposures	(733 822)	(736 335)	(554 691)
Loans and advances to customers (net)	**75 305 192**	**76 467 181**	**78 405 884**

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

	31.03.2023	31.12.2022	31.03.2022
Loans and advances to customers (gross)	77 780 795	78 887 990	80 825 614
case by case analysis	548 139	501 115	795 046
collective analysis	77 232 656	78 386 875	80 030 568
Impairment allowances	(2 475 603)	(2 420 809)	(2 419 730)
on the basis of case by case analysis	(171 817)	(168 105)	(262 080)
on the basis of collective analysis	(2 303 786)	(2 252 704)	(2 157 650)
Loans and advances to customers (net)	**75 305 192**	**76 467 181**	**78 405 884**

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

	31.03.2023	31.12.2022	31.03.2022
Loans and advances to customers (gross)	77 780 795	78 887 990	80 825 614
corporate customers	19 274 972	19 121 437	19 710 970
individuals	58 505 823	59 766 553	61 114 644
Impairment allowances	(2 475 603)	(2 420 809)	(2 419 730)
for receivables from corporate customers	(441 774)	(415 722)	(491 488)
for receivables from private individuals	(2 033 829)	(2 005 087)	(1 928 242)
Loans and advances to customers (net)	**75 305 192**	**76 467 181**	**78 405 884**

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

	01.01.2023 - 31.03.2023	01.01.2022 - 31.12.2022	01.01.2022 - 31.03.2022
Balance at the beginning of the period	2 420 809	2 374 246	2 374 246
Change in value of allowances:	54 794	46 563	45 484
Impairment allowances created in the period	539 863	1 671 698	477 120
Amounts written off	(84 457)	(281 934)	(68 171)
Impairment allowances released in the period	(417 595)	(1 191 876)	(385 268)
Sale of receivables	0	(241 148)	0
KOIM created in the period*	18 314	71 224	16 963
Changes resulting from FX rates differences	(3 587)	19 594	4 408
Other	2 256	(995)	432
Balance at the end of the period	**2 475 603**	**2 420 809**	**2 419 730**

** 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
31.03.2023			
- Companies	19 593	(476)	19 117
- Individuals	126 590	(20 209)	106 382
- Public sector	0	0	0
31.12.2022			
- Companies	15 216	(26)	15 190
- Individuals	137 235	(13 150)	124 085
- Public sector	0	0	0
31.03.2022			
- Companies	58	139	197
- Individuals	233 748	(37 125)	196 623
- Public sector	0	0	0

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

	31.03.2023	31.12.2022	31.03.2022
in Polish currency	67 643 832	67 681 948	67 594 195
in foreign currencies (after conversion to PLN)	10 136 963	11 206 042	13 231 419
currency: USD	65 576	67 654	168 829
currency: EUR	4 373 109	4 107 584	3 864 722
currency: CHF	5 694 339	7 027 404	9 191 203
other currencies	3 939	3 400	6 665
Total gross	**77 780 795**	**78 887 990**	**80 825 614**

15) FINANCIAL ASSETS AT AMORTISED COST OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

15A. FINANCIAL ASSETS AT AMORTISED COST OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

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

31.12.2022	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	3 893 218	0	0	(6)	0	0	3 893 212
Deposits, loans and advances to banks and other monetary institutions	733 376	0	0	(281)	0	0	733 095
Repurchase agreements	4 863	0	0	0	0	0	4 863

31.03.2022	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	789 466	0	0	(1)	0	0	789 465
Deposits, loans and advances to banks and other monetary institutions	986 496	0	0	(227)	0	0	986 269
Repurchase agreements	25 938	0	0	0	0	0	25 938

15B. DEBT SECURITIES

	31.03.2023	31.12.2022	31.03.2022
credit institutions	677 285	458 623	0
other companies	0	0	0
public sector	9 644 939	3 434 589	789 465
Total	10 322 224	3 893 212	789 465

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

	31.03.2023	31.12.2022	31.03.2022
Current accounts	173 205	181 896	188 190
Deposits	410 233	548 647	797 827
Other	476	0	0
Interest	1 732	2 833	479
Total (gross) deposits, loans and advances	585 646	733 376	986 496
Impairment allowances	(43)	(281)	(227)
Total (net) deposits, loans and advances	**585 603**	**733 095**	**986 269**

15D. REPURCHASE AGREEMENTS

	31.03.2023	31.12.2022	31.03.2022
credit institutions	0	0	0
other customers	0	4 854	25 935
interest	0	9	3
Total	0	4 863	25 938

16) DERIVATIVES - HEDGE ACCOUNTING

16A. HEDGE RELATIONS

Detailed information on cash flow hedge relations applied by the Group, items designated as hedged and hedging and presentation of the result (active as at 31.03.2023) 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 31.03.2023		
	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate			
CIRS contracts	(91 334)	60 754	152 088
IRS contracts	(242 771)	0	242 771
FXS contracts	0	0	0
2. Derivatives used as interest rate hedges related to interest rates			
IRS contracts	0	0	0
3. Total hedging derivatives	(334 105)	60 754	394 859

	Fair values 31.12.2022			Fair values 31.03.2022		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(60 707)	135 804	196 511	(195 435)	52 245	247 680
IRS contracts	(358 033)	0	358 033	(413 323)	0	413 323
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	(418 740)	135 804	554 544	(608 758)	52 245	661 003

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 01.01.2023	5 002	816	3 988	137	29 405
- Write-offs created	0	0	0	0	7 203
- Write-offs released	(1)	0	0	0	(7 649)
- Utilisation	0	0	0	0	(327)
- Other	0	0	0	(137)	137
As at 31.03.2023	5 001	816	3 988	0	28 769
As at 01.01.2022	5 005	8 875	3 988	137	31 618
- Write-offs created	5	0	0	0	14 493
- Write-offs released	0	(8 059)	0	0	(10 978)
- Utilisation	(8)	0	0	0	(5 728)
- Other	0	0	0	0	0
As at 31.12.2022	5 002	816	3 988	137	29 405
As at 01.01.2022	5 005	8 875	3 988	137	31 618
- Write-offs created	0	0	0	0	5 424
- Write-offs released	0	0	0	0	(2 801)
- Utilisation	0	0	0	0	(4 438)
- Other	0	0	0	0	0
As at 31.03.2022	5 005	8 875	3 988	137	29 803

18) DEFERRED INCOME TAX ASSETS AND LIABILITY

	31.03.2023		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	(4 731)	(19 850)	(24 581)
Balance sheet valuation of financial instruments	13 133	(30 095)	(16 962)
Unrealised receivables/ liabilities on account of derivatives	55 597	(46 342)	9 255
Interest on deposits and securities to be paid/ received	94 275	(245 985)	(151 710)
Interest and discount on loans and receivables	0	(110 248)	(110 248)
Income and cost settled at effective interest rate	198 255	(0)	198 255
Impairment of loans presented as temporary differences	529 933	0	529 933
Employee benefits	19 393	0	19 393
Rights to use	5 054	0	5 054
Provisions for future costs	83 441	0	83 441
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	212 467	(44 396)	168 071
Valuation of shares	1 273	(39 762)	(38 489)
Tax loss deductible in the future	60 124	0	60 124
Other	(2 613)	(1 071)	(3 683)
Net deferred income tax asset	1 265 601	(537 749)	**727 852**
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax provision
Income and cost settled at effective interest rate	0	(947)	(947)
Employee benefits	174	0	174
Rights to use	(1)	0	(1)
Provisions for future costs	551	0	551
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	0	(42)	(42)
Other	32	(39)	(8)
Net deferred income tax provision	756	(1 028)	**(272)**

	31.12.2022			31.03.2022		
	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	(202)	(23 027)	(23 229)	20 615	(26 547)	(5 932)
Balance sheet valuation of financial instruments	33 393	(47 466)	(14 073)	(4 912)	(3 549)	(8 461)
Unrealised receivables/ liabilities on account of derivatives	73 405	(59 804)	13 601	20 444	(17 608)	2 836
Interest on deposits and securities to be paid/ received	79 570	(290 234)	(210 664)	16 976	(167 428)	(150 452)
Interest and discount on loans and receivables	0	(109 345)	(109 345)	0	(85 597)	(85 597)
Income and cost settled at effective interest rate	238 828	(795)	238 033	141 957	(1 245)	140 712
Impairment of loans presented as temporary differences	516 489	0	516 489	456 706	0	456 706
Employee benefits	20 807	0	20 807	19 400	0	19 400
Rights to use	4 756	0	4 756	6 041	0	6 041
Provisions for future costs	84 037	0	84 037	77 372	0	77 372
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	299 930	(55 444)	244 486	339 492	(49 598)	289 894
Valuation of shares	1 273	(19 420)	(18 147)	1 273	(36 959)	(35 686)
Tax loss deductible in the future	57 486	0	57 486	52 087	0	52 087
Other	(3 017)	172	(2 845)	471	(3 870)	(3 399)
Net deferred income tax asset	1 406 755	(605 363)	801 392	1 147 922	(392 401)	755 521

19) LIABILITIES TO BANKS AND OTHER MONETARY INSTITUTIONS

	31.03.2023	31.12.2022	31.03.2022
In current account	36 457	25 287	41 389
Term deposits	372 470	589 046	288 421
Loans and advances received	50 000	105 000	315 079
Interest	3 460	8 238	1 757
Total	462 387	727 571	646 646

20) LIABILITIES TO CUSTOMERS

	31.03.2023	31.12.2022	31.03.2022
Amounts due to private individuals	70 101 423	68 787 007	64 271 506
Balances on current accounts	49 519 022	49 106 928	53 420 765
Term deposits	20 117 851	19 247 973	10 585 881
Other	251 176	248 573	242 329
Accrued interest	213 374	183 533	22 531
Amounts due to companies	24 179 736	23 616 227	24 373 575
Balances on current accounts	12 131 023	13 263 263	15 886 519
Term deposits	11 601 313	9 889 840	8 041 073
Other	377 085	402 878	432 840
Accrued interest	70 315	60 246	13 143
Amounts due to public sector	6 594 682	5 635 282	8 659 739
Balances on current accounts	3 270 847	3 195 080	5 228 402
Term deposits	3 308 155	2 418 727	3 424 771
Other	4 148	8 193	1 955
Accrued interest	11 532	13 282	4611
Total	**100 875 841**	**98 038 516**	**97 304 820**

21) LIABILITIES FROM SECURITIES SOLD WITH BUY-BACK CLAUSE

	31.03.2023	31.12.2022	31.03.2022
to the Central Bank	0	0	0
to banks	0	0	27
to customers	0	0	0
interest	0	0	0
Total	0	0	27

22) CHANGE OF DEBT SECURITIES

	01.01.2023 - 31.03.2023	01.01.2022 - 31.12.2022	01.01.2022 - 31.03.2022
Balance at the beginning of the period	243 753	39 568	39 568
Increases, on account of:	12 527	244 278	317
issue of bonds by the Bank	0	242 500	0
interest accrual	12 527	1 778	317
Reductions, on account of:	0	(40 093)	(241)
repurchase of Banking Securities	0	0	0
repurchase of bonds by the Bank	0	0	0
repurchase of bonds by the Millennium Leasing	0	(39 450)	0
interest payment	0	(643)	(241)
Balance at the end of the period	**256 280**	**243 753**	**39 644**

23) CHANGE OF SUBORDINATED DEBT

	01.01.2023 - 31.03.2023	01.01.2022 - 31.12.2022	01.01.2022 - 31.03.2022
Balance at the beginning of the period	1 568 083	1 541 144	1 541 144
Increases, on account of:	35 967	110 182	17 819
issue of subordinated bonds	0	0	0
interest accrual	35 967	110 182	17 819
Reductions, on account of:	(40 168)	(83 243)	(10 670)
interest payment	(40 168)	(83 243)	(10 670)
Balance at the end of the period	**1 563 882**	**1 568 083**	**1 548 293**

During 2022 and 2023 the Group did not have any delays in the payment of principal and interest instalments, nor did it infringe any contractual provisions resulting from its subordinated liabilities.

24) PROVISIONS

24A. PROVISIONS

	31.03.2023	31.12.2022	31.03.2022
Provision for commitments and guarantees given	37 132	39 617	39 272
Provision for pending legal issues	937 002	976 552	681 782
Total	974 133	1 016 169	721 054

24B. CHANGE OF PROVISION FOR COMMITMENTS AND GUARANTEES GIVEN

	01.01.2023 - 31.03.2023	01.01.2022 - 31.12.2022	01.01.2022 - 31.03.2022
Balance at the beginning of the period	39 617	44 354	44 354
Charge of provision	17 403	42 174	17 715
Release of provision	(19 873)	(46 984)	(22 848)
FX rates differences	(15)	73	51
Balance at the end of the period	37 132	39 617	39 272

24C. CHANGE OF PROVISION FOR PENDING LEGAL ISSUES

	01.01.2023 - 31.03.2023	01.01.2022 - 31.12.2022	01.01.2022 - 31.03.2022
Balance at the beginning of the period	976 552	551 176	551 176
Charge of provision	4 378	27 325	3 232
Release of provision	(2 351)	(8 382)	(1 815)
Utilisation of provision	0	(175)	(175)
Creation of provisions for legal risk connected with FX mortgage loans *	863 650	2 017 320	499 180
Allocation to the loans portfolio	(905 227)	(1 610 712)	(369 816)
Balance at the end of the period	937 002	976 552	681 782

* 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 first quarter of 2023 the Bank Millennium Group, both in the corporate and retail segments, focused on introducing changes to the lending policy aimed at ensuring the appropriate quality of the portfolio in the new, more demanding economic environment.

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

In the 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. Additionally, the Group worked on improving credit processes and products.

In the retail segment, the Group focused on adapting its lending policy to the changing macroeconomic environment, in particular, changes were implemented to mitigate the potential increase in risk related to rising credit costs and inflation. In addition, the frequency of monitoring the loan portfolio granted to Polish residents with Ukrainian citizenship was increased.

At the same time, the Bank continued to implement changes aimed at improving the effectiveness of the risk assessment process for retail and mortgage-secured transactions through automation that does not increase risk exposure.

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

Changes in the loan portfolio of the Group after 3 months of 2023 are summarized below:

	31.03.2023		31.12.2022	
	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	72 599 554	585 647	73 739 281	733 376
Overdue*, but without impairment	1 594 806	0	1 767 354	0
Total without impairment	74 194 360	585 647	75 506 635	733 376
With impairment	3 693 986	0	3 518 335	0
Total	**77 888 346**	**585 647**	**79 024 971**	**733 376**
Impairment write-offs	(2 475 603)	(43)	(2 420 812)	(281)
Fair value adjustment**	(32 473)	0	(38 997)	0
Total, net	**75 380 270**	**585 603**	**76 565 163**	**733 095**
Loans with impairment / total loans	4.74%	0.00%	4.45%	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.

Market risk

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

The market risk limits are revised at least once a year and to consider, inter alia, the change of the consolidated Own Funds, current and projected balance sheet structure as well as the market environment. The market risk limits valid in 1Q 2023 reflected the assumptions and risk appetite defined under Risk Strategy. The current limits in place have been valid since 1st June 2022. All excesses of market risk limits are always reported, documented, and ratified at the proper competence level. In the 1Q 2023, no excesses of the market risk limits were recorded.

Within the current market environment, the Group continued to act very prudently. 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 1Q2023, the FX Total open position (Intraday as well as Overnight) remained below internal limits in place and well below 2% of Own Funds.

In 1Q2023, the VaR remained on average at the level of approx. PLN327.3mn for the total Group, which is jointly Trading Book and Banking Book, (59% of the limit) and at approx. PLN3.5mn for Trading Book (15% of the limit). The exposure to market risk at the end of March 2023 was approx. PLN216.7mn for Global Bank (39% of the limit) and approx. PLN3.0mn for Trading Book (13% of the limit). It should be noted that the value at risk in Banking Book is only complementary risk measurement tool as positions are expected to be held to maturity and are normally not a subject to marked to market (see next section - Interest rate risk in Banking Book, IRRBB).

The market risk exposure in 1Q2023 in terms of value at risk for Trading Book, together with risk type division, is presented in the table below (PLN thousands).

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

	31.12.2022		VaR (1Q2023)			31.03.2023	
	Exposure	Limit usage	Average	Maximum	Minimum	Exposure	Limit usage
Total risk	1 336	6%	3 541	6 866	743	3 010	13%
Generic risk	1 334	n.a	3 540	6 866	741	3 000	n.a
Interest Rate VaR	1 310	7%	3 477	6 868	733	3 004	16%
FX Risk	240	5%	181	4 375	21	46	1%
Diversification Effect	16.2%					1.7%	
Specific risk	2	0%	1	10	0	10	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. The exposure to interest rate risk in the Banking Book are primarily generated by the differences in repricing dates of assets and liabilities as well as its reference indexes, if contractually existing. It is specifically affected by the unbalance between assets and liabilities that have fixed rate, especially by the liabilities which cannot have interest rate lower than zero. Consequently, the level of sensitivity to interest rate changes is influenced by the level of interest rates taken as a reference. Additionally, due to specificity of the polish legal system, the interest rate of credits is limited (it cannot exceed two times Reference Rate of the National Bank of Poland increased by 7 percentage points). In situations of decreasing interest rates, the impact on Net Interest Income is negative and depends on the share of the fixed rate loan portfolio that is affected by the new maximum rate. On the other hand, assumptions regarding the timing and size of deposits repricing are also especially important when assessing the interest rate sensitivity and risk.

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

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

The variations in market interest rates have an influence on the Group's net interest income, both under a short and medium-term perspective, 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 covers both earnings-based and economic value measures, which are quarterly:

- the impact on the economic value of equity (EVE) resulting from 200 bps upward/downward yield curve movements, including scenarios defined by the supervisor (standard, supervisory test assuming sudden parallel +/-200 basis points shift of the yield curve as well as supervisory outlier test, SOT with set of six interest rate risk stress scenarios).

and monthly:

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

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

The results of the above-mentioned analysis for BPVx100 and economic value measures were regularly monitored and reported to the Capital, Assets and Liabilities Committee, to Risk Committee, the Management Board and Supervisory Board. The results of the IRRBB measurement as of the end of March 2023 indicate that the Group remains the most exposed to the scenario of interest rates decrease. The supervisory outlier test results of March 2023 show that even under the most severe outlier test scenario, the decline of EVE for Banking Book is below supervisory limit of 15% of Tier 1. Similarly, decline of EVE under standard scenario of sudden parallel +/-200 basis points shift of the yield curve also stayed far below supervisory maximum of 20% of Own Funds.

The results of sensitivity of NII for the next 12 months after 31st March 2023 and for position in Polish Zloty in Banking Book are conducted under the following assumptions:

- static balance sheet structure as of that reference date (no change during the following 12 months),
- reference level of net interest income if all assets and liabilities with variable interest rate already reflect market interest rates levels as of 31st March 2023 (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 31st March 2023 and is set at the repricing date of the assets and liabilities that happens during the 12 following months.

In a scenario of parallel decrease of interest rates by 100 bps, the results are negative and equal to -156 million or -3.1% of the Group's NII reference level. In a scenario of parallel increase of interest rates by 100 bps, the results are positive and equal to 136 million or +2.7% of the Group's NII reference level.

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 2023. Its levels were confirmed by the annual revision conducted and approved by the Risk Committee in December 2022.

In 1Q2023, the Group continued to be characterized by solid liquidity position. All the supervisory liquidity indicators remained significantly above minimum limits in place. According to rules in place, all eventual excesses of internal liquidity risk limits are always reported, documented, and ratified at the proper competence level. The steps taken as part of standard and binding risk management procedures have proved sufficient for managing liquidity in the current market environment.

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

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

In 1Q2023, the Group maintained Loan-to-Deposit ratio well below 100%. This ratio was equalled 75% at the end of March 2023 (78% at the end of December 2022). The liquid assets portfolio is treated by the Group's as liquidity reserve, which will overcome crisis situations. This portfolio consists of liquid debt securities issued or guaranteed by Polish government, other EU's sovereigns, and multilateral development banks', supplemented by the cash and exposures to the National Bank of Poland. At the end of March 2023, the share of liquid debt securities (including NBP Bills) in total securities portfolio amounted to 99% and allowed to reach the level of approx. PLN 28.6 billion (25% of total assets), whereas at the end of December 2022 was at the level of approx. PLN 20.4 billion (18% of total assets).

Main liquidity ratios	31.03.2023	31.12.2022
Loans/Deposits ratio (%)	75%	78%
Liquid assets portfolio (PLN million)*	29 374	24 349
Liquidity Coverage Requirement, LCR (%)	228%	223%

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

Total Clients' deposits of the Group reached the level of PLN100.9 billion (PLN98,0 billion at the end of December 2022). The share of funds from individuals in total Client's deposits equalled to approx. 69.5% at the end of March 2023 (70.2% at the end of December 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 remained 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 1Q2023. However, in case of significant increase of the share of the largest depositors, the additional funds from the depositors are not treated as stable. Despite of that, to prevent deposit base fluctuations, the Group maintains the reserves of liquid assets in the form of securities portfolio.

According to the final provisions of CRD V/CRR II package, the Group is daily calculating the liquidity coverage requirement (LCR) and quarterly net stable funding requirement (NSFR). In 1Q2023, the regulatory minimum of 100% for both LCR and NSFR was fulfilled by the Group.

The LCR stayed at safe level of 228% at the end of March 2023 (223% at the end of December 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 1Q2023 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 first quarter of 2023 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with legal provisions in force and the best practice of national and international financial institutions.

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

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

In the first quarter of 2023 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 loans buffer (P2R buffer) - KNF decision regarding order to maintain additional own funds to secure risk resulting from FX mortgage loans granted to households, under the art. 138.2.2 of Banking Act. A value of that buffer is defined for particular banks by KNF every year as a result of Supervisory Review and Evaluation Process (SREP) and relates to risk that is in KNF's opinion - inadequately covered by minimum own funds requirements, set in CRR art. 92. At present, the buffer was set by KNF in the decisions issued in the end of 2022 in the level of 1.95 p.p. (Bank) and 1.94 p.p. (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 1.47 p.p. in Bank and of 1.46 p.p. in Group, and which corresponds to capital requirements over CET 1 ratio of 1.10 p.p. in Bank and 1.09 p.p. in Group).
- Combined buffer – defined in Act on macro prudential supervision over the financial system and crisis management – that consists of:
  - Capital conservation buffer at the level of 2.5%,
  - Other systemically important institution buffer (OSII) – at the level of 0.25% and the value is set by KNF each year,
  - Systemic risk buffer at the level of 0%, reduced from 3% in March 2020,
  - Countercyclical buffer at the 0% level.

In December 2022, the Bank received a recommendation to maintain, own funds to cover an additional capital charge ("P2G") to absorb potential losses resulting from the occurrence of stresses, at the level of 1.72 pp and 1.75 (on an individual and consolidated level) over the OCR value. According to the recommendation, the additional capital charge should consist fully of common equity Tier 1 capital (CET1 capital).

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

Capital adequacy	31.03.2023	31.12.2022	31.03.2022
Risk-weighted assets	47 954.4	48 497.3	48 956.9
Own Funds requirements, including:	3 836.4	3 879.8	3 916.6
- Credit risk and counterparty credit risk	3 362.9	3 380.6	3 401.3
- Market risk	20.3	18.0	32.4
- Operational risk	446.4	474.5	474.5
- Credit Valuation Adjustment CVA	6.8	6.7	8.4
Own Funds, including:	6 780.7	6 991.1	7 824.7
Common Equity Tier 1 Capital	5 294.4	5 469.9	6 294.7
Tier 2 Capital	1 486.3	1 521.2	1 530.0
Total Capital Ratio (TCR)	**14.14%**	**14.42%**	**15.98%**
Tier 1 Capital ratio (T1)	**11.04%**	**11.28%**	**12.86%**
Common Equity Tier 1 Capital ratio (CET1)	**11.04%**	**11.28%**	**12.86%**
MREL	**14.26%**	**14.47%**	**15.87%**
Leverage ratio	**4.47%**	**4.72%**	**5,60%**

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

Capital adequacy	31.03.2023	31.12.2022	31.03.2022
Total Capital Ratio (TCR)	**14.14%**	**14.42%**	**15.98%**
Minimum required level (OCR)	12.69%	12.69%	13.54%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	1.45	1.73	2.44
Minimum recommended level TCR (OCR+P2G)	14.44%	14.44%	14.43%
Surplus(+) / Deficit(-) on recommended level (p.p.)	-0.30	-0.02	1.55
Tier 1 Capital ratio (T1)	**11.04%**	**11.28%**	**12.86%**
Minimum required level (OCR)	10.21%	10.21%	10.84%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	0.83	1.07	2.02
Minimum recommended level T1 (OCR+P2G)	11.96%	11.96%	11.73%
Surplus(+) / Deficit(-) on recommended level (p.p.)	-0.92	-0.68	1.13
Common Equity Tier 1 Capital ratio (CET1)	**11.04%**	**11.28%**	**12.86%**
Minimum required level (OCR)	8.34%	8.34%	8.81%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	2.70	2.94	4.05
Minimum recommended level CET1 (OCR+P2G)	10.09%	10.09%	9.70%
Surplus(+) / Deficit(-) on recommended level (p.p.)	0.95	1.19	3.16
MREL ratio	**14.26%**	**14.45%**	**15.87%**
Minimum required level	15.60%	15.60%	15.60%
Surplus(+) / Deficit(-) of MREL (p.p.)	-1.34	-1.15	0.27%
Leverage ratio	**4.47%**	**4.72%**	**5.60%**
Minimum required level	3.00%	3.00%	3.00%
Surplus(+) / Deficit(-) of Leverage ratio (p.p.)	1.47	1.72	2.60

The small decrease in capital ratios in Q1 2023 compared to Q4 2022 resulted mainly from a decrease in own funds, which was partially offset by a decrease in risk-weighted assets. Own funds decreased by PLN 210 million (3%), mainly as a result of the reduction of IFRS9 transition period deferral (negative impact of PLN 90 million), discontinuation of the temporary treatment of unrealized gains and losses on securities measured at fair value through other comprehensive income, in accordance with Art. 468 CRR which was to a large extent mitigated by better market valuation of bonds portfolio (negative impact of PLN 41 million) and combination of other factors including lower Tier 2 balance. Own funds requirements decreased by approx. PLN 43 million (1.1%). The leverage ratio decreases due to the aforementioned reduction of own funds.

Minimum required by KNF capital ratios in terms of overall capital requirements were achieved in Q1 2023. As regards the levels including the additional P2G, the Group has not yet achieved them for TCR and T1 Capital ratio.

It should be noted that above mentioned levels of capital ratios of the Group as of end of March 2023 do not include the net profit generated in the period. Should that profit be considered in own funds, the capital ratios of the Group would be higher by 0.53 percentage points.

Leverage ratio stood at the safe level of 1.47%, and it significantly exceeds the regulatory minimum (3%).

MREL requirements

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 expects to receive updated requirements in the near future that should reflect the lower P2R buffer above mentioned.

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 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 2022, 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 unfavourable external situation in the 1Q also did not support the realisation of the issue.

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 on the bond market that will allow for the issue.

Having restored in a swift way during 4Q2022 the capital ratios to levels above the minimum required, the Bank's priority is now to keep those ratios permanently and safely above those minimum requirements and to take the further needed steps aimed at meeting the MREL requirements.

In particular, as far as MREL requirements are concerned, the Bank intends to close the gap by year-end 2023 through a combination of organic capital generation and issuance of debt instruments, if required and market conditions allow.

6. OPERATIONAL SEGMENTS

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

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

Retail Customer Segment

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

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

Corporate Customer Segment

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

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

Treasury, ALM (assets and liabilities management) and Other

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

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

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

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

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

Bank Millennium recent financial performance is significantly influenced by the costs related to managing legacy FX mortgage portfolio of loans. To isolate these costs and other financial results related to this portfolio Bank decided to isolate, commencing from 2021, a new segment from Retail and present it in financial statements as “FX mortgage”. Such change impacts only results presentation and is not triggering any organizational changes in the Bank. New segment includes loans separated based on active FX mortgage contracts for a given period and is applying to portfolios of retail mortgages originated in Bank Millennium and Eurobank in foreign currencies. This portfolio is expected to run-off in line with repayments of FX loans 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. Result on modification resulting from settlements with borrowers.
6. Other Costs that are directly related to FX mortgages including, but not limited to:
    i. Legal chancellery costs (administrative costs),
    ii. Court costs related to FX mortgage cases (other operating costs).

Income statement 1.01.2023 – 31.03.2023

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

Balance sheet items as at 31.03.2023

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	54 349 739	15 468 690	0	69 818 429	5 561 842	**75 380 270**
Liabilities to customers	74 183 425	26 692 416	0	100 875 841	0	**100 875 841**

Income statement 1.01.2022 – 31.03.2022

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	837 721	159 541	(59 945)	937 317	23 722	961 039
Net fee and commission income	169 395	55 828	(8 240)	216 983	3 833	220 816
Dividends, other income from financial operations and foreign exchange profit	32 441	21 416	(2 977)	50 880	(119 846)	(68 966)
Result on non-trading financial assets mandatorily at fair value through profit or loss	2 081	0	8 745	10 826	0	10 826
Other operating income and cost	(9 582)	(1 107)	2 876	(7 813)	46 082	38 269
Operating income	1 032 056	235 678	(59 541)	1 208 193	(46 209)	1 161 984
Staff costs	(170 753)	(39 090)	(8 090)	(217 933)	0	(217 933)
Administrative costs, including:	(133 543)	(16 015)	(55 251)	(204 809)	(11 884)	(216 693)
- BGF costs	*(36 266)*	*(976)*	*(48 605)*	*(85 847)*	*0*	*(85 847)*
Depreciation and amortization	(43 478)	(6 860)	(1 264)	(51 602)	0	(51 602)
Operating expenses	(347 774)	(61 965)	(64 605)	(474 344)	(11 884)	(486 228)
Impairment losses on assets	(71 308)	(9 161)	(2 623)	(83 092)	1 708	(81 384)
Results on modification	(4 037)	260	0	(3 777)	0	(3 777)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(499 180)	(499 180)
Total operating result	**608 937**	**164 812**	**(126 769)**	**646 980**	**(555 565)**	**91 415**
Share in net profit of associated companies						0
Banking tax						(81 984)
Profit / (loss) before income tax						**9 431**
Income taxes						(131 771)
Profit / (loss) after taxes						**(122 340)**

Balance sheet items as at 31.12.2022

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	54 252 736	15 471 937	0	69 724 673	6 840 490	**76 565 163**
Liabilities to customers	73 068 148	24 970 368	0	98 038 516	0	**98 038 516**

7. TRANSACTIONS WITH RELATED ENTITIES

All and any transactions between entities of the Group in 1st quarter of 2023 resulted from the current operations.

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

7.1. TRANSACTIONS WITH THE PARENT GROUP

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

	With parent company		With other entities from parent group	
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
ASSETS				
Loans and advances to banks - accounts and deposits	2 244	2 575	0	0
Financial assets held for trading	0	32	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	0	0
LIABILITIES				
Loans and deposits from banks	817	434	0	0
Debt securities	0	0	0	0
Financial liabilities held for trading	0	0	0	0
Hedging derivatives	0	0	0	0
Other liabilities	0	0	70	68

	With parent company		With other entities from parent group	
	1.01.2023-31.03.2023	1.01.2022-31.03.2022	1.01.2023-31.03.2023	1.01.2022-31.03.2022
Income from:				
Interest	825	(52)	0	0
Commissions	26	50	0	0
Financial assets and liabilities held for trading	0	0	0	0
Expense from:				
Interest	0	40	0	0
Commissions	0	0	0	0
Financial assets and liabilities held for trading	0	84	0	0
Other net operating	0	0	0	0
Administrative expenses	0	0	16	6

	With parent company		With other entities from parent group	
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
Conditional commitments	14 530	141 185	0	0
granted	0	120 593	0	0
obtained	14 530	20 593	0	0
Derivatives (par value)	0	13 705	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 IQ 2023 report	including received under the incentive program blocked on investment accounts
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	**60 854**	60 854

Name and surname	Position/Function	Number of shares as of delivery date of annual report for year 2022	including received under the incentive program blocked on investment accounts
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 IQ 2023 report	Number of shares as of delivery date of annual report for yearf 2022
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.

Subordinated liabilities, debt securities issued (synthetic securitisation) 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 31.03.2023 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	15	10 322 224	10 320 069
Deposits, loans and advances to banks and other monetary institutions	15	585 603	585 609
Loans and advances to customers*	14	75 305 192	73 435 471
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	19	462 387	462 503
Liabilities to customers	20	100 875 841	100 907 307
Debt securities issued	22	256 280	256 234
Subordinated debt	23	1 563 882	1 565 180

** 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 31.12.2022 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	15	3 893 212	3 811 648
Deposits, loans and advances to banks and other monetary institutions	15	733 095	733 016
Loans and advances to customers*	14	76 467 181	74 107 571
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	19	727 571	727 598
Liabilities to customers	20	98 038 516	98 063 169
Debt securities issued	22	243 753	244 519
Subordinated debt	23	1 568 083	1 568 949

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

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

Data in PLN'000, as at 31.03.2023

	Note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	12			
Valuation of derivatives			65 540	305 882
Equity instruments		123		
Debt securities		156 413		
Non-trading financial assets mandatorily at fair value through profit or loss	14			
Equity instruments				66 609
Debt securities				76 270
Loans and advances				75 078
Financial assets at fair value through other comprehensive income	13			
Equity instruments		247		24 148
Debt securities		12 120 015	6 048 195	
Derivatives – Hedge accounting	16		60 754	
LIABILITIES				
Financial liabilities held for trading	12			
Valuation of derivatives			119 752	310 464
Short positions		3 080		
Derivatives – Hedge accounting	16		394 859	

Data in PLN'000, as at 31.12.2022

	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			87 760	251 436
Equity instruments		113		
Debt securities		24 210		
Non-trading financial assets mandatorily at fair value through profit or loss	14			
Equity instruments			62 370	66 609
Debt securities				72 057
Loans and advances				97 982
Financial assets at fair value through other comprehensive income	13			
Equity instruments		247		24 149
Debt securities		13 952 900	2 528 310	
Derivatives - Hedge accounting	16		135 804	
LIABILITIES				
Financial liabilities held for trading	12			
Valuation of derivatives			125 856	254 422
Short positions		4 784		
Derivatives - Hedge accounting	16		554 544	

Using the criterion of valuation techniques as at 31.03.2023 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 01.01.2023	**247 414**	**(250 400)**	**90 758**	**72 057**	**97 982**
Settlement/sell/purchase	46 457	(47 598)	0	0	(23 953)
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	3 720
Results on financial assets and liabilities held for trading	6 182	(6 637)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	4 213	(2 671)
Result on exchange differences	0	0	(1)	0	0
Balance on 31.03.2023	**300 053**	**(304 635)**	**90 757**	**76 270**	**75 078**

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 01.01.2022	**28 397**	**(28 872)**	**95 046**	**127 499**	**362 992**
Settlement/sell/purchase	214 404	(216 420)	85	(60 296)	(306 117)
Change of valuation recognized in equity	0	0	(4 380)	0	0
Interest income and other of similar nature	0	0	0	0	28 604
Results on financial assets and liabilities held for trading	4 613	(5 109)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	4 854	12 503
Result on exchange differences	0	0	7	0	0
Balance on 31.12.2022	**247 414**	**(250 400)**	**90 758**	**72 057**	**97 982**

9. CONTINGENT LIABILITIES AND ASSETS

9.1. LAWSUITS

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

Court cases brought up by the Group

Value of the court litigations, as at 31.03.2023, in which entities of the Group were a plaintiff, totalled PLN 793.5 million.

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

Court cases against the Group

As at 31.03.2023, 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 31.03.2023, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at PLN 4,336.0 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.

As at 31 March 2023, there were also 184 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	31.03.2023	31.12.2022	31.03.2022
Off-balance conditional commitments granted and received	**14 995 570**	**15 162 308**	**15 923 016**
Commitments granted:	12 485 327	12 830 458	13 588 180
loan commitments	10 603 958	10 782 601	11 375 887
guarantee	1 881 369	2 047 856	2 212 293
Commitments received:	2 510 243	2 331 850	2 334 836
financial	2 185	6 884	315 515
guarantee	2 508 058	2 324 966	2 019 321

10. LEGAL RISK RELATED TO FOREIGN CURRENCY MORTGAGE LOANS

10.1. COURT CLAIMS AND CURRENT PROVISIONS ON LEGAL RISK

On March 31, 2023, the Bank had 17,353 loan agreements and additionally 1,404 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by the bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts (74% loans agreements before the courts of first instance and 26% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 3,124.2 million and CHF 221.3 million (Bank Millennium portfolio: PLN 2,870.5 million and CHF 216 million and former Euro Bank portfolio: PLN 253.7 million and CHF 5.3 million).

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

In addition, the Bank is a party to the group proceedings (class action) subject matter of which is to determine the Bank's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3 273. On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. Both parties requested a written justification of the judgment. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022. The appeal has not been served yet to the Bank's counsel.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,985 individual claims were filed against the Bank (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,156 (422), in 2022 the number increased by 5,754 (408), while in the first quarter of 2023 the number increased by 1,706 (156).

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 Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of the first quarter of 2023, 1,586 cases were finally resolved (1,518 in claims submitted by clients against the Bank and 68 in claims submitted by the Bank against clients i.e. debt collection cases) out of which 431 were settlements, 39 were remissions, 55 rulings were favorable for the Bank and 1,061 were unfavorable including 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 (incl. former Euro Bank portfolio) on 31.03.2023 was PLN 5,726 million (of which the outstanding amount of the loan agreements under the class action proceeding was 864 million PLN).

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 5,742 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

During IQ 2023 the Bank created PLN 821 million provisions for Bank Millennium originated portfolio and PLN 43 million for former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of March 2023 was at the level of PLN 5,630 million, and PLN 445 million for former Euro Bank originated portfolio.

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

(1) the number of current cases (including class actions) and potential future lawsuits, that arise within a specified (three-year) time horizon,
(2) the amount of the Bank's potential loss in the event of a specific court judgment,
(3) the probability of obtaining a specific court judgment calculated on the basis of statistics of judgments in cases where Bank is a party and legal opinions obtained.
(4) in the case of the scenario of cancellation of the loan agreement, the element taken into account, with a view to legal assessments, is the calculation of the Bank's loss, taking into account the assignment of a minimum probability of obtaining remuneration for the use of capital with the impact of this element in the methodology amounted to PLN 97 million,
(5) estimates involved with amicable settlements with clients, concluded in court or out of court
    a. negotiations are conducted on a case-by-case basis and can be stopped at any time by the Bank
    b. as the negotiations efforts have already been material in the past, 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. The most relevant parameter is the number of lawsuits. Each additional 1 000 lawsuits filed by clients against the Bank versus the number assumed in the methodology would generate an additional provision / loss of PLN 162 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 originated by Bank Millennium decreased by 8,450 in 2021, 7,943 in 2022 and 806 in the first quarter of 2023. As of the end of the first quarter of 2023, the Bank had 36,782 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN 364.6 million in 2021, PLN 515.2 million in 2022 and PLN 79.7 million in the first quarter of 2023 is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement (the values of costs charged to particular items of the Income Statement due to settlements are presented in Note 10 in Chapter 4 of the Notes to the Financial Statements).

Finally it should also be mentioned, that the Bank, as at 31.03.2023, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 1.95 p.p. (1.94 p.p. at the Group level), part of which is allocated to operational/legal risk.

CJEU and Supreme Court rulings relevant to risk assessment

Jurisprudence of Court of Justice of the European Union

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

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

On 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 "duly informed and reasonably observant and circumspect average consumer".

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

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

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

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

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

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

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

ii) a national court is not allowed, first, to examine of its own motion, without any prerogative conferred on it by national law in that regard, the financial situation of a consumer who has sought the invalidation of the contract between him or her and a seller or supplier on account of the presence of an unfair term without which the contract cannot legally continue to exist, even if that invalidation is liable to expose the consumer to particularly unfavourable consequences and, second, to refuse to declare that invalidation where the consumer has expressly sought it, after being objectively and exhaustively informed of the legal consequences and the particularly unfavourable financial consequences which it may have for him or her.

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

Jurisprudence of the Supreme Court

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

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.

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

The effect of the Supreme Court's resolution of 7 May 2021 is that the bank is entitled to a refund of the cash benefit provided by the bank in performance of a permanently ineffective contract. Taking into account the uncertainty as to the starting point of the limitation period for the bank's claims, the Bank, in order to protect its interests, files lawsuits for payment against borrowers in a court dispute with the bank. The bank's demand consists of: a claim for return of the capital made available to the borrower under the contract and a claim for reimbursement of the equivalent of the benefit obtained by the borrower in connection with the use of the capital made available (equivalent to the financial service). By 31 March 2023 the bank filed 3,769 lawsuits against the borrowers. Due to the ongoing proceedings on questions referred for a preliminary ruling (C-520/21, C-756/22) concerning the scope of claims of the parties to an invalid contract, no final decision has yet been issued in the Bank's cases containing a substantive assessment of the Bank's claims for reimbursement of benefits related to the use of capital.

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.

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.

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 2021 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.

On 12 August 2021, in the case for payment brought by a consumer against Bank Millennium S.A., 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.

On February 16, 2023. The Advocate General issued an opinion in the case, in which he suggested that the CJEU answer the questions as follows:

1) Provisions of Directive 93/13 must be interpreted as not precluding a judicial interpretation of national law under which, where a loan agreement concluded between a consumer and a bank is found to be void from the outset on the ground that it contains unfair terms, the consumer, in addition to reimbursement of the sums paid under that agreement and to payment of default interest at the statutory rate from the date of the request for reimbursement, may pursue additional claims against the bank as a consequence of that finding.

It is a matter for the national court to determine, by reference to national law, whether consumers have the right to assert such claims and, if so, to rule on their merits.

2) Provisions of Directive 93/13 must be interpreted as precluding a judicial interpretation of national law under which, where a loan agreement concluded between a consumer and a bank is found to be void from the outset on the ground that it contains unfair terms, the bank, in addition to reimbursement of the sums paid under that agreement and to payment of default interest at the statutory rate from the date of the request for reimbursement, may pursue additional claims against the consumer as a consequence of that finding.

The Advocate General's opinion is not binding on the CJEU judges ruling in case C-520/21.

On 9 December 2022, in the case brought by the Bank against the borrower for payment – return of the capital made available to the borrower on the basis of an invalid capital contract and the equivalent value of the benefit related to the borrower's use of capital, the court referred a question to the CJEU for a preliminary ruling whether, if it is found that the loan contract concluded by the bank and the consumer is invalid from the beginning due to the conclusion of unfair contractual terms, in addition to the return of money paid in the performance of this contract (loan principal) and statutory late payment interest from the moment of the request for payment, the bank may also demand any other benefits, including receivables, in particular remuneration, compensation, reimbursement of costs or valorisation of the benefit. The case was registered under the reference number C-756/22. Referring the question, the court asked the CJEU to join the case with the above-mentioned ongoing proceedings under ref. C-520/21. The Court has decided not to join the cases and decided to suspend the proceedings until the case C-520/21 is resolved.

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 (III CZP 89/22).

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 was subject of consultations between banks under the auspices of the PFSA and Polish Banking Association. Banks in general have assessed the conditions under which such solution could be implemented and consequent impacts.

As expressed in our previous financial reports, when that assessment was done, in the view of the Management Board of the Bank, important aspects to take into consideration when deciding on potential implementation of such program were: 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.

Any decision regarding implementation of such program would require the Management Board to submit it to the Supervisory Board and General Shareholders meeting taking into consideration the relevance of such decision and its implications.

Despite the fact that not all of those aspects have been possible to clarify, the Bank in practice has been using elements of such solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the complexity and uncertainty regarding the outcome of court cases, including counter-claims, as well as from potential implementation of KNF Chairman solution or other negotiation solutions or from potential Supreme Court decisions or European Court of Justice decisions, it is difficult to reliably estimate final impacts from different potential outcomes as at the date of publication of the financial statements.

11. ADDITIONAL INFORMATION

11.1. DATA ABOUT ASSETS, WHICH SECURE LIABILITIES

As at 31.03.2023 r. (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury Bonds WZ1126	Held to Collect and for Sale	Lombard credit granted to the Bank by the NBP	150 000	151 473
2.	Treasury Bonds DS0727	Held to maturity	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	255 000	218 602
3.	Treasury Bonds DS0726	Held to maturity	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	52 000	46 840
4.	Treasury Bonds PS0527	Held to maturity	Security of payment obligation to BFG contribution - guarantee fund	142 000	135 476
5.	Treasury Bonds DS0726	Held to maturity	Security of payment obligation to BFG contribution - compulsory resolution fund	135 000	121 603
6.	Treasury Bonds WZ0124	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	220 000	223 837
7.	Treasury Bonds WZ0524	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	50 000	51 436
8.	Treasury Bonds PS0527	Held to maturity	financial pledge on the Bank's account in the brokerage house	64 850	61 871
9.	Treasury Bonds PS0527	Held to maturity	financial pledge on the Bank's account in the brokerage house	583 659	556 845
10.	Cash	receivables	initial settlement deposit in KDPW CCP (MAGB)	5000	5000
11.	Cash	receivables	Settlement on transactions concluded	1 106	1 106
12.	Cash	receivables	Settlement on transactions concluded	1 739	1 739
13.	Cash	receivables	rozliczenie z tytułu zawartych transakcji	59 709	59 709
14.	Deposits placed	Deposits in banks	rozliczenie z tytułu zawartych transakcji	300 634	300 865
		TOTAL		2 020 697	1 936 402

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

As at 31.12.2022 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	127 582
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	308 160
3.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	134 100	131 606
4.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	124 000	121 694
5.	Cash	receivables	initial settlement deposit in KDPW CCP (MAGB)	5 000	5 000
6.	Cash	receivables	ASO guarantee fund (PAGB)	172	172
7.	Cash	receivables	payment to the OTC Guarantee Fund - KDPW_CCP	304	304
8.	Cash	receivables	Settlement on transactions concluded	106 797	106 797
9.	Deposits	Deposits in banks	Settlement on transactions concluded	403 647	403 647
		TOTAL		1 218 020	1 204 960

As at 31 December 2022, the Group did not have concluded transactions of sale of treasury securities with repurchase agreements.

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

As at March 31, 2023 and December 31, 2022, there were no securities (presented in the Group's balance sheet) that would constitute the subject of Sell-Buy-Back transactions.

11.3. 2022 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 2022, mainly as a result of recognizing the impact of credit holidays and creating provisions for legal risk related to foreign currency mortgage loans, additionally the Bank continues to realize the Capital Protection Plan 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, 2023, decided to allocate the amount of PLN 1,029,898,772.97 from the reserve capital to cover the loss incurred in 2022.

11.4. EARNINGS PER SHARE

Profit per share calculated for 1st quarter 2023 (and diluted loss per share) on the basis of the consolidated data amounts to PLN 0.21.

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

According to the information available to the Bank, with regard to shareholders holding over 5% of votes at the General Meeting, as at March 31, 2023, the Bank's shareholders were the following entities:

Shareholder as at 31.03.2023	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	107 970 039	8.90	107 970 039	8.90
Allianz Polska OFE oraz Drugi Allianz Polska OFE (*)	96 792 815(*)	7.98(*)	96 792 815(*)	7.98(*)
Otwarty Fundusz Emerytalny PZU „Złota Jesień"	67 417 542	5.56	67 417 542	5.56

(*) Additionally, PTE Allianz Polska S.A. manages the , Allianz Polska Dobrowolny Fundusz Emerytalny. Pursuant to the notification of PTE Allianz Polska S.A., published by the Bank in Current Report No. 3/2023, Allianz Polska Dobrowolny Fundusz Emerytalny, Allianz Polska OFE and Drugi Allianz Polska OFE held jointly 96,810,815 shares in the Bank (7.98% of votes), including Second Allianz Polska OFE 80,760,035 shares of the Bank (6.66% of votes).

The data contained in the table have been determined according to the rules described below. With regard to Banco Comercial Portugues S.A. these are data collected in connection with the registration of shareholders entitled to participate in the Ordinary General Meeting of Shareholders held on March 30, 2023. However, in the scope of Nationale-Nederlanden Otwarty Fundusz Emerytalny, Allianz Polska Otwarty Fundusz Emerytalny and Drugi Allianz Polska Otwarty Fundusz Emerytalny and Otwarty Fundusz Emerytalny PZU "Złota Jesień", the number of shares and their participation in the share capital of the Bank were calculated on the basis of the annual structure of assets of the above mentioned Funds as at 30 December 2022 (announced on the websites respectively: www.nn.pl , www.allianz.pl and www.pzu.pl) and notifications from PTE Allianz Polska S.A. (Bank's current report No. 3/2023). In terms of the calculations made on the basis of the annual structures of the above mentioned funds, the volume-weighted average price (VWAP) of the Bank's shares was assumed at PLN 4.6013.

Shareholder as at 31.12.2022	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	107 970 039	8,90	107 970 039	8,90
Allianz Polska OFE + Drugi Allianz Polska OFE (*)	96 792 815(*)	7,98(*)	96 792 815(*)	7,98(*)
Otwarty Fundusz Emerytalny PZU „Złota Jesień"	67 417 542	5,56	67 417 542	5,56

(*) Additionally, PTE Allianz Polska S.A. manages the , Allianz Polska Dobrowolny Fundusz Emerytalny. Pursuant to the notification of PTE Allianz Polska S.A., published by the Bank in Current Report No. 3/2023, Allianz Polska Dobrowolny Fundusz Emerytalny, Allianz Polska OFE and Drugi Allianz Polska OFE held jointly 96,810,815 shares in the Bank (7.98% of votes), including Second Allianz Polska OFE 80,760,035 shares of the Bank (6.66% of votes).

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

In the 1st quarter 2023, the Group did not grant any sureties or guarantees for a loan or bank loan which would cause the Group's exposure on this account as at 31 March 2023 to be significant.

11.7. SEASONALITY AND BUSINESS CYCLES

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

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

As at 31 March 2023, the Group has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed consolidated statements, Group did not:

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

REFORM OF BENCHMARKS

1. WIBOR

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

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

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

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

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

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

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

The Bank uses the WIBOR reference rate in the following products (in million PLN):

- mortgage loans: 27 846.68 only mortgage loans based on WIBOR (excluding loans currently with temporary fixed rate);
- loan products, factoring and corporate discounting products: 17 064.61;
- debt instruments (4 708.25);
  - Assets: 2 935.75
  - Liabilities: 1 772.50
- derivative instruments: 20 427.37.

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

Bank Millennium S.A. is working on the analysis of the risks and monitors them on a regular basis, however, due to the early stage of the reform, more detailed information on the transition process will be provided as the work on the WIBOR reform progresses. In addition, due to the lack of formal information regarding the potential regulatory event referred to in Article 23c(1) of the BMR, the lack of a regulation of the Minister of Finance referred to in Article 61c of the Act of 5 August 2015. on macro-prudential supervision of the financial system and crisis management in the financial system concerning a substitute or at least a draft of such a regulation, the lack of information on the amount of the adjustment spread or the method of calculating this spread as well as the lack of a market for hedging instruments and given the current stage of the work of the National Working Group and the implementation of the Roadmap, it is currently not possible to estimate the financial impact of the WIBOR reform.

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

2. LIBOR USD

The Bank applies the USD LIBOR benchmark to the following products (in million PLN):

- Retail banking/mortgage portfolio: 5.84;
- Corporate banking: 55.70.

In the case of the products offered by the Bank within Corporate banking, each contract with a term longer than 30 June 2023 has a so-called contingency clause indicating an alternative RFR (risk free rate).

In the case of the products offered by Bank within Retail Banking, the mortgage loan agreements with interest rates based on the 3M or 6M LIBOR USD index, the term of which is longer than 30 June 2023, were concluded prior to the entry into force of the BMR. For the time being, the Bank, in accordance with the applicable Plan in the event of a material change or cessation of the development of benchmarks, is conducting analyses on the impact and effects of the absence of the fallback clauses indicating an alternative benchmark to USD LIBOR on the concluded contracts. Considering the marginal, number of such contracts in the Bank's portfolio, the possibility of applying an individual approach to each of these contracts is also being analyzed.

It should be noted that the Bank has a Plan in the event of a material change or discontinuation of the development of benchmarks covering retail banking products including financial contracts within the meaning of the BMR , corporate banking products and financial instruments within the meaning of the BMR specifying the actions it will take in the event of a material change or discontinuation of the applicable benchmark.

Date	Name and surname	Position/Function	Signature
27.04.2023	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
27.04.2023	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
27.04.2023	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
27.04.2023	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
27.04.2023	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
27.04.2023	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
27.04.2023	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 3 months ended 31 March 2023

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 2022.

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 thre months ending March 31, 2023.

Condensed interim financial statements of the Bank:

- are prepared on the basis of the assumption of business continuity by the Bank, namely scale of business is not to be reduced substantially in a period of not less than one year from the balance sheet date;

- have been prepared in PLN, and all values, unless otherwise indicated, are given in PLN rounded to one thousand.

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank's economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the three months period ended 31 March 2023. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the three months period ended 31 March 2023 contain all important information, which also serves as explanatory data to these standalone statements of the Bank.

In 2023 Bank continues to realize Capital Protection Plan submitted to PFSA pursuant to the Article 60 sec. 1 of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system (Journal of Laws of 2022, item 963, i.e. of 6 May 2022, as amended), PFSA approved this plan on 28th October 2022. The Plan foresees the increase of capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations).

Since launching the Plan the Bank/Group managed to significantly improve its capital ratios, bringing them clearly above the new regulatory requirements (without P2G): Tier 1 ratio stood 78 bps (Bank) and 83 bps (Group) above minimum requirement and Total Capital Ratio stood 141 bps (Bank) and 145 bps (Group) above minimum requirement. Assuming no other extraordinary factors, the Bank plans to keep capital ratios above the minimum required levels throughout the year of 2023.

The Bank monitors, on the current basis, the financial situation and, if needed, will undertake actions to launch additional remedial activities. In particular, the Bank is aware of potential risks connected with potential extension of so-called Credit Holidays for 2024. If such risk would materialize, it could imply additional provisions that would decrease the net result of the Bank/Group. Additionally, further negative developments regarding the legal risk of FX mortgage loans could imply the need to increase the level of provisions for such risk apart from the provisions that might result from current trends. In the Bank's view, these events, if materialized, would adversely affect the results of the Bank/Group in 2023-2024, and would reduce the organic generation of capital that is envisaged, but would not prevent the Bank/Group from continuing to implement its strategy and the generation of results that would mitigate the impact of such events.

The liquidity position of Bank Millennium Group remained very strong in 1Q 2023. LCR ratio reached the level of 228% at the of March 2023, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 75% and the share of liquid debt securities (mainly bonds issued by the sovereigns, multilateral development banks and NBP bills) in the Group's total assets remains significant at 25%.

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 Management Board approved these condensed interim financial statements on 27th April 2023.

2. STANDALONE FINANCIAL DATA (BANK)

INCOME STATEMENT

Amount '000 PLN	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Net interest income	1 232 074	930 861
Interest income and other of similar nature	2 042 783	1 028 471
Income calculated using the effective interest method	2 018 454	1 034 811
Interest income from Financial assets at amortised cost	1 530 810	833 321
Interest income from Financial assets at fair value through other comprehensive income	487 644	201 490
Result of similar nature to interest from Financial assets at fair value through profit or loss	24 329	(6 340)
Interest expenses	(810 709)	(97 610)
Net fee and commission income	177 117	193 927
Fee and commission income	230 774	233 308
Fee and commission expenses	(53 657)	(39 381)
Dividend income	28 911	42 095
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	546 223	(868)
Results on financial assets and liabilities held for trading	3 115	(2 799)
Result on non-trading financial assets mandatorily at fair value through profit or loss	5 901	10 826
Result on hedge accounting	322	(2 670)
Result on exchange differences	(8 613)	(63 081)
Other operating income	104 264	65 706
Other operating expenses	(59 368)	(21 974)
Administrative expenses	(453 931)	(416 855)
Impairment losses on financial assets	(96 389)	(70 057)
Impairment losses on non-financial assets	1 733	(2 622)
Provisions for legal risk connected with FX mortgage loans	(863 650)	(499 180)
Result on modification	(27 832)	(3 777)
Depreciation	(51 470)	(50 069)
Share of the profit of investments in subsidiaries	0	0
Banking tax	0	(81 984)
Profit before income taxes	**538 407**	27 479
Corporate income tax	(276 791)	(124 578)
Profit after taxes	**261 616**	**(97 099)**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Profit after taxes	261 616	(97 099)
Other comprehensive income items that may be (or were) reclassified to profit or loss	342 959	(503 513)
Result on debt securities	285 288	(394 223)
Result on credit portfolio designated for pooling to Mortgage Bank	(58 797)	(37 964)
Hedge accounting	116 468	(71 326)
Other comprehensive income items that will not be reclassified to profit or loss	0	0
Actuarial gains (losses)	0	0
Result on equity instruments	0	0
Total comprehensive income items before taxes	**342 959**	**(503 513)**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(65 162)	95 667
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0
Total comprehensive income items after taxes	**277 797**	**(407 846)**
Total comprehensive income for the period	**539 413**	**(504 945)**

BALANCE SHEET

ASSETS

Amount '000 PLN	31.03.2023	31.12.2022	31.03.2022
Cash, cash balances at central banks	5 452 016	9 536 090	8 285 941
Financial assets held for trading	527 972	363 618	288 928
Derivatives	371 436	339 295	188 449
Equity instruments	123	113	0
Debt securities	156 413	24 210	100 479
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	142 879	201 036	257 121
Equity instruments	66 609	128 979	122 786
Debt securities	76 270	72 057	134 335
Financial assets at fair value through other comprehensive income	18 098 078	16 438 458	17 654 718
Equity instruments	24 392	24 393	28 437
Debt securities	18 073 686	16 414 065	17 626 281
Loans and advances to customers	74 678 369	75 855 606	78 411 041
Mandatorily at fair value through profit or loss	75 078	97 982	296 693
Fair valued through other comprehensive income	10 942 249	11 221 252	12 097 723
Valued at amortised cost	63 661 042	64 536 372	66 016 625
Financial assets at amortised cost other than Loans and advances to customers	11 584 972	5 308 320	1 951 889
Debt securities	10 322 224	3 893 212	789 465
Deposits, loans and advances to banks and other monetary institutions	1 262 748	1 410 245	1 136 486
Reverse sale and repurchase agreements	0	4 863	25 938
Derivatives – Hedge accounting	60 754	135 804	52 245
Investments in subsidiaries, joint ventures and associates	291 236	247 823	259 984
Tangible fixed assets	549 509	557 542	531 498
Intangible fixed assets	432 924	432 820	376 976
Income tax assets	583 686	643 196	609 268
Current income tax assets	0	0	11 987
Deferred income tax assets	583 686	643 196	597 281
Other assets	1 119 930	923 009	653 399
Non-current assets and disposal groups classified as held for sale	0	0	0
Total assets	**113 522 325**	**110 643 322**	**109 333 008**

LIABILITIES AND EQUITY

Amount '000 PLN	31.03.2023	31.12.2022	31.03.2022
LIABILITIES			
Financial liabilities held for trading	433 117	384 928	219 046
Derivatives	430 037	380 144	198 223
Liabilities from short sale of securities	3 080	4 784	20 823
Financial liabilities measured at amortised cost	103 316 374	100 701 796	99 442 016
Liabilities to banks and other monetary institutions	413 483	625 144	369 889
Liabilities to customers	101 082 729	98 264 816	97 523 807
Sale and repurchase agreements	0	0	27
Debt securities issued	256 280	243 753	0
Subordinated debt	1 563 882	1 568 083	1 548 293
Derivatives – Hedge accounting	394 859	554 544	661 003
Provisions	972 917	1 015 266	720 978
Pending legal issues	935 677	975 092	680 056
Commitments and guarantees given	37 240	40 174	40 922
Income tax liabilities	252 329	31 662	0
Current income tax liabilities	252 329	31 662	0
Deferred income tax liabilities	0	0	0
Other liabilities	2 208 823	2 550 633	2 162 728
Total Liabilities	**107 578 419**	**105 238 829**	**103 205 771**
EQUITY			
Share capital	1 213 117	1 213 117	1 213 117
Own shares	(21)	(21)	(21)
Share premium	1 147 241	1 147 241	1 147 241
Accumulated other comprehensive income	(561 056)	(838 853)	(1 053 532)
Retained earnings	4 144 625	3 883 009	4 820 432
Total equity	5 943 906	5 404 493	6 127 237
Total equity and total liabilities	**113 522 325**	**110 643 322**	**109 333 008**

Book value of net assets	5 943 906	5 404 493	6 127 237
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	4.90	4.46	5.05

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
01.01.2023 - 31.03.2023							
Equity at the beginning of the period	5 404 493	1 213 117	(21)	1 147 241	(838 853)	(1 029 899)	4 912 908
Total comprehensive income for the period (net)	539 413	0	0	0	277 797	261 616	0
net profit/ (loss) of the period	261 616	0	0	0	0	261 616	0
valuation of debt securities	231 084	0	0	0	231 084	0	0
valuation of shares	(47 626)	0	0	0	0)	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	94 339	0	0	0	(47 626)	0	0
hedge accounting	0	0	0	0	94 339	0	0
actuarial gains (losses)	0	0	0	0	0	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 029 899	(1 029 899)
Equity at the end of the period	**5 943 906**	**1 213 117**	**(21)**	**1 147 241**	**(561 056)**	**261 616**	**3 883 009**
01.01.2022 - 31.12.2022							
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)	(1 223 066)	0	0	0	(193 167)	(1 029 899)	0
net profit/ (loss) of the period	(1 029 899)	0	0	0	0	(1 029 899)	0
valuation of debt securities	(165 482)	0	0	0	(165 482)	0	0
valuation of shares	(3 354)	0	0	0	(3 354)	0	0
valuation of loans portfolio dedicated for pooling to Mortgage Bank	(9 117)	0	0	0	(9 117)	0	0
hedge accounting	(21 991)	0	0	0	(21 991)	0	0
actuarial gains (losses)	6 777	0	0	0	6 777	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	**5 404 493**	**1 213 117**	**(21)**	**1 147 241**	**(838 853)**	**(1 029 899)**	**4 912 908**
01.01.2022 - 31.03.2022							
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)	(504 945)	0	0	0	(407 846)	(97 099)	0
net profit/ (loss) of the period	(97 099)	0	0	0	0	(97 099)	0
valuation of debt securities	(319 322)	0	0	0	(319 322)	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(30 750)	0	0	0	(30 750)	0	0
hedge accounting	(57 774)	0	0	0	(57 774)	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 357 452	(1 357 452)
Equity at the end of the period	**6 127 237**	**1 213 117**	**(21)**	**1 147 241**	**(1 053 532)**	**(97 099)**	**4 917 531**

CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Profit (loss) after taxes	261 616	(97 099)
Total adjustments:	3 054 688	6 341 102
Interest received	1 762 411	969 921
Interest paid	(726 220)	(79 725)
Depreciation and amortization	51 470	50 069
Foreign exchange (gains)/ losses	0	0
Dividends	(28 911)	(42 095)
Changes in provisions	(42 349)	126 573
Result on sale and liquidation of investing activity assets	(546 740)	1 384
Change in financial assets held for trading	61 132	(227 565)
Change in loans and advances to banks	51 628	(7 940)
Change in loans and advances to customers	(471 668)	(1 094 876)
Change in receivables from securities bought with sell-back clause (loans and advances)	(2 586)	239 708
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(111 496)	122 067
Change in deposits from banks	(199 514)	193 696
Change in deposits from customers	3 517 155	5 919 051
Change in liabilities from securities sold with buy-back clause	19 936	(10 815)
Change in debt securities	12 527	0
Change in income tax settlements	278 166	112 592
Income tax paid	(63 151)	(29 784)
Change in other assets and liabilities	(543 067)	81 027
Other	35 965	17 815
Net cash flows from operating activities	**3 316 304**	**6 244 003**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Inflows:	531 671	46 449
Proceeds from sale of property, plant and equipment and intangible assets	2 760	4 354
Proceeds from sale of shares in related entities	500 000	0
Proceeds from sale of investment financial assets	0	0
Other	28 911	42 095
Outflows:	(2 763 571)	(414 810)
Acquisition of property, plant and equipment and intangible assets	(41 448)	(10 541)
Purchase of of shares in related entities	(200)	(51 095)
Acquisition of investment financial assets	(2 721 923)	(353 174)
Other	0	0
Net cash flows from investing activities	**(2 231 900)**	**(368 361)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Inflows from financing activities:	0	0
Long-term bank loans	0	0
Issue of debt securities	0	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(45 273)	(15 734)
Repayment of long-term bank loans	(5 000)	(5 000)
Redemption of debt securities	0	0
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other outflows from financing activities	(40 273)	(10 734)
Net cash flows from financing activities	**(45 273)**	**(15 734)**

D. Net cash flows. Total (A + B + C)	**1 039 131**	**5 859 907**
including change resulting from FX differences	(2 664)	2 375
E. Cash and cash equivalents at the beginning of the reporting period	**14 231 089**	**3 372 244**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**15 270 220**	**9 232 151**

3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

As at 31 March 2023, 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

	1.01.2023 - 31.03.2023	1.01.2022 - 31.03.2022
Impairment losses on loans and advances to customers	(99 307)	(74 142)
Impairment charges on loans and advances to customers	(465 991)	(415 188)
Reversal of impairment charges on loans and advances to customers	356 584	333 140
Amounts recovered from loans written off	10 158	10 815
Sale of receivables	0	0
Other directly recognised in profit and loss	(58)	(2 909)
Impairment losses on securities	0	0
Impairment charges on securities	0	0
Reversal of impairment charges on securities	0	0
Impairment losses on off-balance sheet liabilities	2 918	4 085
Impairment charges on off-balance sheet liabilities	(16 955)	(18 763)
Reversal of impairment charges on off-balance sheet liabilities	19 873	22 848
Total	**(96 389)**	**(70 057)**

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

	1.01.2023 - 31.03.2023	1.01.2022 - 31.12.2022	1.01.2022 - 31.03.2022
Balance at the beginning of the period	2 242 135	2 210 000	2 210 000
Change in value of provisions:	29 550	32 135	35 578
Impairment allowances created in the period	439 968	1 343 349	398 829
Amounts written off	(83 153)	(226 188)	(66 441)
Impairment allowances released in the period	(343 565)	(933 664)	(318 396)
Sale of receivables	0	(241 148)	0
KOIM created in the period(*)	18 314	71 224	16 963
Changes resulting from FX rates differences	(3 507)	19 286	4 190
Other	1 493	(724)	433
Balance at the end of the period	**2 271 685**	**2 242 135**	**2 245 578**

** 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 01.01.2023	5 002	6 700	797	0	25 845
- Write-offs created	0	0	0	0	7 203
- Write-offs released	(1)	0	0	0	(7 649)
- Utilisation	0	0	0	0	(327)
- Other	0	0	0	0	0
As at 31.03.2023	5 001	6 700	797	0	25 072
As at 01.01.2022	4 997	6 700	8 856	0	27 842
- Write-offs created	5	0	0	0	14 493
- Write-offs released	0	0	(8 059)	0	(10 978)
- Utilisation	0	0	0	0	(5 512)
- Other	0	0	0	0	0
As at 31.12.2022	5 002	6 700	797	0	25 845
As at 01.01.2022	4 997	6 700	8 856	0	27 842
- Write-offs created	0	0	0	0	5 424
- Write-offs released	0	0	0	0	(2 801)
- Utilisation	0	0	0	0	(4 438)
- Other	0	0	0	0	0
As at 31.03.2022	4 996	6 700	8 856	0	26 027

Change of Provision for commitments and guarantees given

	1.01.2023 - 31.03.2023	1.01.2022 - 31.12.2022	1.01.2022 - 31.03.2022
Balance at the beginning of the period	40 174	44 955	44 955
Charge of provision	16 955	42 130	18 763
Release of provision	(19 873)	(46 984)	(22 848)
FX rates differences	(16)	73	52
Balance at the end of the period	**37 240**	**40 174**	**40 922**

Change of Provision for pending legal issues

	1.01.2023 - 31.03.2023	1.01.2022 - 31.12.2022	1.01.2022 - 31.03.2022
Balance at the beginning of the period	975 092	549 450	549 450
Charge of provision	4 377	27 325	3 232
Release of provision	(2 215)	(8 116)	(1 815)
Utilisation of provision	0	(175)	(175)
Creation of provision for legal risk connected with FX mortgage loans	863 650	2 017 320	499 180
Allocation to the loans portfolio	(905 227)	(1 610 712)	(369 816)
Reclassification	935 677	975 092	680 056
Balance at the end of the period	975 092	549 450	549 450

Provisions for legal risk connected with fx mortgage loans

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

01.01.2022 - 31.03.2022	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	(25 160)	(25 160)	0
Costs of provisions for legal risk connected wlth FX mortgage loans	499 180	0	499 180
Allocation to the loans portfolio	0	369 816	(369 816)
Increase of provisions due to FX rates differences	65 471	65 471	0
Balance at the end of the period	3 872 105	3 326 906	545 199

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Costs of settlements recognized in the profit and loss account, including:	(72 199)	(123 641)
- included in the “Result on exchange differences”	(53 433)	(123 641)
- included in the “Result on modification”	(18 766)	0
Costs of settlements charged to previously created provisions	7 622	0

Deferred income tax assets and liability

	31.03.2023		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	128	(2 041)	(1 913)
Balance sheet valuation of financial instruments	2 935	(30 095)	(27 160)
Unrealised receivables/ liabilities on account of derivatives	55 597	(46 342)	9 255
Interest on deposits and securities to be paid/ received	85 870	(245 797)	(159 927)
Interest and discount on loans and receivables	0	(109 660)	(109 660)
Income and cost settled at effective interest rate	196 198	0	196 198
Impairment of loans presented as temporary differences	480 137	0	480 137
Employee benefits	18 478	0	18 478
Rights to use	4 450	0	4 450
Provisions for future costs	81 316	0	81 316
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	175 273	(43 667)	131 606
Valuation of shares	1 273	(39 762)	(38 489)
Other	636	(1 241)	(605)
Total	1 102 291	(518 605)	583 686

	31.12.2022			31.03.2022		
	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	128	(2 208)	(2 080)	1 659	(3 044)	(1 385)
Balance sheet valuation of financial instruments	20 322	(47 466)	(27 144)	(21 481)	(3 546)	(25 028)
Unrealised receivables/ liabilities on account of derivatives	73 405	(59 804)	13 601	20 444	(17 608)	2 836
Interest on deposits and securities to be paid/ received	72 317	(290 124)	(217 807)	14 709	(167 300)	(152 590)
Interest and discount on loans and receivables	0	(108 723)	(108 723)	0	(85 515)	(85 515)
Income and cost settled at effective interest rate	236 022	0	236 022	141 957	0	141 957
Impairment of loans presented as temporary differences	465 901	0	465 901	408 103	0	408 103
Employee benefits	19 604	0	19 604	18 181	0	18 181
Rights to use	4 719	0	4 719	5 975	0	5 975
Provisions for future costs	79 551	0	79 551	73 748	0	73 748
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	251 607	(54 839)	196 768	296 086	(48 961)	247 125
Valuation of shares	1 273	(19 420)	(18 147)	1 273	(36 959)	(35 686)
Other	931	0	931	1 924	(2 363)	(439)
Total	1 225 780	(582 584)	643 196	962 578	(365 297)	597 281

4. TRANSACTIONS WITH RELATED ENTITIES

All transactions among members of the Group made in 1st quarter of 2023 and 2022 were driven by current activity. The below table presents major amounts of intergroup transactions, these were transactions with the following entities:

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

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

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

Assets and liabilities from transactions with related parties (data in '000 pln) as at 31.03.2023

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks - accounts and deposits	677 145	2 244	0
Loans and advances to customers	6 977 597	0	0
Investments in associates	247 714	0	0
Financial assets valued at fair value through profit and loss (held for trading)	14	0	0
Hedging derivatives	0	0	0
Other assets	26 588	0	0
LIABILITIES			
Deposits from banks	1 696	817	0
Deposits from customers	206 888	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)	991	0	0
Subordinated debt	0	0	0
Other liabilities, including:	45 894	0	70
financial leasing liabilities	40 856	0	0

Assets and liabilities from transactions with related parties (data in '000 pln) as at 31.12.2022

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	677 151	2 575	0
Loans and advances to customers	7 056 501	0	0
Investments in associates	247 823	0	0
Financial assets valued at fair value through profit and loss (held for trading)	99	32	0
Hedging derivatives	0	0	0
Other assets	29 259	0	0
LIABILITIES			
Deposits from banks	974	434	0
Deposits from customers	226 300	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)	1 332	0	0
Subordinated debt	0	0	0
Other liabilities, including:	48 264	0	68
financial leasing liabilities	41 467	0	0

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

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

Profit and loss on transactions with related parties (data in '000 pln) for the period 1.01-31.03.2022

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	42 339	(52)	0
Commissions	6 211	50	0
Financial instruments valued at fair value through profit and loss	0	0	0
Dividends	41 796	0	0
Other net operating	7 110	0	0
Expense from:			
Interest	1 847	40	0
Commissions	1	0	0
Financial instruments valued at fair value through profit and loss	696	84	0
Other net operating	0	0	0
General and administrative expenses	2 989	0	6

Off-balance transactions with related parties (data in '000 pln) as at 31.03.2023

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	1 018 659	14 530	0
granted	1 015 346	0	0
obtained	3 313	14 530	0
Derivatives (par value)	87 420	0	0

Off-balance transactions with related parties (data in '000 pln) as at na 31.12.2022

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	1 203 256	141 185	0
granted	1 199 836	120 593	0
obtained	3 420	20 593	0
Derivatives (par value)	139 897	13 705	0

5. FAIR VALUE

The methodology used by the Bank for valuation of assets and liabilities at fair value is described in detail in Chapter 8. Condensed interim consolidated financial statements of Bank Millennium S.A. for the 3 months ended 31 March 2023.

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

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

31.03.2023	Balance sheet value	Fair value
Assets measured at Amortised Cost		
Debt securities	10 322 224	10 320 069
Deposits, loans and advances to banks and other monetary institutions	1 262 748	1 262 754
Loans and advances to customers (*)	63 661 042	61 791 321
Liabilities measured at Amortised Cost		
Liabilities to banks and other monetary institutions	413 483	413 472
Liabilities to customers	101 082 729	101 114 195
Debt securities issued	256 280	256 234
Subordinated debt	1 563 882	1 565 180

** 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.*

31.12.2022	Balance sheet value	Fair value
Assets measured at Amortised Cost		
Debt securities	3 893 212	3 811 648
Deposits, loans and advances to banks and other monetary institutions	1 410 245	1 410 166
Loans and advances to customers (*)	64 536 372	62 166 022
Liabilities measured at Amortised Cost		
Liabilities to banks and other monetary institutions	625 144	625 163
Liabilities to customers	98 264 816	98 289 469
Debt securities issued	243 753	244 519
Subordinated debt	1 568 083	1 568 949

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

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

Data in PLN'000, as at 31.03.2023

	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		65 553	305 882
Shares	123		
Debt securities	156 413		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments			66 609
Debt securities			76 270
Loans and advances			75 078
Financial assets at fair value through other comprehensive income			
Equity instruments	247		24 144
Debt securities	12 080 429	5 993 257	
Loans and advances			10 942 249
Derivatives – Hedge accounting		60 754	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		119 573	310 464
Short positions	3 080		
Derivatives – Hedge accounting		394 859	

Data in PLN'000, as at 31.12.2022

	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		87 859	251 436
Shares	113		
Debt securities	24 210		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments		62 370	66 609
Debt securities			72 057
Loans and advances			97 982
Financial assets at fair value through other comprehensive income			
Equity instruments	247		24 146
Debt securities	13 914 533	2 499 532	
Loans and advances			11 221 252
Derivatives – Hedge accounting		135 804	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		125 722	254 422
Short positions	4 784		
Derivatives – Hedge accounting		554 544	

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 01.01.2023	**247 414**	**(250 400)**	**90 755**	**72 057**	**97 982**	**11 221 252**
Settlement/sell/purchase/transfer to the portfolio	46 457	(47 598)	0	0	(23 953)	(459 342)
Change of valuation recognized in equity	0	0	0	0	0	(58 797)
Interest income and other of similar nature	0	0	0	0	3 720	239 136
Results on financial assets and liabilities held for trading	6 182	(6 637)	0	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	4 213	(2 671)	0
Result on exchange differences	0	0	(2)	0	0	0
Balance as at 31.03.2023	**300 053**	**(304 635)**	**90 753**	**76 270**	**75 078**	**10 942 249**

	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	214 404	(216 420)	85	(60 296)	(306 117)	(1 021 563)
Change of valuation recognized in equity	0	0	(4 380)	0	0	(11 255)
Interest income and other of similar nature	0	0	0	0	28 604	768 719
Results on financial assets and liabilities held for trading	4 613	(5 109)	0	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	4 854	12 503	0
Result on exchange differences	0	0	8	0	0	0
Balance as at 31.12.2022	**247 414**	**(250 400)**	**90 755**	**72 057**	**97 982**	**11 221 252**

6. LEGAL RISK RELATED TO FOREIGN CURRENCY MORTGAGE LOANS

6.1. COURT CLAIMS AND CURRENT PROVISIONS ON LEGAL RISK

On March 31, 2023, the Bank had 17,353 loan agreements and additionally 1,404 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by the bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts (74% loans agreements before the courts of first instance and 26% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 3,124.2 million and CHF 221.3 million (Bank Millennium portfolio: PLN 2,870.5 million and CHF 216 million and former Euro Bank portfolio: PLN 253.7 million and CHF 5.3 million).

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

In addition, the Bank is a party to the group proceedings (class action) subject matter of which is to determine the Bank's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3 273. On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. Both parties requested a written justification of the judgment. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022. The appeal has not been served yet to the Bank's counsel.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,985 individual claims were filed against the Bank (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,156 (422), in 2022 the number increased by 5,754 (408), while in the first quarter of 2023 the number increased by 1,706 (156).

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 Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of the first quarter of 2023, 1,586 cases were finally resolved (1,518 in claims submitted by clients against the Bank and 68 in claims submitted by the Bank against clients i.e. debt collection cases) out of which 431 were settlements, 39 were remissions, 55 rulings were favorable for the Bank and 1,061 were unfavorable including 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 (incl. former Euro Bank portfolio) on 31.03.2023 was PLN 5,726 million (of which the outstanding amount of the loan agreements under the class action proceeding was 864 million PLN).

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 5,742 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

During IQ 2023 the Bank created PLN 821 million provisions for Bank Millennium originated portfolio and PLN 43 million for former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of March 2023 was at the level of PLN 5,630 million, and PLN 445 million for former Euro Bank originated portfolio.

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

(1) the number of current cases (including class actions) and potential future lawsuits, that arise within a specified (three-year) time horizon,
(2) the amount of the Bank's potential loss in the event of a specific court judgment,
(3) the probability of obtaining a specific court judgment calculated on the basis of statistics of judgments in cases where Bank is a party and legal opinions obtained.
(4) in the case of the scenario of cancellation of the loan agreement, the element taken into account, with a view to legal assessments, is the calculation of the Bank's loss, taking into account the assignment of a minimum probability of obtaining remuneration for the use of capital with the impact of this element in the methodology amounted to PLN 97 million,
(5) estimates involved with amicable settlements with clients, concluded in court or out of court
    a. negotiations are conducted on a case-by-case basis and can be stopped at any time by the Bank
    b. as the negotiations efforts have already been material in the past, 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. The most relevant parameter is the number of lawsuits. Each additional 1 000 lawsuits filed by clients against the Bank versus the number assumed in the methodology would generate an additional provision / loss of PLN 162 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 originated by Bank Millennium decreased by 8,450 in 2021, 7,943 in 2022 and 806 in the first quarter of 2023. As of the end of the first quarter of 2023, the Bank had 36,782 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN 364.6 million in 2021, PLN 515.2 million in 2022 and PLN 79.7 million in the first quarter of 2023 is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement (the values of costs charged to particular items of the Income Statement due to settlements are presented in Note 10 in Chapter 4 of the Notes to the Financial Statements).

Finally it should also be mentioned, that the Bank, as at 31.03.2023, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 1.95 p.p. (1.94 p.p. at the Group level), part of which is allocated to operational/legal risk.

CJEU and Supreme Court rulings relevant to risk assessment

Jurisprudence of Court of Justice of the European Union

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

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

On 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 "duly informed and reasonably observant and circumspect average consumer".

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

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

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

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

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

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

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

ii) a national court is not allowed, first, to examine of its own motion, without any prerogative conferred on it by national law in that regard, the financial situation of a consumer who has sought the invalidation of the contract between him or her and a seller or supplier on account of the presence of an unfair term without which the contract cannot legally continue to exist, even if that invalidation is liable to expose the consumer to particularly unfavourable consequences and, second, to refuse to declare that invalidation where the consumer has expressly sought it, after being objectively and exhaustively informed of the legal consequences and the particularly unfavourable financial consequences which it may have for him or her.

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

Jurisprudence of the Supreme Court

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

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.

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

The effect of the Supreme Court's resolution of 7 May 2021 is that the bank is entitled to a refund of the cash benefit provided by the bank in performance of a permanently ineffective contract. Taking into account the uncertainty as to the starting point of the limitation period for the bank's claims, the Bank, in order to protect its interests, files lawsuits for payment against borrowers in a court dispute with the bank. The bank's demand consists of: a claim for return of the capital made available to the borrower under the contract and a claim for reimbursement of the equivalent of the benefit obtained by the borrower in connection with the use of the capital made available (equivalent to the financial service). By 31 March 2023 the bank filed 3,769 lawsuits against the borrowers. Due to the ongoing proceedings on questions referred for a preliminary ruling (C-520/21, C-756/22) concerning the scope of claims of the parties to an invalid contract, no final decision has yet been issued in the Bank's cases containing a substantive assessment of the Bank's claims for reimbursement of benefits related to the use of capital.

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.

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.

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 2021 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.

On 12 August 2021, in the case for payment brought by a consumer against Bank Millennium S.A., 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.

On February 16, 2023. The Advocate General issued an opinion in the case, in which he suggested that the CJEU answer the questions as follows:

1) Provisions of Directive 93/13 must be interpreted as not precluding a judicial interpretation of national law under which, where a loan agreement concluded between a consumer and a bank is found to be void from the outset on the ground that it contains unfair terms, the consumer, in addition to reimbursement of the sums paid under that agreement and to payment of default interest at the statutory rate from the date of the request for reimbursement, may pursue additional claims against the bank as a consequence of that finding.

It is a matter for the national court to determine, by reference to national law, whether consumers have the right to assert such claims and, if so, to rule on their merits.

2) Provisions of Directive 93/13 must be interpreted as precluding a judicial interpretation of national law under which, where a loan agreement concluded between a consumer and a bank is found to be void from the outset on the ground that it contains unfair terms, the bank, in addition to reimbursement of the sums paid under that agreement and to payment of default interest at the statutory rate from the date of the request for reimbursement, may pursue additional claims against the consumer as a consequence of that finding.

The Advocate General's opinion is not binding on the CJEU judges ruling in case C-520/21.

On 9 December 2022, in the case brought by the Bank against the borrower for payment – return of the capital made available to the borrower on the basis of an invalid capital contract and the equivalent value of the benefit related to the borrower's use of capital, the court referred a question to the CJEU for a preliminary ruling whether, if it is found that the loan contract concluded by the bank and the consumer is invalid from the beginning due to the conclusion of unfair contractual terms, in addition to the return of money paid in the performance of this contract (loan principal) and statutory late payment interest from the moment of the request for payment, the bank may also demand any other benefits, including receivables, in particular remuneration, compensation, reimbursement of costs or valorisation of the benefit. The case was registered under the reference number C-756/22. Referring the question, the court asked the CJEU to join the case with the above-mentioned ongoing proceedings under ref. C-520/21. The Court has decided not to join the cases and decided to suspend the proceedings until the case C-520/21 is resolved.

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 (III CZP 89/22).

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 was subject of consultations between banks under the auspices of the PFSA and Polish Banking Association. Banks in general have assessed the conditions under which such solution could be implemented and consequent impacts.

As expressed in our previous financial reports, when that assessment was done, in the view of the Management Board of the Bank, important aspects to take into consideration when deciding on potential implementation of such program were: 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.

Any decision regarding implementation of such program would require the Management Board to submit it to the Supervisory Board and General Shareholders meeting taking into consideration the relevance of such decision and its implications.

Despite the fact that not all of those aspects have been possible to clarify, the Bank in practice has been using elements of such solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the complexity and uncertainty regarding the outcome of court cases, including counter-claims, as well as from potential implementation of KNF Chairman solution or other negotiation solutions or from potential Supreme Court decisions or European Court of Justice decisions, it is difficult to reliably estimate final impacts from different potential outcomes 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 3 months ended March 31, 2023, the Bank's liabilities due to the issue of debt securities increased by PLN 12.5 million and their balance as at that date amounted to PLN 256.2 million. The change resulted solely from the accrual of interest on the issued bonds for the given period.

7.2. OFF BALANCE SHEET ITEMS

Structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	31.03.2023	31.12.2022	31.03.2022
Off-balance conditional commitments granted and received	**16 014 229**	**16 365 564**	**18 183 952**
Commitments granted:	13 500 673	14 030 294	15 845 702
- financial	11 531 642	11 610 683	13 182 979
- guarantee	1 969 031	2 419 611	2 662 723
Commitments received:	2 513 556	2 335 270	2 338 250
- financial	2 185	6 884	315 515
- guarantee	2 511 371	2 328 386	2 022 735

7.3. Reform of benchmarks

1. WIBOR

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

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

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

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

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

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

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

The Bank uses the WIBOR reference rate in the following products (in million PLN):

- mortgage loans: 27 846.68 only mortgage loans based on WIBOR (excluding loans currently with temporary fixed rate);
- loan products, factoring and corporate discounting products: 17 064.61;
- debt instruments (4 708.25);
  - Assets: 2 935.75
  - Liabilities: 1 772.50
- derivative instruments: 20 427.37.

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

Bank Millennium S.A. is working on the analysis of the risks and monitors them on a regular basis, however, due to the early stage of the reform, more detailed information on the transition process will be provided as the work on the WIBOR reform progresses. In addition, due to the lack of formal information regarding the potential regulatory event referred to in Article 23c(1) of the BMR, the lack of a regulation of the Minister of Finance referred to in Article 61c of the Act of 5 August 2015. on macro-prudential supervision of the financial system and crisis management in the financial system concerning a substitute or at least a draft of such a regulation, the lack of information on the amount of the adjustment spread or the method of calculating this spread as well as the lack of a market for hedging instruments and given the current stage of the work of the National Working Group and the implementation of the Roadmap, it is currently not possible to estimate the financial impact of the WIBOR reform.

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

2. LIBOR USD

The Bank applies the USD LIBOR benchmark to the following products (in million PLN):

- Retail banking/mortgage portfolio: 5.84;
- Corporate banking: 55.70.

In the case of the products offered by the Bank within Corporate banking, each contract with a term longer than 30 June 2023 has a so-called contingency clause indicating an alternative RFR (risk free rate).

In the case of the products offered by Bank within Retail Banking, the mortgage loan agreements with interest rates based on the 3M or 6M LIBOR USD index, the term of which is longer than 30 June 2023, were concluded prior to the entry into force of the BMR. For the time being, the Bank, in accordance with the applicable Plan in the event of a material change or cessation of the development of benchmarks, is conducting analyses on the impact and effects of the absence of the fallback clauses indicating an alternative benchmark to USD LIBOR on the concluded contracts. Considering the marginal, number of such contracts in the Bank's portfolio, the possibility of applying an individual approach to each of these contracts is also being analyzed.

It should be noted that the Bank has a Plan in the event of a material change or discontinuation of the development of benchmarks covering retail banking products including financial contracts within the meaning of the BMR , corporate banking products and financial instruments within the meaning of the BMR specifying the actions it will take in the event of a material change or discontinuation of the applicable benchmark.

Date	Name and surname	Position/Function	Signature
27.04.2023	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
27.04.2023	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
27.04.2023	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
27.04.2023	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
27.04.2023	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
27.04.2023	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
27.04.2023	Jarosław Hermann	Member of the Management Board	Signed by a qualified electronic signature