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

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

Consolidated Financial Highlights

	Amount '000 PLN		Amount '000 EUR	
	1.01.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.01.2024 - 30.06.2024	1.01.2023 - 30.06.2023
Interest income and other of similar nature	4 174 626	4 158 958	968 389	901 573
Fee and commission income	524 571	524 599	121 685	113 722
Profit (loss) before income tax	246 575	775 426	57 198	168 096
Profit (loss) after taxes	356 933	357 918	82 798	77 589
Total comprehensive income of the period	449 463	862 797	104 262	187 036
Net cash flows from operating activities	10 668 358	5 748 079	2 474 740	1 246 061
Net cash flows from investing activities	(11 728 960)	(6 904 275)	(2 720 768)	(1 496 700)
Net cash flows from financing activities	(65 905)	(133 273)	(15 288)	(28 891)
Net cash flows, total	(1 126 507)	(1 289 469)	(261 316)	(279 530)
Earnings (losses) per ordinary share (in PLN/EUR)	0.29	0.30	0.07	0.06
Diluted earnings (losses) per ordinary share	0.29	0.30	0.07	0.06
	30.06.2024	31.12.2023	30.06.2024	31.12.2023
Total Assets	135 535 070	125 520 004	31 424 779	28 868 446
Liabilities to banks and other monetary institutions	585 422	563 512	135 734	129 603
Liabilities to customers	116 540 149	107 246 428	27 020 670	24 665 692
Equity	7 344 358	6 894 895	1 702 842	1 585 762
Share capital	1 213 117	1 213 117	281 270	279 006
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN/EUR)	6.05	5.68	1.40	1.31
Diluted book value per share (in PLN/EUR)	6.05	5.68	1.40	1.31
Total Capital Ratio (TCR)	17.13%	18.06%	17.13%	18.06%
Pledged or paid dividend per share (in PLN/EUR)	-	-	-	-

Exchange rates accepted to convert selected financial data into EUR				
for items as at the balance sheet date	-	-	4.3130	4.3480
for items for the period covered by the report (exchange rate calculated as the average of exchange rates at the end of individual months of the period)	-	-	4.3109	4.6130

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

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE 6 MONTHS ENDED 30 JUNE 2024

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1. GENERAL INFORMATION ABOUT ISSUER

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

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

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

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

Supervisory Board and Management Board of Bank Millennium S.A. as at 30 June 2024

Composition of the Supervisory Board as at 30 June 2024 was as follows:

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

Composition of the Management Board as at 30 June 2024 was as follows:

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

Capital Group of Bank Millennium S.A.

The Group's parent entity is Bank Millennium S.A. while the ultimate parent entity of the Bank Millennium S.A. is the Banco Comercial Portugues - company listed on the stock exchange in Lisbon. The companies that belong to the Capital Group as at 30 June 2024, are presented by the table below:

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

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

2. INTRODUCTION AND ACCOUNTING POLICY

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

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the six months ending June 30, 2024.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2024 to 30 June 2024:

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

All data for quarterly periods presented in these condensed interim consolidated financial statements of the Group have not been audited or reviewed by a statutory auditor.

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

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

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

In May 2024, the Management Board of the Bank concluded that the objectives of the Capital Protection Plan have been achieved and decided on the completion of its realization. Subsequently, In June 2024, the Management Board decided to exit the state of implementation of the Recovery Plan and to complete its realization.

All key assumptions of both plans were achieved, including all defined indicators reached safe levels, and the Group's profitability and financial results were clearly improved. In the area of capital management, capital ratios have been restored to levels visibly exceeding minimum regulatory requirements and the Bank and the Group meet MREL requirements, including the combined buffer requirements. The Bank's Management Board does not identify future circumstances that would support further continuation of the plans.

As at June 30, 2024, the Tier 1 ratio was 480 bps (Bank) and 441 bps (Group) above the minimum requirement, and the total capital ratio (TCR) was 556 bps (Bank) and 492 bps (Group) above the minimum requirement.

In June 2024, the Bank received a letter from the Bank Guarantee Fund regarding the joint decision of the Single Resolution Board (SRB) and the BFG obliging the Bank to meet the communicated MRELtrea requirements in the amount of 18.03% (previously 18.89% in the decision received June 5, 2023) and 17.92% taking into account the subordination criterion and MRELtem requirements in the amount of 5.91% (as in the decision received on May 5, 2023) and 5.87% taking into account the subordination criterion.

In terms of MRELtrea and MRELtem requirements, the Group presents a surplus compared to the minimum levels required as at 30/06/2024 (MRELtrea surplus was 489 bps and MRELtem 114 bps), and also meets the MRELtrea requirement after enabling the Combined Buffer Requirement. Assuming no extraordinary factors, the Group plans to maintain both MREL ratios above the minimum required levels with a safe surplus.

It should be noted that the profitability of the Bank and the Group was improved despite the recording in May this year one-off initially estimated costs (recognized in these financial statements as a reduction in interest income) related to the so-called credit holidays in the amount of PLN 189.1 million for the Bank and PLN 201.0 million for the Group, respectively. This adjustment resulted from the signing by the President of the Republic of Poland and the announcement in the Journal of Laws of the Republic of Poland of the Act of April 12, 2024 amending the Act on support for borrowers who have taken out a housing loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers which, among other things, extends the possibility for borrowers to suspend the repayment of a mortgage loan granted in Polish currency by an additional four months in 2024 ("credit holidays").

The Bank monitors, on the current basis, the financial situation in particular, the Bank is aware of the risks associated with further negative developments regarding the legal risk of FX mortgage loans that could imply the need to increase the level of provisions for such risk apart from the provisions that might result from current trends. In the Bank's view, these events, if materialized, would adversely affect the results of the Bank/Group in 2024, and would reduce the organic generation of capital that is envisaged, but would not prevent the Bank/Group from continuing to implement its strategy and the generation of results that would mitigate the impact of such events.

The liquidity position of Bank Millennium Group remained strong in 2Q 2024. LCR ratio reached the level of 337% at the of June 2024, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 64% and the share of liquid debt securities (mainly bonds issued by Poland government, other EU countries, multilateral development banks and NBP bills) in the Group's total assets remains significant at 37%.

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

The Management Board approved these condensed consolidated interim financial statements on 26th July 2024.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Amount '000 PLN	Note	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Net interest income		2 535 817	1 181 572	2 597 950	1 335 826
Interest income and other of similar nature	1	4 174 626	2 005 199	4 158 958	2 087 525
Income calculated using the effective interest method		4 116 833	1 976 739	4 108 816	2 061 712
Interest income from Financial assets at amortised cost, including:		3 479 000	1 641 013	3 662 077	1 864 984
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays		(201 046)	(201 046)	0	0
Interest income from Financial assets at fair value through other comprehensive income		637 833	335 726	446 739	196 728
Result of similar nature to interest from Financial assets at fair value through profit or loss		57 793	28 460	50 142	25 813
Interest expenses	2	(1 638 809)	(823 627)	(1 561 008)	(751 699)
Net fee and commission income		390 121	190 539	403 952	203 020
Fee and commission income	3	524 571	262 149	524 599	263 951
Fee and commission expenses	4	(134 450)	(71 610)	(120 647)	(60 931)
Dividend income		3 389	3 237	3 127	2 922
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	(733)	(319)	540 643	(5 580)
Results on financial assets and liabilities held for trading	6	(2 189)	(3 544)	1 434	(1 701)
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	5 798	(4 919)	7 266	1 365
Result on hedge accounting		(1 456)	(209)	309	(13)
Result on exchange differences		(86 601)	(39 984)	(20 757)	(12 534)
Other operating income		169 678	101 847	184 596	68 488
Other operating expenses		(269 601)	(104 363)	(146 906)	(74 719)
Administrative expenses	8	(993 752)	(449 713)	(864 529)	(395 235)
Impairment losses on financial assets	9	(172 330)	(61 565)	(152 273)	(42 898)
Impairment losses on non-financial assets		(2 096)	(211)	230	(1 503)
Provisions for legal risk connected with FX mortgage loans	10	(1 123 590)	(574 780)	(1 620 620)	(756 970)
Result on modification		(61 849)	(30 566)	(53 550)	(25 718)
Depreciation		(109 509)	(55 218)	(105 446)	(52 925)
Share of the profit of investments in subsidiaries		0	0	0	0
Banking tax		(34 522)	(34 522)	0	0
Profit before income taxes		246 575	117 282	**775 426**	**241 825**
Corporate income tax	11	110 358	111 225	(417 508)	(136 053)
Profit after taxes		356 933	228 507	**357 918**	**105 772**
Attributable to:					
Owners of the parent		356 933	228 507	357 918	105 772
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)		0.3	0.19	0.30	0.08

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Profit after taxes	356 933	228 507	357 918	105 772
Other comprehensive income items that may be (or were) reclassified to profit or loss	114 235	41 619	623 392	220 985
Result on debt securities	97 280	37 125	416 488	130 549
Hedge accounting	16 955	4 494	206 904	90 436
Other comprehensive income items that will not be reclassified to profit or loss	0	0	(84)	(84)
Actuarial gains (losses)	0	0	(84)	(84)
Result on equity instruments	0	0	0	0
Total comprehensive income items before taxes	**114 235**	**41 619**	**623 308**	**220 901**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(21 705)	(7 908)	(118 444)	(41 987)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0	16	16
Total comprehensive income items after taxes	**92 530**	**33 711**	**504 879**	**178 929**
Total comprehensive income for the period	**449 463**	**262 218**	**862 797**	**284 701**
Attributable to:				
Owners of the parent	449 463	262 218	862 797	284 701
Non-controlling interests	0	0	0	0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Amount '000 PLN	Note	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Cash, cash balances at central banks		5 856 992	4 937 063	5 094 984	6 768 777
Financial assets held for trading	12	632 990	998 447	608 924	692 718
Derivatives		464 102	552 723	498 249	495 406
Equity instruments		179	120	121	115
Debt securities		168 709	445 604	110 554	197 197
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers		149 835	154 635	147 623	143 815
Equity instruments		66 609	66 609	66 609	66 609
Debt securities		83 226	88 026	81 014	77 206
Financial assets at fair value through other comprehensive income	13	28 544 165	26 953 826	22 096 200	14 681 777
Equity instruments		28 790	28 789	28 793	24 378
Debt securities		28 515 375	26 925 037	22 067 407	14 657 399
Loans and advances to customers	14	74 645 200	73 910 677	73 643 060	74 152 070
Mandatorily at fair value through profit or loss		5 905	7 226	19 349	54 780
Valued at amortised cost		74 639 295	73 903 451	73 623 711	74 097 290
Financial assets at amortised cost other than Loans and advances to customers	15	22 099 071	21 647 640	20 706 585	15 047 887
Debt securities		21 412 853	20 789 685	18 749 907	14 467 969
Deposits, loans and advances to banks and other monetary institutions		488 442	426 841	793 436	532 220
Reverse sale and repurchase agreements		197 776	431 114	1 163 242	47 698
Derivatives – Hedge accounting	16	170 655	116 528	74 213	121 936
Investments in subsidiaries, joint ventures and associates		47 612	52 509	52 509	43 522
Tangible fixed assets		547 916	559 763	565 630	552 519
Intangible fixed assets		509 447	480 378	481 631	442 931
Income tax assets		779 196	510 433	486 803	737 827
Current income tax assets		2 534	2 227	1 810	4 956
Deferred income tax assets	18	776 662	508 206	484 993	732 871
Other assets		1 532 877	1 796 879	1 544 328	1 425 904
Non-current assets and disposal groups classified as held for sale		19 114	19 270	17 514	11 940
Total assets		**135 535 070**	**132 138 048**	**125 520 004**	**114 823 623**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.06.2024	31.03.2024	31.12.2023	30.06.2023
LIABILITIES					
Financial liabilities held for trading	12	514 947	496 924	579 553	568 182
Derivatives		406 290	496 924	576 833	479 672
Liabilities from short sale of securities		108 657	0	2 720	88 510
Financial liabilities measured at amortised cost		122 285 470	119 004 963	112 692 833	103 287 919
Liabilities to banks and other monetary institutions	19	585 422	557 849	563 512	522 954
Liabilities to customers	20	116 540 149	113 183 861	107 246 427	100 596 983
Sale and repurchase agreements	21	2 559	380 430	0	350 244
Debt securities issued	22	3 595 571	3 323 609	3 317 849	251 759
Subordinated debt	23	1 561 769	1 559 214	1 565 045	1 565 979
Derivatives - Hedge accounting	16	129 644	124 155	193 664	329 630
Provisions	24	2 263 958	1 822 340	1 445 472	1 141 582
Pending legal issues		2 223 914	1 780 304	1 403 105	1 107 056
Commitments and guarantees given		40 044	42 036	42 367	34 526
Income tax liabilities		147 558	33 174	461 457	386 481
Current income tax liabilities		147 123	32 734	461 217	385 613
Deferred income tax liabilities	18	435	440	240	868
Other liabilities		2 849 135	3 574 352	3 252 130	2 752 626
Total Liabilities		**128 190 712**	**125 055 908**	**118 625 109**	**108 466 420**
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		(124 982)	(158 693)	(217 512)	(537 405)
Retained earnings		5 108 742	4 880 235	4 751 809	4 534 010
Total equity		7 344 358	**7 082 140**	**6 894 895**	6 357 203
Total equity and total liabilities		**135 535 070**	**132 138 048**	**125 520 004**	**114 823 623**

Book value of net assets		7 344 358	7 082 140	6 894 895	6 357 203
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)		6.05	5.84	5.68	5.24

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
01.01.2024 - 30.06.2024							
Equity at the beginning of the period	6 894 895	1 213 117	(21)	1 147 502	(217 512)	792 276	3 959 533
Total comprehensive income for period (net)	449 463	0	0	0	92 530	356 933	0
net profit/ (loss) of the period	356 933	0	0	0	0	356 933	0
valuation of debt securities	78 796	0	0	0	78 796	0	0
valuation of shares	0	0	0	0	0	0	0
hedge accounting	13 734	0	0	0	13 734	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	(553 622)	553 622
Equity at the end of the period	**7 344 358**	**1 213 117**	**(21)**	**1 147 502**	**(124 982)**	**595 587**	**4 513 155**
01.04.2024 - 30.06.2024							
Equity at the beginning of the period	7 082 140	1 213 117	(21)	1 147 502	(158 693)	367 080	4 513 155
Total comprehensive income for period (net)	262 218	0	0	0	33 711	228 507	0
net profit/ (loss) of the period	228 507	0	0	0	0	228 507	0
valuation of debt securities	30 070	0	0	0	30 070	0	0
valuation of shares	0	0	0	0	0	0	0
hedge accounting	3 641	0	0	0	3 641	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	**7 344 358**	**1 213 117**	**(21)**	**1 147 502**	**(124 982)**	**595 587**	**4 513 155**
01.01.2023 - 31.12.2023							
Equity at the beginning of the period	5 494 406	1 213 117	(21)	1 147 502	(1 042 284)	(824 873)	5 000 965
Total comprehensive income for period (net)	1 400 489	0	0	0	824 772	575 717	0
net profit/ (loss) of the period	575 717	0	0	0	0	575 717	0
valuation of debt securities	545 145	0	0	0	545 145	0	0
valuation of shares	3 582	0	0	0	3 582	0	0
hedge accounting	285 013	0	0	0	285 013	0	0
actuarial gains/losses	(8 968)	0	0	0	(8 968)	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 041 432	(1 041 432)
Equity at the end of the period	**6 894 895**	**1 213 117**	**(21)**	**1 147 502**	**(217 512)**	**792 276**	**3 959 533**
01.01.2023 - 30.06.2023							
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)	862 797	0	0	0	504 879	357 918	0
net profit/ (loss) of the period	357 918	0	0	0	0	357 918	0
valuation of debt securities	337 355	0	0	0	337 355	0	0
valuation of shares	0	0	0	0	0	0	0
hedge accounting	167 592	0	0	0	167 592	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	**6 357 203**	**1 213 117**	**(21)**	**1 147 502**	**(537 405)**	**574 477**	**3 959 533**

CONSOLIDATED STATEMENT OF CASH FLOW

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Profit (loss) after taxes	356 933	228 507	357 918	105 772
Total adjustments:	10 311 425	3 783 713	5 390 161	2 265 909
Interest received	3 885 786	2 127 719	3 859 621	2 068 048
Interest paid	(1 403 006)	(674 920)	(1 414 216)	(686 783)
Depreciation and amortization	109 509	55 218	105 446	52 925
Foreign exchange (gains)/ losses	0	0	0	0
Dividends	(3 389)	(3 237)	(3 127)	(2 922)
Changes in provisions	818 487	441 619	125 414	167 450
Result on sale and liquidation of investing activity assets	1 479	2 395	(535 667)	12 778
Change in financial assets held for trading	(154 528)	253 101	(103 615)	(164 662)
Change in loans and advances to banks	49 372	21 387	187 857	136 230
Change in loans and advances to customers	(3 799 358)	(2 027 385)	(867 620)	(432 384)
Change in receivables from securities bought with sell-back clause (loans and advances)	941 100	222 333	(61 284)	(58 698)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(128 626)	23 511	(41 794)	69 657
Change in deposits from banks	28 896	28 768	(128 797)	120 118
Change in deposits from customers	10 584 898	3 977 137	3 906 042	372 384
Change in liabilities from securities sold with buy-back clause	17 221	(372 064)	375 148	355 212
Change in debt securities	367 903	319 031	33 171	20 644
Change in income tax settlements	(514 574)	(104 364)	416 367	132 504
Income tax paid	(113 422)	(57 922)	(116 559)	(50 361)
Change in other assets and liabilities	(438 952)	(479 669)	(417 918)	118 045
Other	62 629	31 055	71 692	35 724
Net cash flows from operating activities	**10 668 358**	**4 012 220**	**5 748 079**	**2 371 681**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Inflows:	296 428 703	137 507 113	234 809 340	91 010 640
Proceeds from sale of property, plant and equipment and intangible assets	6 060	4 117	9 350	1 750
Proceeds from sale of shares in related entities	0	0	499 912	0
Proceeds from sale of investment financial assets	296 419 254	137 499 759	234 296 951	91 005 968
Other	3 389	3 237	3 127	2 922
Outflows:	(308 157 663)	(143 890 459)	(241 713 615)	(95 622 921)
Acquisition of property, plant and equipment and intangible assets	(74 981)	(55 739)	(51 912)	(2 579)
Acquisition of shares in related entities	0	0	0	0
Acquisition of investment financial assets	(308 082 682)	(143 834 720)	(241 661 703)	(95 620 342)
Other	0	0	0	0
Net cash flows from investing activities	**(11 728 960)**	**(6 383 346)**	**(6 904 275)**	**(4 612 281)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
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:	(65 905)	(28 499)	(133 273)	(88 000)
Repayment of long-term bank loans	0	0	(55 000)	(50 000)
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	(65 905)	(28 499)	(78 273)	(38 000)
Net cash flows from financing activities	**(65 905)**	**(28 499)**	(133 273)	(88 000)

D. Net cash flows. Total (A + B + C)	**(1 126 507)**	**(2 399 625)**	**(1 289 469)**	**(2 328 600)**
- including change resulting from FX differences	(98)	1 761	(14 970)	(12 306)
E. Cash and cash equivalents at the beginning of the reporting period	**18 499 347**	**19 772 465**	**14 231 089**	**15 270 220**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**17 372 840**	**17 372 840**	**12 941 620**	**12 941 620**

4. NOTES TO CONSOLIDATED FINANCIAL DATA

1) INTEREST INCOME AND OTHER OF SIMILAR NATURE

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Interest income from Financial assets at fair value through other comprehensive income	637 833	335 726	446 739	196 728
Debt securities	637 833	335 726	446 739	196 728
Interest income from Financial assets at amortised cost	3 479 000	1 641 013	3 662 077	1 864 984
Balances with the Central Bank	107 029	54 270	113 974	58 401
Loans and advances to customers, including:	2 860 116	1 325 725	3 304 978	1 663 645
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays	(201 046)	(201 046)	0	0
Debt securities	475 063	245 239	196 514	122 746
Deposits, loans and advances to banks	12 426	4 775	15 110	4 829
Transactions with repurchase agreements	24 366	11 004	18 449	11 000
Hedging derivatives	0	0	13 052	4 363
Result of similar nature to interest, including:	57 793	28 460	50 142	25 813
Loans and advances to customers mandatorily at fair value through profit or loss	1 688	1 430	6 965	3 245
Financial assets and liabilities held for trading - derivatives	49 762	23 123	40 839	21 326
Financial assets held for trading - debt securities	6 343	3 907	2 338	1 242
Total	**4 174 626**	**2 005 199**	**4 158 958**	**2 087 525**

Following the signing by the President of the Republic of Poland and the announcement in the Journal of Laws of the Republic of Poland of the Act of April 12, 2024 amending the Act on support for borrowers who have taken out a mortgage loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and aid borrowers which, among other things, extends the possibility for borrowers to suspend the repayment of a mortgage loan granted in Polish currency for a period of up to four months (suspension of repayments up to 4 monthly installments) in 2024 ("credit holidays"), the Bank and the Group in May this year, recorded one-off costs related to credit holidays, initially estimated at PLN 189.1 million for the Bank and PLN 201.0 million for the Group, respectively.

The adjustment was calculated and recognized in accordance with IFRS 9, as a reduction of interest income on assets measured at amortized cost and, on the other hand, reducing the gross value of mortgage loans in PLN. The amount of the adjustment was initially calculated as the difference between the gross value of the loan portfolio as at the calculation date and the current value of estimated cash flows under loan agreements, taking into account the assumption that 26.4% of the percentage of capital of eligible loans will suspend repayment installments.

Interest income for the I half 2024 contains interest accrued on impaired loans in the amount of PLN 83,619 thous. (for corresponding data in the year 2023 the amount of such interest stood at PLN 96,198 thous.).

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)**.

2) INTEREST EXPENSES AND OTHER OF SIMILAR NATURE

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Financial liabilities measured at amortised cost	(1 638 809)	(823 627)	(1 561 008)	(751 699)
Liabilities to banks and other monetary institutions	(6 254)	(1 286)	(12 006)	(5 620)
Liabilities to customers	(1 344 752)	(680 979)	(1 422 071)	(689 681)
Transactions with repurchase agreement	(14 662)	(5 806)	(24 904)	(4 968)
Debt securities issued	(197 332)	(98 521)	(25 165)	(12 638)
Subordinated debt	(62 629)	(31 054)	(71 921)	(35 954)
Liabilities due to leasing agreements	(5 587)	(2 904)	(4 941)	(2 838)
Hedging derivatives	(7 593)	(3 077)	0	0
Other	0	0	0	0
Total	**(1 638 809)**	**(823 627)**	**(1 561 008)**	**(751 699)**

3) FEE AND COMMISSION INCOME

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Resulting from accounts service	56 258	28 374	59 045	29 421
Resulting from money transfers, cash payments and withdrawals and other payment transactions	49 616	25 682	46 838	24 021
Resulting from loans granted	105 143	51 439	102 963	49 605
Resulting from guarantees and sureties granted	6 870	3 268	7 213	3 404
Resulting from payment and credit cards	154 989	79 904	142 622	73 720
Resulting from sale of insurance products	67 229	29 910	97 475	48 621
Resulting from distribution of investment funds units and other savings products	13 836	6 969	12 851	6 544
Resulting from brokerage and custody service	6 776	3 409	5 425	2 617
Resulting from investment funds managed by the Group	40 405	21 157	29 746	15 505
Other	23 449	12 037	20 421	10 493
Total	524 571	262 149	524 599	263 951

4) FEE AND COMMISSION EXPENSE

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Resulting from accounts service	(22 124)	(11 663)	(21 387)	(11 066)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(2 293)	(1 192)	(2 485)	(1 348)
Resulting from loans granted	(14 765)	(7 255)	(12 000)	(5 539)
Resulting from payment and credit cards	(56 748)	(30 358)	(53 088)	(26 791)
Resulting from brokerage and custody service	(1 395)	(808)	(1 102)	(529)
Resulting from investment funds managed by the Group	(6 282)	(3 107)	(5 358)	(2 776)
Resulting from insurance activity	(5 059)	(3 297)	(5 633)	(3 443)
Other	(25 784)	(13 930)	(19 594)	(9 439)
Total	(134 450)	(71 610)	(120 647)	(60 931)

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 June 2024 had a provision **in** the amount of PLN 73.4 million which was estimated based on the maximum amount of potential returns and the probability of payment being made.

5) RESULT ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Result on bancassurance transaction	0	0	553 912	0
Operations on debt instruments	137	137	(12 353)	(5 020)
Costs of financial operations	(870)	(456)	(916)	(560)
Total	(733)	(319)	540 643	(5 580)

Bancassurance transaction

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

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

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

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

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

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

1) profit realized on sale: payment of the price less the fair value of the shares at the moment of loss of control in the amount of PLN 553.9 million (gross) was included in March 2023 in the item "Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss";
2) an inflow of PLN 46.0 million (gross) as a valuation of the derivative at the time of final settlement of the transaction in December 2023, resulting from the agreed potential future remuneration payments, was recognized as "Result on financial assets and liabilities held for trading";
3) At the same time, due to the loss of control over the Company, the Bank valued the remaining non-controlling share in the Company at fair value of PLN 52.5 million (gross), this amount was included in "Other operating income", out of which PLN 43.3 million was recognized in March 2023 and an additional PLN 9.2 million in December 2023.

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

6) RESULTS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Result on debt instruments	1 081	(2 272)	3 184	1 713
Result on derivatives	(3 288)	(1 287)	(1 752)	(3 415)
Result on other financial operations	18	15	2	1
Total	(2 189)	(3 544)	1 434	(1 701)

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

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Loans and advances to customers	3 587	(119)	(2 242)	429
Result on equity instruments	0	0	4 360	1
Result on debt instruments	2 211	(4 800)	5 148	935
Total	5 798	(4 919)	7 266	1 365

8) Administrative expenses

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Staff costs:	(583 963)	(294 620)	(501 838)	(255 792)
Salaries	(476 558)	(240 332)	(409 297)	(208 502)
Surcharges on pay	(85 607)	(42 838)	(74 588)	(37 656)
Employee benefits, including:	(21 798)	(11 450)	(17 953)	(9 634)
- provisions for retirement benefits	(2 923)	(1 461)	(2 300)	(1 150)
- provisions for unused employee holiday	(6)	(2)	(11)	(3)
- other	(18 869)	(9 987)	(15 642)	(8 481)
Other administrative expenses:	(409 789)	(155 093)	(362 691)	(139 443)
Costs of advertising, promotion and representation	(41 094)	(21 002)	(32 476)	(14 670)
IT and communications costs	(78 360)	(40 299)	(73 917)	(37 313)
Costs of renting	(29 386)	(13 945)	(38 079)	(19 295)
Costs of buildings maintenance, equipment and materials	(26 617)	(13 759)	(24 666)	(12 952)
ATM and cash maintenance costs	(18 187)	(9 037)	(17 483)	(8 722)
Costs of consultancy, audit and legal advisory and translation	(77 612)	(37 301)	(57 699)	(28 125)
Taxes and fees	(23 750)	(11 906)	(23 420)	(11 947)
KIR - clearing charges	(7 345)	(3 660)	(6 212)	(3 170)
PFRON costs	(4 695)	(2 372)	(4 098)	(2 096)
Banking Guarantee Fund costs	(60 850)	56	(60 039)	23 395
Financial Supervision costs	(8 761)	(3 632)	(7 748)	(3 163)
Costs of protection scheme	0	0	0	0
Other	(33 132)	1 764	(16 854)	(21 385)
Total	**(993 752)**	**(449 713)**	**(864 529)**	**(395 235)**

9) Impairment losses on financial assets

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Impairment losses on loans and advances to customers	(174 634)	(63 563)	(157 213)	(45 368)
Impairment charges on loans and advances to customers	(910 912)	(397 080)	(951 897)	(412 034)
Reversal of impairment charges on loans and advances to customers	670 737	279 865	738 056	320 223
Amounts recovered from loans written off	20 303	8 414	20 933	10 708
Sale of receivables	45 221	45 221	35 659	35 659
Other directly recognised in profit and loss	17	17	36	76
Impairment losses on securities	(5)	(6)	0	0
Impairment charges on securities	(5)	(5)	0	0
Reversal of impairment charges on securities	0	(1)	0	0
Impairment losses on off-balance sheet liabilities	2 309	2 004	4 940	2 470
Impairment charges on off-balance sheet liabilities	(27 464)	(10 072)	(24 819)	(7 416)
Reversal of impairment charges on off-balance sheet liabilities	29 773	12 076	29 759	9 886
Total	**(172 330)**	**(61 565)**	**(152 273)**	**(42 898)**

10) PROVISIONS FOR LEGAL RISK CONNECTED WITH FX MORTGAGE LOANS

01.01.2024 - 30.06.2024	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	7 871 789	6 516 460	1 355 329
Amounts written off	(500 744)	(500 744)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	1 123 590	0	1 123 590
Allocation to the loans portfolio	0	302 957	(302 957)
Change of provisions due to FX rates differences	(288 040)	(288 040)	0
Balance at the end of the period	8 206 595	6 030 633	2 175 962

01.04.2024 - 30.06.2024	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	7 856 693	6 125 090	1 731 603
Amounts written off	(313 534)	(313 534)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	574 780	0	574 780
Allocation to the loans portfolio	0	130 421	(130 421)
Change of provisions due to FX rates differences	88 656	88 656	0
Balance at the end of the period	8 206 595	6 030 633	2 175 962

01.01.2023 - 30.06.2023	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	(214 297)	(214 297)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	1 620 620	0	1 620 620
Allocation to the loans portfolio	0	1 489 019	(1 489 019)
Change of provisions due to FX rates differences	(239 711)	(239 711)	0
Balance at the end of the period	6 561 956	5 607 912	954 044

01.04.2023 - 30.06.2023	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	6 075 701	5 294 835	780 866
Amounts written off	(116 297)	(116 297)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	756 970	0	756 970
Allocation to the loans portfolio	0	583 792	(583 792)
Change of provisions due to FX rates differences	(154 418)	(154 418)	0
Balance at the end of the period	6 561 956	5 607 912	954 044

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Costs of settlements recognized in the profit and loss account, including:	(242 264)	(124 056)	(150 133)	(77 934)
- included in the “Result on exchange differences”	(200 010)	(102 457)	(114 112)	(60 679)
- included in the “Result on modification”	(42 254)	(21 599)	(36 021)	(17 255)
Costs of settlements charged to previously created provisions	111 543	60 211	30 551	22 929

11) Corporate income tax

11a. Income tax reported in income statement

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Current tax	(202 920)	(147 532)	(466 689)	(182 498)
Current year	(210 656)	(155 268)	(468 063)	(182 498)
Adjustment to prior years	7 736	7 736	1 374	0
Deferred tax:	313 278	258 757	49 181	46 445
Recognition and reversal of temporary differences	339 175	272 460	53 606	53 508
Recognition / (Utilisation) of tax loss	(25 897)	(13 703)	(4 425)	(7 063)
Total income tax reported in income statement	**110 358**	**111 225**	**(417 508)**	**(136 053)**

11b. Effective tax rate

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Profit before tax	246 575	117 282	775 426	241 825
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	(46 849)	(22 283)	(147 331)	(45 947)
Impact of permanent differences on tax charges:	**132 772**	**125 771**	**(276 988)**	**(95 421)**
- Non-taxable income	42 518	27 102	14 574	7 237
Dividends income	1 512	1 512	529	529
Release of other provisions	19 011	11 885	13 933	6 607
Adjustment of income from cancellation of loans in CHF	20 577	13 650	0	0
Other	1 418	55	112	101
- Cost which is not a tax cost	90 254	98 669	(291 562)	(102 658)
PFRON fee	(893)	(459)	(778)	(397)
Fees for Banking Guarantee Fund	(11 562)	427	(11 408)	4 445
Banking tax	(6 559)	(6 559)	(604)	(604)
Receivables written off	(3 571)	(1 739)	(10 745)	(1 508)
Costs of litigations and claims	(107 369)	(62 960)	(265 281)	(101 754)
Asset due to future cancellations of CHF loans	222 551	170 986	0	0
Other	(2 343)	(1 027)	(2 746)	(2 840)
Other differences between the gross financial result and taxable income (including R&D relief)	24 435	7 737	6 811	5 315
Total income tax reported in income statement	**110 358**	**111 225**	**(417 508)**	**(136 053)**
Effective tax rate	/-/	/-/	53.84%	56.26%

11C. DEFERRED TAX REPORTED IN EQUITY

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Valuation of investment assets at fair value through other comprehensive income	22 270	29 323	40 752	90 335
Valuation of cash flow hedging instruments	7 075	7 929	10 297	37 840
Actuarial gains (losses)	(30)	(30)	(30)	(2 117)
Deferred tax reported directly in equity	29 315	37 222	51 019	126 058

Withholding tax audit for years 2015-17

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

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

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

Judgement of the Supreme Administrative Court

On 6 December 2023, the Supreme Administrative Court (NSA) issued a judgment on the Bank's complaint against the tax ruling of the Director of the National Tax Information Service on the principles of recognising the CIT effects of invalidations of mortgage loans indexed to foreign currencies and foreign currency loans, in particular in Swiss francs (CHF Loans), adjudicated by common courts. According to the judgment, the Bank should recognize the tax consequences not by including the resulting losses as tax-deductible costs, but by adjusting the previously CIT taxable revenues from the above-mentioned loans and advances (foreign exchange gains, interest, commissions and fees), taking into account the principles of limitation of tax liabilities. Until the above judgment was issued, the remaining interpretation issues were clarified and the calculation methodology was developed, the Bank, prudently, due to doubts as to the detailed rules of revenue adjustment and the lack of possibility of reliable estimation, did not recognize losses due to the cancellation of CHF loans for CIT and deferred tax purposes.

In 2024, after developing by the Bank the methodology and clarifying the interpretation issues, as a consequence of the judgment issued by the Supreme Administrative Court, the Bank made adjustments to the CIT returns for the years 2020-22 and in May this year the Bank obtained a CIT refund from the Tax Office in the total amount of PLN 7.7 million in connection with the cancellation of CHF loans in these years. Guided by the developed methodology applied to the above adjustments, the Bank:

1) recognized in the first half of 2024 a deferred tax asset (DTA) in the total amount of PLN 222.6 million (of which 171.0 million in the second quarter) due to future adjustments of interest income and foreign exchange gains on CHF loans that are the subject of court disputes for their cancellation;

2) recognizes from the beginning of the year in the current CIT tax adjustments of interest and positive exchange differences on court annulments of CHF loans. The above events had a positive impact on the net result, reducing the income tax burden.

The calculation of the DTA besides the current CHF/PLN exchange rate also depends on the volume of new court cases and final cancellations of CHF loans, as well as settlements concluded with borrowers, and therefore it will be subject to changes depending on changes in the above parameters.

12) FINANCIAL ASSETS HELD FOR TRADING

12A. FINANCIAL ASSETS HELD FOR TRADING

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Debt securities	**168 709**	**445 604**	**110 554**	**197 197**
Issued by State Treasury	168 709	445 604	110 554	197 197
a) bills	0	0	0	0
b) bonds	168 709	445 604	110 554	197 197
Other securities	0	0	0	0
a) quoted	0	0	0	0
b) non quoted	0	0	0	0
Equity instruments	**179**	**120**	**121**	**115**
Quoted on the active market	179	120	121	115
a) financial institutions	84	58	31	41
b) non-financial institutions	95	62	90	74
	0			
Adjustment from fair value hedge	0	0	0	0
	0			
Positive valuation of derivatives	464 102	552 723	498 249	495 406
	0			
Total	**632 990**	**998 447**	**608 924**	**692 718**

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

	Fair Values 30.06.2024			Fair Values 31.03.2024		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	(9 055)	9 946	19 001	(9 912)	11 194	21 106
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	(9 055)	500	9 555	(9 912)	276	10 188
Other interest rate contracts: options	0	9 446	9 446	0	10 918	10 918
2. FX derivatives	74 400	102 360	27 960	73 711	122 783	49 072
FX contracts	(21 054)	2 168	23 222	(23 004)	6 076	29 080
FX swaps	95 454	100 192	4 738	96 715	116 707	19 992
Other FX contracts (CIRS)	0	0	0	0	0	0
FX options	0	0	0	0	0	0
3. Embedded instruments	(349 697)	0	349 697	(414 404)	0	414 404
Options embedded in deposits	(349 697)	0	349 697	(414 404)	0	414 404
Options embedded in securities issued	0	0	0	0	0	0
4. Indexes options	342 164	351 796	9 632	406 404	418 746	12 342
Total	**57 812**	**464 102**	**406 290**	**55 799**	**552 723**	**496 924**
Valuation of hedged position in fair value hedge accounting	-	0	0	-	0	0
Liabilities from short sale of debt securities	-	-	108 657	-	-	0

	Fair Values 31.12.2023			Fair Values 30.06.2023		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	(9 710)	12 060	21 770	(18 383)	23 708	42 091
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	(9 710)	538	10 248	(18 764)	848	19 612
Other interest rate contracts: options	0	11 522	11 522	381	22 860	22 479
2. FX derivatives	(60 286)	69 431	129 717	39 949	124 367	84 418
FX contracts	(28 415)	9 665	38 080	(48 203)	7 621	55 824
FX swaps	(31 871)	59 766	91 637	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	(414 200)	0	414 200	(346 115)	0	346 115
Options embedded in deposits	(414 200)	0	414 200	(346 115)	0	346 115
Options embedded in securities issued	0	0	0	0	0	0
4. Indexes options	405 612	416 758	11 146	340 283	347 331	7 048
Total	**(78 584)**	**498 249**	**576 833**	**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	-	-	2 720	-	-	88 510

13) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Debt securities	**28 515 375**	**26 925 037**	**22 067 407**	**14 657 399**
Issued by State Treasury	17 487 527	16 642 547	11 825 424	10 125 318
a) bills	0	0	0	0
b) bonds	17 487 527	16 642 547	11 825 424	10 125 318
Issued by Central Bank	10 601 655	9 858 721	9 797 077	4 104 382
a) bills	10 601 655	9 858 721	9 797 077	4 104 382
b) bonds	0	0	0	0
Other securities	426 193	423 769	444 906	427 699
a) listed	426 193	423 769	444 906	427 699
b) not listed	0	0	0	0
Shares and interests in other entities	28 790	28 789	28 793	24 378
Other financial instruments	0	0	0	0
Total financial assets at fair value through other comprehensive income	**28 544 165**	**26 953 826**	**22 096 200**	**14 681 777**

14) Loans and advances to customers

14a. Loans and advances to customers mandatorily at fair value through profit or loss

Balance sheet value:	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Mandatorily at fair value through profit or loss	5 905	7 226	19 349	54 780
Companies	77	61	69	71
Individuals	5 828	7 165	19 280	54 709
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 485 million as at 30.06.2024.

14b. Loans and advances to customers valued at amortised cost

	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Valued at amortised cost, as at 30.06.2024	67 081 281	6 662 036	3 483 398	(399 324)	(323 217)	(1 864 879)	74 639 295
Companies	15 862 268	1 490 189	789 663	(116 006)	(52 069)	(261 936)	17 712 109
Individuals	51 147 549	5 171 846	2 693 735	(283 037)	(271 148)	(1 602 943)	56 856 002
Public sector	71 464	1	0	(281)	0	0	71 184
Valued at amortised cost, as at 31.03.2024	66 555 597	6 403 392	3 523 173	(377 108)	(335 032)	(1 866 571)	73 903 451
Companies	15 819 869	1 333 079	750 780	(108 805)	(53 959)	(260 397)	17 480 567
Individuals	50 575 365	5 070 312	2 772 393	(266 868)	(281 073)	(1 606 174)	56 263 955
Public sector	160 363	1	0	(1 435)	0	0	158 929
Valued at amortised cost, as at 31.12.2023	66 610 808	6 050 620	3 458 837	(427 418)	(322 955)	(1 746 181)	73 623 711
Companies	15 453 270	1 303 085	730 805	(103 386)	(42 529)	(245 469)	17 095 776
Individuals	50 994 741	4 747 531	2 728 032	(322 601)	(280 426)	(1 500 712)	56 366 565
Public sector	162 797	4	0	(1 431)	0	0	161 370
Valued at amortised cost, as at 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

14c. Loans and advances to customers

	30.06.2024		31.03.2024	
	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	68 073 747	934	67 542 027	1 371
▪ to companies	10 963 137	0	10 968 932	0
▪ to private individuals	57 050 783	934	56 520 238	1 371
▪ to public sector	59 827	0	52 857	0
Receivables on account of payment cards	1 248 599	4 971	1 229 781	5 855
▪ due from companies	13 908	77	14 477	61
▪ due from private individuals	1 234 691	4 894	1 215 304	5 794
Purchased receivables	166 959		132 619	
▪ from companies	166 959		132 619	
▪ from public sector	0		0	
Guarantees and sureties realised	326		446	
Debt securities eligible for rediscount at Central Bank	0		0	
Financial leasing receivables	6 956 491		6 836 543	
Other	83 543		77 831	
Interest	697 050		662 915	
Total:	**77 226 715**	**5 905**	**76 482 162**	**7 226**
Impairment allowances	(2 587 420)	-	(2 578 711)	-
Total balance sheet value:	**74 639 295**	**5 905**	**73 903 451**	**7 226**

	31.12.2023		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	67 292 473	10 527	67 805 674	16 265
▪ to companies	10 654 494	0	11 446 350	0
▪ to private individuals	56 586 451	10 527	56 260 984	16 265
▪ to public sector	51 528	0	98 340	0
Receivables on account of payment cards	1 209 584	8 822	1 124 896	38 515
▪ due from companies	13 541	69	13 868	71
▪ due from private individuals	1 196 043	8 753	1 111 028	38 444
Purchased receivables	143 844		84 733	
▪ from companies	143 844		84 733	
▪ from public sector	0		0	
Guarantees and sureties realised	560		1 579	
Debt securities eligible for rediscount at Central Bank	0		69	
Financial leasing receivables	6 738 380		6 938 227	
Other	104 560		42 963	
Interest	630 864		594 263	
Total:	**76 120 265**	**19 349**	**76 592 404**	**54 780**
Impairment allowances	(2 496 554)	-	(2 495 114)	-
Total balance sheet value:	**73 623 711**	**19 349**	**74 097 290**	**54 780**

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

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Loans and advances to customers (gross)	77 226 715	76 482 162	76 120 265	76 592 404
impaired	3 483 398	3 523 173	3 458 837	3 417 580
not impaired	73 743 317	72 958 989	72 661 428	73 174 824
Impairment write-offs	(2 587 420)	(2 578 711)	(2 496 554)	(2 495 114)
for impaired exposures	(1 864 879)	(1 866 571)	(1 746 181)	(1 734 030)
for not impaired exposures	(722 541)	(712 140)	(750 373)	(761 084)
Loans and advances to customers (net)	**74 639 295**	**73 903 451**	**73 623 711**	**74 097 290**

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

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Loans and advances to customers (gross)	77 226 715	76 482 162	76 120 265	76 592 404
case by case analysis	533 583	491 520	493 162	529 400
collective analysis	76 693 132	75 990 642	75 627 103	76 063 004
Impairment allowances	(2 587 420)	(2 578 711)	(2 496 554)	(2 495 114)
on the basis of case by case analysis	(168 667)	(161 402)	(150 724)	(175 904)
on the basis of collective analysis	(2 418 754)	(2 417 309)	(2 345 830)	(2 319 210)
Loans and advances to customers (net)	**74 639 295**	**73 903 451**	**73 623 711**	**74 097 290**

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

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Loans and advances to customers (gross)	77 226 715	76 482 162	76 120 265	76 592 404
corporate customers	18 213 585	18 064 092	17 649 961	18 629 116
individuals	59 013 130	58 418 070	58 470 304	57 963 288
Impairment allowances	(2 587 420)	(2 578 711)	(2 496 554)	(2 495 114)
for receivables from corporate customers	(430 292)	(424 596)	(392 815)	(472 170)
for receivables from private individuals	(2 157 128)	(2 154 115)	(2 103 739)	(2 022 944)
Loans and advances to customers (net)	**74 639 295**	**73 903 451**	**73 623 711**	**74 097 290**

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

	01.01.2024 - 30.06.2024	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.06.2023
Balance at the beginning of the period	2 496 554	2 496 554	2 420 809	2 420 809
Change in value of allowances:	90 866	82 157	75 745	74 305
Impairment allowances created in the period	910 894	513 814	1 579 846	951 897
Amounts written off	(75 424)	(51 728)	(191 115)	(101 358)
Impairment allowances released in the period	(670 629)	(390 765)	(1 200 277)	(737 787)
Sale of receivables	(105 219)	0	(175 477)	(63 325)
KOIM created in the period*	35 695	17 553	71 261	35 554
Changes resulting from FX rates differences	(6 489)	(8 221)	(10 192)	(12 588)
Other	2 038	1 504	1 699	1 912
Balance at the end of the period	**2 587 420**	**2 578 711**	**2 496 554**	**2 495 114**

** 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
30.06.2024			
- Companies	16 963	(498)	16 465
- Individuals	83 038	(34 002)	49 036
- Public sector	0	0	0
31.03.2024			
- Companies	17 867	823	18 690
- Individuals	88 294	(29 835)	58 459
- Public sector	0	0	0
31.12.2023			
- Companies	23 106	1 200	24 306
- Individuals	93 690	(25 136)	68 554
- Public sector	0	0	0
30.06.2023			
- Companies	25 563	(517)	25 046
- Individuals	112 093	(20 263)	91 830
- Public sector	0	0	0

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

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
in Polish currency	70 829 037	69 787 796	69 016 046	67 841 416
in foreign currencies (after conversion to PLN)	6 397 678	6 694 366	7 104 219	8 750 988
currency: USD	66 814	78 875	55 055	99 575
currency: EUR	4 170 514	4 065 472	3 906 098	3 994 563
currency: CHF	2 139 740	2 529 931	3 121 979	4 653 741
other currencies	20 610	20 088	21 087	3 109
Total gross	**77 226 715**	**76 482 162**	**76 120 265**	**76 592 404**

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

30.06.2024	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	21 412 864	0	0	(11)	0	0	21 412 853
Deposits, loans and advances to banks and other monetary institutions	488 513	0	0	(71)	0	0	488 442
Repurchase agreements	197 776	0	0	0	0	0	197 776

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

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

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

15B. DEBT SECURITIES

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
credit institutions	2 111 638	1 896 281	1 716 205	690 331
other companies	0	0	0	0
public sector*	19 301 215	18 893 404	17 033 702	13 777 638
Total	21 412 853	20 789 685	18 749 907	14 467 969

* also includes securities issued by governments of other EU countries

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

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Current accounts	349 426	282 575	571 479	292 785
Deposits	137 111	142 463	219 804	238 356
Other	0	367	0	235
Interest	1 976	1 507	2 313	856
Total (gross) deposits, loans and advances	488 513	426 912	793 596	532 232
Impairment allowances	(71)	(71)	(160)	(12)
Total (net) deposits, loans and advances	**488 442**	**426 841**	**793 436**	**532 220**

15D. REPURCHASE AGREEMENTS

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
credit institutions	0	429 958	1 146 305	9 166
other customers	197 670	0	11 553	38 524
interest	106	1 156	5 384	8
Total	197 776	431 114	1 163 242	47 698

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 30.06.2024) is shown in a tables below:

	Hedge of volatility of the cash flows generated by PLN denominated financial assets	Cash flow volatility hedge for the flows generated by FX mortgage portfolio and its underlying PLN liabilities	Fair value hedge of a fixed interest rate debt instrument
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.	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.
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.	A portfolio of fixed coupon debt securities classified as financial assets measured at fair value through other comprehensive income denominated in PLN.
Hedging instruments	IRS transactions	CIRS transactions	IRS 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; 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.	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.

	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	Hedging the fair value of the risk profile assigned to a portfolio of homogeneous, non-interest-bearing current accounts in foreign currencies (portfolio hedging)
Description of hedge transactions	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.	The Group hedges part of the interest rate risk related to the change in the fair value of the risk profile assigned to the portfolio of homogeneous, non-interest-bearing current accounts in foreign currencies, resulting from the volatility of market interest rates.
Hedged items	Cash flows resulting from income and interest costs denominated in foreign currencies.	Cash flows from issued fixed-rate liabilities denominated in foreign currencies	Risk profile assigned to a portfolio of homogeneous, non-interest-bearing current accounts in foreign currencies.
Hedging instruments	FX position resulting from recognized future leasing liabilities.	IRS transactions	IRS transactions
Presentation of the result on the hedged and hedging transactions	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.	The result from the change in fair value measurement determined for hedged items in terms of the hedged risk is recognized in the result from hedge accounting. The change in the fair value measurement of derivative instruments constituting security 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 30.06.2024			Fair values 31.03.2024		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(122 698)	0	122 698	(116 882)	0	116 882
IRS contracts	(6 946)	0	6 946	(7 273)	0	7 273
FXS contracts	0	0	0	0	0	0
2. Derivatives used as interest rate hedges related to interest rates						
IRS contracts	170 655	170 655	0	116 528	116 528	0
3. Total hedging derivatives	41 011	170 655	129 644	(7 627)	116 528	124 155

	Fair values 31.12.2023			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	(150 631)	15 069	165 700	(19 317)	121 936	141 253
IRS contracts	(27 964)	0	27 964	(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	59 144	59 144	0	0	0	0
3. Total hedging derivatives	(119 451)	74 213	193 664	(207 694)	121 936	329 630

17) IMPAIRMENT WRITE-OFFS FOR SELECTED ASSETS

Impairment write-offs:	Investment securities	Property. plant and equipment	Intangibles	Non-current assets held for sale	Other assets
As at 01.01.2024	5 001	816	3 988	0	30 279
- Write-offs created	5	0	0	0	10 424
- Write-offs released	0	0	0	0	(8 328)
- Utilisation	0	0	0	0	(2 078)
- Other	0	0	0	0	0
As at 30.06.2024	5 006	816	3 988	0	30 297
As at 01.01.2024	5 001	816	3 988	0	30 279
- Write-offs created	0	0	0	0	3 560
- Write-offs released	(1)	0	0	0	(1 676)
- Utilisation	0	0	0	0	(262)
- Other	0	0	0	0	0
As at 31.03.2024	5 000	816	3 988	0	31 901
As at 01.01.2023	5 002	816	3 988	137	29 405
- Write-offs created	2	0	0	0	19 352
- Write-offs released	(3)	0	0	0	(19 268)
- Utilisation	0	0	0	0	(1 383)
- Other	0	0	0	(137)	2 173
As at 31.12.2023	5 001	816	3 988	0	30 279
As at 01.01.2023	5 002	816	3 988	137	29 405
- Write-offs created	0	0	0	0	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

18) DEFERRED INCOME TAX ASSETS AND LIABILITY

	30.06.2024			31.03.2024		
	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	913	(20 169)	(19 256)	990	(24 249)	(23 259)
Balance sheet valuation of financial instruments	37 594	(31 363)	6 231	32 538	(39 786)	(7 248)
Unrealised receivables/ liabilities on account of derivatives	33 254	(64 921)	(31 667)	43 662	(61 957)	(18 295)
Interest on deposits and securities to be paid/ received	130 056	(306 530)	(176 474)	128 125	(356 820)	(228 695)
Interest and discount on loans and receivables	0	(128 840)	(128 840)	0	(119 874)	(119 874)
Income and cost settled at effective interest rate	47 434	0	47 434	45 660	(898)	44 762
Impairment of loans presented as temporary differences	575 421	0	575 421	549 410	0	549 410
Employee benefits	25 058	0	25 058	22 776	0	22 776
Rights to use	4 347	(96)	4 251	4 282	(141)	4 141
Provisions for future costs	235 158	0	235 158	197 173	0	197 173
Asset due to future cancellations of CHF loans	222 551	0	222 551	51 565	0	51 565
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	35 513	(6 166)	29 347	45 951	(8 698)	37 253
Valuation of shares	1 273	(32 790)	(31 517)	1 273	(34 632)	(33 359)
Tax loss deductible in the future	19 908	0	19 908	33 611	0	33 611
Other	11	(954)	(943)	(59)	(1 696)	(1 755)
Net deferred income tax asset	**1 368 491**	**(591 829)**	**776 662**	**1 156 957**	**(648 751)**	**508 206**

	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	(1 365)	(1 365)	0	(1 296)	(1 296)
Employee benefits	205	0	205	197	0	197
Rights to use	6	0	6	4	0	4
Provisions for future costs	768	0	768	703	0	703
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	0	(31)	(31)	0	(31)	(31)
Other	15	(33)	(18)	14	(31)	(17)
Net deferred income tax provision	**994**	**(1 429)**	**(435)**	**918**	**(1 358)**	**(440)**

	31.12.2023			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	(3 854)	13 021	9 167	(7 875)	2 146	(5 729)
Balance sheet valuation of financial instruments	(16 627)	(36 476)	(53 103)	(32 982)	(3 435)	(36 417)
Unrealised receivables/ liabilities on account of derivatives	67 024	(67 597)	(573)	58 177	(49 370)	8 807
Interest on deposits and securities to be paid/ received	127 301	(323 617)	(196 316)	112 811	(204 193)	(91 382)
Interest and discount on loans and receivables	0	(113 818)	(113 818)	0	(111 270)	(111 270)
Income and cost settled at effective interest rate	60 214	(801)	59 413	159 400	0	159 400
Impairment of loans presented as temporary differences	547 553	0	547 553	520 416	0	520 416
Employee benefits	23 055	0	23 055	20 524	0	20 524
Rights to use	4 201	0	4 201	4 845	0	4 845
Provisions for future costs	142 172	0	142 172	124 919	0	124 919
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	76 462	(25 410)	51 052	174 917	(48 817)	126 100
Valuation of shares	1 273	(33 300)	(32 027)	1 273	(30 831)	(29 558)
Valuation of future income from bancassurance cooperation	0	0	0	0	(10 260)	(10 260)
Tax loss deductible in the future	45 805	0	45 805	53 061	0	53 061
Other	141	(1 729)	(1 588)	(688)	103	(585)
Net deferred income tax asset	**1 074 721**	**(589 728)**	**484 993**	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	(1 172)	(1 172)	0	(1 002)	(1 002)
Employee benefits	213	0	213	221	0	221
Rights to use	3	0	3	0	0	0
Provisions for future costs	763	0	763	788	0	788
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	0	(31)	(31)	0	(42)	(42)
Other	16	(32)	(16)	650	(1 483)	(833)
Net deferred income tax provision	**995**	**(1 235)**	**(240)**	1 659	(2 527)	**(868)**

19) LIABILITIES TO BANKS AND OTHER MONETARY INSTITUTIONS

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
In current account	37 056	36 623	25 424	30 857
Term deposits	547 162	520 113	536 152	438 424
Loans and advances received	0	0	0	50 000
Interest	1 204	1 113	1 936	3 673
Total	585 422	557 849	563 512	522 954

20) LIABILITIES TO CUSTOMERS

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Amounts due to private individuals	83 428 759	81 059 888	76 599 831	71 714 326
Balances on current accounts	54 019 698	52 559 210	50 242 523	49 737 494
Term deposits	28 686 153	27 913 862	25 771 736	21 459 913
Other	383 483	306 686	278 997	254 721
Accrued interest	339 425	280 130	306 575	262 198
Amounts due to companies	26 557 348	25 846 169	26 346 440	23 400 936
Balances on current accounts	14 160 410	13 413 496	14 675 577	12 695 310
Term deposits	12 006 416	12 074 181	11 162 998	10 282 538
Other	331 107	300 456	462 439	358 503
Accrued interest	59 415	58 036	45 426	64 585
Amounts due to public sector	6 554 042	6 277 804	4 300 156	5 481 721
Balances on current accounts	3 571 547	3 301 439	3 318 533	2 954 490
Term deposits	2 962 800	2 959 017	974 507	2 488 332
Other	1 931	1 946	1 677	29 184
Accrued interest	17 764	15 402	5 439	9 715
Total	**116 540 149**	**113 183 861**	**107 246 427**	**100 596 983**

21) LIABILITIES FROM SECURITIES SOLD WITH BUY-BACK CLAUSE

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
to the Central Bank	0	0	0	0
to banks	2 558	0	0	0
to customers	0	379 996	0	349 996
interest	1	434	0	248
Total	2 559	380 430	0	350 244

22) CHANGE OF DEBT SECURITIES

	01.01.2024 - 30.06.2024	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.06.2023
Balance at the beginning of the period	3 317 849	3 317 849	243 753	243 753
Increases, on account of:	497 332	98 811	3 130 201	25 165
issue of bonds by the Bank	0	0	2 660 611	0
issue of covered bonds by Millennium Bank Hipoteczny	300 000	0	0	0
issue of Millennium Leasing bonds	0	0	280 000	0
valuation of the Bank's bonds designated to fair value hedged relationship	0	0	49 305	0
interest accrual	197 332	98 811	140 285	25 165
Reductions, on account of:	(219 610)	(93 051)	(56 105)	(17 159)
change in the valuation of the Bank's bonds designated to fair value hedged relationship	(35 131)	(25 552)	0	0
redemption of the Bank's bonds	(76 910)	0	0	0
other changes in carrying amount - (including exchange rate differences)	(17 388)	(24 387)	0	0
interest payment	(90 181)	(43 112)	(56 105)	(17 159)
Balance at the end of the period	**3 595 571**	**3 323 609**	**3 317 849**	**251 759**

23) CHANGE OF SUBORDINATED DEBT

	01.01.2024 - 30.06.2024	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.06.2023
Balance at the beginning of the period	1 565 045	1 565 045	1 568 083	1 568 083
Increases, on account of:	62 629	31 575	141 686	71 921
issue of subordinated bonds	0	0	0	0
interest accrual	62 629	31 575	141 686	71 921
Reductions, on account of:	(65 905)	(37 406)	(144 724)	(74 025)
interest payment	(65 905)	(37 406)	(144 724)	(74 025)
Balance at the end of the period	**1 561 769**	**1 559 214**	**1 565 045**	**1 565 979**

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

24) PROVISIONS

24A. PROVISIONS

	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Provision for commitments and guarantees given	40 044	42 036	42 367	34 526
Provision for pending legal issues	2 223 914	1 780 304	1 403 105	1 107 056
Total	2 263 958	1 822 340	1 445 472	1 141 582

24B. CHANGE OF PROVISION FOR COMMITMENTS AND GUARANTEES GIVEN

	01.01.2024 - 30.06.2024	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.06.2023
Balance at the beginning of the period	42 367	42 367	39 617	39 617
Charge of provision	27 464	17 392	40 884	24 819
Release of provision	(29 773)	(17 697)	(37 917)	(29 759)
FX rates differences	(14)	(26)	(217)	(151)
Balance at the end of the period	40 044	42 036	42 367	34 526

24C. CHANGE OF PROVISION FOR PENDING LEGAL ISSUES

	01.01.2024 - 30.06.2024	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.06.2023
Balance at the beginning of the period	1 403 105	1 403 105	976 552	976 552
Charge of provision	5 040	1 153	30 208	7 383
Release of provision	(6 000)	(652)	(11 936)	(8 480)
Utilisation of provision	(182)	(182)	(112 313)	0
Creation of provisions for legal risk connected with FX mortgage loans *	1 123 590	548 810	3 065 380	1 620 620
Allocation to the loans portfolio	(301 639)	(171 930)	(2 544 786)	(1 489 019)
Balance at the end of the period	2 223 914	1 780 304	1 403 105	1 107 056

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

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

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

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

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

Changes in the loan portfolio of the Group after 6 months of 2024 are summarized below:

	30.06.2024		31.12.2023	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Not overdue and without impairment	72 132 629	488 513	70 944 753	793 596
Overdue*, but without impairment	1 612 963	0	1 729 055	0
Total without impairment	73 745 591	488 513	72 673 808	793 596
With impairment	3 500 275	0	3 487 577	0
Total	**77 245 866**	**488 513**	**76 161 385**	**793 596**
Impairment write-offs	(2 587 420)	(71)	(2 496 554)	(160)
Fair value adjustment**	(13 246)	0	(21 772)	0
Total, net	**74 645 200**	**488 442**	**73 643 060**	**793 436**
Loans with impairment / total loans	4.53%	0.00%	4.58%	0.00%

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

5.2. MARKET RISK

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

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

Open positions mostly included interest rate and FX risk instruments. According to the Risk Strategy approved in the Group, the FX open position is allowed, however should be kept at low levels. For this purpose, the Group has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows keeping FX open positions only in Trading Book. In the 1H2024, the FX Total open position (Intraday as well as Overnight) remained below internal limits in place.

In 1H2024, the VaR remained on average at the level of approx. PLN279.9m for the total Group, which is jointly Trading Book and Banking Book (52% of the limit) and at approx. PLN3.1m for Trading Book (16% of the limit). The exposure to market risk at the end of June 2024 was approx. PLN273.3m for Global Bank (51% of the limit) and approx. PLN2.0m for Trading Book (10% of the limit). It should be noted that the value at risk in Banking Book is only complementary risk measurement tool as positions are expected to be held to maturity and are in large majority not a subject to marked to market (see next section - Interest rate risk in Banking Book, IRRBB).

The market risk exposure in 1H2024 in terms of value at risk for Trading Book, together with risk type division, is presented in the table below (PLN thousands).

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

	31.12.2023		VaR (1H2024)			30.06.2024	
	Exposure	Limit usage	Average	Maximum	Minimum	Exposure	Limit usage
Total risk	1 078	6%	3 125	7 512	287	1 967	10%
Generic risk	1 075	n.a.	3 120	7 509	283	1 961	n.a
Interest Rate VaR	1 071	7%	3 104	7 516	263	1 966	13%
FX Risk	24	1%	85	850	16	59	1%
Equity Risk	13	14%	18	36	10	19	21%
Diversification Effect	3.1%					4.2%	
Specific risk	3	0%	5	37	3	6	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 monthly:

- The impact of a change in the yield curve on net interest income (NII) assuming shocks determined by the supervisory outlier test (SOT) 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.
- 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 June 2024 indicate that in the EVE perspective the Group is the most exposed to the scenario of interest rates increase, while in the earnings perspective – to a decrease. The supervisory outlier test results of June 2024 show that even under the most severe outlier test scenario, the decline of EVE for Banking Book is below supervisory limit of 15% of Tier 1.

The results of sensitivity of NII for the next 12 months after 30th June 2024 and for position in Polish Zloty in Banking Book are conducted under the following assumptions:

- static balance sheet structure as of that reference date (no change during the following 12 months),
- reference level of net interest income if all assets and liabilities with variable interest rate already reflect market interest rates levels as of 30th June 2024 (for example, the NBP Reference rate was set at 5.75%),
- application of a parallel move of 100bps in the yield curve up and down is an additional shock to all market interest rates levels as of 30th June 2024 and is set at the repricing date of the assets and liabilities that happens during the 12 following months.

In a scenario of parallel decrease of interest rates for position in Polish Zloty by 100 bps, the results are negative and equal to -PLN19 million or -0.36% of the Group's NII reference level. In a scenario of parallel increase of interest rates for position in Polish Zloty by 100 bps, the results are negative and equal to -1 million or -0.02% of the Group's NII reference level.

For positions in all significant currencies (PLN, CHF, EUR, USD) the impact of parallel decrease of interest rates by 100bp is equal to -PLN56 million or -1.07% of the Group's NII reference level. In a scenario of parallel increase of interest rates by 100 bps, the results are positive and equal to PLN29 million or 0.56% of the Group's NII reference level. Group meets also the supervisory limit of Supervisory Outlier Tests for net interest income which is defined at the level of 5% of Tier 1 Capital.

5.4. LIQUIDITY RISK

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

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

In 1H2024, the Group continued to be characterized by solid liquidity position. All the supervisory and internal liquidity indicators remained significantly above minimum limits in place. According to rules in place, all eventual excesses of internal liquidity risk limits are always reported, documented, and ratified at the proper competence level. The steps taken as part of standard and binding risk management procedures have proved sufficient for managing liquidity in the current market environment.

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

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 1H2024, the Group maintained Loan-to-Deposit ratio well below 100%. This ratio was equalled 64% at the end of June 2024 (69% at the end of December 2023). The liquid assets portfolio is treated by the Group's as liquidity reserve, which will overcome crisis situations. This portfolio consists of liquid debt securities issued or guaranteed by Polish government, other EU's sovereigns, European Union, and multilateral development banks', supplemented by the cash and exposures to the National Bank of Poland. At the end of June 2024, the share of liquid debt securities (including NBP Bills) in total securities portfolio amounted to 99.9% and allowed to reach the level of approx. PLN50.0 billion (37% of total assets), whereas at the end of December 2023 was at the level of approx. PLN40.9 billion (33% of total assets).

Main liquidity ratios	31.12.2023	30.06.2024
Loans/Deposits ratio (%)	69%	64%
Liquid assets portfolio (PLN million)*	41 529	50 345
Liquidity Coverage Requirement, LCR (%)	327%	337%

(*) 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 PLN116.5 billion (PLN107,2 billion at the end of December 2023). The share of funds from individuals in total Client's deposits equalled to approx. 71.6% at the end of June 2024 (71.4% at the end of December 2023). The maintenance of high share of funds from individuals had a positive impact on the Group's liquidity and supported the safe compliance of the supervisory measures.

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

The level of deposit concentration is regularly monitored and did not have any negative impact on the stability of the deposit base in 1H2024. 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 1H2024, the regulatory minimum of 100% for both LCR and NSFR was fulfilled by the Group.

The LCR stayed at safe level of 337% at the end of June 2024 (327% at the end of December 2023). The comfortable liquidity position was kept due to increase of the retail Clients' deposits that guaranteed safe level of liquid assets portfolio.

Additionally, the Group employs an internal structural liquidity analysis based on cumulative liquidity gaps calculated on an actuarial basis (i.e. assuming a certain probability of cash flow occurrence). In 1H2024 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 second quarter of 2024 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with legal provisions in force and the best practice of national and international financial institutions.

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

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

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

5.6. CAPITAL MANAGEMENT

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

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

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

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

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

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

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

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

Capital adequacy	30.06.2024	31.03.2024	30.06.2023
Risk-weighted assets	43 317,69	42 519,50	47 147,87
Own Funds requirements, including:	3 465,41	3 401,60	3 771,83
- Credit risk and counterparty credit risk	2 945,15	2 876,60	3 301,35
- Market risk	16,63	19,4	18,00
- Operational risk	500,38	500,4	446,42
- Credit Valuation Adjustment CVA	3,25	5,2	6,05
Own Funds, including:	7 420,96	7 659,11	6 962,33
Common Equity Tier 1 Capital	6 178,90	6 340,83	5 510,92
Tier 2 Capital	1 242,05	1 318,28	1 451,41
Total Capital Ratio (TCR)	**17,13%**	**18,01%**	**14,77%**
Tier 1 Capital ratio (T1)	**14,26%**	**14,91%**	**11,69%**
Common Equity Tier 1 Capital ratio (CET1)	**14,26%**	**14,91%**	**11,60%**
MREL ratio	**22,92%**	**23,65%**	**14,93%**
Leverage ratio	**4,41%**	**4,64%**	**4,60%**

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

Capital adequacy	30.06.2024	31.03.2024	30.06.2023
Total Capital Ratio (TCR)	**17,13%**	**18,01%**	**14,77%**
Minimum required level (OCR)	12,21%	12,21%	12,69%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	4,92%	5,80%	2,08%
Minimum recommended level TCR (OCR+P2G)	13,81%	13,81%	14,44%
Surplus(+) / Deficit(-) on recommended level (p.p.)	3,32%	4,20%	0,33%
Tier 1 Capital ratio (T1)	**14,26%**	**14,91%**	**11,69%**
Minimum required level (OCR)	9,85%	9,85%	10,21%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	4,41%	5,06%	1,48%
Minimum recommended level T1 (OCR+P2G)	11,45%	11,45%	11,96%
Surplus(+) / Deficit(-) on recommended level (p.p.)	2,81%	3,46%	-0,27%
Common Equity Tier 1 Capital ratio (CET1)	**14,26%**	**14,91%**	**11,69%**
Minimum required level (OCR)	8,07%	8,07%	8,34%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	6,19%	6,84%	3,35%
Minimum recommended level CET1 (OCR+P2G)	9,67%	9,67%	10,09%
Surplus(+) / Deficit(-) on recommended level (p.p.)	4,59%	5,24%	1,60%
Leverage ratio	**4,41%**	**4,64%**	**4,60%**
Minimum required level	3,00%	3,00%	3,00%
Surplus(+) / Deficit(-) of Leverage ratio (p.p.)	1,41%	1,64%	1,60%

In Q2 2024, capital ratios marginally decreased - the Tier 1 capital ratio (equal to the Common Core Tier 1 capital ratio) by 65 bps, and the total capital ratio by 88 bps. T1 capital (CET1) decreased by PLN 163 million (2.6%), which resulted primarily from the increase in deferred tax assets (DTA) (more details in Note 18) reducing own funds by approximately PLN 126.6 million while also increasing RWA. RWA also grew driven by increase of loan portfolio (cash loans and corporate) and lower impact from securitizations. Total Own Funds decreased to a slightly greater extent - by over PLN 238 million/3.1%, due to a decrease in Tier 2 own funds by PLN 76 million, which is related to normal reduction of time to maturity of the subordinated bonds issued.

In Q2 2024 financial leverage ratio fell by 23 bps, from 4,64% to 4,41%, which was caused approximately equally by a decrease in T1 capital and an increase in the exposure measure. The surplus over regulatory minimum of 3% is equal to 141 bps.

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

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

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

In terms of the MRELtrea and MRELtem requirements, the Group presents a surplus compared to the minimum required levels as of June 30, 2024, and also meets the MRELtrea Requirement after the inclusion of the Combined Buffer Requirement.

MREL	30.06.2024	31.03.2024	30.06.2023
MRELtrea ratio	**22,92%**	**23,65%**	**14,93%**
Minimum required level MRELtrea	18,03%	18,89%	14,42%
Surplus(+) / Deficit(-) of MRELtrea (p.p.)	4,89%	4,76%	0,51%
Minimum required level including Combined Buffer Requirement (CBR)	20,78%	21,64%	17,17%
Surplus(+) / Deficit(-) of MRELtrea+CBR (p.p.)	2,14%	2,01%	-2,24%
MRELtem ratio	**7,05%**	**7,33%**	**5,87%**
Minimum required level of MRELtem	5,91%	5,91%	4,46%
Surplus(+) / Deficit(-) of MRELtem (p.p.)	1,14%	1,42%	1,41%

In June 2024, the Bank received a letter from the Bank Guarantee Fund regarding the joint decision of the Single Resolution Board (SRB) and the BFG obliging the Bank to meet the communicated MRELtrea requirements in the amount of 18.03% (previously 18.89% in the decision received June 5, 2023) and 17.92% taking into account the subordination criterion and MRELtem requirements in the amount of 5.91% (as in the decision received on May 5, 2023) and 5.87% taking into account the subordination criterion.

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 and foreign funds.

Corporate Customer Segment

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

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

Treasury, ALM (assets and liabilities management) and Other

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

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

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

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

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

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

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

Income statement 1.01.2024 – 30.06.2024

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	2 162 762	378 579	(6 265)	2 535 076	741	2 535 817
Net fee and commission income	297 409	86 671	2 206	386 286	3 835	390 121
Dividends, other income from financial operations and foreign exchange profit	63 213	43 768	4 107	111 088	(198 678)	(87 590)
Result on non-trading financial assets mandatorily at fair value through profit or loss	3 587	0	2 211	5 798	0	5 798
Other operating income and cost	(4 652)	6	17 884	13 238	(113 161)	(99 923)
Operating income	2 522 319	509 024	20 143	3 051 486	(307 263)	2 744 223
Staff costs	(469 523)	(99 729)	(14 711)	(583 963)	0	(583 963)
Administrative costs, including:	(231 282)	(42 024)	(77 039)	(350 345)	(59 444)	(409 789)
- BGF costs	*0*	*0*	*(60 850)*	*(60 850)*	*0*	*(60 850)*
Depreciation and amortization	(94 233)	(13 213)	(2 063)	(109 509)	0	(109 509)
Operating expenses	(795 038)	(154 966)	(93 813)	(1 043 817)	(59 444)	(1 103 261)
Impairment losses on assets	(131 392)	(55 770)	(2 096)	(189 258)	14 832	(174 426)
Results on modification	(17 960)	(1 705)	0	(19 665)	(42 184)	(61 849)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(1 123 590)	(1 123 590)
Total operating result	**1 577 929**	**296 583**	**(75 766)**	**1 798 746**	**(1 517 649)**	**281 097**
Share in net profit of associated companies						0
Banking tax						(34 522)
Profit / (loss) before income tax						**246 575**
Income taxes						110 358
Profit / (loss) after taxes						**356 933**

Balance sheet items as at 30.06.2024

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	58 206 516	14 398 127	0	72 604 643	2 040 556	**74 645 200**
Debt securities (AC and HTCFS portfolios)	0	0	49 928 228	49 928 228	0	**49 928 228**
Liabilities to customers	88 503 375	28 036 774	0	116 540 149	0	**116 540 149**

Income statement 1.01.2023 – 30.06.2023

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	2 343 439	391 983	(152 397)	2 583 025	14 925	2 597 950
Net fee and commission income	304 883	91 147	1 750	397 780	6 172	403 952
Dividends, other income from financial operations and foreign exchange profit	66 235	41 330	531 111	638 676	(113 920)	524 756
Result on non-trading financial assets mandatorily at fair value through profit or loss	(2 242)	0	9 508	7 266	0	7 266
Other operating income and cost	(12 345)	214	51 349	39 218	(1 528)	37 690
Operating income	2 699 970	524 674	441 321	3 665 965	(94 351)	3 571 614
Staff costs	(402 354)	(86 605)	(12 878)	(501 837)	0	(501 837)
Administrative costs, including:	(203 973)	(43 092)	(74 945)	(322 010)	(40 682)	(362 692)
- BGF costs	*0*	*0*	*(60 039)*	*(60 039)*	*0*	*(60 039)*
Depreciation and amortization	(90 865)	(12 650)	(1 931)	(105 446)	0	(105 446)
Operating expenses	(697 192)	(142 347)	(89 754)	(929 293)	(40 682)	(969 975)
Impairment losses on assets	(169 592)	(8 736)	231	(178 097)	26 054	(152 043)
Results on modification	(16 054)	(1 475)	0	(17 529)	(36 021)	(53 550)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(1 620 620)	(1 620 620)
Total operating result	**1 817 132**	**372 116**	**351 798**	**2 541 046**	**(1 765 620)**	**775 426**
Share in net profit of associated companies						0
Banking tax						0
Profit / (loss) before income tax						**775 426**
Income taxes						(417 508)
Profit / (loss) after taxes						**357 918**

Balance sheet items as at 31.12.2023

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	57 154 036	13 499 640	0	70 653 676	2 989 384	**73 643 060**
Debt securities (AC and HTCFS portfolios)	0	0	40 817 314	40 817 314	0	**40 817 314**
Liabilities to customers	81 043 632	26 202 795	0	107 246 428	0	**107 246 428**

7. TRANSACTIONS WITH RELATED ENTITIES

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

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

7.1. TRANSACTIONS WITH THE PARENT GROUP

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

	With parent company		With other entities from parent group	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023
ASSETS				
Loans and advances to banks - accounts and deposits	3 554	2 097	0	0
Financial assets held for trading	5 340	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	0	0
LIABILITIES				
Loans and deposits from banks	106	719	0	0
Debt securities	0	0	0	0
Financial liabilities held for trading	0	0	0	0
Hedging derivatives	0	0	0	0
Other liabilities	142	215	14	8

	With parent company		With other entities from parent group	
	1.01.2024 - 30.06.2024	1.01.2023-30.06.2023	1.01.2024 - 30.06.2024	1.01.2023-30.06.2023
Income from:				
Interest	3 000	1 268	0	0
Commissions	100	54	0	0
Financial assets and liabilities held for trading	5 340	28	0	0
Expense from:				
Interest	0	0	0	0
Commissions	0	0	0	0
Financial assets and liabilities held for trading	0	0	0	0
Other net operating	0	0	0	0
Administrative expenses	92	0	(2)	38

	With parent company		With other entities from parent group	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023
Conditional commitments	22 532	25 513	0	0
granted	0	0	0	0
obtained	22 532	25 513	0	0
Derivatives (par value)	185 688	0	0	0

7.2. TRANSACTIONS WITH THE MANGING AND SUPERVISIONG PERSONS

Managing persons	30.06.2024	31.12.2023
Total debt limit (in ‘000 PLN)	258.0	258.0
- including an unutilized limit (in ‘000 PLN)	202.4	193.0
Mortgage loans and credits	-	-
Active guarantees	-	-
Supervising persons	**30.06.2024**	**31.12.2023**
Total debt limit (in ‘000 PLN)	111.0	111.0
- including an unutilized limit (in ‘000 PLN)	107.1	105.6
Mortgage loans and credits	-	-
Active guarantees	-	-

The Group provides standard banking services to Members of the Management Board, Members of the Supervisory Board, persons related to Members of the Management Board and Members of the Supervisory Board, which services comprise i.a.: keeping bank accounts, accepting deposits or sale of financial instruments. Accordingly to the Bank these transactions are concluded on market terms and conditions. In accordance with the credit lending policy adopted in the Bank, term credits described in this section have appropriate collateral to mitigate its credit risk exposure.

7.3. INFORMATION ON COMPENSATIONS AND BENEFITS OF THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS

Remuneration costs (including provisions charged) and benefits incurred by the Bank in favour of the Members of the Management Board (data in thousand PLN):

Period	Fixed and variable remuneration	Benefits	TOTAL
1.01-30.06.2024	12 038	1 236	13 274
1.01-30.06.2023	7 000	1 081	8 081

The benefits mainly include the costs of medical care, PPK contributions and accommodation of the foreign Members of the Management Board.

Remuneration costs of the Members of the Supervisory Board of the Bank (data in thousand PLN):

Period	Fixed and variable remuneration and benefits
1.01-30.06.2024	1 128
1.01-30.06.2023	1 013

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

Name and surname	Position/Function	Number of shares as of delivery date of I half 2024 report	Number of shares as of delivery date of annual report for year 2023
Joao Nuno Lima Bras Jorge	Chairman of the Management Board	380 259	380 259
Fernando Maria Cardoso Rodrigues Bicho	Deputy Chairman of the Management Board	176 252	176 252
Wojciech Haase	Member of the Management Board	151 107	151 107
Andrzej Gliński	Member of the Management Board	10 613	113 613
Wojciech Rybak	Member of the Management Board	113	43 613
Antonio Ferreira Pinto Junior	Member of the Management Board	13 613	143 613
Jarosław Hermann	Member of the Management Board	0	6 000

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

8. FAIR VALUE

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

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

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

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

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

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

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

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

Receivables and liabilities with respect to banks

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

Loans and advances granted to customers valued at amortised cost

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

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

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

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

Debt securities valued at amortised cost

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

Liabilities to customers

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

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

Subordinated liabilities, debt securities issued and medium-term loans

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

The table below presents results of the above-described analyses as at 30.06.2024 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	15	21 412 853	21 428 544
Deposits, loans and advances to banks and other monetary institutions	15	488 442	488 396
Loans and advances to customers*	14	74 639 295	73 747 987
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	19	585 422	585 422
Liabilities to customers	20	116 540 149	116 541 587
Debt securities issued	22	3 595 571	3 797 115
Subordinated debt	23	1 561 769	1 559 898

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

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

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

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

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

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

Data in PLN'000, as at 30.06.2024

	Note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	12			
Valuation of derivatives			112 306	351 796
Equity instruments		179		
Debt securities		168 709		
Non-trading financial assets mandatorily at fair value through profit or loss	14			
Equity instruments				66 609
Debt securities				83 226
Loans and advances				5 905
Financial assets at fair value through other comprehensive income	13			
Equity instruments		247		28 543
Debt securities		17 913 720	10 601 655	
Derivatives – Hedge accounting	16		170 655	
LIABILITIES				
Financial liabilities held for trading	12			
Valuation of derivatives			46 891	359 329
Short positions		108 657		
Derivatives – Hedge accounting	16		129 644	

Data in PLN'000, as at 31.12.2023

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

Using the criterion of valuation techniques as at 30.06.2024 Group classified into the third category following financial instruments:

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

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

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 01.01.2024	**405 612**	**(414 200)**	**95 154**	**81 014**	**19 349**
Settlement/sell/purchase	(79 366)	79 908	0	0	(18 718)
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	1 687
Results on financial assets and liabilities held for trading	15 919	(15 405)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	2 212	3 586
Result on exchange differences	0	0	(2)	0	0
Balance on 30.06.2024	**342 164**	**(349 697)**	**95 152**	**83 226**	**5 905**

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

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

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

9. CONTINGENT LIABILITIES AND ASSETS

9.1. LAWSUITS

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

Court cases brought up by the Group

Value of the court litigations, as at 30.06.2024, in which entities of the Group were a plaintiff, totaled PLN 2,365.1 million.

Proceedings on infringement of collective consumer interests

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

The Bank lodged an appeal within the statutory time limit.

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

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

The second instance court, in its judgment of February 24, 2022, completely revoked the decision of the OPCC Chairman. On August 31, 2022, the OPCC Chairman lodged a cassation appeal to the Supreme Court. On July 3, 2024, the Supreme Court issued a decision accepting the cassation appeal for consideration. The Bank believes that the prognosis regarding the litigation chances of winning the case before the Supreme Court is positive.

Proceedings on competition-restricting practice

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

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

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

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

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

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

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

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

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

The Bank appealed against the said decision within statutory term.

On March 31, 2022, the first instance court revoked the entire decision of the Chairman of the OPCC. On May 23, 2022, the Chairman of the OPCC filed an appeal. On October 26, 2022, the Court of Appeal changed the judgment of the court of first instance and shared the position of the Chairman of the OPCC as to the abusiveness of the provisions regarding the determination of exchange rates in the annexes concluded with foreign currency borrowers. On November 21, 2022, the Court of Appeals, at the request of the Bank, suspended the execution of the judgment until the end of the cassation proceedings. On January 30, 2023 the Bank filed a cassation appeal to the Supreme Court. By the decision of March 20, 2024, the cassation appeal was accepted for consideration. The date of the hearing has not been set yet.

Court cases against the Group

As at 30.06.2024, the most important proceedings, in the group of the court cases where the Group's companies were defendant, were following:

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

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

On May 6, 2024, the Bank's representative submitted a response to the appeal, requesting that it be dismissed in its entirety as unfounded. On May 24, 2024, the plaintiff filed a motion to suspend the proceedings. This request is groundless, the Bank's representative will submit an appropriate position on this matter. The date of the appeal hearing has not yet been set.

As at 30.06.2024, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at PLN 6,070.1 million (excluding the class actions described below and in the **Chapter 10)**. In this group the most important category are cases related with FX loans mortgage portfolio.

The class action related to the LTV insurance:

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

Actual status:

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

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

As at 30 June 2024, there were also 114 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. The date of the first hearing was set for March 25, 2025.

Court cases concerning Art. 45 of the Consumer Credit Act

By June 30, 2024, the Bank received 683 lawsuits in which the plaintiffs (both clients and companies purchasing claims), alleging violation of the information obligations provided in Art. 30 of the Consumer Credit Act, demand reimbursement of interest and other costs incurred in connection with taking out a loan (free loan sanction within the meaning of Article 45).
As of June 30, 2024, 55 cases have been legally concluded, in 47 cases the Bank won the dispute and lost in 8 cases. The Bank believes that the prognosis regarding the litigation chances of winning the remaining disputes are positive and therefore it has not created provisions in this respect.

Court cases regarding mortgage loans in PLN

By June 30, 2024, the Bank recorded the receipt of 96 lawsuits by borrowers of mortgage loans in PLN for reimbursement of benefits provided under the loan agreement. One final judgment was issued dismissing the borrowers' claim. The borrowers' allegations focus on the WIBOR ratio as an incomprehensible, unverifiable element affecting the consumer's liability, as well as the issue of insufficient information on the effects of variable interest rates provided to the consumer by the bank before the conclusion of the contract.

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

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

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

Administrative penalty proceedings by the Polish Financial Supervision Authority

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

FX mortgage loans legal risk

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

9.2. OFF – BALANCE ITEMS

Amount ‘000 PLN	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Off-balance conditional commitments granted and received	**16 121 723**	**16 058 586**	**16 101 465**	**15 166 516**
Commitments granted:	13 398 009	13 203 453	13 385 540	12 543 519
loan commitments	11 813 978	11 584 801	11 709 292	10 922 091
guarantee	1 584 031	1 618 652	1 676 248	1 621 428
Commitments received:	2 723 714	2 855 134	2 715 925	2 622 997
financial	147	4 054	0	11 081
guarantee	2 723 567	2 851 080	2 715 925	2 611 916

10. LEGAL RISK RELATED TO FOREIGN CURRENCY MORTGAGE LOANS

On June 30, 2024, the Bank had 22,141 loan agreements and additionally 2,070 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 (57% loans agreements before the courts of first instance and 43% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 4,528.0 million and CHF 320.1 million (Bank Millennium portfolio: PLN 4,107.6 million and CHF 310.0 million and former Euro Bank portfolio: PLN 420.4 million and CHF 10.1 million). Out of 22,141 BM loan agreements in ongoing individual cases 341 are also part of class action. From the total number of individual litigations against the Bank approximately 2,930 or 13% 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. Approximately another 830 cases correspond to loans that were fully repaid during the proceedings (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 341 are also part of ongoing individual cases, 1,168 concluded settlements and 16 received final verdicts (invalidation of loan agreement). On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022. On 25 June 2024 an appeal hearing was held, at which the Bank filed a motion to amend the composition of the group and exclude those group members who had entered into an amicable settlement. The court required the plaintiffs' attorneys to take a written position on the current composition of the group. The date of the hearing will be set by the court ex officio.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,984 individual claims were filed against the Bank (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,159 (423), in 2022 the number increased by 5,757 (408), in 2023 the number increased by 6,879 (646), while in the first half of 2024 the number increased by 3,220 (398).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved against the banks. As far as the Bank Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of the first half of 2024, 5,456 cases were finally resolved (5,362 in claims submitted by clients against the Bank and 94 in claims submitted by the Bank against clients i.e. debt collection cases) out of which 1,515 were settlements, 64 were remissions, 70 rulings were favourable for the Bank and 3,807 were unfavourable including both invalidation of loan agreements as well as conversions into PLN+LIBOR. The Bank undertakes proper legal actions in order to secure repayment of initially disbursed capital of the loan.

The outstanding gross balance of the loan agreements under individual court cases and class action against the Bank (incl. former Euro Bank portfolio) on 30 June 2024 was PLN 6,000 million (of which the outstanding amount of the loan agreements under the class action proceeding was PLN 621 million).

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 7,145 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the first 6 months of 2024, the Bank created PLN 1 025,3 million of provisions for Bank Millennium originated portfolio and PLN 98,3 million for the former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of June 2024 was PLN 7 534,2 million, and for the former Euro Bank portfolio - PLN 672.4 million.

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

(i) the number of ongoing cases (including class action agreements) and potential future lawsuits that will arise within the specified (three-year) time horizon;
(ii) As regards the number of future court cases, the Bank monitors customer behaviors, and has the following assumptions:
   a. regarding active loans (i.e., loans with an outstanding balance), the Bank estimates the percentage of customers covered by methodology in this group of clients at 86% of the total number of currently active loans (including expected number of amicable settlements) loans compared to 84% at the end of IQ2024.
   b. regarding loans already fully repaid or converted to polish zloty, the Bank attributes a much lower probability of becoming the subject of a court case (the Bank assumes that circa 24% of repaid not settled loans sued or will decide to sue the Bank in the future. In particular, the Bank assesses the risk connected with the settlements reached with the clients in the past as negligible);
(iii) the amount of the Bank's potential loss in the event of a specific court judgment including penalty interest;
(iv) the probability of obtaining a specific court judgement calculated on the basis of statistics of judgments in cases where the Bank is a party;
(v) estimates involved with amicable settlements with clients, concluded in court or out of court:
   a. the bank assumes a 10% probability of success in concluding a settlement as part of negotiations conducted with clients in the course of court proceedings,
   b. negotiations are conducted on a case-by-case basis and can be stopped at any time by the Bank,
   c. due to significant negotiation efforts already made in the past, the probability of success in these negotiations in the future is decreasing, and at the same time most customers have already contacted the Bank regarding the possible conversion of loans into PLN, so at the moment the Bank adopts a conservative approach when taking into account the potential impact of this factor.

The Bank is open to negotiate case by case favorable 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 23,537: 1,362 in 2020; 8,450 in 2021; 7,943 in 2022; 3,671 in 2023 and 2,111 in the first half of 2024. As of the end of first half of 2024, the Bank had 28,759 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totaled PLN 1,689.3 million: PLN 44.4 million in 2020; PLN 364.6 million in 2021; PLN 515.2 million in 2022; PLN 415.7 million in 2023 and PLN 349.4 million in the first half of 2024. This cost is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement (the values of costs charged to particular items of the Income Statement due to settlements are presented **in Note 10 in Chapter 4 'Notes to Consolidated Financial Data'**).

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

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

Parameter	Scenario	Impact on the loss
Change in the assumed number of court cases	In addition to above assumed numbers, 1,000 new customers file a lawsuit against the Bank	PLN 164 mln
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 pp	PLN 77 mln
Change in probability of success in negotiations with court client	Change of probability by 1 pp	PLN 14 mln

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

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

Finally it should also be mentioned, that the Bank, as at 30 June 2024, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 1.47 pp (1.46 pp at the Group level), part of which is allocated to operational/legal risk.

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

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

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

Jurisprudence of the Court of Justice of the European Union

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

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

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

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

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

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

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

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

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

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

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

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

(i) a national court may find that the parts of a contractual term of the agreement concluded between a consumer and an entrepreneur which render it unfair are unfair, if such a deletion would not amount to a change in the content of that term that affects its substance, which is for the referring court to verify;
(ii) a national court cannot, after annulling an unfair term contained in an agreement concluded between a consumer and an entrepreneur which does not render the agreement invalid in its entirety, replace that term with a supplementary provision of the national law;
(iii) a national court may not, after having declared invalid an unfair term contained in an agreement concluded between a consumer and an entrepreneur which entails the invalidity of that agreement in its entirety, replace the contractual term which has been declared invalid either by interpretation of the parties' declaration of intent in order to avoid the cancellation of that agreement or by a provision of national law of a supplementary nature, even if the consumer has been informed of the effects of the invalidity of that agreement, and accepted them;
(iv) the ten-year limitation period for a consumer's claim seeking reimbursement of sums unduly paid to the entrepreneur in performance of an unfair term of a loan agreement does not start to run on the date of each performance made by the consumer if the consumer was not able on that date to assess on his own the unfairness of the contractual term or if he had not become aware of the unfair nature of that term and without taking into account the circumstances that the agreement provided for a repayment period – in this case thirty years – well in excess of the ten-year statutory limitation period.

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

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

(ii) a national court is not allowed:

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

b. to refuse to declare that invalidation where the consumer has expressly sought it, after being objectively and exhaustively informed of the legal consequences and the particularly unfavorable 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 unfavorable consequences which annulment of the contract might entail for him or her.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

By decision of 3 May 2024, the Court of Justice of the European Union closed the case registered under case no. C-348/23 following a question from the District Court in Warsaw, indicating that they preclude the recognition that the legal effects related to the declaration of invalidity of the contract are conditional on the fulfilment by the consumer of the condition precedent for that consumer to make a declaration before the national court, that it does not agree to maintain the contractual term in force and that it is aware that the invalidity of the said term entails the annulment of the loan agreement and its effects and that it consents to the annulment of the agreement.

By decision of 8 May 2024, the Court of Justice of the European Union closed the case registered under case no. C-424/22 as a result of a question from the Regional Court in Kraków, indicating that they preclude the application by a financial institution of the right of retention which makes the consumer's receipt of the amounts awarded to him by the court conditional on the consumer's simultaneous offer of reimbursement or security for the return of the entire benefit received from that financial institution.

Jurisprudence of the Polish Supreme Court

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

(i) an abusive contractual clause (art. 385(1) § 1 of the Civil Code), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively;
(ii) if without the ineffective clause the loan agreement cannot bind, the consumer and the lender shall be eligible for separate claims for return of monetary performances made in exercising this agreement (art. 410 § 1 in relation to art. 405 of the Civil Code). The lender may demand return of the performance from the moment the loan agreement becomes permanently ineffective.

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

The effect of the Supreme Court's resolution of 7 May 2021 is that the bank is entitled to a refund of the cash benefit provided by the bank in performance of a permanently ineffective contract. Taking into account the uncertainty as to the starting point of the limitation period for the bank's claims, the Bank, in order to protect its interests, files lawsuits for payment against borrowers in a court dispute with the bank. The bank's demand consists of a claim for return of the capital made available to the borrower under the contract. By 30 June 2024 the Bank filed about 8.1 thousands lawsuits against the borrowers.

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

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

On 19 June 2024, the Supreme Court issued a resolution by a panel of 7 Supreme Court judges (III CZP 31/23) stating that:

The right of retention (Article 496 of the Civil Code) does not apply to the party that can set off its claim against the claim of the other party.

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

11. ADDITIONAL INFORMATION

11.1. DATA ABOUT ASSETS, WHICH SECURE LIABILITIES

As at 30.06.2024 (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury Bonds DS0727	Held to maturity	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	243 000	224 415
2.	Treasury Bonds PS0527	Held to maturity	Security of payment obligation to BFG contribution - guarantee fund	142 000	135 193
3.	Treasury Bonds DS0726	Held to maturity	Security of payment obligation to BFG contribution - compulsory resolution fund	135 000	129 966
4.	Treasury Bonds PS0425	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	185 000	187 551
5.	Treasury Bonds WZ0525	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	561 500	544 082
6.	Treasury Bonds PS0527	Held to maturity	financial and registered pledge on the Bank's account in the brokerage house	188 850	179 797
7.	Treasury Bonds PS0527	Held to maturity	financial pledge on the Bank's account in the brokerage house	583 659	555 681
8.	Treasury Bonds PS1024	Held to maturity	pledge on the Millennium Leasing account related to a securitization transaction	317 000	318 607
9.	Cash	receivables	initial settlement deposit in KDPW CCP (MAGB)	11 000	11 000
10.	Cash	receivables	ASO guarantee fund (PAGB)	708	708
11.	Cash	receivables	appropriate security deposit at KDPW CCP (MATS)	135	135
12.	Cash	receivables	Settlement on transactions concluded	27 442	27 442
13.	Deposits placed	Deposits in banks	Settlement on transactions concluded	107 111	107 432
14.	Treasury Bonds WZ0126	Held to Collect and for Sale	mortgage bonds Millennium Bank Hipoteczny	5 000	5 148
15.	Treasury Bonds WZ0525	Held to Collect and for Sale	mortgage bonds Millennium Bank Hipoteczny	5 000	5 069
16.	Treasury Bonds WZ1129	Held to Collect and for Sale	mortgage bonds Millennium Bank Hipoteczny	15 000	14 674
17.	Mortgage loans	Held to maturity	mortgage bonds Millennium Bank Hipoteczny	1 179 862	1 194 697
		TOTAL		**3 707 267**	**3 641 597**

In addition, as at June 30, 2024, the Group had concluded short-term (usually settled within 7 days) transactions of sale of treasury securities with a repurchase agreement, the subject of which were securities worth PLN 2,553 thousand.

As at 31.12.2023 r. (PLN'000):

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

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

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

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

As at 30.06.2024

Type of security	Par value	Balance sheet value
Treasury bonds	2 500	2 553
TOTAL	2 500	2 553

As at 31.12.2023

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

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

11.3. 2023 DIVIDEND

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

11.4. EARNINGS PER SHARE

Profit per share calculated for I half 2024 (and diluted profit per share) on the basis of the consolidated data amounts to PLN 0.29.

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 30.06.2024	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	107 970 000	8.90	107 970 000	8.90
Allianz Polska Otwarty Fundusz Emerytalny	105 043 837	8.66	105 043 837	8.66
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	65 492 207	5.40	65 492 207	5.40

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

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

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

In the first half of 2024, the Group did not grant any sureties or guarantees for a loan or bank loan which would cause the Group's exposure on this account as at 30 June 2024 to be significant.

11.7. SEASONALITY AND BUSINESS CYCLES

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

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

As at 30 June 2024, the Group has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed consolidated statements, Group did not:

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

REFORM OF BENCHMARKS

1. WIBOR

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

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

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

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

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

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

In connection with this, Bank Millennium S.A. established, by resolution of the Bank's Management Board of 24 August 2022, an internal project reporting to the Management Board (Deputy Chairman of the Management Board - CFO and Member of the Management Board overseeing the areas of retail and corporate products), in order to duly manage the WIBOR to WIRON transition process and to implement the work in accordance with the roadmap. This work involves representatives from a significant number of the Bank's business units, including, in particular, representatives responsible for product areas and risk management issues, including, in particular, interest rate risk and operational risk. The structure of the project includes the division into streams covering products and processes where the WIBOR benchmark is applied, the management of the project by a dedicated project manager and the periodical reporting of statuses on the individual streams. In the current phase of the project, the Bank monitors on an ongoing basis the changing situation, market development, communication of the administrator, as well as consultations and decisions of the Steering Committee of the National Working Group, and makes appropriate decisions in this respect, depending on the changing situation.

The Bank uses the WIBOR reference rate in the following products (in PLN million as of 30 June 2024):

- mortgage loans: **22 952,66** mortgage loans based on WIBOR (excluding **12 562,07** mortgage loans currently with temporary fixed rate where the clients have the option to switch to variable rate indexed to WIBOR after the end of such temporary fixed rate initial period);
- loan products, factoring and corporate discounting products: **17 053,17**;
- debt instruments **(10 756,90)**;
    - Assets: 8 572,31
    - Liabilities: 2 184,59
- derivative instruments: **9 595,93**

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 24 "Derivatives - Hedge accounting" in Chapter 13 "Notes to the Consolidated Financial Statements.

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).

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

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

In June 2024, the NGR launched a public consultation on the review and evaluation of alternative interest rate indices as a basis for reviewing the September 2022 NGR SC decision to select WIRON as the optimal replacement for the WIBOR benchmark index. The subject of the consultation was the WIRON, WIRON+, WIRF, WIRF+ and WRR indices, which participants in the consultation were able to assess from the perspective of criteria concerning the quality of the indices, their characteristics, their potential for the development of the financial market and the market for banking products. Participants also had the opportunity to comment on the current market and regulatory environment and related initiatives that could help strengthen the new index, the market it describes and the instruments based on it.

On 9 July 2024, the National Working Group announced that the collection of opinions as part of the public consultation process had ended on 1 July 2024. The results of the public consultation will be an element to be taken into account in the decision on the selection of an alternative benchmark to WIBOR and the development of an updated Roadmap.

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

2. LIBOR USD

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

- Retail banking/mortgage portfolio: **2,60**;

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

Date	Name and surname	Position/Function	Signature
26.07.2024	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
26.07.2024	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
26.07.2024	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
26.07.2024	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
26.07.2024	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
26.07.2024	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
26.07.2024	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 6 months ended 30 June 2024

Contents

1. INTRODUCTION AND ACCOUNTING POLICY

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

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the six months ending June 30, 2024.

Condensed interim financial statements of the Bank:

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

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank's economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the six months period ended 30 June 2024. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the six months period ended 30 June 2024 contain all important information, which also serves as explanatory data to these standalone statements of the Bank.

All data for quarterly periods presented in these condensed interim financial statements of the Bank have not been audited or reviewed by a statutory auditor.

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

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

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

In May 2024, the Management Board of the Bank concluded that the objectives of the Capital Protection Plan have been achieved and decided on the completion of its realization. Subsequently, In June 2024, the Management Board decided to exit the state of implementation of the Recovery Plan and to complete its realization.

All key assumptions of both plans were achieved, including all defined indicators reached safe levels, and the Group's profitability and financial results were clearly improved. In the area of capital management, capital ratios have been restored to levels visibly exceeding minimum regulatory requirements and the Bank and the Group meet MREL requirements, including the combined buffer requirements. The Bank's Management Board does not identify future circumstances that would support further continuation of the plans.

As at June 30, 2024, the Tier 1 ratio was 480 bps (Bank) and 441 bps (Group) above the minimum requirement, and the total capital ratio (TCR) was 556 bps (Bank) and 492 bps (Group) above the minimum requirement.

In June 2024, the Bank received a letter from the Bank Guarantee Fund regarding the joint decision of the Single Resolution Board (SRB) and the BFG obliging the Bank to meet the communicated MRELtrea requirements in the amount of 18.03% (previously 18.89% in the decision received June 5, 2023) and 17.92% taking into account the subordination criterion and MRELtem requirements in the amount of 5.91% (as in the decision received on May 5, 2023) and 5.87% taking into account the subordination criterion.

In terms of MRELtrea and MRELtem requirements, the Group presents a surplus compared to the minimum levels required as at 30/06/2024 (MRELtrea surplus was 489 bps and MRELtem 114 bps), and also meets the MRELtrea requirement after enabling the Combined Buffer Requirement. Assuming no extraordinary factors, the Group plans to maintain both MREL ratios above the minimum required levels with a safe surplus.

It should be noted that the profitability of the Bank and the Group was improved despite the recording in May this year one-off initially estimated costs (recognized in these financial statements as a reduction in interest income) related to the so-called credit holidays in the amount of PLN 189.1 million for the Bank and PLN 201.0 million for the Group, respectively. This adjustment resulted from the signing by the President of the Republic of Poland and the announcement in the Journal of Laws of the Republic of Poland of the Act of April 12, 2024 amending the Act on support for borrowers who have taken out a housing loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers which, among other things, extends the possibility for borrowers to suspend the repayment of a mortgage loan granted in Polish currency by an additional four months in 2024 ("credit holidays").

The Bank monitors, on the current basis, the financial situation in particular, the Bank is aware of the risks associated with further negative developments regarding the legal risk of FX mortgage loans that could imply the need to increase the level of provisions for such risk apart from the provisions that might result from current trends. In the Bank’s view, these events, if materialized, would adversely affect the results of the Bank/Group in 2024, and would reduce the organic generation of capital that is envisaged, but would not prevent the Bank/Group from continuing to implement its strategy and the generation of results that would mitigate the impact of such events.

The liquidity position of Bank Millennium Group remained strong in 2Q 2024. LCR ratio reached the level of 337% at the of June 2024, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 64% and the share of liquid debt securities (mainly bonds issued by Poland government, other EU countries, multilateral development banks and NBP bills) in the Group’s total assets remains significant at 37%.

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 July 2024.

2. STANDALONE FINANCIAL DATA (BANK)

STATEMENT OF PROFIT AND LOSS

Amount '000 PLN	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Net interest income	2 493 734	1 165 744	2 532 402	1 300 328
Interest income and other of similar nature	4 111 516	1 978 393	4 097 707	2 054 924
Income calculated using the effective interest method	4 053 881	1 950 011	4 047 565	2 029 111
Interest income from Financial assets at amortised cost, including:	2 989 322	1 412 349	3 121 653	1 590 843
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays	(189 086)	(189 086)	0	0
Interest income from Financial assets at fair value through other comprehensive income	1 064 559	537 662	925 912	438 268
Result of similar nature to interest from Financial assets at fair value through profit or loss	57 635	28 382	50 142	25 813
Interest expenses	(1 617 782)	(812 649)	(1 565 305)	(754 596)
Net fee and commission income	336 762	163 260	354 658	177 541
Fee and commission income	457 126	227 498	463 085	232 311
Fee and commission expenses	(120 364)	(64 238)	(108 427)	(54 770)
Dividend income	34 904	8 134	31 833	2 922
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	719	(1 581)	540 643	(5 580)
Results on financial assets and liabilities held for trading	(2 233)	(3 569)	1 394	(1 721)
Result on non-trading financial assets mandatorily at fair value through profit or loss	900	(9 817)	7 266	1 365
Result on hedge accounting	(1 456)	(209)	309	(13)
Result on exchange differences	(86 881)	(40 152)	(21 357)	(12 744)
Other operating income	146 578	92 219	160 983	56 719
Other operating expenses	(253 722)	(102 833)	(124 092)	(64 724)
Administrative expenses	(958 996)	(432 755)	(832 458)	(378 527)
Impairment losses on financial assets	(155 211)	(52 844)	(130 738)	(34 349)
Impairment losses on non-financial assets	(2 096)	(211)	230	(1 503)
Provisions for legal risk connected with FX mortgage loans	(1 123 590)	(574 780)	(1 620 620)	(756 970)
Result on modification	(61 837)	(30 554)	(53 550)	(25 718)
Depreciation	(107 742)	(54 339)	(103 219)	(51 749)
Share of the profit of investments in subsidiaries	0	0	0	0
Banking tax	(34 522)	(34 522)	0	0
Profit before income taxes	**225 311**	**91 191**	**743 684**	**205 277**
Corporate income tax	120 183	116 328	(405 037)	(128 246)
Profit after taxes	**345 494**	**207 519**	**338 647**	**77 031**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Profit after taxes	345 494	207 519	338 647	77 031
Other comprehensive income items that may be (or were) reclassified to profit or loss	(27 298)	(10 030)	587 282	244 323
Result on debt securities	96 763	37 563	415 950	130 662
Result on credit portfolio designated for pooling to Mortgage Bank	(141 016)	(52 087)	(35 572)	23 225
Hedge accounting	16 955	4 494	206 904	90 436
Other comprehensive income items that will not be reclassified to profit or loss	0	0	0	0
Actuarial gains (losses)	0	0	0	0
Result on equity instruments	0	0	0	0
Total comprehensive income items before taxes	**(27 298)**	**(10 030)**	**587 282**	**244 323**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	5 187	1 906	(111 584)	(46 421)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0	0	0
Total comprehensive income items after taxes	**(22 111)**	**(8 124)**	**475 698**	**197 902**
Total comprehensive income for the period	**323 383**	**199 395**	**814 345**	**274 933**

STATEMENT OF FINANCIAL POSITION

ASSETS

Amount '000 PLN	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Cash, cash balances at central banks	5 856 992	4 937 063	5 094 984	6 768 777
Financial assets held for trading	633 530	998 565	609 252	692 757
Derivatives	464 642	552 841	498 577	495 445
Equity instruments	179	120	121	115
Debt securities	168 709	445 604	110 554	197 197
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	149 835	154 635	147 623	143 815
Equity instruments	66 609	66 609	66 609	66 609
Debt securities	83 226	88 026	81 014	77 206
Financial assets at fair value through other comprehensive income	28 307 531	26 695 060	21 924 652	14 476 932
Equity instruments	28 787	28 786	28 789	24 375
Debt securities	28 278 744	26 666 274	21 895 863	14 452 557
Loans and advances to customers	72 646 802	72 289 617	72 405 446	73 428 644
Mandatorily at fair value through profit or loss	5 905	7 226	19 349	54 780
Fair valued through other comprehensive income	11 978 944	11 976 869	11 799 748	11 262 229
Valued at amortised cost	60 661 953	60 305 522	60 586 349	62 111 635
Financial assets at amortised cost other than Loans and advances to customers	23 151 483	22 660 993	21 469 710	15 670 019
Debt securities	21 094 246	20 475 347	18 439 780	14 467 969
Deposits, loans and advances to banks and other monetary institutions	1 859 461	1 754 532	1 866 688	1 154 352
Reverse sale and repurchase agreements	197 776	431 114	1 163 242	47 698
Derivatives – Hedge accounting	170 655	116 528	74 213	121 936
Investments in subsidiaries, joint ventures and associates	514 326	519 223	399 223	390 236
Tangible fixed assets	535 668	547 404	553 087	533 907
Intangible fixed assets	510 667	480 758	481 128	440 675
Income tax assets	691 417	410 760	368 279	589 009
Current income tax assets	0	0	0	0
Deferred income tax assets	691 417	410 760	368 279	589 009
Other assets	1 350 893	1 580 236	1 360 160	1 222 239
Non-current assets and disposal groups classified as held for sale	0	0	0	0
Total assets	**134 519 799**	**131 390 842**	**124 887 757**	**114 478 946**

LIABILITIES AND EQUITY

Amount '000 PLN	30.06.2024	31.03.2024	31.12.2023	30.06.2023
LIABILITIES				
Financial liabilities held for trading	514 876	496 866	579 331	567 945
Derivatives	406 219	496 866	576 611	479 435
Liabilities from short sale of securities	108 657	0	2 720	88 510
Financial liabilities measured at amortised cost	121 967 610	118 935 703	112 664 017	103 409 587
Liabilities to banks and other monetary institutions	586 597	559 566	565 384	473 493
Liabilities to customers	116 811 703	113 402 746	107 505 636	100 768 112
Sale and repurchase agreements	2 559	380 430	0	350 244
Debt securities issued	3 004 982	3 033 747	3 027 952	251 759
Subordinated debt	1 561 769	1 559 214	1 565 045	1 565 979
Derivatives – Hedge accounting	129 644	124 156	193 664	329 630
Provisions	2 262 990	1 821 053	1 444 173	1 140 364
Pending legal issues	2 222 921	1 778 997	1 401 798	1 105 732
Commitments and guarantees given	40 069	42 056	42 375	34 632
Income tax liabilities	146 150	31 983	460 456	385 085
Current income tax liabilities	146 150	31 983	460 456	385 085
Deferred income tax liabilities	0	0	0	0
Other liabilities	2 560 883	3 242 830	2 931 853	2 427 497
Total Liabilities	**127 582 153**	**124 652 591**	**118 273 494**	**108 260 108**
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	(161 453)	(153 329)	(139 342)	(363 155)
Retained earnings	4 738 762	4 531 243	4 393 268	4 221 656
Total equity	6 937 646	6 738 251	6 614 263	6 218 838
Total equity and total liabilities	**134 519 799**	**131 390 842**	**124 887 757**	**114 478 946**

Book value of net assets	6 937 646	6 738 251	6 614 263	6 218 838
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)	5.72	5.55	5.45	5.13

STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total equity	Share capital	Own Shares	Share premium	Accumulated other comprehensive income	Retained earnings	
						Unappropriated result	Other reserves
01.01.2024 - 30.06.2024							
Equity at the beginning of the period	6 614 263	1 213 117	(21)	1 147 241	(139 342)	510 259	3 883 009
Total comprehensive income for the period (net)	323 383	0	0	0	(22 111)	345 494	0
net profit/ (loss) of the period	345 494	0	0	0	0	345 494	0
valuation of debt securities	78 378	0	0	0	78 378	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(114 223)	0	0	0	(114 223)	0	0
hedge accounting	13 734	0	0	0	13 734	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	(510 259)	510 259
Equity at the end of the period	**6 937 646**	**1 213 117**	**(21)**	**1 147 241**	**(161 453)**	**345 494**	**4 393 268**
01.04.2024 - 30.06.2024							
Equity at the beginning of the period	6 738 251	1 213 117	(21)	1 147 241	(153 329)	137 975	4 393 268
Total comprehensive income for the period (net)	199 395	0	0	0	(8 124)	207 519	0
net profit/ (loss) of the period	207 519	0	0	0	0	207 519	0
valuation of debt securities	30 426	0	0	0	30 426	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(42 191)	0	0	0	(42 191)	0	0
hedge accounting	3 641	0	0	0	3 641	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	**6 937 646**	**1 213 117**	**(21)**	**1 147 241**	**(161 453)**	**345 494**	**4 393 268**
01.01.2023 - 31.12.2023							
Equity at the beginning of the period	**5 404 493**	**1 213 117**	**(21)**	**1 147 241**	**(838 853)**	**(1 029 899)**	**4 912 908**
Total comprehensive income for the period (net)	1 209 770	0	0	0	699 511	510 259	0
net profit/ (loss) of the period	510 259	0	0	0	0	510 259	0
valuation of debt securities	544 119	0	0	0	544 119	0	0
valuation of shares	3 582	0	0	0	3 582	0	0
valuation of loans portfolio dedicated for pooling to Mortgage Bank	(124 751)	0	0	0	(124 751)	0	0
hedge accounting	285 013	0	0	0	285 013	0	0
actuarial gains (losses)	(8 452)	0	0	0	(8 452)	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 029 899	(1 029 899)
Equity at the end of the period	**6 614 263**	**1 213 117**	**(21)**	**1 147 241**	**(139 342)**	**510 259**	**3 883 009**
01.01.2023 - 30.06.2023							
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)	814 345	0	0	0	475 698	338 647	0
net profit/ (loss) of the period	338 647	0	0	0	0	338 647	0
valuation of debt securities	336 919	0	0	0	336 919	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(28 813)	0	0	0	(28 813)	0	0
actuarial gains (losses)	167 592	0	0	0	167 592	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	6 218 838	1 213 117	(21)	1 147 241	(363 155)	338 647	3 883 009

CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Profit (loss) after taxes	345 494	207 519	338 647	77 031
Total adjustments:	10 327 527	3 811 589	5 285 772	2 231 084
Interest received	3 858 726	2 135 041	3 798 319	2 035 908
Interest paid	(1 381 514)	(664 001)	(1 416 824)	(690 604)
Depreciation and amortization	107 742	54 339	103 219	51 749
Foreign exchange (gains)/ losses	0	0	0	0
Dividends	(34 904)	(8 134)	(31 833)	(2 922)
Changes in provisions	818 817	441 937	125 098	167 447
Result on sale and liquidation of investing activity assets	4 856	4 536	(531 005)	15 735
Change in financial assets held for trading	(154 581)	252 756	(103 555)	(164 687)
Change in loans and advances to banks	(288 217)	(44 529)	242 857	191 229
Change in loans and advances to customers	(3 125 443)	(1 694 952)	(831 403)	(359 735)
Change in receivables from securities bought with sell-back clause (loans and advances)	941 100	222 333	(61 284)	(58 698)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(128 475)	23 498	(41 897)	69 599
Change in deposits from banks	28 328	28 277	(134 017)	65 497
Change in deposits from customers	10 600 833	4 031 574	3 857 522	340 367
Change in liabilities from securities sold with buy-back clause	17 221	(372 065)	375 148	355 212
Change in debt securities	42 001	5 566	33 171	20 644
Change in income tax settlements	(522 847)	(108 591)	406 411	128 245
Income tax paid	(109 410)	(55 993)	(110 384)	(47 233)
Change in other assets and liabilities	(409 333)	(471 056)	(465 548)	77 519
Other	62 627	31 053	71 777	35 812
Net cash flows from operating activities	**10 673 021**	**4 019 108**	**5 624 419**	**2 308 115**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Inflows:	293 808 984	135 620 355	234 807 807	90 985 153
Proceeds from sale of property, plant and equipment and intangible assets	1 626	1 461	3 632	872
Proceeds from sale of shares in related entities	0	0	500 000	0
Proceeds from sale of investment financial assets	293 772 454	135 610 760	234 272 342	90 981 359
Other	34 904	8 134	31 833	2 922
Outflows:	(305 577 585)	(141 972 416)	(241 642 566)	(95 588 012)
Acquisition of property, plant and equipment and intangible assets	(73 952)	(55 296)	(47 601)	(6 153)
Purchase o shares in related entities	(120 000)	0	(99 200)	(99 000)
Acquisition of investment financial assets	(305 383 633)	(141 917 120)	(241 495 765)	(95 482 859)
Other	0	0	0	0
Net cash flows from investing activities	**(11 768 601)**	**(6 352 061)**	**(6 834 759)**	**(4 602 859)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
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:	(65 905)	(28 499)	(79 129)	(33 856)
Repayment of long-term bank loans	0	0	(5 000)	0
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	(65 905)	(28 499)	(74 129)	(33 856)
Net cash flows from financing activities	**(65 905)**	**(28 499)**	**(79 129)**	**(33 856)**

D. Net cash flows. Total (a + b + c)	**(1 161 485)**	**(2 361 452)**	**(1 289 469)**	**(2 328 600)**
including change resulting from FX differences	(98)	1 761	(14 970)	(12 306)
E. Cash and cash equivalents at the beginning of the reporting period	**18 396 413**	**19 596 379**	**14 231 089**	**15 270 220**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**17 234 928**	**17 234 927**	**12 941 620**	**12 941 620**

3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

As at 30 June 2024, the Bank has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed statements, Bank did not:
- create substantial write-offs for inventories,
- conclude significant acquisitions and sales of property, plant and equipment,
- make correction of prior period errors,
- introduce significant changes in determining the fair value for financial instruments valued at fair value,
- change the method of determining the estimated values, which would exert a significant influence on the current interim period.

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

Impairment losses on financial assets

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Impairment losses on loans and advances to customers	(157 499)	(54 837)	(136 130)	(36 823)
Impairment charges on loans and advances to customers	(784 499)	(332 283)	(808 761)	(342 770)
Reversal of impairment charges on loans and advances to customers	564 563	223 987	616 561	259 977
Amounts recovered from loans written off	17 216	8 237	20 410	10 252
Sale of receivables	45 221	45 221	35 659	35 659
Other directly recognised in profit and loss	0	1	1	59
Impairment losses on securities	(5)	(6)	0	0
Impairment charges on securities	(5)	(5)	0	0
Reversal of impairment charges on securities	0	(1)	0	0
Impairment losses on off-balance sheet liabilities	2 293	2 000	5 392	2 474
Impairment charges on off-balance sheet liabilities	(27 480)	(10 076)	(24 367)	(7 412)
Reversal of impairment charges on off-balance sheet liabilities	29 773	12 076	29 759	9 886
Total	**(155 211)**	**(52 844)**	**(130 738)**	**(34 349)**

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

	01.01.2024 - 30.06.2024	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.06.2023
Balance at the beginning of the period	2 299 364	2 299 364	2 242 135	2 242 135
Change in value of provisions:	88 182	77 075	57 229	55 085
Impairment allowances created in the period	734 733	423 632	1 214 029	755 934
Amounts written off	(61 106)	(49 176)	(165 261)	(98 114)
Impairment allowances released in the period	(511 605)	(308 518)	(885 407)	(564 976)
Sale of receivables	(105 219)	0	(173 110)	(63 325)
KOIM created in the period(*)	35 695	17 553	71 261	35 554
Changes resulting from FX rates differences	(6 396)	(7 948)	(8 016)	(11 139)
Other	2 080	1 532	3 733	1 151
Balance at the end of the period	**2 387 546**	**2 376 439**	**2 299 364**	**2 297 220**

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

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Investments in subsidiaries, joint ventures and associates	Property. plant and equipment	Intangibles	Other assets
As at 01.01.2024	5 001	6 700	797	0	24 546
- Write-offs created	5	0	0	0	10 424
- Write-offs released	0	0	0	0	(8 328)
- Utilisation	0	0	0	0	(2 078)
- Other	0	0	0	0	0
As at 30.06.2024	5 006	6 700	797	0	24 564
As at 01.01.2024	5 001	6 700	797	0	24 546
- Write-offs created	0	0	0	0	3 560
- Write-offs released	(1)	0	0	0	(1 675)
- Utilisation	0	0	0	0	(262)
- Other	0	0	0	0	0
As at 31.03.2024	5 000	6 700	797	0	26 169
As at 01.01.2023	5 002	6 700	797	0	25 845
- Write-offs created	2	0	0	0	19 352
- Write-offs released	(3)	0	0	0	(19 268)
- Utilisation	0	0	0	0	(1 383)
- Other	0	0	0	0	0
As at 31.12.2023	5 001	6 700	797	0	24 546
As at 01.01.2023	5 002	6 700	797	0	25 845
- Write-offs created	0	0	0	0	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

Change of Provision for commitments and guarantees given

	01.01.2024 - 30.06.2024	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.06.2023
Balance at the beginning of the period	42 375	42 375	40 174	40 174
Charge of provision	27 480	17 404	40 336	24 367
Release of provision	(29 773)	(17 697)	(37 916)	(29 759)
FX rates differences	(13)	(26)	(219)	(150)
Balance at the end of the period	40 069	**42 056**	**42 375**	**34 632**

Change of Provision for pending legal issues

	01.01.2024 - 30.06.2024	01.01.2024 - 31.03.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.06.2023
Balance at the beginning of the period	1 401 798	1 401 798	975 092	975 092
Charge of provision	5 040	1 153	30 208	7 383
Release of provision	(5 686)	(652)	(11 783)	(8 344)
Utilisation of provision	(182)	(183)	(112 313)	0
Creation of provision for legal risk connected with FX mortgage loans	1 123 590	548 810	3 065 380	1 620 620
Allocation to the loans portfolio	(301 639)	(171 929)	(2 544 786)	(1 489 019)
Balance at the end of the period	**2 222 921**	**1 778 997**	**1 401 798**	**1 105 732**

Provisions for legal risk connected with fx mortgage loans

01.01.2024 - 30.06.2024	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	7 871 789	6 516 460	1 355 329
Amounts written off	(500 744)	(500 744)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	1 123 590	0	1 123 590
Allocation to the loans portfolio	0	302 957	(302 957)
Change of provisions due to FX rates differences	(288 040)	(288 040)	0
Balance at the end of the period	8 206 595	6 030 633	2 175 962

01.04.2024 - 30.06.2024	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	7 856 693	6 125 090	1 731 603
Amounts written off	(313 534)	(313 534)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	574 780	0	574 780
Allocation to the loans portfolio	0	130 421	(130 421)
Change of provisions due to FX rates differences	88 656	88 656	0
Balance at the end of the period	8 206 595	6 030 633	2 175 962

01.01.2023 - 30.06.2023	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	(214 297)	(214 297)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	1 620 620	0	1 620 620
Allocation to the loans portfolio	0	1 489 019	(1 489 019)
Change of provisions due to FX rates differences	(239 711)	(239 711)	0
Balance at the end of the period	6 561 955	5 607 911	954 044

01.04.2023 - 30.06.2023	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	6 075 701	5 294 835	780 866
Amounts written off	(116 297)	(116 297)	0
Costs of provisions for legal risk connected wlth FX mortgage loans	756 970	0	756 970
Allocation to the loans portfolio	0	583 792	(583 792)
Change of provisions due to FX rates differences	(154 418)	(154 418)	0
Balance at the end of the period	6 561 955	5 607 911	954 044

	1.01.2024 - 30.06.2024	1.04.2024 - 30.06.2024	1.01.2023 - 30.06.2023	1.04.2023 - 30.06.2023
Costs of settlements recognized in the profit and loss account, including:	(242 264)	(124 056)	(150 133)	(77 934)
- included in the “Result on exchange differences”	(200 010)	(102 457)	(114 112)	(60 679)
- included in the “Result on modification”	(42 254)	(21 599)	(36 021)	(17 255)
Costs of settlements charged to previously created provisions	111 543	60 211	30 551	22 929

Deferred income tax assets and liability

	30.06.2024			31.03.2024		
	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	(1 383)	(1 255)	128	(1 437)	(1 309)
Balance sheet valuation of financial instruments	15 586	(31 363)	(15 777)	10 075	(39 786)	(29 711)
Unrealised receivables/ liabilities on account of derivatives	33 254	(64 921)	(31 667)	43 662	(61 957)	(18 295)
Interest on deposits and securities to be paid/ received	125 239	(306 171)	(180 932)	123 441	(356 424)	(232 983)
Interest and discount on loans and receivables	0	(134 026)	(134 026)	0	(121 720)	(121 720)
Income and cost settled at effective interest rate	46 270	0	46 270	45 660	0	45 660
Impairment of loans presented as temporary differences	519 944	0	519 944	495 090	0	495 090
Employee benefits	24 026	0	24 026	21 801	0	21 801
Rights to use	4 277	0	4 277	4 215	0	4 215
Provisions for future costs	233 120	0	233 120	195 401	0	195 401
Asset due to future cancellations of CHF loans	222 551	0	222 551	51 565	0	51 565
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in OCI	43 095	(5 223)	37 872	43 637	(7 671)	35 966
Valuation of shares	1 273	(32 790)	(31 517)	1 273	(34 633)	(33 360)
Other	31	(1 499)	(1 468)	73	(1 633)	(1 560)
Total	1 268 794	(577 376)	691 418	1 036 021	(625 261)	410 760

	31.12.2023			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	(1 498)	(1 370)	128	(1 677)	(1 549)
Balance sheet valuation of financial instruments	1 332	(36 476)	(35 144)	(22 738)	(3 435)	(26 173)
Unrealised receivables/ liabilities on account of derivatives	67 024	(67 597)	(573)	58 177	(49 370)	8 807
Interest on deposits and securities to be paid/ received	122 682	(323 515)	(200 833)	102 209	(204 091)	(101 882)
Interest and discount on loans and receivables	0	(113 015)	(113 015)	0	(110 719)	(110 719)
Income and cost settled at effective interest rate	60 214	0	60 214	158 127	0	158 127
Impairment of loans presented as temporary differences	494 879	0	494 879	469 510	0	469 510
Employee benefits	21 984	0	21 984	19 638	0	19 638
Rights to use	4 128	0	4 128	4 356	0	4 356
Provisions for future costs	138 929	0	138 929	123 103	0	123 103
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in OCI	57 252	(24 567)	32 685	133 264	(48 080)	85 184
Valuation of shares	1 273	(33 300)	(32 027)	1 273	(30 831)	(29 558)
Valuation of future income from bancassurance cooperation	0	0	0	0	(10 260)	(10 260)
Other	144	(1 723)	(1 579)	425	0	425
Total	969 970	(601 692)	368 279	1 047 472	(458 463)	589 009

4. TRANSACTIONS WITH RELATED ENTITIES

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

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

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

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

Assets and liabilities from transactions with related parties (data in '000 pln) as at 30.06.2024

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	1 371 019	3 554	0
Loans and advances to customers	6 639 514	0	0
Investments in associates	466 714	0	0
Financial assets valued at fair value through profit and loss (held for trading)	540	5 340	0
Hedging derivatives	0	0	0
Other assets	16 620	0	0
LIABILITIES			
Deposits from banks	1 175	106	0
Deposits from customers	271 555	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)	570	0	0
Subordinated debt	0	0	0
Other liabilities, including:	46 686	142	14
- financial leasing liabilities	32 521	0	0

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

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

Profit and loss on transactions with related parties (data in '000 pln) for the period 1.01-30.06.2024

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	223 118	3 000	0
Commissions	15 525	100	0
Financial instruments valued at fair value through profit and loss	1 513	5 340	0
Dividends	26 618	0	0
Other net operating	7 172	0	0
Expense from:			
Interest	5 119	0	0
Commissions	0	0	0
Financial instruments valued at fair value through profit and loss	0	0	0
Other net operating	0	0	0
General and administrative expenses	8 259	92	(2)

Profit and loss on transactions with related parties (data in ‘000 pln) for the period 1.01-30.06.2023

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	217 982	1 268	0
Commissions	11 430	54	0
Financial instruments valued at fair value through profit and loss	554	28	0
Dividends	28 706	0	0
Other net operating	12 584	0	0
Expense from:			
Interest	6 114	0	0
Commissions	0	0	0
Financial instruments valued at fair value through profit and loss	0	0	0
Other net operating	0	0	0
General and administrative expenses	5 676	0	38

Off-balance transactions with related parties (data in ‘000 pln) as at na 30.06.2024

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	2 074 500	22 532	0
granted	1 763 126	0	0
obtained	311 374	22 532	0
Derivatives (par value)	159 405	185 688	0

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

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

5. FAIR VALUE

The methodology used by the Bank for valuation of assets and liabilities at fair value is described in detail in Chapter 8. Condensed interim consolidated financial statements of Bank Millennium S.A. for the 6 months ended 30 June 2024.

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

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

30.06.2024	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST		
Debt securities	21 094 246	21 105 556
Deposits, loans and advances to banks and other monetary institutions	1 859 461	1 859 415
Loans and advances to customers (*)	60 661 953	59 758 680
LIABILITIES MEASURED AT AMORTISED COST		
Liabilities to banks and other monetary institutions	586 597	586 597
Liabilities to customers	116 811 703	116 813 141
Debt securities issued	3 004 982	3 204 765
Subordinated debt	1 561 769	1 559 898

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

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

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

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

Data in PLN'000, as at 30.06.2024

	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		112 846	351 796
Shares	179		
Debt securities	168 709		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments			66 609
Debt securities			83 226
Loans and advances			5 905
Financial assets at fair value through other comprehensive income			
Equity instruments	247		28 540
Debt securities	17 815 000	10 463 743	
Loans and advances			11 978 944
Derivatives – Hedge accounting		170 655	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		46 891	359 329
Short positions	108 657		
Derivatives – Hedge accounting		129 644	

Data in PLN'000, as at 31.12.2023

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

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances at fair value through profit or loss	Loans and advances at fair value through other comprehensive income
Balance as at 01.01.2024	**405 612**	**(414 200)**	**95 151**	**81 014**	**19 349**	**11 799 748**
Settlement/sell/purchase/transfer to the portfolio	(79 366)	79 908	0	0	(18 718)	(112 209)
Change of valuation recognized in equity	0	0	0	0	0	(141 017)
Interest income and other of similar nature	0	0	0	0	1 687	432 422
Results on financial assets and liabilities held for trading	15 919	(15 405)	0	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	2 212	3 586	0
Result on exchange differences	0	0	(2)	0	0	0
Balance as at 30.06.2024	**342 164**	**(349 697)**	**95 149**	**83 226**	**5 905**	**11 978 944**

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

6. LEGAL RISK RELATED TO FOREIGN CURRENCY MORTGAGE LOANS

On June 30, 2024, the Bank had 22,141 loan agreements and additionally 2,070 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 (57% loans agreements before the courts of first instance and 43% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 4,528.0 million and CHF 320.1 million (Bank Millennium portfolio: PLN 4,107.6 million and CHF 310.0 million and former Euro Bank portfolio: PLN 420.4 million and CHF 10.1 million). Out of 22,141 BM loan agreements in ongoing individual cases 341 are also part of class action. From the total number of individual litigations against the Bank approximately 2,930 or 13% 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. Approximately another 830 cases correspond to loans that were fully repaid during the proceedings (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 341 are also part of ongoing individual cases, 1,168 concluded settlements and 16 received final verdicts (invalidation of loan agreement). On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022. On 25 June 2024 an appeal hearing was held, at which the Bank filed a motion to amend the composition of the group and exclude those group members who had entered into an amicable settlement. The court required the plaintiffs' attorneys to take a written position on the current composition of the group. The date of the hearing will be set by the court ex officio.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,984 individual claims were filed against the Bank (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,159 (423), in 2022 the number increased by 5,757 (408), in 2023 the number increased by 6,879 (646), while in the first half of 2024 the number increased by 3,220 (398).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved against the banks. As far as the Bank Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of the first half of 2024, 5,456 cases were finally resolved (5,362 in claims submitted by clients against the Bank and 94 in claims submitted by the Bank against clients i.e. debt collection cases) out of which 1,515 were settlements, 64 were remissions, 70 rulings were favourable for the Bank and 3,807 were unfavourable including both invalidation of loan agreements as well as conversions into PLN+LIBOR. The Bank undertakes proper legal actions in order to secure repayment of initially disbursed capital of the loan.

The outstanding gross balance of the loan agreements under individual court cases and class action against the Bank (incl. former Euro Bank portfolio) on 30 June 2024 was PLN 6,000 million (of which the outstanding amount of the loan agreements under the class action proceeding was PLN 621 million).

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 7,145 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the first 6 months of 2024, the Bank created PLN 1 025,3 million of provisions for Bank Millennium originated portfolio and PLN 98,3 million for the former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of June 2024 was PLN 7 534,2 million, and for the former Euro Bank portfolio - PLN 672.4 million.

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

(i) the number of ongoing cases (including class action agreements) and potential future lawsuits that will arise within the specified (three-year) time horizon;
(ii) As regards the number of future court cases, the Bank monitors customer behaviors, and has the following assumptions:
    d. regarding active loans (i.e., loans with an outstanding balance), the Bank estimates the percentage of customers covered by methodology in this group of clients at 86% of the total number of currently active loans (including expected number of amicable settlements) loans compared to 84% at the end of IQ2024.
    e. 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 (the Bank assumes that circa 24% of repaid not settled loans sued or will decide to sue the Bank in the future. In particular, the Bank assesses the risk connected with the settlements reached with the clients in the past as negligible);
(iii) the amount of the Bank's potential loss in the event of a specific court judgment including penalty interest;
(iv) the probability of obtaining a specific court judgement calculated on the basis of statistics of judgments in cases where the Bank is a party;
(v) estimates involved with amicable settlements with clients, concluded in court or out of court:
    a. the bank assumes a 10% probability of success in concluding a settlement as part of negotiations conducted with clients in the course of court proceedings,
    b. negotiations are conducted on a case-by-case basis and can be stopped at any time by the Bank,
    c. due to significant negotiation efforts already made in the past, the probability of success in these negotiations in the future is decreasing, and at the same time most customers have already contacted the Bank regarding the possible conversion of loans into PLN, so at the moment the Bank adopts a conservative approach when taking into account the potential impact of this factor.

The Bank is open to negotiate case by case favorable 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 23,537: 1,362 in 2020; 8,450 in 2021; 7,943 in 2022; 3,671 in 2023 and 2,111 in the first half of 2024. As of the end of first half of 2024, the Bank had 28,759 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totaled PLN 1,689.3 million: PLN 44.4 million in 2020; PLN 364.6 million in 2021; PLN 515.2 million in 2022; PLN 415.7 million in 2023 and PLN 349.4 million in the first half of 2024. This cost is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement (the values of costs charged to particular items of the Income Statement due to settlements are presented **in Note 'Provisions for legal risk connected with fx mortgage loans' in Chapter 3 'Supplementary information for standalone financial data'**).

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

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

Parameter	Scenario	Impact on the loss
Change in the assumed number of court cases	In addition to above assumed numbers, 1,000 new customers file a lawsuit against the Bank	PLN 164 mln
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 pp	PLN 77 mln
Change in probability of success in negotiations with court client	Change of probability by 1 pp	PLN 14 mln

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

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

Finally it should also be mentioned, that the Bank, as at 30 June 2024, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 1.47 pp (1.46 pp at the Group level), part of which is allocated to operational/legal risk.

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

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

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

Jurisprudence of the Court of Justice of the European Union

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

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

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

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

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

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

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

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

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

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

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

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

(i) a national court may find that the parts of a contractual term of the agreement concluded between a consumer and an entrepreneur which render it unfair are unfair, if such a deletion would not amount to a change in the content of that term that affects its substance, which is for the referring court to verify;
(ii) a national court cannot, after annulling an unfair term contained in an agreement concluded between a consumer and an entrepreneur which does not render the agreement invalid in its entirety, replace that term with a supplementary provision of the national law;
(iii) a national court may not, after having declared invalid an unfair term contained in an agreement concluded between a consumer and an entrepreneur which entails the invalidity of that agreement in its entirety, replace the contractual term which has been declared invalid either by interpretation of the parties' declaration of intent in order to avoid the cancellation of that agreement or by a provision of national law of a supplementary nature, even if the consumer has been informed of the effects of the invalidity of that agreement, and accepted them;
(iv) the ten-year limitation period for a consumer's claim seeking reimbursement of sums unduly paid to the entrepreneur in performance of an unfair term of a loan agreement does not start to run on the date of each performance made by the consumer if the consumer was not able on that date to assess on his own the unfairness of the contractual term or if he had not become aware of the unfair nature of that term and without taking into account the circumstances that the agreement provided for a repayment period – in this case thirty years – well in excess of the ten-year statutory limitation period.

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

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

(ii) a national court is not allowed:

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

b. to refuse to declare that invalidation where the consumer has expressly sought it, after being objectively and exhaustively informed of the legal consequences and the particularly unfavorable 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 unfavorable consequences which annulment of the contract might entail for him or her.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

By decision of 3 May 2024, the Court of Justice of the European Union closed the case registered under case no. C-348/23 following a question from the District Court in Warsaw, indicating that they preclude the recognition that the legal effects related to the declaration of invalidity of the contract are conditional on the fulfilment by the consumer of the condition precedent for that consumer to make a declaration before the national court, that it does not agree to maintain the contractual term in force and that it is aware that the invalidity of the said term entails the annulment of the loan agreement and its effects and that it consents to the annulment of the agreement.

By decision of 8 May 2024, the Court of Justice of the European Union closed the case registered under case no. C-424/22 as a result of a question from the Regional Court in Kraków, indicating that they preclude the application by a financial institution of the right of retention which makes the consumer's receipt of the amounts awarded to him by the court conditional on the consumer's simultaneous offer of reimbursement or security for the return of the entire benefit received from that financial institution.

Jurisprudence of the Polish Supreme Court

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

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

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

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

The effect of the Supreme Court's resolution of 7 May 2021 is that the bank is entitled to a refund of the cash benefit provided by the bank in performance of a permanently ineffective contract. Taking into account the uncertainty as to the starting point of the limitation period for the bank's claims, the Bank, in order to protect its interests, files lawsuits for payment against borrowers in a court dispute with the bank. The bank's demand consists of a claim for return of the capital made available to the borrower under the contract. By 30 June 2024 the Bank filed about 8.1 thousands lawsuits against the borrowers.

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

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

On 19 June 2024, the Supreme Court issued a resolution by a panel of 7 Supreme Court judges (III CZP 31/23) stating that:

The right of retention (Article 496 of the Civil Code) does not apply to the party that can set off its claim against the claim of the other party.

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

7. ADDITIONAL INFORMATION

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

During the 6 months ended June 30, 2024, the Bank's liabilities arising from the issue of debt securities decreased by PLN 23 million and their balance as at that date amounted to PLN 3,005 million. The decrease in these liabilities results from: a positive balance of interest accrued and paid for the period in the amount of PLN 106.5 million, a change in the valuation of issued securities in a hedging relationship in the amount of PLN -35.1 million, a decrease in the value due to redemption in the amount of PLN -76,9 million and a balance sheet change of PLN -17.4 million due to the strengthening of the zloty exchange rate against the euro in the first half of 2024.

7.2. CAPITAL MANAGEMENT

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

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

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

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

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

- Pillar II FX mortgage loans buffer (P2R buffer) - KNF decision regarding order to maintain additional own funds to secure risk resulting from FX mortgage loans granted to households, under the art. 138.2.2 of Banking Act. A value of that buffer is defined for particular banks by KNF every year because of Supervisory Review and Evaluation Process (SREP) and relates to risk that is in KNF’s opinion - inadequately covered by minimum own funds requirements, set in CRR art. 92. At present, the buffer was set by KNF in the decisions issued in the end of 2023 in the level of 1.47pp (Bank) and 1.46pp (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 1.10pp (Bank and Group), and which corresponds to capital requirements over CET 1 ratio of 0.82pp (Bank and Group).

- Combined buffer – defined in Act on macro prudential supervision over the financial system and crisis management – that consists of:
  - Capital conservation buffer at the level of 2.5%,
  - Other systemically important institution buffer (OSII) – at the level of 0.25% and the value is set by KNF every year,
  - Systemic risk buffer at the level of 0%, reduced from 3% in March 2020,
  - Countercyclical buffer at the 0% level.

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

The minimum capital ratios required by the Polish Financial Supervision Authority for the combined buffer requirement (OCR) continued to be fulfilled at the end of 2Q2023. As regards the levels expected by the Polish Financial Supervision Authority, including the additional P2G surcharge, the Bank has not yet achieved them for the T1 ratio.

Capital adequacy of the Bank was as follows (PLNmn, %, pp):

Capital adequacy	30.06.2024	31.03.2024*	30.06.2023
Risk-weighted assets	39 710,31	39 173,34	46 988,80
Own Funds requirements, including:	3 176,83	3 133,86	3 759,10
- Credit risk and counterparty credit risk	2 678,91	2 631,24	3 308,03
- Market risk	16,63	19,38	18,00
- Operational risk	478,00	478,00	427,01
- Credit Valuation Adjustment CVA	3,27	5,24	6,06
Own Funds, including:	7 061,44	7 300,69	6 939,23
Common Equity Tier 1 Capital	5 819,38	5 982,41	5 487,82
Tier 2 Capital	1 242,05	1 318,30	1 451,41
Total Capital Ratio (TCR)	**17,78%**	**18,64%**	**14,77%**
Tier 1 Capital ratio (T1)	**14,65%**	**15,27%**	**11,68%**
Common Equity Tier 1 Capital ratio (CET1)	**14,65%**	**15,27%**	**11,68%**
Leverage ratio	**4,43%**	**4,67%**	**4,61%**

* - All data for quarterly periods presented in these condensed interim financial statements of the Bank have not been audited or reviewed by a statutory auditor.

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

Capital adequacy	30.06.2024	31.03.2024*	30.06.2023
Total Capital Ratio (TCR)	**17,78%**	**18,64%**	**14,77%**
Minimum required level (OCR)	12,22%	12,22%	12,70%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	5,56%	6,42%	2,07%
Minimum recommended level TCR (OCR+P2G)	13,81%	13,81%	14,42%
Surplus(+) / Deficit(-) on recommended level (p.p.)	3,97%	4,83%	0,35%
Tier 1 Capital ratio (T1)	**14,65%**	**15,27%**	**11,68%**
Minimum required level (OCR)	9,85%	9,85%	10,22%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	4,80%	5,42%	1,46%
Minimum recommended level T1 (OCR+P2G)	11,44%	11,44%	11,94%
Surplus(+) / Deficit(-) on recommended level (p.p.)	3,21%	3,83%	-0,26%
Common Equity Tier 1 Capital ratio (CET1)	**14,65%**	**15,27%**	**11,68%**
Minimum required level (OCR)	8,07%	8,07%	8,35%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	6,58%	7,20%	3,33%
Minimum recommended level CET1 (OCR+P2G)	9,66%	9,66%	10,07%
Surplus(+) / Deficit(-) on recommended level (p.p.)	4,99%	5,61%	1,61%
Leverage ratio	**4,43%**	**4,67%**	**4,61%**
Minimum required level	3,00%	3,00%	3,00%
Surplus(+) / Deficit(-) of Leverage ratio (p.p.)	1,43%	1,67%	1,61%

* - All data for quarterly periods presented in these condensed interim financial statements of the Bank have not been audited or reviewed by a statutory auditor.

In Q2 2024, capital ratios decreased slightly - the Tier 1 capital ratio (equal to the Common Core Tier 1 capital ratio) by 62 bps, and the total capital ratio by 85 bps. Own funds requirements increased by 1.4% (by approx. PLN 43 million), while the requirements for credit risk and counterparty credit risk increased by PLN 45.7 million, while the requirements for market risk decreased by PLN 2.75 million, and due to the fair value adjustment due to credit risk by PLN 2 million. T1 capital (CET1) decreased by PLN 163 million (2.7%), which resulted primarily from the increase in deferred tax assets reducing own funds by approximately PLN 84.1 million. Own funds decreased to a slightly greater extent - by over PLN 239.3 million/3.3%, due to a decrease in Tier 2 own funds by PLN 76 million, which is related to normal amortisation.

In Q2 2024 financial leverage ratio fell by 24 bps, from 4,67% to 4,43%, which was caused approximately equally by a decrease in T1 capital and an increase in the exposure measure. The surplus over regulatory minimum of 3% is visible: 143 bps.

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

7.3. OFF BALANCE SHEET ITEMS

Structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	30.06.2024	31.03.2024	31.12.2023	30.06.2023
Off-balance conditional commitments granted and received	**18 196 223**	**18 289 112**	**17 283 356**	**16 564 605**
Commitments granted:	15 161 134	15 125 208	14 264 568	13 938 435
- financial	13 550 287	13 479 810	12 550 588	12 229 440
- guarantee	1 610 847	1 645 398	1 713 980	1 708 995
Commitments received:	3 035 089	3 163 904	3 018 788	2 626 170
- financial	147	4 054	0	11 081
- guarantee	3 034 942	3 159 850	3 018 788	2 615 089

7.4. REFORM OF BENCHMARKS

1. WIBOR

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

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

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

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

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

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

In connection with this, Bank Millennium S.A. established, by resolution of the Bank's Management Board of 24 August 2022, an internal project reporting to the Management Board (Deputy Chairman of the Management Board - CFO and Member of the Management Board overseeing the areas of retail and corporate products), in order to duly manage the WIBOR to WIRON transition process and to implement the work in accordance with the roadmap. This work involves representatives from a significant number of the Bank's business units, including, in particular, representatives responsible for product areas and risk management issues, including, in particular, interest rate risk and operational risk. The structure of the project includes the division into streams covering products and processes where the WIBOR benchmark is applied, the management of the project by a dedicated project manager and the periodical reporting of statuses on the individual streams. In the current phase of the project, the Bank monitors on an ongoing basis the changing situation, market development, communication of the administrator, as well as consultations and decisions of the Steering Committee of the National Working Group, and makes appropriate decisions in this respect, depending on the changing situation.

The Bank uses the WIBOR reference rate in the following products (in PLN million as of 30 June 2024):

- mortgage loans: **22 952,66** mortgage loans based on WIBOR (excluding **12 562,07** mortgage loans currently with temporary fixed rate where the clients have the option to switch to variable rate indexed to WIBOR after the end of such temporary fixed rate initial period);
- loan products, factoring and corporate discounting products: **17 053,17**;
- debt instruments **(10 756,90)**;
  - Assets: 8 572,31
  - Liabilities: 2 184,59
- derivative instruments: **9 595,93**

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 24 "Derivatives - Hedge accounting" in Chapter 13 "Notes to the Consolidated Financial Statements.

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).

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

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

In June 2024, the NGR launched a public consultation on the review and evaluation of alternative interest rate indices as a basis for reviewing the September 2022 NGR SC decision to select WIRON as the optimal replacement for the WIBOR benchmark index. The subject of the consultation was the WIRON, WIRON+, WIRF, WIRF+ and WRR indices, which participants in the consultation were able to assess from the perspective of criteria concerning the quality of the indices, their characteristics, their potential for the development of the financial market and the market for banking products. Participants also had the opportunity to comment on the current market and regulatory environment and related initiatives that could help strengthen the new index, the market it describes and the instruments based on it.

On 9 July 2024, the National Working Group announced that the collection of opinions as part of the public consultation process had ended on 1 July 2024. The results of the public consultation will be an element to be taken into account in the decision on the selection of an alternative benchmark to WIBOR and the development of an updated Roadmap.

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

2. LIBOR USD

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

- Retail banking/mortgage portfolio: **2,60**;

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

7.5. CREDIT HOLIDAYS 2024

Following the signing by the President of the Republic of Poland and the announcement in the Journal of Laws of the Republic of Poland of the Act of April 12, 2024 amending the Act on support for borrowers who have taken out a mortgage loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and aid borrowers which, among other things, extends the possibility for borrowers to suspend the repayment of a mortgage loan granted in Polish currency for a period of up to four months (suspension of repayments up to 4 monthly installments) in 2024 ("credit holidays"), the Bank and the Group in May this year, recorded one-off costs related to credit holidays, initially estimated at PLN 189.1 million for the Bank and PLN 201.0 million for the Group, respectively.

The adjustment was calculated and recognized in accordance with IFRS 9, as a reduction of interest income on assets measured at amortized cost and, on the other hand, reducing the gross value of mortgage loans in PLN. The amount of the adjustment was initially calculated as the difference between the gross value of the loan portfolio as at the calculation date and the current value of estimated cash flows under loan agreements, taking into account the assumption that 26.4% of the percentage of capital of eligible loans will suspend repayment installments.

Date	Name and surname	Position/Function	Signature
26.07.2024	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
26.07.2024	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
26.07.2024	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
26.07.2024	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
26.07.2024	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
26.07.2024	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
26.07.2024	Jarosław Hermann	Member of the Management Board	Signed by a qualified electronic signature