Consolidated report of the Bank Millennium S.A. Capital Group for 3rd quarter of 2023

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

Consolidated Financial Highlights

	Amount '000 PLN		Amount '000 EUR	
	1.01.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.01.2023 - 30.09.2023	1.01.2022 - 30.09.2022
Interest income and other of similar nature	6 316 105	2 958 663	1 379 876	631 114
Fee and commission income	780 381	768 262	170 489	163 878
Profit (loss) before income tax	1 056 181	(1 144 207)	230 743	(244 071)
Profit (loss) after taxes	460 618	(1 263 503)	100 631	(269 519)
Total comprehensive income of the period	1 151 968	(1 826 844)	251 670	(389 685)
Net cash flows from operating activities	13 132 413	6 252 546	2 869 030	1 333 734
Net cash flows from investing activities	(8 049 143)	1 200 191	(1 758 491)	256 013
Net cash flows from financing activities	(223 471)	(181 370)	(48 822)	(38 688)
Net cash flows, total	4 859 799	7 271 367	1 061 717	1 551 059
Earnings (losses) per ordinary share (in PLN/EUR)	0.38	(1.04)	0.08	(0.22)
Diluted earnings (losses) per ordinary share	0.38	(1.04)	0.08	(0.22)
	30.09.2023	31.12.2022	30.09.2023	31.12.2022
Total Assets	123 909 376	110 941 969	26 729 954	23 655 508
Liabilities to banks and other monetary institutions	428 097	727 571	92 350	155 136
Liabilities to customers	106 176 227	98 038 516	22 904 527	20 904 180
Equity	6 646 374	5 494 406	1 433 768	1 171 540
Share capital	1 213 117	1 213 117	261 696	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)	5.48	4.53	1.18	0.97
Diluted book value per share (in PLN/EUR)	5.48	4.53	1.18	0.97
Total Capital Ratio (TCR)	16.64%	14.42%	16.64%	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	-	-	4.6356	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)	-	-	4.5773	4.6880

INFORMATION ABOUT ACTIVITY OF BANK MILLENNIUM AND CAPITAL GROUP OF BANK MILLENNIUM S.A. IN 3Q23 AND 9M23

FINANCIAL RESULTS – KEY POINTS

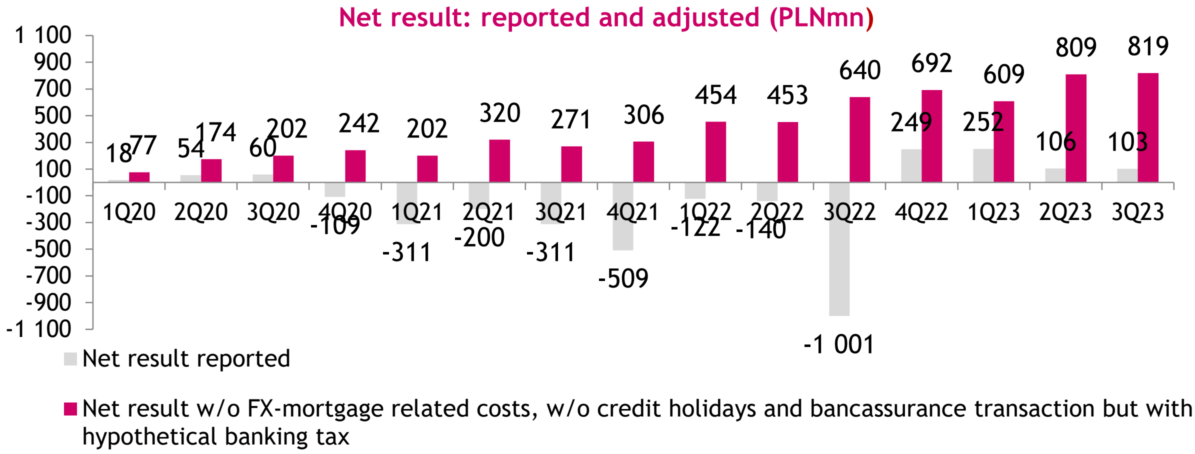
Summary

Bank Millennium S.A. Capital Group's ('BM Group', 'Group') reported net profit of PLN103 million in 3Q23 and PLN461 million in 9M23. September was the 12th consecutive month with a positive net result. These results compare against negative PLN1,001 million/PLN1,264 million net result reported in 3Q22/9M22 respectively.

The three digit net result of the period was achieved despite still steep costs related to FX-mortgage portfolio ('FX-mortgage costs') which totalled PLN813 million after tax (PLN2,560 million in 9M23, +47% y/y). 3Q23 net profit adjusted for these costs but with a hypothetical asset tax ('bank tax') (PLN97 million) would be record PLN819 million (9M23: PLN2,237 million, up 45% y/y).

Capital ratios improved considerably in the period with Group's T1 capital ratio increasing to 13.5% from 11.7% at the end of June'23 (Bank solo: 14.1% from 11.7% respectively). Additionally, the Bank issued EUR500 million of MREL eligible four-year bonds, closing the regulatory gap.

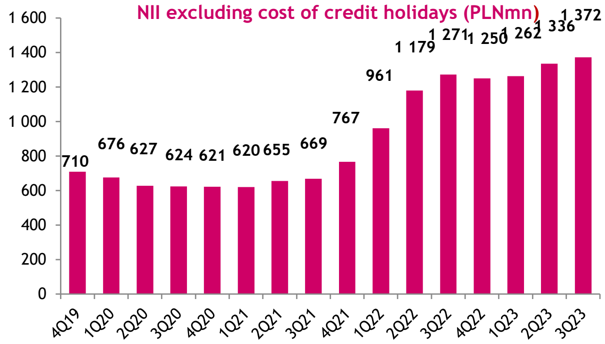
3Q23 also saw cumulative number of amicable settlements with FX-mortgage borrowers crossing the 20k mark. This is equivalent of 1/3 of the number of loan agreements active at moment of the full roll-out of amicable settlements programme. Additionally, the number of in-court settlements continued to increase at a steady pace. In 3Q23 alone, 156 such settlements were achieved (18% of total) while in 9M23 overall 342 (13%).

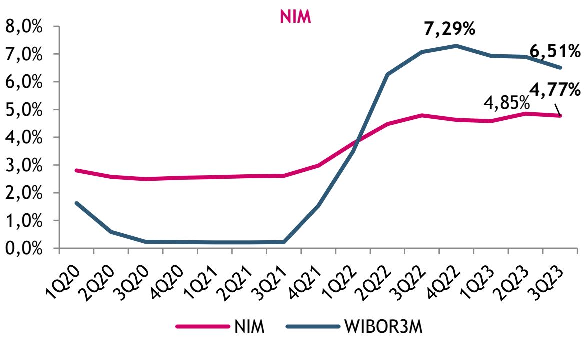


Key developments in the period

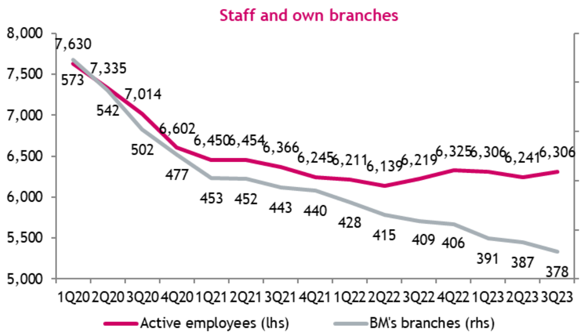
The key developments in 3Q23 were as follows:

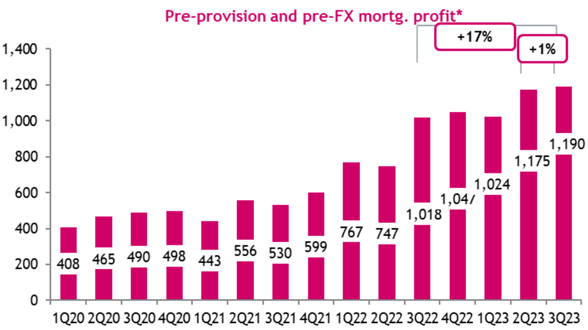
- **NII adjusted for cost of credit holidays increased 3% q/q (9M23: +16% y/y)** on a combination of higher number of calendar days in the period and 10%+ higher IEAs which more than offset the negative impact of gradually declining market interest rates; the size and profitability of the securities portfolio continued to increase while loan mix continued to change in favour of NII; the y/y growth continued to decelerate on high base effect and stood at 8% in the quarter;
- **quarterly NIM eased to 477bp from the all-time high of 2Q23 (485bp)** but this was largely a denominator effect (high growth of IEAs) as income yield improved in the period while deposit cost marginally contracted;





- **cost efficiency remained high** (9M23 opex without BFG/IPS costs up 14% y/y vs. reported 9M23 income growing 32% y/y) 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 66 or 1% in 3Q23 and flat since YE22), optimisation of the physical distribution network continued (own branches down by 31 units or 8% in the last twelve months) complemented the increasing share of digital services (digital customers: 2.7mn, up 7% y/y, number of active mobile customers: 2.4mn, up 11% y/y);

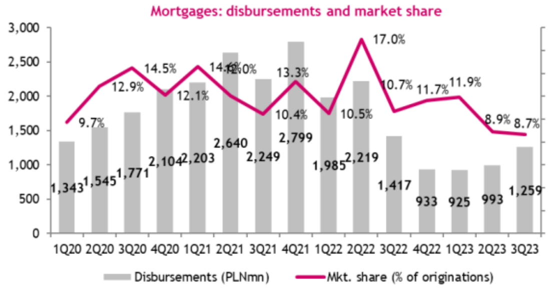


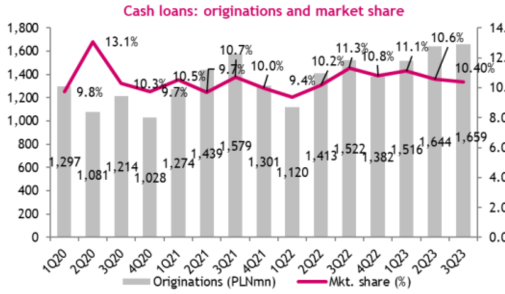


(*) Reported adjusted for cost of credit holidays, provisions against credit risk, Covid-19, result on FV portfolio, impairment losses on non-financial assets, modifications, legal risk on FX-mortgages and results on bancassurance transaction in 1Q23.

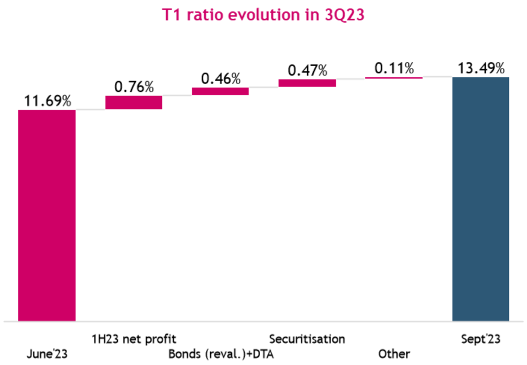
- **loan portfolio was flat in the quarter** (net/gross loans: -6% y/y each) with trends in FX-mortgage portfolio (down 15% q/q on a reported basis and down >50% y/y) remaining the key decisive factor; loan book w/o FX-mortgages was almost flat on all counts (+1% q/q, -1% y/y); FX-mortgages (reported basis) continued to shrink fast on a combination of FX movements, repayments, provisioning (in line with IFRS9 most of legal risk provisions are booked against gross value of loans under court proceedings), write-downs and amicable settlements; as a result, the share of all FX-mortgages in total gross loans decreased to 5.2% (BM originated only: 4.6%) from 10.2% (9.4%) in the same period last year;

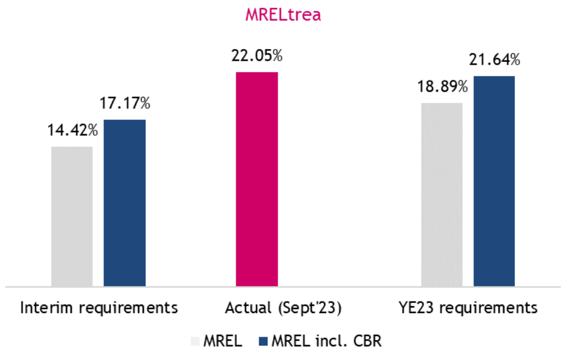
- **non-mortgage retail portfolio was up 2% q/q and up 5% y/y** owing chiefly to improved origination of cash loans (PLN1.7bn or +9% y/y in 3Q23 alone and PLN4.8bn, up 19% y/y, in 9M23); BM's market share in origination in 3Q23 stood at 10.4%, while in 9M23 at 10.7%, slightly above the 10.3% in 9M22; origination (disbursements) of PLN mortgages improved significantly and growing 27% q/q to PLN1.3bn, it exceed the PLN1bn threshold first time since 3Q22; 9M23 origination totalled PLN3.2bn and remained significantly (43%) below the level in the same period last year; BM's market share in originations stood at 8.7% in 3Q23 and 9.5% in 9M23 vs. 10.7% in 3Q22 and 12.9% in 9M22 respectively;





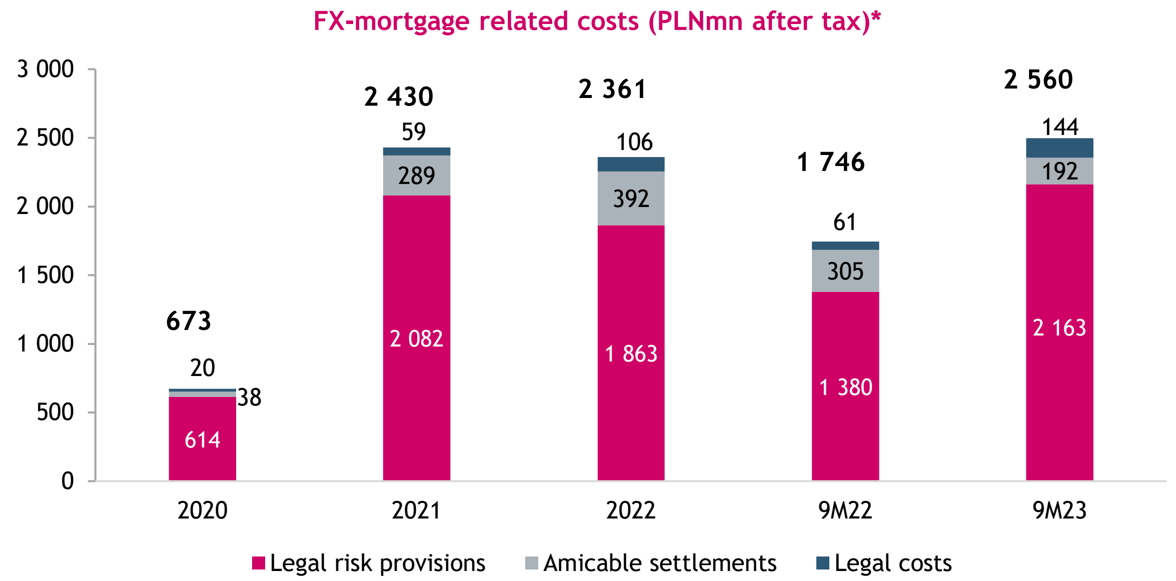
- **loan book quality was broadly stable in 3Q23** with NPL ratio ticking up to 4.7% from 4.5% at the end of June'23; consumer loans segment (higher volume of Stage 3 loans, flat portfolio) was the main source of the change; retail segment overall saw NPL ratio ticking up to 4.9% from 4.8% at the end of June'23 while, similarly, corporate segment saw NPL ratio ticking up to 3.7% from 3.6% (chiefly an outcome of decreasing denominator, i.e. loan portfolio, as volume of Stage 3 loans was flat q/q); NPL coverage hardly changed (72% from 73% at the end of June'23 and 70% at YE22); cost of risk remained low (31bps in 3Q23, 9M23: 40bp vs. 9M22: 44bps) owing to the continued low cost of risk in the corporate segment;
- **customer deposits were up 6% in the quarter and up 9% y/y** with retail deposits up 4% q/q and corporate ones up 11%; direction in deposit mix change reversed again and share of term deposits increased to 37% from 35% at the end of June'23 (33% at YE22 and 18% at YE21); the liquidity of the Bank remained very comfortable with L/D ratio easing further to below 70%;
- **AuM of Millennium TFI and third-party funds combined continued to increase** (up 3% q/q in 3Q23); at over PLN7.4bn they were strongly up in y/y terms (+16%);
- **capital ratios improved visibly** (Group TCR: 16.6%/T1:13.5% vs. 14.8%/11.7% respectively at the end of June'23) and therefore the surplus over the required minimum levels widened further to 4.0ppt and 3.3ppt respectively; the improvement was mainly an outcome of an inclusion of 1H23 net profit into regulatory capital (76bp impact on T1 ratio), securitisation of leasing portfolio (47bp) and lower unrealised losses on debt securities portfolio and DTA (46bp);
- in September 2023, the Bank issued EUR500mn worth of MREL eligible bonds (4NC3) which combined with the abovementioned improvement of capital ratios **more than closed the gap to interim MREL + CBR requirement**; as a result in October'23, **BFG repealed an administration procedure** with regards to the Bank which, among others, prohibited distribution by the Bank of profits in excess of the maximum distributable amount related to the minimum requirement for own funds and eligible liabilities (M-MDA); **the Bank expects to meet the YE23 MREL targets**.





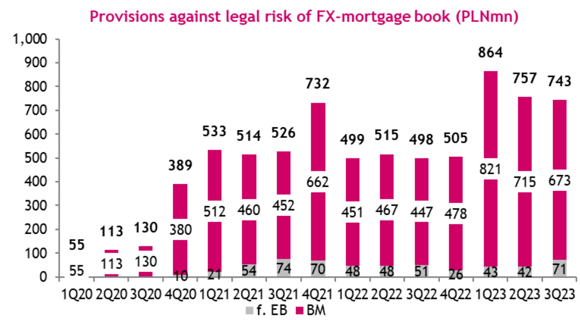
FX-mortgage portfolio and related costs

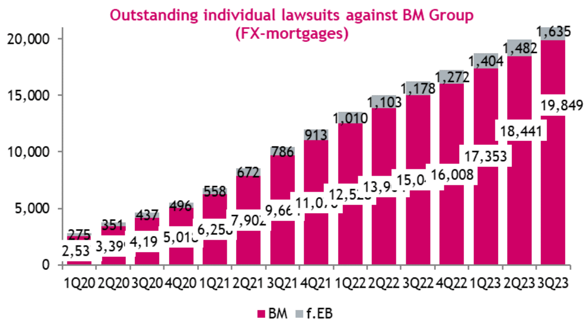
Costs related to FX-mortgage portfolio (legal risk provisions, costs of amicable settlements and legal costs) remained elevated and continued to be a material drag on the increasingly profitable core business of the Group. Totalling PLN850 million pre-tax (PLN813 million after tax) in the period and PLN2,698 million/PLN2,560 million in 9M23 respectively these were significantly above levels in the same periods last year.



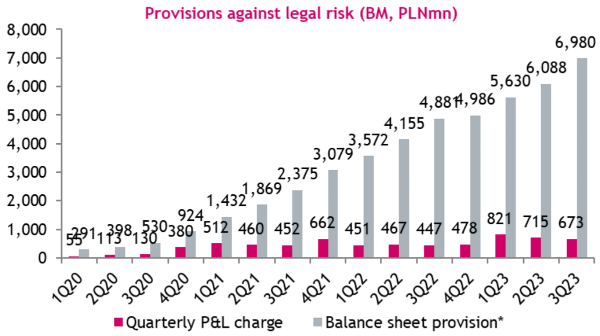
(*) without legal risk costs related to FX-mortgages originated by former EB.

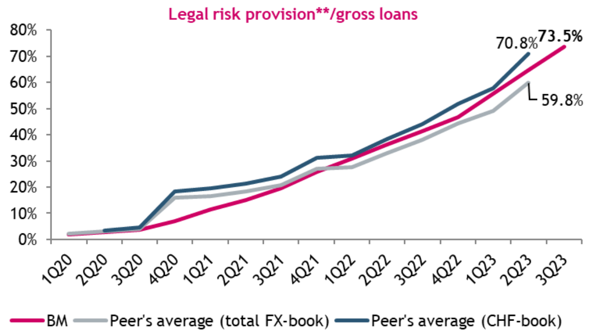
Total provisions against legal risk related to FX-mortgage portfolio ('FX-mortgage provisions') amounted to PLN743 million (pre-tax) in 3Q23 with PLN673 million attributable to FX-mortgages originated by Bank Millennium. In 9M23, the respective values were PLN2,364 million and PLN2,208 million (9M22: PLN1,513 million and PLN1,366 million respectively). Post-tax FX-mortgage related provisions attributable to portfolio originated by Bank Millennium totalled PLN2,163 million in 9M23 vs. PLN1,380 million in 9M22. While in the 1H23 the increase of mortgage provisions resulted from negative developments in the legal environment, namely the judgment of the European Court of Justice of June 15, 2023, with consequent methodological changes (e.g. elimination of a scenario of remuneration for capital provided by the Bank) and updated inputs into the Bank's provisioning methodology, in 3Q23 these were chiefly driven by updated inputs, reflecting, inter alia, actual and expected inflow of court claims.





At the end of September'23, provisions for the portfolio originated by Bank Millennium were at the level of PLN6,980 million (an equivalent of 73.5% of the grossed-up FX-mortgage book) and at PLN536 million for the portfolio originated by former Euro Bank. Allocated, i.e. decreasing gross balance sheet value of the respective loan books stood at PLN5,950 million and PLN451 million respectively.





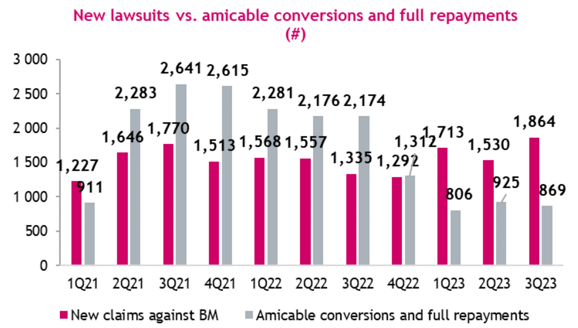
*(*) actual outstanding B/S provisions not equal to the sum of P&L charges. ** including provisions for settlements*
Note: legal risk provisions/gross FX mortgage book (post IFRS9 adjustments where necessary); excl. f.EB portfolio in case of BM; peer group composition has been changed hence there may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

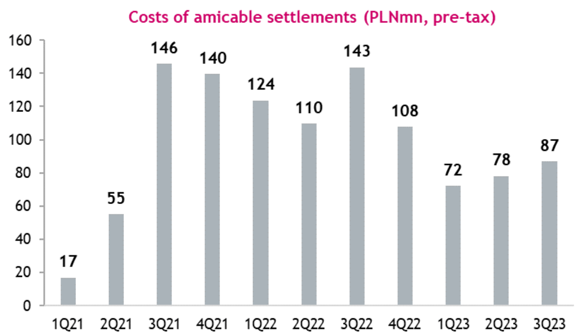
On September 30, 2023, the Bank had 19,849 loan agreements and additionally 1,635 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by the Bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the court. A relatively small proportion of these (~10.0%) was filed by borrowers who had repaid their FX-mortgages entirely or converted them into PLN mortgages at the date of submitting the court case.

The Bank is highly focused on reduction of its FX-mortgage portfolio and the related risk and therefore continues to actively offer its customers amicable solutions (i.a. conversions to Polish zloty, pre-payments, early repayments or collectively 'amicable settlements') regarding FX-mortgages on negotiated terms. The number of amicable settlements reached 869 in 3Q23, slightly less than in the preceding quarter and 2,600 in 9M23 overall (9M22: 6,631). Over 20,000 amicable settlements took place since early 2020 when more intensive effort started. This represents over 33% 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 3Q23 the number of active FX-mortgage loans decreased by over 1,300 to 34,076, while in 9M23 by over 3,900, following the 9,600 drop in 2002 overall.

In 3Q23, costs related to amicable settlements totalled PLN87 million (pre-tax, booked in FX-result and in result on modifications), while in 9M23 they totalled PLN237 million (9M22: PLN377 million). The relatively higher cost of the settlements in 3Q23 reflected, among others, an increasing number and share of in-court settlements. In 3Q23, 156 such settlements were achieved, compared to 137 in 2Q23 (9M23: 432 vs. 9M22: 173).

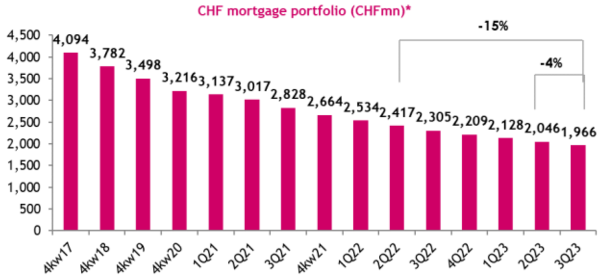
Legal costs, booked in admin costs and other operating costs, totalled PLN57 million in 3Q23 and PLN178 million in 9M23.

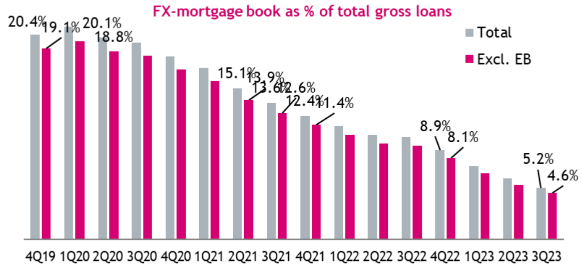




Note: some items were adjusted from the previously reported values

As a result of these trends, the BM's FX-mortgage portfolio contracted 4% in 3Q23 (in CHF terms, gross, w/o impact of allocated legal risk provisions) while the y/y contraction rate stood at 15%. The share of total FX-mortgage book (gross loans less allocated legal risk provisions) in total Group's gross loans dropped to 5.2% at the end of September'23, while the share of FX-mortgage loans originated by BM dropped to 4.6%.





(*) Originated by Bank Millennium
Note: the share of gross FX-mortgages not deducting allocated legal risk provisions was 12.5% at the end of June'23.

Excluding all FX-mortgage related costs (3Q23: PLN850 million pre-tax/PLN813 million after tax, 9M23: PLN2,698 million/PLN2,560 million respectively), adjusting for 1Q23 gains on the bancassurance agreement (PLN597 million pre-tax, PLN484 million after tax) and adding hypothetical bank tax (3Q23: PLN97 million, 9M23: PLN300 million), the BM Group would post 3Q23 net profit of PLN819 million (PLN804 million with linear distribution of BFG charge),and 9M23 net profit of PLN2,237 million vs. adjusted 3Q22 net profit of PLN640 million and 9M22 net profit of PLN1,547 million.

FINANCIAL RESULTS IN DETAIL

Group P&L

Group's operating income *(PLNmn)*	9M23	9M22	Change y/y	3Q23	2Q23	Change q/q
Net interest income	3 970	1 988	100%	1 372	1 336	3%
Net interest income (without credit holidays)	*3 970*	*3 411*	*16%*	*1 372*	*1 336*	*3%*
Net commission income	592	606	-2%	188	203	-7%
Core income	4 562	2 595	76%	1 560	1 539	1%
Other non-interest income	594	-116	-	22	-22	-
Total operating income*	5 156	2 479	108%	1 582	1 517	4%
Total operating income without extraordinary items**	4 791	4 116	16%	1 664	1 603	4%

(*) Without fair value adjustment of credit portfolio (PLN-0.3mn in 9M23 and PLN13.6mn in 9M22), which is included in the cost of risk line
(**) Without financial impact of insurance transaction (PLN597mn in 1Q23), negative impact of credit holidays (PLN1,423mn in 3Q22) 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 9M23 reached PLN3,970mn and was materially up by16% y/y (without the negative impact of credit holidays for PLN mortgage borrowers in the amount of PLN1.4bn booked in 3Q22), mostly driven by higher market interest rates and the resultant higher Bank's interest margin. The quarterly growth of NII was +3% q/q. The 75 bps central bank rates cut at the beginning of September and further cuts expected by the market (and reflected in WIBOR) will, going forward, have some negative impact on this item. Still, 3Q23 NII showed strong resilience.

Net interest margin (over average interest earning assets) (NIM) reached 4.77% in 3Q23 and was lower by 8 bps vs the record level of 2Q23 (4.85%) showing the impact of some easing in monetary policy. 75bp interest rates cut in September was first since the beginning of the previous tightening cycle in 4Q21. Additionally, lower NIM resulted from higher share of debt securities, both in assets and in liabilities. NIM in 9M23 was 4.72%, i.e. 36 bps higher compared to 4.36% in 9M22 (the latter without the impact of credit holidays mentioned above).

Net commission income in 9M23 amounted to PLN592mn and decreased -2% y/y (3Q23 saw -7% q/q drop), mainly due to contraction of commissions related to accounts service and transactions (a decrease by PLN35mn). Fees on brokerage and custody, management and distribution of mutual funds and other investment products also contracted y/y (by PLN7mn), due to unfavourable conditions on capital markets in 2023. The more visible growing item were commissions from cards, whereas fees from bancassurance activity showed a strong quarterly drop (-29% q/q) as a result of bancassurance transaction with an external company earlier in the year.

Reported core income, defined as a combination of net interest and net commission income, reached PLN4,562mn in 9M23 and grew very strongly by 76% y/y. This was mostly an effect of credit holidays for PLN mortgage borrowers booked in 3Q22. The growth without credit holidays was +14% y/y, reflecting robust Group's recurrent income dynamics (3Q23: +1% q/q).

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 considerably positive value of PLN594mn in 9M23, mostly driven by the insurance transaction (sale of shares in Millennium Financial Services to external insurance partner in March'23 and related impacts, with pre-tax impact of PLN597mn). Costs of amicable settlements negotiated with FX mortgage borrowers and legal costs related to FX mortgage loans (PLN313mn in 9M23 presented in FX result and other operating costs) continued to negatively impact this line.

Total operating income of the Group reached PLN5,156mn in 9M23 and showed a very strong increase of 108% y/y. Without the extraordinary income and costs mentioned above, it would be PLN4,791mn, up 16% y/y (3Q23: +4% q/q), leading to a meaningful Group's efficiency improvement.

Operating costs *(PLNmn)*	9M23	9M22	Change y/y	3Q23	2Q23	Change q/q
Personnel costs	(766)	(678)	13%	(265)	(256)	3%
Other administrative costs	(697)	(947)	-26%	(229)	(192)	19%
of which Banking Guarantee Fund (BFG) fees and IPS contribution	*(60)*	*(397)*	*-85%*	*0*	*23*	*-*
Total operating costs	(1 464)	(1 625)	-10%	(494)	(448)	10%
Total costs without BFG/IPS	*(1 404)*	*(1 228)*	*14%*	*(494)*	*(472)*	*5%*
Cost/income - reported	28.4%	41.6%	-13.2 p.p.	31.2%	29.5%	1.7 p.p.
*Cost/income - adjusted **	*29.0%*	*38.0%*	-9.0 p.p.	*29.4%*	*28.8%*	0.6 p.p.

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

Total costs amounted to PLN1,464mn in 9M23, translating into 10% decrease y/y, mainly due to high contribution to Banking Guarantee Fund (BFG) funds and to the institutional protection scheme ('IPS') in 9M22 (IPS cost for the Bank amounted to PLN276mn pre-tax in 9M22). Total costs excluding BFG/IPS fees grew 14% y/y (3Q23: +5% q/q).

Personnel costs amounted to PLN766mn in 9M23 and increased 13% y/y, mainly as a result of wage inflation feeding through higher base salaries. The Group continued to adjust the number of its branches and personnel to its needs, reflecting the growing importance of online channels while simultaneously keeping strong geographical presence through *brick-and-mortar* outlets. At the end of September 2023, the total number of outlets stood at 615 and their number was reduced by 18 units vs. the end of September 2022. The number of Group's employees amounted to 6,776 FTEs at the end of September 2023 and it was similar to the level a year ago. Without employees absent due to long leaves ('active FTEs'), the headcount was much lower, i.e. at 6,306 staff.

Employment *(FTEs)*	30.09.2023	30.09.2022	Change y/y	30.06.2022	Change q/q
Bank Millennium S.A.	6 486	6 499	0%	6 461	0%
Subsidiaries	290	279	4%	285	1%
Total Bank Millennium Group	6 776	6 778	0%	6 746	0%
Total BM Group (active* FTEs)	6 306	6 219	1%	6 241	1%

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

Other administrative costs (including depreciation) reached PLN697mn in 9M23 and decreased by 26% y/y due to much lower contribution to BFG/IPS mentioned above, whereas costs without BFG/IPS increased by 16% y/y (3Q23: up 6% q/q) due to increase of such items as legal and advisory costs, rental and office maintenance, as well as IT and telecommunication costs. Legal costs resulting from negotiations and litigations with FX mortgage borrowers were an additional burden to this cost group (PLN61mn in the reporting period).

Cost-to-income ratio for 9M23 amounted to 28.4% and was lower by 13.2 percentage points vs. the 9M22 level (41.6%). Cost-to-income ratio without extraordinary items mentioned above (mainly the bancassurance transaction, cost of credit holidays and legal costs and FX losses related to litigations/settlements with FX mortgage borrowers), reached record low level of 29% in 9M23 and was 9 percentage points lower than in 9M22.

Net profit *(PLNmn)*	9M23	9M22	Change y/y	3Q23	2Q23	Change q/q
Operating income	5 156	3 902	32%	1 582	1 517	4%
Operating costs	(1 464)	(1 625)	-10%	(494)	(448)	10%
Impairment provisions and other cost of risk*	(231)	(267)	-13%	(59)	(52)	13%
Other modifications**	(41)	(50)	-17%	(5)	(17)	-71%
FX legal risk related provision	(2 364)	(1 513)	56%	(743)	(757)	-2%
Banking tax	0	(169)	-100%	0	0	-
Pre-tax profit	1 056	(1 144)	-192%	281	242	16%
Income tax	(596)	(119)	399%	(178)	(136)	31%
Net profit - reported	461	(1 264)	-	103	106	-3%
Net profit - adjusted*	2 252	1 568	44%	804	776	4%

(*) Impairment provisions for financial and non-financial assets including also fair value adjustment on loans (PLN-0.3mn in 9M23 and PLN13.6mn in 9M22) and loans modification effect (PLN-26.8mn in 9M23 and PLN-15.8mn in 9M22)

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

(***) Without extraordinary items, i.e. financial impact of bancassurance transaction (PLN597mn in 1Q23), negative impact of credit holidays (PLN1,423mn in 3Q22), FX-mortgage related costs, linear distribution of BFG resolution fund fee and hypothetical banking tax in 9M23

Total cost of risk, which comprised net impairment provisions, fair value adjustment of a part of credit portfolio and a part of result on modifications (excluding the part related to settlements with FX mortgage borrowers), bore by the Group amounted to PLN231mn in 9M23 and was 13% lower than in 9M22 (3Q23: up 13% q/q).

Risk charges for retail segment were the main driver of y/y increase of risk cost and amounted to PLN221mn in 9M23. Risk charge for corporate and other segments was moderate and amounted to a mere PLN10mn. In relative terms, the cost of risk (i.e. net charges to average gross loans) for 9M23 reached 40 basis points (annualised) and was 4 basis points lower than in 9M22 (44 basis points).

In 9M23, the Group booked in modifications line a part of costs related to settlements with FX mortgage borrowers in the amount of PLN41mn, 17% lower than in the same period last year.

In 9M23, the Bank continued to create **provisions for legal risk related to FX-mortgage portfolio**, which remained a significant item in the P&L statement and reached PLN2,364mn (PLN2,208mn excluding loans generated by former Euro Bank as they are subject to indemnity clauses and guarantees from Societe Generale). The provisions were significantly higher (i.e. by 56%) than these in 9M22. The Bank's estimates of provisions for 9M23 take into consideration the judgement of the European Court of Justice of June 15, 2023 on case C-520/21, with resultant elimination from the Bank's legal risk provisioning methodology of the probability of receiving remuneration for the use of capital it had provided. Additionally, the Bank also updated other parameters in its methodology. At the end of September'23, provisions for the portfolio originated by Bank Millennium were at the level of PLN6,980mn (an equivalent of 73.5% of the grossed-up FX-mortgage book) and at PLN536mn for the portfolio originated by the former Euro Bank.

Pre-income tax result in 9M23 was positive and amounted to PLN1,056mn, compared to the pre-tax loss of PLN1,144mn in 9M22. The Bank has not been due to pay banking tax since July 15, 2022, the date of the Bank's decision to launch the Recovery Plan and notification of the fact to both PFSA and Bank Guarantee Fund.

In 9M23 the Group reported **net profit** of PLN461mn. In 3Q23 the Group reported net profit of PLN103mn and it was the fourth consecutive quarter of net profit generation 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, FX-mortgage related costs and with proportional adjustment of BFG charge) the Group would achieve the net profit of PLN 2,252mn in 9M23, 44% above the adjusted 9M22 net profit of PLN1,568mn.

Loans and advances to clients

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

Loans and advances to clients *(PLNmn)*	30.09.2023	30.09.2022	Change y/y	30.06.2023	Change q/q
Loans to households	56 150	58 761	*-4%*	55 995	*0%*
- *PLN mortgage loans*	*35 706*	*34 850*	*2%*	*35 220*	*1%*
- *FX mortgage loans*	*3 822*	*8 113*	*-53%*	*4 505*	*-15%*
- *of which Bank Millennium loans*	*3 399*	*7 415*	*-54%*	*4 055*	*-16%*
- *of which ex-Euro Bank loans*	*423*	*698*	*-39%*	*449*	*-6%*
- *consumer loans*	*16 623*	*15 798*	*5%*	*16 270*	*2%*
Loans to companies and public sector	17 833	20 204	*-12%*	18 157	*-2%*
- *leasing*	*6 755*	*7 114*	*-5%*	*6 790*	*-1%*
- *other loans to companies and factoring*	*11 078*	*13 090*	*-15%*	*11 367*	*-3%*
Net loans & advances to clients	**73 983**	**78 965**	*-6%*	**74 152**	*0%*
Net loans and advances to clients excluding FX mortgage loans	*70 161*	*70 853*	*-1%*	*69 647*	*1%*
Impairment write-offs	2 587	2 539	*2%*	2 524	*2%*
Gross* loans and advances to clients	**76 570**	**81 505**	*-6%*	**76 676**	*0%*

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

Total net loans of the BM Group reached PLN73,983mn at the end of September 2023 and were down 6% y/y and almost flat quarterly. Loans without FX-mortgage portfolio decreased by 1% y/y only and grew a little (+1%) vs. the previous quarter. FX mortgage loans net of provisions decreased materially during the last twelve months (down 53%) 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 4.6% from 9.4% a year ago. This was partly due to the fact that most of legal risk provisions lower the gross value of the loans apart from regular amortisation and earlier repayments.

The net value of loans to households amounted to PLN56,150mn at the end of September 2023, showing a decline of 4% y/y (flat quarterly). Within this line, PLN mortgages grew slightly (up 2% y/y), as quarterly originations and consequently disbursements contracted visibly in the high interest rates environment. In 9M23, disbursements of PLN mortgage loans reached PLN3,176mn and fell by 44% compared to the level in 9M22.

The net value of consumer loans reached PLN16,623mn at the end of September 2023 and increased by 5% y/y. The trend in cash loans origination was very positive – new loans disbursed in 9M23 reached PLN4.8bn, up 19% compared to 9M22.

Net value of loans to companies amounted to PLN17,833mn at the end of September 2023 and decreased by 12% y/y (-2% q/q). The contraction of the loan portfolio was largely caused by the Group's focus on risk weighted assets (RWA) optimisation resulting from capital management objectives.

Customers' deposits

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

Customer deposits *(PLN million)*	30.09.2023	30.09.2022	Change y/y	30.06.2023	Change q/q
Deposits of individuals	74 247	66 867	11%	71 714	4%
Deposits of companies and public sector	31 929	30 903	3%	28 883	11%
Total deposits	106 176	97 771	9%	100 597	6%

Total deposits amounted to PLN106,176mn on 30 September 2023 and were up 9% y/y (an increase by 6% q/q).

The main driver of this growth were deposits of individuals, which reached PLN74,247mn on 30 September 2023 and increased 11% y/y. Term deposits from retail clients grew strongly by 30% y/y whereas current and saving accounts of individuals grew only by 4% y/y.

Deposits of companies and public sector, which reached PLN31,929mn on 30 September 2023, grew 3% y/y and 11% q/q.

LIQUIDITY, ASSET QUALITY AND SOLVENCY

The liquidity position of Bank Millennium Group remained very strong in 3Q23. LCR ratio reached the level of 299% at the end of September 2023, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 70% 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 31%.

Group loans quality and liquidity indicators *(PLNmn)*	3Q23	3Q22	Change y/y	2Q23	Change q/q
Total impaired loans	3 582	3 702	-120	3 456	126
Impairment provisions	2 560	2 495	65	2 495	65
FV adjustment	27	44	-17	29	-2
Total impairment provisions and FV adjustment	2 587	2 539	48	2 524	63
Impaired over total loans ratio (%)	4.68%	4.54%	0.14%	4.51%	0.17%
Loans past-due over 90 days /total loans (%)	2.23%	2.25%	-0.02%	2.10%	0.13%
Coverage ratio (Total provisions + FV adjustment/impaired loans) (%)	72.23%	68.60%	3.64%	73.04%	-0.81%
Total provisions and FV adjustment/loans past-due (>90d) (%)	151.43%	138.37%	13.06%	156.74%	-5.31%
Liquidity Coverage Ratio (LCR) for Group	299%	165%	134%	260%	39%

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 4.68%. The share of loans past-due more than 90 days in total portfolio decreased y/y from 2.25% to 2.23% at the end of September 2023.

Coverage ratio of impaired loans increased y/y from 68.60% to 72.23% at the end of September 2023. Coverage of loans past-due by more than 90 days increased during the year from 138.37% up to 151.43%, mainly due to reduction of 90DPD portfolio.

The impaired loan ratio in Mortgage portfolio decreased y/y from 2.54% to 2.39% at the end of September 2023, in other retail from 10.14% to 10.12%, while in the leasing portfolio increased from 4.07% to 4.49%. In corporate portfolio the ratio improved from 3.57% to 3.20%.

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 3Q2023, compared to the previous quarter, the Total Capital Ratio (TCR) increased significantly by 187bp, as did the T1 and CET1 ratios - increase by 180bp.

Main capital indicators* *(PLNmn)*	**3Q23**	**3Q22**	**Change y/y**	**2Q23**	**Change q/q**
Risk-weighted assets (RWA) for Group	44 901.2	52 587.1	-7 685.9	47 147.9	-2 246.7
Risk-weighted assets (RWA) for Bank	41 827.5	52 085.5	-10 258.0	46 988.8	-5 161.3
Own funds requirements for Group	3 592.1	4 207.0	-614.9	3 771.8	-179.7
Own funds requirements for Bank	3 346.2	4 166.8	-820.6	3 759.1	-412.9
Own funds for Group	7 471.7	6 497.2	974.5	6 962.3	509.4
Own funds for Bank	7 298.9	6 472.1	826.8	6 939.2	359.6
Total Capital Ratio (TCR) for Group	16.64%	12.36%	4.3	14.77%	1.87
Minimum required level TCR	12.69%	13.54%	-0.9	12.69%	0.00
Total Capital Ratio (TCR) for Bank	17.45%	12.43%	5.0	14.77%	2.68
Tier 1 ratio for Group	13.49%	9.45%	4.0	11.69%	1.80
Minimum required level T1	10.21%	10.84%	-0.6	10.21%	0.00
Tier 1 ratio for Bank	14.06%	9.49%	4.6	11.68%	2.39
Common Equity Tier 1 (=T1) ratio for Group	13.49%	9.45%	4.0	11.69%	1.80
Minimum required level CET1	8.34%	8.81%	-0.5	8.34%	0.00
Common Equity Tier 1 (=T1) ratio for Bank	14.06%	9.49%	4.6	11.68%	2.39
Leverage Ratio (LR) for Group	4.72%	4.28%	0.4	4.60%	0.13

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

In September 2023, the Bank received the decision of the KNF to consent to the inclusion of net profit generated in the first half of 2023 in the amount of PLN338.6mn at the stand-alone level and in the amount of PLN357.9mn at the consolidated level in Common Equity Tier 1 capital.

In July 2023, Millennium Leasing concluded a synthetic securitization transaction of lease receivables, which had a positive impact on the Group's capital ratios (approximately 47bp on the Tier 1 ratio and approximately 62bp on the total capital ratio).

The improvement in indicators was mainly determined by a significant increase in own funds, by a total of PLN509mn (7.3%). This was primarily due to the above-mentioned inclusion of the net profit for the first half of 2023 in own funds (an increase of PLN358mn) and a better market valuation of bonds valued through other comprehensive income (an increase of PLN132mn). On the other hand, there was a significant decrease in own funds requirements - by PLN180mn (4.8%). The reason for this was mainly the effect of the above-mentioned securitization transaction and other activities aimed at optimizing risk-weighted assets.

The leverage ratio improved by 12bp due to the mentioned increase in own funds accompanied by an increase in the leverage exposure measure. It is at a safe level of 4.72%, significantly exceeding the regulatory minimum of 3%.

Minimum required level of capital includes:

- Pillar II RRE FX buffer - KNF recommendation to maintain additional own funds for the coverage of additional capital requirements to secure the risk resulting from FX mortgage loans granted to households, in line with art. 138.1.2a of Banking Act. A value of that buffer is defined for banks by KNF every year because of Supervisory review and Evaluation process (SREP) and relates to risk that is - in KNF's opinion - inadequately covered by minimum own funds requirements, set in CRR art. 92. At present, the buffer was set by KNF in recommendations issued in the end of 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 1.72pp and 1.75pp (on an individual and consolidated level) over the OCR value. According to the recommendation, the additional capital charge should consist fully of common equity Tier 1 capital (CET1 capital).

The minimum capital ratios required by the KNF in terms of the overall buffer requirement (OCR) are achieved with a large surplus at the end of the third quarter of 2023. Also in terms of the levels expected by KNF, including the additional P2G capital charge, they were achieved for all capital ratios.

STRATEGY IMPLEMENTATION

The Bank's 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 17 strategic initiatives/business areas. Strategic portfolio is the subject of the internal review process (on quarterly basis), both on the operational and executive levels.

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

	CLIENT			FINANCE			RISK & CHF	
	NUMBER OF RETAIL ACTIVE CLIENTS [million]	SHARE OF DIGITAL ACTIVE CLIENTS [%]	SHARE OF DIGITAL IN SALES[1] [%]	ANNUAL PROFIT LEVEL[2] [mld zł]	COST / INCOME[2] [%]	RETURN ON EQUITY[2] [%]	NON-PERFORMING LOANS [%]	SHARE OF FX MORTGAGE IN BANK LOANS[3] [%]
2021	2 694	84%	n/a	1,01	42,8%	11,03%	4,4%	14,6%
3Q-2023	2 981	89,4%	75,5%	2,24	29,0%	22,6%	4,7%	11,8%
2024 TARGET	3 000	>90%	80%	2,00	<37%	~14%	<4,7%	<10%

(1) calculated as an average of digital sales shares in key products volumes; (2) Excluding FX-mortgage book related costs (for 2022 excluding also 'mortgage holidays' effect and incorporating hypothetical banking tax effect in 2H22 while in 2023 excluding financial impact of bancassurance transaction) (3) W/o deduction of allocated legal risk provisions

After 3Q23 the Bank notes that most results are on track to be delivered at levels targeted in 2024 as well as range of business achievements, that was announced in the strategy, incl.:

- admission to trading of senior non-preferred notes of the nominal value of EUR 500mn;
- completion of sport challenge and start of eco-volunteering program for Bank`s employees under Our People`23: Save the Planet;
- development of an offer for entrepreneurs with the Millennium Accounting platform and dedicated educational actions;
- Implementation of ecological credit offer for corporate clients.

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 and BM Group improved capital ratios, bringing them clearly above the updated regulatory requirements. During the three quarters of 2023, a continued improvement in capital ratios was observed as a result of solid financial results, including the inclusion of net profit for the first half of 2023 in own funds and initiatives aimed at optimizing risk-weighted assets, including securitisation. Assuming no other extraordinary factors, the Bank plans to keep capital ratios above the minimum required levels throughout the rest of the year 2023 and in further periods. The Bank, on continuous basis, monitors 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

Bank Millennium continues to pursue its strategy of adapting the format and functions of its branches as well as its remote service to customer needs.

There is a strong emphasis on the development of employees and their proper preparation for customer service. Organizational changes in branches and support from quality management units help advisers to exchange information and share experiences. Employees have the space to develop solutions that support service at the branch and to educate and encourage customers to use remote channels. It is education that is fundamental in the process of convincing customers to use new technologies and tools to facilitate safe and convenient banking. Advisors focus on changing customers' habits and switching from cash to non-cash service. The support of a branch employee is an important step in familiarizing the customer with digital tools that enable customers to use the bank's offer on their own in the future.

The designed solutions are in line with the business objectives and the ongoing digitalization strategy. A convenient transition between contact channels, provides customers with a comfortable banking experience and a sense of consistent service. In many processes, we enable customers to change service channel - also during the execution of a specific transaction or application. We are systematically increasing our accessibility thanks to the latest technology and appropriate conditions in traditional bank branches. We are developing processes that combine contact channels and ensure an even better flow of information and customer knowledge.

Bank Millennium continues to work on simplifying the language of communication and the content of the documents we provide to the customers. We are revising the texts communicated to customers from account opening to information on how to handle their products.

We are gradually transferring the experience from the retail customer area to the corporate banking area. We are continuing training and introducing the principles of plain language into more types of texts - internal and external.

The measures taken are the result of Bank Millennium's concern to secure the needs of our various customer segments. We are focusing not only on the choice of contact channel. We are working to ensure that each customer group, which has different needs and expectations, is adequately taken care of. We adapt the language and presentation to their age, level of financial knowledge and experience of using the latest technology. The staff and the solutions designed help customers to bank comfortably and use the various services at a time and pace that suits them. We work to maintain the synergy between the digital communication and the traditional form of customer contact with the bank. The Bank is introducing facilitations for people with disabilities to access services.

RETAIL BANKING

In 3Q23, the Bank increased its active client base by more than 32 thousand. On September 30, 2023 the Bank provided services to more than 2.98 million active retail clients. Altogether, more than 2.66 million clients were using electronic banking actively while the mobile application was in use by more than 2.4 million, an increase of 11% on a yearly basis.

Sale of current accounts in 3Q23 exceeded the level of 107 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.

3Q23 was a period of growth in the volume of retail deposits. Maintained relatively high interest rates on term deposits and savings accounts encouraged customers to take advantage of promotional offers. As a result, the Bank increased the volume of retail customer deposits in 3Q23 by PLN 2.98bn. This translated into a retail deposit balance of PLN79.1bn at the end of September’23.

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

In 3Q23, Bank Millennium increased sales of mortgage loans. The Bank concluded new contracts with a total value of almost PLN1.3bn (+36% q/q). The result placed the Bank with a market share of almost 10% (market share for Jan-Aug). The Bank made the disbursements of mortgage loan tranches available to customers in digital channels, and also enabled the processing and servicing of the mortgage loan using the electronic ID document *mDowód*.

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

In 3Q23, the Bank achieved sales of cash loans at the level of PLN1.66bn. This represents a significant increase of 9% compared to the third quarter of 2022. It was also the quarter with the highest quarterly sales in 2023. The bank's market share in the sale of cash loans on the entire market is estimated at 10.5%. The bank's market share in the balance of cash loans at the end of September 2023 reached 9.25%.

The Bank also maintained one of the most attractive promotional offers on the market. The Bank's customers largely used omnichannel and finalized loan agreements in digital channels. 74% of contracts in terms of value and 85% of contracts in terms of quantity were concluded in digital channels. When selling credit products, the Bank combines the convenience of customer service in remote channels with the support and relational approach of credit advisors. This creates a tangible synergy effect between digital and traditional channels.

The Bank maintained the upward trend in the payment card portfolio with the result of 3.9 million cards at the end of September 2023 (+4% compared to 3Q22). The turnover in 3Q23 amounted to PLN19,533mn on debit cards (+9% compared to 3Q22) and PLN1,740mn on credit cards (+13% compared to 3Q22). This result was supported by new product solutions, including introduction of Google Pay mobile payments for all cards.

3Q23 was a volatile period on capital markets. The Polish mutual fund market saw positive net inflows but asset value growth was limited by market valuations. Positive capital market sentiment and initiatives undertaken by the Bank had a positive impact on mutual fund sales and resulted in positive net sales of PLN209mn in 3Q23. The Bank, especially in the retail customer segment, maintained the focus on developing and promoting regular investment, including, among others, the investment advisory service. This service provides customers with an easy and convenient way to access investment products, especially by investing even small amounts on a regular basis. All these efforts resulted in record 7 ths. of new regular fund registers opened in 3Q23. The special strategy of rewarding the use of remote channels was also continued, with a reduction to 0% in handling fees for the purchase of selected units through Millenet and the Mobile Application. Bank maintained the offer of structured deposits with guaranteed profit and capital protection.

In 3Q23 Bank Millennium have opened 8.3 thousands Business current accounts. More than 2/3 were opened in digital processes. The Bank launched the new accounting service for current Biznes Clients. Clients can choose one of three available accounting options due to their needs, including free of charge invoicing service.

In 3Q23, the Bank recorded an increase in sales of Business loans to the level of PLN234mn. Compared to the third quarter of last year, this means a 54% increase and an increase of 3% compared to the previous quarter. The market share in sales of loans to the micro segment, increased from 3.1% in the third quarter of 2022 to 4.93% in the third quarter of 2023. The increase was the result of intensive work on the attractiveness of the offer and the automation and digitization of the lending process.

CORPORATE BANKING

We systematically develop and introduce changes in our product offer. We adapt it to client requirements, market environment and changes in legal regulations. We digitize and digitalize business processes that make service easier and more efficient. We are working on further product changes and planning to introduce new improvements.

Electronic banking

New functionalities in the Bank Millennium for Companies mobile app

In the third quarter, we introduced new functionalities in the mobile application. In the latest version of the app, customers can handle multiple companies, without having to log in again. They make their choice after logging in for the first time from the Start screen and have access to a view of each of their companies. We also made it possible to order international transfers in all currencies to IBAN accounts in countries outside the European Economic Area. All you need to do is enter the recipient's details, such as the IBAN and the desired currency of the transaction.

SEPA transfer was also introduced to the latest version. We also made it possible to repeat the transfer from the transaction history level. In this way, it is easier for customers to order a payment to the Tax Office, for example. In the Android version of the app, biometrics was also implemented (in the iOS version, biometrics has been present since the release of the app). We also improved the search engine, so customers will find recipients faster when preparing transfers, and we implemented a change in the payment management module.

Soon, the app will gain yet another feature. Customers will receive push notifications about new transactions waiting to be authorized or declined transactions.

Transactional banking

From 1 September'23, we accept a new type of identity document: Document mObywatel (*mDowód*)

In order to comply with regulatory requirements, from 1 September we introduced the possibility of confirming the customer's identity on the basis of *mDowód*. Electronic *mDowód* allows you to confirm your identity without the need for you to provide any other identification documents.

Trade finance

In the area of trade finance, we implemented solutions that improve the process of handling guarantees and letters of credit, including, for example, the possibility of settling the payment of an import letter of credit with funds from reverse factoring.

Digitalization of customer service processes

In 3Q23, 61% of loan agreements were signed with the use of a qualified electronic signature.

The number of leasing agreements signed by corporate clients with the use of qualified electronic signatures is consistently increasing. At the end of September, 57% of agreements in this group of customers are signed electronically.

The share of customers using the eBOK website for handling leasing agreements by customers reached 87% (an increase of 2 pp compared to December 2022). Electronic applications for handling contracts and leased items at the end of September accounted for over 45% of all applications submitted by clients (at the end of December 2022 it was 24.6%).

Millennium Leasing

We improved the process of leasing with *de minimis guarantee*, especially in the case of vehicles up to 3.5T. We developed new paths in the MilleAutoMat system and launched a full standard process for all asset groups in the Cassiopae system.

We were also developing our cooperation with vendors – suppliers of leased assets. At the end of September'23, we cooperated with 900 vendors (in 3Q23 we acquired 80 vendors).

Activities expanding access to knowledge for customers

In September this year, a series of 9 meetings across the country began within the framework of the 6th edition of the Family Business Forum – a joint initiative of Forbes Polska magazine and Bank Millennium. It is a cyclical event bringing together family businesses - a forum for debates and meetings, which allows, among others, to establish business relations, gain new partners and distinguish the best family businesses in individual voivodships. This year's edition is held under the slogan "Where to get an impulse for development in times of economic slowdown". Bank Millennium has been the strategic partner of the Family Business Forum since 2018.

As part of the cooperation with the CFO Club – a joint project of ICan Institute, KPMG, CIMA and Bank Millennium – a meeting was organized with the participation of Jarosław Hermann, Member of the Management Board responsible for IT at the Bank. CFOs, CEOs and Management Board members could talk about the cooperation between CFO and CIO.

DIGITAL BANKING

We ended 3Q23 with 2.66 million (+7% y/y) active digital channel users. More than 2.43 million users logged to the Bank on mobile devices mobile devices. This translates into an increase of mobile users by 11% y/y. In 3Q23, customers logged into the app more than 231 million times. In the first half of the year, as many as 1.72 million customers used BLIK (growth by 24%y/y).

Digital share in sales and acquisition

Digital channels accounted for 82% of cash loan sales in 3Q23 and 96% of term deposit sales, meaning that the vast majority of customers choose remote processes to use these products. In terms of current account acquisition, the share of electronic channels was 37%. In 3Q23, we recorded an increase of 26% in the sale of travel and vehicle insurance compared to 2Q23. The increase is related to the holiday season and customer interest in insurance available in a few clicks in the app and Millenet.

Mobile and online payments

Customers are most willing to pay online with BLIK. The number of BLIK transactions increased by 40% in 3Q23 compared to the same period in 2022. Customers also made 57% more P2P transfers (3Q23 vs. 3Q22), since the beginning of 2022 this increase has been as high as 122%.

We already have 640,000 mobile payment users: HCE, BLIK contactless, Apple Pay, Google Pay, Fitbit Pay, Garmin Pay. Customers make 20 million transactions per month with a total value of PLN 1 billion.

New digital initiatives in 3Q 2023

- **BIOMETRIC AUTHORIZATION.** Our customers can confirm transactions with a fingerprint or facial scan - we are extending the availability of this option to more types of transactions. More than one million customers log in to the mobile app using biometrics. Monthly, customers confirm 500,000 transactions in this way.

- **MOBYWATEL.** We have integrated our systems with the mObywatel application. Customers can confirm their identity on this app by logging into the bank. We also accept digital identity documents issued in this application.
- **NEW EDITION OF DOBRY START 300+ PROGRAMME.** Customers were able to apply for funding for a school layette from July. 65% of applications were received via the mobile app.
- **DIGITALISATION TERM DEPOSIT**. As part of our digitalisation project, we have introduced a special online 3-month term deposit offer. We promote customer activity in digital channels and mobile app activation with an interest rate of 8%, which is higher than the standard rate.
- **MILLENNIUM ACCOUNTING.** New service for microentrepreneurs. Together with our Partner, CashDirector SA, we have introduced a platform that supports small business owners with bookkeeping and cost control. We have integrated the platform with online banking - the customer logs in the same way as for their account. The tool is available to customers with a business account, and we will soon make it available to new customers in the process of creating an account as well as registering a company.
- **NEW OPTIONS IN BANK MILLENNIUM FOR COMPANIES MOBILE APP.**

Goodie application

In 3Q23, goodie cashback once again achieved record results. Particularly large increases were seen in the acquisition of new cashback users – the record result was August'23 with an increase of 97% y/y. At the same time, the number of transactions made through goodie cashback in 2023 by the end of September exceeded the number of transactions made in the whole of 2022 in 3Q23 alone over PLN3mn of refunds were paid to users.

Cooperation with Bank Millennium in the field of the "Refunds for purchases" service also achieves very good results – in 3Q23 the number of transactions made increased by more than 560% y/y.

The service still maintains the PLN20 promotion for a new user of "Refunds for purchases" as well as "Superoffers" with attractive refund rates for purchases.

Sales of eCards achieved results in line with expectations and increased by over 12% y/y. eGift card is gaining popularity in terms of its use for loyalty programmes, incentives and sales promotions.

ESG ACTIVITIES: ENVIRONMENTAL, SOCIAL, GOVERNANCE

ESG (Environmental, Social, Governance) issues have been an integral part of the Bank Millennium Group's business strategy for years. Activities in this area are carried out on the basis of the ESG Strategy of the Bank Millennium Group for 2022-2024. The Strategy constitutes an expansion and specification of environmental, social and corporate governance objectives presented in the Strategy for 2022 - 2024 "Millennium 2024: Inspired by People". In addition, the Bank supports the implementation of the UN Sustainable Development Goals (SDG) and is a signatory of the Diversity Charter.

The most important ESG activities carried out in 3Q23

Partnership with the United Nations Global Compact

In July 2023 Bank Millennium acceded to the United Nations Global Compact (UNGC) as direct participant. UNGC is the UN world biggest initiative to support sustainable business and accession to the UNGC means a commitment to comply with and implement 10 Principles of the United Nations

Global Compact. The Bank's accession to the UNGC is another very important step towards enabling the Bank to implement the UN Sustainable Development Goals to the fullest extent possible.

In September 2023, Mr. João Bras Jorge, the Chairman of the Management Board of Bank Millennium, joined the UN Global Compact Network Poland Programme Board (UN GCNP) The Board develops key areas of UN GCNP activities aimed at ensuring effective support of business in attaining UN Sustainable Development Goals. The UN GCNP Programme Board consists of high-class specialists and high-level managers representing companies associated in the UN Global Compact, operating in at least one programme in the field of: human rights, environment protection and anti-corruption.

Education and culture

Third quarter of 2023 is a very intense time in the field of ESG activities related to education and culture, addressed to various stakeholder groups. Within key educational activities Bank Millennium launched, on 1 September 2023, an educational campaign for micro-entrepreneurs named "My Little Big Business" aimed at expanding knowledge of persons managing or intending to open their own business activities. As part of the campaign, a series of educational podcasts, radio competitions with prizes and a number of activities involving influencers in social media have been planned. Future entrepreneurs can learn how to establish a company via internet and what to look into at the start of their business. Persons, who already manage their businesses can count on gaining knowledge on banking services (i.a. payment terminal in a phone or financing options). Bank Millennium explains why it is worthwhile to have a company account and what benefits are to be gained from using Mój Biznes account with Visa Debit Card attached.

Bank Millennium actively supports cultural projects. In 3Q23 the Bank was involved in the following initiatives:

- 52 International Festival of Traditional Jazz "Old Jazz Meeting - Złota Tarka", which took place on 11 - 13 August in Iława. For more than twenty years, Bank Millennium has been a proud sponsor of this one of the most important events on the jazz map of Poland.
- Supporting the oldest cabaret festival in Poland within the framework of 44, "Lidzbarskie Wieczory Humoru i Satyry". A long-term sponsor of what is one of the most important events of the Polish cabaret scene is Bank Millennium.
- Another project under the patronage of Bank Millennium, there is again a "Cultural Start-up", a Gliwice-based initiative supporting innovative ideas, unique events and art at the highest level. "Cultural start-up" is an original program of the Victoria Cultural Centre in Gliwice, addressed to organisations, artists, animators, organisers of events and workshops - both professionals and amateurs, who have something unique to offer in the field of culture and art.

Natural environment, climate and eco-voluntary activities

The Bank Millennium Group has been, for many years, implementing its own environment supporting activities, offering responsible financing and developing environmental education. Actions for CO_2 reduction constitute a major priority for Bank Millennium in the ESG area.

Information on selected achievements in this area is provided below:

- Gdańsk headquarter HQ GRUNWALDZKA 19/23 meets the requirements of certification of building assessment system LEED GREEN established by the U.S. GREEN BUILDING COUNCIL and verified by the GREEN BUSINESS CERTIFICATION INC. On 25 September 2023 our project was certified LEED Gold in the assessment system LEED v4 Building Design and Construction: New Construction and Major Renovations, obtaining in total 63 points. It is an effect of the Bank's investment of 2022 involving optimisation of the real property portfolio together with modernisation of the Bank's own buildings of the Gdańsk HQ. The project was implemented following the concept of sustainable management incorporating such factors as space optimisation, efficient and environmentally friendly materials, thermal modernisation of the building in line with energy audit guidelines and the first in the Bank, own installation of photovoltaic panels.

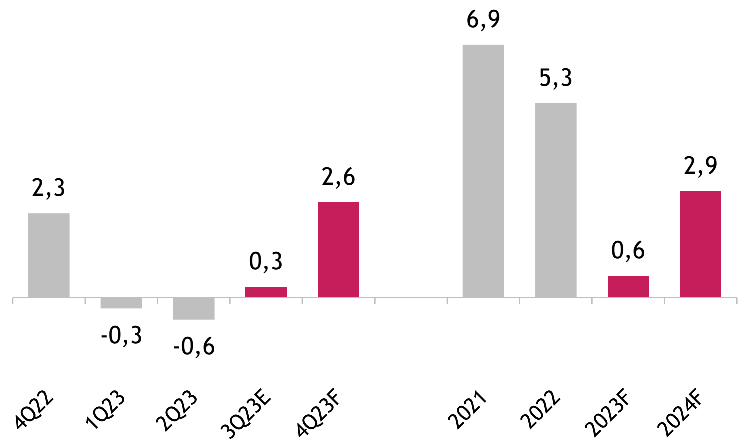
- In August, Bank Millennium employees launched environmental volunteering activity i.e. a consecutive stage of sports and environmental challenge under the Our People'23 campaign: Save the Planet! After concluding sports competitions and collecting the amount of PLN 250 000 for the Bank Millennium Foundation, the time came for environmental volunteering activities under which every employee can take part in a competition for grant and submit an idea for implementation of an environmental project. Two-month campaign Our People'23: Save the Planet, which Bank Millennium organised in Spring and Summer 2023 is the biggest sports challenge for Millennium community with purely environmental objective. The campaign combined sport goals with charity. Bank employees, by performing various sport activities could collect score points and kilometres, convert them into PLN and thus collect funds to support implementation of the Bank Millennium Foundation's environmental projects.
  The campaign Our People'23: Save the Planet aims, on the one hand, to encourage physical activity, and on the other, to draw attention to the protection of the natural environment. Our People'23: Save the Planet means more than 1,500 participants, 18 million of burned calories, 12.5 thousand sport activities, 131 thousand kilometres on our feet, 180 thousand km cycling, as much as 71 tons of CO_2 saved and PLN 250 thous. in funds collected to support environmental voluntary activities.

MACROECONOMIC SITUATION

In 3Q23 the forecasts for the global economy in 2023-2024 have not changed significantly and economists still expect slower GDP growth in that period compared to 2022. However, the divergences between the macroeconomic scenarios for some economies have widened. The outlook for the Eurozone, the main recipient of Polish exports, has deteriorated and especially for Germany, which is expected to face recession in 2023. These changes mean that the impact of the global economic situation will be less favourable for the Polish economy in the coming quarters than forecasted in the previous quarter. In 3Q23 inflation in advanced economies continued to decrease. After a quick and significant tightening of monetary policy, major central banks are moving into a wait-and-see mode. The next step should be interest rate decreases. The timing of the first cuts remains uncertain and depends on incoming data.

According to the Bank, the Polish economy has passed in 3Q23 the trough of the business cycle, despite the economic slowdown among the most important trading partners. Bank's estimates show that GDP growth returned in that period to positive values, reaching +0.3% y/y vs -0.6% y/y in 2Q23. This also means that the GDP increased q/q by 1.9% after drop by 2.2% q/q in 2Q23. In the Bank's opinion, the factor driving the q/q growth was recovering households' consumption, which was supported by decreasing inflation, improving consumer sentiment and a stable situation on the labour market. The registered unemployment rate at end of 3Q23 was at 5.0% and was the lowest in the history of the modern economy. Under such conditions, wage growth in the economy remained high.

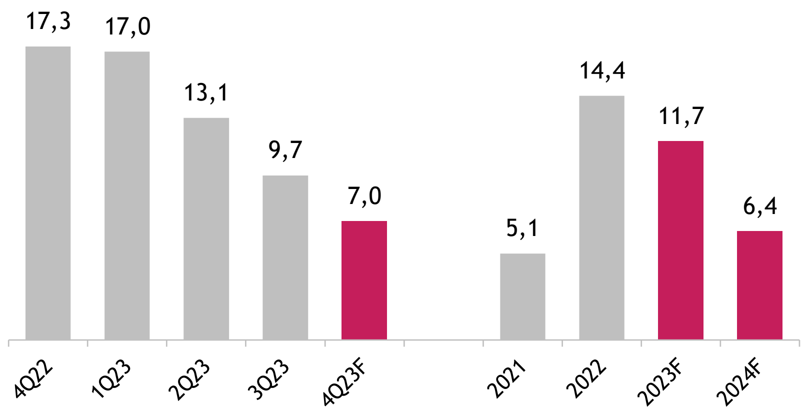
GDP and its forecasts (% y/y)



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

CPI inflation in Poland decreased in 3Q23 to 9.7% y/y (quarterly average) from 13.1% y/y in 2Q23. This drop turned out to be deeper than the Bank's previous estimates, mainly due to a stronger subsidence of negative shocks on the fuel and food markets. However, disinflation was wide-ranging and was also visible in core inflation, which in 3Q23 decreased to 9.7% y/y from 11.6% y/y a quarter earlier. The drop in inflation contributed to the Monetary Policy Council's decision to start the cycle of monetary easing. At its meeting in Sep'23, the Council cut interest rates by 0.75 pp, i.e. much more than expected. After a significant sell-off of the Zloty, interest rates were cut in Oct'23 on a smaller scale, i.e. by 0.25 pp. As a result, the reference rate of the National Bank of Poland decreased in Oct'23 to 5.75%. In the Bank's opinion, inflation is expected to go down in coming months, although the return to the inflation target remains a distant prospect.

CPI and its forecasts (% y/y)



Source: Macrobond, Bank Millennium, F - forecast

In 3Q23, deposits in the economy increased. In Aug'23, their value was higher than at the end of 2Q23 by PLN41.8bn. Continuing strong wage growth and stable employment were conducive to the growth of households' deposits. In Aug'23, their value was higher than at the end of Jun'23 by PLN14.7bn. Deposits of non-financial corporations increased on a similar scale (+PLN14.2bn). 3Q23 was also a period of recovery of the lending in the economy. In Aug'23, the value of newly granted loans to households amounted to PLN16.5bn compared to PLN13.7bn in Jul'23 and turned out to be the highest since 2021. The increase was recorded, i.a., in consumer and housing loans. On the other hand, the value of loans granted to non-financial companies in Jul-Aug'23 was lower than in 2Q23. In the Bank's opinion, the demand for credit from households will continue to increase.

According to the Bank's baseline macroeconomic scenario, in 4Q23 and in 2024 economic activity in Poland will be recovering. According to the Bank's estimates, GDP growth will accelerate from 0.6% in 2023 to 2.9% in 2024, mainly due to rebound in household consumption. In the Bank's opinion, the improvement will be facilitated by the acceleration of wage growth in real terms, including a strong raise in the minimum wage, as well as by the planned increase in social transfers from the state budget, including the increase in the existing 500+ childcare benefit. At the same time, low unemployment should be conducive to improving consumer sentiment. In the case of investments in fixed assets, the Bank expects a slowdown in growth in 2024, due to i.a. the end of the old EU budget perspective and only the initial period of funds' inflow under the new budget. In the Bank's opinion, monetary policy easing in Poland will continue in 2024. Nevertheless, due to expected high labour costs growth, expansionary fiscal policy and accelerating demand, the Bank assesses that the space for monetary policy easing in Poland in 2024 is limited. The likely change of government in Poland after the parliamentary election does not significantly affect the short-term macroeconomic forecasts, however, it is a factor of uncertainty. Improving relations with the European Union could support a faster transfer of funds for the National Reconstruction Plan and, consequently, a slightly higher than expected investment demand in 2024. Another risk factor concerns a possible change in the reaction function of the Monetary Policy Council to a more restrictive one. In the longer term, there is uncertainty regarding the new government's approach to fiscal policy, although the pro-social accents in economic policy will most likely not change significantly. The most important factors of uncertainty for the economic scenario are presented below.

Factors of uncertainty for the economy and the Bank Millennium Group:

- The summary list below presents the most important, in the Bank's opinion, negative risk factors for the Bank Millennium Group, connected with the macroeconomic situation in 2023-2024. They are subject to minor modifications after the parliamentary election. The election results give opposition political parties a significant chance to appoint a new government.
- The geopolitical situation in the world, including, i.a. the possibility of a significant escalation of hostilities between Russia and Ukraine and conflicts in the Middle East. This would potentially result in an increase in uncertainty and risk aversion and would affect commodity prices on international markets, asset valuation and cause Zloty depreciation. This would increase inflation in Poland and in the world, which would translate into economic downturn and a stronger than expected increase in unemployment.
- Worse than expected economic situation among Poland's most important trading partners, especially the stagflation trends. This would result in further monetary policy tightening by the largest central banks. This could cause tensions in the global financial system and, consequently, an increase in risk aversion, tighter credit conditions and a potential increase in fiscal costs.
- Institutional instability in the period following the parliamentary election in Poland and the protracted process of appointing a new government with the permanent support of the parliamentary majority. Consequently, the probability of early parliamentary election would increase, which would result in higher risk premia and financial markets' volatility.
- A change in the reaction function of the Monetary Policy Council after the parliamentary election towards a more restrictive one, which would potentially slow down economic growth, reduce demand for labour and hinder the achievement of planned budget revenue.
- As a result of materialisation of these negative risk factors, the financial condition 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.

- Possibility of further extension of the so called 'credit holidays' for PLN mortgage borrowers.
- There is also a possibility of better economic results in Poland than in the Bank's baseline scenario, which could result, among others, from a faster than expected abatement of military operations in Ukraine. 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 to the benefit of the National Recovery Plan and the cohesion policy. Moreover, an earlier than expected and stronger economic recovery abroad would also contribute to the improvement of the economic situation.

INFORMATION ON SHARES AND RATINGS

Early in 2023, 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 sell-off, albeit short-lived, of the shares of most banking companies. End of March marked a start of a long lasting rebound of banking stocks as easing concerns over the shape of the European banking sector, strong results of Polish banks and undemanding valuations took a front seat. By the end of July most names reached 12-month highs. Early August through September brough a correction again, this time driven by external factors like the weakness of the global economy and the need to maintain high interest rates for longer and internal ones such as repetitive talk by Poland's government official on intention to extend credit holidays. September brought a higher-than expected interest rate reduction by the MPC, which sent share prices of Polish banks further down.

All in all, in 3Q23 the broad market index WIG fell by 3%, WIG Banks decreased by 4% while Bank Millennium shares fell only 1%. However 9M23 brought 14% increase of WIG index, 26% increase of WIG Banks and 23% increase of Bank Millennium's share price.

During the 12 months ending 30 September 2023, WIG broad market index grew 42%, WIG20 index of largest companies 39%, while WIG Banks outperformed the market gaining 68%. In the same period, share price of Bank Millennium grew significantly (71%)

Bank Millennium: ytd share price performance vs. WIG Banks

In 3Q23 the average daily turnover of Bank Millennium shares was 16% lower compared to the same period last year.

Market ratios	29.09.2023 (*)	30.12.2022 (**)	Change ytd	30.09.2022	Change y/y
Number of Bank's shares ('000)	1 213 117	1 213 117	0.00%	1 213 117	0.00%
Average daily turnover in annual terms (in PLN'000)	6 735	-	-	8 052	-16.3%
Bank's share price (PLN)	5.70	4.58	24.5%	3.33	71.1%
Market capitalisation of the Bank (PLNmn)	6 915	5 556	24.5%	4 042	71.1%
WIG Banks	7 657	6 252	22.5%	4 571	67.5%
WIG20	1 916	1 792	6.9%	1 378	39.0%
WIG30	2 373	2 188	8.5%	1 689	40.5%
WIG - main index	65 397	57 463	13.8%	45 971	42.3%

(*) the last day of quotation in September 2023, (**) the last day of quotation in December 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 24, 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).

On July 13, 2023 Fitch rating agency affirmed the Bank's Long-Term Issuer Default Rating (IDR) and Local Currency Long-Term IDR (LC LT IDR) at 'BB' and additionally revised to 'Positive' from 'Stable' outlooks for these ratings. Additionally, Fitch affirmed at 'bb' the Viability Rating (VR) for the Bank and upgraded the Bank's Shareholder Support Rating (SSR) to 'b+' from 'b'. According to Fitch, the revision of outlooks reflected medium-term improvement of the Bank's risk profile through further gradual reduction of the risks related to its foreign-currency mortgage loan portfolio. It also considers expectations that improved Bank's core profitability will allow to absorb on-going legal costs and potential government intervention leading to further recovery of the Bank's capitalisation (details in CR 22/2023 Current reports – Investor relations – Bank Millennium).

In September 2023, the Bank issued MREL eligible EMTN bonds which were rated by Moody's and Fitch Ba2 and BB respectively.

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

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

(*) Fitch revised the outlook from Stable to Positive on July 13, 2023.

Date	Name and surname	Position/Function	Signature
26.10.2023	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
26.10.2023	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
26.10.2023	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
26.10.2023	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
26.10.2023	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
26.10.2023	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
26.10.2023	Jarosław Hermann	Member of the Management Board	Signed by a qualified electronic signature

CONSOLIDATED REPORT OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR 3RD QUARTER OF 2023

CONTENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE 9 MONTHS ENDED 30 SEPTEMBER 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 6,700 employees with core business comprising banking (including mortgage bank), leasing, factoring, brokerage, capital operations, investment fund management and web portals activity.

Supervisory Board and Management Board of Bank Millennium S.A. as at 30 September 2023

Composition of the Supervisory Board as at 30 September 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 30 September 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 30 September 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
EUROPA 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	Warsaw	100	100	full consolidation
LUBUSKIE FABRYKI MEBLI S.A. in liquidation**	furniture manufacturer	Świebodzin	50 (+1 share)	50 (+1 share)	equity method valuation

** On March 29, 2023, 80% of shares in Millennium Financial Services sp. z o.o. (currently Europa Millennium Financial Services sp. z o.o) were transferred from the Bank to Towarzystwo Ubezpieczeń na Życie Europa S.A., which acquired 72% of the Company's shares, and Towarzystwo Ubezpieczeń Europa S.A., which acquired 8% of the Company's shares, respectively, which is described in more details in note 5 "Result on derecognition of financial assets and liabilities not measured at value fair through profit or loss" in Chapter 4 "Notes to Consolidated Financial Data". 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 nine months ending September 30, 2023.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2023 to 30 September 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 the launch of the Plan, the Bank/Group has managed to significantly improve its capital ratios, placing them clearly above the new regulatory requirements: as of September 30, 2023, the Tier 1 ratio was 384 bps (Bank) and 329 bps (Group) above the minimum requirement, and the total capital ratio (TCR) was 475 bps (Bank) and 395 bps (Group) above the minimum requirement. In September 2023, the Bank obtained the consent of the Polish Financial Supervision Authority to include the net profit generated in the first half of 2023 in the amount of PLN 339 million (Bank) and PLN 358 million (Group), respectively, in common equity Tier 1 capital. This decision enabled further strengthening of capital adequacy, which resulted in a positive impact on the total capital ratio of the Bank in the amount of 72 bps and of the Group by 76 bps. Assuming no other extraordinary factors, the Bank plans to maintain capital ratios above the minimum required levels throughout 2023.

In terms of the MRELtrea and MRELtem requirements, the Group presents a surplus compared to the minimum required levels at the reporting date and also meets the MRELtrea Requirement after the inclusion of the Combined Buffer Requirement. The Group also expects to meet the minimum MREL requirements at the end of the year.

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 3Q 2023. LCR ratio reached the level of 299% at the of June 2023, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 70% 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 31%.

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

Change in the way of presenting comparable data for 2022

In the report published for the third quarter of 2022, the negative impact of the "adjustment to the gross carrying amount of loans due to credit holidays" was presented in the "Consolidated statement of profit and loss" in a separate line, in the part presenting impairment losses/creation of provisions.

In the Consolidated Financial Statements for 2022, this method of recognizing the adjustment was changed in order to adapt to market practice and the "adjustment to the gross carrying amount of loans due to credit holidays" was recognized (also in a separate line) as a reduction in interest income from Financial assets measured at amortized cost. An appropriate change has been made to the data for 2022 in this report, adapting the presentation to the methodology used in the Consolidated Financial Statements for 2022.

The Management Board approved these condensed consolidated interim financial statements on 26th October 2023.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Amount '000 PLN	Note	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Net interest income		3 969 711	1 371 761	1 988 412	(151 509)
Interest income and other of similar nature	1	6 316 105	2 157 147	2 958 663	407 424
Income calculated using the effective interest method		6 241 006	2 132 190	3 005 240	422 603
Interest income from Financial assets at amortised cost, including:		5 592 321	1 930 244	2 673 532	288 865
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays		0	0	(1 422 893)	(1 422 893)
Interest income from Financial assets at fair value through other comprehensive income		648 685	201 946	331 708	133 738
Result of similar nature to interest from Financial assets at fair value through profit or loss		75 099	24 957	(46 577)	(15 179)
Interest expenses	2	(2 346 394)	(785 386)	(970 251)	(558 933)
Net fee and commission income		591 910	187 958	606 308	179 370
Fee and commission income	3	780 381	255 782	768 262	239 857
Fee and commission expenses	4	(188 471)	(67 824)	(161 954)	(60 487)
Dividend income		3 278	151	3 413	353
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	539 781	(862)	(1 968)	(475)
Results on financial assets and liabilities held for trading	6	(2 316)	(3 750)	1 494	6 661
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	11 598	4 332	11 026	8 685
Result on hedge accounting		1 517	1 208	(5 578)	(2 231)
Result on exchange differences		(46 955)	(26 198)	(185 187)	(62 172)
Other operating income		315 774	131 178	210 701	69 723
Other operating expenses		(228 732)	(81 826)	(136 303)	(58 396)
Administrative expenses	8	(1 305 103)	(440 574)	(1 468 157)	(409 328)
Impairment losses on financial assets	9	(203 884)	(51 611)	(261 923)	(114 348)
Impairment losses on non-financial assets		(53)	(283)	(2 745)	224
Provisions for legal risk connected with FX mortgage loans	10	(2 363 800)	(743 180)	(1 512 780)	(498 150)
Result on modification		(67 861)	(14 311)	(65 411)	(56 607)
Depreciation		(158 684)	(53 238)	(156 446)	(52 219)
Share of the profit of investments in subsidiaries		0	0	0	0
Banking tax		0	0	(169 063)	(239)
Profit before income taxes		**1 056 181**	**280 755**	**(1 144 207)**	**(1 140 658)**
Corporate income tax	11	(595 563)	(178 055)	(119 296)	139 756
Profit after taxes		**460 618**	**102 700**	**(1 263 503)**	**(1 000 902)**
Attributable to:					
Owners of the parent		460 618	102 700	(1 263 503)	(1 000 902)
Non-controlling interests		0	0	0	0
Weighted average number of outstanding ordinary shares (pcs.)		1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Profit (loss) per ordinary share (in PLN)		0.38	0.08	(1.04)	(0.83)

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Profit after taxes	460 618	102 700	(1 263 503)	(1 000 902)
Other comprehensive income items that may be (or were) reclassified to profit or loss	853 602	230 210	(695 440)	108 590
Result on debt securities	579 928	163 440	(482 730)	136 284
Hedge accounting	273 674	66 770	(212 710)	(27 694)
Other comprehensive income items that will not be reclassified to profit or loss	(84)	0	(43)	(16)
Actuarial gains (losses)	(84)	0	0	0
Result on equity instruments	0	0	(43)	(16)
Total comprehensive income items before taxes	**853 518**	**230 210**	**(695 483)**	**108 574**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(162 184)	(43 740)	132 134	(20 632)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	16	0	8	3
Total comprehensive income items after taxes	**691 350**	**186 470**	**(563 341)**	**87 945**
Total comprehensive income for the period	**1 151 968**	**289 170**	**(1 826 844)**	**(912 957)**
Attributable to:				
Owners of the parent	1 151 968	289 170	(1 826 844)	(912 957)
Non-controlling interests	0	0	0	0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Amount '000 PLN	Note	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Cash, cash balances at central banks		4 581 063	6 768 777	9 536 090	10 131 930
Financial assets held for trading	12	785 232	692 718	363 519	469 779
Derivatives		549 537	495 406	339 196	321 344
Equity instruments		175	115	113	88
Debt securities		235 520	197 197	24 210	148 347
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers		146 177	143 815	201 036	255 329
Equity instruments		66 609	66 609	128 979	186 631
Debt securities		79 568	77 206	72 057	68 697
Financial assets at fair value through other comprehensive income	13	21 639 751	14 681 777	16 505 606	14 000 568
Equity instruments		24 392	24 378	24 396	28 789
Debt securities		21 615 359	14 657 399	16 481 210	13 971 779
Loans and advances to customers	14	73 983 320	74 152 070	76 565 163	78 965 473
Mandatorily at fair value through profit or loss		23 612	54 780	97 982	135 100
Valued at amortised cost		73 959 708	74 097 290	76 467 181	78 830 373
Financial assets at amortised cost other than Loans and advances to customers	15	19 438 245	15 047 887	4 631 170	3 332 902
Debt securities		16 892 500	14 467 969	3 893 212	2 142 156
Deposits, loans and advances to banks and other monetary institutions		533 703	532 220	733 095	1 186 220
Reverse sale and repurchase agreements		2 012 042	47 698	4 863	4 526
Derivatives – Hedge accounting	16	0	121 936	135 804	0
Investments in subsidiaries, joint ventures and associates		43 522	43 522	0	0
Tangible fixed assets		550 020	552 519	572 810	530 658
Intangible fixed assets		458 023	442 931	436 622	415 034
Income tax assets		680 349	737 827	805 624	948 301
Current income tax assets		2 333	4 956	4 232	3 111
Deferred income tax assets	18	678 016	732 871	801 392	945 190
Other assets		1 587 494	1 425 904	1 177 134	1 133 811
Non-current assets and disposal groups classified as held for sale		16 180	11 940	11 391	9 988
Total assets		**123 909 376**	**114 823 623**	**110 941 969**	**110 193 773**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.09.2023	30.06.2023	31.12.2022	30.09.2022
LIABILITIES					
Financial liabilities held for trading	12	680 843	568 182	385 062	306 875
Derivatives		528 848	479 672	380 278	301 206
Liabilities from short sale of securities		151 996	88 510	4 784	5 669
Financial liabilities measured at amortised cost		111 600 513	103 287 919	100 577 923	100 701 560
Liabilities to banks and other monetary institutions	19	428 097	522 954	727 571	603 646
Liabilities to customers	20	106 176 227	100 596 983	98 038 516	97 770 565
Sale and repurchase agreements	21	571 017	350 244	0	763 502
Debt securities issued	22	2 862 168	251 759	243 753	0
Subordinated debt	23	1 563 005	1 565 979	1 568 083	1 563 847
Derivatives – Hedge accounting	16	412 281	329 630	554 544	988 841
Provisions	24	1 203 791	1 141 582	1 016 169	926 153
Pending legal issues		1 167 499	1 107 056	976 552	889 301
Commitments and guarantees given		36 292	34 526	39 617	36 852
Income tax liabilities		503 242	386 481	32 533	29 094
Current income tax liabilities		503 044	385 613	32 533	29 094
Deferred income tax liabilities	18	198	868	0	0
Other liabilities		2 862 331	2 752 626	2 881 332	2 375 470
Total Liabilities		**117 263 002**	**108 466 420**	**105 447 563**	**105 327 993**
EQUITY					
Share capital		1 213 117	1 213 117	1 213 117	1 213 117
Own shares		(21)	(21)	(21)	(21)
Share premium		1 147 502	1 147 502	1 147 502	1 147 502
Accumulated other comprehensive income		(350 934)	(537 405)	(1 042 284)	(1 421 974)
Retained earnings		4 636 710	4 534 010	4 176 092	3 927 156
Total equity		6 646 374	6 357 203	5 494 406	4 865 780
Total equity and total liabilities		**123 909 376**	**114 823 623**	**110 941 969**	**110 193 773**

Book value of net assets	6 646 374	6 357 203	5 494 406	4 865 780
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)	5.48	5.24	4.53	4.01

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	Retained earnings: Other reserves
01.01.2023 - 30.09.2023							
Equity at the beginning of the period	5 494 406	1 213 117	(21)	1 147 502	(1 042 284)	(824 873)	5 000 965
Total comprehensive income for period (net)	1 151 968	0	0	0	691 350	460 618	0
net profit/ (loss) of the period	460 618	0	0	0	0	460 618	0
valuation of debt securities	469 742	0	0	0	469 742	0	0
valuation of shares	0	0	0	0	0	0	0
hedge accounting	221 676	0	0	0	221 676	0	0
actuarial gains/losses	(68)	0	0	0	(68)	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	**6 646 374**	**1 213 117**	**(21)**	**1 147 502**	**(350 934)**	**677 177**	**3 959 533**
01.07.2023 - 30.09.2023							
Equity at the beginning of the period	6 357 203	1 213 117	(21)	1 147 502	(537 405)	574 477	3 959 533
Total comprehensive income for period (net)	289 171	0	0	0	186 471	102 700	0
net profit/ (loss) of the period	102 700	0	0	0	0	102 700	0
valuation of debt securities	132 387	0	0	0	132 387	0	0
valuation of shares	0	0	0	0	0	0	0
hedge accounting	54 084	0	0	0	54 084	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	0	0
Equity at the end of the period	**6 646 374**	**1 213 117**	**(21)**	**1 147 502**	**(350 934)**	**677 177**	**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 end of the period	**5 494 406**	**1 213 117**	**(21)**	**1 147 502**	**(1 042 284)**	**(824 873)**	**5 000 965**
01.01.2022 - 30.09.2022							
Equity at the beginning of the period	6 697 246	1 213 117	(21)	1 147 502	(858 633)	(1 198 425)	6 393 706
Total comprehensive income for period (net)	(1 826 844)	0	0	0	(563 341)	(1 263 503)	0
net profit/ (loss) of the period	(1 263 503)	0	0	0	0	(1 263 503)	0
valuation of debt securities	(391 011)	0	0	0	(391 011)	0	0
valuation of shares	(35)	0	0	0	(35)	0	0
hedge accounting	(172 295)	0	0	0	(172 295)	0	0
Purchase and transfer of own shares to employees	(4 623)	0	0	0	0	0	(4 623)
Transfer between items of reserves	0	0	0	0	0	1 388 118	(1 388 118)
Equity at the end of the period	**4 865 780**	**1 213 117**	**(21)**	**1 147 502**	**(1 421 974)**	**(1 073 810)**	**5 000 965**

CONSOLIDATED STATEMENT OF CASH FLOW

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Profit (loss) after taxes	460 618	102 700	(1 263 503)	(1 000 902)
Total adjustments:	12 671 795	7 281 634	7 516 049	2 131 178
Interest received	5 882 068	2 022 447	4 018 008	1 663 294
Interest paid	(2 142 029)	(727 813)	(741 316)	(423 399)
Depreciation and amortization	158 684	53 238	156 446	52 219
Foreign exchange (gains)/ losses	0	0	0	0
Dividends	(3 278)	(151)	(3 413)	(353)
Changes in provisions	187 622	62 208	330 623	167 059
Result on sale and liquidation of investing activity assets	(540 741)	(5 074)	1 081	(271)
Change in financial assets held for trading	(24 558)	79 057	(492 925)	(250 352)
Change in loans and advances to banks	70 154	(117 703)	(292 407)	(110 678)
Change in loans and advances to customers	(2 354 674)	(1 487 054)	(4 030 230)	(1 141 346)
Change in receivables from securities bought with sell-back clause (loans and advances)	(2 042 972)	(1 981 688)	242 419	(9 041)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	153 518	195 312	538 128	214 686
Change in deposits from banks	(167 339)	(38 542)	217 430	125 071
Change in deposits from customers	10 170 592	6 264 550	6 996 499	2 041 311
Change in liabilities from securities sold with buy-back clause	602 714	227 566	790 065	784 472
Change in debt securities	2 674 941	2 641 770	(39 043)	0
Change in income tax settlements	593 936	177 569	122 920	(127 170)
Income tax paid	(163 919)	(47 360)	(125 733)	(83 411)
Change in other assets and liabilities	(489 882)	(71 964)	(248 840)	(807 275)
Other	106 958	35 266	76 338	36 363
Net cash flows from operating activities	**13 132 413**	**7 384 334**	**6 252 546**	**1 130 276**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Inflows:	518 969	6 580	1 302 454	5 682
Proceeds from sale of property, plant and equipment and intangible assets	15 779	6 429	12 301	5 329
Proceeds from sale of shares in related entities	499 912	0	0	0
Proceeds from sale of investment financial assets	0	0	1 286 740	0
Other	3 278	151	3 413	353
Outflows:	(8 568 112)	(1 151 448)	(102 263)	(671 611)
Acquisition of property, plant and equipment and intangible assets	(96 862)	(44 950)	(102 263)	(51 971)
Acquisition of shares in related entities	0	0	0	0
Acquisition of investment financial assets	(8 471 250)	(1 106 498)	0	(619 640)
Other	0	0	0	0
Net cash flows from investing activities	**(8 049 143)**	**(1 144 868)**	**1 200 191**	**(665 929)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Inflows from financing activities:	0	0	0	0
Long-term bank loans	0	0	0	0
Issue of debt securities	0	0	0	0
Increase in subordinated debt	0	0	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0	0	0
Other inflows from financing activities	0	0	0	0
Outflows from financing activities:	(223 471)	(90 198)	(181 370)	(82 069)
Repayment of long-term bank loans	(105 000)	(50 000)	(125 343)	(55 000)
Redemption of debt securities	0	0	0	0
Decrease in subordinated debt	0	0	0	0
Issue of shares expenses	0	0	0	0
Redemption of shares	0	0	0	0
Dividends paid and other payments to owners	0	0	0	0
Other outflows from financing activities	(118 471)	(40 198)	(56 027)	(27 069)
Net cash flows from financing activities	**(223 471)**	**(90 198)**	**(181 370)**	**(82 069)**

D. Net cash flows. Total (A + B + C)	**4 859 799**	**6 149 268**	**7 271 367**	**382 278**
- including change resulting from FX differences	(2 363)	301	13 725	8 904
E. Cash and cash equivalents at the beginning of the reporting period	**14 231 089**	**12 941 620**	**3 372 244**	**10 261 333**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**19 090 888**	**19 090 888**	**10 643 611**	**10 643 611**

4. NOTES TO CONSOLIDATED FINANCIAL DATA

1) INTEREST INCOME AND OTHER OF SIMILAR NATURE

	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Interest income from Financial assets at fair value through other comprehensive income	648 685	201 946	331 708	133 738
Debt securities	648 685	201 946	331 708	133 738
Interest income from Financial assets at amortised cost	5 592 321	1 930 244	2 673 532	288 865
Balances with the Central Bank	170 466	56 492	108 174	54 026
Loans and advances to customers	4 989 155	1 684 177	2 400 079	167 295
Debt securities	362 106	165 592	45 720	26 092
Deposits, loans and advances to banks	25 531	10 421	14 264	7 484
Transactions with repurchase agreements	35 793	17 344	21 892	12 739
Hedging derivatives	9 270	(3 782)	83 403	21 229
Result of similar nature to interest, including:	75 099	24 957	(46 577)	(15 179)
Loans and advances to customers mandatorily at fair value through profit or loss	8 635	1 670	23 026	6 404
Financial assets held for trading - derivatives	63 307	22 468	(72 908)	(23 367)
Financial assets held for trading - debt securities	3 157	819	3 305	1 784
Total	**6 316 105**	**2 157 147**	**2 958 663**	**407 424**

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

Interest income for the 3 quarters 2023 contains interest accrued on impaired loans in the amount of PLN 152,548 thous. (for corresponding data in the year 2023 the amount of such interest stood at PLN 110,994 thous.).

2) INTEREST EXPENSES AND OTHER OF SIMILAR NATURE

	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Financial liabilities measured at amortised cost	(2 346 394)	(785 386)	(970 251)	(558 933)
Liabilities to banks and other monetary institutions	(14 104)	(2 098)	(24 602)	(10 015)
Liabilities to customers	(2 129 822)	(707 751)	(821 014)	(492 387)
Transactions with repurchase agreement	(31 697)	(6 793)	(44 601)	(20 970)
Debt securities issued	(56 526)	(31 361)	(525)	0
Subordinated debt	(107 183)	(35 262)	(73 622)	(33 673)
Liabilities due to leasing agreements	(7 062)	(2 121)	(5 887)	(1 888)
Other	0	0	0	0
Total	**(2 346 394)**	**(785 386)**	**(970 251)**	**(558 933)**

3) Fee and commission income

	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Resulting from accounts service	88 333	29 288	105 745	32 213
Resulting from money transfers, cash payments and withdrawals and other payment transactions	70 704	23 866	67 550	23 174
Resulting from loans granted	153 843	50 880	152 916	35 924
Resulting from guarantees and sureties granted	10 825	3 612	10 463	3 401
Resulting from payment and credit cards	219 737	77 115	199 744	71 265
Resulting from sale of insurance products	131 733	34 258	125 419	41 845
Resulting from distribution of investment funds units and other savings products	19 300	6 449	27 970	7 212
Resulting from brokerage and custody service	8 270	2 845	11 538	3 839
Resulting from investment funds managed by the Group	46 636	16 890	43 042	12 862
Other	31 000	10 579	23 875	8 122
Total	780 381	255 782	768 262	239 857

4) Fee and commission expense

	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Resulting from accounts service	(32 300)	(10 913)	(14 468)	(6 511)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(3 714)	(1 229)	(4 200)	(1 653)
Resulting from loans granted	(17 886)	(5 886)	(20 425)	(7 256)
Resulting from payment and credit cards	(82 582)	(29 494)	(78 398)	(29 566)
Resulting from brokerage and custody service	(1 598)	(496)	(2 154)	(695)
Resulting from investment funds managed by the Group	(8 144)	(2 786)	(8 442)	(2 608)
Resulting from insurance activity	(7 696)	(2 063)	(8 996)	(2 563)
Other	(34 551)	(14 957)	(24 871)	(9 635)
Total	(188 471)	(67 824)	(161 954)	(60 487)

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

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

Taking into consideration this verdict, the Group as at 30 September 2023 had a provision **in** the amount of PLN 77.8 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 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Operations on shares	553 912	0	0	0
Operations on debt instruments	(12 415)	(62)	(166)	0
Costs of financial operations	(1 716)	(800)	(1 802)	(475)
Total	539 781	(862)	(1 968)	(475)

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 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Result on debt instruments	(715)	(3 899)	(10 578)	(114)
Result on derivatives	(1 612)	140	12 013	6 796
Result on other financial operations	11	9	59	(21)
Total	(2 316)	(3 750)	1 494	6 661

7) Results non-trading financial assets mandatorily at fair value through profit or loss

	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Loans and advances to customers	(272)	1 970	13 629	8 058
Result on equity instruments	4 360	0	56 198	60 922
Result on debt instruments	7 510	2 362	(58 801)	(60 295)
Total	11 598	4 332	11 026	8 685

8) Administrative expenses

	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Staff costs:	(766 493)	(264 655)	(678 076)	(232 649)
Salaries	(627 748)	(218 451)	(556 058)	(192 667)
Surcharges on pay	(111 856)	(37 268)	(96 900)	(31 891)
Employee benefits, including:	(26 889)	(8 936)	(25 118)	(8 091)
- provisions for retirement benefits	(3 450)	(1 150)	(4 644)	(1 548)
- provisions for unused employee holiday	(17)	(6)	(35)	(12)
- other	(23 422)	(7 780)	(20 439)	(6 531)
Other administrative expenses:	(538 610)	(175 919)	(790 081)	(176 679)
Costs of advertising, promotion and representation	(47 977)	(15 501)	(47 525)	(12 679)
IT and communications costs	(112 576)	(38 659)	(98 863)	(34 629)
Costs of renting	(61 634)	(23 555)	(36 455)	(11 755)
Costs of buildings maintenance, equipment and materials	(36 601)	(11 935)	(31 357)	(10 534)
ATM and cash maintenance costs	(26 470)	(8 987)	(24 013)	(8 401)
Costs of consultancy, audit and legal advisory and translation	(88 621)	(30 922)	(67 104)	(30 696)
Taxes and fees	(32 433)	(9 013)	(28 401)	(9 647)
KIR - clearing charges	(9 468)	(3 256)	(8 310)	(2 807)
PFRON costs	(6 347)	(2 249)	(4 495)	(1 874)
Banking Guarantee Fund costs	(60 039)	0	(120 686)	(9)
Financial Supervision costs	(11 054)	(3 306)	(9 590)	(3 338)
Costs of protection scheme	0	0	(276 120)	(24 420)
Other	(45 390)	(28 536)	(37 162)	(25 890)
Total	**(1 305 103)**	**(440 574)**	**(1 468 157)**	**(409 328)**

9) Impairment losses on financial assets

	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Impairment losses on loans and advances to customers	(207 162)	(49 949)	(269 640)	(115 970)
Impairment charges on loans and advances to customers	(1 256 334)	(304 437)	(1 301 408)	(421 364)
Reversal of impairment charges on loans and advances to customers	981 689	243 633	954 042	285 716
Amounts recovered from loans written off	31 789	10 856	34 527	12 042
Sale of receivables	35 649	(10)	43 185	3 517
Other directly recognised in profit and loss	45	9	14	4 119
Impairment losses on securities	3	3	(2)	(2)
Impairment charges on securities	0	0	(2)	(2)
Reversal of impairment charges on securities	3	3	0	0
Impairment losses on off-balance sheet liabilities	3 275	(1 665)	7 719	1 624
Impairment charges on off-balance sheet liabilities	(31 527)	(6 708)	(33 025)	(5 213)
Reversal of impairment charges on off-balance sheet liabilities	34 802	5 043	40 744	6 837
Total	**(203 884)**	**(51 611)**	**(261 923)**	**(114 348)**

10) Provisions for legal risk connected with FX mortgage loans

01.01.2023 - 30.09.2023	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	(331 048)	(331 048)	0
Costs of provisions for legal risk connected wlth FX mortgage loans	2 363 800	0	2 363 800
Allocation to the loans portfolio	0	2 070 528	(2 070 528)
Change of provisions due to FX rates differences	88 045	88 045	0
Balance at the end of the period	7 516 140	6 400 425	1 115 715

01.07.2023 - 30.09.2023	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	6 561 956	5 607 912	954 044
Amounts written off	(116 751)	(116 751)	0
Costs of provisions for legal risk connected wlth FX mortgage loans	743 180	0	743 180
Allocation to the loans portfolio	0	581 509	(581 509)
Change of provisions due to FX rates differences	327 756	327 756	0
Balance at the end of the period	7 516 140	6 400 425	1 115 715

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

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

	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Costs of settlements recognized in the profit and loss account, including:	(237 038)	(86 905)	(376 763)	(143 454)
- included in the “Result on exchange differences”	(196 012)	(81 900)	(327 094)	(97 949)
- included in the “Result on modification”	(41 026)	(5 005)	(49 669)	(45 505)
Costs of settlements charged to previously created provisions	59 514	28 963	0	0

11) CORPORATE INCOME TAX

11A. INCOME TAX REPORTED IN INCOME STATEMENT

	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Current tax	(633 426)	(166 737)	(153 986)	(88 737)
Current year	(635 679)	(167 616)	(153 986)	(88 737)
Adjustment to prior years	2 253	879	0	0
Deferred tax:	37 863	(11 317)	34 690	228 493
Recognition and reversal of temporary differences	40 589	(13 017)	32 452	227 879
Recognition / (Utilisation) of tax loss	(2 726)	1 700	2 238	614
Total income tax reported in income statement	**(595 563)**	**(178 055)**	**(119 296)**	**139 756**

11B. EFFECTIVE TAX RATE

	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Profit before tax	1 056 180	280 754	(1 144 207)	(1 140 658)
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	(200 674)	(53 343)	217 399	216 724
Impact of permanent differences on tax charges:	**(402 435)**	**(125 447)**	**(337 151)**	**(76 968)**
- Non-taxable income	30 092	15 518	29 008	9 231
Dividend income	532	3	469	3
Release of other provisions	25 838	11 905	27 152	9 241
Other	3 722	3 610	1 387	(13)
- Cost which is not a tax cost	(432 527)	(140 965)	(366 159)	(86 199)
PFRON fee	(1 205)	(427)	(844)	(346)
Fees for Banking Guarantee Fund	(11 408)	0	(22 929)	0
Banking tax	(604)	0	(32 122)	(45)
Receivables written off	(13 681)	(2 936)	(4 308)	(253)
Costs of litigations and claims	(401 950)	(136 669)	(300 990)	(82 495)
Other	(3 679)	(933)	(4 966)	(3 060)
Other differences between the gross financial result and taxable income (including R&D relief)	7 546	735	456	0
Total income tax reported in income statement	**(595 563)**	**(178 055)**	**(119 296)**	**139 756**
Effective tax rate	56.39%	63.42%	/-/	/-/

11C. DEFERRED TAX REPORTED IN EQUITY

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Valuation of investment assets at fair value through other comprehensive income	59 280	90 335	169 468	221 586
Valuation of cash flow hedging instruments	25 153	37 840	77 151	112 408
Actuarial gains (losses)	(2 117)	(2 117)	(2 133)	(445)
Deferred tax reported directly in equity	82 316	126 058	244 486	333 549

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

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Debt securities	**235 520**	**197 197**	**24 210**	**148 347**
Issued by State Treasury	235 520	197 197	24 210	148 347
a) bills	0	0	0	0
b) bonds	235 520	197 197	24 210	148 347
Other securities	0	0	0	0
a) quoted	0	0	0	0
b) non quoted	0	0	0	0
Equity instruments	**175**	**115**	**113**	**88**
Quoted on the active market	175	115	113	88
a) financial institutions	106	41	27	2
b) non-financial institutions	69	74	86	86
Adjustment from fair value hedge	0	0	0	0
Positive valuation of derivatives	549 537	495 406	339 196	321 344
Total	**785 232**	**692 718**	**363 519**	**469 779**

12B. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING - VALUATION OF DERIVATIVES, ADJUSTMENT FROM FAIR VALUE HEDGE AND SHORT POSITIONS AS AT:

	Fair Values 30.09.2023			Fair Values 30.06.2023		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	(11 340)	17 531	28 871	(18 383)	23 708	42 091
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	(11 340)	493	11 833	(18 764)	848	19 612
Other interest rate contracts: options	0	17 038	17 038	381	22 860	22 479
2. FX derivatives	39 200	146 328	107 128	39 949	124 367	84 418
FX contracts	(26 112)	8 504	34 616	(48 203)	7 621	55 824
FX swaps	65 312	137 824	72 512	88 152	116 746	28 594
Other FX contracts (CIRS)	0	0	0	0	0	0
FX options	0	0	0	0	0	0
3. Embedded instruments	(383 875)	0	383 875	(346 115)	0	346 115
Options embedded in deposits	(383 875)	0	383 875	(346 115)	0	346 115
Options embedded in securities issued	0	0	0	0	0	0
4. Indexes options	376 704	385 678	8 974	340 283	347 331	7 048
Total	**20 689**	**549 537**	**528 848**	**15 734**	**495 406**	**479 672**
Valuation of hedged position in fair value hedge accounting	-	0	0	-	0	0
Liabilities from short sale of debt securities	-	-	151 996	-	-	88 510

	Fair Values 31.12.2022			Fair Values 30.09.2022		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	(28 842)	29 235	58 077	(37 120)	30 373	67 493
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	(29 344)	1 293	30 637	(37 101)	1 434	38 535
Other interest rate contracts: options	502	27 942	27 440	(19)	28 939	28 958
2. FX derivatives	(9 254)	58 525	67 779	59 096	126 568	67 472
FX contracts	(12 289)	11 840	24 129	20 463	30 852	10 389
FX swaps	1 436	44 663	43 227	19 206	76 289	57 083
Other FX contracts (CIRS)	1 599	2 022	423	19 427	19 427	0
FX options	0	0	0	0	0	0
3. Embedded instruments	(250 400)	0	250 400	(164 434)	0	164 434
Options embedded in deposits	(250 400)	0	250 400	(164 434)	0	164 434
Options embedded in securities issued	0	0	0	0	0	0
4. Indexes options	247 414	251 436	4 022	162 596	164 403	1 807
Total	**(41 082)**	**339 196**	**380 278**	**20 138**	**321 344**	**301 206**
Valuation of hedged position in fair value hedge accounting	-	0	0	-	0	0
Liabilities from short sale of debt securities	-	-	4 784	-	-	5 669

13) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Debt securities	**21 615 359**	**14 657 399**	**16 481 210**	**13 971 779**
Issued by State Treasury	10 303 251	10 125 318	13 554 072	13 470 471
a) bills	0	0	0	0
b) bonds	10 303 251	10 125 318	13 554 071	13 470 471
Issued by Central Bank	10 874 781	4 104 382	2 528 310	116 369
a) bills	10 874 781	4 104 382	2 528 310	116 369
b) bonds	0	0	0	0
Other securities	437 327	427 699	398 828	384 939
a) listed	437 327	427 699	398 828	384 939
b) not listed	0	0	0	0
Shares and interests in other entities	24 392	24 378	24 396	28 789
Other financial instruments	0	0	0	0
Total financial assets at fair value through other comprehensive income	**21 639 751**	**14 681 777**	**16 505 606**	**14 000 568**

14) LOANS AND ADVANCES TO CUSTOMERS

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

Balance sheet value:	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Mandatorily at fair value through profit or loss	23 612	54 780	97 982	135 100
Companies	110	71	66	89
Individuals	23 502	54 709	97 916	135 011
Public sector	0	0	0	0

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

The Bank writes down the gross carrying amount of a financial asset when there is no reasonable probability that it will be fully (total writes off) or partially (partial writes off) recovered. Following the recorded partial writes off the Bank provisioned (deducting the carrying value of gross receivables) penalty interest amounting to PLN 477 million as at 30.09.2023.

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 30.09.2023	66 535 196	6 439 466	3 545 132	(424 893)	(320 650)	(1 814 543)	73 959 708
Companies	15 835 051	1 504 576	740 088	(95 190)	(53 845)	(278 999)	17 651 681
Individuals	50 517 584	4 934 641	2 805 044	(328 002)	(266 805)	(1 535 544)	56 126 918
Public sector	182 561	249	0	(1 701)	0	0	181 109
Valued at amortised cost, as at 30.06.2023	66 731 571	6 443 252	3 417 580	(433 480)	(327 603)	(1 734 030)	74 097 290
Companies	16 210 998	1 476 821	723 686	(111 466)	(75 346)	(283 513)	17 941 180
Individuals	50 303 646	4 965 748	2 693 894	(320 170)	(252 257)	(1 450 517)	55 940 344
Public sector	216 927	683	0	(1 844)	0	0	215 766

	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 31.12.2022	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 30.09.2022	72 303 753	5 378 678	3 642 990	(394 865)	(304 995)	(1 795 188)	78 830 373
Companies	18 273 116	1 339 301	818 502	(106 611)	(56 362)	(321 408)	19 946 538
Individuals	53 771 315	4 039 374	2 824 488	(286 770)	(248 633)	(1 473 780)	58 625 994
Public sector	259 322	3	0	(1 484)	0	0	257 841

14C. Loans and advances to customers

	30.09.2023		30.06.2023	
	Valued at amortised cost	Mandatorily at fair value through profit or loss	Valued at amortised cost	Mandatorily at fair value through profit or loss
Loans and advances	67 594 413	13 386	67 805 674	16 265
▪ to companies	11 072 837	0	11 446 350	0
▪ to private individuals	56 450 847	13 386	56 260 984	16 265
▪ to public sector	70 729	0	98 340	0
Receivables on account of payment cards	1 180 686	10 226	1 124 896	38 515
▪ due from companies	14 056	110	13 868	71
▪ due from private individuals	1 166 630	10 116	1 111 028	38 444
Purchased receivables	139 976		84 733	
▪ from companies	139 976		84 733	
▪ from public sector	0		0	
Guarantees and sureties realised	1 616		1 579	
Debt securities eligible for rediscount at Central Bank	41		69	
Financial leasing receivables	6 911 912		6 938 227	
Other	62 485		42 963	
Interest	628 665		594 263	
Total:	**76 519 794**	**23 612**	**76 592 404**	**54 780**
Impairment allowances	(2 560 086)	-	(2 495 114)	-
Total balance sheet value:	**73 959 708**	**23 612**	**74 097 290**	**54 780**

	31.12.2022		30.09.2022	
	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	72 307 440	32 698
▪ to companies	11 642 443	0	13 065 665	0
▪ to private individuals	58 199 858	23 708	59 135 261	32 698
▪ to public sector	55 009	0	106 514	0
Receivables on account of payment cards	1 034 385	74 274	992 002	102 402
▪ due from companies	13 946	66	14 901	89
▪ due from private individuals	1 020 439	74 208	977 101	102 313
Purchased receivables	195 655		142 031	
▪ from companies	195 655		142 031	
▪ from public sector	0		0	
Guarantees and sureties realised	7 203		8 045	
Debt securities eligible for rediscount at Central Bank	76		35	
Financial leasing receivables	7 160 606		7 282 701	
Other	30 277		25 576	
Interest	562 478		567 591	
Total:	**78 887 990**	**97 982**	**81 325 421**	**135 100**
Impairment allowances	(2 420 809)	-	(2 495 048)	-
Total balance sheet value:	**76 467 181**	**97 982**	**78 830 373**	**135 100**

14D. Quality of loans and advances to customers portfolio valued at amortised cost

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Loans and advances to customers (gross)	76 519 794	76 592 404	78 887 990	81 325 421
impaired	3 545 132	3 417 580	3 466 148	3 642 990
not impaired	72 974 662	73 174 824	75 421 842	77 682 431
Impairment write-offs	(2 560 086)	(2 495 114)	(2 420 809)	(2 495 048)
for impaired exposures	(1 814 543)	(1 734 030)	(1 684 474)	(1 795 188)
for not impaired exposures	(745 543)	(761 084)	(736 335)	(699 859)
Loans and advances to customers (net)	**73 959 708**	**74 097 290**	**76 467 181**	**78 830 373**

14E. Loans and advances to customers portfolio valued at amortised cost by methodology of impairment assessment

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Loans and advances to customers (gross)	76 519 794	76 592 404	78 887 990	81 325 421
case by case analysis	521 612	529 400	501 115	693 229
collective analysis	75 998 182	76 063 004	78 386 875	80 632 192
Impairment allowances	(2 560 086)	(2 495 114)	(2 420 809)	(2 495 048)
on the basis of case by case analysis	(176 815)	(175 904)	(168 105)	(224 612)
on the basis of collective analysis	(2 383 271)	(2 319 210)	(2 252 704)	(2 270 436)
Loans and advances to customers (net)	**73 959 708**	**74 097 290**	**76 467 181**	**78 830 373**

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

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Loans and advances to customers (gross)	76 519 794	76 592 404	78 887 990	81 325 421
corporate customers	18 262 525	18 629 116	19 121 437	20 690 244
individuals	58 257 269	57 963 288	59 766 553	60 635 177
Impairment allowances	(2 560 086)	(2 495 114)	(2 420 809)	(2 495 048)
for receivables from corporate customers	(429 735)	(472 170)	(415 722)	(485 865)
for receivables from private individuals	(2 130 351)	(2 022 944)	(2 005 087)	(2 009 183)
Loans and advances to customers (net)	**73 959 708**	**74 097 290**	**76 467 181**	**78 830 373**

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

	01.01.2023 - 30.09.2023	01.01.2023 - 30.06.2023	01.01.2022 - 31.12.2022	01.01.2022 - 30.09.2022
Balance at the beginning of the period	2 420 809	2 420 809	2 374 246	2 374 246
Change in value of allowances:	139 277	74 305	46 563	120 802
Impairment allowances created in the period	1 256 174	951 897	1 671 698	1 301 048
Amounts written off	(129 060)	(101 358)	(281 934)	(168 455)
Impairment allowances released in the period	(981 420)	(737 787)	(1 191 876)	(953 597)
Sale of receivables	(63 325)	(63 325)	(241 148)	(146 254)
KOIM created in the period*	53 457	35 554	71 224	50 431
Changes resulting from FX rates differences	(229)	(12 588)	19 594	36 117
Other	3 680	1 912	(995)	1 512
Balance at the end of the period	**2 560 086**	**2 495 114**	**2 420 809**	**2 495 048**

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

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

	Gross balance sheet value	Accumulated impairment	Net balance sheet value
30.09.2023			
- Companies	25 013	222	25 235
- Individuals	107 671	(27 191)	80 481
- Public sector	0	0	0
30.06.2023			
- Companies	25 563	(517)	25 046
- Individuals	112 093	(20 263)	91 830
- 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
30.09.2022			
- Companies	58	158	216
- Individuals	172 791	(28 264)	144 528
- Public sector	0	0	0

14H. Loans and advances to customers portfolio valued at amortised cost by currency

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
in Polish currency	68 180 965	67 841 416	67 681 948	68 424 358
in foreign currencies (after conversion to PLN)	8 338 829	8 750 988	11 206 042	12 901 063
currency: USD	101 990	99 575	67 654	208 917
currency: EUR	4 242 918	3 994 563	4 107 584	4 367 684
currency: CHF	3 971 357	4 653 741	7 027 404	8 318 895
other currencies	22 564	3 109	3 400	5 567
Total gross	**76 519 794**	**76 592 404**	**78 887 990**	**81 325 421**

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

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

30.09.2023	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	16 892 503	0	0	(3)	0	0	16 892 500
Deposits, loans and advances to banks and other monetary institutions	533 875	0	0	(172)	0	0	533 703
Repurchase agreements	2 012 042	0	0	0	0	0	2 012 042

30.06.2023	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	14 467 973	0	0	(4)	0	0	14 467 969
Deposits, loans and advances to banks and other monetary institutions	532 232	0	0	(12)	0	0	532 220
Repurchase agreements	47 698	0	0	0	0	0	47 698

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

30.09.2022	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	2 142 158	0	0	(2)	0	0	2 142 156
Deposits, loans and advances to banks and other monetary institutions	1 186 373	0	0	(153)	0	0	1 186 220
Repurchase agreements	4 526	0	0	0	0	0	4 526

15B. Debt securities

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
credit institutions	717 698	690 331	458 623	350 338
other companies	0	0	0	0
public sector	16 174 802	13 777 638	3 434 589	1 791 818
Total	16 892 500	14 467 969	3 893 212	2 142 156

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

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Current accounts	174 805	292 785	181 896	257 851
Deposits	356 743	238 356	548 647	922 028
Other	0	235	0	5 066
Interest	2 326	856	2 833	1 428
Total (gross) deposits, loans and advances	533 874	532 232	733 376	1 186 373
Impairment allowances	(172)	(12)	(281)	(153)
Total (net) deposits, loans and advances	**533 702**	**532 220**	**733 095**	**1 186 220**

15D. REPURCHASE AGREEMENTS

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
credit institutions	2 011 248	9 166	0	4 525
other customers	0	38 524	4 854	0
interest	794	8	9	1
Total	2 012 042	47 698	4 863	4 526

16) DERIVATIVES - HEDGE ACCOUNTING

16A. HEDGE RELATIONS

Detailed information on cash flow hedge relations applied by the Group, items designated as hedged and hedging and presentation of the result (active as at 30.09.2023) is shown in a tables below:

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

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

16B. HEDGE ACCOUNTING - BALANCE SHEET VALUATION

	Fair values 30.09.2023			Fair values 30.06.2023		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(289 358)	0	289 358	(19 317)	121 936	141 253
IRS contracts	(122 886)	0	122 886	(188 377)	0	188 377
FXS contracts	0	0	0	0	0	0
2. Derivatives used as interest rate hedges related to interest rates						
IRS contracts	(37)	0	37	0	0	0
3. Total hedging derivatives	(412 281)	0	412 281	(207 694)	121 936	329 630

	Fair values 31.12.2022			Fair values 30.09.2022		
	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	(537 945)	0	537 945
IRS contracts	(358 033)	0	358 033	(450 896)	0	450 896
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	(988 841)	0	988 841

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	16 829
- Write-offs released	(3)	0	0	0	(16 775)
- Utilisation	0	0	0	0	(934)
- Other	0	0	0	(137)	137
As at 30.09.2023	4 999	816	3 988	0	28 662
As at 01.01.2023	5 002	816	3 988	137	29 405
- Write-offs created	0	0	0	0	12 554
- Write-offs released	(1)	0	0	0	(12 784)
- Utilisation	0	0	0	0	(916)
- Other	0	0	0	(137)	137
As at 30.06.2023	5 001	816	3 988	0	28 396
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	2	0	0	0	11 705
- Write-offs released	0	0	0	0	(8 960)
- Utilisation	(9)	0	0	0	(3 418)
- Other	0	0	0	0	0
As at 30.09.2022	4 998	8 875	3 988	137	30 945

18) DEFERRED INCOME TAX ASSETS AND LIABILITY

	30.09.2023			30.06.2023		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	(9 049)	(14 034)	(23 083)	(7 875)	2 146	(5 729)
Balance sheet valuation of financial instruments	(15 902)	(1 771)	(17 673)	(32 982)	(3 435)	(36 417)
Unrealised receivables/ liabilities on account of derivatives	62 068	(52 573)	9 495	58 177	(49 370)	8 807
Interest on deposits and securities to be paid/ received	119 607	(171 518)	(51 911)	112 811	(204 193)	(91 382)
Interest and discount on loans and receivables	0	(122 165)	(122 165)	0	(111 270)	(111 270)
Income and cost settled at effective interest rate	106 144	0	106 144	159 400	0	159 400
Impairment of loans presented as temporary differences	533 652	0	533 652	520 416	0	520 416
Employee benefits	21 475	0	21 475	20 524	0	20 524
Rights to use	4 817	0	4 817	4 845	0	4 845
Provisions for future costs	120 602	0	120 602	124 919	0	124 919
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	119 166	(36 808)	82 358	174 917	(48 817)	126 100
Valuation of shares	1 273	(31 280)	(30 007)	1 273	(30 831)	(29 558)
Valuation of future income from bancassurance cooperation	0	(10 260)	(10 260)	0	(10 260)	(10 260)
Tax loss deductible in the future	54 761	0	54 761	53 061	0	53 061
Other	690	(879)	(189)	(688)	103	(585)
Net deferred income tax asset	**1 119 304**	**(441 288)**	**678 016**	1 188 798	(455 927)	**732 871**
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax provision	Deferred income tax asset	Deferred income tax provision	Net deferred income tax provision
Income and cost settled at effective interest rate	0	(1 055)	(1 055)	0	(1 002)	(1 002)
Employee benefits	180	0	180	221	0	221
Rights to use	1	0	1	0	0	0
Provisions for future costs	720	0	720	788	0	788
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	0	(42)	(42)	0	(42)	(42)
Other	30	(32)	(2)	650	(1 483)	(833)
Net deferred income tax provision	**931**	**(1 129)**	**(198)**	1 659	(2 527)	**(868)**

	31.12.2022			30.09.2022		
	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)	3 960	(39 367)	(35 407)
Balance sheet valuation of financial instruments	33 393	(47 466)	(14 073)	92 000	(88 877)	3 123
Unrealised receivables/ liabilities on account of derivatives	73 405	(59 804)	13 601	63 077	(50 703)	12 374
Interest on deposits and securities to be paid/ received	79 570	(290 234)	(210 664)	54 316	(272 615)	(218 299)
Interest and discount on loans and receivables	0	(109 345)	(109 345)	0	(106 150)	(106 150)
Income and cost settled at effective interest rate	238 828	(795)	238 033	337 568	(784)	336 784
Impairment of loans presented as temporary differences	516 489	0	516 489	495 952	0	495 952
Employee benefits	20 807	0	20 807	19 965	0	19 965
Rights to use	4 756	0	4 756	5 175	0	5 175
Provisions for future costs	84 037	0	84 037	77 166	0	77 166
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	299 930	(55 444)	244 486	369 376	(35 828)	333 548
Valuation of shares	1 273	(19 420)	(18 147)	1 273	(34 803)	(33 530)
Tax loss deductible in the future	57 486	0	57 486	57 093	0	57 093
Other	(3 017)	172	(2 845)	(2 826)	222	(2 604)
Net deferred income tax asset	1 406 755	(605 363)	801 392	1 574 095	(628 905)	945 190

19) LIABILITIES TO BANKS AND OTHER MONETARY INSTITUTIONS

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
In current account	28 561	30 857	25 287	42 431
Term deposits	398 119	438 424	589 046	306 990
Loans and advances received	0	50 000	105 000	251 015
Interest	1 417	3 673	8 238	3 210
Total	428 097	522 954	727 571	603 646

20) Liabilities to customers

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Amounts due to private individuals	74 247 178	71 714 326	68 787 007	66 867 265
Balances on current accounts	50 232 578	49 737 494	49 106 928	48 455 623
Term deposits	23 490 181	21 459 913	19 247 973	18 053 721
Other	257 344	254 721	248 573	247 467
Accrued interest	267 075	262 198	183 533	110 454
Amounts due to companies	25 782 950	23 400 936	23 616 227	24 785 952
Balances on current accounts	13 400 555	12 695 310	13 263 263	13 266 077
Term deposits	11 943 086	10 282 538	9 889 840	11 100 062
Other	356 537	358 503	402 878	365 498
Accrued interest	82 772	64 585	60 246	54 315
Amounts due to public sector	6 146 099	5 481 721	5 635 282	6 117 348
Balances on current accounts	3 168 129	2 954 490	3 195 080	3 320 763
Term deposits	2 937 126	2 488 332	2 418 727	2 778 802
Other	29 627	29 184	8 193	6 066
Accrued interest	11 217	9 715	13 282	11 717
Total	**106 176 227**	**100 596 983**	**98 038 516**	**97 770 565**

21) Liabilities from securities sold with buy-back clause

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
to the Central Bank	0	0	0	0
to banks	170 304	0	0	262 782
to customers	399 995	349 996	0	499 994
interest	718	248	0	726
Total	571 017	350 244	0	763 502

22) Change of debt securities

	01.01.2023 - 30.09.2023	01.01.2023 - 30.06.2023	01.01.2022 - 31.12.2022	01.01.2022 - 30.09.2022
Balance at the beginning of the period	243 753	243 753	39 568	39 568
Increases, on account of:	2 372 802	25 165	244 278	525
issue of bonds by the Bank	2 316 276	0	242 500	0
issue of Millennium Leasing bonds	280 000	0	0	0
interest accrual	56 526	25 165	1 778	525
Reductions, on account of:	(34 387)	(17 159)	(40 093)	(40 093)
valuation of the Bank's bonds designated to fair value hedged relationship	(5 815)	0	0	0
repurchase of bonds by the Millennium Leasing	0	0	(39 450)	(39 450)
interest payment	(28 572)	(17 159)	(643)	(643)
Balance at the end of the period	**2 582 168**	**251 759**	**243 753**	**0**

In the third quarter of 2023, the Bank issued non-preferred senior bonds listed on the Luxembourg Stock Exchange, with a total value of EUR 500 million (EUR 400 million issued on September 18, 2023 and EUR 100 million on September 27, 2023, detailed information was provided by the Bank in current reports No. 27/2023 and No. 30/2023, respectively). All issued bonds mature on September 18, 2027 (with the possibility of early redemption on September 18, 2026).

23) Change of subordinated debt

	01.01.2023 - 30.09.2023	01.01.2023 - 30.06.2023	01.01.2022 - 31.12.2022	01.01.2022 - 30.09.2022
Balance at the beginning of the period	1 568 083	1 568 083	1 541 144	1 541 144
Increases, on account of:	107 183	71 921	110 182	73 622
issue of subordinated bonds	0	0	0	0
interest accrual	107 183	71 921	110 182	73 622
Reductions, on account of:	(112 261)	(74 025)	(83 243)	(50 919)
interest payment	(112 261)	(74 025)	(83 243)	(50 919)
Balance at the end of the period	**1 563 005**	**1 565 979**	**1 568 083**	**1 563 847**

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

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Provision for commitments and guarantees given	36 292	34 526	39 617	36 852
Provision for pending legal issues	1 167 499	1 107 056	976 552	889 301
Total	1 203 791	1 141 582	1 016 169	926 153

24b. Change of provision for commitments and guarantees given

	01.01.2023 - 30.09.2023	01.01.2023 - 30.06.2023	01.01.2022 - 31.12.2022	01.01.2022 - 30.09.2022
Balance at the beginning of the period	39 617	39 617	44 354	44 354
Charge of provision	31 039	24 819	42 174	33 025
Release of provision	(34 315)	(29 759)	(46 984)	(40 744)
FX rates differences	(49)	(151)	73	217
Balance at the end of the period	36 292	34 526	39 617	36 852

24c. Change of provision for pending legal issues

	01.01.2023 - 30.09.2023	01.01.2023 - 30.06.2023	01.01.2022 - 31.12.2022	01.01.2022 - 30.09.2022
Balance at the beginning of the period	976 552	976 552	551 176	551 176
Charge of provision	31 828	7 383	27 325	12 637
Release of provision	(9 734)	(8 480)	(8 382)	(5 509)
Utilisation of provision	(112 313)	0	(175)	(175)
Creation of provisions for legal risk connected with FX mortgage loans *	2 363 800	1 620 620	2 017 320	1 512 780
Allocation to the loans portfolio	(2 082 634)	(1 489 019)	(1 610 712)	(1 181 608)
Balance at the end of the period	1 167 499	1 107 056	976 552	889 301

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

5. RISK MANAGEMENT

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

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

5.1. CREDIT RISK

In the third 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, risk parameters related to the rising costs of household living were verified. Additionally, emphasis was placed on identifying customers who use support programs available on the market. In the area of mortgage exposures processes, additional steps were taken to improve cooperation with clients with liabilities in foreign currencies.

At the same time, the Group 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 9 months of 2023 are summarized below:

	30.09.2023		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	71 187 204	533 875	73 739 281	733 376
Overdue*, but without impairment	1 801 690	0	1 767 354	0
Total without impairment	72 988 894	533 875	75 506 635	733 376
With impairment	3 581 557	0	3 518 335	0
Total	**76 570 451**	**533 875**	**79 024 971**	**733 376**
Impairment write-offs	(2 560 121)	(172)	(2 420 812)	(281)
Fair value adjustment**	(27 010)	0	(38 997)	0
Total, net	**73 983 320**	**533 703**	**76 565 163**	**733 095**
Loans with impairment / total loans	4.68%	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.

5.2. MARKET RISK

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

The market risk limits are revised at least once a year and to consider, inter alia, the change of the consolidated Own Funds, current and projected balance sheet structure as well as the market environment. The market risk limits valid in 3Q 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 3Q 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 3Q2023, the FX Total open position (Intraday as well as Overnight) remained below internal limits in place and well below 2% of Own Funds.

In 3Q2023, the VaR remained on average at the level of approx. PLN341.4m for the total Group, which is jointly Trading Book and Banking Book, (62% of the limit) and at approx. PLN6.0m for Trading Book (26% of the limit). The exposure to market risk at the end of September 2023 was approx. PLN 409.6m for Global Bank (74% of the limit) and approx. PLN8.7m for Trading Book (37% 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 3Q2023 in terms of value at risk for Trading Book, together with risk type division, is presented in the table below (PLN thousands).

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

	30.06.2023		VaR (3Q2023)			30.09.2023	
	Exposure	Limit usage	Average	Maximum	Minimum	Exposure	Limit usage
Total risk	5 051	22%	6 021	9 883	480	8 666	37%
Generic risk	5 051	n.a.	6 021	9 883	480	8 666	n.a.
Interest Rate VaR	5 042	27%	6 018	9 875	459	8 660	46%
FX Risk	101	2%	52	199	24	37	1%
Diversification Effect	1,8%					0,4%	
Specific risk	0	0%	0	13	0	0	0%

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

5.3. INTEREST RATE RISK IN BANKING BOOK (IRRBB)

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

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

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

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

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

and monthly:

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

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

The results of the above-mentioned analysis for net interest income (NII), BPVx100 and economic value measures were regularly monitored and reported to the Capital, Assets and Liabilities Committee, to Risk Committee, the Management Board and Supervisory Board. The results of the IRRBB measurement as of the end of September 2023 indicate that in the EVE perspective the Group is the most exposed to the scenario of interest rates increase, while in the earnings perspective – to a decrease. The supervisory outlier test results of September 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 30th September 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 30th September 2023 (for example, the NBP Reference rate was set at 6.00%),
- application of a parallel move of 100bps in the yield curve up and down is an additional shock to all market interest rates levels as of 30th September 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 -118 million or -2.26% of the Group's NII reference level (excluding financial impact of the cost of MREL bonds issue). In a scenario of parallel increase of interest rates by 100 bps, the results are positive and equal to 80 million or +1.53% of the Group's NII reference level.

5.4. LIQUIDITY RISK

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

The liquidity risk limits are revised at least once a year to consider, inter alia, the change of the size of the consolidated own funds, current and expected balance sheet structure, historical limits' consumption, as well as current market conditions and supervisory requirements. The current limits in place have been valid since 1st of January 2023. Its levels were confirmed by the annual revision conducted and approved by the Risk Committee in December 2022.

In 3Q2023, the Group was characterized still 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, own issue of EUR bonds 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 and hedging of FX mortgage provisions.

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 3Q2023, the Group maintained Loan-to-Deposit ratio well below 100%. This ratio was equalled 70% at the end of September 2023 (74% at the end of June 2023). The liquid assets portfolio is treated by the Group's as liquidity reserve, which will overcome crisis situations. This portfolio consists of liquid debt securities issued or guaranteed by Polish government, other EU's sovereigns, and multilateral development banks,' supplemented by the cash and exposures to the National Bank of Poland. At the end of September 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 38.6 billion (31% of total assets), whereas at the end of June 2023 was at the level of approx. PLN 29.2 billion (25% of total assets).

Main liquidity ratios	30.06.2023	30.09.2023
Loans/Deposits ratio (%)	74%	70%
Liquid assets portfolio (PLN million)*	31 118	39 902
Liquidity Coverage Requirement, LCR (%)	260%	299%

(*) 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 PLN106.2 billion (PLN100.6 billion at the end of June 2023). The share of funds from individuals in total Client's deposits equalled to approx. 69.9% at the end of September 2023 (71.3% at the end of June 2023). The maintenance of high share of funds from individuals had a positive impact on the Group's liquidity and supported the safe compliance of the supervisory measures.

The main source of financing 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, own EUR bonds issue and securitization of loan portfolio.

The level of deposit concentration is regularly monitored and did not have any negative impact on the stability of the deposit base in 3Q2023. However, in case of significant increase of the share of the largest depositors, the additional funds from the depositors are not treated as stable. Despite of that, to prevent deposit base fluctuations, the Group maintains the reserves of liquid assets in the form of securities portfolio.

According to the final provisions of CRD V/CRR II package, the Group is daily calculating the liquidity coverage requirement (LCR) and monthly net stable funding requirement (NSFR). In 3Q2023, the regulatory minimum of 100% for both LCR and NSFR was fulfilled by the Group.

The LCR stayed at safe level of 299% at the end of September 2023 (260% at the end of June 2023). The comfortable liquidity position was kept due to increase of the Clients' deposits and EUR bonds own issue 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 3Q2023 the internally defined limit of 12% total assets was not breached and the liquidity position was confirmed as solid.

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

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

5.5. OPERATIONAL RISK

In the third 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 third quarter of 2023 the registered level of operational risk losses was at the acceptable level.

5.6. CAPITAL MANAGEMENT

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

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

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

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

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

- Pillar II FX mortgage loans buffer (P2R buffer) - KNF decision regarding order to maintain additional own funds to secure risk resulting from FX mortgage loans granted to households, under the art. 138.2.2 of Banking Act. A value of that buffer is defined for particular banks by KNF every year because of Supervisory Review and Evaluation Process (SREP) and relates to risk that is in KNF’s opinion - inadequately covered by minimum own funds requirements, set in CRR art. 92. At present, the buffer was set by KNF in the decisions issued in the end of 2022 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 Bank and of 1.46pp in Group, and which corresponds to capital requirements over CET 1 ratio of 1.10pp in Bank and 1.09pp 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 1.72pp and 1.75pp (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	30.09.2023	30.06.2023	30.09.2022
Risk-weighted assets	44 901.2	47 147.9	52 587.1
Own Funds requirements, including:	3 592.1	3 771.8	4 207.0
- Credit risk and counterparty credit risk	3 114.1	3 301.3	3 692.6
- Market risk	23.6	18.0	27.4
- Operational risk	446.4	446.4	474.5
- Credit Valuation Adjustment CVA	8.0	6.1	12.4
Own Funds, including:	7 471.7	6 962.3	6 497.2
Common Equity Tier 1 Capital	6 055.5	5 510.9	4 967.2
Tier 2 Capital	1 416.1	1 451.4	6 497.2
Total Capital Ratio (TCR)	**16.64%**	**14.77%**	**12.36%**
Tier 1 Capital ratio (T1)	**13.49%**	**11.69%**	**9.45%**
Common Equity Tier 1 Capital ratio (CET1)	**13.49%**	**11.69%**	**9.45%**
Leverage ratio	**4.72%**	**4.60%**	**4.28%**

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

Capital adequacy	30.09.2023	30.06.2023	30.09.2022
Total Capital Ratio (TCR)	**16.64%**	**14.77%**	**12.36%**
Minimum required level (OCR)	12.69%	12.69%	13.54%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	3.95	2.08	-1.18
Minimum recommended level TCR (OCR+P2G)	14.44%	14.44%	14.43%
Surplus(+) / Deficit(-) on recommended level (p.p.)	2.20	0.33	-2.07
Tier 1 Capital ratio (T1)	**13.49%**	**11.69%**	**9.45%**
Minimum required level (OCR)	10.21%	10.21%	10.84%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	3.29	1.49	-1.39
Minimum recommended level T1 (OCR+P2G)	11.96%	11.96%	11.73%
Surplus(+) / Deficit(-) on recommended level (p.p.)	1.54	-0.27	-2.28
Common Equity Tier 1 Capital ratio (CET1)	**13.49%**	**11.69%**	**9.45%**
Minimum required level (OCR)	8.34%	8.34%	8.81%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	5.15	3.35	0.64
Minimum recommended level CET1 (OCR+P2G)	10.09%	10.09%	9.70%
Surplus(+) / Deficit(-) on recommended level (p.p.)	3.40	1.60	-0.25
Leverage ratio	**4,72%**	**4,60%**	**4,28%**
Minimum required level	3,00%	3,00%	3,00%
Surplus(+) / Deficit(-) of Leverage ratio (p.p.)	1,72	1,60	1,28

In September 2023, the Bank received the decision of the KNF to consent to the inclusion of net profit generated in the first half of 2023 in the amount of PLN 338.6 million at the stand-alone level and in the amount of PLN 357.9 million at the consolidated level in Common Equity Tier 1 capital.

In July 2023, Millennium Leasing concluded a synthetic securitization transaction of lease receivables, which had a positive impact on the Group's capital ratios (approximately 47 bps on the Tier 1 ratio and approximately 62 bps on the total capital ratio).

In Q3 2023, there was a significant increase in capital ratios. The total capital ratio increased by 187 bps and the Tier 1 capital ratio (equal to the Common Core Tier 1 capital ratio) by 180 bps. The improvement in indicators was mainly determined by a significant increase in own funds, by a total of PLN 509 million (7.3%). This was primarily due to the above-mentioned inclusion of the net profit for the first half of 2023 in own funds (an increase of PLN 358 million) and a better market valuation of bonds valued through other comprehensive income (an increase of PLN 132 million). On the other hand, there was a significant decrease in own funds requirements - by PLN 180 million/4.8%. The reason for this was mainly the effect of the above-mentioned securitization transaction and other activities aimed at optimizing risk-weighted assets.

The leverage ratio improved by 12 bps. due to the mentioned increase in own funds accompanied by an increase in the leverage exposure measure. It is at a safe level of 4.72%, significantly exceeding the regulatory minimum of 3%.

The minimum capital ratios required by the KNF in terms of the overall buffer requirement (OCR) are achieved with a large surplus at the end of the third quarter of 2023. Also, in terms of the levels expected by KNF, including the additional P2G capital charge, they were achieved for all capital ratios.

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

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

The Bank received in June 2023 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 14.42% and MRELtem of 4.46%. The minimum subordination MRELtrea was set at 14.28% and MRELtem 4.44%. At the same time, the above-mentioned decision sets updated minimum requirements that must be met by December 31, 2023, at the level of 18.89% and 5.91% (consolidated MRELtrea and MRELtem).

In addition to these MREL levels, the Bank also needs to meet MREL with Combined Buffer Requirement (currently 2.75%).

MREL	30.09.2023	30.06.2023	30.09.2022
MRELtrea ratio	**22,05%**	**14.93%**	**12.39%**
Minimum required level MRELtrea	14,42%	14.42%	15.60%
Surplus(+) / Deficit(-) of MRELtrea (p.p.)	7,63	0.51	-3.21
Minimum required level including Combined Buffer Requirement (CBR)	17,17%	17.17%	18.35%
Surplus(+) / Deficit(-) of MRELtrea+CBR (p.p.)	4,88	-2.24	-5.96
MRELtem ratio	**7,72%**	**5.87%**	**5.60%**
Minimum required level of MRELtem	4,46%	4.46%	3.00%
Surplus(+) / Deficit(-) of MRELtem (p.p.)	3,26	1.41	2.60

In terms of the MRELtrea and MRELtem requirements, the Group presents a surplus compared to the minimum required levels at the reporting date and also meets the MRELtrea Requirement after the inclusion of the Combined Buffer Requirement. The Group also expects to meet the minimum MREL requirements at the end of the year, which should be achieved by December 31, 2023.

Due to the Bank's compliance with the interim MREL requirements, the circumstances underlying the ban on the Bank's distribution of profits above the maximum amount subject to distribution related to the minimum requirement for own funds and eligible liabilities (M-MDA) issued by the Bank Guarantee Fund in June 2023 have ceased to exist. Due to the above, the Management Board of BFG waived the above ban, which the Bank informed about in Current Report No. 33/2023.

After the improvement in the capital ratios above described, the Bank's priority was to take further necessary steps towards meeting the MREL requirements, taking also into consideration the level required after the end of the interim period on 31 December 2023. Considering the above, in September 2023, the Bank successfully completed the subscription of non-preferred senior bonds with a total value of EUR 500 million under the Eurobond Issuance Program with a total nominal value of no more than EUR 3 billion (Current Reports No. 27/2023 and 30/2023).

The Bank plans to also comply with final MREL requirements in force from 31 December 2023 through a combination of organic capital generation and optimization of risk weighted assets (including securitisations).

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 – 30.09.2023

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	3 560 765	586 497	(197 566)	3 949 696	20 015	3 969 711
Net fee and commission income	446 410	133 794	2 719	582 923	8 987	591 910
Dividends, other income from financial operations and foreign exchange profit	100 769	63 454	526 211	690 434	(195 129)	495 305
Result on non-trading financial assets mandatorily at fair value through profit or loss	(272)	0	11 870	11 598	0	11 598
Other operating income and cost	(15 360)	2 255	40 475	27 370	59 672	87 042
Operating income	4 092 312	786 000	383 709	5 262 021	(106 455)	5 155 566
Staff costs	(614 766)	(132 175)	(19 552)	(766 493)	0	(766 493)
Administrative costs, including:	(325 779)	(69 049)	(82 803)	(477 631)	(60 979)	(538 610)
- BGF and protection scheme costs	*0*	*0*	*(60 039)*	*(60 039)*	*0*	*(60 039)*
Depreciation and amortization	(136 552)	(19 199)	(2 933)	(158 684)	0	(158 684)
Operating expenses	(1 077 097)	(220 423)	(105 288)	(1 402 808)	(60 979)	(1 463 787)
Impairment losses on assets	(225 950)	(5 296)	(53)	(231 299)	27 362	(203 937)
Results on modification	(24 341)	(2 494)	0	(26 835)	(41 026)	(67 861)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(2 363 800)	(2 363 800)
Total operating result	**2 764 924**	**557 787**	**278 368**	**3 601 079**	**(2 544 898)**	**1 056 181**
Share in net profit of associated companies						0
Banking tax						0
Profit / (loss) before income tax						**1 056 181**
Income taxes						(595 563)
Profit / (loss) after taxes						**460 618**

Balance sheet items as at 30.09.2023

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	56 145 009	14 016 198	0	70 161 207	3 822 113	**73 983 320**
Liabilities to customers	78 996 272	27 179 955	0	106 176 227	0	**106 176 227**

Income statement 1.01.2022 – 30.09.2022

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	1 783 643	606 579	(473 262)	1 916 960	71 452	1 988 412
Net fee and commission income	444 688	149 801	964	595 453	10 855	606 308
Dividends, other income from financial operations and foreign exchange profit	108 051	68 582	7 303	183 936	(371 762)	(187 826)
Result on non-trading financial assets mandatorily at fair value through profit or loss	13 629	0	(2 603)	11 026	0	11 026
Other operating income and cost	(21 265)	(2 950)	1 605	(22 610)	97 008	74 398
Operating income	2 328 746	822 012	(465 993)	2 684 765	(192 447)	2 492 318
Staff costs	(536 473)	(117 699)	(23 904)	(678 076)	0	(678 076)
Administrative costs, including:	(583 895)	(59 578)	(105 226)	(748 699)	(41 382)	(790 081)
- BGF and protection scheme costs	*(305 163)*	*(8 214)*	*(83 430)*	*(396 806)*	*0*	*(396 806)*
Depreciation and amortization	(132 243)	(20 633)	(3 570)	(156 446)	0	(156 446)
Operating expenses	(1 252 611)	(197 910)	(132 700)	(1 583 221)	(41 382)	(1 624 603)
Impairment losses on assets	(282 236)	(8 346)	(2 745)	(293 327)	28 659	(264 668)
Results on modification	(15 931)	174	0	(15 757)	(49 654)	(65 411)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(1 512 780)	(1 512 780)
Total operating result	**777 968**	**615 930**	**(601 438)**	**792 460**	**(1 767 604)**	**(975 144)**
Share in net profit of associated companies						0
Banking tax						(169 063)
Profit / (loss) before income tax						**(1 144 207)**
Income taxes						(119 296)
Profit / (loss) after taxes						**(1 263 503)**

Balance sheet items as at 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 3rd 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	
	30.09.2023	31.12.2022	30.09.2023	31.12.2022
ASSETS				
Loans and advances to banks - accounts and deposits	1 748	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	148	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	161	0	23	68

	With parent company		With other entities from parent group	
	1.01.2023-30.09.2023	1.01.2022-30.09.2022	1.01.2023-30.09.2023	1.01.2022-30.09.2022
Income from:				
Interest	1 999	270	0	0
Commissions	84	126	0	0
Financial assets and liabilities held for trading	28	57	0	0
Expense from:				
Interest	3	105	0	0
Commissions	0	0	0	0
Financial assets and liabilities held for trading	0	0	0	0
Other net operating	0	0	0	0
Administrative expenses	377	0	64	125

	With parent company		With other entities from parent group	
	30.09.2023	31.12.2022	30.09.2023	31.12.2022
Conditional commitments	20 228	141 185	0	0
granted	0	120 593	0	0
obtained	20 228	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 III quarter 2023 report	Number of shares as of delivery date of annual report for year 2022
Joao Nuno Lima Bras Jorge	Chairman of the Management Board	380 259	380 259
Fernando Maria Cardoso Rodrigues Bicho	Deputy Chairman of the Management Board	176 252	176 252
Wojciech Haase	Member of the Management Board	151 107	151 107
Andrzej Gliński	Member of the Management Board	113 613	113 613
Wojciech Rybak	Member of the Management Board	43 613	143 613
Antonio Ferreira Pinto Junior	Member of the Management Board	143 613	143 613
Jarosław Hermann	Member of the Management Board	6 000	98 613

Name and surname	Position/Function	Number of shares as of delivery date of III quarter 2023 report	Number of shares as of delivery date of annual report for year 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.

Debt securities valued at amortised cost

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

Liabilities to customers

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

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

Subordinated liabilities, debt securities issued and medium-term loans

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

The table below presents results of the above-described analyses as at 30.09.2023 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	15	16 892 500	17 002 281
Deposits, loans and advances to banks and other monetary institutions	15	533 703	533 862
Loans and advances to customers*	14	73 959 708	72 735 563
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	19	428 097	428 098
Liabilities to customers	20	106 176 227	106 258 012
Debt securities issued	22	2 862 168	2 859 340
Subordinated debt	23	1 563 005	1 565 428

** 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 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 30.09.2023

	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			163 859	385 678
Equity instruments		175		
Debt securities		235 520		
Non-trading financial assets mandatorily at fair value through profit or loss	14			
Equity instruments				66 609
Debt securities				79 568
Loans and advances				23 612
Financial assets at fair value through other comprehensive income	13			
Equity instruments		247		24 145
Debt securities		10 740 578	10 874 781	
Derivatives – Hedge accounting	16		0	
LIABILITIES				
Financial liabilities held for trading	12			
Valuation of derivatives			135 999	392 848
Short positions		151 996		
Derivatives – Hedge accounting	16		412 281	

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 30.09.2023 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	89 112	(91 794)	0	0	(82 733)
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	8 635
Results on financial assets and liabilities held for trading	40 178	(41 680)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	7 511	(272)
Result on exchange differences	0	0	(4)	0	0
Balance on 30.09.2023	**376 704**	**(383 874)**	**90 754**	**79 568**	**23 612**

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 30.09.2023, in which entities of the Group were a plaintiff, totalled PLN 2,595.3 million. The increase in the value of claims in cases brought by the Bank compared to previous periods results from the fact that lawsuits were filed against clients from the portfolio of foreign currency mortgage loans.

Proceedings on infringement of collective consumer interests

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

1) send information on the UOKiK's decision to the said 78 clients,
2) place the information on decision and the decision itself on the website and on Twitter,
3) to pay a fine amounting to PLN 20.7 mln.

The Bank lodged an appeal within the statutory time limit.

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

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

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

Proceedings on competition-restricting practice

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

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

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

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

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

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

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

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

The Bank appealed against the said decision within statutory term.

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

Court cases against the Group

As at 30.09.2023, 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 two court proceedings in which the subject of the dispute is the amount of the interchange fee. The total value of claims submitted in these cases is PLN 729.2 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 this case, the Bank was sued jointly with another bank and card organizations. In the case brought by LPP S.A. 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. In this case, the Bank was sued jointly with another bank. According to current estimates of the risk of losing a dispute in these matters, the Bank did not create a provision. In addition, we point out that the Bank participates as a side intervener in four other proceedings regarding the interchange fee.

Other banks are the defendant. Plaintiffs in these cases also accuse banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2008-2014.

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

As at 30.09.2023, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at PLN 5,127.7 million (excluding the class actions described below and in the **Chapter 10)**. In this group the most important category are cases related with FX loans mortgage portfolio.

The class action related to the LTV insurance:

On the 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. The hearing date was set for October 18, 2024.

As at 30 September 2023, there were also 149 individual court cases regarding LTV insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

Lawsuits filed by Financial Ombudsman for discontinuation of unfair market practices

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

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

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

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

Court cases regarding mortgage loans in PLN

By September 30, 2023, the Bank recorded the receipt of 39 lawsuits by borrowers of mortgage loans in PLN for reimbursement of benefits provided under the loan agreement. The borrowers' allegations focus on the WIBOR ratio as an incomprehensible, unverifiable element affecting the consumer's liability, as well as the issue of insufficient information on the effects of variable interest rates provided to the consumer by the bank before the conclusion of the contract.

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

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

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

FX mortgage loans legal risk

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

9.2. OFF – BALANCE ITEMS

Amount ‘000 PLN	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Off-balance conditional commitments granted and received	**15 859 416**	**15 166 516**	**15 162 308**	**14 976 457**
Commitments granted:	13 170 837	12 543 519	12 830 458	12 305 035
loan commitments	11 468 861	10 922 091	10 782 601	10 334 714
guarantee	1 701 976	1 621 428	2 047 856	1 970 321
Commitments received:	2 688 579	2 622 997	2 331 850	2 671 423
financial	9 410	11 081	6 884	299 680
guarantee	2 679 169	2 611 916	2 324 966	2 371 743

10. LEGAL RISK RELATED TO FOREIGN CURRENCY MORTGAGE LOANS

10.1. COURT CLAIMS AND CURRENT PROVISIONS ON LEGAL RISK

On September 30, 2023, the Bank had 19,849 loan agreements and additionally 1,635 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 (68% loans agreements before the courts of first instance and 32% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 3,780.4 million and CHF 260.4 million (Bank Millennium portfolio: PLN 3,467.9 million and CHF 253 million and former Euro Bank portfolio: PLN 312.4 million and CHF 7.4 million). Out of 19,849 BM loan agreements in ongoing individual cases 207 are also part of class action. From the total number of individual litigations against the Bank approximately 2,000 or 10% were submitted by borrowers that had already naturally or early fully repaid the loan or were converted to polish zloty at the moment of submission and had not a settlement agreement and approximately another 700 cases correspond to loans that were fully repaid since then (as court proceedings are lengthy).

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

In addition, the Bank is a party to the group proceedings (class action) subject matter of which is to determine the Bank's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3 273. Out of 3,273 loan agreements in class action 207 are also part of ongoing individual cases, 770 concluded settlements and 4 received final verdicts (invalidation of loan agreement). On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022.

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 3,007 (265), in 2021 the number increased by 6,155 (423), in 2022 the number increased by 5,752 (408), while in the first three quarters of 2023 the number increased by 5,107 (444).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved against the banks. As far as the Bank Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of the third quarter of 2023, 2,570 cases were finally resolved (2,493 in claims submitted by clients against the Bank and 77 in claims submitted by the Bank against clients i.e. debt collection cases) out of which 726 were settlements, 52 were remissions, 61 rulings were favorable for the Bank and 1,731 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 declaring invalidation of loan agreements. Simultaneously the Bank undertakes proper legal actions in order to secure repayment of initially disbursed capital of the loan.

The outstanding gross balance of the loan agreements under individual court cases and class action against the Bank (incl. former Euro Bank portfolio) on 30.09.2023 was PLN 6,257 million (of which the outstanding amount of the loan agreements under the class action proceeding was 814 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 6,615 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the 9 months of 2023, the Bank created PLN 2 208,1 million of provisions for Bank Millennium originated portfolio and PLN 155,7 million for former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of September 2023 was at the level of PLN 6 980,2 million, and PLN 536,0 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 ongoing cases (including class action agreements) and potential future lawsuits that will arise within the specified (three-year) time horizon. As regards the increase in the number of future court cases, the Bank monitors customer behaviours, follows market trends and expert comments, which resulted in the adjustment of previous assumptions. As a result, in the methodology of calculating provisions for legal risk in the case of active loans (loans with an outstanding balance as at the date of filing the lawsuit), the Bank increased the estimated percentage of customers with active contracts who already filed or will decide to file a lawsuit against the Bank to 77% of active loan agreements (compared to 70% at the end of IIQ2023). As of end of September, the Bank had 34 076 active CHF loan agreements. Another 20 355 agreements have been subject of a settlement agreement with the borrowers and about 45,000 loans have been naturally or early fully repaid or converted to polish zloty and not subject of a settlement agreement. Regarding loans already fully repaid or converted to polish zloty, the Bank attributes a much lower probability of becoming the subject of a court case based on statistical analysis. In particular: a) the Bank assesses the risk connected with the settlements reached with the clients in the past as negligible b) from the group of loans that have been repaid (naturally or early, or converted into polish zloty loan) and were not subject of a settlement agreement, the Bank assumes that about 1,3 thousands will decide to sue the Bank in the future.

(2) the currently estimated 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 accordance with legal opinions, the Bank does not include in the methodology for calculating provisions the element related to the potential claim for remuneration for the client in connection with the repayments made by him,

(5) estimates involved with amicable settlements with clients, concluded in court or out of court
    a. the Bank assumes 12% probability of success of reaching a settlement within negotiations made with clients during court proceedings,
    b. negotiations in court or out of court are conducted on a case-by-case basis and can be stopped at any time by the Bank
    c. due to significant negotiation efforts already made in the past, the probability of success in these negotiations in the future is decreasing, and at the same time most customers have already contacted the Bank regarding the possible conversion of loans into PLN, so at the moment the Bank adopts a conservative approach when taking into account the potential impact of this factor.

The Bank is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX mortgage loans originated by Bank Millennium decreased by 20,355: 1,362 in 2020; 8,450 in 2021; 7,943 in 2022 and 2,600 in the first three quarters of 2023. As of the end of the third quarter of 2023, the Bank had 34,076 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN 1,220 million: PLN 44.4 million in 2020; PLN 364.6 million in 2021; PLN 515.2 million in 2022 and PLN 295.8 million in the first three quarters 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).

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

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

Parameter	Scenario	Impact on the loss
Change in the assumed number of litigation	In addition to assumed number, 1,000 new customers file a lawsuit against the Bank	PLN 173 mln
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 p.p	PLN 70 mln
Change in probability of success in negotiations with court client	Change of probability by 1 p.p	PLN 21 mln

On December 8, 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority ('PFSA') proposed a 'sector' solution to address the sector risks related to FX mortgages. The solution would consist in offering banks' clients a voluntary possibility of concluding arrangements based on which a client would settle a CHF Mortgage Loan as if it was a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans. As of the date of this Base Prospectus, the Bank has not taken any decision regarding the implementation of this solution, but cannot exclude implementing it in the future. The decision to generally implement this solution could imply the need of creating upfront provisions for the losses resulting from the conversion of CHF Mortgage Loans. The Bank in practice has been using elements of such solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the circumstances stemming from the CJEU verdict in case C-520/21 (below described), the possibility of successful implementation of a general offer of KNF solution is low.

Finally it should also be mentioned, that the Bank, as at 30.09.2023, 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.

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

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

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

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

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

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

ii) the provisions of Directive 93/13 preclude the judicial interpretation of national law, according to which a credit institution has the right to demand compensation from the consumer that goes beyond the return of the capital paid for the performance of this contract and beyond the payment of statutory default interest from the date of the request for payment.

On September 21, 2023, the CJEU issued a judgement in a case registered under case number C-139/22, following preliminary questions submitted by the District Court in Warsaw in a case against Bank Millennium. The CJEU stated that:
i) provisions of the Directive 93/13 must be interpreted as not precluding a contractual term which has not been individually negotiated from being regarded as unfair by the national authorities concerned merely by virtue of the fact that its content is equivalent to that of a standard contract term entered in the national register of standard business terms held to be unlawful;
ii) the contractual term which, because of the circumstances for the performance of certain obligations of the consumer concerned provided for in that term, must be regarded as unfair, may not cease to be considered unfair on account of another term of that contract which provides for the possibility for that consumer to perform those obligations under different circumstances;
iii) a seller or supplier is obliged to inform the consumer concerned of the essential characteristics of the contract concluded with that seller or supplier and the risks associated with that contract, even though that consumer is its employee and has relevant knowledge in the field of the contract.

Jurisprudence of Polish 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. After the CJEU verdict of June 15, 2023, in case C-520/21, it seems that the issue that requires further analysis is whether the return of the originally disbursed capital should be made at nominal value or with the loss of purchasing power of money taken into account. By 30 September 2023 the Bank filed 4.8 thousands lawsuits against the borrowers.

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

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.

Preliminary questions referred to CJEU

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 case number C-756/22. Taking into account the position of the CJEU in the C-520/21 judgment, there are doubts whether the case will be resolved on the merits.

The issue also referred to the CJEU assessment is the issue of admissibility of banks' claims for valorization of amounts disbursed to borrowers under credit agreements declared invalid as a result of preliminary questions from the District Court in Warsaw (cases C-113/23 and C-488/23). The issue of the admissibility of the bank's valorization claims currently remains unresolved in the jurisprudence of the Polish courts, and therefore the judgments of the CJEU in the cases indicated will be important for determining the scope of the Bank's claims after the invalidation of the loan agreement.

Moreover, the subject of the CJEU's analysis, as a result of the Warsaw District Court's questions remains the issues related to the limitation period of the Bank's and the customer's restitution claims following the collapse of the loan agreement (Cases: C-28/22 ; C-140/22). Legal interpretations in these cases may be particularly significant for the Bank's claims as to the commencement of the running of the limitation period of its claims, by eliminating or confirming the risk of its claims being deemed time-barred in a given case. In addition, there are other proceedings pending in the CJEU on issues related to cases of loans indexed to foreign currency, including, among other things, the admissibility of a bank's use of the retention right (C-424/22), the starting point for calculating statutory interest for delay on a customer's claims resulting from invalid contract (C-348/23), and the consumer status of a person who concluded a credit agreement to purchase real estate for investment purposes (C-347/23). The answers to these questions will have an impact on the various elements of court cases involving loans indexed to foreign currency.

On October 6, 2023, the Supreme Court submitted new question to the CJEU on the admissibility of the retention right. The question seeks to determine whether the Directive 93/13 preclude applying to the judgment awarding to a customer the reimbursement of sums paid in performance of an invalid contract a provision that payment by the financial institution will be made after the consumer offers to repay the capital disbursed.

Despite the extensive jurisprudence of the Court of Justice of the European Union in cases involving loans indexed to foreign currency, Polish courts continue to submit further preliminary questions to the CJEU on specific issues related to the disputes in question, so it cannot be ruled out that new lines of jurisprudence will develop as a result of the CJEU's answers to the questions raised, which, as of the date of this report, cannot be reliably predicted.

Legal issues referred to the Supreme Court

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.

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.

Due to the complexity and uncertainty regarding the outcome of court cases, including counter-claims, as well as 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.

The issue that remains unresolved in the jurisprudence of common courts and the Supreme Court is also the issue of the admissibility of borrowers' claims in the event of the invalidity of a loan agreement for payment of amounts beyond the reimbursement of monthly installments and costs paid for the execution of that agreement and beyond the payment of statutory default interest from the date of the demand for payment, which, in light of the CJEU's judgment of June 15, 2023 in case C-520/21, remains not excluded. Due to the uncertainty of the direction of case law in this area, as of the date of publication of the report, it is difficult to reliably assess the impact of potential rulings.

11. ADDITIONAL INFORMATION

11.1. DATA ABOUT ASSETS, WHICH SECURE LIABILITIES

As at 30.09.2023 r. (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury Bonds DS0727	Held to maturity	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	255 000	224 887
2.	Treasury Bonds DS0726	Held to maturity	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	52 000	47 289
3.	Treasury Bonds PS0527	Held to maturity	Security of payment obligation to BFG contribution - guarantee fund	142 000	134 333
4.	Treasury Bonds DS0726	Held to maturity	Security of payment obligation to BFG contribution - compulsory resolution fund	135 000	122 770
5.	Treasury Bonds WZ0124	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	220 000	223 714
6.	Treasury Bonds WZ0524	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	50 000	51 423
7.	Treasury Bonds PS0527	Held to maturity	financial and registered pledge on the Bank's account in the brokerage house	64 850	61 348
8.	Treasury Bonds PS0527	Held to maturity	financial pledge on the Bank's account in the brokerage house	583 659	552 144
9.	Cash	receivables	initial settlement deposit in KDPW CCP (MAGB)	11 000	11 000
10.	Cash	receivables	Settlement on transactions concluded	3 029	3 029
11.	Cash	receivables	Settlement on transactions concluded	587	587
12.	Cash	receivables	rozliczenie z tytułu zawartych transakcji	56 359	56 359
13.	Deposits placed	Deposits in banks	rozliczenie z tytułu zawartych transakcji	286 743	287 379
		TOTAL		1 860 227	1 776 262

In addition, as at September 30, 2023, the Group had concluded short-term (usually settled within 7 days) transactions of sale of treasury securities with a repurchase agreement, the subject of which were securities worth PLN 570,455 thousand.

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	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	314 000	308 160
2.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	134 100	131 606
3.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	124 000	121 694
4.	Cash	receivables	initial settlement deposit in KDPW CCP (MAGB)	5 000	5 000
5.	Cash	receivables	ASO guarantee fund (PAGB)	172	172
6.	Cash	receivables	payment to the OTC Guarantee Fund - KDPW_CCP	304	304
7.	Cash	receivables	Settlement on transactions concluded	106 797	106 797
8.	Deposits	Deposits in banks	Settlement on transactions concluded	403 647	403 647
			TOTAL	1 088 020	1 077 378

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

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

As at 30.09.2023

Type of security	Par value	Balance sheet value
Treasury bonds	568 834	570 455
TOTAL	568 834	570 455

As at 31.12.2022

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

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

11.3. 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 III quarters of 2023 (and diluted profit per share) on the basis of the consolidated data amounts to PLN 0.38.

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

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

Shareholder as at 30.09.2023	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	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

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 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 and www.pzu.pl). 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. Information on Allianz Polska Otwarty Fundusz Emerytalny was provided on the basis of a notification from PTE Allianz Polska S.A. of May 15, 2023 (Bank's current report No. 18/2023).

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 third quarter of 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 30 September 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 30 September 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 (NWG) was established in connection with the planned reform of reference rates in Poland. The objective of the NGR's work to introduce a new interest rate benchmark and replace the currently used WIBOR index with it while ensuring the compliance with BMR, including in particular ensuring credibility, transparency and reliability in the development and application of the new benchmark.

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

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

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

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

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: **26 433.66** mortgage loans based on WIBOR (excluding **8 698.44** mortgage loans currently with temporary fixed rate where the clients have the option to switch to variable rate indexed to WIBOR after the end of such temporary fixed rate initial period);
- loan products, factoring and corporate discounting products: **18 695.03**;
- debt instruments (**4 740.90**);
  - Assets: 2 968.40
  - Liabilities: 1 772.50
- derivative instruments: **20 412.73**

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

Bank Millennium S.A. is working on the analysis of the risks and monitors them on a regular basis. In addition, according to the Roadmap, a regulatory event should occur in Q3/Q4 2023 however, there is currently no 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 and thus information, whether the Minister of Finance will designate one or several WIBOR replacements, the lack of information on the amount of the adjustment spread or the method of calculating this spread, whether there will be corresponding adjustment changes related to this (and if so, which ones), as well as the lack of a market for hedging instruments. Therefore 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 adopted recommendations on new products, both banking, leasing and factoring, as well as previously published ones on bonds and derivatives.

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

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

On October 25, 2023, information from the NWG Steering Committee was published on changes in the expected Road Map for the reform of benchmarks. The Steering Committee of the National Working Group on the Reform of Benchmark Indicators decided to change the maximum deadlines for the implementation of the Road Map, and indicated the final moment of conversion at the end of 2027.

2. LIBOR USD

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

- Retail banking/mortgage portfolio: 3.47;

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

Date	Name and surname	Position/Function	Signature
26.10.2023	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
26.10.2023	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
26.10.2023	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
26.10.2023	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
26.10.2023	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
26.10.2023	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
26.10.2023	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 9 months ended 30 September 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 nine months ending September 30, 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 nine months period ended 30 September 2023. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the nine months period ended 30 September 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 the launch of the Plan, the Bank/Group has managed to significantly improve its capital ratios, placing them clearly above the new regulatory requirements: as of September 30, 2023, the Tier 1 ratio was 384 bps (Bank) and 329 bps (Group) above the minimum requirement, and the total capital ratio (TCR) was 475 bps (Bank) and 395 bps (Group) above the minimum requirement. In September 2023, the Bank obtained the consent of the Polish Financial Supervision Authority to include the net profit generated in the first half of 2023 in the amount of PLN 339 million (Bank) and PLN 358 million (Group), respectively, in common equity Tier 1 capital. This decision enabled further strengthening of capital adequacy, which resulted in a positive impact on the total capital ratio of the Bank in the amount of 72 bps and of the Group by 76 bps. Assuming no other extraordinary factors, the Bank plans to maintain capital ratios above the minimum required levels throughout 2023.

In terms of the MRELtrea and MRELtem requirements, the Group presents a surplus compared to the minimum required levels at the reporting date and also meets the MRELtrea Requirement after the inclusion of the Combined Buffer Requirement. The Group also expects to meet the minimum MREL requirements at the end of the year.

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 3Q 2023. LCR ratio reached the level of 299% at the of June 2023, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 70% 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 31%.

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

The Management Board approved these condensed interim financial statements on 26th October 2023.

2. STANDALONE FINANCIAL DATA (BANK)

STATEMENT OF PROFIT AND LOSS

Amount '000 PLN	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Net interest income	3 879 012	1 346 610	1 925 219	(147 608)
Interest income and other of similar nature	6 219 528	2 121 821	2 895 573	411 845
Income calculated using the effective interest method	6 144 429	2 096 864	2 942 150	427 023
Interest income from Financial assets at amortised cost, including:	4 770 096	1 648 443	2 091 945	60 838
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays	0	0	(1 384 600)	(1 384 600)
Interest income from Financial assets at fair value through other comprehensive income	1 374 333	448 421	850 205	366 185
Result of similar nature to interest from Financial assets at fair value through profit or loss	75 099	24 957	(46 577)	(15 178)
Interest expenses	(2 340 516)	(775 211)	(970 354)	(559 453)
Net fee and commission income	517 313	162 655	534 901	158 238
Fee and commission income	687 210	224 125	675 207	212 076
Fee and commission expenses	(169 897)	(61 470)	(140 306)	(53 838)
Dividend income	31 984	151	45 208	352
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	539 843	(800)	(1 739)	(474)
Results on financial assets and liabilities held for trading	(2 373)	(3 767)	1 300	6 639
Result on non-trading financial assets mandatorily at fair value through profit or loss	11 598	4 332	11 026	8 685
Result on hedge accounting	1 517	1 208	(5 579)	(2 233)
Result on exchange differences	(47 595)	(26 238)	(185 054)	(62 041)
Other operating income	279 507	118 524	183 108	59 560
Other operating expenses	(196 589)	(72 497)	(103 319)	(49 925)
Administrative expenses	(1 257 435)	(424 977)	(1 417 560)	(395 014)
Impairment losses on financial assets	(171 484)	(40 746)	(230 386)	(105 223)
Impairment losses on non-financial assets	(53)	(283)	(2 745)	224
Provisions for legal risk connected with FX mortgage loans	(2 363 800)	(743 180)	(1 512 780)	(498 150)
Result on modification	(67 861)	(14 311)	(65 411)	(56 607)
Depreciation	(155 334)	(52 115)	(151 878)	(50 690)
Share of the profit of investments in subsidiaries	0	0	0	0
Banking tax	0	0	(169 063)	(239)
Profit before income taxes	**998 250**	**254 566**	**(1 144 752)**	**(1 134 506)**
Corporate income tax	(579 161)	(174 124)	(107 896)	138 656
Profit after taxes	**419 089**	**80 442**	**(1 252 648)**	**(995 850)**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Profit after taxes	419 089	80 442	(1 252 648)	(995 850)
Other comprehensive income items that may be (or were) reclassified to profit or loss	754 495	167 213	(805 470)	27 224
Result on debt securities	579 416	163 466	(482 471)	136 272
Result on credit portfolio designated for pooling to Mortgage Bank	(98 595)	(63 023)	(110 289)	(81 354)
Hedge accounting	273 674	66 770	(212 710)	(27 694)
Other comprehensive income items that will not be reclassified to profit or loss	0	0	128	128
Actuarial gains (losses)	0	0	(110)	(110)
Result on equity instruments	0	0	238	238
Total comprehensive income items before taxes	**754 495**	**167 213**	**(805 342)**	**27 352**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(143 354)	(31 770)	153 039	(5 173)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0	(24)	(24)
Total comprehensive income items after taxes	**611 141**	**135 443**	**(652 327)**	**22 155**
	0	0		
Total comprehensive income for the period	**1 030 230**	**215 885**	**(1 904 975)**	**(973 695)**

STATEMENT OF FINANCIAL POSITION

ASSETS

Amount '000 PLN	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Cash, cash balances at central banks	4 581 063	6 768 777	9 536 090	10 131 930
Financial assets held for trading	785 650	692 757	363 618	470 947
Derivatives	549 955	495 445	339 295	322 512
Equity instruments	175	115	113	88
Debt securities	235 520	197 197	24 210	148 347
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	146 177	143 815	201 036	255 328
Equity instruments	66 609	66 609	128 979	186 631
Debt securities	79 568	77 206	72 057	68 697
Financial assets at fair value through other comprehensive income	21 498 030	14 476 932	16 438 458	13 874 261
Equity instruments	24 389	24 375	24 393	28 786
Debt securities	21 473 641	14 452 557	16 414 065	13 845 475
Loans and advances to customers	73 323 746	73 428 644	75 855 606	78 045 342
Mandatorily at fair value through profit or loss	23 612	54 780	97 982	135 100
Fair valued through other comprehensive income	11 669 731	11 262 229	11 221 252	10 986 986
Valued at amortised cost	61 630 403	62 111 635	64 536 372	66 923 256
Financial assets at amortised cost other than Loans and advances to customers	19 697 331	15 670 019	5 308 320	4 100 615
Debt securities	16 579 468	14 467 969	3 893 212	2 142 156
Deposits, loans and advances to banks and other monetary institutions	1 105 821	1 154 352	1 410 245	1 953 933
Reverse sale and repurchase agreements	2 012 042	47 698	4 863	4 526
Derivatives – Hedge accounting	0	121 936	135 804	0
Investments in subsidiaries, joint ventures and associates	390 236	390 236	247 823	247 823
Tangible fixed assets	532 389	533 907	557 542	514 421
Intangible fixed assets	456 528	440 675	432 820	410 172
Income tax assets	547 243	589 009	643 196	800 752
Current income tax assets	0	0	0	0
Deferred income tax assets	547 243	589 009	643 196	800 752
Other assets	1 397 182	1 222 239	923 009	874 767
Non-current assets and disposal groups classified as held for sale	0	0	0	0
Total assets	**123 355 575**	**114 478 946**	**110 643 322**	**109 726 358**

LIABILITIES AND EQUITY

Amount '000 PLN	30.09.2023	30.06.2023	31.12.2022	30.09.2022
LIABILITIES				
Financial liabilities held for trading	680 598	567 945	384 928	306 552
Derivatives	528 602	479 435	380 144	300 883
Liabilities from short sale of securities	151 996	88 510	4 784	5 669
Financial liabilities measured at amortised cost	111 577 874	103 409 587	100 701 796	100 672 031
Liabilities to banks and other monetary institutions	428 779	473 493	625 144	357 243
Liabilities to customers	106 444 648	100 768 112	98 264 816	97 987 439
Sale and repurchase agreements	571 017	350 244	0	763 502
Debt securities issued	2 570 425	251 759	243 753	0
Subordinated debt	1 563 005	1 565 979	1 568 083	1 563 847
Derivatives – Hedge accounting	412 281	329 630	554 544	988 841
Provisions	1 202 536	1 140 364	1 015 266	924 958
Pending legal issues	1 166 174	1 105 732	975 092	887 575
Commitments and guarantees given	36 362	34 632	40 174	37 383
Income tax liabilities	501 980	385 085	31 662	28 639
Current income tax liabilities	501 980	385 085	31 662	28 639
Deferred income tax liabilities	0	0	0	0
Other liabilities	2 545 584	2 427 497	2 550 633	2 082 753
Total Liabilities	**116 920 853**	**108 260 108**	**105 238 829**	**105 003 774**
EQUITY				
Share capital	1 213 117	1 213 117	1 213 117	1 213 117
Own shares	(21)	(21)	(21)	(21)
Share premium	1 147 241	1 147 241	1 147 241	1 147 241
Accumulated other comprehensive income	(227 713)	(363 155)	(838 853)	(1 298 013)
Retained earnings	4 302 098	4 221 656	3 883 009	3 660 260
Total equity	6 434 722	6 218 838	5 404 493	4 722 584
Total equity and total liabilities	**123 355 575**	**114 478 946**	**110 643 322**	**109 726 358**

Book value of net assets	6 434 722	6 218 838	5 404 493	4 722 584
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)	5.30	5.13	4.46	3.89

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 - 30.09.2023							
Equity at the beginning of the period	5 404 493	1 213 117	(21)	1 147 241	(838 853)	(1 029 899)	4 912 908
Total comprehensive income for the period (net)	1 030 229	0	0	0	611 140	419 089	0
net profit/ (loss) of the period	419 089	0	0	0	0	419 089	0
valuation of debt securities	469 327	0	0	0	469 327	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(79 862)	0	0	0	(79 862)	0	0
hedge accounting	221 675	0	0	0	221 675	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 029 899	(1 029 899)
Equity at the end of the period	6 434 722	1 213 117	(21)	1 147 241	(227 713)	419 089	3 883 009
01.07.2023 - 30.09.2023							
Equity at the beginning of the period	6 218 838	1 213 117	(21)	1 147 241	(363 155)	338 647	3 883 009
Total comprehensive income for the period (net)	215 884	0	0	0	135 442	80 442	0
net profit/ (loss) of the period	80 442	0	0	0	0	80 442	0
valuation of debt securities	132 408	0	0	0	132 408	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(51 049)	0	0	0	(51 049)	0	0
hedge accounting	54 083	0	0	0	54 083	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	0	0
Equity at the end of the period	6 434 722	1 213 117	(21)	1 147 241	(227 713)	419 089	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 - 30.09.2022							
Equity at the beginning of the period	**6 632 182**	**1 213 117**	**(21)**	**1 147 241**	**(645 686)**	**(1 357 452)**	**6 274 983**
Total comprehensive income for the period (net)	(1 904 975)	0	0	0	(652 327)	(1 252 648)	0
net profit/ (loss) of the period	(1 252 648)	0	0	0	0	(1 252 648)	0
valuation of debt securities	(390 801)	0	0	0	(390 801)	0	0
valuation of shares	193	0	0	0	193	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(89 334)	0	0	0	(89 334)	0	0
hedge accounting	(172 295)	0	0	0	(172 295)	0	0
actuarial gains (losses)	(90)	0	0	0	(90)	0	0
Purchase and transfer of own shares to employees	(4 623)	0	0	0	0	0	(4 623)
Transfer between items of reserves	0	0	0	0	0	1 357 452	(1 357 452)
Equity at the end of the period	**4 722 584**	**1 213 117**	**(21)**	**1 147 241**	**(1 298 013)**	**(1 252 648)**	**4 912 908**

CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Profit (loss) after taxes	419 089	80 442	(1 252 648)	(995 850)
Total adjustments:	12 286 381	7 000 609	7 299 673	2 038 900
Interest received	5 786 190	1 987 871	3 964 723	1 675 149
Interest paid	(2 132 493)	(715 669)	(747 646)	(429 789)
Depreciation and amortization	155 334	52 115	151 878	50 690
Foreign exchange (gains)/ losses	0	0	0	0
Dividends	(31 984)	(151)	(45 208)	(352)
Changes in provisions	187 270	62 172	330 553	166 985
Result on sale and liquidation of investing activity assets	(532 746)	(1 741)	1 041	(933)
Change in financial assets held for trading	(24 878)	78 677	(493 486)	(251 528)
Change in loans and advances to banks	175 155	(67 702)	(887 182)	(110 877)
Change in loans and advances to customers	(2 411 843)	(1 580 440)	(3 544 790)	(1 241 453)
Change in receivables from securities bought with sell-back clause (loans and advances)	(2 042 972)	(1 981 688)	242 419	(9 042)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	153 407	195 304	537 411	214 705
Change in deposits from banks	(176 155)	(42 138)	199 326	112 241
Change in deposits from customers	10 220 740	6 363 218	7 000 192	2 050 179
Change in liabilities from securities sold with buy-back clause	602 714	227 566	790 065	784 472
Change in debt securities	2 371 455	2 338 284	0	0
Change in income tax settlements	580 535	174 124	107 454	(139 097)
Income tax paid	(157 618)	(47 234)	(118 534)	(83 400)
Change in other assets and liabilities	(542 768)	(77 220)	(263 862)	(784 326)
Other	107 038	35 261	75 320	35 277
Net cash flows from operating activities	**12 705 470**	**7 081 051**	**6 047 025**	**1 043 050**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Inflows:	538 296	2 831	1 436 358	13 897
Proceeds from sale of property, plant and equipment and intangible assets	6 312	2 680	6 892	1 384
Proceeds from sale of shares in related entities	500 000	0	12 161	12 161
Proceeds from sale of investment financial assets	0	0	1 372 097	
Other	31 984	151	45 208	352
Outflows:	(8 266 601)	(896 377)	(150 764)	(646 034)
Acquisition of property, plant and equipment and intangible assets	(92 908)	(45 307)	(99 669)	(59 811)
Purchase o shares in related entities	(99 200)	0	(51 095)	0
Acquisition of investment financial assets	(8 074 493)	(851 070)	0	(586 223)
Other	0	0	0	0
Net cash flows from investing activities	**(7 728 305)**	**(893 546)**	**1 285 594**	**(632 137)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Inflows from financing activities:	0	0	0	0
Long-term bank loans	0	0	0	0
Issue of debt securities	0	0	0	0
Increase in subordinated debt	0	0	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0	0	0
Other inflows from financing activities	0	0	0	0
Outflows from financing activities:	(117 366)	(38 237)	(61 252)	(28 635)
Repayment of long-term bank loans	(5 000)	0	(10 000)	(5 000)
Redemption of debt securities	0	0	0	0
Decrease in subordinated debt	0	0	0	0
Issue of shares expenses	0	0	0	0
Redemption of shares	0	0	0	0
Dividends paid and other payments to owners	0	0	0	0
Other outflows from financing activities	(112 366)	(38 237)	(51 252)	(23 635)
Net cash flows from financing activities	**(117 366)**	**(38 237)**	**(61 252)**	**(28 635)**

D. Net cash flows. Total (A + B + C)	**4 859 799**	**6 149 268**	**7 271 367**	**382 278**
including change resulting from FX differences	(2 363)	301	13 725	8 904
E. Cash and cash equivalents at the beginning of the reporting period	**14 231 089**	**12 941 620**	**3 372 244**	**10 261 333**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**19 090 888**	**19 090 888**	**10 643 611**	**10 643 611**

3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

As at 30 September 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 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Impairment losses on loans and advances to customers	(175 250)	(39 120)	(238 174)	(106 919)
Impairment charges on loans and advances to customers	(1 043 450)	(234 689)	(1 114 888)	(351 688)
Reversal of impairment charges on loans and advances to customers	801 775	185 214	799 186	225 226
Amounts recovered from loans written off	30 775	10 365	34 337	11 916
Sale of receivables	35 649	(10)	43 185	3 517
Other directly recognised in profit and loss	1	0	6	4 110
Impairment losses on securities	3	3	(1)	(1)
Impairment charges on securities	0	0	(2)	(2)
Reversal of impairment charges on securities	3	3	1	1
Impairment losses on off-balance sheet liabilities	3 763	(1 629)	7 789	1 697
Impairment charges on off-balance sheet liabilities	(31 039)	(6 672)	(32 955)	(5 140)
Reversal of impairment charges on off-balance sheet liabilities	34 802	5 043	40 744	6 837
Total	**(171 484)**	**(40 746)**	**(230 386)**	**(105 223)**

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

	1.01.2023 - 30.09.2023	1.01.2023 - 30.06.2023	1.01.2022 - 31.12.2022	1.01.2022 - 30.09.2022
Balance at the beginning of the period	2 242 135	2 242 135	2 210 000	2 210 000
Change in value of provisions:	104 399	55 085	32 135	79 504
Impairment allowances created in the period	974 006	755 934	1 343 349	1 064 792
Amounts written off	(122 736)	(98 114)	(226 188)	(159 440)
Impairment allowances released in the period	(739 701)	(564 976)	(933 664)	(766 638)
Sale of receivables	(63 325)	(63 325)	(241 148)	(146 254)
KOIM created in the period(*)	53 457	35 554	71 224	50 431
Changes resulting from FX rates differences	(221)	(11 139)	19 286	34 831
Other	2 919	1 151	(724)	1 782
Balance at the end of the period	**2 346 534**	**2 297 220**	**2 242 135**	**2 289 504**

** 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	16 829
- Write-offs released	(3)	0	0	0	(16 775)
- Utilisation	0	0	0	0	(934)
- Other	0	0	0	0	0
As at 30.09.2023	4 999	6 700	797	0	24 965
As at 01.01.2023	5 002	6 700	797	0	25 845
- Write-offs created	0	0	0	0	12 554
- Write-offs released	(1)	0	0	0	(12 784)
- Utilisation	0	0	0	0	(916)
- Other	0	0	0	0	0
As at 30.06.2023	5 001	6 700	797	0	24 699
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	2	0	0	0	11 705
- Write-offs released	(1)	0	0	0	(8 960)
- Utilisation	0	0	0	0	(3 202)
- Other	0	0	0	0	0
As at 30.09.2022	4 998	6 700	8 856	0	27 385

Change of Provision for commitments and guarantees given

	1.01.2023 - 30.09.2023	1.01.2023 - 30.06.2023	1.01.2022 - 31.12.2022	1.01.2022 - 30.09.2022
Balance at the beginning of the period	40 174	40 174	44 955	44 955
Charge of provision	31 039	24 367	42 130	32 955
Release of provision	(34 802)	(29 759)	(46 984)	(40 744)
FX rates differences	(49)	(150)	73	217
Balance at the end of the period	**36 362**	**34 632**	**40 174**	**37 383**

Change of Provision for pending legal issues

	1.01.2023 - 30.09.2023	1.01.2023 - 30.06.2023	1.01.2022 - 31.12.2022	1.01.2022 - 30.09.2022
Balance at the beginning of the period	975 092	975 092	549 450	549 450
Charge of provision	31 828	7 383	27 325	12 637
Release of provision	(9 598)	(8 344)	(8 116)	(5 509)
Utilisation of provision	(112 313)	0	(175)	(175)
Creation of provision for legal risk connected with FX mortgage loans	2 363 800	1 620 620	2 017 320	1 512 780
Allocation to the loans portfolio	(2 082 635)	(1 489 019)	(1 610 712)	(1 181 608)
Balance at the end of the period	1 166 174	1 105 732	975 092	887 575

Provisions for legal risk connected with fx mortgage loans

01.01.2023 - 30.09.2023	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	(331 048)	(331 048)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	2 363 800	0	2 363 800
Allocation to the loans portfolio	0	2 070 528	(2 070 528)
Change of provisions due to FX rates differences	88 045	88 045	0
Balance at the end of the period	7 516 140	6 400 425	1 115 715

01.07.2023 - 30.09.2023	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	6 561 956	5 607 912	954 044
Amounts written off	(116 751)	(116 751)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	743 180	0	743 180
Allocation to the loans portfolio	0	581 509	(581 509)
Change of provisions due to FX rates differences	327 756	327 756	0
Balance at the end of the period	7 516 140	6 400 425	1 115 715

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

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

	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023	1.01.2022 - 30.09.2022	1.07.2022 - 30.09.2022
Costs of settlements recognized in the profit and loss account, including:	(237 038)	(86 905)	(376 763)	(143 454)
- included in the “Result on exchange differences”	(196 012)	(81 900)	(327 094)	(97 949)
- included in the “Result on modification”	(41 026)	(5 005)	(49 669)	(45 505)
Costs of settlements charged to previously created provisions	59 514	28 963	0	0

Deferred income tax assets and liability

	30.09.2023			30.06.2023		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	128	(1 564)	(1 436)	128	(1 677)	(1 549)
Balance sheet valuation of financial instruments	(23 392)	(1 771)	(25 163)	(22 738)	(3 435)	(26 173)
Unrealised receivables/ liabilities on account of derivatives	62 068	(52 573)	9 495	58 177	(49 370)	8 807
Interest on deposits and securities to be paid/ received	114 616	(171 200)	(56 584)	102 209	(204 091)	(101 882)
Interest and discount on loans and receivables	0	(121 040)	(121 040)	0	(110 719)	(110 719)
Income and cost settled at effective interest rate	105 652	0	105 652	158 127	0	158 127
Impairment of loans presented as temporary differences	480 853	0	480 853	469 510	0	469 510
Employee benefits	20 523	0	20 523	19 638	0	19 638
Rights to use	4 231	0	4 231	4 356	0	4 356
Provisions for future costs	118 290	0	118 290	123 103	0	123 103
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in OCI	89 520	(36 106)	53 414	133 264	(48 080)	85 184
Valuation of shares	1 273	(31 280)	(30 007)	1 273	(30 831)	(29 558)
Valuation of future income from bancassurance cooperation	0	(10 260)	(10 260)	0	(10 260)	(10 260)
Other	259	(984)	(725)	425	0	425
Total	974 021	(426 778)	547 243	1 047 472	(458 463)	589 009

	31.12.2022			30.09.2022		
	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	(2 435)	(776)
Balance sheet valuation of financial instruments	20 322	(47 466)	(27 144)	61 013	(88 877)	(27 864)
Unrealised receivables/ liabilities on account of derivatives	73 405	(59 804)	13 601	63 077	(50 703)	12 374
Interest on deposits and securities to be paid/ received	72 317	(290 124)	(217 807)	49 093	(272 554)	(223 461)
Interest and discount on loans and receivables	0	(108 723)	(108 723)	0	(105 562)	(105 562)
Income and cost settled at effective interest rate	236 022	0	236 022	332 067	0	332 067
Impairment of loans presented as temporary differences	465 901	0	465 901	445 040	0	445 040
Employee benefits	19 604	0	19 604	18 855	0	18 855
Rights to use	4 719	0	4 719	5 139	0	5 139
Provisions for future costs	79 551	0	79 551	72 780	0	72 780
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in OCI	251 607	(54 839)	196 768	339 716	(35 244)	304 472
Valuation of shares	1 273	(19 420)	(18 147)	1 273	(34 803)	(33 530)
Other	931	0	931	1 218	0	1 218
Total	1 225 780	(582 584)	643 196	1 390 930	(590 178)	800 752

4. TRANSACTIONS WITH RELATED ENTITIES

All transactions among members of the Group made in 3rd 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 30.09.2023

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks - accounts and deposits	572 118	1 748	0
Loans and advances to customers	6 599 290	0	0
Investments in associates	346 714	0	0
Financial assets valued at fair value through profit and loss (held for trading)	417	0	0
Hedging derivatives	0	0	0
Other assets	26 219	0	0
LIABILITIES			
Deposits from banks	682	148	0
Deposits from customers	268 421	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)	425	0	0
Subordinated debt	0	0	0
Other liabilities, including:	43 419	161	23
financial leasing liabilities	37 901	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 1.01-30.09.2023

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	328 160	1 999	0
Commissions	18 550	84	0
Financial instruments valued at fair value through profit and loss	1 225	28	0
Dividends	28 706	0	0
Other net operating	18 580	0	0
Expense from:			
Interest	9 395	3	0
Commissions	2	0	0
Financial instruments valued at fair value through profit and loss	0	0	0
Other net operating	0	0	0
General and administrative expenses	9 357	377	64

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

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

Off-balance transactions with related parties (data in ‘000 pln) as at 30.09.2023

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	1 631 369	20 228	0
granted	1 316 626	0	0
obtained	314 743	20 228	0
Derivatives (par value)	93 053	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 9 months ended 30 September 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

30.09.2023	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST		
Debt securities	16 579 468	16 690 764
Deposits, loans and advances to banks and other monetary institutions	1 105 821	1 105 980
Loans and advances to customers (*)	61 630 403	60 406 258
LIABILITIES MEASURED AT AMORTISED COST		
Liabilities to banks and other monetary institutions	428 779	428 780
Liabilities to customers	106 444 648	106 526 433
Debt securities issued	2 570 425	2 565 815
Subordinated debt	1 563 005	1 565 428

** 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 30.09.2023

	Quoted market prices Level 1	Valuation techniques - observable inputs Level 2	Valuation techniques - significant unobservable inputs Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		164 276	385 678
Shares	175		
Debt securities	235 520		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments			66 609
Debt securities			79 568
Loans and advances			23 612
Financial assets at fair value through other comprehensive income			
Equity instruments	247		24 142
Debt securities	10 671 600	10 802 041	
Loans and advances			11 669 731
Derivatives – Hedge accounting		0	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		135 754	392 848
Short positions	151 996		
Derivatives – Hedge accounting		412 281	

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	89 112	(91 794)	0	0	(82 733)	(184 813)
Change of valuation recognized in equity	0	0	0	0	0	(98 596)
Interest income and other of similar nature	0	0	0	0	8 635	731 888
Results on financial assets and liabilities held for trading	40 178	(41 680)	0	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	7 511	(272)	0
Result on exchange differences	0	0	(4)	0	0	0
Balance as at 30.09.2023	**376 704**	**(383 874)**	**90 751**	**79 568**	**23 612**	**11 669 731**

	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 September 30, 2023, the Bank had 19,849 loan agreements and additionally 1,635 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 (68% loans agreements before the courts of first instance and 32% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 3,780.4 million and CHF 260.4 million (Bank Millennium portfolio: PLN 3,467.9 million and CHF 253 million and former Euro Bank portfolio: PLN 312.4 million and CHF 7.4 million). Out of 19,849 BM loan agreements in ongoing individual cases 207 are also part of class action. From the total number of individual litigations against the Bank approximately 2,000 or 10% were submitted by borrowers that had already naturally or early fully repaid the loan or were converted to polish zloty at the moment of submission and had not a settlement agreement and approximately another 700 cases correspond to loans that were fully repaid since then (as court proceedings are lengthy).

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

In addition, the Bank is a party to the group proceedings (class action) subject matter of which is to determine the Bank's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3 273. Out of 3,273 loan agreements in class action 207 are also part of ongoing individual cases, 770 concluded settlements and 4 received final verdicts (invalidation of loan agreement). On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022.

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 3,007 (265), in 2021 the number increased by 6,155 (423), in 2022 the number increased by 5,752 (408), while in the first three quarters of 2023 the number increased by 5,107 (444).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved against the banks. As far as the Bank Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of the third quarter of 2023, 2,570 cases were finally resolved (2,493 in claims submitted by clients against the Bank and 77 in claims submitted by the Bank against clients i.e. debt collection cases) out of which 726 were settlements, 52 were remissions, 61 rulings were favorable for the Bank and 1,731 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 declaring invalidation of loan agreements. Simultaneously the Bank undertakes proper legal actions in order to secure repayment of initially disbursed capital of the loan.

The outstanding gross balance of the loan agreements under individual court cases and class action against the Bank (incl. former Euro Bank portfolio) on 30.09.2023 was PLN 6,257 million (of which the outstanding amount of the loan agreements under the class action proceeding was 814 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 6,615 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the 9 months of 2023, the Bank created PLN 2 208,1 million of provisions for Bank Millennium originated portfolio and PLN 155,7 million for former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of September 2023 was at the level of PLN 6 980,2 million, and PLN 536,0 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 ongoing cases (including class action agreements) and potential future lawsuits that will arise within the specified (three-year) time horizon. As regards the increase in the number of future court cases, the Bank monitors customer behaviours, follows market trends and expert comments, which resulted in the adjustment of previous assumptions. As a result, in the methodology of calculating provisions for legal risk in the case of active loans (loans with an outstanding balance as at the date of filing the lawsuit), the Bank increased the estimated percentage of customers with active contracts who already filed or will decide to file a lawsuit against the Bank to 77% of active loan agreements (compared to 70% at the end of IIQ2023). As of end of September, the Bank had 34 076 active CHF loan agreements. Another 20 355 agreements have been subject of a settlement agreement with the borrowers and about 45,000 loans have been naturally or early fully repaid or converted to polish zloty and not subject of a settlement agreement. Regarding loans already fully repaid or converted to polish zloty, the Bank attributes a much lower probability of becoming the subject of a court case based on statistical analysis. In particular: a) the Bank assesses the risk connected with the settlements reached with the clients in the past as negligible b) from the group of loans that have been repaid (naturally or early, or converted into polish zloty loan) and were not subject of a settlement agreement, the Bank assumes that about 1,3 thousands will decide to sue the Bank in the future.

(2) the currently estimated 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 accordance with legal opinions, the Bank does not include in the methodology for calculating provisions the element related to the potential claim for remuneration for the client in connection with the repayments made by him,

(5) estimates involved with amicable settlements with clients, concluded in court or out of court
   a. the Bank assumes 12% probability of success of reaching a settlement within negotiations made with clients during court proceedings,
   b. negotiations in court or out of court are conducted on a case-by-case basis and can be stopped at any time by the Bank
   c. due to significant negotiation efforts already made in the past, the probability of success in these negotiations in the future is decreasing, and at the same time most customers have already contacted the Bank regarding the possible conversion of loans into PLN, so at the moment the Bank adopts a conservative approach when taking into account the potential impact of this factor.

The Bank is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX mortgage loans originated by Bank Millennium decreased by 20,355: 1,362 in 2020; 8,450 in 2021; 7,943 in 2022 and 2,600 in the first three quarters of 2023. As of the end of the third quarter of 2023, the Bank had 34,076 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN 1,220 million: PLN 44.4 million in 2020; PLN 364.6 million in 2021; PLN 515.2 million in 2022 and PLN 295.8 million in the first three quarters 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).

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

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

Parameter	Scenario	Impact on the loss
Change in the assumed number of litigation	In addition to assumed number, 1,000 new customers file a lawsuit against the Bank	PLN 173 mln
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 p.p	PLN 70 mln
Change in probability of success in negotiations with court client	Change of probability by 1 p.p	PLN 21 mln

On December 8, 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority ('PFSA') proposed a 'sector' solution to address the sector risks related to FX mortgages. The solution would consist in offering banks' clients a voluntary possibility of concluding arrangements based on which a client would settle a CHF Mortgage Loan as if it was a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans. As of the date of this Base Prospectus, the Bank has not taken any decision regarding the implementation of this solution, but cannot exclude implementing it in the future. The decision to generally implement this solution could imply the need of creating upfront provisions for the losses resulting from the conversion of CHF Mortgage Loans. The Bank in practice has been using elements of such solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the circumstances stemming from the CJEU verdict in case C-520/21 (below described), the possibility of successful implementation of a general offer of KNF solution is low.

Finally it should also be mentioned, that the Bank, as at 30.09.2023, 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.

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

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

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

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

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

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

ii) the provisions of Directive 93/13 preclude the judicial interpretation of national law, according to which a credit institution has the right to demand compensation from the consumer that goes beyond the return of the capital paid for the performance of this contract and beyond the payment of statutory default interest from the date of the request for payment.

On September 21, 2023, the CJEU issued a judgement in a case registered under case number C-139/22, following preliminary questions submitted by the District Court in Warsaw in a case against Bank Millennium. The CJEU stated that:
i) provisions of the Directive 93/13 must be interpreted as not precluding a contractual term which has not been individually negotiated from being regarded as unfair by the national authorities concerned merely by virtue of the fact that its content is equivalent to that of a standard contract term entered in the national register of standard business terms held to be unlawful;
ii) the contractual term which, because of the circumstances for the performance of certain obligations of the consumer concerned provided for in that term, must be regarded as unfair, may not cease to be considered unfair on account of another term of that contract which provides for the possibility for that consumer to perform those obligations under different circumstances;
iii) a seller or supplier is obliged to inform the consumer concerned of the essential characteristics of the contract concluded with that seller or supplier and the risks associated with that contract, even though that consumer is its employee and has relevant knowledge in the field of the contract.

Jurisprudence of Polish 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. After the CJEU verdict of June 15, 2023, in case C-520/21, it seems that the issue that requires further analysis is whether the return of the originally disbursed capital should be made at nominal value or with the loss of purchasing power of money taken into account. By 30 September 2023 the Bank filed 4.8 thousands lawsuits against the borrowers.

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

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.

Preliminary questions referred to CJEU

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 case number C-756/22. Taking into account the position of the CJEU in the C-520/21 judgment, there are doubts whether the case will be resolved on the merits.

The issue also referred to the CJEU assessment is the issue of admissibility of banks' claims for valorization of amounts disbursed to borrowers under credit agreements declared invalid as a result of preliminary questions from the District Court in Warsaw (cases C-113/23 and C-488/23). The issue of the admissibility of the bank's valorization claims currently remains unresolved in the jurisprudence of the Polish courts, and therefore the judgments of the CJEU in the cases indicated will be important for determining the scope of the Bank's claims after the invalidation of the loan agreement.

Moreover, the subject of the CJEU's analysis, as a result of the Warsaw District Court's questions remains the issues related to the limitation period of the Bank's and the customer's restitution claims following the collapse of the loan agreement (Cases: C-28/22 ; C-140/22). Legal interpretations in these cases may be particularly significant for the Bank's claims as to the commencement of the running of the limitation period of its claims, by eliminating or confirming the risk of its claims being deemed time-barred in a given case. In addition, there are other proceedings pending in the CJEU on issues related to cases of loans indexed to foreign currency, including, among other things, the admissibility of a bank's use of the retention right (C-424/22), the starting point for calculating statutory interest for delay on a customer's claims resulting from invalid contract (C-348/23), and the consumer status of a person who concluded a credit agreement to purchase real estate for investment purposes (C-347/23). The answers to these questions will have an impact on the various elements of court cases involving loans indexed to foreign currency.

On October 6, 2023, the Supreme Court submitted new question to the CJEU on the admissibility of the retention right. The question seeks to determine whether the Directive 93/13 preclude applying to the judgment awarding to a customer the reimbursement of sums paid in performance of an invalid contract a provision that payment by the financial institution will be made after the consumer offers to repay the capital disbursed.

Despite the extensive jurisprudence of the Court of Justice of the European Union in cases involving loans indexed to foreign currency, Polish courts continue to submit further preliminary questions to the CJEU on specific issues related to the disputes in question, so it cannot be ruled out that new lines of jurisprudence will develop as a result of the CJEU's answers to the questions raised, which, as of the date of this report, cannot be reliably predicted.

Legal issues referred to the Supreme Court

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.

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.

Due to the complexity and uncertainty regarding the outcome of court cases, including counter-claims, as well as 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.

The issue that remains unresolved in the jurisprudence of common courts and the Supreme Court is also the issue of the admissibility of borrowers' claims in the event of the invalidity of a loan agreement for payment of amounts beyond the reimbursement of monthly installments and costs paid for the execution of that agreement and beyond the payment of statutory default interest from the date of the demand for payment, which, in light of the CJEU's judgment of June 15, 2023 in case C-520/21, remains not excluded. Due to the uncertainty of the direction of case law in this area, as of the date of publication of the report, it is difficult to reliably assess the impact of potential rulings.

7. ADDITIONAL INFORMATION

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

During the 9 months ended September 30, 2023, the Bank's liabilities arising from the issue of debt securities increased by PLN 2,326.7 million and their balance as at that date amounted to PLN 2,570.4 million. The increase in these liabilities results primarily from the issuance of non-preferred senior bonds listed on the Luxembourg Stock Exchange, with a total value of EUR 500 million (EUR 400 million issued on September 18, 2023 and EUR 100 million on September 27, 2023, detailed information was provided by the Bank in current reports No. 27/2023 and No. 30/2023, respectively). All issued bonds mature on September 18, 2027 (with the possibility of early redemption on September 18, 2026).

7.2. OFF BALANCE SHEET ITEMS

Structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Off-balance conditional commitments granted and received	**17 490 786**	**16 564 605**	**16 365 564**	**16 453 271**
Commitments granted:	14 487 463	13 938 435	14 030 294	13 778 422
- financial	12 747 692	12 229 440	11 610 683	11 163 434
- guarantee	1 739 771	1 708 995	2 419 611	2 614 988
Commitments received:	3 003 323	2 626 170	2 335 270	2 674 849
- financial	9 410	11 081	6 884	299 680
- guarantee	2 993 913	2 615 089	2 328 386	2 375 169

7.3. REFORM OF BENCHMARKS

1. WIBOR

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

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

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

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

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

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

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: **26 433.66** mortgage loans based on WIBOR (excluding **8 698.44** mortgage loans currently with temporary fixed rate where the clients have the option to switch to variable rate indexed to WIBOR after the end of such temporary fixed rate initial period);
- loan products, factoring and corporate discounting products: **18 695.03**;
- debt instruments (**4 740.90**);
    - Assets: 2 968.40
    - Liabilities: 1 772.50
- derivative instruments: **20 412.73**

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

Bank Millennium S.A. is working on the analysis of the risks and monitors them on a regular basis. In addition, according to the Roadmap, a regulatory event should occur in Q3/Q4 2023 however, there is currently no 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 and thus information, whether the Minister of Finance will designate one or several WIBOR replacements, the lack of information on the amount of the adjustment spread or the method of calculating this spread, whether there will be corresponding adjustment changes related to this (and if so, which ones), as well as the lack of a market for hedging instruments. Therefore 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 adopted recommendations on new products, both banking, leasing and factoring, as well as previously published ones on bonds and derivatives.

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

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

On October 25, 2023, information from the NWG Steering Committee was published on changes in the expected Road Map for the reform of benchmarks. The Steering Committee of the National Working Group on the Reform of Benchmark Indicators decided to change the maximum deadlines for the implementation of the Road Map, and indicated the final moment of conversion at the end of 2027.

2. LIBOR USD

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

- Retail banking/mortgage portfolio: 3.47;

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

Date	Name and surname	Position/Function	Signature
26.10.2023	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
26.10.2023	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
26.10.2023	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
26.10.2023	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
26.10.2023	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
26.10.2023	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
26.10.2023	Jarosław Hermann	Member of the Management Board	Signed by a qualified electronic signature