Management Board Report on the activity of Bank Millennium and Capital Group of Bank Millennium in the six months ended on June 30, 2024

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The following data is presented in the Consolidated Report of the Bank Millennium S.A. Capital Group for 1st half of 2024:

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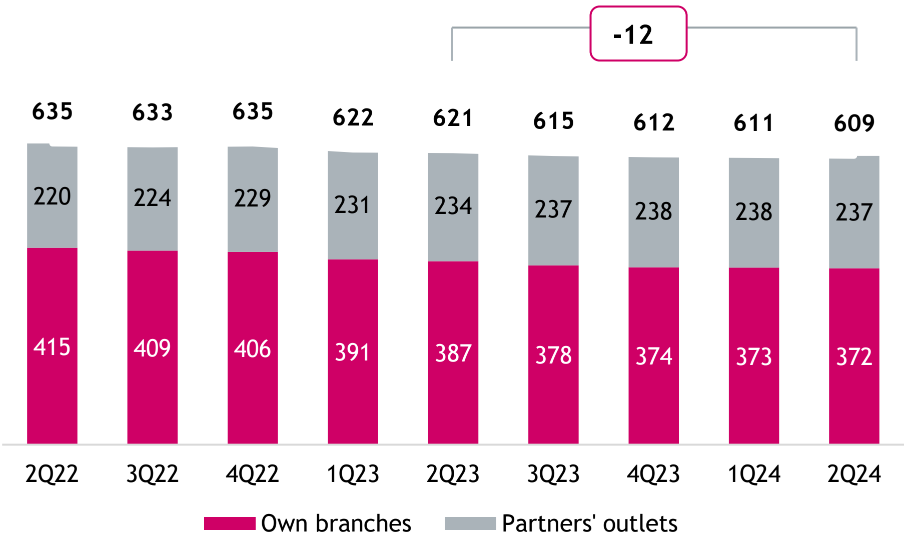
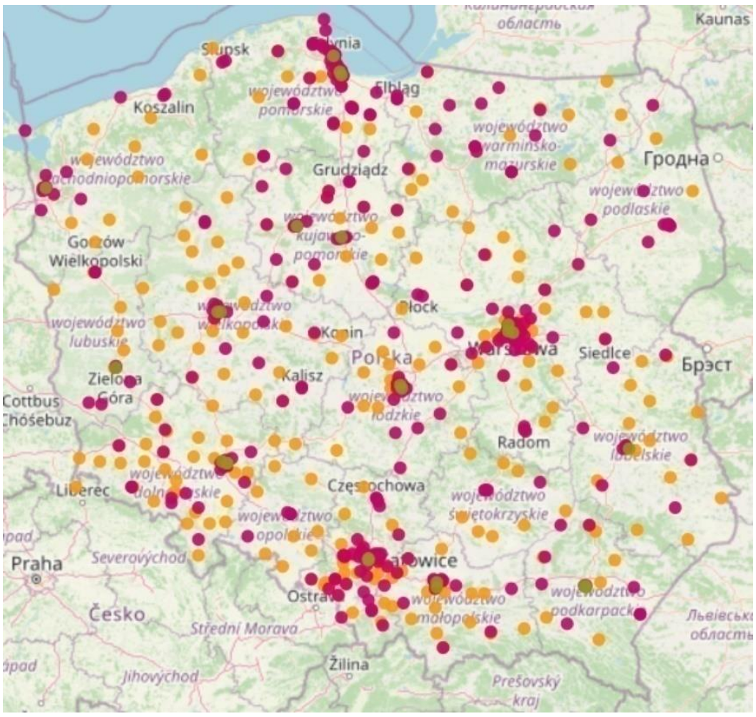
1. BANK MILLENNIUM AND MARKET CONDITIONS

1.1. GENERAL DESCRIPTION OF BANK MILLENNIUM GROUP

Bank Millennium S.A. (‘Bank Millennium’, ‘Bank’) was established in 1989 as one of the first Polish commercial banks. It is now one of the top 7 commercial banks in Poland in terms of assets and offers its services to all market segments via a network of 609 branches (including 372 own branches and 237 franchise branches), a network of personal advisors as well as electronic and mobile banking.

Bank Millennium’s distribution network





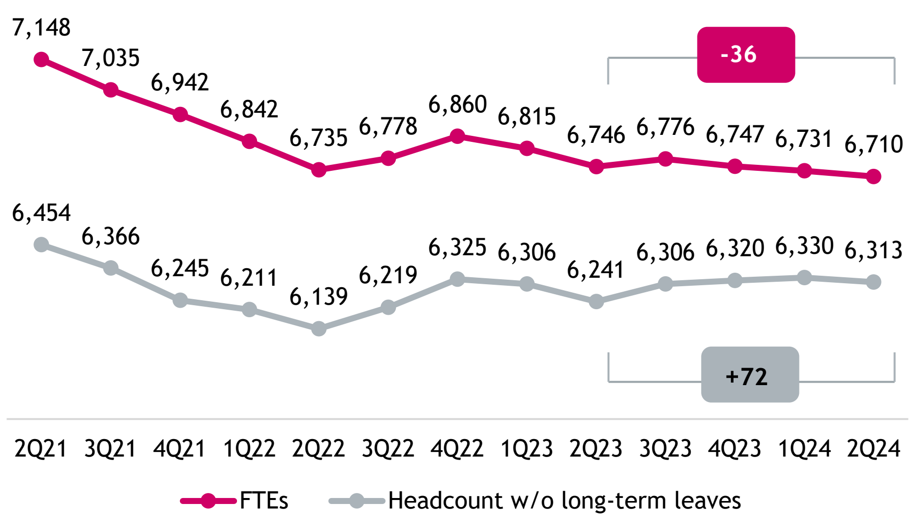
Own branches Franchise branches Mini branches

Ever since the start of its activity it has been a trendsetter in Polish banking. For example it was the first Bank to be listed on the Warsaw Stock Exchange and issued the first payment card on the Polish market. The Bank satisfies most stringent standards of corporate governance; it implements social programmes to support culture development as well as education of the youth.

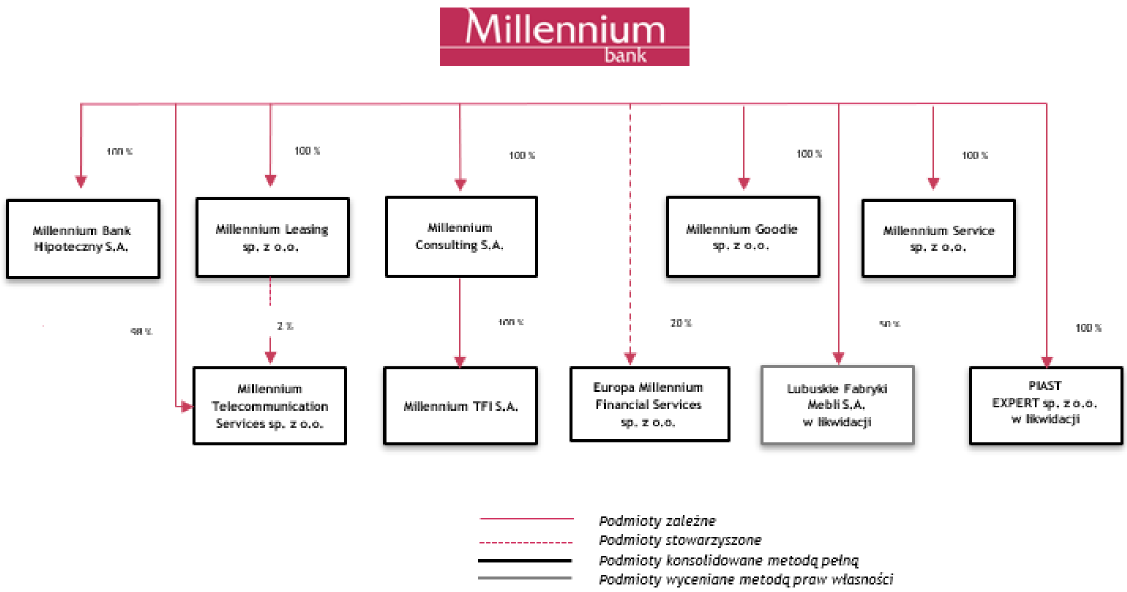
Bank Millennium is a market leader in the area of innovations understood as technological novelties and process improvements. Innovation in Bank Millennium is part of its business strategy.

Bank Millennium, together with its subsidiaries, forms Bank Millennium Group ('BM Group', 'Group') - one of the most innovative and comprehensively developing financial groups in Poland – employing in total 6,710 persons (FTE).

Employees in Bank Millennium Group



Bank Millennium Group's structure (30.06.2024)
Subsidiaries and Associates



Its most important companies are: Millennium Leasing (leasing activity), Millennium TFI (investment funds) and Millennium Bank Hipoteczny (obtaining long-term financing through the issue of covered bonds). Since 2016, Millennium Goodie Sp. z o.o. together with the Bank has been operating a smartshopping platform based on advanced technology. The offering of the above-mentioned companies complements the services and products offered by the Bank.

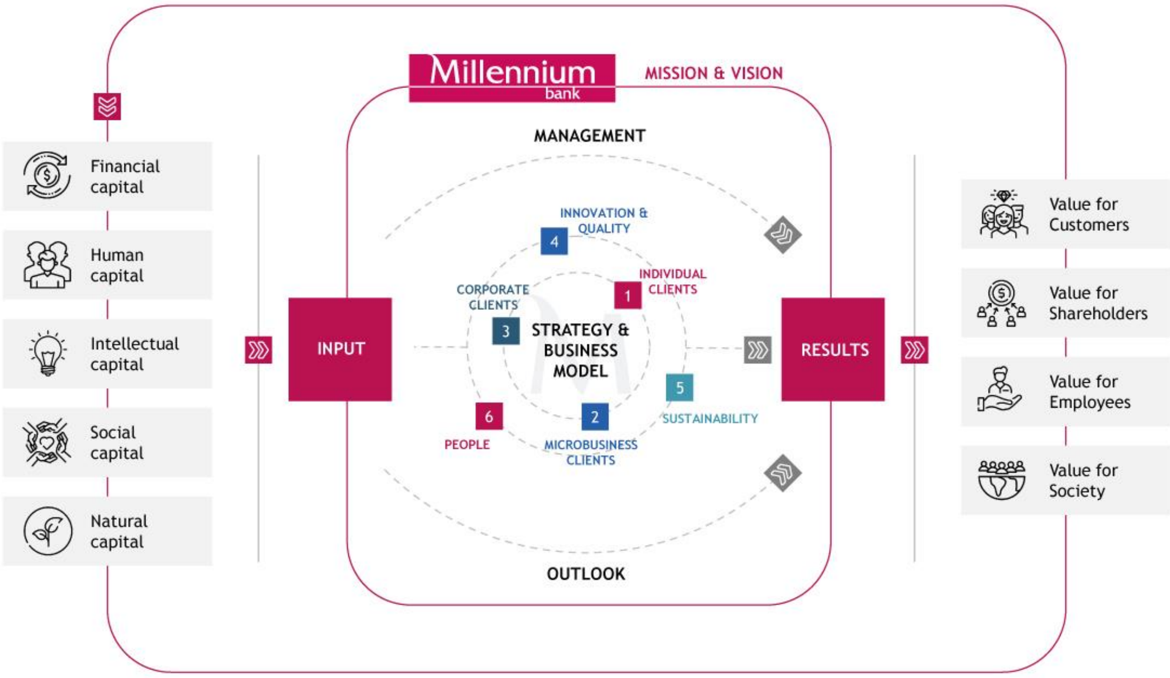
The Bank continues its cooperation in the bancassurance area with Towarzystwo Ubezpieczeń na Życie Europa S.A. and Towarzystwo Ubezpieczeń Europa S.A., co-shareholders of Europa Millennium Financial Services sp. z o.o., with whom it cooperates on the basis of agreements concerning the insurance distribution model.

Business model

Bank Millennium operates according to a business model centered on six pillars:

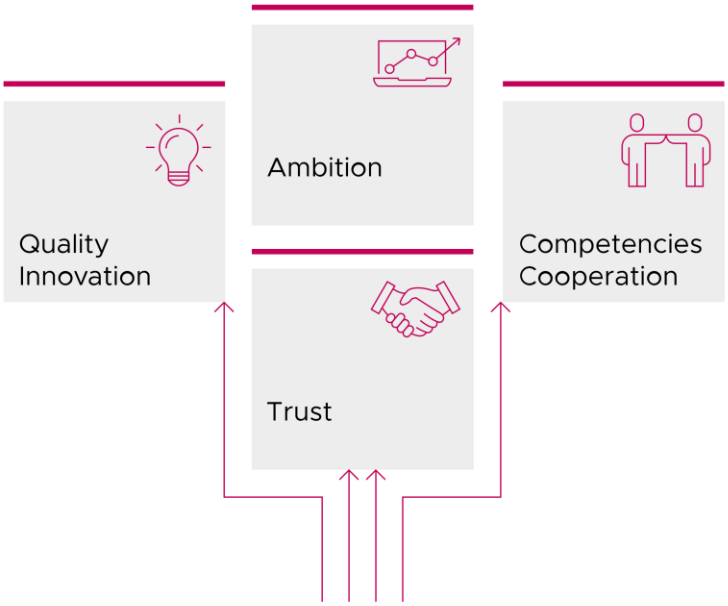
- Top quality and **extended offer for individual clients** – we are continuously strengthening the range of financial services offered to Customers, aiming also to constantly offer a best-in-class Customer Experience in all the channels, what makes us one of the fastest growing banks in loyal individual customers;
- Bank of the **1st choice for new micro-business clients** – taking advantage of the well-established retail sales and service model, we are building high innovative and efficient model for micro businesses;
- Strategic **partner supporting corporate clients development** - we are developing corporate banking segment leveraging on long-term partnerships providing to our clients personalized and digitalized services, as well as professional expertise to address challenges of the future, i.e. green transformation;
- Services supported by **innovative solutions with top tech User Experience** in digital channels (mobile-first approach) – we are among digital banking leaders, with one of the highest levels of mobile banking application penetration, setting trends in innovative financial and non-financial (Value Added Services) solutions and taking care on the best possible User Experience, hyper-personalisation and cybersecurity;
- **Sustainable organization** on the climate neutrality path –we keep our engagement for environment and society, now even scaled by dedicated strategy with defined ESG goals
- **Great place to work** for employees and for top talents – cornerstone of the business model and competitive advantage are our people and organizational culture, what is the reason behind continues effort to make us top employer, not only in the banking sector.

Bank Millennium's business model



The business model is founded on **key values**: building relationships based on trust, a passion for quality and innovation, people development and promoting cooperation as well as the ambition to always aim higher.

The Bank Millennium Group's Values



1.2. FINANCIAL RESULTS IN BRIEF

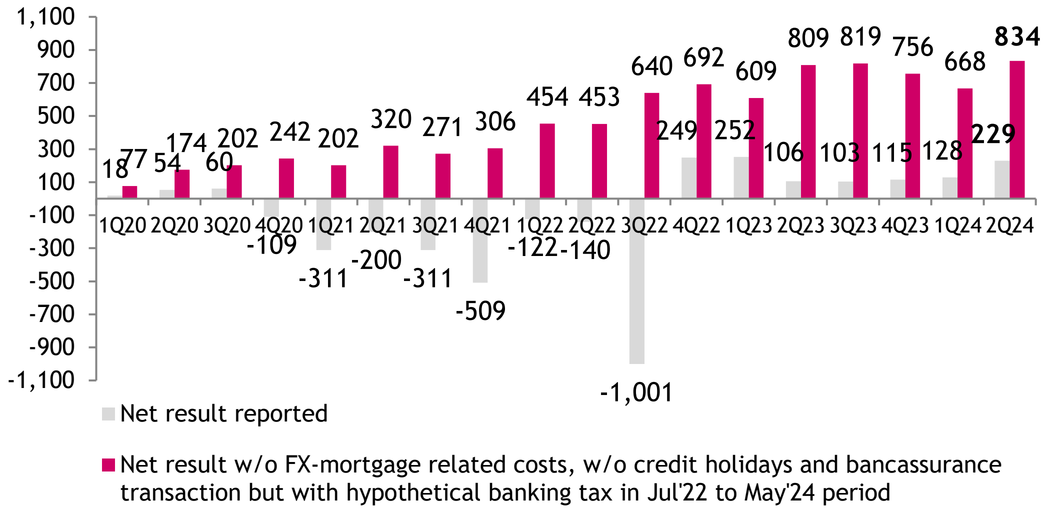
Bank Millennium S.A. Capital Group's ('BM Group', 'Group') reported net profit of PLN229 million in 2Q24 and PLN357 million in 1H24 (flat y/y). Translating into 13% ROE (1H24: 10%) this strong quarterly result was achieved despite credit holidays cost (initially estimated at PLN201 million pre-tax), continued elevated costs related to FX-mortgage portfolio (PLN797 million) and returning asset tax ('bank tax') charge (PLN35 million). Solid operating performance supported by tax items (creation of DTA among others) were the main drivers behind this solid result.

2Q24 net profit without FX-mortgage related costs but with hypothetical bank tax for Apr/May would amount to PLN671 million (1H24: PLN1,339 million). Adjusted for the above and credit holidays net profit would reach a record level of PLN834 million, up 3% y/y (1H24: PLN1,501 million, up 6% y/y).

2Q24 was another solid quarter from the operating perspective. Deposit collection was strong (up 3% q/q and up 16% y/y) despite lowered pricing and continued to support NII. Without credit holidays, 2Q24 NII would be up 2% q/q and up 4% y/y (1H24 adjusted NII would be up 5% y/y). Loan book w/o FX-mortgages grew 2% q/q (3% y/y) owing to retail PLN portfolio (originations of cash loans at record PLN2bn level, up 33% y/y) and continued improvements of leasing volumes (origination at PLN1bn, up 14% q/q and up 26% y/y). Number of active retail clients remained in a steady uptrend (3,083 thousand, up 5% y/y) while volume of investment products grew 8% q/q to PLN9.6bn.

On the FX-mortgage front, steady risk reduction continued. Quarterly number of new amicable settlements with FX-mortgage borrowers remained above the 1,000 mark, with settlements to date totalling 23,500, an equivalent of 38% of the number of loan agreements active at moment of the full roll-out of amicable settlements effort. Inflow of FX-mortgage claims against the Bank remained broadly stable with increasing shares of claims from repaid loans (17% of stock of active claims), while the ratio of legal risk provisions to gross active book crossed the symbolic 100% threshold.

Net results: reported and adjusted (PLNmn)



Substantial and extraordinary P&L items

In 1Q24, the BM Group recognised annual cost of BFG resolution fund fee in the amount of PLN61 million. In 2Q24, results (interest income line) were impacted by PLN201mn estimated costs of credit holidays for PLN mortgage borrowers. The amount was at the lower end of the preliminary estimated range of PLN201–PLN 247 million (details in current report no 17/2024 of May 5, 2024), indicating a relatively low borrowers' interest in the scheme. 1H24 tax line brought a positive value owing to number of items, including a creation of DTA totalling PLN223 million (1Q24: PLN 52 million, 2Q24: PLN171 million) as well as 2022-23 CIT refunds and reductions of current CIT liabilities. The DTA is related to future adjustments of interest income earned on mortgage loans indexed to CHF and FX differences on these loans which are the subject of court disputes for their cancellation. More details are available in Consolidated report of the Bank Millennium S.A. Capital Group for 1st half 2024 (note

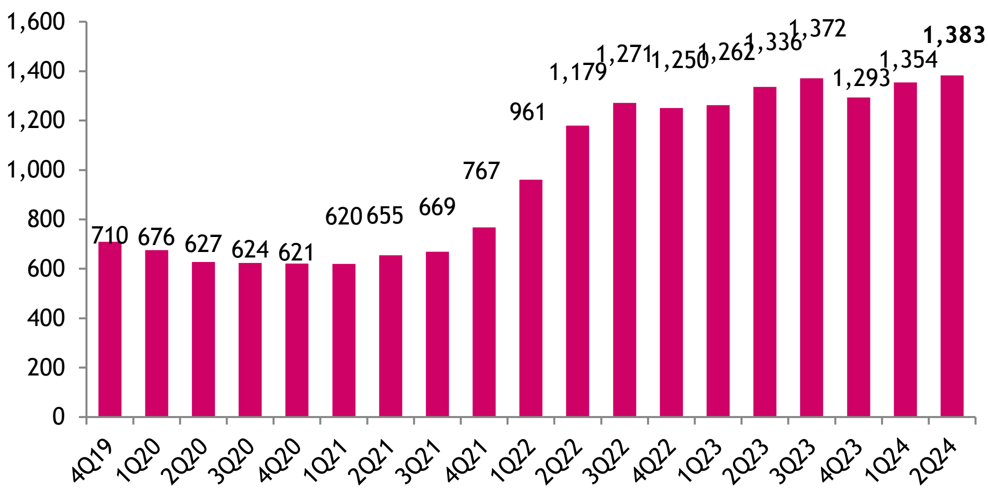
11 of the report). Lastly, the Bank returned to paying an asset tax ('banking tax') in June as it completed the implementation of the recovery plan. In June, the levy amounted to PLN35 million.

Key developments in the period

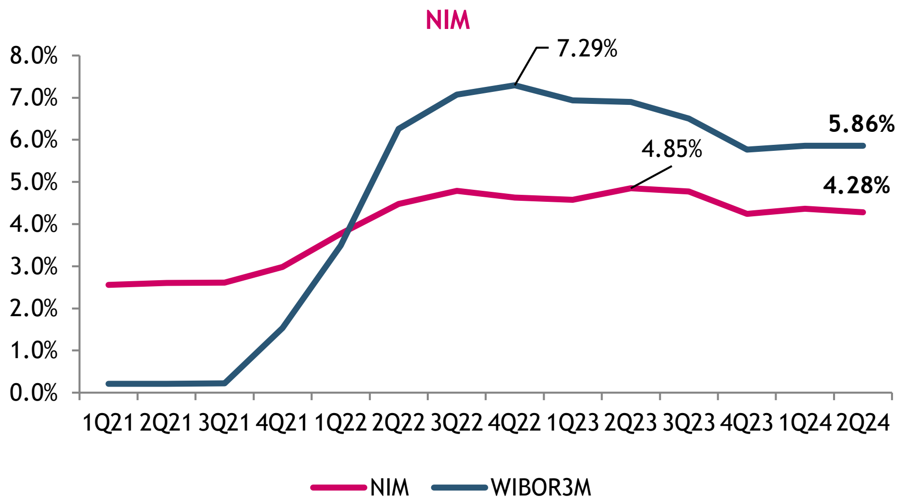
The key developments in 2Q24 were as follows:

- **2Q24 NII adjusted for cost of credit holidays (PLN201mn) increased 2% q/q and reached a record high level while the reported one was down 13% q/q;** the q/q growth of adjusted NII was chiefly an outcome of growth in interest earning assets (IEAs) as market interest rates were stable (average 3M WIBOR at 5.86%) while average cost of funding was essentially flat; the size and profitability of the securities portfolio continued to increase; the y/y growth of NII without credit holidays slowed to 4% from 7% in the previous quarter; 1H24 NII adjusted for credit holidays grew 5% y/y driven by 21% higher IEAs and improving profitability of the bond portfolio;

NII excluding cost of credit holidays (PLNmn)

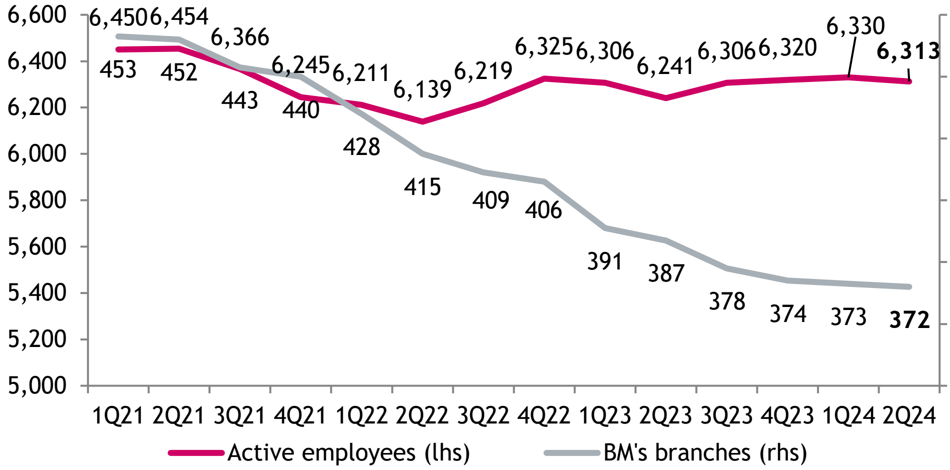


- **quarterly NIM narrowed to 428bps from 436bp in the preceding quarter** and it was due to a of combination of changing composition of IEAs (share of debt instruments increased to 37%) and marginally lower yield of the loan portfolio;

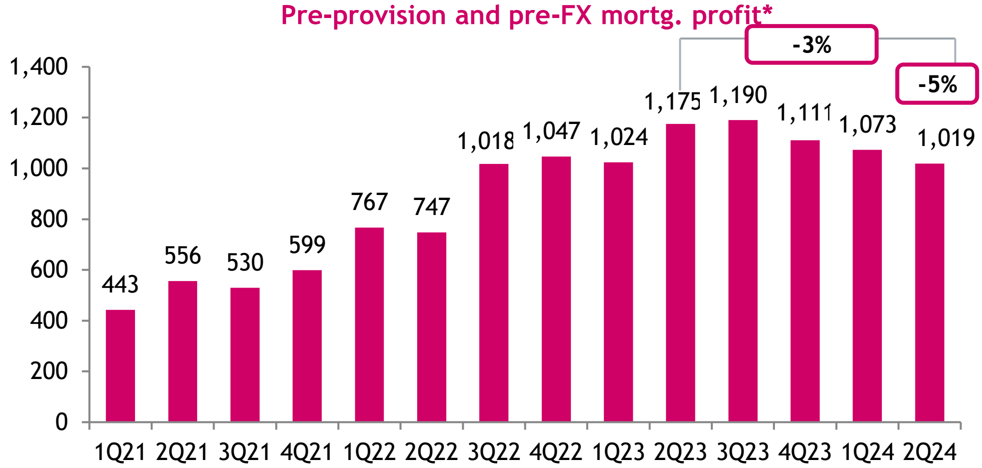


- **cost inflation decelerated in 2Q24** (opex without BFG costs up 7% y/y from 23% in 1Q24) owing to lower legal costs and annual settlement of card costs (these lowered admin costs); 2Q24 reported opex was down 16% q/q while opex without BFG costs down 6% q/q; 1H24 reported opex was up 14% y/y while opex without BFG costs was up 15% y/y; headcount remained broadly stable (number of active employees up 72 in the last twelve months), optimisation of the physical distribution network continued (own branches down by 15 units or 4% in the last twelve months) complementing the increasing share of digital services (digital customers: 2.82mn, up 8% y/y, number of active mobile customers: 2.61mn, up 10% y/y);

Staff and own branches



Pre-provision and pre-FX mortg. profit*

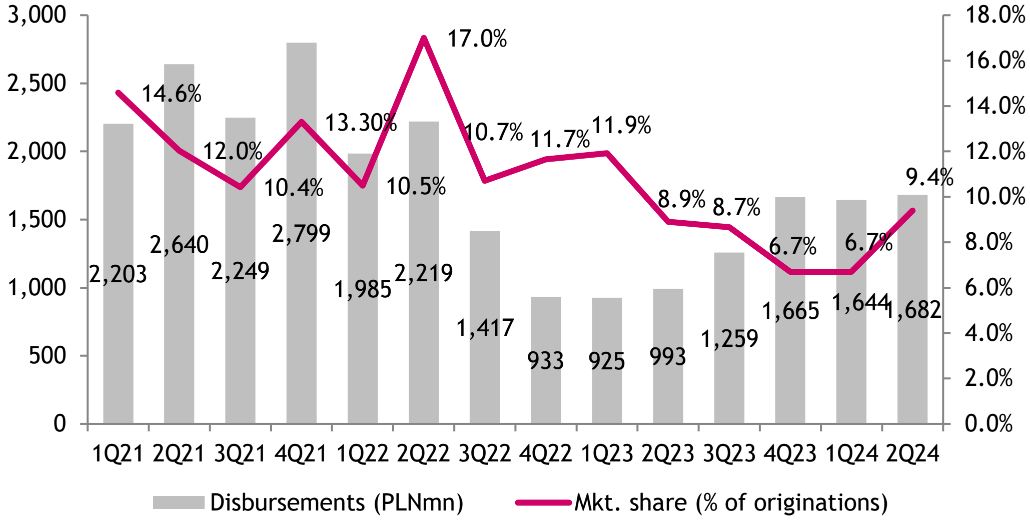


(*) Reported adjusted for cost of credit holidays, provisions against credit risk, Covid-19, result on FV portfolio, impairment losses on non-financial assets, modifications, legal risk on FX-mortgages and results on bancassurance transaction in 1Q23 and 4Q23.

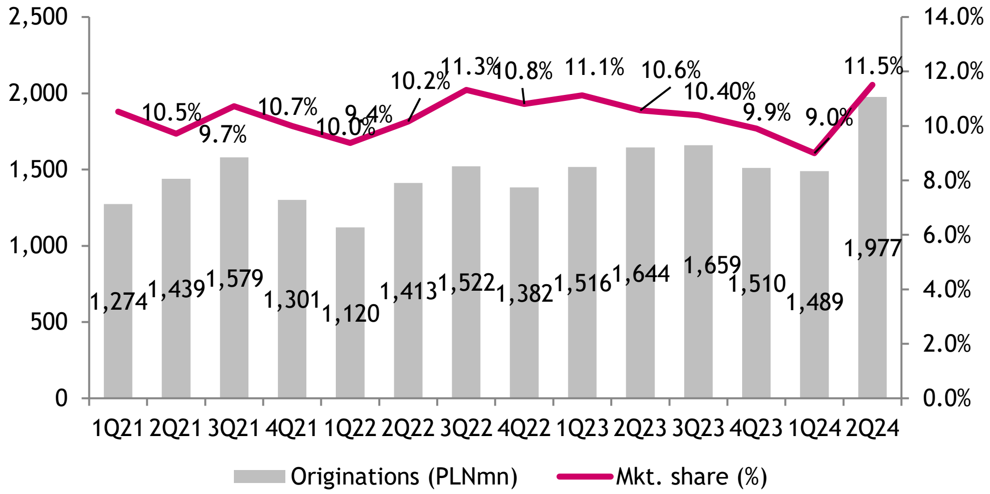
- **loan portfolio marginally increased in the quarter** (net/gross loans: +1% y/y each) with downward trend in FX-mortgage portfolio remaining the key decisive factor; the growth of net/gross loan book w/o FX-mortgages slightly accelerated (+2% q/q, +4% y/y); FX-mortgages continued to shrink fast (on a reported basis down 15% q/q and down 54% y/y) on a combination of FX movements, repayments, provisioning (in line with IFRS9 most of legal risk provisions are booked against gross value of loans under court proceedings), write-downs and amicable settlements; as a result, the share of all FX-mortgages in total gross loans decreased to 2.8% (BM originated only: 2.4%) from 6.1% (5.5%) in the same period last year;

- **non-mortgage retail portfolio grew 2% q/q and 3% y/y** owing chiefly to the non-mortgage part of the portfolio where the much improved origination of cash loans (PLN2.0bn, up 20% q/q and up 33% y/y) contributed the most; BM's market share in origination of cash loans in 2Q24 stood at 11.5%, above the 10.6% in 2Q23; origination (disbursements) of PLN mortgages marginally increased q/q to PLN1.7bn (market share of 9.4%), growing 69% y/y;

Mortgages: disbursements and market share in originations



Cash loans: originations and market share



- **loan book quality marginally improved in 2Q24** with NPL ratio at 4.5% reflecting NPL sale in the period and higher retail loans' originations; consumer loans segment saw the biggest drop of the NPL rate while in the corporate portfolio the ratio ticked up (leasing); volume of Stage 3 loans was broadly unchanged, hence the NPL coverage improved further to 74% (72% at YE23); cost of risk was seasonally lower (37bps, above the level 2Q23) owing to NPL sale (PLN45mn pre-tax) with 37bps credit risk cost in the retail segment and 36bps in the corporate one;

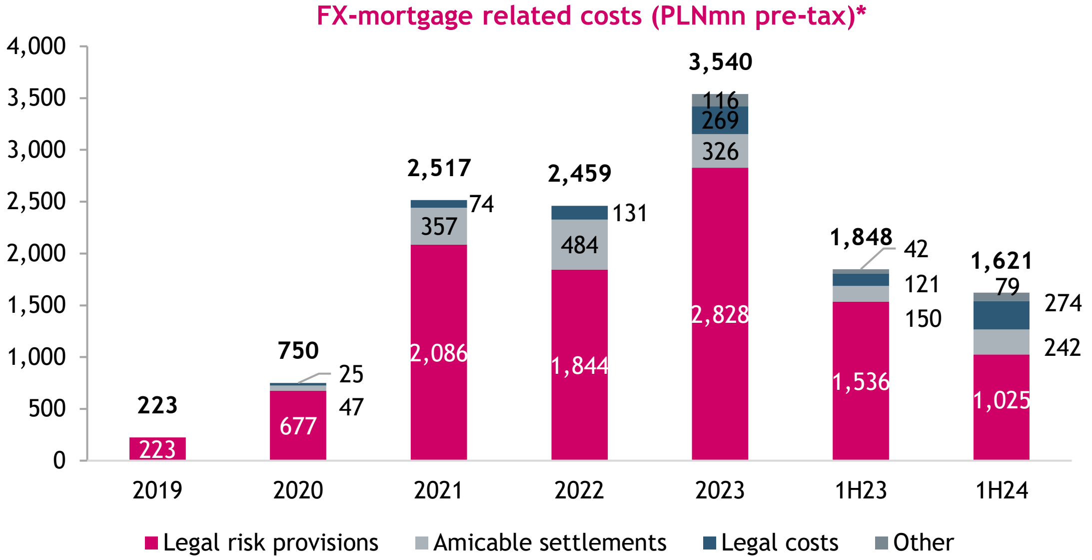
- **customer deposits were up 3% in the quarter and up 16% y/y** with both retail and corporate growing 3% q/q; share of term deposits remained broadly stable at 38% (36% at YE23); the liquidity of the Bank remained very comfortable with L/D ratio easing further to 64%;

- **AuM of Millennium TFI and third-party funds combined again grew at a healthy rate (8% q/q)** with y/y growth rate accelerating to 32%;

- **capital ratios marginally decreased** (Group TCR: 17.1%/T1:14.3% vs. 18.0%/14.9% respectively at the end of March'24) with the surplus over the required minimum T1 remaining comfortable at 4.4ppt and this over minimum TCR ratio at 4.9%; the decrease was mainly an outcome of growing DTA (a deduction a part of DTA from own funds and related increase in RWAs), higher intangibles and ongoing amortisation of T2 capital (TCR ratio) on the one hand and higher RWAs on the other; end of June capital ratios did not include 1H24 net profit and once incorporated it should add c1.3ppt; MREL trea ratio slightly decreased (22.92% at the end of June'24 from 23.65% at the end of March'24) but the surplus over the required level actually increased during the quarter as the minimum MREL requirement was reduced in June'24 following the reduction of the P2R buffer in December'23; new MREL requirement currently stands at 18.03% (20.78% including CBR) compared to 18.89% (21.64%) previously.

FX-mortgage portfolio and related costs

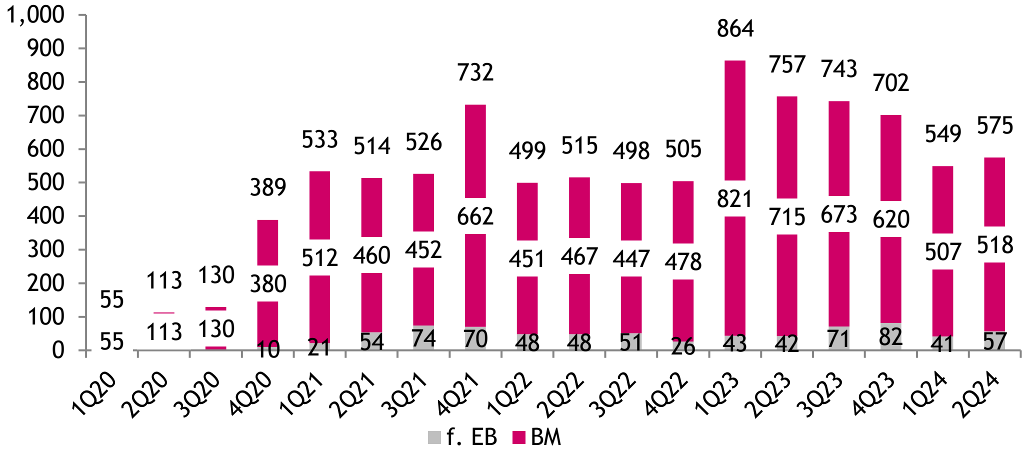
Costs related to FX-mortgage portfolio (legal risk provisions, costs of amicable settlements and legal costs) remained elevated in 2Q24 and continued to be a material drag on the core business of the Group. Totalling high PLN797 million pre-tax (PLN509 million after tax) in 2Q24 and PLN1,621 million pre-tax in 1H24 (PLN1,148 million after tax), these were however substantially lower than the costs in the same period last year.



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

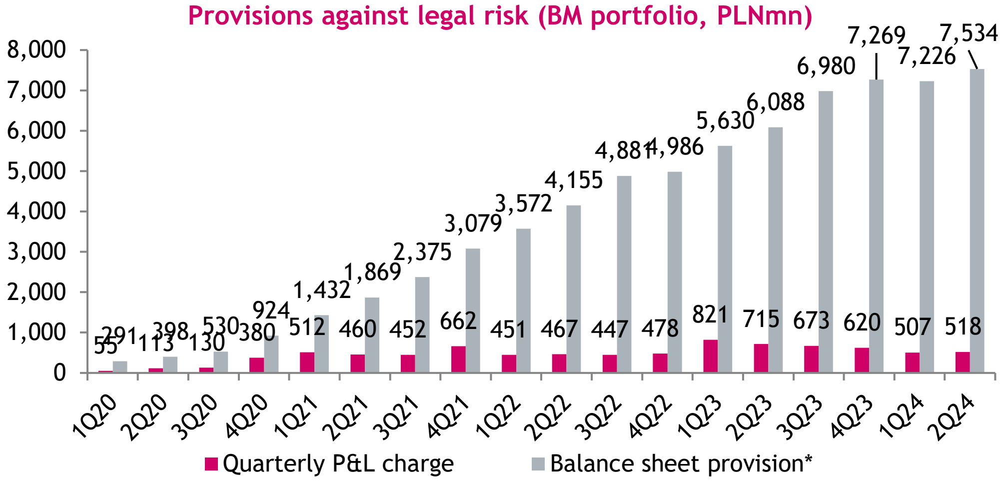
Total provisions against legal risk related to FX-mortgage portfolio ('FX-mortgage provisions') amounted to PLN575 million (pre-tax) in 2Q24 (1H24: PLN1,124 million) with PLN518 million (1H24: PLN1,025 million) attributable to FX-mortgages originated by Bank Millennium. Post-tax FX-mortgage related provisions attributable to portfolio originated by Bank Millennium totalled PLN283 million in 2Q24 (1H24: PLN 666 million) vs. PLN674 million in 2Q23 (1H23: PLN1,494 million). In 1H23 the increase of mortgage provisions resulted from negative developments in the legal environment, namely the judgment of the European Court of Justice of June 15, 2023, with consequent methodological changes (e.g. elimination of a scenario of remuneration for capital provided by the Bank) and updated inputs into the Bank's provisioning methodology, in 2H23 provision increases were chiefly driven by updated inputs, reflecting, inter alia, actual and expected inflow of court claims, while in 1H24 apart from changes to inputs, provisions for potential late payments interest were also included.

Provisions against legal risk of FX-mortgage book (PLNmn)



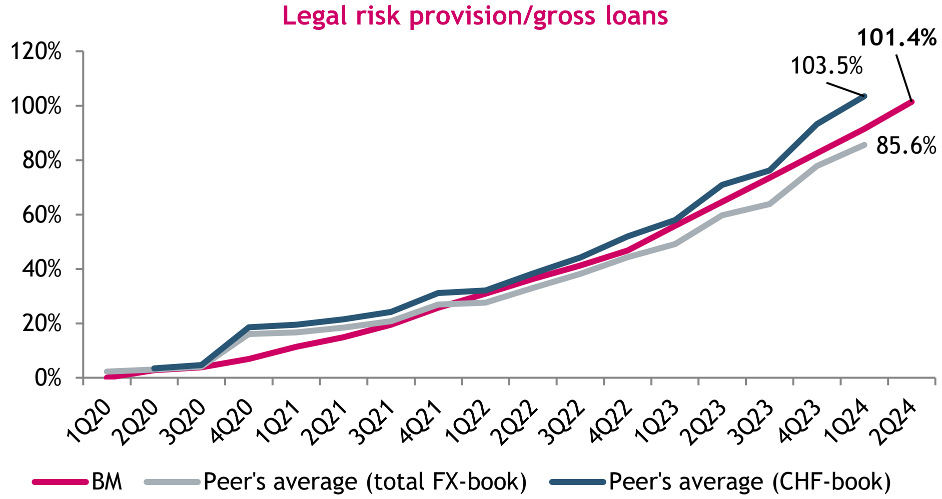
At the end of June'24, provisions for the portfolio originated by Bank Millennium were at the level of PLN7,534 million (an equivalent of 101.4% of the grossed-up FX-mortgage book) and at PLN672 million for the portfolio originated by former Euro Bank. Allocated provisions, i.e. decreasing gross balance sheet value of the respective loan books, stood at PLN5,541 million (dropped q/q on a combination of stronger PLN and use of provisions) and PLN490 million respectively.

Provisions against legal risk (BM portfolio, PLNmn)



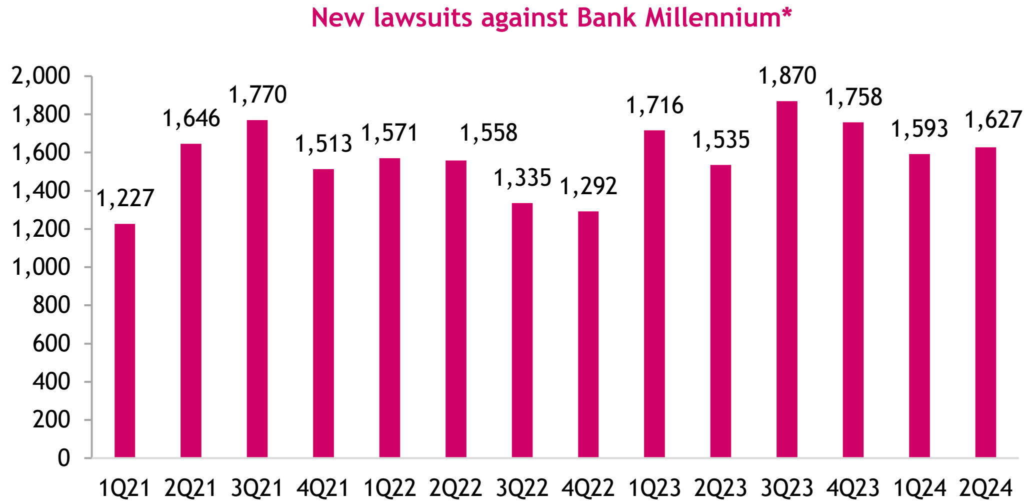
(*) actual outstanding B/S provisions not equal to the sum of P&L charges; Note: data for provisions related to loan portfolio excl. f. EB

Legal risk provision/gross loans

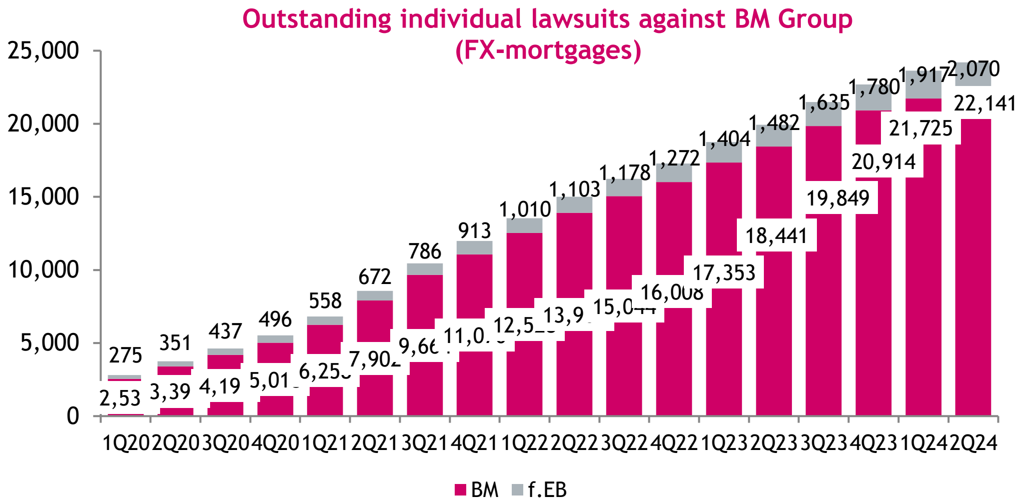


Note: legal risk provisions/gross FX mortgage book (post IFRS9 adjustments where necessary; excl. f.EB portfolio in case of BM

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 court. A relatively small proportion of these (~13.0%) was filed by borrowers who had repaid their FX-mortgages entirely or converted them into PLN mortgages at the date of submitting the court case (17% according to their current status), although they represent a higher share of recently filed cases.



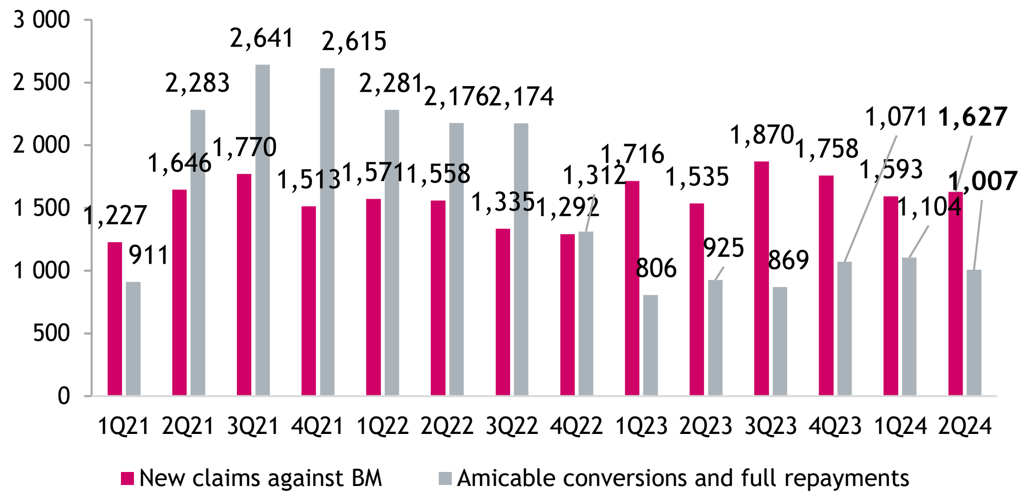
(*) without claims related to FX-mortgages originated by former EB.



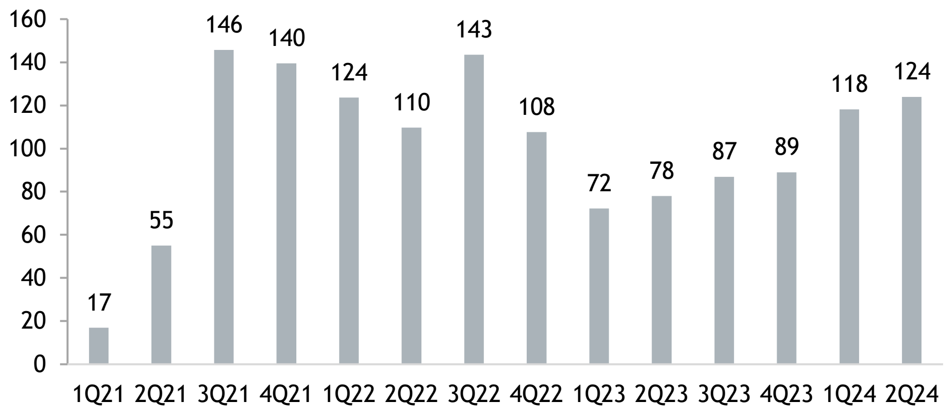
The Bank is highly focused on reduction of its FX-mortgage portfolio and the related risk and therefore continues to actively offer its customers amicable solutions (i.a. conversions to Polish zloty, pre-payments, early repayments or collectively 'amicable settlements') regarding FX-mortgages on negotiated terms. The number of amicable settlements reached 1,007 in 2Q24 (1H24: 2,111), slightly less than in the preceding quarter. Over 23,500 amicable settlements took place since early 2020 when more intensive effort started. This represents over 38% of the number of active FX-mortgage agreements at the start of the effort. As a result of these negotiations, final court verdicts and other natural drivers, in 2Q24 the number of active FX-mortgage loans decreased by 2,004 (1H24: 3,666) to 28,759, following the 5,586 drop in 2003 overall.

In 2Q24, costs related to amicable settlements totalled PLN124 million (1H24: PLN242 million) pre-tax and were booked in FX-result and in result on modifications. The relatively higher cost of the settlements in the period reflected, among others, an increasing number and share of in-court settlements. In 2Q24, 280 such settlements were achieved, compared to 272 in 1Q24 and 535 in 2023 overall.

New lawsuits vs. amicable conversions and full repayments (#)



Costs of amicable settlements (PLNmn, pre-tax)

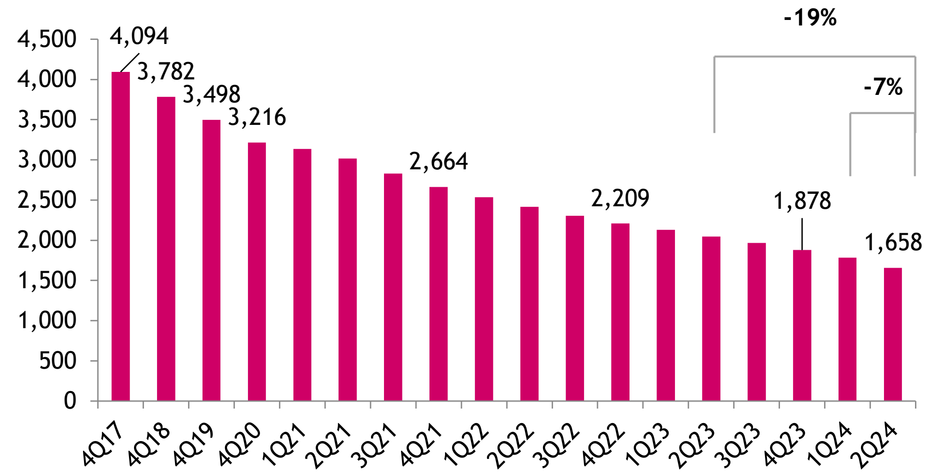


Note: some items might have been adjusted from the previously reported values

Legal costs, booked in admin costs and other operating costs, were lower this quarter and totalled PLN110 million (1H24: PLN274 million).

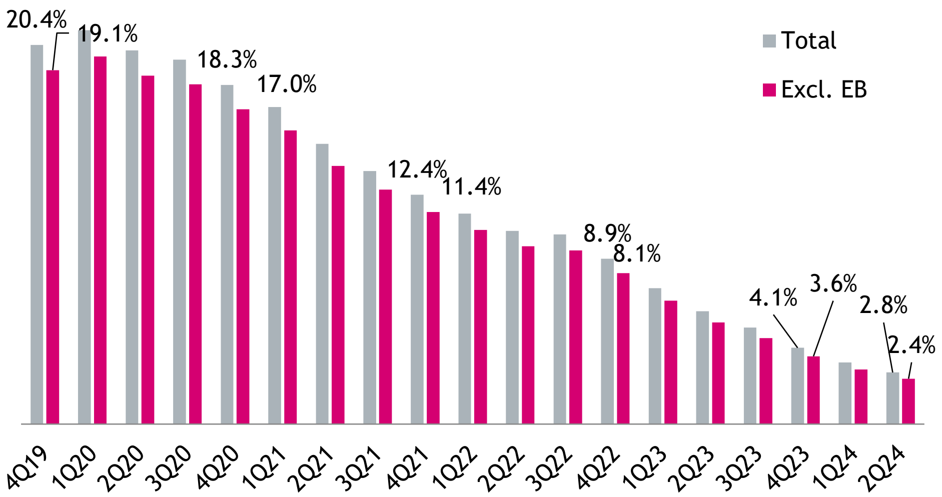
As a result of these trends, the BM's FX-mortgage portfolio contracted 7% in 2Q24 (in CHF terms, gross, w/o impact of allocated legal risk provisions) while the y/y contraction rate accelerated to 19%. The share of total FX-mortgage book (gross loans less allocated legal risk provisions) in total Group's gross loans dropped to 2.8% at the end of June'24, while the share of FX-mortgage loans originated by BM dropped to 2.4%.

CHF mortgage portfolio (CHFmn)*



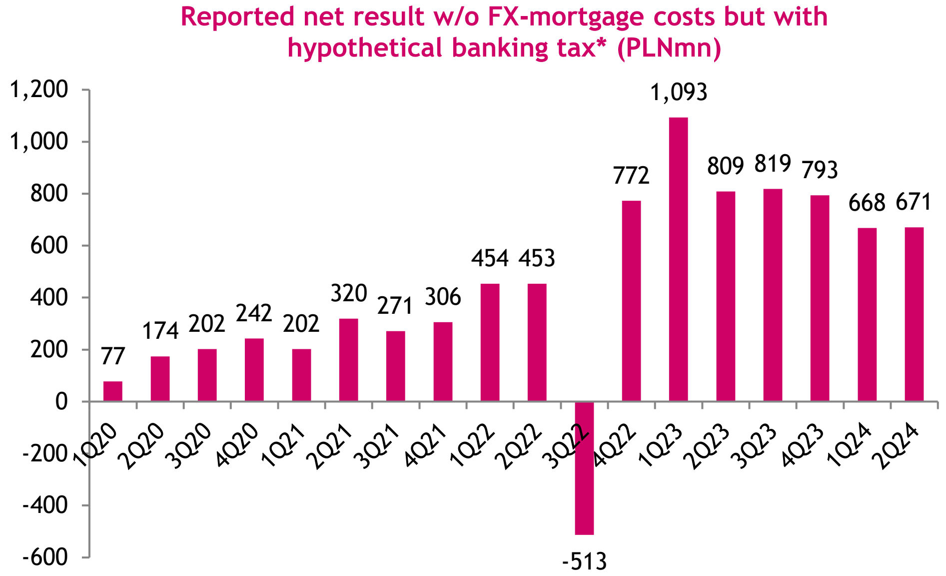
(*) Originated by Bank Millennium

FX-mortgage book as % of total gross loans



Note: the share of total gross FX-mortgages not deducting allocated legal risk provisions was 9.8% at the end of June'24

Summing it all up, excluding all FX-mortgage related costs in 2Q24 (PLN797 million pre-tax/PLN509 million after tax) and adding hypothetical bank tax for the first two months of the quarter (PLN67 million), the BM Group would post, including the negative impact of credit holidays, 2Q24 net profit of PLN671million. This compares against adjusted 1Q24 net profit of PLN668 million and 2Q23 adjusted net profit of PLN809 million.



(*) Hypothetical banking tax added to results in Jul'22 to May'24 period.

1.3. STRATEGY IMPLEMENTATION

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

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

	CLIENT			FINANCE			RISK & CHF	
	NUMBER OF RETAIL ACTIVE CLIENTS [million]	SHARE OF DIGITAL ACTIVE CLIENTS [%]	SHARE OF DIGITAL IN SALES[1] [%]	ANNUAL PROFIT LEVEL[2] [PLN bn]	COST / INCOME[2] [%]	RETURN ON EQUITY[2] [%]	NON-PERFORMING LOANS [%]	SHARE OF FX MORTGAGE IN BANK LOANS[3] [%]
2021	2 694	84%	n/a	1.01	42.8%	11.03%	4.4%	14.6%
2Q24	3 082	91.6%	75.8%	1.50	32.3%	18.8%	4.5%	9.34%
2024 TARGET	3 000	>90%	80%	2.00	<37%	~14%	<4.7%	<10%

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

After 2Q24 the Bank notes that most objectives are on track to be delivered at levels targeted in 2024. Other important recent achievements include:

1. New digital solutions: currency exchange platform for retail clients, new design of mobile app, Blik Pay Later roll-out,

2. First issue of covered bonds by Millennium Mortgage Bank, already listed on Polish Stock Exchange (nominal value of PLN300 million),
3. Main ratings upgraded by Fitch to 'BB+',
4. Quality recognition: Award in Polish Contact Center Award and TOP3 in the customer relationship category in Banking Stars 2024 competition organised by Dziennik Gazeta Prawna
5. Best employer: second place in Forbes and Statista ranking of the best employers in the financial industry,
6. The greatest innovation in Finance in the corporate banking category for new app for business (by Global Finance Magazine).

Bank Millennium's market share in main products

	2021	May 2024
Total loans	6.1%	5.6%
Loans to individuals	8.2%	8.0%
mortgages	8.7%	8.1%
Consumer loans	8.6%	8.8%
	2021	May 2024
Total deposits	5.5%	6.0%
Deposits of individuals	6.8%	6.9%
Deposits of companies	3.7%	4.6%

Source: National Bank of Poland, Bank Millennium

1.4. INAUGURAL COVERED BONDS ISSUE BY MBH

Millennium Bank Hipoteczny S.A. ('MBH') has successfully carried out its first issue of mortgage covered bonds. The issue of a total nominal value of PLN300 million was addressed to institutional investors. Total demand exceeded PLN1.1 billion.

The mortgage covered bonds were issued as part of the MBH's Mortgage Covered Bond Issue Programme on the basis of the Base Prospectus approved by the Polish Financial Supervision Authority on 15 April 2024. These instruments have also been admitted to trading on the parallel market of the Warsaw Stock Exchange.

The covered bonds issue date was June 12, 2024, and their maturity date is June 11, 2027. The instruments were valued in the bookbuilding process at 57 basis points above the WIBOR 3M rate. 50 investors submitted declarations to purchase the offered covered bonds, and the total amount of subscriptions collected amounted to over PLN1.1 billion.

The covered bonds were assigned a rating of AA+ with a positive outlook by Fitch rating agency and following the rating upgrade of Bank Millennium in late June'24 (see below for details) upgraded to AAA.

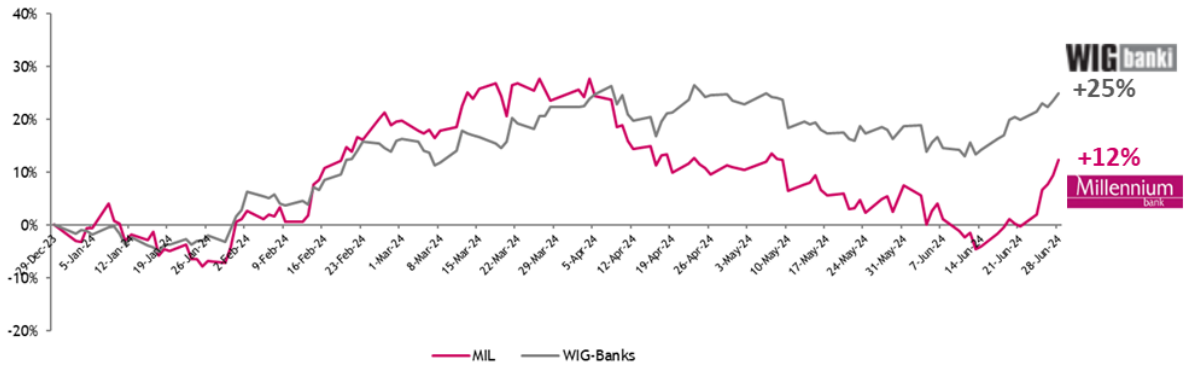
1.5. INFORMATION ON SHARES AND RATINGS

In 1H24 the good mood on global stock markets was also reflected on the Warsaw Stock Exchange. Despite a poor start at the beginning of the year the remaining part of the period brought positive returns for investors on WSE, particularly from banking stocks.

All in all, in 1H24 the broad market index WIG grew 13%, WIG Banks increased 25% while Bank Millennium's shares gained 12%.

During the 12 months ending 30 June 2024, WIG broad market index grew 32%, WIG20 index of largest companies 24%, while WIG Banks outperformed the market gaining 74%. In the same period, share price of Bank Millennium grew significantly by 63%.

Bank Millennium: ytd share price performance vs. WIG Banks



In 1H24 the average daily turnover of Bank Millennium shares was 29% higher than in the same period last year.

Market ratios	28.06.2024*	30.12.2023**	Change (%) ytd	30.06.2023	Change (%) y/y
Number of the Bank's shares (th)		1 213 117	0.00%		0.00%
Average daily turnover in annual terms (PLN'000)	9 422			7 334	28.5%
Bank share price (PLN)	9.38	8.355	12.3%	5.76	62.8%
Market capitalisation of the Bank (PLNmn)	11 379	10 136	12.3%	6 988	62.8%
WIG Banks	13 818	11 062	24.9%	7 962	73.6%
WIG20	2 561	2 343	9.3%	2 060	24.3%
WIG30	3 199	2 908	10.0%	2 534	26.2%
WIG - main index	88 614	78 460	12.9%	67 283	31.7%

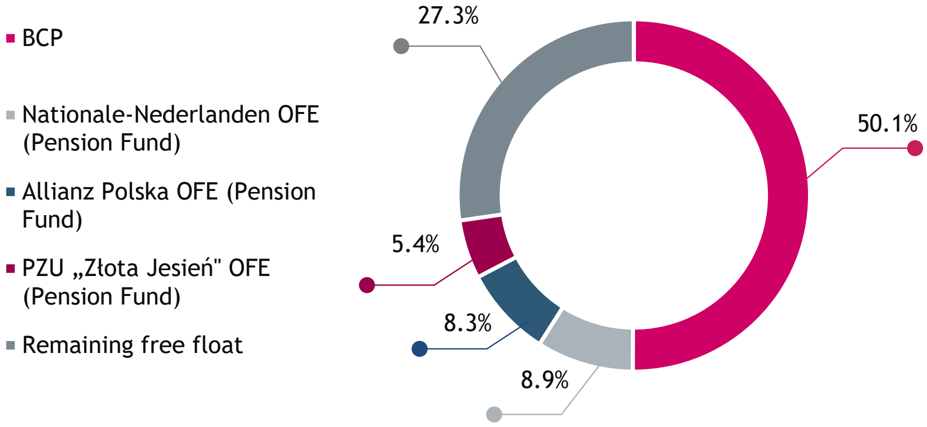
(*) the last day of quotation in June 2024, (**) the last day of quotation in 2023.

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

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

The Bank's strategic shareholder is Banco Comercial Portugues - the largest private bank in Portugal, which holds a 50.1% stake in Bank Millennium. The other shareholders which hold more than 5% of the share capital are Poland's largest open pension funds (OFE): Nationale-Nederlanden OFE, Allianz Polska OFE and OFE PZU „Złota Jesień".

Shareholders' structure as on 31 December 2023



Ratings of Bank Millennium

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

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

On June 28, 2024, Fitch Ratings upgraded the Bank's Long-Term Foreign-Currency Issuer Default Rating (LT IDR) and Long -Term Local Currency IDR (LC LT IDR) to 'BB+' and maintained outlooks for these rating at 'Positive'. Additionally, Fitch upgraded to 'bb+' the Viability Rating (VR) for the Bank and upgraded to 'BB+' rating for the senior non-preferred bonds issued by the Bank.

According to Fitch 'The upgrade reflects strong improvement in the bank's capital position resulting in the completion of its recovery plan and our (Fitch) expectation that risks related to its legacy foreign-currency (FC) mortgage loans will gradually abate. It also reflects our (Fitch) expectations that the bank's improved core profitability will cushion the remaining impact of legal costs and credit holidays, leading to a further recovery of the bank's capitalisation. The Positive Outlook reflects Fitch's view that the ratings could be upgraded if continued reduction of risks related to FC mortgage loans translates into a stronger business profile as underlined by steadily improving operating profitability and a record of adequate capital buffers.'

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

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

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

History of Bank Millennium's ratings

(*) (CR) LT Counterparty Risk Assessment - new rating introduced in May 2015, in line with Moody's revised bank rating methodology.

Source: Moody's and Fitch

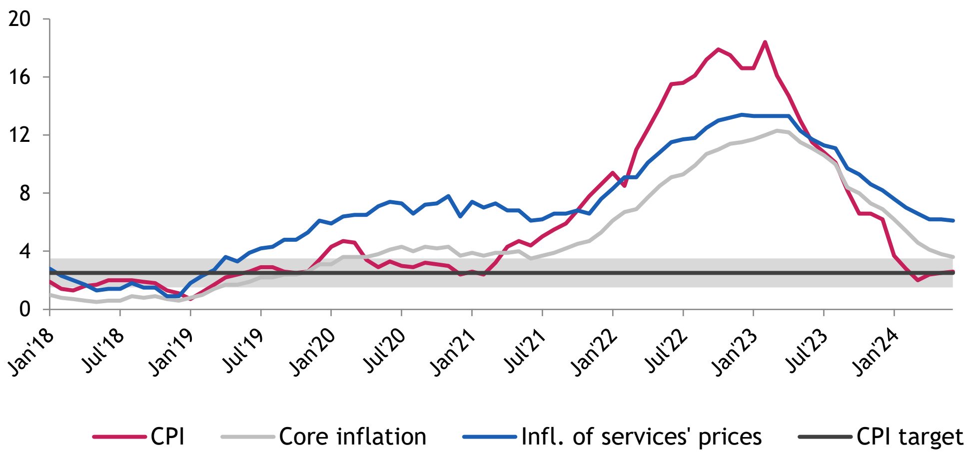
1.6. MACROECONOMIC BACKGROUND

Global economy continued in 2Q24 its slow recovery, with higher activity prevailing in services than in industrial sector. In particular, the German industrial output was still in recession. In many countries rebound in activity in 1H24 was supported by falling inflation which improved households' real income. Advancing disinflation allowed further easing of monetary conditions in some CEE economies. Moreover, space for interest rate cuts has begun to emerge also in developed economies. The European Central Bank began easing monetary policy in Jun'24. In 2Q24 the US Federal Reserve has kept interest rates unchanged, but according to market expectations there will be at list one cut in 2H24.

In 2Q24 economic recovery accelerated also in Poland. According to Bank Millennium estimates, GDP growth in the April-June period was, excluding the impact of seasonal factors, ca. 1.0% q/q compared to 0.4% q/q in 1Q24. This means an increase in annual GDP growth rate to 3.0% y/y from 2.0% y/y a quarter earlier. The available data indicate that the main category driving economic growth was the consumption of households, supported by their good income situation - an increase of more than 20% y/y in the minimum wage, quick wage growth in the corporate sector and public sector, as well as increase in social transfers (800 plus programme) and pensions.

A factor conducive to consumption growth in Poland in 1H24 was also decelerating inflation. In 1Q and 2Q24 CPI was on average at 2.8% y/y and 2.5% y/y respectively, compared to 6,4% y/y in 4Q23. CPI in 2Q24 was a positive surprise. This is because the impact of the VAT rate return from 0% to 5% on basic foodstuffs turned out to be smaller than Bank had expected. While the overall CPI in 2Q24 was in line with the inflation target, the core inflation, measured as the CPI after excluding food and energy prices, was above the upper limit (3.5% y/y) of admissible deviations from the inflation target. In 2Q24, core inflation amounted on average to 3.8% y/y, compared to 5.4% y/y a quarter earlier. In the Bank's view, the elevated core inflation is related to quick wage growth and robust demand driving up services' prices.

CPI, core inflation and inflation of services' prices (% /y)



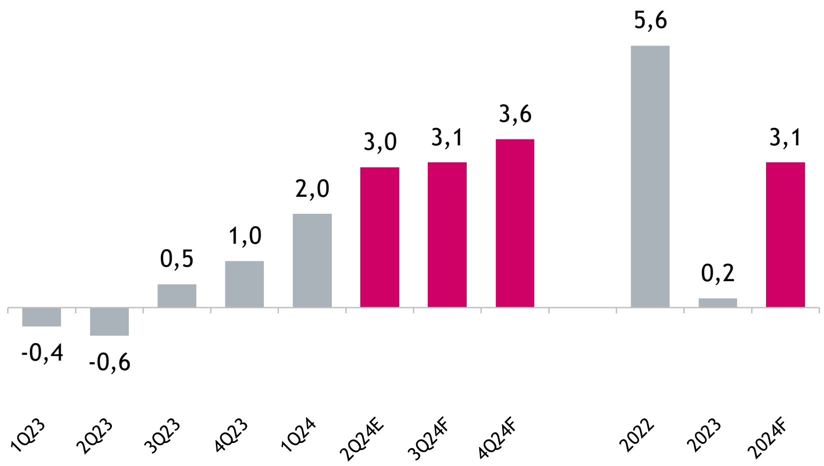
Source: Macrobond, NBP

Despite CPI at the inflation target, the Monetary Policy Council maintained, in 2Q and early 3Q24, interest rates at their current level. As a result, the main policy rate of the National Bank of Poland stayed at 5.75%. The Monetary Policy Council emphasized uncertainty about regulatory policy regarding energy prices for households, and also drew attention to high wage growth and loose fiscal policy. In the Bank's view, the scenario of stable NBP interest rates until the end of 2024 is the most likely one, with the first interest rate cuts expected in mid-2025.

In an environment of positive real interest rates, deposits in the economy grew in 2Q24. At the end of Jun'24, total deposits stood at PLN1.97tn, up by PLN41bn compared to the end of 1Q24. The increase was recorded in both household and non-financial corporate deposits. At the end of Jun'24, the value of total deposits in the economy was 8.6% higher than in the same period last year, with growth in household deposits remaining in double digits. The income situation of households and companies supported the recovery in savings, which is also confirmed by the high sales of retail Treasury bonds. In 2Q24 lending activity in the economy also grew, despite positive real interest rates and the expiry of the "2% Safe Loan" housing loan subsidy program.

The Bank's estimate of economic growth in 2Q24 turned out to be close to the forecasts formulated a quarter earlier. The Bank maintains its relatively optimistic expectations for 2H24. According to the Bank's forecast, economic growth in 2H24 will not be slower than in 2Q24. For the entire year 2024, the Bank expects GDP growth at 3.1% compared to 0.2% in 2023. Household consumption should continue to be the main driver of growth amid the expected still good situation on the labour market. The outlook for 2025 is even more favourable. The expected continuation of solid consumer spending should be accompanied again by stronger investment demand, supported by European funds under the National Reconstruction Plan and the Cohesion Fund, as well as boosted by increased exports.

GDP and its forecasts (% y/y)



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

In 2H24, according to the Bank's estimates, inflation will rise, buoyed by higher energy prices. Bank expects average CPI in 2H24 at 5.1% y/y, compared to 2.7% y/y in 1H24. This means data higher than the upper limit of permissible deviations from the inflation target. The Bank's forecasts indicate that a return of inflation to target will be possible in 2H25 at the earliest. According to the Bank, decreasing inflation in 2025 should give room for interest rate cuts in Poland. Nevertheless, due to the expected elevated inflation of services' prices, the space for monetary easing in 2025 will be rather small. The macroeconomic scenario for the domestic economy is fraught with uncertainty, mainly regarding geopolitics and economic activity abroad, as well as domestic economic policy.

1.7. FACTORS OF UNCERTAINTY FOR THE ECONOMY AND THE BANK MILLENNIUM GROUP

The summary list below presents the most important, in the Bank's opinion, negative risk factors for

The summary list below presents the most important, in the Bank's opinion, negative risk factors for the Bank Millennium Group, connected with international the macroeconomic situation in 2024-2025.

- Global political situation. It includes the possibility of intensification of hostilities between Russia and Ukraine, escalating tensions in the Middle East and Asia, but also the impact of elections in economically important countries (e.g. US, France). An exacerbating geopolitical situation would potentially result in increased uncertainty and risk aversion, as well as a possible increase in public and private debt. As a consequence of trade disruptions and changes in customs policy, the prices of and goods would rise worldwide, including agricultural and energy commodities. As a result of increased risk aversion and supply shocks, the zloty would weaken, inflation in Poland would rise, thus reducing domestic economic activity and demand for labour.
- Worse-than-expected economic situation in Poland's trading partners, in particular the recession in Germany. This would have a negative impact on the financial performance of Polish companies, potentially resulting in a decrease in demand for labour and an increase in unemployment. As a result, the demand for the Group's products would decrease, and at the same time the credit risk would increase.
- A change in the reaction function of central banks in advanced economies, as well as of Poland's Monetary Policy Council, towards a more restrictive stance. As a result, central banks would delay the interest rate cuts and reduce the scale of cuts or even tighten monetary conditions. This would result in a slowdown in economic growth, an increase in unemployment, a reduction in demand for credit, as well as hinder the implementation of the state budget and increase the costs of public debt servicing.
- Increased political and institutional risks in Poland, which could result in disruptions to the government's economic policy, including slower implementation of programs co-financed by the European Union. This could generate an increase in risk premium, a weakening of the zloty, a repricing of government bonds and increased volatility in financial markets.

There is also a possibility of better economic results in Poland than in the Bank's baseline scenario, which could result, among others, from a faster than expected abatement of military operations in Ukraine, improved economic sentiment, greater labour supply and faster absorption of EU funds. Moreover, a stronger than expected recovery abroad would also contribute to the improvement of the economic situation.

1.8. RECOVERY PLAN AND CAPITAL PROTECTION PLAN

In July 2022, due to costs stemming from the 2022-23 credit holiday scheme for PLN borrowers and resultant negative implications for capital ratios, the Bank launched Recovery Plan and Capital Protection Plan (details in current report of July 15, 2022 Information on expected negative impact of credit holidays on 3rd quarter 2022 results of Bank Millennium S.A. Capital Group and on launching of the Recovery Plan and in subsequent periodical financial reports issued).

Following the completion of implementation of the Capital Protection Plan in May 2024, on June 19, 2024 the Management Board of the Bank took a decision to complete the implementation of the Recovery Plan, notifying of the fact Polish Financial Supervision Authority and Bank Guarantee Fund (details in: Information on completion of implementation of the Recovery Plan).

In the Bank's Management Board's opinion, all key assumptions of the Recovery Plan have been achieved. In particular, all indicators defined in the Plan have reached safe levels, profitability and financial results of Bank Millennium S.A. Capital Group improved sustainably, capital ratios were restored to levels well above required regulatory minimums while the Bank and the Group meet MREL requirements, including the combined buffer requirements. The Bank's Management Board also does not identify future circumstances that would justify further continuation of the Recovery Plan.

1.9. CREDIT HOLIDAYS

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 assistance to borrowers (the "Act") extended credit holidays for PLN mortgage borrowers originally introduced in 2022.

The terms were altered compared to the original scheme and under the current conditions a borrower may defer four monthly payments until the end of 2024 for one loan not exceeding PLN1.2mn and provided its Instalment to Income Ratio (IIR) for the period of the last three months preceding the Application submission date exceeds 30% or on the day of submitting the Application, a borrower has at least 3 dependent children. Two instalments can be deferred during the 1 June 2024 to 31 August 2024 period and two during the 1 September 2024 to 31 December 2024 period.

A borrower can specify all deferral periods in one application or submit separate applications for each deferral period.

The Bank assumed circa 26% participation of total PLN mortgage client base (i.e. loans granted before July 1, 2022, and loans below PLN1.2 million) which translated into PLN201 million cost provision booked in 2Q24, a lower end of the preliminary estimation communicated to the market on May 7, 2024.

So far the percentage of clients applying is below assumptions and consequently the Bank will analyse the possibility of releasing part of created provision in 2H24.

1.10. FX-MORTGAGE LEGAL RISK

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 PLN4,528.0 million and CHF320.1 million (Bank Millennium portfolio: PLN4,107.6 million and CHF310.0 million and former Euro Bank portfolio: PLN420.4 million and CHF10.1 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 PLN6,000 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 PLN7,145 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 PLN1 025,3 million of provisions for Bank Millennium originated portfolio and PLN98,3 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 PLN7 534,2 million, and for the former Euro Bank portfolio - PLN672.4 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 14 in Chapter 13** of the Notes to the Financial Statements).

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

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

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

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.

More details on the above risk and other risk factors are presented in Consolidated report of the Bank Millennium S.A. Capital Group for 1st half 2024.

2. FINANCIAL SITUATION OF BM GROUP

2.1. GROUP PROFIT AND LOSS ACCOUNT

Group's operating income *(PLNmn)*	1H24	1H23	Change y/y	2Q24	1Q24	Change q/q
Net interest income	2 536	2 598	-2%	1 182	1 354	-13%
Impact of credit holidays on Net interest income	*(201)*	*0*	-	*(201)*	*0*	-
Net interest income adjusted*	2 737	2 598	5%	1 383	1 354	2%
Net commission income	390	404	-3%	191	200	-5%
Core income	2 926	3 002	-3%	1 372	1 554	-12%
Core income without credit holidays	3 127	3 002	4%	1 573	1 554	1%
Other non-interest income	(185)	572	-	(48)	(137)	-
Total operating income	2 741	3 574	-23%	1 324	1 417	-7%
Total operating income adjusted*	*3 338*	*3 128*	*7%*	*1 698*	*1 640*	*4%*

(*) Without fair value adjustment of credit portfolio (PLN3.7mn in 1H24 and PLN-2.2mn in 1H23), which is included in the cost of risk line

(**) Without extraordinary items, i.e. negative impact of credit holidays (PLN201mn in 2Q24), financial impact of insurance transaction (PLN597.2mn in 1Q23) and FX mortgage loan related costs/incomes (in FX position and other operating income/cost including indemnity from Societe Generale)

Net interest income (NII) in 1H24 reached PLN2,536mn on a reported basis and fell 2% y/y (a decrease by 13% q/q) in effect of negative impact of credit holidays for PLN mortgage borrowers booked in 2Q24 (PLN201mn). NII without this effect was 5% higher y/y (+2% q/q), mostly driven by the growth of debt securities (an increase by PLN20.8bn during 12 months). The growth of NII decelerated due to lower market interest rates after the 75 bps central bank rates cut at the beginning of September'23. Moreover, the EUR500mn MREL bonds issue (in the same month) had a negative impact on interest cost.

Net interest margin (over average interest earning assets) (NIM) averaged 4.28% in 2Q24 (without credit holidays impact mentioned above), i.e. 8 bps lower vs. the previous quarter and 57 bps lower than the record high level of 4.85% in 2Q23. The above mentioned factors (interest rate cuts and MREL bonds) as well as growing share of bonds in assets had an adverse impact on NIM whereas decreasing cost of deposits by 40 bps during the same period (to 2.36%) and some improvement in bonds yields had both a positive impact. NIM in 1H24 was 4.32%, i.e. 39 bps lower vs. 4.71% in 1H23.

Net commission income in 1H24 amounted to PLN390mn and decreased by 3% y/y (-5% q/q) mainly due to contraction of fees from bancassurance activity (down 32% y/y as a result of the bancassurance transaction). On the other hand commissions from payment cards, brokerage and custody, funds management and distribution of mutual funds and other investment products increased considerably.

Reported core income, defined as a combination of net interest and net commission income, reached PLN2,926mn in 1H24 and declined 3% y/y due to the impact of credit holidays. Core income without this effect would reach PLN3,127mn, which translates into a growth of 4% y/y (and 1% q/q) and constitutes a key factor of Group's recurrent profitability.

Other non-interest income, which comprises FX result, results on financial assets and liabilities (without fair value adjustment on credit portfolio) and net other operating income and costs, showed a negative value of PLN185mn in 1H24. Costs of amicable settlements negotiated with FX mortgage borrowers and legal costs related to FX mortgage loans (PLN415mn presented in FX result and other operating costs) continued to negatively impact this line. In addition to that, in 2023 this line was under strong positive impact of the insurance transaction (sale of shares in Millennium Financial Services Sp. z o.o. to external insurance partner in March'23 and related impacts), with total pre-tax impact of PLN652mn (of which PLN597mn in 1Q23 and PLN55mn in 4Q23) which makes the analysis of the annual changes of this item difficult.

Total operating income of the Group reached PLN2, 741mn in 1H24 and decreased 27% y/y. Without the extraordinary income and costs mentioned above, the income would be PLN3,338mn, up 7% y/y (a growth of 4% q/q).

Total costs amounted to PLN1,103mn in 1H24, translating into an increase by 14% y/y. Total costs excluding BGF fees grew 15% y/y but decreased 6% q/q due to seasonal factors.

Operating costs *(PLNmn)*	1H24	1H23	Change y/y	2Q24	1Q24	Change q/q
Personnel costs	(584)	(502)	16%	(295)	(289)	2%
Other administrative costs	(519)	(468)	11%	(210)	(309)	-32%
of which Banking Guarantee Fund (BFG) fees	*(61)*	*(60)*	*1%*	*0*	*(61)*	*-*
Total operating costs	(1 103)	(970)	14%	(505)	(598)	-16%
Total costs without BFG	*(1 042)*	*(910)*	*15%*	*(505)*	*(537)*	*-6%*
Cost/income - reported	40.3%	27.1%	13.1 p.p.	46.3%	42.2%	4.1 p.p.
*Cost/income - adjusted **	*31.3%*	*29.7%*	1.6 p.p.	*28.1%*	*34.6%*	-6.4 p.p.

(*) without extraordinary income or cost

Personnel costs amounted to PLN584mn in 1H24 and increased 16% y/y (+2% q/q), mainly as a result of wage inflation feeding through higher base salaries and also higher provisions for bonuses. The Group continued to adjust the number of its branches and personnel to its needs, reflecting ongoing digitalisation of banking business and the growing importance of online channels while simultaneously keeping strong geographical presence through *brick-and-mortar* outlets. At the end of June 2024, the total number of outlets stood at 609 and their number was reduced by 12 units vs. the end of June 2023. The number of Group's employees amounted to 6,710 FTEs at the end of June 2024 and was 1% lower y/y. Without employees absent due to long leaves ('active FTEs'), the headcount was even lower at 6,313 staff.

Employment *(FTEs)*	30.06.2024	30.06.2023	Change y/y	31.03.2024	Change q/q
Bank Millennium S.A.	6 411	6 461	-1%	6 440	0%
Subsidiaries	299	285	5%	291	3%
Total Bank Millennium Group	6 710	6 746	-1%	6 731	0%
Total BM Group (active* FTEs)	6 313	6 241	1%	6 330	0%

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

Other administrative costs (including depreciation) reached PLN519mn in 1H24 and increased by 11% y/y. Among the key groups of costs the higher increase could be witnessed in such items as legal and advisory costs, marketing spendings and IT and telecommunication costs. Legal costs resulting from negotiations and litigations with FX mortgage borrowers were a significant burden to this cost group (PLN59mn in the reporting period).

Cost-to-income ratio for 1H24 amounted to 40.3% and was higher by 13.1 percentage points vs. very low level in 1H23 (27.1%), mainly due to the impact of high one-off burden/income in 2Q24 (cost of credit holidays) and in 1Q23 (bancassurance transaction). Cost-to-income ratio without extraordinary items mentioned above (mainly the bancassurance transaction, cost of credit holidays and legal costs and FX losses related to litigations/settlements with FX mortgage borrowers), reached a low level of 31.3% in 1H24 and was slightly higher (by 1.6 percentage points) than in 1H23.

Net profit *(PLNmn)*	1H24	1H23	Change y/y	2Q24	1Q24	Change q/q
Operating income	2 741	3 574	-23%	1 324	1 417	-7%
Operating costs	(1 103)	(970)	14%	(505)	(598)	-16%
Impairment provisions and other cost of risk*	(190)	(172)	11%	(71)	(120)	-41%
Other modifications**	(42)	(36)	17%	(22)	(21)	4%
FX legal risk related provision	(1 124)	(1 621)	-31%	(575)	(549)	5%
Banking tax	(35)	0	-	(35)	0	-
Pre-tax profit	247	775	-68%	117	129	-9%
Income tax	110	(418)	-	111	(1)	-
Net profit - reported	357	358	0%	229	128	78%
Net profit - adjusted*	1 501	1 418	6%	834	668	25%

(*) Impairment provisions for financial and non-financial assets including also fair value adjustment on loans (PLN3.7mn in 1H24 and PLN-2.2mn in 1H23) and loans modification effect (PLN-19.7mn in 1H24 and PLN-23.6mn in 1H23)

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

(***) Without extraordinary items, i.e. negative impact of credit holidays (PLN201mn in 2Q24), financial impact of insurance transaction (PLN597.2mn in 1Q23) and FX mortgage loan related costs/incomes (in legal risk provisions, FX position, operating cost and other operating income/cost including indemnity from Societe Generale and tax effects in 1H24) and hypothetical banking tax until the end of May 2024

Total cost of risk, which comprised net impairment provisions, fair value adjustment related to specified loan portfolios and a part of result on modifications (excluding the part related to settlements with FX mortgage borrowers), bore by the Group amounted to PLN190mn in 1H24 and was 11% higher versus the comparable period of the previous year due to higher provisions for loans to companies. Risk charges for retail segment (including FX mortgage) were the main component of risk cost and amounted to PLN156mn in 1H24. Risk charge for corporate and other segments was moderate and amounted to PLN34mn. In relative terms, the cost of risk (i.e. net charges to average gross loans) for 1H24 reached 50 basis points (annualised) and was 5 basis points higher than in 1H23 (45 basis points).

In 1H24, the Group booked in modifications line a part of costs related to settlements with FX mortgage borrowers in the amount of PLN42mn, 17% higher than in the corresponding period of the previous year.

In 1H24, the Bank continued to create **provisions for legal risk related to FX-mortgage portfolio**, which remained a significant item in the P&L statement and reached PLN1,124mn (PLN1,025mn excluding loans generated by former Euro Bank as they are subject to indemnity clauses and guarantees from Societe Generale). The provisions were lower by 31% than these created in 1H23 as the whole 2023 was characterised by higher level of such provisions after the earlier opinion and the final judgement of the European Court of Justice of June 15, 2023 on case C-520/21, with resultant elimination from the Bank's legal risk provisioning methodology of the (low) probability of receiving remuneration for the use of capital it had provided, while fuelling continuation of the inflow of court cases. Additionally, the Bank also updated other parameters in its methodology. At the end of June'24, provisions for the portfolio originated by Bank Millennium were at the level of PLN7,534mn (an equivalent of 101.4% of the grossed-up FX-mortgage book) and at PLN672mn for the portfolio originated by the former Euro Bank.

Pre-income tax profit in 1H24 amounted to PLN247mn and was significantly lower (by 68% y/y) vs the level of 1H23 due to high one-off cost in 2Q24 and one-off gains in 1Q23 as mentioned above. The Bank was not due to pay banking tax since July 15, 2022, the date of the Bank's decision to launch the Recovery Plan. On 19 June 2024 the Bank took a decision to complete the implementation of the Recovery Plan, notifying of the fact Polish Financial Supervision Authority and Bank Guarantee Fund and consequently starting to pay the banking tax. In the Bank's Management Board's opinion, all key assumptions of the Recovery Plan had been achieved by this date. As a result in 2Q24 the Group reported banking tax in the amount of PLN35mn.

In 1H24 the Group reported **net profit** of PLN357mn i.e. the value similar to the profit of 1H23. Net profit was higher than the pre-tax profit owing to the impact of DTA and CIT adjustments relating to interest income and FX differences on some FX mortgage loans declared invalid by courts' verdicts. Adjusted for the abovementioned extraordinary items (i.a. FX-mortgage related costs, tax impacts and credit holidays in 1H24 and the income from sale of shares in bancassurance business in 1H23) the Group would achieve the net profit of PLN1,501mn in 1H24, 6% above the adjusted net profit of PLN1,418mn for 1H23.

2.2. BALANCE SHEET

__Assets__

The Group's assets as at 30 June 2024, amounted to PLN135,535mn, recording strong growth of 18% vs. the end of June 2023. The structure of the Group's assets as well as changes of their particular components are presented in the table below:

Group's Assets *(PLN million)*	30.06.2024		30.06.2023		Change y/y
	Value	Structure	Value	Structure	(%)
Cash and operations with the Central Bank	5 857	4.3%	6 769	5.9%	-13%
Loans and advances to banks	488	0.4%	532	0.5%	-8%
Loans and advances to clients	74 645	55.1%	74 152	64.6%	1%
Receivables from securities bought with sell-back clause	198	0.1%	48	0.0%	315%
Debt securities	50 180	37.0%	29 400	25.6%	71%
Derivatives (for hedging and trading)	635	0.5%	617	0.5%	3%
Shares and other financial instruments*	143	0.1%	135	0.1%	6%
Tangible and intangible fixed assets**	1 057	0.8%	995	0.9%	6%
Other assets	2 331	1.7%	2 176	1.9%	7%
Total assets	**135 535**	**100.0%**	**114 824**	**100.0%**	**18%**

(*) including investments in associates
(**) excluding fixed assets for sale

The most visible moves within assets during the period of the last twelve months were growth of debt securities (by PLN20.8bn) and an increase of loans to customers (by PLN493mn).

Loans and advances to clients

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

Loans and advances to clients *(PLNmn)*	**30.06.2024**	**30.06.2023**	**Change y/y**	**31.03.2024**	**Change q/q**
Loans to households	56 862	55 995	*2%*	56 271	*1%*
- *PLN mortgage loans*	*37 195*	*35 220*	*6%*	*36 766*	*1%*
- *FX mortgage loans*	*2 041*	*4 505*	*-55%*	*2 417*	*-16%*
- *of which Bank Millennium loans*	*1 793*	*4 055*	*-56%*	*2 138*	*-16%*
- *of which ex-Euro Bank loans*	*248*	*449*	*-45%*	*279*	*-11%*
- *consumer loans*	*17 626*	*16 270*	*8%*	*17 088*	*3%*
Loans to companies and public sector	17 783	18 157	*-2%*	17 640	*1%*
- *leasing*	*6 808*	*6 790*	*0%*	*6 687*	*2%*
- *other loans to companies and factoring*	*10 975*	*11 367*	*-3%*	*10 952*	*0%*
Net loans & advances to clients	**74 645**	**74 152**	*1%*	**73 911**	*1%*
Net loans and advances to clients excluding FX mortgage loans	*72 605*	*69 647*	*4%*	*71 494*	*2%*
Impairment write-offs	2 601	2 524	*3%*	2 593	*0%*
Gross* loans and advances to clients	**77 246**	**76 676**	*1%*	**76 504**	*1%*

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

Total net loans of Bank Millennium Group reached PLN74,645mn as at 30 June 2024 and increased 1% y/y (up by 1% q/q). Loans without FX-mortgage portfolio increased by 4% y/y. FX mortgage loans net of provisions decreased materially during the last twelve months (down 55%) and the share of FX mortgage loans (excluding these taken over with Euro Bank) in total gross loans has dropped materially during one year period to 2.4% from 5.5% a year ago. This was partly due to the fact that most of legal risk provisions lower the gross value of the loans apart from regular amortisation, earlier repayments, conversions to PLN and execution of court verdicts.

The net value of loans to households amounted to PLN56,862mn at the end of June 2024, showing 2% increase y/y (up 1% q/q) although subdued growth trend both in annual and quarterly perspective results from shrinking book value of FX mortgage portfolio. Within this line, PLN mortgages reached PLN37,195mn and grew 6% y/y, with the strong rebound in new loans origination: disbursements of those loans in 1H24 reached PLN3,326mn and grew by 73% y/y. Another component of retail portfolio, consumer loans, also presented a good performance. The net value of consumer loans reached PLN17,626mn at the end of June 2024 and increased by 8% y/y. The cash loans origination in 1H24 reached PLN3.5bn, which implies 10% increase compared to the corresponding period of the previous year.

Net value of loans to companies amounted to PLN17,783mn at the end of June 2024 and decreased by 2% y/y but grew 1% q/q. The contraction of the loan portfolio was largely caused by the Group's focus on risk weighted assets (RWA) optimisation in 2023 resulting from capital management objectives. Anyway the signs of rebound can be seen in 2Q24, especially in leasing portfolio, which grew 2% q/q and the value of new contracts for 1H24 grew by 20% y/y reaching PLN1.9bn.

Debt securities

Value of debt securities reached PLN50,180mn at the end of June 2024, which means a significant increase of 71% y/y.

A dominant part of the debt securities portfolio (94%) were bonds and bills issued by the Polish State Treasury, other EU governments (equivalent of c.a PLN 7.6bn) and National Bank of Poland (Central Bank). The increase of debt securities portfolio was a consequence of assets/liabilities and interest margin management policy and was correlated with the much stronger growth of deposits versus loans. The share of this group of debt securities in the consolidated total assets was at 34.8% at end of June 2024 reflecting a strong liquidity position of the Group.

More information on debt securities and liquidity management of the Bank can be found in Chapter 5.4. of this document and in Chapter 5.4. "Liquidity Risk" of the Condensed interim Consolidated Financial Statements of the Bank Millennium S.A. Capital Group for the 6 months ended 30 June 2024.

Loans and advances to banks

Loans and advances to banks (including interbank deposits) stood at PLN488mn at the end of June 2024, which means a decrease by 8% y/y .

Liabilities

The structure of Group's liabilities and equity and the changes of their particular components are presented in the table below:

Group's Liabilities and Equity *(PLN million)*	30.06.2024		30.06.2023		Change y/y
	Value	Structure	Value	Structure	(%)
Deposits from banks	585	0.5%	523	0.5%	12%
Deposits from customers	116 540	90.9%	100 597	92.7%	16%
Liabilities from securities sold with buy-back clause	3	0.0%	350	0.3%	-99%
Financial liabilities valued at fair value through P&L and hedging derivatives	645	0.5%	898	0.8%	-28%
Liabilities from issue of debt securities	3 596	2.8%	252	0.2%	1328%
Provisions	2 264	1.8%	1 142	1.1%	98%
Subordinated debt	1 562	1.2%	1 566	1.4%	0%
Other liabilities*	2 997	2.3%	3 139	2.9%	-5%
Total liabilities	**128 191**	**100.0%**	108 466	**100.0%**	**18%**
Total equity	**7 344**		**6 357**		**16%**
Total liabilities and equity	**135 535**		**114 824**		**18%**

** including tax liabilities*

At the end of June 2024 liabilities accounted for 94.6%, while equity of the Group - for 5.4% of total liabilities and equity.

As on 30 June 2024 Group's total liabilities amounted to PLN128,191mn and were higher by 18% relative to their value as on 30 June 2023. The main change to liabilities resulted from strong increase of deposits by PLN15.9bn and issuance of debt securities (balances higher by PLN3.3bn) during the 12 month period.

Customers' deposits

Customer deposits constituted the main item of the Group's liabilities accounting for, as on 30 June 2024, 91% of total liabilities. Customer deposits constitute the main source of financing of Group's activities and incorporate, primarily, customer funds on current and saving accounts as well as on term deposit accounts.

Total customer deposits amounted to PLN116,540mn on 30 June 2024 and grew strongly by 16% y/y and by 3% q/q. Deposits of individuals reached PLN83,429mn on 30 June 2024 and posted high growth of 16% y/y (up 3% q/q). Term deposits from retail clients grew by 34% y/y whereas current and saving accounts of individuals grew by 9% y/y.

Deposits of companies and public sector, which reached PLN33,111mn on 30 June 2024, grew strongly as well, by 15% y/y (+3% q/q).

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

Customer deposits *(PLN million)*	**30.06.2024**	**30.06.2023**	**Change y/y**	**31.03.2024**	**Change q/q**
Deposits of individuals	83 429	71 714	16%	81 060	3%
Deposits of companies and public sector	33 111	28 883	15%	32 124	3%
Total deposits	116 540	100 597	16%	113 184	3%

Deposits from banks

Deposits from banks, including credits received, as on 30 June 2024, amounted to PLN585mn. Value of this item increased by 12% relative to the balance as on 30 June 2023, mainly in effect of higher balances of term deposits from financial institutions by PLN109mn, whereas credits received from financial institutions fell by PLN50mn. During the 12 month period the Group repaid the whole outstanding credits.

Provisions

The value of provisions as on 30 June 2024 was PLN2,264mn which signifies strong growth by PLN1,122mn or 98% y/y. The reason for the increase was mostly creating new provisions for legal issues, especially claims related to FX mortgage loan agreements (increase of the balance sheet value by PLN1,645mn not including the value of provisions directly allocated to the loan portfolio).

Debt securities issued

Securities issued by the Group amounted to PLN3,596mn as on 30 June 2024 recording significant increase by PLN3,344mn relative to the balance as on 30 June 2023. The increase resulted from the issue of bonds by the Bank and Millennium Leasing as well as covered bonds issued by Millennium Bank Hipoteczny - two latter companies being the Bank's subsidiaries.

In 2H23 as a part of synthetic securitisation transaction, the Bank issued PLN489mn worth of CLNs, while Millennium Leasing issued PLN280mn worth of CLNs. Total value of CLNs outstanding on June 30, 2024 stood at PLN959mn.

In order to meet MREL requirements, the Bank successfully completed the subscription of senior non-preferred bonds in September 2023 with a total value of EUR 500 million under the Euro Medium Term Notes Issuance Program with a total nominal value of no more than EUR 3 billion.

On 12 June 2024 The Bank's subsidiary Millennium Bank Hipoteczny (a mortgage bank) issued covered bonds of total nominal value of PLN300mn.

Subordinated debt

The value of subordinated debt amounted to PLN1,562mn as on 30 June 2024, and remained at almost the same level vs. 30 June 2023 (a slight difference results from interest accrued and paid). The subordinated debt line includes ten-year subordinated bonds in PLN at the total nominal value of PLN830mn maturing in January 2029 and ten-year bonds in PLN at the total nominal value of PLN700mn maturing in December 2027.

Equity

As on 30 June 2024, equity of the Group amounted to PLN7,334mn and recorded an increase by PLN987mn or 16% y/y. Apart from net profit generated in 12 months period ending on 30 June 2024 (PLN575mn), the increase of equity was supported by positive impact of other comprehensive income items, predominantly valuation of bonds (PLN287mn) and hedge instruments (PLN131mn).

Information on capital adequacy is presented in Chapter 5.2 of this document and in Chapter 5.6 "Capital Management" of the Condensed Interim Consolidated Financial Statements of the Bank Millennium S.A. Capital Group for the 6 months ended 30 June 2024.

3. PRESENTATION OF BUSINESS ACTIVITY

3.1. HIGHEST QUALITY OF POSITIVE CUSTOMER EXPERIENCE

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

The organisation of work in the branches and the support of the quality management units help advisors to exchange information and share experiences. Staff devote a great deal of attention to educating customers and encouraging them to use remote channels. Through education, customers become accustomed to banking with digital tools that enable them to initiate and complete many types of transactions.

The work to maintain a high level of service applies to new and existing customers. For the former - the focus is on properly familiarising them with our offerings and convenient forms of banking. In the case of customers who already have a relation with the bank - we familiarise them with new banking opportunities that differ from their previous habits. We provide guidance on how to use modern channels for processing transactions and placing dispositions.

Effectively and in line with customer needs, the bank combines modern ways of banking via a mobile app or transaction system with permanent access to qualified branch and telephone advisors - across all business lines. The dynamic development of remote advisor services, including in the affluent client area, has increased the convenience of access to the bank's services and products.

Bank Millennium is continuing its efforts in the area of increasing customer satisfaction also in terms of clarity of communication and simplification of language. We are simplifying the texts communicated to customers from account opening to information on the handling of their products. We are continuing training and introducing the principles of plain language into further types of texts. We are focusing on consistent communication and tone in our texts - we are not only attentive to precision and clarity of information, but also to empathy and relationship with the recipient. We are also simplifying internal communication.

Bank Millennium places great emphasis on obtaining information from employees on their level of job satisfaction and their opinions on the present organisational culture.

The overall participation rate in the employee satisfaction survey was 63% (12 p.p. higher than last year). 76% of respondents were generally satisfied with their employment - higher compared to both the Polish (39%) and banking (62%) benchmarks. Overall job satisfaction did not differ significantly by field, role, location or seniority. The results of the employee satisfaction survey provide material for teams across the organisation. The Bank's employees meetings with members of the management team are a source of inspiration for further improvement of internal processes and ideas that can increase customer satisfaction with the offer and service.

In the first half of 2024, Bank Millennium conducted and analysed quantitative and qualitative research in the area of market trends and specific product and service assumptions. Information was also provided by projects using the service design methodology, in which a full understanding of customer needs is key. These projects serve to improve the quality of service and the development of the product offering.

Research was carried out on samples of retail and affluent (Prestige) customers:

- 23 surveys carried out (including information monitoring),
- 5 waves carried out - 1382 Mystery Shopping visits.

The results of the qualitative and quantitative research are used by the business units responsible for specific areas. We also place emphasis on sharing information and communicating research results and recommendations to teams that are not direct recipients of the research. They can add to their existing knowledge of customer needs and be inspired when working on projects.

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

Bank Millennium's activities were recognised in prestigious rankings that focus on the quality of customer service. In the Golden Banker ranking, Bank Millennium was on the podium in the main category - Best Multichannel Service Quality. The award received is particularly significant, as it refers to the assessment of the quality of service in various channels of contact, but above all it combines the perspective of new customers - those opening a relationship with the bank, as well as current customers, already banking with the bank. The bank has been awarded the title of Service Quality Star for another consecutive year. The prize is awarded by the Polish Service Quality Standard on the basis of a consumer satisfaction survey to institutions that represent the highest service standards. Bank Millennium was one of three finalists in Forrester's global ranking of 'Customer Obsessed Enterprise 2024 Awards'.

3.2. RETAIL BANKING

Retail banking constitutes an important area in Bank Millennium's activities. The Bank has a broad catalogue of universal banking products and services designed for individual clients, affluent individuals (Prestige), Private Banking and business clients. Clients have access to products and services through the branch network, internet banking, mobile and telephone banking and the network of ATMs, thereby having an opportunity to manage their finances in a convenient and safe way. In 1H24 the Bank has increased its active client base by almost 80 thousand. As on 30 June 2024 the Bank provided services to more than 3.08 million active retail clients.

Personal account

Sales of current accounts to individual clients in the 1H24 were almost at the level of 200 thousand. The key product supporting acquisition of new clients was Millennium 360° account. The Millennium 360° account responds to customers' digital and technology needs. It offers a wide range of opportunities for people who value high quality service and the ability to use one of the best and fastest growing mobile applications on the market. Thereby flagship account have attracted a lot of clients' attention with growing share in Bank Millennium current accounts portfolio to almost 20%.

Millennium 360° account is unconditionally free in terms of maintenance. In addition, after fulfilling a simple condition, debit card service, BLIK contactless payments and withdrawals from all ATMs in Poland and abroad are also for 0 PLN. An important factor is the "Shopping Refunds" service to the account helps customers save during ecommerce purchases. Through the bank's mobile app or Millenet, customers have access to approx. 800 online stores where they can receive up to 25% of the purchase value refunds. At the end of 1H24, the number of personal accounts in the Bank portfolio amounted to almost 3.5 million. Acquisition of the Millennium 360º account in this period was supported by promotion and advertising activities including, inter alia, as follows:

- promotional activities with bonus for being active and in cooperation with external internet portals - more than 40% personal accounts were opened online,
- continuation of referral programme „Like it. Share it", under which recommending Millennium 360° account to others may be rewarded with attractive prize,
- development of x-sell on current accounts on POS Customers,
- new advertising campaigns in TV and radio stations, internet and out-of-home billboards,
- extending the cooperation with influencers as it is modern channel adjusted to young clients.

Savings products

The 1H24 was a time of stabilization of market interest rates and dynamic changes of retail deposits. In January-May 2024, the volume of retail deposits on the market increased by a record PLN56.3bn , driven mostly by growing salaries and social transfers. High interest rates sustained attractiveness of saving accounts and time deposits but interest cost optimization by banks lowered offered rates on time deposits. Current and saving accounts volumes in banking sector grew during Jan-May'24 by PLN53.6bn while time deposits increased only by PLN2.7bn. The Bank concentrated efforts on optimalisation of deposit offer on both saving accounts and time deposits and prepared numerous marketing campaigns, taking care of portfolio profitability. During 1H24, the Bank continued acquisition of new volumes as previously on Saving Account Profit (KO Profit) but also including new money time deposits with attractive interest rate accruing on new funds and retention offers addressed to selected client groups. Total retail deposits in 1H24 grew by PLN6.7bn, with PLN4.2bn increase in 1Q24 and PLN2.4bn growth in 2Q24. At the end of 1H24 retail deposits amounted to PLN88.1 bn and Bank's market share in May'24 reached 6.93%.

Investment products

The 1H24 was time of good and stable situation on global capital markets. Clients were gradually increasing investments in mutual funds. The Bank continued its strategy to offer diversified portfolio of investment products including both own solutions and products offered by external partners. Depending on client segment the offer included structured products, mutual funds and bonds. Bank continued regular promotional campaigns of mutual funds focusing on handling fee for purchase of funds especially in remote channels, which steadily gain importance. In first half of 2024 Bank was consequently developing investment advisory service based on selected and adjusted Millennium TFI funds which in easy and convenient way enables customers entrance to investment products especially through regular investments even of small amounts. The Bank continued offering of structured deposits with full capital protection and guaranteed minimal profit irrespectively of market situation.

Cash loans

In the first half of 2024, the Bank achieved a record sale of cash loans in the amount of PLN3.47bn, which was an increase of nearly 10% compared to the same period of 2023. The high level of sales was achieved thanks to the increase in sales in all distribution channels, effective reach with the offer to customers who have installment loans in the Bank, as well as a flexible product offer and attractive marketing communication of the promotional offer and introducing 0% commission on all applications. The Bank continues to intensively develop convenient and cost-effective digital sales channels. Almost 84% of loan agreements have been finalized in electronic channels. The cash loan portfolio increased from PLN14.4bn at the end of 2023 to PLN14.9bn at the end of 2Q24. In overdrafts the Bank maintained a stable market share of the overdraft portfolio at 13.54% with a balance of PLN1.1bn.

Payment cards

In the first half of 2024, there was a further increase in the Bank's payment card portfolio, supported by new product solutions and intensive marketing activities.

The Bank increased its payment card portfolio to 4.19 million cards (+3.5% y/y), of which the credit card portfolio reached 509 thousands cards (+3.4% y/y). At the same time, the activity of the card portfolio increased significantly, with the transaction volume amounting to PLN42.8bn (+10.6% y/y).

From July 1, 2024, we have made available to cardholders further solutions to facilitate currency payments. We introduced the ability to pay in foreign currencies directly from currency account by connecting debit card to currency account. In addition we increased to 5 thousands PLN monthly currency limit, which allows cardholder to make card payments in foreign currencies without additional commission (applies to new debit cards and credit cards).

We have also improved the credit card sales process, providing a new omni-channel process enabling sales to be started in a branch and finalized digitally, as well as solutions for paying with tokenized cards on the phone. We have implemented option to add cards to Google Pay and Apple Pay wallets directly from the bank's application and have withdrawn the HCE mobile payment service, which is no longer a market standard.

As part of expanding payment tools for customers, we have provided a BNPL-type service - "BLIK Pay Later", in cooperation with the Polish Payment Standard (BLIK), which allows customers to defer payments in online stores by 30 days within the granted limit.

Mortgage banking

In the first half of 2024, Bank Millennium recorded an increase in mortgage sales by nearly 11% compared to 2H23. During these six months, the Bank concluded a total of nearly 9,000 new agreements with a total value of over PLN3.5bn. The total result for January-May placed the Bank in the 6th position on the market with a market share of almost 7.5%. The Bank has suspended offering mortgages with variable interest rates throughout the term of the loan from 1 March 2023. Mortgage loans with periodically fixed interest rates for the first 5 years remain on offer. At the same time, in 1H24 the Bank met the expectations resulting from legal regulations, including: introduced verification of the customer's PESEL (personal identification) number before concluding a loan agreement, adapted the regulations to the amendment to the Polish Financial Supervision Authority's Recommendation, and enabled the use of support under the Borrower Support Fund and statutory "credit holidays" under new rules. The Bank's lending action was based, as in the previous year, on the offer of an unconditional 0% loan origination fee and 0% commission for early and full repayment of the loan.

The Bank continued its efforts to further reduce the portfolio of CHF loans by offering individual conditions to customers, favouring currency conversions and partial and full repayment of these loans.

Prestige and Private Banking segments - offer for affluent clients

Goal of the affluent banking model was to provide comprehensive service through multiple channels according to clients' preferences. In the first half of 2024, the portfolio of affluent customers increased by 13.8% compared to the end of 2023. Customer growth in 1H23 in remote service channels was 10.8%. Strategy of promoting remote service model for affluent clients is continued.

Business Client segment

Business offer is addressed to individuals running sole proprietorship businesses, partnerships and commercial law companies with annual revenues up to PLN5mn.

In the first half of 2024, the number of new business accounts for Business customers increased by 28% compared to the first half of 2023 and reached 23.5 thousand new accounts.

In the first half of 2024, 75% of business accounts were opened online.

The Bank offers a broad range of transaction, banking and credit products to business clients, in particular an attractive Millennium Accounting offer, payment terminals and leasing as well as modern digital and mobile banking services.

In the second quarter of 2024, Bank Millennium introduced services addressed to e-commerce customers:

- Millennium PAY payment gateway - service that enables accepting payments in online stores and
- possibility to create an online store on the Sellingo platform with the Millennium PAY payment gateway. Customers may test the store 6 months for free.

The acquisition of business accounts was supported by strong promotional and advertising activities, including:

- winter TV campaign of My Business Account with the Millennium Accounting promotion
- wide-reaching radio campaign strongly focused on acquisition, in which we promoted special conditions of My Business Account
- digital campaign leading directly to opening My Business Online/Company Account and applying for additional services
- use of digital signage media to promote business accounts and accounting service
- in 2024 we started regular cooperation with influencers

The value of loans granted in the first half of 2024 for Business segment customers was increased by 7% compared to 1H23 and reached the level of PLN505 million. In the first half of 2024, 49% of all loan agreements were signed in Millenet or the mobile application.

3.3. DIGITAL CHANNELS

We ended the first half of 2024 with a 2.8 million (+8%y/y) active digital channel users. As much as 2.6 million users logged on to the bank on mobile devices mobile devices. This gives an increase in mobile users of 10% y/y. In the second quarter of the year, as many as 1.9 million customers used BLIK at least once (growth by 16% y/y).

Digital share in sales and acquisition in 2Q24

We observe a steady increase in the share of digital channels in sales. Digital channels accounted for 83% of cash loan sales in 2Q24 (by number), and 95% of term deposit sales, which means that the vast majority of customers choose remote processes to use these products.

When it comes to current account acquisition, the share of electronic channels grows quarter by quarter. In 2Q24 it was already 45% . We can see even better results in junior account sales – digital share in acquisition was 58% in 2Q24.

Public benefits applications

In February, the new benefit period of the Rodzina 800+ programme started (family benefit), and in July the Dobry Start 300+ (school kit benefit). Our customers submitted:

- 370,000 Family 800+ applications via banking channels, which gave us the third position among banks,
- 100,000 Dobry Start 300+ in the first week since the new benefit period started.

In March, the bank made a new application available - this time for a support benefit for people with disabilities. Bank Millennium was one of the first banks to provide access to this application. The Bank currently ranks 3rd in the number of applications submitted among banks (in the period since the application was made available).

What's new in digital banking in 1H24

- **Mobile app new design (app revamp)** – changes in navigation as well as new design of product pages
- **BLIK Pay Later** – new payment method based on BNPL model
- **Currency Exchange and Multi-currency Service** – customers can exchange currencies on the mobile app as well as link their debit card with a currency account
- **PESEL verification** – the regulatory project regarding sales processes. The Bank checks whether the customer's PESEL number is restricted
- **Additional authorization in Millenet login** – the user confirm logging in with an SMS Password or Mobile Authorization
- **New transaction history** - all transactions in one place and additional functions available from shortcuts on the transaction details screen
- **Application for a supportive benefit** - a new application available in e-banking, a benefit can be applied for by a person with a disability or their carer
- **Millennium PAY** - payment gateway for clients with e-commerce business. In addition, the client can receive support in setting up a sales website
- **AML & EDR surveys in online banking for corporate clients** – regulatory projects in Millenet for Companies.

Awards for digital channels in 1H24

- INSTITUTION OF THE YEAR 2024 - Best remote account opening process - 1st place
- INSTITUTION OF THE YEAR 2024 - Best mobile application - 2nd place
- INSTITUTION OF THE YEAR 2024 - Best online banking - 4th place
- GOLDEN BANKER 2024 - Best Multichannel Service Quality - 2nd place

- GOLDEN BANKER 2024 - Digital Banking (online/mobile) - 2nd place
- GLOBAL FINANCE - THE INNOVATORS - Bank Millennium was awarded **TOP INNOVATOR IN FINANCE** 2024 for the best UX for corporate (in mobile app).
- MOBILE TRENDS AWARDS 2024 - the mobile app for companies was recognised with a nomination in the category "Mobile-based business solution"
- PAYTECH AWARDS – Award in the Best Card Initiative category for omnichannel credit card application and card services in digital channels

3.4. GOODIE SMART-SHOPPING APP

In the 1st half of 2024 the goodie cashback service continued a growth trend. The number of users actively using the service increased by almost 54% y/y. On the other hand, the number of transactions made in this period increased by over 66% y/y.

Promotions were carried out to encourage users to use the service frequently and to attract new users. As a result, already at the end of June, the value of purchases made via goodie cashback approached PLN3bn, to exceed this threshold at the beginning of July.

Promotional activities were also carried out, the task of which was to increase the browsing of promotional leaflets.

Testing of new communication channels has also begun, one of the main goals of which is to acquire new users.

3.5. CORPORATE BANKING

As part of Corporate Banking, we professionally and comprehensively provide services to companies with annual sales revenues exceeding PLN 5 million as well as public sector institutions and entities.

We consistently introduce changes to the product and service offer and improve processes. We modify and adapt our offer on an ongoing basis to client requirements, market environment and changes in legal regulations. We focus on delivery of comprehensive solutions based on modern technologies and on digitisation and digitalisation of business processes. We develop digital channels and paths of electronic flow of documents. We deliver flexible financial solutions and we support automation and optimisation of the work of financial departments, including minimising operational activities related to cooperation with the bank. We support entrepreneurs in accessing financing. By participating in the programs of Bank Gospodarstwa Krajowego, we facilitate access to financing for entrepreneurs.

At the same time, in response to environmental challenges, we support our clients in the green transformation. We are financing projects connected with renewable energy sector, innovations reducing the demand for energy and natural resources, and more effective waste management. Entrepreneurs can take advantage of credit products and leasing of green assets. We equip our advisors with practical ESG competences, which will allow them to effectively identify key issues related to green transformation and sustainable development, better understand the perspective of companies and their needs.

ACCESS TO FINANCING WITH BANK GOSPODARSTWA KRAJOWEGO (BGK) GUARANTEE SUPPORT

Our offer includes loans with de minimis guarantees, which have been operating on changed terms since 1 January. In December 2023, we signed agreements with BGK, which allowed us to introduce new Biznesmax Plus and Ekomax guarantee programs to our offer in the first half of 2024.

De minimis guarantees

The de minimis guarantee can secure up to 60% of the amount of the loan granted to companies from the small and medium-sized enterprise (SME) sector, and the maximum amount of the guarantee is PLN5 million (the amount of the individual guarantee and the sum of active guarantees at the lending bank). The commission rate for the guarantee granted is 0.5% of the guarantee amount on an annual basis. The maximum guarantee period for a working capital loan is 60 months, and for an investment loan - 120 months.

Biznesmax Plus guarantees

Free Biznesmax Plus guarantees secure up to 80% of the loan amount, financing innovative and eco-innovative investments. Companies from the SME segment have the opportunity to apply for subsidies to:

- interest, in the amount of 5% of the loan per annum, for a period of 24 months in the case of working capital loans or
- capital, in the amount of 20% of the loan in the case of an investment for the digital transformation of enterprises or
- capital, in the amount of 10% in the case of an innovative or eco-innovative investment.

The offer of loans with Biznesmax Plus guarantees is available to entrepreneurs from the SME sector, small mid-caps and mid-caps companies. Subsidy preferences are available only to companies from the SME segment.

Ekomax guarantees

Our new offer also includes investment loans with Ekomax guarantees, which can secure up to 80% of the loan amount financing energy efficiency projects, consisting in thermal modernization of buildings or reduction of primary energy consumption by min. 30%. The offer is available to entrepreneurs from the SME sector, small mid-caps and mid-caps companies. Companies from the SME segment can use 20% subsidies to the capital of the loan amount.

Thanks to public guarantees, we have offered our clients a longer than standard financing period – 3 years in the case of working capital loans, and up to 15 years in the case of investment loans, as long as the investment meets the criteria of the so-called green financing. In addition, in the case of investment loans, we have introduced a 10 percent standard minimum own contribution, reduced compared to financing without Biznesmax Plus and Ekomax guarantees. For "green financing", we have waived the collection of the origination fee.

FACTORING AND TRADE FINANCE

In factoring, we have launched a new security - the KUKE S.A. guarantee. The new guarantee can be used to secure reverse factoring, recourse factoring and receivables financing transactions.
The guarantee is granted on behalf of the exporter customer and can be used to secure up to 80% of the customer's contractual obligations, including the amount of unpaid financing and interest and commissions.

In the area of trade financing, we have implemented KUKE S.A. re-guarantee templates, which can be used as collateral for the contractual guarantees issued by us, such as: advance payment guarantee, contract performance guarantee/defect removal guarantee/warranty for defects and quality guarantee (including with and without the reduction amount) and tender guarantee.

TREASURY PRODUCTS

The option to conclude transactions in the electronic online currency exchange platform Millennium Forex Trader has been enjoying increasingly higher interest among our clients. Already 74% of transactions are carried out through the digital channel.

LEASING

In the first half of 2024, as Millennium Leasing, we signed 1,664 lease agreements with de minimis guarantees of Bank Gospodarstwa Krajowego, for a total value of PLN350 million. We launched leasing with BGK de minimis guarantees already in 2023, as the first leasing company on the market, and at the end of May 2024 we held over 70% share in the total number of leasing contracts on the market secured by this guarantee.

We also continue to lease environmentally friendly items from as many as 41 groups, with the main share of machinery and equipment, financing green assets to our customers on preferential terms. In the first half of 2024, we activated lease agreements for environmentally friendly assets of the total net value of PLN84 million.

TRANSACTIONAL AND ELECTRONIC BANKING

We introduced further solutions and improvements helping clients to manage their company's finances even more efficiently and conveniently.

Millennium PAY payment gateway

We have launched the Millennium PAY Payment Gateway, which is integrated with the largest open-source platforms (WooCommerce, PrestaShop, Magento) and gives the possibility of individual integration when customers use their online stores. Thanks to cooperation with Sellingo, customers also get the opportunity to create and run an online store.

Millenet for companies

At the end of January, we implemented a new customer knowledge verification (KYC) process, which significantly supports the updating of customer data, reducing the work performed by customer service units. We have also introduced new sections with historical information and details for working capital and investment loans. In addition, we have implemented improvements in the document exchange module.

In the area of factoring, we have made it easier for customers to report their counterparties, eliminating the previous requirement to provide us with signed application forms, and we have also made it easier for customers to manage user access to the factoring data exchange system, thanks to the possibility of managing users through Millenet for Companies.

Millennium Leasing eBOK in Millenet for companies

In the first half of 2024, we expanded the functionalities of the **eBOK service**, used to handle leasing agreements by customers, with a clear settlement history, including all issued invoices along with recorded customer payments, current balance and balance after each operation. Thanks to this, customers can check the moment and the reason for arrears or overpayments and control the status of their settlements at any time. The share of clients using eBOK at the end of the first half of 2024 was 93% (an increase by 4 p.p. vs. December 2023). Electronic applications for handling contracts and leased assets at the end of June accounted for over 62% of all applications submitted by clients.

Housing Escrow Accounts

We introduced changes in the Open and Closed Housing Escrow Accounts (MRP) that make it possible to handle payments under construction projects whose sales began before the entry into force of the so-called new Developer Act and are continued after the transition period stipulated in this Act. The provisions of the new Developer Act set different requirements for construction projects whose sales began during the validity of the old Developer Act, and different for the time after the so-called transition period, which ended on 1 July 2024. Our Housing Escrow Accounts meet all the regulatory requirements allowing developers to maintain the continuity of sales started before the introduction of the Act.

Payment cards

In April, we exceeded the number of 100 thousand payment cards that are currently in the wallets of our corporate clients. We offer a full range of cards: debit, deferred payment and prepaid cards in four currencies: PLN, EUR, USD and GBP. Particularly noteworthy is the Mastercard Corporate Executive card - a prestigious card created for demanding corporate clients who value prestige and a wide range of value-added services.

CUSTOMER EVENTS

We support clients through educational activities carried out independently and together with our partners.

In the first quarter of 2024, we organized an online meeting with our chief economist devoted to macroeconomic forecasts for this year, as well as a webinar related to the second call for applications for Green Credit in the competition organized by BGK. During our webinars "Financing green projects. Get a subsidy for the energy transformation of your company", we discussed the topics of Ekomax and Biznesmax Plus guarantees, Green Credit and energy audit.

CFO CLUB

We continue our cooperation with the CFO Club - a development and networking initiative bringing together financial directors, chief accountants, financial controllers, often also members of management boards and business owners who want to expand their knowledge in the area of finance. In the first half of 2024, as a partner of the Club, we co-organized educational events devoted to, among other things, tax incentives and subsidies for business development, company investments in the IT area and the evolution of the role of finance departments in companies.

GREEN ACADEMY

We have completed the first part of the Green Academy development program. Nearly 100% of our Advisors have obtained certificates confirming their knowledge of ESG issues. In the following months, we will implement the next stages of the program. Our Advisors will improve their competences, among others, in the field of financing green investments. The goal of the Green Academy program is to support our customers even better in the implementation of their activities aimed at the sustainable development of their businesses.

4. KEY AWARDS AND ACHIEVEMENTS IN 1H24

Bank Millennium with the title of The Greatest Financial Innovation 2024

The new Bank Millennium app for companies received the title of the Greatest Innovation in Finances – in corporate banking category. The awards are granted by the Global Finance Magazine.

Jurors recognised specifically the User Experience (UX) of the mobile app. In the programme, awards are granted to institutions who, on regular basis, discover innovations and design new tools in finances.

Bank Millennium is again one of the best in Golden Banker

Bank Millennium took the high second place in the category of the best multi-channel service quality, with a difference of only 0.4 p.p. compared to the winner. In the payment card – best design category, gold was awarded to the unique WWF Millennium Mastercard with the image of a lynx, a species threatened with extinction in Poland. Konto 360° Junior also deserved a distinction, taking third place in the category of accounts for children.

Bank Millennium is one of the best banks in Poland in building customer relationships

The Bank came third in the “Customer Relationship” category of the Stars of Banking 2024 competition organised by Dziennik Gazeta Prawna in cooperation with PwC. This is an important award determined by customer feedback. The winners were picked on the basis of results of an opinion poll, based on 12,000 surveys carried out among clients of financial institutions, holders of bank accounts.

First place for the Investor Relations Team in the "Parkiet" newspaper survey

Bank Millennium's Investor Relations Team took the first place among banks in the tenth edition of the survey of companies that best communicate with the market, carried out by the "Parkiet" newspaper.

Bank Millennium is Service Quality Star 2024

For the eleventh time, Bank Millennium was among companies honoured with the title of Service Quality Star. The award is granted on the basis of a consumer satisfaction survey to institutions that represent the highest standards of service. In this edition of the survey, consumers pointed to the commitment of advisers, reliable service, extensive knowledge of the staff, advanced and transparent mobile application, as well as products, solutions and promotions that appealed to them.

Bank Millennium second in the Best Employers Poland 2024 ranking in the category "Banks and financial services"

Bank Millennium again came second on the ranking list of best employers in banking and financial services and 45th among all companies in the Best Employers Poland 2024 ranking prepared by Forbes Poland and Statista. It is a list of 300 companies operating in Poland, whose achievements in the field of HR have been honoured with the title of the best employer.

15 branches of the Bank with the title of "The Best Bank Branch in Poland"

In this year's edition of the Institution of the Year ranking the title of the "Best Banking Branch in Poland" was given to 202 branches in Poland, 15 of which belong to our Bank.

Gold for Contact Center of Bank Millennium

Bank Millennium's Contact Center received the Golden Grand Prix - the most prestigious award in the Polish Contact Center Awards competition. This is the most important competition of the Polish contact center and customer care/service industry. The award was given for "the best system for improving the quality of conversations and the use of the highest standards in remote communication with customers".

Millennium Leasing employees awarded Gold Medals of the President of the Republic of Poland

Edward Marek Łazarz and Radosław Szcześniak, representatives of Millennium Leasing, were awarded the Gold Medals of the President of the Republic of Poland for Long Service. This distinction is for people who have had a significant impact on the development of the leasing industry, especially distinguished themselves in their professional work and social activities.

Bank Millennium with award for the effective sale of structured products

In this year’s edition of SRP Europe Awards 2024, the most prestigious international contest for the structured products industry, Bank Millennium was recognized, for the second year in a row, as the Best Distributor of structured products in Eastern Europe and the Best Distributor of structured products in Poland.

Millennium Leasing as Reliable Employer 2024

The Millennium Leasing company received the title of Reliable Employer 2024. This award is given to companies that care about safety, working conditions and the development of their employees. The award is the result of consistent implementation of the company's strategy based on the following values: respect, building trust, development of competences, responsibility and efficiency. It is also the result of the synergy of conducting a coherent HR policy across the Bank Millennium Group.

Top Employer Polska 2024

In Q1 of 2024, Bank Millennium received the title of Top Employer Polska 2024. The awards go to companies outstanding in terms of the implementation of their human resource management strategies. The certificate is awarded on the basis of the international "HR Best Practices Survey" conducted by the Top Employers Institute, which selects institutions that provide employees with the best working conditions, care for their development and strive to improve employment practices. Obtaining the Top Employer certificate is preceded by an independent audit, conducted in the same way for all companies worldwide. This prestigious distinction confirms the bank's application of high standards in the field of human resources management and HR practices and the strong position as one of the best and valued employers in the country.

Bank Millennium among ESG leaders

Bank Millennium was on the podium of this year's edition of the "ESG Ranking. Responsible Management". In the G (Governance) section, it was ranked third. In the general classification it took a high 9th place. "ESG ranking. Responsible Management" is the most important list of the largest companies on the Polish market, assessed in terms of the quality of responsible management in accordance with ESG guidelines.

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5. RISK MANAGEMENT

5.1. RISK MANAGEMENT OVERVIEW

The mission of risk management in the Bank Millennium Group is to ensure that all types of risks, financial and non-financial, are managed, monitored, and controlled as required for the risk profile (risk appetite), nature and scale of the Group's operations. Important principle of risk management is the optimization of the risk and profitability trade-off – the Group pays special attention to ensure that its business decisions balance risk and profit adequately.

The goals of the risk management mission are achieved through implementation of the following actions:

- Development of risk management strategies, credit policy, processes and procedures defining the principles for acceptance of the allowable level of particular types of risk,
- Increasingly wider implementation of the IT tools for risks identification, control, and measurement,
- Increasing awareness of employees as regards their responsibility for proper risk management at every level of the Group's organizational structure.

Risk management is centralized for the Group and considers the need to obtain the assumed profitability and to maintain proper risk-capital relationship, in the context of having proper level of capital to cover the risk. Within risk management system, a broad range of methods is used, both qualitative and quantitative, including advanced mathematical and statistical tools supported by adequate IT systems.

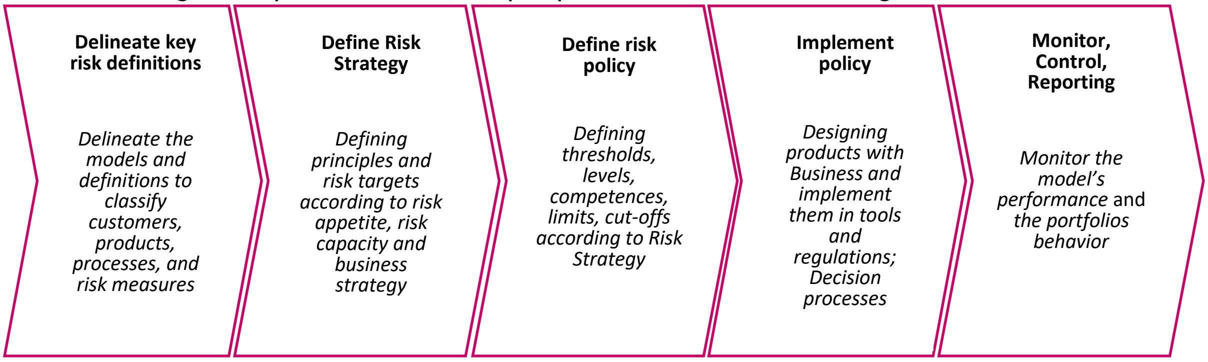
When defining the business and profitability targets, the Group considers the specified risk framework (risk appetite) to ensure that business structure and growth will respect the risk profile that is targeted and that will be reflected in several indicators such as:

- Loan growth in specific products / segments
- Structure of the loan portfolio
- Asset quality indicators
- Cost of risk
- Capital requirements / Economic capital
- Amount and structure of liquidity needed.

The risk management and control model at the Group’s level is based on the following main principles:

- ensuring the full-scope quantification and parameterization of diverse types of risks in the perspective of optimizing balance sheet and off-balance sheet items to the assumed level of profitability of business activity. The primary areas of analysis encompass credit risk, market risk, liquidity risk and operational risk;
- all types of risks are monitored and controlled in reference to the profitability of operations and the level of capital necessary to ensure the safety of operations from the point of view of capital adequacy. The results of risk measuring are regularly reported as part of the management information system;
- the segregation of duties between risk origination, risk management and risk control.

The Risk management process of the Group is presented in the below diagram



The split of competence in the field of risk management is as follows:

- The Supervisory Board is responsible for overseeing the compliance of the Group's risk-taking policy with the Group's strategy and its financial plan. Within the Supervisory Board acts the Committee for Risk Matters, which supports it in realization of those tasks, among others, issuing opinion on the Group's Risk Strategy, including the Group's Risk Appetite;
- The Management Board is responsible for the effectiveness of the risk management system, internal capital estimation process, for reviewing the internal capital calculation and maintenance process and the internal control systems;
- The Credit Committee, the Capital, Assets and Liabilities Committee, and the Liabilities at Risk Committee are responsible for current management of different areas of banking risk, within the framework determined by the Management Board;
- The Risk Committee and the Processes and Operational Risk Committee are responsible for defining the policy and for monitoring and control of different areas of banking risk, within the framework determined by the Management Board;
- The Product Committee reviews proposals for the implementation and withdrawal of products and services from the bank's offering;
- The AML Committee is responsible for supervision of anti-money laundering and terrorism financing in the Bank and cooperation in combating financial crime;
- The Validation Committee is responsible for confirmation of risk models' validation results and follow-up in the implementation of the measures defined by the Models Validation Office;
- The Sustainability Committee is responsible for making key decisions regarding sustainable development in the Bank Millennium S.A. Group, in relation to environmental, social and governance factors.
- The Sub-Committee for Court Cases is responsible for expressing opinions and taking decisions in matters regarding court proceedings, for the cases when value of the dispute or direct effect for assets value as a consequence of court verdict exceeds PLN1mn or as result of multiple cases with the same nature, excluding most of the cases belonging to the restructuring and recovery portfolio of Bank's receivables managed by the Corporate Recovery Department and Retail Restructuring and Debt Collection Department;
- The Risk Department is responsible for risk management, including identifying, measuring, analysing, monitoring, and reporting on risk within the Bank. The Risk Department also prepares risk management policies and procedures as well as provides information and proposes courses of action necessary for the Capital, Assets and Liabilities Committee, Risk Committee, and the Management Board to make decisions with respect to risk management;
- The Rating Department is mainly responsible for risk rating assignment for Corporate clients (based on the evaluation of clients' creditworthiness) as well as for rating monitoring and potential revision during the period of its validity. Rating assignment process is independent from credit decision process;
- The Corporate Credit Underwriting Department, Mortgage Credit Underwriting Department and Consumer Finance Credit Underwriting Department have responsibility, within the Corporate Customer segment and Retail Customer segment, respectively, for the credit decision process, including analysing customers' financial situation, preparing credit proposals for the decision-making levels, and making credit decisions within specified limits;

- The Retail Liabilities Monitoring and Collection Department and Retail Liabilities Restructuring and Recovery Department have responsibility for monitoring repayment of overdue debts by retail customers and their collection;
- The Corporate Recovery Department develops specific strategies with respect to each debtor from recovery portfolio, which aims to maximize timely collection of the outstanding debt and minimize the risk incurred by the Group. This approach is constantly revised to reflect updated information, and the best practices and experiences regarding collection of overdue debts;
- The Treasury Control and Analyses Office has responsibility for monitoring the use of part of the Group's limits, including counterparty and stop-loss limits, the Group's FX position, results of active trading and control of operations of the treasury segment;
- The Models Validation Office has responsibility for qualitative and quantitative models' analysis and validation, independent from the function of models' development; development of the models' validation and monitoring tools; activities connected with issuing opinions on the adequacy of the models for the segment, for which they were developed; preparing reports for the Validation Committee needs;
- The Sustainability Department is responsible for supervising and coordination of the process of implementing the principles of sustainable development in the Bank and the Group;
- The Anti-fraud Sub-unit has responsibility for implementation and monitoring Bank policy execution in the scope of fraud risk management in cooperation with others Bank units. The Sub-unit constitutes a competence centre for anti-fraud process;
- The Compliance Department has the responsibility to ensure compliance with legal regulations, related regulatory standards, market principles and standards as well as internal organization regulations and codes of conduct;
- The Legal Department has responsibility for handling the litigation cases of the Bank, with support of external legal offices and legal experts whenever necessary.

The Group has prepared a comprehensive guideline document for the risk management policy/strategy: "Risk Strategy for 2024-2026". The document takes a 3-year perspective and is reviewed and updated annually. It is approved by the Bank's Management Board and Supervisory Board. The risk strategy is inextricably linked to other strategic documents, such as: Budget, Liquidity Plan, and Capital Plan.

The Risk Strategy bases on the two concepts defined by the Group:

1. Risk profile – current risk level expressed in amount or type of risk the Group is currently exposed. The Group also has a forward-looking view how their risk profile may change under both expected and stress economic scenarios in accordance with risk appetite,
2. Risk appetite – the maximum amount or type of risk the Group is prepared to accept and tolerate to achieve its financial and strategic objective. Three zones are defined in accordance with warning / action required level.

Risk strategy is one of the crucial features that determine the risk profile of the Bank/Group.

Risk appetite must ensure that business structure and growth will respect the forward risk profile. Risk appetite was reflected through defined indicators in several key areas, such as:

- Solvency
- Liquidity and funding
- Earnings volatility and Business mix
- Franchise and reputation.

The Bank and The Group has a clear risk strategy, covering retail credit, corporate credit, markets activity and liquidity, operational and capital management. For each risk type and overall, the Group clearly defines the risk appetite.

The Risk Management is mainly defined through the principles and targets defined in Risk Strategy and complemented in more detail by the principles and qualitative guidelines defined in the following documents:

a. Capital Management and Planning Framework
b. Credit Principles and Guidelines
c. Rules on Concentration Risk Management
d. Principles and Rules of Liquidity Risk Management
e. Principles and Guidelines on Market Risk Management on Financial Markets
f. Principles and Guidelines for Market Risk Management in Banking Book
g. Investment Policy
h. Principles and Guidelines for Management of Operational Risk
i. Policy, Rules, and Principles of the Model Risk Management
j. Stress tests policy
k. Sustainability Policy
l. Anti-money laundering and combating of the financing of terrorism policy of Bank Millennium SA.

Within risk appetite, the Group has defined tolerance zones for its measures (build up based on the "traffic lights" principle). As for all tolerance zones for risk appetite, it has been set:

- Risk appetite status – green zone means a measure within risk appetite, yellow zone means an increased risk of risk appetite breach, red zone means risk appetite breach
- Escalation process of actions/decisions taken - bodies/organizational entities responsible for decisions and actions in a particular zones
- Risk appetite monitoring process.

The Group pays particular attention to continuous improvement of the risk management process. One measurable effect of this is a success of the received authorization to the further use of the IRB approach in the process of calculating capital requirements.

5.2. CAPITAL MANAGEMENT

Capital management and planning

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

The goals of capital adequacy management are: (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 those goals, Group 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 appetite.

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.

Regulatory capital adequacy

The Group is obliged by law to meet minimum own funds requirements and leverage ratio, 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. 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% in force from 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 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.

It should be noted that the above levels of the Group's capital ratios as at the end of June 2024 do not include the net profit for the period. Had the net result been included in own funds, the Group's capital ratios would have been higher by 1.3pp.

The leverage ratio is at a safe level of 4.41%, significantly exceeding the regulatory minimum of 3%.

In accordance to binding legal requirements and recommendations of Polish Financial Supervisory Authority (KNF), the Group defined minimum levels of capital ratios, being at the same time capital targets/limits. These are OCR (overall capital requirements) as for particular capital ratios.

The table below presents these levels as at the 30 June 2024. The Bank will inform on each change of required capital levels in accordance with regulations.

Minimal level of Capital ratios	30.06.2024	
CET1 ratio	Bank	Group
Minimum	4.50%	4.50%
Pillar II RRE FX	0.82%	0.82%
TSCR CET1 (Total SREP Capital Requirements)	5.32%	5.32%
Capital Conservation Buffer	2.50%	2.50%
OSII Buffer	0.25%	0.25%
Systemic risk buffer	0.00%	0.00%
Countercyclical capital buffer	0.00%	0.00%
Combined buffer	2.75%	2.75%
OCR CET1 (Overall Capital Requirements CET1)	8.07%	8.07%
T1 ratio	Bank	Group
Minimum	6.00%	6.00%
Pillar II RRE FX	1.10%	1.10%
TSCR T1 (Total SREP Capital Requirements)	7.10%	7.10%
Capital Conservation Buffer	2.50%	2.50%
OSII Buffer	0.25%	0.25%
Systemic risk buffer	0.00%	0.00%
Countercyclical capital buffer	0.00%	0.00%
Combined buffer	2.75%	2.75%
OCR T1 (Overall Capital Requirements T1)	9.85%	9.85%
TCR ratio	Bank	Group
Minimum	8.00%	8.00%
Pillar II RRE FX	1.47%	1.46%
TSCR TCR (Total SREP Capital Requirements)	9.47%	9.46%
Capital Conservation Buffer	2.50%	2.50%
OSII Buffer	0.25%	0.25%
Systemic risk buffer	0.00%	0.00%
Countercyclical capital buffer	0.00%	0.00%
Combined buffer	2.75%	2.75%
OCR TCR (Overall Capital Requirements TCR)	12.22%	12.21%

Capital risk, expressed in the above capital targets/limits, is measured, and monitored in a regular manner. As for all capital targets, there are determined some minimum ranges for those values. Capital ratios in each range cause a need to take an appropriate management decision or action. Regular monitoring of capital risk relies on classification of capital ratios to the right ranges and then performing the evaluation of trends and drivers influencing capital adequacy.

Own funds capital requirements

The Group is during a project of an implementation of internal ratings-based method (IRB) for calculation of own funds requirements for credit risk and calculates its own funds minimum requirements using the IRB and standard method for credit risk and standard method for other risk types.

At the end of 2012, Banco de Portugal (consolidating Regulator) with cooperation of Polish Financial Supervision Authority (PFSA) granted an approval to the use of IRB approach as to following loan portfolios: (i) Retail exposures to individual persons secured by residential real estate collateral (RRE), (ii) Qualifying revolving retail exposures (QRRE). According to the mentioned approval, minimum own funds requirements calculated using the IRB approach should be temporarily maintained at no less than 80% (Regulatory Floor) of the respective capital requirements calculated using the Standardized approach.

At the end of 2014, the Bank received another decision by Regulatory Authorities regarding the IRB process. According to its content, for the RRE and QRRE loan portfolios, the minimum own funds requirements calculated using the IRB approach had to be temporarily maintained at no less than 70% (Regulatory Floor) of the respective capital requirements calculated using the Standardized approach until the Bank fulfils further defined conditions. In July 2017, the Bank received the decision of Competent Authorities (ECB cooperating with KNF) on approval the material changes to IRB LGD models and revoking the Regulatory Floor. In April 2021, the Bank received a joint supervisory decision regarding the IRB approach, issued by the ECB in cooperation with the Polish Financial Supervision Authority. This decision mainly concerned the abolition of the Bank's obligation to maintain the 1.3 multiplier imposed on LGD parameters due to the positive assessment of the implementation of the conditions of the 2017 decision.

Internal capital

The Group defines internal capital according to Polish Banking Act, as the estimated amount needed to cover all identified, material risks found in the Bank’s activity and changes in economic environment, considering the anticipated level of risk in the future.

Internal capital is used in capital management in following processes: economic capital adequacy management and capital allocation. The Group defined an internal (economic) capital estimation process. To this end, as for measurable risk types, mathematic and statistic models and methods are used.

Maintaining economic capital adequacy means a coverage (provision) of internal capital (that is an aggregated risk measure) by available financial resources (own funds). An obligation stems from Banking Act for banks to have in place that sort of risk coverage. It was mirrored in the Group’s capital targets/limits: economic capital buffer and economic capital buffer in stressed conditions.

At the end of June 2024 both above capital targets were met.

At the same time internal capital is utilized in capital allocation process, to assign an internal capital to products/business lines, calculating risk-adjusted performance measures, setting risk limits and internal capital reallocation.

Capital adequacy evaluation

Capital adequacy evolution of the Group and the Bank was as follows:

Capital adequacy measures *(PLN million)*	**30.06.2024 Group**	**31.12.2023 Group**	**30.06.2024 Bank**	**31.12.2023 Bank**
Risk-weighted assets	43 317.7	41 354.5	39 710.3	37 960.4
Own Funds requirements, including:	**3 465.4**	**3 308.4**	**3 176.8**	**3 036.8**
- Credit risk and counterparty credit risk	2 945.2	2 841.1	2 678.9	2 589.0
- Market risk	16.6	15.4	16.6	15.4
- Operational risk	500.4	446.4	478.0	427.0
- Credit Valuation Adjustment CVA	3.2	5.4	3.3	5.4
Own Funds, including:	**7 420.9**	**7 470.6**	**7 061.4**	**7 228.3**
- Common Equity Tier 1 Capital	6 178.9	6 089.8	5 819.4	5 847.4
- Tier 2 Capital	1 242.0	1 380.9	1 242.0	1 380.9
Total Capital Ratio (TCR)	**17.13%**	**18.06%**	**17.78%**	**19.04%**
Minimum required level	12.21%	12.21%	12.22%	12.22%
Surplus (+) / Deficit (-) of TCR ratio (pp)	4.92%	5.85%	5.56%	6.82%
Tier 1 Capital ratio (T1)	**14.26%**	**14.73%**	**14.65%**	**15.40%**
Minimum required level	9.85%	9.85%	9.85%	9.85%
Surplus (+) / Deficit (-) of T1 ratio (pp)	4.41%	4.88%	4.80%	5.55%
Common Equity Tier 1 Capital ratio (CET1)	**14.26%**	**14.73%**	**14.65%**	**15.40%**
Minimum required level	8.07%	8.07%	8.07%	8.07%
Surplus (+) / Deficit (-) of CET1 ratio (pp)	6.19%	6.66%	6.58%	7.33%
Financial leverage ratio	**4.41%**	**4.66%**	**4.43%**	**4.77%**
Minimum required level	3.00%	3.00%	3.00%	3.00%
Surplus (+) / Deficit (-) of financial leverage ratio (pp)	1.41%	1.66%	1.43%	1.77%

In 2Q24, capital ratios decreased slightly - 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. Own funds requirements increased by 1.9% (by approx. PLN63.8 million), while the requirements for credit risk and counterparty credit risk increased by PLN68.6 million, while the requirements for market risk decreased by PLN2.75 million, and due to the fair value adjustment due to credit risk by PLN2 million. T1 capital (CET1) decreased by PLN163 million (2.6%), which resulted primarily from the increase in deferred tax assets reducing own funds by approximately PLN 126.6 million. Own funds decreased to a slightly greater extent - by over PLN238 million/3.1%, due to a decrease in Tier 2 own funds by PLN76 million, which is related to normal amortisation.

Bank Millennium has a dividend policy of distributing from 35% to 50% of net profit, subject to regulatory recommendations.

MREL

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

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.

MREL	30.06.2024	31.12.2023
MRELtrea ratio	**22.92%**	**23.77%**
Minimum required level MRELtrea	18.03%	18.89%
Surplus(+) / Deficit(-) of MRELtrea (p.p.)	4.89%	4.88%
Minimum required level including Combined Buffer Requirement (CBR)	20.78%	21.64%
Surplus(+) / Deficit(-) of MRELtrea+CBR (p.p.)	2.14%	2.13%
MRELtem ratio	**7.05%**	**7.5%**
Minimum required level of MRELtem	5.91%	5.91%
Surplus(+) / Deficit(-) of MRELtem (p.p.)	1.14%	1.59%

With respect to all MREL requirements (MRELtrea, MRELtrea including of CBR and MRELtem), the Group presents a surplus compared to the levels required at the reporting date.

5.3. CREDIT RISK

Credit risk means uncertainty about the Client's compliance with the financing agreements concluded with the Group i.e., repayment of the principal and interest in the specified time, which may cause a financial loss to the Group.

- The credit policy pursued in the Group is based on a set of principles such as:
- centralization of the credit decision process;
- using specific scoring/rating models for each Client segment/type of products;
- using IT tools (workflow) to support the credit process at all stages;
- existence of specialized credit decisions departments for particular Client segments;
- regular credit portfolio monitoring, both at the level of each transaction in the case of major exposures, and at credit sub-portfolio level (by the Client segment, type of product, distribution channels, etc.);
- using the structure of limits and sub-limits for credit exposure to avoid credit concentration and promote the effects of credit portfolio diversification;
- separate unit responsible for granting rating to corporate Client, thus separating the credit capacity assessment and credit transaction granting from his creditworthiness assessment.

In the first half 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 demanding economic environment.

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

In the corporate segment, the Group focused on 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.

In the retail segment, the Group focused on adapting its lending policy to the changing macroeconomic environment. In the area of microbusiness 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 microbusiness transactions through automation, which does not increase risk exposure.

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

All the above changes in both the retail and corporate segment enabled the Group to maintain the risk at an acceptable level defined in the Risk Strategy.

Loan portfolio quality

At the end of June 2024, the share of impaired loans (including stage 3 portfolio and the defaulted portfolio of Purchased or Originated Credit Impaired assets – POCI) in total loan portfolio reached the level of 4.53%. This means a drop of 5bp from the level of 4.58% at the end of 2023, which was achieved largely due to the Group's sales and write-offs policy. Share of loans past-due more than 90 days in total portfolio increased from 2.12% in December 2023 to 2.17% in June 2024. The Group still enjoys one of the best asset quality among Polish banks.

Coverage ratio of impaired loans, defined as relation of total risk provisions to the volume of stage 3 loans and POCI assets in default, has slightly increased from 72.21% in December 2023 to 74.30%. The ratio improved despite the reduction by PLN75mn of 100% covered loans (write-offs) and by PLN128mn of highly covered loans (sales) in the first half of 2024. Coverage by total provisions of loans past-due more than 90 days decreased from 156% half year ago to 155% at the end of June 2024.

The evolution of main indicators of the Group's loan portfolio quality is presented below:

Group loans quality indicators	30.06.2024	31.12.2023
Total impaired loans (PLN million)	3 500	3 488
Total provisions (PLN million)	2 601	2 518
Impaired over total loans ratio (%)	**4.53%**	**4.58%**
Loans past-due over 90 days /total loans (%)	2.17%	2.12%
Total provisions/impaired loans (%)	**74.30%**	**72.21%**
Total provisions/loans past-due (>90d) (%)	155.11%	155.68%

(*) Purchase Price Allocation (PPA) implied consolidation of Euro Bank impaired (stage 3) portfolio at net value

Impaired loans ratio for retail clients decreased from 4.79% to 4.68% (including drop in other retail of 0.50pp and drop in mortgage portfolio of 0.02pp) and at the same time increased in the corporate portfolio from 3.77% to 3.98% (growth in leasing portfolio of 0.76pp and drop in other corporate portfolio of 0.21pp). The value of foreign currency mortgage loans (deducted by allocated provisions) decreased as much by approx. 31.4% year-to-date (in PLN terms) as a result of amortization of this portfolio as well as due to increase of provisions created for legal risk. Additionally, it should be noted that ex-Euro Bank mortgage portfolio, in amount of approx. PLN746mn, enjoys a guarantee and indemnity from Société Genéralé. Excluding this portfolio, the share of FX mortgage loans in the total loan portfolio decreases from 3.6% to 2.4%. The improvement in the currency structure of the mortgage loan portfolio was supported by a significant increase in sales of new loans in PLN.

The evolution of the Group's loan portfolio quality by main products groups:

Portfolio quality by products:	Loans past-due > 90 days ratio		Impaired loans Ratio	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023
Mortgage	*0.95%*	*1.00%*	*2.35%*	*2.37%*
*Other retail**	*5.14%*	*5.38%*	*9.05%*	*9.55%*
Total retail clients*	2.40%	2.48%	4.68%	4.79%
Leasing	*1.16%*	*1.02%*	*5.32%*	*4.56%*
Other loans to companies	*1.39%*	*0.58%*	*2.97%*	*3.19%*
Total companies	1.29%	0.77%	3.98%	3.77%
Total loan portfolio	**2.17%**	**2.12%**	**4.53%**	**4.58%**

(*) incl. Microbusiness, annual turnover below PLN5 million

5.4. OTHER RISKS

Market risk and interest rate risk in Banking Book (IRRBB)

The market risk encompasses current and prospective impact on earnings or capital, arising from changes in the value of the Group's portfolio due to adverse market movement (prices).

The interest rate risk arising from Banking Book activities (IRRBB) encompasses current or prospective impact to both the earnings and the economic value of the Group's portfolio arising from adverse movements in interest rates that affect interest rate sensitive instruments. The risk includes gap risk, basis risk and option risk.

The framework of market risk and interest rate risk management and its control are defined on a centralized basis with the use of the same concepts and metrics which are used in all the entities of the BCP Group.

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) with a required probability (99% confidence level) due to an adverse market movement. The market risk measurement is carried out daily (intra-day and end-of-day), both on an individual basis for each of the areas responsible for risk taking and risk management, and in consolidated terms for Global Bank, Banking Book and Trading Book considering the effect of the diversification that exists between the portfolios.

In 1H24, the VaR remained on average at the level of approx. PLN279.9mn for the total Group, which is jointly Trading Book and Banking Book, (52% of the limit) and at approx. PLN3.1mn for Trading Book (16% of the limit). The exposure to market risk at the end of June 2024 was approx. PLN273.3mn for Global Bank (51% of the limit) and approx. PLN2.0mn for Trading Book (10% of the limit). All excesses of market risk limits are always reported, documented, and ratified at the proper competence level. In the 1H24, no excesses of the market risk limits were recorded.

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

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

Liquidity risk

Liquidity risk reflects the possibility of incurring significant losses because of deteriorated financing conditions (financing risk) and/or of the sale of assets for less than their market value (market liquidity risk) to meet the funding needs arising from the Group's obligations.

The process of the Group's planning and budgeting covers the preparation of a Liquidity Plan to make sure that the growth of business will be supported by an appropriate liquidity financing structure and supervisory requirements in terms of quantitative liquidity measures will be met.

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. The steps taken as part of standard and binding risk management procedures have proved sufficient for managing liquidity in the current market environment.

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 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 as described above.

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 1H24, 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.

In 1H24, the Group also regularly calculated net stable funding requirement (NSFR). In each of the month, the NSFR was above supervisory minimum of 100% (supervisory minimum is valid from June 2021).

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 1H24 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 liquidity risk management process is regulated in the internal policy that is a subject of the Bank's Management Board approval.

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.

The Group has also emergency procedures for situations of increased liquidity risk – the Liquidity Contingency Plan. The Liquidity Contingency Plan establishes the concepts, priorities, responsibilities, and specific measures to be taken in the event of a liquidity crisis. The Liquidity Contingency Plan is tested and revised at least once a year.

Operational risk

Operational risk management is based on the processes structure implemented in the Group and overlapping the traditional organizational structure. Current management of the specific processes, including the management of the profile of process operational risk, is entrusted to Process Owners, who report to all other units participating in the risk management process and are supported by these units.

To manage the fraud risk, the Group has in its structure a special organizational unit to develop, implement and monitor the Group's policy for management of this risk in cooperation with other organizational units of the Group and in accordance with its internal regulations. Fraud Risk Management Sub-unit in the Security Department is a centre of competence for the fraud prevention process.

Non-Compliance risk

Lack of legal compliance of internal regulations and the ensuing risk of legal or regulatory sanctions, material losses or reputation risk, is one of the areas threatening the banking activity. By monitoring compliance with both internal and external regulations, Bank Millennium considers it to be particularly important:

- preventing money laundering and financing of terrorism;
- ensuring consistency of Bank Millennium's internal normative acts with binding laws as well as recommendations and guidelines issued by supervisory authorities,
- counteracting and managing conflicts of interest,
- observance of ethical principles,
- monitoring personal transactions and protecting confidential information related to Bank Millennium, financial instruments issued by the Bank as well as information connected with purchase/sale of such instruments.
- monitoring and ensuring compliance of the products and services including those covered by MiFID II.

Bank Millennium undertakes appropriate actions for the purpose of ongoing and continuous tracking of changes occurring in binding legal regulations as well as recommendations and guidance given by supervisory authorities, both national as well as of the European Union. To ensure compliance of the Bank's operation with the applicable laws, the Compliance Department undertakes several activities such as:

1. ensuring functioning of the monitoring compliance with external regulations,
2. analysing new products and services,
3. measuring compliance risk in processes operating at the Bank,
4. issuing opinions,
5. participating in key implementation projects, and
6. staff training.

The Bank's operations may generate a conflict of interest between Bank's interests and the interests of Customers. The Bank's main principle is to take all reasonable steps to identify and to counteract the conflict of interest between the Bank and its Customers, as well as between individual Customers, and to establish rules ensuring that such conflicts have no adverse impact on Customers' interests.

The Bank Millennium Group undertakes also appropriate actions to ensure conduct concerning personal transactions, which is compliant with standards and laws. These actions and measures are meant to, according to the circumstances, to restrict or prevent performance of personal transactions by Relevant Persons in situations, which may cause a conflict of interest or be involved with access to confidential information or to data about Customers' transactions.

Shares of Bank Millennium are admitted to public trading on the Warsaw Stock Exchange. Such status requires special attention and observance of the obligation to maintain highest standards for transparency of financial markets. The policy of Bank Millennium is to maintain strict control as regards protection of the flow of confidential information (including in accordance with the requirements of Regulation No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on abuses on the market abuse, MAR). The Bank prohibits the use and disclosure of confidential information in any form. Purchasing and selling the Bank's shares, derivative rights concerning the Bank's shares or any other financial instruments thereto related is forbidden during closed periods.

The Anti-Money Laundering and Counter Terrorism Financing programme (AML/CTF), applied by Bank Millennium, is a comprehensive system of identification of threats related to money laundering/terrorism financing crimes.

Actions launched under this programme include in particular:

- application of due diligence measures to Customers, depending on the AML risk level and based on „Know your Client" (KYC) principle – the key concept of the program,
- transactions registration and reporting,
- identification of suspicious transactions,
- cooperation with the General Inspector of Financial Information,
- verification of customers and transactions in terms of sanctions.

Bank Millennium periodically adjusts its scenarios to the analysis of suspected transactions, considering up-to-date patterns and trends (sectors, cash-flow routes, Customer behaviour) for effective identification and reporting of transactions suspected of money laundering. Implemented internal policies, procedures, organizational solutions and employee training programmes ensure efficient operation of the programme.

Bank Millennium, with view to protecting Customers who invest their funds in investment products or financial instruments with varied degree of risk, strictly monitors compliance of these products, their offering and handling process with relevant internal regulations, laws, and external guidelines – on the domestic and European Union level. A specific compliance monitoring programme also covers consumer loans and insurance products (including insurance – investment products) addressed to consumers.

The Bank has mechanisms and internal regulations allowing for anonymous reporting of violations of law and internal regulations and ethical standards (the so-called whistleblowing) to the Chairman of the Management Board, and in the case of notification concerning a Member of the Management Board - to the Supervisory Board. The Bank will verify each application, ensuring that the reporting person will be protected by acts of repressive, discriminatory, and unfair nature.

6. IMPORTANT CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY EVENTS

6.1. ANNUAL GENERAL MEETING

On 27 March, 2024 the Ordinary General Shareholders' Meeting ('GM') of Bank Millennium took place. Shareholders participating in the GM represented 77.58% the Bank's shareholders equity, including BCP (50.10%), NN OFE (8.90%), Allianz OFE (8.66%) and PZU „Złota Jesień" OFE (6.85%).

Among others (full details: 1_attachment_to-the-raport-no-rb_8_2024_bm_gm_resolutions_2024 (bankmillennium.pl)), the GM approved 2023 financial statements and non-financial report, the report on the activities of the Supervisory Board for 2023, and the assessment of the remuneration policy at Bank Millennium, , the Supervisory Board's report on the remuneration of members of the Management Board and the Supervisory Board of the Bank, the Policy for the selection and assessment of the suitability of members of the Supervisory Board of the Bank, and changes to the Bank's Articles of Association, and allocated the whole amount of the 2023 profit to the reserve capital.

6.2. ACTIVITIES IN THE ESG AREA: ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Bank Millennium conducts business in a responsible and ethical manner, with the environment protection in mind. ESG activities constitute one of the pillars of the bank's business strategy. They are implemented in the company's day-to-day activity and apply to three main groups: clients, employees and the society. Quantitative indicators related to the implementation of ESG Strategy initiatives have an impact on the amount of variable remuneration of the management staff, including the Bank's Management Board.

The Bank supports the implementation of the United Nations Sustainable Development Goals (SDGs), is a signatory of the Diversity Charter, and, as a direct participant of the United Nations Global Compact, committed to respecting and implementing the 10 Principles of the United Nations Global Compact.

The most important ESG activities carried out in the 1 half of 2024

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

Bank Millennium prepared and published the ESG Report of Bank Millennium and Bank Millennium Group for 2023. The Report summarises sustainable development activities performed by the Group in 2023, including achievements in minimising the negative impact on the environment, including a significant reduction of its own Scope 1 and 2 emissions, which in 2023 were 70% lower than in the base year 2020. The report summarises the Bank's involvement in projects for sustainable development and corporate social responsibility, including activities aimed at achieving the UN Sustainable Development Goals. These are wide-ranging initiatives that take into account all ESG (environmental, social and governance) aspects in their design.

This year's report takes into account the guidelines of the TCFD (Task Force on Climate-related Financial Disclosures) for the first time. It is also the first report in which the Bank has published full disclosures in line with the requirements of the EU Taxonomy, including the full GAR (Green Asset Ratio).

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

Product offer – development and key initiatives in the ESG area

Biznesmax Plus and Ekomax guarantees in the bank's offer

In 2024, Bank Millennium continues its cooperation with BGK and in May 2024 introduced Biznesmax Plus and Ekomax guarantees to its offer. Both instruments are addressed to entrepreneurs from the SME sector or small mid-caps or mid-caps.

The Biznesmax Plus and Ekomax guarantees are a free-of-charge loan repayment guarantee granted thanks to the FENG Guarantee Fund from the FENG Programme. For SMEs, they allow a subsidy to be received in the form of a co-payment to the interest rate or to loan principal. A single guarantee can secure up to 80% of the principal amount of the loan, and its maximum amount is the equivalent of 2,5 mln EUR.

As part of products with guarantees from public funds, Bank Millennium offered its clients a longer than standard financing period – 3 years in the case of working capital loans, and even 15 years in the case of investment loans, provided that the investment meets the criteria of the so-called green financing. In addition, in the case of investment loans, the Bank introduced a 10 percent standard minimum own contribution, reduced compared to financing without Biznesmax Plus and Ekomax guarantees. For "green financing", it also waived the origination fee.

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

Ecological loan

In 2024, the Bank continues its cooperation with BGK in granting the Ecological Loan, which is co-financed from the European Funds for the Modern Economy 2021-2027 (FENG) programme, under Priority 3 "Business Greening". Public aid is a subsidy, constituting a refund of the principal part of the Ecological Loan designated to cover eligible costs of project implementation. The Ecological Loan can finance projects aimed at broadly understood energy efficiency, the scope of which is each time confirmed in the energy audit document. The effect of the project covered by the Loan must be to achieve savings in primary energy in the modernised area by at least 30 percent compared to the consumption before the implementation of the project.

The loan is intended for micro-, small and medium-sized enterprises, as well as enterprises with the status of small mid-cap and mid-cap (up to 3000 employees). The amount of the subsidy - the environmental bonus - may range from 15% to even 80%, depending on the project location, the size of the enterprise and the selected form of aid.

Supporting green projects

Bank Millennium granted sustainable financing to Olivia Star S.A. for one of the most modern, energy-efficient, green skyscrapers in Poland, whose innovative, pro-ecological solutions allowed to obtain, inter alia, the BREEAM certificate at the Excellent level. The amount of the transaction, executed in a consortium with other banks, was close to 83 mln EUR. The granting of financing was preceded by a verification of the investment in relation to the requirements related to sustainable development.

Olivia Star is the first project of this type in Poland, with e.g. a natural ventilation system on all office floors. The building is heated with heat from the earth's interior, the best available solutions for saving water, lifts with the option of energy recovery.

Development and appreciation of employees

M#leaders – leadership development programme

The sixth round of the M#leaders programme is under way, based on the methodology of John C. Maxwell, world expert in leadership. It is directed to persons holding managerial functions in the Bank Millennium Group. The purpose of the project is the development of leadership skills. Managers who have completed the programme build a community of M#leaders, which even after the programme is completed, supports development and promotes good leadership in our organisation.

Green Academy

At the beginning of 2024, the year-round, internal proprietary development programme of the Bank started for employees as regards project financing - the Green Academy. The overarching goal of the programme is to support employees in the process of acquiring knowledge and improving their competences in the area of selected practical aspects of ESG. Thanks to this programme, they will be able to better understand the perspective and needs of clients and effectively identify sales potential, which will allow them to develop the Bank's green financing portfolio.

The programme is divided into four modules: 1. ESG, 2. Public guarantee and subsidy programmes, 3. Product - investment loan, photovoltaic loan, green financing, 4. Structuring investment loans.

Module 1 was conducted in the first quarter of 2024. In the second quarter, Green Academy participants took an exam, after passing which they obtained certificates. At the same time, work was underway on the preparation of Module 2, the implementation of which is planned to be completed by the end of the third quarter of 2024. Then further modules will be implemented.

IMPAKT - employee awards programme

In May, the jubilee 10th edition of the IMPAKT programme of awards for employees took place. 59 winners – employees of the Bank Millennium Group from all over Poland – received statuettes awarded in four categories: efficiency and results, ethics and responsibility, quality as well as development and innovation, and also one special distinction awarded on the occasion of the 10th anniversary of the event. It is worth noting the way in which the candidates for the IMPAKT awards are nominated - the employees themselves indicate colleagues who are an inspiration for them and whom they want to distinguish for professionalism, responsibility or high quality of cooperation. The regularity and repetition of the programme supports a culture of appreciation within the bank and contributes to employee wellbeing.

The IMPAKT awards are granted to employees of Bank Millennium Group since 2015. In this year's jubilee edition, employees submitted a record number of applications.

Financial education and knowledge sharing

Global Money Week

In March 2024 the “Global Money Week” (“GMW”) took place. Its mission is to inspire children and the youth to develop the knowledge, skills and attitudes necessary to make rational financial decisions from an early age. This year's GMW theme was "Secure Your Money and Your Future."

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

Financial ABC

In the 1st half of 2024, the twelfth edition of the "Financial ABCs" programme took place. It is a proprietary pre-schoolers' education programme started by Bank Millennium Foundation in 2016, carried out by Bank Millennium employees in cooperation with a non-governmental organisation. The programme consists of workshops conducted in kindergartens, the availability of educational materials on the Internet, as well as online training material for parents. The essence of the programme is to explain the basic concepts in the field of finance to the youngest, through fun, workshops, games and various educational formulas. Since its inception, more than 83,000 children have been trained under the programme, for whom the Foundation has carried out 3,391 workshops in kindergartens throughout Poland. The program teaches kids how to move smoothly and safely in the difficult world of finance.

It is worth noting that the Senate has declared 2024 the Year of Economic Education for the purpose of building economic awareness of the Polish society. In 2024, the "Financial ABC" project received the honorary patronage of the Ombudsman for Children, Monika Horna-Cieślak.

European Financial Congress

Bank Millennium actively participated in debates during the European Financial Congress. One of the important points on the Congress agenda were debates of the CEOs of the largest banks, in which Joao Bras Jorge participated, preceded by recommendations resulting from discussions of chief economists, risk managers and CIOs. Important elements of the EFC were topics related to sustainable development and ESG, both within the financial sector and the Polish economy. Debates on Gen AI and cybersecurity, as well as financial education, in which the Bank's representatives took part: Wojciech Rybak, Member of the Management Board of Bank Millennium, Iwona Jarzębska, Chairwoman of the Bank Millennium Foundation, Adam Berent, Member of the Management Board of Millennium Bank Hipoteczny and Przemysław Kondraciuk, Strategy and Projects Manager at Bank Millennium, were also very popular.

During the EFC, the report "Green Finance in Poland" prepared by the UN Global Compact Network Poland (UN GCNP) and the Institute for Responsible Finance (IOF) as well as the European Financial Congress was presented. The publication uses a commentary by Krzysztof Kamiński, Member of the Management Board of Millennium TFI, on investment funds that take into account ESG factors.

Financing green projects – webinar for clients

Bank Millennium has prepared a webinar for its clients on modern financial solutions that it introduced to its offer in May as part of cooperation with Bank Gospodarstwa Krajowego (BGK): Biznesmax Plus Guarantee and Ekomax Guarantee. The meeting took place in April and was chaired by Bank Millennium experts. Over 150 representatives of companies took part in it.

Partnership with the Faculty of Management, University of Warsaw

Bank Millennium has signed a partnership agreement with the Faculty of Management of the University of Warsaw. The agreement sets out the basic areas of cooperation for the coming years, with particular emphasis on the exchange of knowledge, experience and cooperation within various projects.

The cooperation between Bank Millennium and the Faculty of Management of the University of Warsaw will cover a wide range of joint activities. As part of the inauguration of the cooperation, the Bank, as a partner, was invited to take an active part in educational programmes. This enables a rapid and effective response to the needs of the academic and business community.

Awards and distinctions

“Responsible Business in Poland in 2023. Good Practices” FOB

Two initiatives carried out in Bank Millennium, i.e. the Millennium Eco-index and the Our People'23: Save the Planet programme, were presented in the good practices report of the Responsible Business Forum. The report contains a list of the most interesting and valuable ESG activities carried out by companies. Bank Millenium's good practices were included in the report in two areas – the environment, social involvement and local community development.

More information about the awards can be read in chapter 4 of this report.

Supporting culture, local communities and volunteering

Our People'24: Save the Planet

In April 2024, Bank Millennium and the Bank Millennium Foundation launched the second edition of an internal initiative that brings together employees around the idea of protecting the planet through sports activities and volunteer work. The programme aims to promote social values such as solidarity, care for the environment and a healthy lifestyle.

Nearly one and a half thousand employees of the Bank take part in a sports challenge for the planet, in which they collect points through physical activity. Each point scored is converted into zlotys. After two months of the programme, the participants achieved their financial goal, raising a quarter of a million zlotys donated by the Bank for eco-volunteering, which will be implemented together with the Bank Millennium Foundation in the second half of the year. Eco-volunteering will take place as part of the original initiatives of employees-volunteers in places in Poland of their choice.

Millennium Docs Against Gravity

The second quarter of this year saw the 21st edition of Millennium Docs Against Gravity, the biggest film festival in Poland, of which Bank Millennium has been a patron for 19 years. On this occasion, the Bank has prepared a unique image spot promoting the largest documentary film festival in Poland. The Festival took place from May 10th to May 19th in seven cities (Warsaw, Wrocław, Gdynia, Poznań, Katowice, Łódź and Bydgoszcz), followed by an online edition - from May 21st to June 3rd on mdag.pl. In total, over 165 thousand people took part in it. This year's edition of the festival gathered over twenty thousand more people than in 2023. This year, Bank Millennium decided to extend the cooperation for another three years.

Bank Millennium Scholarship for the best student

The best student of Portuguese Studies at the University of Warsaw received a scholarship funded by Bank Millennium. The bank has almost doubled the value of support this year. The cheque will enable the winner to go to Portugal and attend a course providing in-depth knowledge of the Portuguese language and culture.

The scholarship is a long-term initiative that has been carried out since 2013 under an agreement signed by Bank Millennium, the Portuguese Embassy in Poland and the University of Warsaw. Its initiators are convinced that it will bear fruit in the future, also in the area of business, which is becoming supranational and requires high sensitivity to cultural differences.

7. REPRESENTATIONS OF THE MANAGEMENT BOARD

7.1. PRESENTATION OF ASSET AND FINANCIAL POSITION OF THE CAPITAL GROUP OF BANK MILLENNIUM IN THE FINANCIAL REPORT

According to the best knowledge, the Condensed Interim Consolidated Financial Statement of the Capital Group of Bank Millennium S.A., in 6-month period ending 30th June 2024 and the comparable data as well and the Condensed Interim Unconsolidated Financial Statement of Bank Millennium S.A. for the period of 6 months ending 30th June 2024 and the comparable data, were prepared in line with the accounting principles, and reflect, truly, reliably, and clearly, the asset and financial position of the Capital Group and its financial result. This semi-annual Management Board Report on the activity of Bank Millennium and the Group contains a true picture of development, achievements and condition of Bank Millennium and the Capital Group of Bank Millennium.

7.2. SELECTION OF AN ENTITY AUTHORIZED TO FINANCIAL REPORTS AUDITING

The entity authorized to audit financial reports, reviewing this Condensed Interim Consolidated Financial Statement of the Capital Group of Bank Millennium S.A. for the 6-month period ending 30th June 2024 and the Condensed Interim Unconsolidated Financial Statement of Bank Millennium S.A. for the 6-month period ending 30th June 2024 - was selected in accordance with the binding regulations of law. The entity and chartered accountants who performed the review, met all the conditions required to issue an unbiased and independent review report, as required by the national law.

SIGNATURES:

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