Millennium bank

Consolidated report of the Bank Millennium S.A. Capital Group for 3rd quarter of 2024

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

Consolidated Financial Highlights

	Amount '000 PLN		Amount '000 EUR	
	1.01.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.01.2024 - 30.09.2024	1.01.2023 - 30.09.2023
Interest income and other of similar nature	6 487 795	6 316 105	1 508 018	1 379 876
Fee and commission income	799 242	780 381	185 775	170 489
Profit (loss) before income tax	563 748	1 056 181	131 037	230 743
Profit (loss) after taxes	546 696	460 618	127 074	100 631
Total comprehensive income of the period	750 243	1 151 968	174 386	251 670
Net cash flows from operating activities	7 958 760	13 132 413	1 849 928	2 869 030
Net cash flows from investing activities	(15 213 620)	(8 049 143)	(3 536 242)	(1 758 491)
Net cash flows from financing activities	2 332 066	(223 471)	542 064	(48 822)
Net cash flows, total	(4 922 794)	4 859 799	(1 144 250)	1 061 717
Earnings (losses) per ordinary share (in PLN/EUR)	0.45	0.38	0.10	0.08
Diluted earnings (losses) per ordinary share	0.45	0.38	0.10	0.08
	30.09.2024	31.12.2023	30.09.2024	31.12.2023
Total Assets	135 587 737	125 520 004	31 686 041	28 868 446
Liabilities to banks and other monetary institutions	293 267	563 512	68 535	129 603
Liabilities to customers	113 981 202	107 246 428	26 636 723	24 665 692
Equity	7 645 138	6 894 895	1 786 623	1 585 762
Share capital	1 213 117	1 213 117	283 498	279 006
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN/EUR)	6.30	5.68	1.47	1.31
Diluted book value per share (in PLN/EUR)	6.30	5.68	1.47	1.31
Total Capital Ratio (TCR)	17.94%	18.06%	17.94%	18.06%
Pledged or paid dividend per share (in PLN/EUR)	-	-	-	-

Exchange rates accepted to convert selected financial data into EUR				
for items as at the balance sheet date	-	-	4.2791	4.348
for items for the period covered by the report (exchange rate calculated as the average of exchange rates at the end of individual months of the period)	-	-	4.3022	4.5773

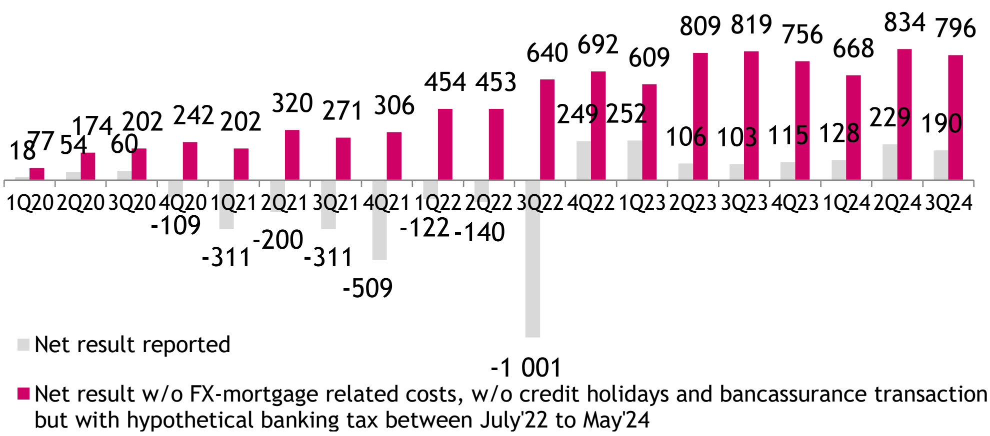
INFORMATION ABOUT ACTIVITY OF BANK MILLENNIUM AND CAPITAL GROUP OF BANK MILLENNIUM S.A. IN 3Q24/9M24

FINANCIAL RESULTS – KEY POINTS

Bank Millennium S.A. Capital Group's ('BM Group', 'Group') reported net profit of PLN190 million in 3Q24 and PLN547 million in 9M24 (up 19% y/y). Translating into 10% ROE (9M24: 10%), this solid quarterly result was achieved despite continued elevated costs related to FX-mortgage portfolio (PLN642 million after tax) and a full quarter asset tax ('banking tax') charge (PLN99 million). The solid operating performance was supported by reversal of a part of estimated cost of credit holidays (PLN35 million after tax).

3Q24 net profit without FX-mortgage related costs would amount to record PLN831 million (9M24: PLN2,337 million), while additionally adjusted for the credit holiday cost reversal it would reach a level of PLN796 million (9M24: PLN2,297 million, up 3% y/y) translating into an adjusted ROE of 18% (9M24: 18%).

Quarterly net results: reported and adjusted (PLNmn)



3Q24 was another solid quarter from the operating perspective. Loan growth started to gain momentum (+1% q/q and up 3% y/y but +2% and +5% respectively without the impact of the fast contracting FX-mortgage portfolio) with originations of cash loans remaining strong at nearly record level of close to PLN2 billion. Liquidity surplus remained strong despite lowered deposit pricing, supporting NII. Itself, 3Q24 NII without credit holidays, was 5% q/q and up 5% y/y (9M24 NII without credit holiday cost would be up 5% y/y). Number of active retail clients remained in a steady uptrend (3,120 thousand, up 5% y/y) while volume of investment products grew 9% q/q to PLN10.5 billion.

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. To date, settlements totalled 24,600, an equivalent of 40% 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 slowed to below 1,500 mark with increasing shares of claims from repaid loans (19% of stock of active claims), while the ratio of legal risk provisions to gross active book crossed the level of 110%.

Last but not least, capital and MREL ratios improved significantly with surplus of T1/TCR ratios widening to well over 5 percentage points and surplus of MREL trea ratio to nearly 8 percentage points.

Substantial and extraordinary P&L items

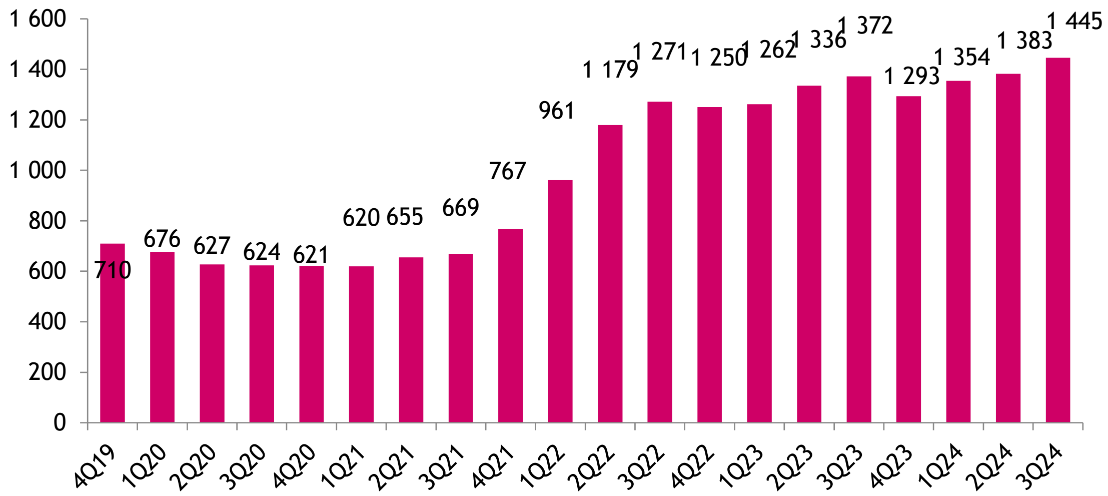
In 1Q24, the BM Group recognised annual cost of BFG resolution fund fee in the amount of PLN61 million. In 2Q24, results (interest income line) were impacted by PLN201mn estimated costs of credit holidays for PLN mortgage borrowers. The amount was at the lower end of the preliminary estimated range of PLN201–PLN247 million (details in current report no 17/2024 of May 5, 2024), indicating a relatively low borrowers' interest in the scheme. Indeed, this was reflected in 3Q24 when PLN44 million of the estimated cost was reversed. The final cost will, following adjustments for the actual participation, be presented in 4Q24/FY24 results. 1H24 tax line brought a positive value owing to number of items, including a recognition 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 was, among others, 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. 3Q24 brought practically no change in the amount of the earlier created DTA. Lastly, the Bank returned to paying banking tax in 2Q24 (PLN35 million charge in June), while 3Q24 saw a full quarterly charge of PLN99 million.

Key developments in the period

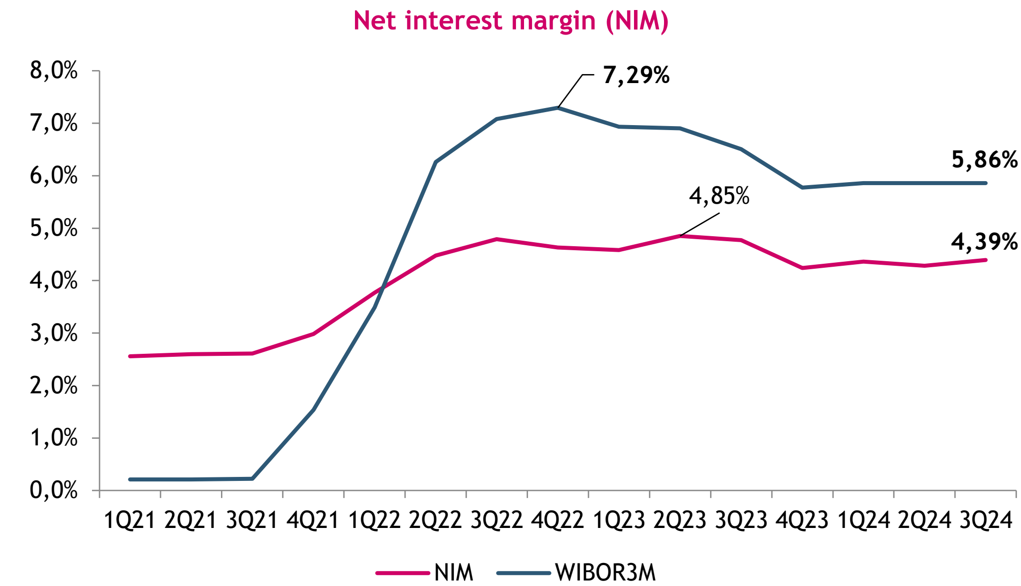
The key developments in 3Q24 were as follows:

- **3Q24 NII adjusted for cost of credit holidays (PLN44mn) increased 5% q/q and reached a new record high level while the reported one was up 26% q/q;** the q/q growth of adjusted NII was an outcome higher income from loan book and bond portfolio, while deposit cost dropped; interest earning assets overall (IEAs) overall were marginally lower and market interest rates were stable (average 3M WIBOR at 5.86%); the y/y growth of NII without credit holidays marginally improved to 5% from 4% in the previous quarter; 9M24 NII adjusted for credit holidays grew 5% y/y driven by higher IEAs, improving profitability of the bond portfolio and lower cost of deposits;

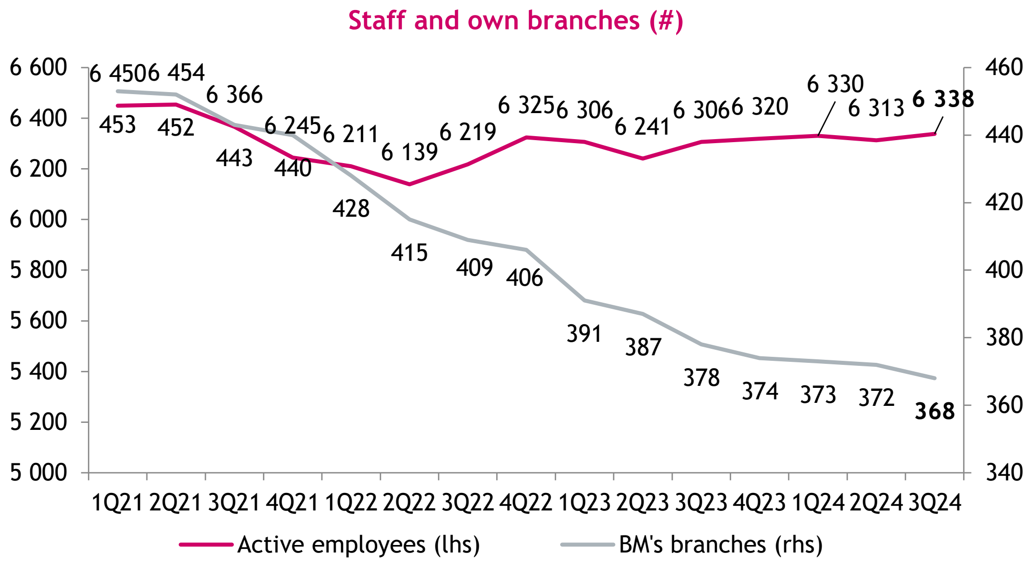
NII excluding cost of credit holidays (PLNmn)



- **quarterly NIM widened to 439bps from 428bp in the preceding quarter** and it was chiefly due to a lower deposit cost (2.27% from 2.36%) as the share of term deposits dropped visibly;

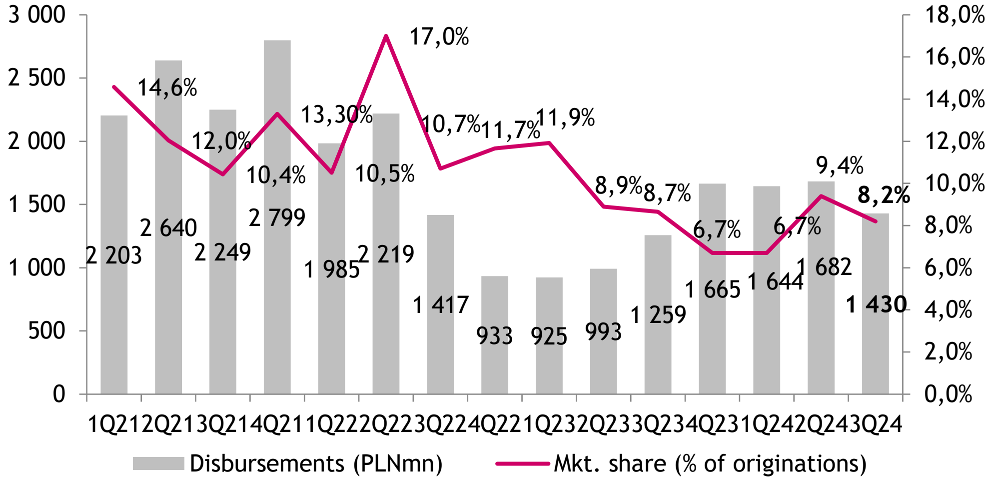


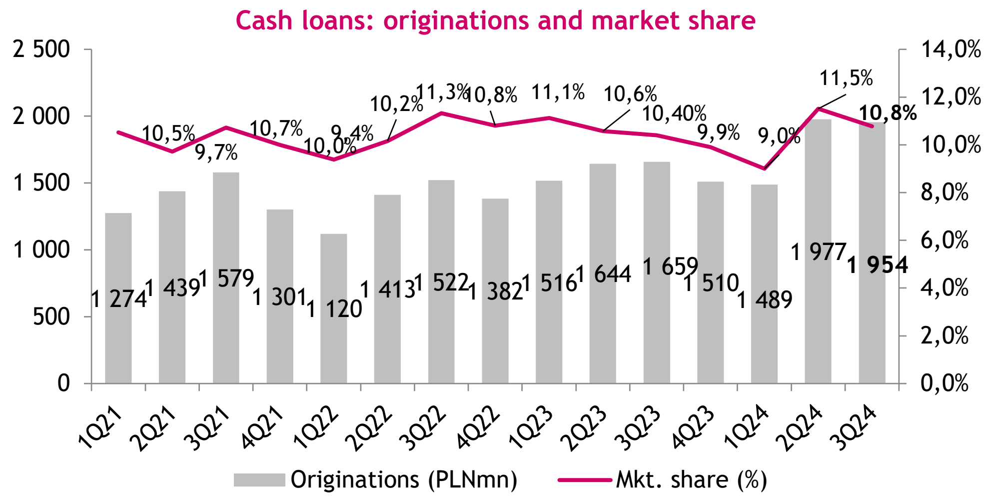
- **cost inflation accelerated slightly in 3Q24** (opex without BFG costs up 12% y/y from 7% in 2Q24) owing to higher legal costs and higher wages; 3Q24 reported opex was up 10% q/q on low base effect (annual settlement of card costs lowered costs in 2Q24); 9M24 reported opex was up 13% y/y while opex without BFG costs was up 14% y/y; headcount remained broadly stable (number of active employees up 25 in the last twelve months), optimisation of the physical distribution network continued (own branches down by 10 units or 3% in the last twelve months) complementing the increasing share of digital services (digital customers: 2.86mn, up 7% y/y, number of active mobile customers: 2.6mn, up 7% y/y);



- **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, +5% y/y); FX-mortgages continued to shrink fast (on a reported basis down 9% q/q and down 52% y/y) on a combination of FX movements, repayments, provisioning (in line with IFRS9 part 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 2.5% (BM originated only: 2.2%) from 5.2% (4.6%) in the same period last year;
- **non-FX mortgage portfolio grew 2% q/q and 5% y/y** owing chiefly to the non-mortgage part of the portfolio where the strong origination of cash loans (PLN1.95bn, flat q/q and up 18% y/y) contributed the most; BM's market share in origination of cash loans in 3Q24 stood at 10.8%, above the 10.4% in 3Q23; origination (disbursements) of PLN mortgages decreased q/q to PLN1.4bn (market share of 8.2%), while growing 14% y/y;

Mortgages: disbursements and market share in originations





- **loan book quality marginally deteriorated in 3Q24** with total NPL ratio at 4.6% reflecting the increase of the NPL ratio in the corporate segment (4.9% from 4.0% at the end of June'24); consumer loans segment saw a further drop of the NPL rate while this of the mortgage portfolio was flat; isolated exposures in corporate segment were reclassified to Stage 3 which combined with a flat volume of total gross loans resulted in an increase of the NPL ratio; the NPL coverage ratio slightly dropped to 72% (72% at YE23); cost of risk was seasonally higher (58bps, above the level 3Q23) (no NPL sale) with 49bps credit risk cost in the retail segment and 95bps in the corporate one;

- **customer deposits were down 2% in the quarter and up 7% y/y** with retail deposits up 1% q/q and corporate ones down 11% q/q, chiefly due to 24% q/q drop of term deposits as a result of tighter price management; as a result the share of total term deposits dropped to 36% from 38% at the end of June'24 (36% at YE23); the liquidity of the Bank remained very comfortable with L/D ratio slightly increasing to 66%;

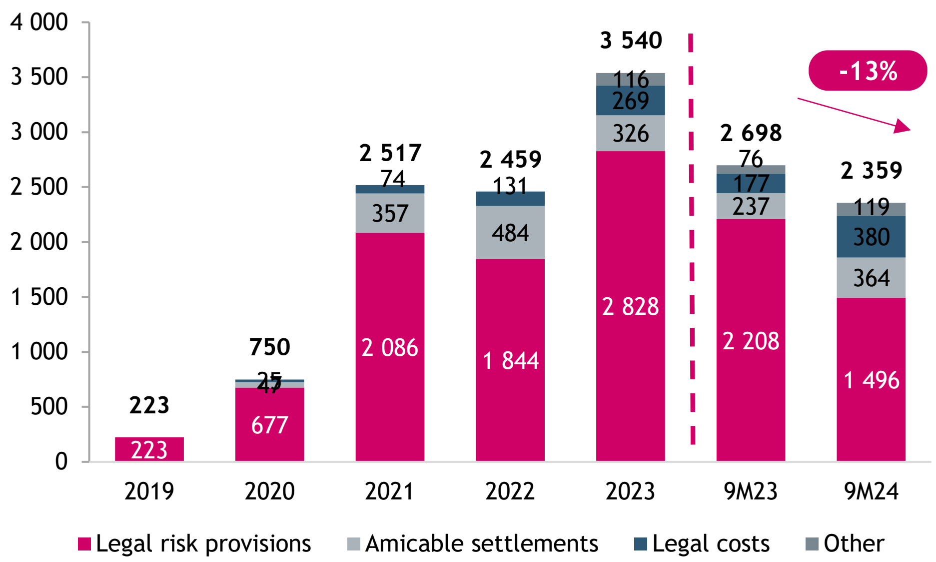
- **AuM of Millennium TFI and third-party funds combined again grew at a healthy rate (9% q/q)** with y/y growth rate accelerating to 41% taking AuM to nearly PLN10.5bn;

- **capital ratios visibly increased** (Group TCR: 17.9%/T1:15.3% vs. 17.1%/14.3% respectively at the end of June) with the surplus over the required minimum T1 widening to 5.5 p.p. and this over minimum TCR ratio to 5.7 p.p.; the improvement largely reflected inclusion of 1H24 net profit to regulatory capital with additional positive contribution from fast shrinking negative revaluation reserve; reported capital ratios combined with inaugural issue of EUR500mn Green Senior Non-Preferred bonds in September'24 **resulted in a substantial increase of MREL ratios**; MREL trea ratio increased to 28.6% (22.9% at the end of June'24) with a surplus over the required level (20.78% including CBR) widening further while MREL tem ratio increased to 9.0% (7.0% at the end of June'24), moving further above the required level of 5.9%; the Bank expects regulator's cyclical communication on the level of required P2R ratio late in 4Q24.

FX-mortgage portfolio and related costs

Quarterly costs related to FX-mortgage portfolio (legal risk provisions, costs of amicable settlements as well as legal and court costs) fell 13% y/y and 13% q/q to PLN738 million pre-tax (PLN642million after tax) but remained elevated and continued to be a material drag on the core business of the Group. In 9M24, these totalled PLN2,359 million pre-tax (PLN1,790 million after tax) and were 13% lower than in the corresponding period of the previous year.

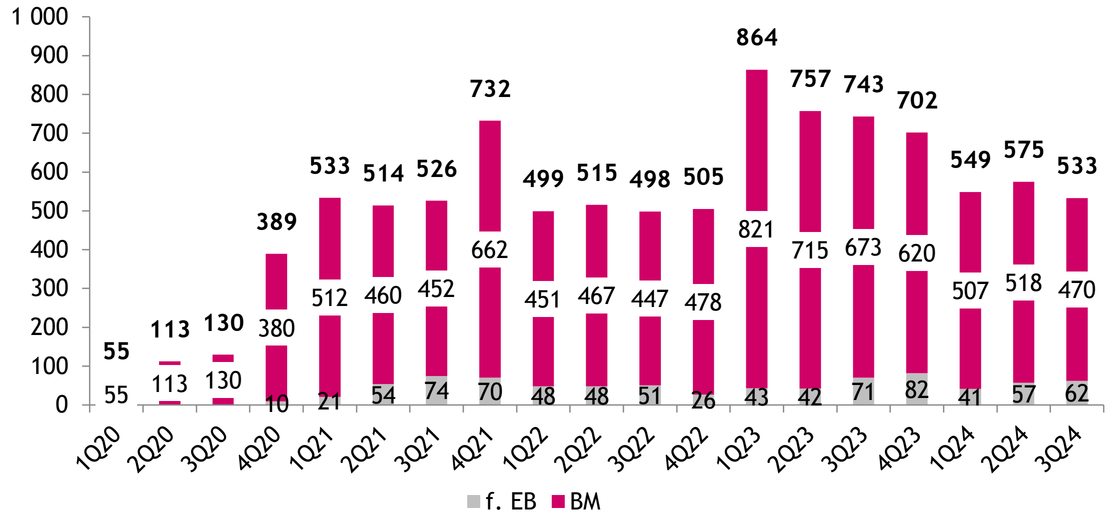
FX-mortgage related costs (PLNmn pre-tax)



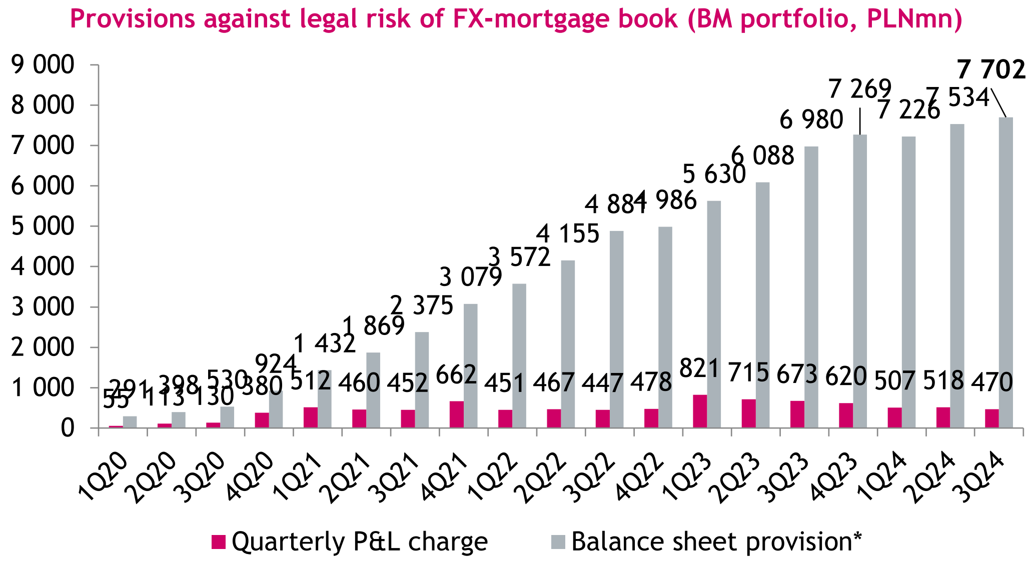
(*) without legal risk costs related to FX-mortgages originated by former Euro Bank

Total provisions against legal risk related to FX-mortgage portfolio ('FX-mortgage provisions') amounted to PLN533 million (pre-tax) in 3Q24 (9M24: PLN1,656 million) with PLN470 million (9M24: PLN1,496 million) attributable to FX-mortgages originated by Bank Millennium. Post-tax FX-mortgage related provisions attributable to portfolio originated by Bank Millennium totalled PLN425 million in 3Q24 (9M24: PLN 1,091 million) vs. PLN669 million in 3Q23 (9M23: PLN2,163 million). In 9M24 the increase of mortgage provisions resulted from updated inputs into the Bank's provisioning methodology, reflecting, inter alia, actual and expected inflow of court claims as well as provisions for potential late interest payments.

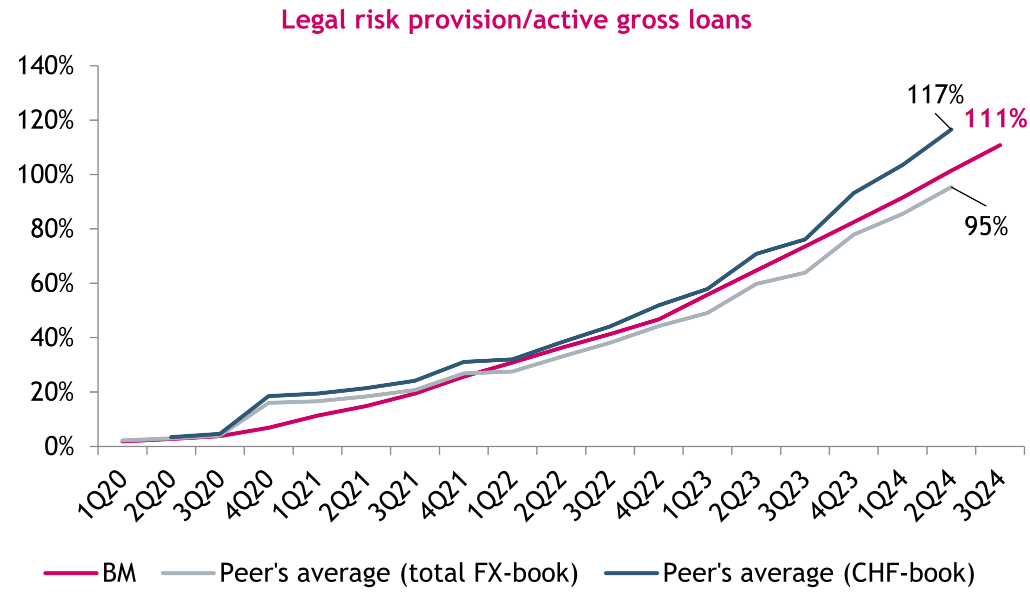
Quarterly provisions against legal risk of FX-mortgage book (PLNmn)



At the end of Sept'24, provisions for the portfolio originated by Bank Millennium were at the level of PLN7,702 million (an equivalent of 110.8% of the grossed-up active FX-mortgage book) and at PLN722 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 PLN5,239 million (dropped q/q chiefly due to use of provisions) and PLN495 million respectively.



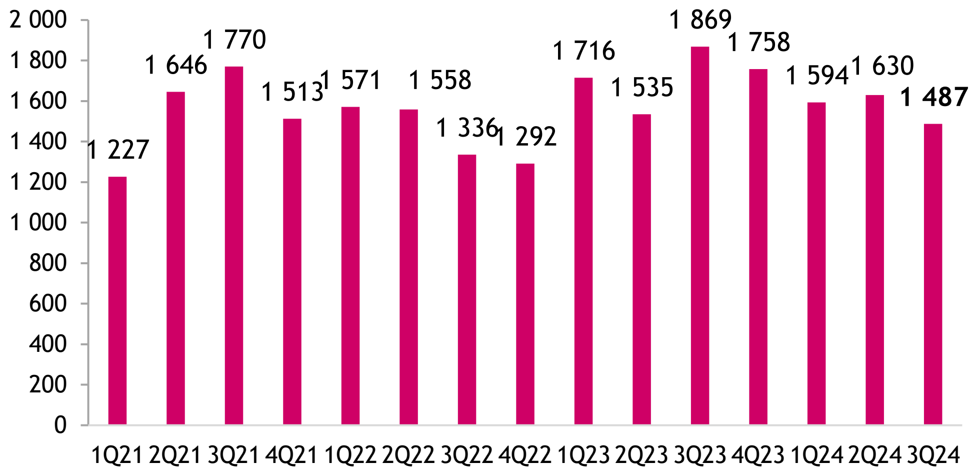
(*) actual outstanding B/S provisions not equal to the sum of P&L charges



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

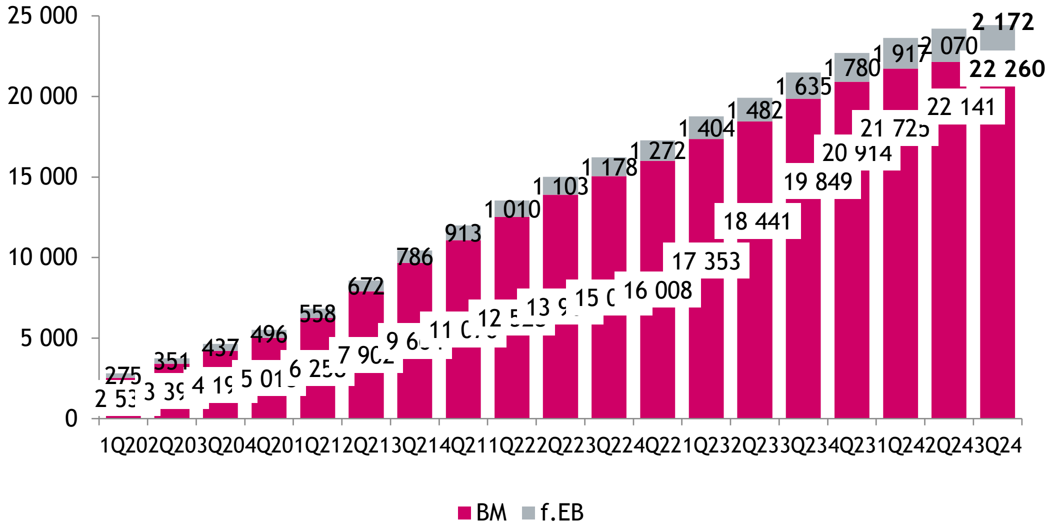
On September 30, 2024, the Bank had 22,260 loan agreements and additionally 2,172 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by the Bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the court. A relatively small proportion of these (~15.0%) 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 (~19% according to their current status), although they represent a higher share of recently filed cases.

New lawsuits against Bank Millennium (#)



(*) without claims related to FX-mortgages originated by former Euro Bank

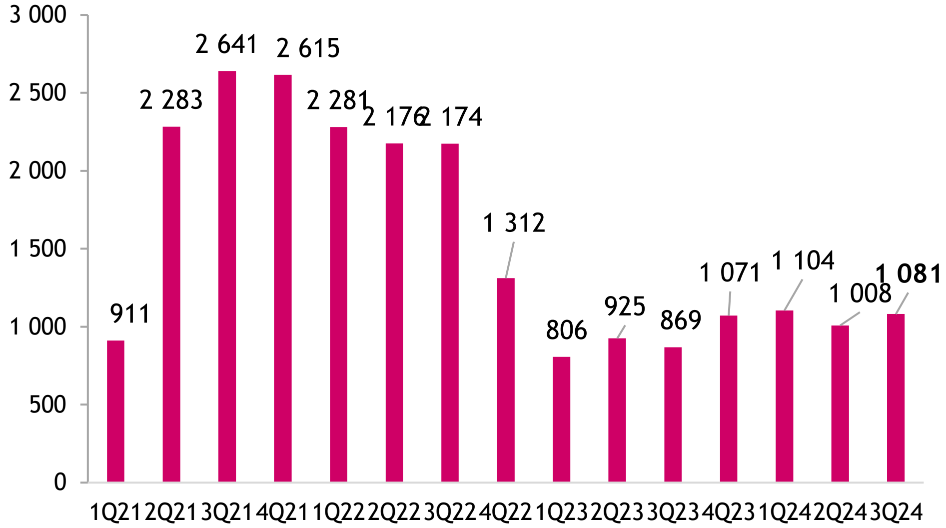
Outstanding individual lawsuits against BM Group (FX-mortgages)



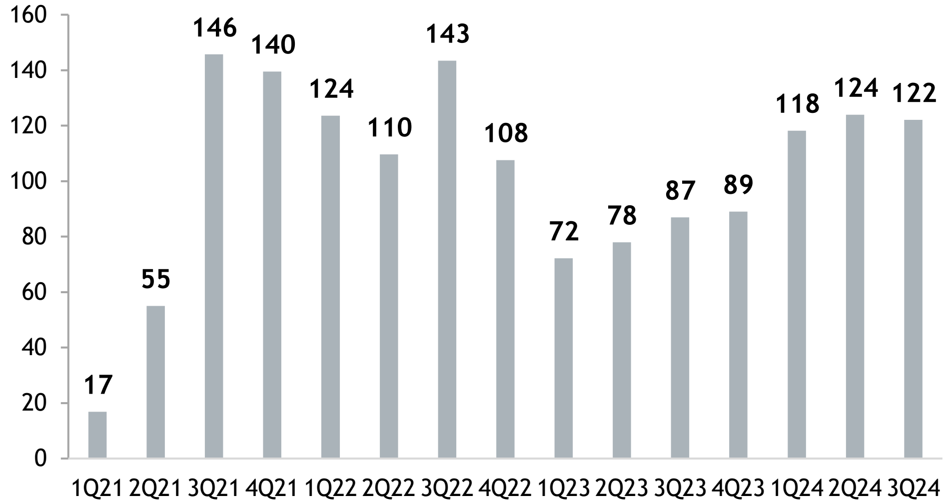
The Bank is highly focused on reduction of its FX-mortgage portfolio and the related risk and therefore continues to actively offer its customers amicable solutions (i.a. conversions to Polish zloty, pre-payments, early repayments or collectively 'amicable settlements') regarding FX-mortgages on negotiated terms. The number of amicable settlements reached 1,081 in 3Q24 (9M24: 3,193), slightly more than in the preceding quarter. Over 24,600 amicable settlements took place since early 2020 when more intensive effort started. These represent over 40% 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 3Q24 the number of active FX-mortgage loans decreased by 2,052 (9M24: 5,718) to 26,707, following the 5,586 drop in 2003 overall.

In 3Q24, costs related to amicable settlements totalled PLN122 million (1H24: PLN364 million) pre-tax and were booked in FX-result and in result on modifications. The cost of the settlements was broadly in line with this in 2Q24, though noticeably higher than in preceding periods, reflecting, among others, an increasing number and share of in-court settlements. In 3Q24, 406 such settlements were achieved, compared to 281 in 2Q24 and 536 in 2023 overall.

Amicable conversions and full repayments (#)



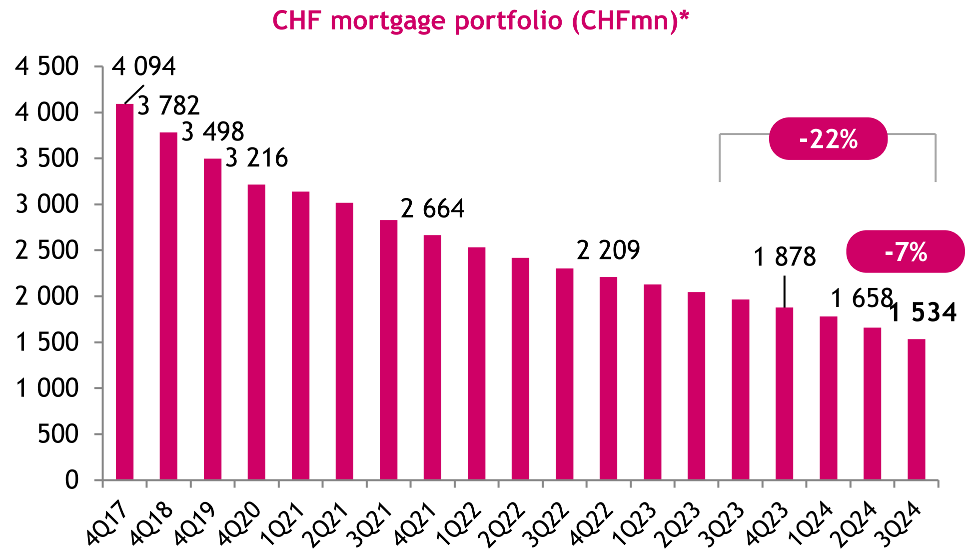
Costs of amicable settlements (PLNmn, pre-tax)



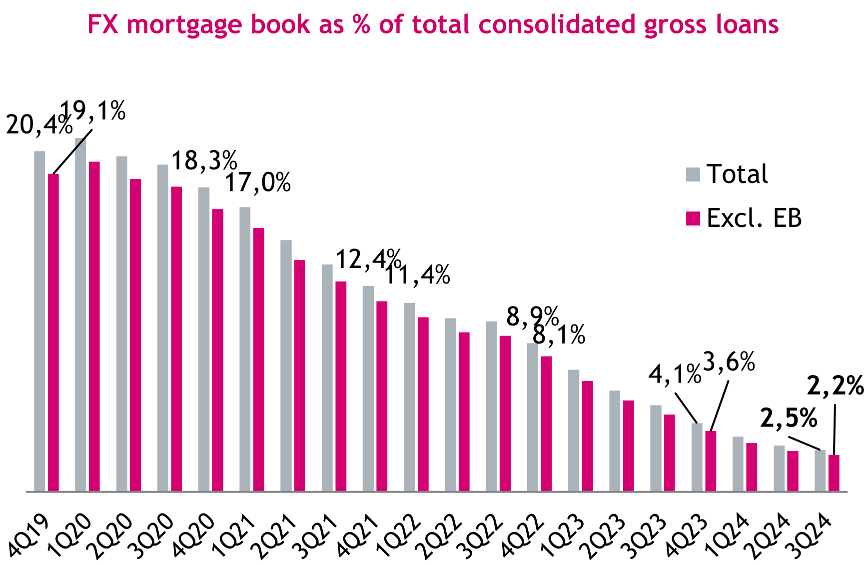
Note: some items might have been adjusted from the previously reported values

Legal and court costs, booked in admin costs and other operating costs, were broadly flat this quarter and totalled PLN105 million (9M24: PLN380 million).

As a result of these trends, the BM's FX-mortgage portfolio contracted 7% in 3Q24 (in CHF terms, gross, w/o impact of allocated legal risk provisions) while the y/y contraction rate accelerated to 22%. The share of total FX-mortgage book (gross loans less allocated legal risk provisions) in total Group's gross loans dropped to 2.5% at the end of September, while the share of FX-mortgage loans originated by BM dropped to 2.2%.

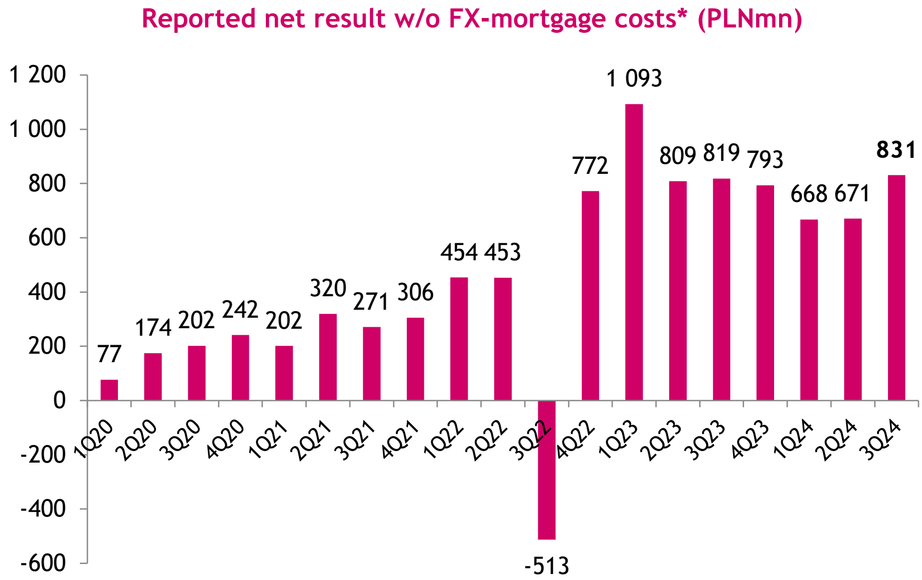


(*) Originated by Bank Millennium and without the deduction of allocated legal risk provision



Note: the share of total gross FX-mortgages not deducting allocated legal risk provisions was 9.3% at the end of September'24

Summing it all up, excluding all FX-mortgage related costs in 3Q24 (PLN738 million pre-tax/ PLN642million after tax) the BM Group would post, including the positive impact of adjustment of credit holidays cost, 3Q24 net profit of PLN831 million. This compares against adjusted 2Q24 net profit of PLN671 million and 3Q23 adjusted net profit of PLN819 million.



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

More information about the risk associated with the FX mortgage portfolio is presented in the further section of this report in chapter 10.

FINANCIAL RESULTS IN DETAIL

Group P&L

Group's operating income *(PLNmn)*	9M24	9M23	Change y/y	3Q24	2Q24	Change q/q
Net interest income	4 025	3 970	1%	1 489	1 182	26%
Impact of credit holidays on Net interest income	*(157)*	*0*	-	*44*	*(201)*	-
Net interest income adjusted*	4 182	3 970	5%	1 445	1 383	5%
Net commission income	589	592	-1%	199	191	4%
Core income	4 614	4 562	1%	1 688	1 372	23%
Core income without credit holidays	*4 771*	*4 562*	*5%*	*1 644*	*1 573*	*5%*
Other non-interest income	(213)	594	-	(27)	(48)	-
Total operating income	**4 401**	**5 156**	**-15%**	**1 660**	**1 324**	**25%**
Total operating income adjusted*	***5 097***	***4 791***	***6%***	***1 759***	***1 698***	***4%***

(*) Without fair value adjustment of credit portfolio (PLN3.2mn in 9M24 and PLN-0.3mn in 9M23), which is included in the cost of risk line

(**) Without extraordinary items, i.e. impact of credit holidays (initial provision of PLN-201mn in 2Q24 and a release of PLN44m in 3Q24), financial impact of insurance transaction (initial income of 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 9M24 reached PLN4,025mn on a reported basis and grew 1% y/y. This very modest growth was a result of credit holidays for PLN mortgage borrowers (initially PLN201mn booked in 2Q24 an then adjusted by a release of PLN44mn in 3Q24). NII without this effect was 5% higher y/y (up 5% q/q), mostly driven by the growth of the income from debt securities. The factors with negative impact on NII were lower market interest rates after the 100 bps central bank rates cut in September/October'23, coupon costs on MREL bonds (EUR500mn issue in September'23 and EUR500mn in September'24), and costs of securitised loan portfolios.

Net interest margin (over average interest earning assets) (NIM) averaged 4.39% in 3Q24 (without credit holidays impact mentioned above), i.e. 11 bps higher vs. the previous quarter. NIM in 9M24 was 4.35%, i.e. 37 bps lower vs. 4.72% in 9M23. 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 45 bps during 12 months to 2.27% in 3Q24 (from 2.72% in 3Q23) and some improvement in bonds yields had both a positive impact.

Net commission income in 9M24 amounted to PLN589mn and decreased by 1% y/y (up by 4% q/q). The slow growth was mainly caused by falling fees from bancassurance activity (down 20% 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 PLN4,614mn in 9M24 and grew only 1% y/y due to the impact of credit holidays. Core income without this effect would reach PLN4,771mn, which translates into a growth of 5% y/y (and 5% 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 PLN213mn in 9M24. Costs of amicable settlements negotiated with FX mortgage borrowers and legal costs related to FX mortgage loans (PLN580mn 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). The abovementioned factors make the analysis of the annual changes of this income line difficult.

Total operating income of the Group reached PLN4,401mn in 9M24 and decreased 15% y/y. Without the extraordinary income and costs mentioned above, the adjusted operating income would amount to PLN5,097mn, up 6% y/y (a growth of 4% q/q).

Total costs amounted to PLN1,656mn in 9M24, translating into an increase by 13% y/y.

Operating costs *(PLNmn)*	9M24	9M23	Change y/y	3Q24	2Q24	Change q/q
Personnel costs	(887)	(766)	16%	(303)	(295)	3%
Other administrative costs	(769)	(697)	10%	(250)	(210)	19%
of which Banking Guarantee Fund (BFG) fees	*(61)*	*(60)*	*1%*	*0*	*0*	*-*
Total operating costs	(1 656)	(1 464)	13%	(553)	(505)	10%
Total costs without BFG	*(1 595)*	*(1 404)*	*14%*	*(553)*	*(505)*	*10%*
Cost/income – reported	37.6%	28.4%	9.2 p.p.	31.5%	46.3%	-14.8 p.p.
*Cost/income - adjusted **	*30.8%*	*29.3%*	1.5 p.p.	*29.9%*	*28.1%*	1.8 p.p.

(*) without extraordinary income or cost

Personnel costs amounted to PLN887mn in 9M24 and increased 16% y/y (+3% q/q), mainly as a result of wage inflation feeding through higher base salaries and variable compensation. 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 September 2024, the total number of outlets stood at 610 and their number was reduced by 5 units vs. the end of September 2023. The number of Group's employees amounted to 6,696 FTEs at the end of September 2024 and was 1% lower y/y and on similar level as at the end of the previous quarter. Without employees absent due to long leaves ('active FTEs'), the headcount was lower at 6,338 staff.

Employment *(FTEs)*	30.09.2024	30.09.2023	Change y/y	30.06.2024	Change q/q
Bank Millennium S.A.	6 434	6 486	-1%	6 411	0%
Subsidiaries	262	290	-10%	299	-13%
Total Bank Millennium Group	6 696	6 776	-1%	6 710	0%
Total BM Group (active* FTEs)	6 338	6 306	1%	6 313	0%

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

Other administrative costs (including depreciation) reached PLN769mn in 9M24 and increased by 10% 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 (PLN87mn in the reporting period).

Cost-to-income ratio for 9M24 amounted to 37.6% and was higher by 9.2 percentage points vs. very low level in 9M23 (28.4%), mainly due to the impact of high one-off burden/income in 9M24 (cost of credit holidays) and in 9M23 (the income from 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 30.8% in 9M24 and was slightly higher (by 1.5 percentage points) than in 9M23.

Net profit *(PLNmn)*	9M24	9M23	Change y/y	3Q24	2Q24	Change q/q
Operating income	4 401	5 156	-15%	1 660	1 525	9%
Operating costs	(1 656)	(1 464)	13%	(553)	(505)	10%
Impairment provisions and other cost of risk*	(314)	(231)	36%	(123)	(71)	74%
Other modifications**	(77)	(41)	88%	(35)	(22)	62%
FX legal risk related provision	(1 656)	(2 364)	-30%	(533)	(575)	-7%
Banking tax	(134)	0	-	(99)	(35)	-
Pre-tax profit	564	1 056	-47%	317	117	170%
Income tax	(17)	(596)	-	(127)	111	-
Net profit - reported	**547**	**461**	**19%**	**190**	**229**	**-17%**
Net profit - adjusted*	***2 297***	***2 237***	***3%***	***796***	***834***	***-5%***

(*) Impairment provisions for financial and non-financial assets including also fair value adjustment on (PLN3.2mn in 9M24 and PLN-0.3mn in 9M23) and loans modification effect (PLN-34.3mn in 9M24 and PLN-26.8mn in 9M23)

(**) 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. impact of credit holidays (initial provision of PLN-201mn in 2Q24 and a release of PLN44m in 3Q24), financial impact of insurance transaction (initial income of 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 9M24) and hypothetical banking tax until the end of May 2024

Total cost of risk, which comprises 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 PLN314mn in 9M24 and was 36% higher versus the comparable period of the previous year due to higher provisions for loans to companies, especially in 3Q24 (PLN48mn). Risk charges for retail segment (including FX mortgage) were the main component of risk cost and amounted to PLN231mn in 9M24. Risk charge for corporate and other segments amounted to PLN82mn. In relative terms, the cost of risk (i.e. net charges to average gross loans) for 9M24 reached 53 basis points (annualised) and was 13 basis points higher than in 9M23 (40 basis points).

In 9M24, the Group booked in modifications line a part of costs related to settlements with FX mortgage borrowers in the amount of PLN77mn, 88% higher than in the corresponding period of the previous year.

In 9M24, 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 PLN1,656mn (PLN1,496mn excluding loans generated by former Euro Bank as they are subject to indemnity clauses and guarantees from Societe Generale). The provisions were lower by 30% than these created in 9M23 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 September'24, provisions for the portfolio originated by Bank Millennium were at the level of PLN7,702mn (an equivalent of 111% of the grossed-up FX-mortgage book) and at PLN722mn for the portfolio originated by the former Euro Bank.

Pre-income tax profit in 9M24 amounted to PLN564mn and was significantly lower (by 47% y/y) vs the level of 9M23 due to high one-off cost in 9M24 and one-off gains in 9M23 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 and in 3Q24 the Group reported banking tax in the total amount of PLN134mn.

In 9M24 the Group reported **net profit** of PLN547mn i.e. which was strongly higher (by 19%) than the profit of 9M23. The low level of income tax in 9M24 resulted from 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 9M24 and the income from sale of shares in bancassurance business in 9M23) the Group would achieve the net profit of PLN2,297mn in 9M24, i.e. 3% above the adjusted net profit of PLN2,237mn for 9M23.

Loans and advances to clients

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

Loans and advances to clients *(PLNmn)*	30.09.2024	30.09.2023	Change y/y	30.06.2024	Change q/q
Loans to households	57 594	56 150	*3%*	56 862	*1%*
- *PLN mortgage loans*	*37 548*	*35 706*	*5%*	*37 195*	*1%*
- *FX mortgage loans*	*1 849*	*3 822*	*-52%*	*2 041*	*-9%*
- *of which Bank Millennium loans*	*1 630*	*3 399*	*-52%*	*1 793*	*-9%*
- *of which ex-Euro Bank loans*	*219*	*423*	*-48%*	*248*	*-12%*
- *consumer loans*	*18 196*	*16 623*	*9%*	*17 626*	*3%*
Loans to companies and public sector	17 948	17 833	*1%*	17 783	*1%*
- *leasing*	*6 854*	*6 755*	*1%*	*6 808*	*1%*
- *other loans to companies and factoring*	*11 094*	*11 078*	*0%*	*10 975*	*1%*
Net loans & advances to clients	**75 542**	**73 983**	*2%*	**74 645**	*1%*
Net loans and advances to clients excluding FX mortgage loans	*73 693*	*70 161*	*5%*	*72 605*	*1%*
Impairment write-offs	1 704	2 587	*-34%*	2 601	*-34%*
Gross* loans and advances to clients	**78 150**	**76 570**	*2%*	**77 246**	*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 PLN75,542mn as at 30 September 2024 and increased 2% y/y (up by 1% q/q). Loans without FX-mortgage portfolio increased by 5% y/y. FX mortgage loans net of provisions decreased materially during the last twelve months (down 52%) 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 2.2% from 4.6% 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 PLN57,594mn at the end of September 2024, showing 3% 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 PLN37,548mn and grew 5% y/y, with the strong rebound in new loans origination: disbursements of those loans in 9M24 reached PLN4.8bn and grew by 50% y/y. Another component of retail portfolio, consumer loans, also presented a very good performance. The net value of consumer loans reached PLN18,196mn at the end of September 2024 and increased by 9% y/y. The cash loans origination in 9M24 reached PLN5.4bn, which implies 12.5% increase compared to the corresponding period of the previous year.

Net value of loans to companies amounted to PLN17,948mn at the end of September 2024 and increased slightly by 1% y/y (up 1% q/q). The modest growth 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. The more visible signs of rebound can be seen in in leasing portfolio, which grew 1% y/y and the value of new contracts for 9M24 grew by 26% y/y reaching PLN2.9bn.

Customers' deposits

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

Customer deposits *(PLN million)*	30.09.2024	30.09.2023	Change y/y	30.06.2024	Change q/q
Deposits of individuals	84 530	74 247	14%	83 429	1%
Deposits of companies and public sector	29 451	31 929	-8%	33 111	-11%
Total deposits	113 981	106 176	7%	116 540	-2%

Total customer deposits amounted to PLN113,981mn on 30 September 2024 and grew by 7% y/y (a decline by 2% q/q). Deposits of individuals reached PLN84,530mn as at 30 September 2024 and posted high growth of 14% y/y (up 1% q/q). Term deposits from retail clients grew by 21% y/y whereas current and saving accounts of individuals grew by 10% y/y.

Deposits of companies and public sector, which reached PLN29,451mn on 30 September 2024, contracted by 8% y/y (down 11% q/q) due to strong decline in term deposits from companies in 3Q24 caused by the tighter price management.

LIQUIDITY, ASSET QUALITY AND SOLVENCY

The liquidity position of Bank Millennium Group remained very strong in 3Q24. LCR ratio reached the level of 365% at the end of September 2024, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 66% and the share of liquid debt securities (mainly bonds issued by the sovereigns, European Union, multilateral development banks and NBP bills) in the Group's total assets remains significant at 35%.

Group loans quality and liquidity indicators *(PLNmn)*	3Q24	3Q23	Change y/y	2Q24	Change q/q
Total impaired loans	3 619	3 582	37	3 500	119
Impairment provisions	2 596	2 560	36	2 587	9
FV adjustment	11	27	-16	13	-2
Total impairment provisions and FV adjustment	2 607	2 587	20	2 601	7
Impaired over total loans ratio (%)	4.63%	4.68%	-0.05pp	4.53%	0.10pp
Loans past-due over 90 days /total loans (%)	2.18%	2.23%	-0.05pp	2.17%	0.01pp
Coverage ratio (Total provisions + FV adjustment/impaired loans) (%)	72.0%	72.2%	-0.19pp	74.3%	-2.3pp
Total provisions and FV adjustment/loans past-due (>90d) (%)	152.7%	151.4%	1.28pp	155.1%	-2.4pp
Liquidity Coverage Ratio (LCR) for Group	365%	299%	66pp	337%	27pp

The Group continued to exhibit a very good asset quality: the share of impaired loans in total loan portfolio remained at the low level of 4.63%. The share of loans past-due more than 90 days in total portfolio decreased y/y from 2.23% to 2.18% at the end of September 2024.

Coverage ratio of impaired loans was stable y/y at 72%. Coverage of loans past-due by more than 90 days increased during the year only slightly from 151.43% to 152.71%.

The impaired loan ratio in Mortgage portfolio decreased y/y from 2.39% to 2.35% at the end of September 2024, in other retail from 10.12% to 8.62%, while in the leasing portfolio increased from 4.49% to 5.14%. In corporate portfolio the ratio worsened from 3.20% to 4.69%.

Solvency

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

Main capital indicators* (PLNmn)	3Q24	3Q23	Change y/y	2Q24	Change q/q
Risk-weighted assets (RWA) for Group	44 208	44 901	-693	43 318	890
Risk-weighted assets (RWA) for Bank	40 530	41 827	-1 297	39 710	820
Own funds requirements for Group	3 537	3 592	-55	3 465	72
Own funds requirements for Bank	3 242	3 346	-104	3 177	65
Own funds for Group	7 929	7 472	457	7 421	508
Own funds for Bank	7 521	7 299	222	7 061	460
Total Capital Ratio (TCR) for Group	**17.94%**	**16.64%**	**1.30**	**17.13%**	**0.81**
Minimum required level TCR	12.21%	12.69%	-0.48	12.21%	0.00
Total Capital Ratio (TCR) for Bank	18.56%	17.45%	1.11	17.78%	0.78
Tier 1 ratio for Group	**15.30%**	**13.49%**	**1.81**	**14.26%**	**1.04**
Minimum required level T1	9.85%	10.21%	-0.36	9.85%	0.00
Tier 1 ratio for Bank	15.68%	14.06%	1.62	14.65%	1.03
Common Equity Tier 1 (=T1) ratio for Group	**15.30%**	**13.49%**	**1.81**	**14.26%**	**1.04**
Minimum required level CET1	8.07%	8.34%	-0.27	8.07%	0.00
Common Equity Tier 1 (=T1) ratio for Bank	15.68%	14.06%	1.62	14.65%	1.03
Leverage Ratio (LR) for Group	**4.82%**	**4.72%**	**0.10**	**4.41%**	**0.41**

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

In 3Q24, capital ratios significantly improved - the Tier 1 capital ratio (equal to the Common Core Tier 1 capital ratio) by 104 bps, and the total capital ratio by 81 bps. T1 capital (CET1) increased by PLN 585 million (9.5%), which resulted primarily from the inclusion of the 1st half of 2024 net earnings. At the same time risk-weighted assets (RWA) went up by PLN 890 million (2.1%), what was a result of the increased business activity. Total Own Funds rose by PLN 508 million/6.8%.

In 3Q24 financial leverage ratio rose by 41 bps, from 4.41,% to 4.82%, which was caused mainly by an increase of T1 capital (by 9.5%), while the total exposure measure almost flat. The surplus over regulatory minimum of 3% is equal to 182 bps.

Minimum required level of capital includes:

- Pillar II RRE FX buffer - KNF recommendation to maintain additional own funds for the coverage of additional capital requirements to secure the risk resulting from FX mortgage loans granted to households, in line with art. 138.1.2a of Banking Act. A value of that buffer is defined for banks by KNF every year because of Supervisory review and Evaluation process (SREP) and relates to risk that is - in KNF's opinion - inadequately covered by minimum own funds requirements, set in CRR art. 92. At present, the buffer was set by KNF in recommendations issued in the end of 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 1.20pp in the Bank and the Group, and which corresponds to capital requirements over CET 1 ratio of 0.82pp in the Bank and the Group;
- Combined buffer – defined in Act on macro prudential supervision over the financial system and crisis management – that consists of:
    - Capital conservation buffer at the level of 2.5%,
    - Other systemically important institution buffer (OSII) – at the level of 0.25%, and the value is set by KNF every year,
    - Systemic risk buffer at the level of 0%, reduced from 3% in March 2020,
    - Countercyclical buffer at the 0% level.

In December 2023, the Bank received a recommendation to maintain own funds to cover an additional capital charge (“P2G”) in order to absorb potential losses resulting from the occurrence of stresses, at the level of 1.59pp 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 third 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.

The Bank expects regulator’s cyclical communication on the level of required P2R ratio late in 4Q24.

MREL REQUIREMENTS

3Q24 saw a substantial increase of MREL ratios, reflecting higher capital ratios on the one hand and inaugural MREL Green Senior Non-Preferred bonds issue in September’24 on the other hand. The bonds, issued under the existing EUR3bn Medium Term Note Programme have a five year tenor (5NC4 format). Significantly oversubscribed, the bonds were priced at 295bp spread over mid-swaps, which translated into a fixed coupon of 5.308% in the first four years. This favourably compares with the debut 2023 issue of 4NC3 Senior Non-Preferred bonds. The bonds are listed on the Luxembourg Stock Exchange. Rating agency Moody's has assigned a Ba2 rating and Fitch Ratings has assigned a BB+ rating to the bonds.

MREL trea ratio increased to 28.6% (22.9% at the end of June’24) with a surplus over the required level (20.78% including CBR) widening further. MREL tem ratio increased to 9.0% (7.0% at the end of June’24), moving further above the required level of 5.9%.

LONG-TERM FUNDING RATIO (LTFR)

According to the recommendation of the Polish Financial Supervision Authority from July 2024, banks will be required to maintain a Long-Term Funding Ratio (LTFR) of at least 40% from December 31, 2026. As of the end of September this year, the LTFR for the Group was 27%. The Group intends to meet the requirements of the aforementioned recommendation through a series of actions, including issuance of mortgage-covered bonds by its the mortgage bank subsidiary - Millennium Bank Hipoteczny (MBH).

In June this year, MBH conducted its first issuance of mortgage-covered bonds. The issuance, with a total nominal value of PLN 300 million, was directed at institutional investors. The total demand exceeded PLN1.1 billion. The issuance date of the covered bonds was June 12, 2024, and their maturity date is June 11, 2027. The instruments were priced in the book-building process at 57 basis points above the 3M WIBOR rate. Declarations to purchase the offered covered bonds were submitted by 50 investors, and the total amount of collected subscriptions exceeded PLN 1.1 billion.

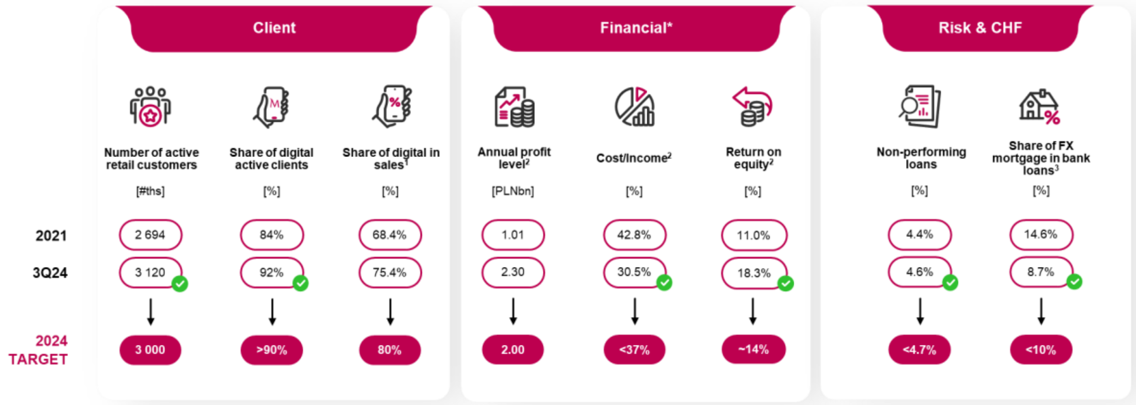
The bonds were assigned a rating of AA+ with a positive outlook by the Fitch rating agency, and after the upgrade of Bank Millennium's rating at the end of June this year, the rating was raised to AAA.

After the balance sheet date, in October 2024, MBH conducted another issuance of mortgage-covered bonds. The 5-year covered bonds of series 2, with a total nominal value of PLN 500 million, will bear interest at a variable rate based on the 3M WIBOR rate plus a margin of 80 basis points.

STRATEGY IMPLEMENTATION

The Bank's new strategy for years 2022-2024 was announced in 4Q21. The strategy clearly defines key business areas that will contribute to the execution of the assumed targets.

The Bank monitors the execution of accepted strategic targets.



(1) calculated as an average of digital sales shares in key products volumes; (2) Excluding FX-mortgage book related costs, credit holidays and with hypothetical bank tax in Jan-May'24; (3) W/o deduction of allocated legal risk provisions

(*) Data for 9M24 period

After 3Q24 the Bank notes that most results are on track to be delivered at levels targeted in 2024. Additionally, a range of other business achievements were delivered, including:

1. Portfolio agreement of the guarantee line under the InvestEU Program concluded with the Bank Gospodarstwa Krajowego (BGK) to facilitate entrepreneurs' access to working capital and investment loans
2. Completion of the subscription of the first green bonds with a nominal value of 500 million euros. The bonds were issued under the existing EMTN program as 5-year senior unsecured debt securities.
3. New digital Solutions: Electronic signature mSzafir, available fully remotely for bank's retail customers
4. Providing customers affected by the recent flood with the opportunity to take advantage of non-refundable assistance from the Borrowers Support Fund
5. A trusted brand: Bank Millennium is on the prestigious list of the world's most trusted brands World's Most Trustworthy Companies 2024 (Statista and Newsweek)
6. Awarded for the use of plain Polish in responses to complaints by the rector of the University of Wroclaw
7. Best digital bank: Millennium Bank has once again been awarded the title of the best consumer digital bank in Poland(Best Consumer Digital Bank in Poland – Global Finance magazine)
8. Quality recognition: Bank Millennium among the top 10 banks in Europe in terms of customer experience - „The European Banking CX Index" by Forrester

In the second and third quarters, the Bank worked intensively on preparing its strategy for the years 2025-2028. The publication of the strategy coincides with the presentation of the third-quarter results.

BUSINESS TRENDS AND HIGHLIGHTS

Bank Millennium continues to pursue its strategy of adapting the format and functions of its branches as well as its remote service to 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. Employees put a lot of focus on educating customers and encouraging them to use remote channels.
Through education, customers become familiar with banking using 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 - we focus on getting them properly acquainted with our offer and convenient forms of banking. In the case of customers with a relationship with the Bank - we introduce them to new banking options that differ from their previous habits. We provide guidance on how to use modern channels for processing transactions and placing orders.

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

Bank Millennium continues its efforts in the area of increasing customer satisfaction also in terms of communication clarity and plain language.
We are simplifying the texts provided 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 more types of texts.
We are fulfilling the commitments deriving from the 'Declaration of banks on the plain language standard' signed by the Bank in 2020. Bank Millennium was the first Bank in Poland to receive a certificate of plain Polish language for responses to complaints. The certificate is awarded by the Rector of the University of Wrocław. In a qualitative study, the auditors of the Plain Polish Language Unit (Pracownia Prostej Polszczyzny) appreciated:

- proper information architecture and visual navigation,
- clear style of responding to complaints,
- phrases that support the relationship,
- a high level of linguistic politeness.

Bank Millennium's actions were recognised in the prestigious ranking, which focuses on the quality of customer service.
Bank Millennium was ranked among the 10 best banks in Europe in terms of customer experience. It achieved a high position in the report 'The European Banking CX Index' created by the Forrester agency.

RETAIL BANKING

In 3Q24, the Bank increased its active client base by almost 38 thousand. On September 30, 2024 the Bank provided services to nearly 3.12 million active retail clients.

Sale of current accounts in 3Q24 almost reached the level of 112 thousand - increase by 3% vs. the previous quarter. The key product supporting acquisition of new clients was the Millennium 360° account.

3Q24 was a period of moderate growth in the volume of retail deposits. Maintained relatively high interest rates on term deposits and savings accounts encouraged customers to take advantage of promotional offers. As a result, the Bank increased the volume of retail customer deposits in 3Q24 by

PLN1.3bn. This translated into a retail deposit balance of PLN89.4bn at the end of September'24. The Bank enhanced its marketing communication regarding the savings offer and continued to acquire new volumes based on the Profit Savings Account (KO Profit) with attractive interest rates for new funds while improving interest spread through price adjustments to market levels.

In 3Q24, Bank Millennium concluded new contracts of mortgage loans with a total value of PLN1.3bn. The result placed the Bank with a market share in sales of 7.3% (market share for July-August). The offer includes mortgage loans with a periodically fixed interest rate for the first 5 years. The Bank's lending operation was based on the unconditional 0% commission for granting the credit and 0% commission for early repayment.

In 3Q24, the Bank recorded cash loan sales of PLN 1.95 billion. This gives similar result to the level of the 2Q24. The Bank's sales market share of cash is estimated at 10.51%. The Bank's market share in cash loan balance at the end of August 2024 reached 9.10%.

86% of contracts in terms of quantity and 75% in terms of value were finished in digital channels, emphasizing the key importance of omnichannel in the lending process. Finalization in digital channels complements the importance of the network of own and franchise branches and also telemarketing, thanks to which each customer can choose the most convenient path for themselves with or without the participation of advisors.

The Bank maintained the upward trend in the payment card portfolio with the result of 3.94 million cards at the end of September 2024 (+1% vs. 3Q23). The turnover in 3Q24 amounted to PLN20.622mn on debit cards (+11% vs. 3Q23) and PLN1.930mn on credit cards (+11% vs. 3Q23).

Business results was supported by new product solutions, including the implementation of a multi-currency service enabling payments with a debit card in foreign currencies directly from a currency account. As of July 1, 2024, the Bank withdrew the HCE service enabling card payments by phone, offering customers other options for card payments by phone (Google Pay, Apple Pay, contactless BLIK).

3Q24 was a volatile period on capital markets. The Polish mutual fund market saw positive net inflows supported by improved asset valuation. Capital markets sentiment and initiatives undertaken by the Bank had a positive impact on mutual fund sales and resulted in positive net sales of PLN708mn in 3Q24.

The Bank, especially in the retail customer segment, maintained the focus on developing and promoting regular investment, including, among others, the investment advisory service. This service provides customers with an easy and convenient way to access investment products, especially by investing even small amounts on a regular basis. All these efforts resulted in record 10.7 thousands. of new regular fund registers opened in 3Q24 and reaching over 40 thousands. regularly investing clients. The special strategy of rewarding the use of remote channels was also continued, with a reduction to 0% in handling fees for the purchase of selected units through Millenet and the Mobile Application. Bank maintained the offer of structured deposits with guaranteed profit and capital protection.

In 3Q24 Bank Millennium opened 11.1 thousands business current accounts. Compared to the third quarter of previous year this means 29% increase. 78% of all business current accounts during this period were opened in digital processes, which means increase by 11 p.p compared to third quarter of the previous year.

In 3Q24, Bank recorded the sales level of business loans to the level of PLN254mn. Compared to the third quarter of last year this means a 8.5% increase and increase of 5.9% compared to the previous quarter.

The market share in sales of loans to the micro segment increased from 4.7% in the second quarter to 6.0% in the first two months of the third quarter.

CORPORATE BANKING

In the third quarter, we conducted a satisfaction survey of corporate banking customers. As many as 85% of the surveyed customers are very satisfied with the support of our Relationship Managers (RM NPS 77), and 88% are very satisfied with the ongoing operational cooperation with Consultants. The Bank's NPS for the corporate banking line was 47 points. These results confirm our high competence and commitment to ensuring the highest quality of service processes. At the same time, the results of the survey are feedback from our customers, setting the directions for further work on our product portfolio and the development of digital services offered to customers.

Digitalisation of customer service processes

In 3Q, 63% of credit agreements were signed using a qualified electronic signature, 75% of FX transactions were executed on the Millennium Forex Trader currency exchange platform, and 84% of guarantees were issued in the form of e-guarantees. The share of customers using Millennium Leasing's eBOK is also growing – at the end of September it was already 94% of leasing customers, while electronic applications related to handling agreements and leased assets since the beginning of the year have accounted for 56.2% of all leasing applications submitted by customers, and 53% of lease agreements in the corporate banking segment have been signed electronically.

Mobile Banking

Continuing the development of the Bank Millennium Mobile Application for Companies, we focused on the card handling module. To the previously available functions, i.e. card list, transaction history, card activation, PIN change and card cancellation, we have added the possibility of temporary card blocking, preview of confidential card data, option to download a PDF confirmation for any card transaction, as well as to download a credit card statement (chargé).

Millennium Leasing eBOK in Millenet for Companies

We have expanded the functionalities of the eBOK service with a transparent history of settlements, 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.

Transactional Banking

We have piloted a new solution to automate cash processes for our clients. In cooperation with the subcontractor, we launched the so-called "deposit machines". A deposit machine works similarly to a cash deposit machine. It identifies the depositors, calculates the payment, and issues a confirmation. Information about the payment is transferred electronically to the Bank and automatic posting is effected. Such a process provides the customer with quick access to cash on the account, reduces the cost of preparing deposits (time, envelopes) and reduces the number and cost of convoys.

Credit products

Financing with the support of guarantees from Bank Gospodarstwa Krajowego

We have concluded a portfolio guarantee line agreement with Bank Gospodarstwa Krajowego (BGK) under the InvestEU Program. As a result, the bank's customers from the small and medium-sized enterprise segment will be able to take advantage of the new Investmax guarantee. It will facilitate entrepreneurs' access to working capital and investment loans. The Investmax guarantee is designed for entrepreneurs in the SME sector, with a particular focus on micro-entrepreneurs. For them, the guarantee under the microfinance formula will be provided free of charge. In other cases, the fee for granting the guarantee is 0.3%. The Investmax guarantee will be able to secure 80% of the principal of a working capital or investment loan.

Financing with the support of the Export Credit Insurance Corporation

We have expanded the offer of loan guarantees granted by the Export Credit Insurance Corporation (KUKE). Corporate Banking Clients have the option to cover with KUKE guarantee the repayment of loans granted to exporters for their investments in Poland, and KUKE guarantee is available to exporters who apply for a loan to finance their current operations, including the refinancing of their existing loan. This guarantee is available to customers who have generated export revenues of at least 20% of total annual average revenues over three years out of the last five years. The guarantee can secure up to 80% of the loan amount. There is no limit to the amount of the guarantee, and a loan secured by the guarantee can be granted for a maximum of 12 months.

Customer events

We undertake a number of activities that enable us to expand the knowledge of our clients and build a community of entrepreneurs. We provide clients with up-to-date and reliable knowledge about the economy, ESG-related issues and new solutions that may affect financial management. We carry out our activities independently and together with our partners, in particular through the participation of our experts in events addressed to representatives of companies and cooperation with organizations associating entrepreneurs.

Baltic Economic Congress

We were a partner of the 3rd Baltic Economic Congress in Szczecin. The event organized by the Northern Chamber of Commerce was attended by many distinguished guests from the world of business, science and public administration. The inaugural lecture was given by Professor Leszek Balcerowicz, the special guest was Jerzy Owsiak, and the chief economist of our Bank, Grzegorz Maliszewski, took part in a debate on the prospects for the development of the Polish economy.

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. Representatives of companies could participate in a webinar devoted to the outsourcing of HR and payroll processes.

Forbes Family Business Forum

As part of the 7th edition of the Forbes Family Business Forum, of which our bank is a co-initiator and strategic partner, a series of 9 local meetings with representatives of Polish family businesses began. During the ceremonial galas, the bank's representatives take part in discussion panels, share knowledge during short lectures, and the main part of each evening is award ceremony for the best family businesses in a given voivodeship, included in the ranking prepared by Dun & Bradstreet on the basis of objective financial criteria.

Millennium Leasing

Total lease production at the end of September 2024 was 12,754 agreements with a total net value of PLN28618mn. This is 26.3% more than in the same period last year. In this period, we recorded an increase in sales in the group of heavy transport assets by 45.6%, light transport by 27.6% and machinery and IT by 16.8%. The value of capital employed in active lease agreements amounted to nearly PLN6.9bn at the end of September. A significant part of our leasing production was carried out as part of the so-called vendor cooperation, i.e. with suppliers of leased assets financed by us. At the end of September, we cooperated with over 1400 vendors, completing transactions with 2700 clients during the 3 quarters of this year for a total net value of PLN740mn.

In January 2023, we launched leasing with a de minimis guarantee from BGK, as the first leasing company on the market. In the period of 3 quarters of 2024, we signed 2501 leasing agreements with this guarantee for a total net value of PLN546mn.

As part of the leasing of environmentally friendly assets, which has been in our offer since April 2023, entrepreneurs can comprehensively finance green assets on preferential terms. The offer includes a wide selection of assets from 40 groups, among which the most important are machines and equipment. Moreover, the offer combines the opportunity to use various programs and promotions: lowering leasing instalments, the MilleSun program dedicated to financing installations deriving energy from renewable sources and Mój elektryk program, which allows you to receive subsidies for leasing of zero-emission vehicles.

DIGITAL BANKING

We ended the third quarter of 2024 with 2.86 million (+7% y/y) active digital channel users. As much as 2.6 million users actively use mobile app. This gives an increase in mobile users of 7% y/y. In the third quarter of the year, as many as 1.98 million customers used BLIK (growth by 15% y/y).

Digital share in sales and acquisition

We are observing a steady increase in the share of digital channels in sales. Digital channels accounted for 84% of cash loan sales in 3Q 2024 and 95% of term deposit sales, meaning 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 was 43%. Specifically in the children's account acquisition, digital channels account for more than half of open accounts (52%).

The communication activities we undertook, in which we encouraged customers to save regularly, were a success. There are already more than 100,000 customers who, using a standing order, regularly deposit their money in a savings account.

BLIK Payments

We can see a strengthening of the dominance of BLIK services available on the Bank's mobile app. Contactless payments are particularly growing in popularity, with an increase of 63% in the number of transactions and 53% in the number of users compared to the same period last year. If we include code, contactless, deferred payments and phone transfers together, the year-on-year increase is 37%.

Public benefits applications

July saw the start of the new benefit period of the Good Start 300+ programme. Our customers submitted 245,000 applications for almost 345,000 children through banking channels.

Since 1st October, applications under the Active Parent programme have been available in electronic banking, replacing the previous applications under the Family Care Capital and the nursery subsidy. Since the launch of the programme, our customers have submitted a total of more than 16,000 applications, giving Bank Millennium more than a 30% market share among banks offering the service.

In response to the government's support for flood victims, applications for non-refundable assistance for borrowers from the Credit Support Fund are available in electronic banking. The application in Bank Millennium was made available on the same day that the government programme was launched.

What's new in digital channels

- **Redesign of the mobile app for retail customers.** We have made subtle but important changes in the mobile app, in line with the latest standards. Since October, all customers can already use the new menu and the app's rating remains high.
- **Charity Transfer - support for flood victims**. Customers can easily transfer their support directly to the account of the Polish Red Cross or Caritas Poland. In just 3 weeks, customers donated as much as PLN 1.5 million in this way.
- **Mobile signature mSzafir**. Together with KIR, the Bank provided its customers with the possibility of using a mobile signature and identity confirmation.

- **Top-up codes for Netflix, Steam, Amazon**. The offer of recharge codes available in the mobile app has been supplemented by new providers. The advantage of the solution is that the codes can be purchased in a single app, without entering card details.
- **Mobile app for companies.** We continue to develop the options available in the Bank Millennium app for companies, which turned one year old in May. Customers have gained new options for managing payment cards.

Goodie application

In 3Q24 the goodie cashback service continued its upward trend. The number of transactions made in this period increased by 45% y/y and the value of these transactions by 30%.

Numerous promotions were carried out to encourage users to use the service frequently. During this period, new formats of promotional campaigns were also introduced aimed at both activating current users and acquiring new ones. Thanks among others to these activities, also the number of active users of the cashback service in 3Q24 increased compared to the same period in 2023 by 50%.

Sales of goodie gift cards in 3Q24 recorded a significant increase of over 50% y/y.

ESG ACTIVITIES: ENVIRONMENTAL, SOCIAL, GOVERNANCE

Bank Millennium conducts business in a responsible and ethical manner, with the environment and local communities 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.

The Bank also supports UN Sustainable Development Goals and is a signatory of the 10 UNGC principles and Diversity Charter.

The most important ESG activities carried out in the third quarter of 2024

Green Bond issue

Bank Millennium placed its first Green Bonds issue of the nominal value of 500 million EUR. In this way, the bank ensures the flow of funds towards green initiatives that fit into the business strategy and also respond to investors' expectations. The green bond issue attracted strong interest from investors, who subscribed for more than five times the number of bonds the Bank offered.

Green bonds enable capital to be raised and invested in new as well as existing projects with environmental benefits. The funds raised from the Green Bond issue will be used to finance and refinance energy-efficient properties or projects related to the production of energy from renewable sources that meet the criteria of the Green Bond Framework.

The bonds were issued on 25 September 2024 under the existing EMTN programme as 5-year senior non-preferred debt securities with an early redemption option 4 years after the issue date.

Green Bond Framework and Sustainalytics' Second Party Opinion are available on the Bank's website: Debt Securities - Bank Millennium: www.bankmillennium.pl/about-the-bank/investor-relations/debt-securities#zielone-obligacje.

Expanding cooperation with BGK

Bank Millennium concluded an agreement on portfolio guarantee line under the InvestEU programme with Bank Gospodarstwa Krajowego (BGK). As a result, the Bank's SME customers will be able to take advantage of the majority of the guarantees offered from the funds. In this way, the Bank is making it easier for entrepreneurs to access working capital and investment loans.

Thanks to the guarantees, Bank Millennium can offer companies, among other things, a longer financing period or a smaller own contribution. The Bank is also supporting companies in the green change by not charging an origination fee for green financing.

The Investmax guarantee is designed for entrepreneurs in the SME sector, with a particular focus on micro-entrepreneurs. For them, the guarantee under the microfinance formula will be provided free of charge. In other cases, the fee for guarantee provision is low at 0,3%. The Investmax guarantee will be able to secure 80 per cent of the principal of a working capital or investment loan.

Bank Millenium plans to make the Investmax guaranteed loan offer available on preferential terms in Q4 of this year.

Bridge loan with subsidy

Bank Millennium's offer is a combination of a bridging loan with subsidy and a long-term investment loan. The bridging loan allows companies to finance eligible project costs for the part covered by the subsidy and is granted in an amount equal to the subsidy. The remainder of the project will be covered by a long-term investment loan.

If the financing covers the so-called green project, i.e. e.g. energy transformation of the company, reduction of material consumption in production process, the company can count on preferential terms from Bank Millennium – no fee for granting financing and a loan term of up to 15 years.

In addition, entrepreneurs can count on the assistance of EU experts, who will point out the subsidy programmes worth taking advantage of in order to increase the financial effectiveness of the investment being made.

Assistance to people affected by the floods

In connection with the flood in the south of Poland, Bank Millennium has made available, in its mobile app, the option of simple transfer of money to those in need - "Pomagam [I Help]" transfer. A transfer form allows to quickly provide support to those in need. it does not require to enter an account number or the title of the transfer, just to select an organisation and an amount; once approved, the money will go directly to the selected organisation's account: The Polish Red Cross or Caritas Polska.

The Bank also made a donation of 1 million PLN to the Polish Red Cross and Caritas Poland to support those in need.

Our People'24: Save the Planet - end of sports part and start of eco-volunteering

July saw the completion of the first part of Bank Millennium's largest sports-volunteer initiative. More than 1,400 Bank employees took part in the sporting challenge, which lasted three months. Participants in the sports campaign burned a total of 31 mln calories, recorded over 18 thousand exercises, covered over 214 thousand kilometres on their feet, and over 317 thousand kilometres on wheels. Scores gained were recalculated into PLN.

The sporting goal was achieved. Bank Millennium allocated 250 thous. PLN for the promotion and implementation of voluntary activities involving own initiatives that Bank Millennium Foundation volunteers will implement this year.

Volunteering includes green initiatives and, in the wake of the flood crisis in southern Poland, volunteers can submit projects to support those affected.

The submitted initiatives are now being approved by the jury and the Bank Millennium Foundation Management Board and implemented by the volunteers on an ongoing basis. The campaign is planned to end on 20 November 2024.

Support for Paralympians

28 August saw the start of the 17th Paralympic Games in Paris, which brought together the best athletes from around the world, including the #CorinneRunsForGood project grantees from Poland and Ukraine, which is supported by Bank Millennium. Within this support, for the fourth time the Bank funded stipends to sportswomen, making its contribution to the collection to support this goal in collaboration with Martyna Wojciechowska Unaweza foundation and campaign #CorinneRunsForGood.

The 12th edition of the Financial ABC under the honorary patronage of the Ombudsman for Children has ended

The Bank Millennium Foundation has completed the 12th edition of the Financial ABC, an original educational programme aimed at children and their parents. Altogether 234 workshops have been implemented, attended by 5 381 children in 69 kindergartens, meaning that the Foundation has visited 1 000 kindergartens since the beginning of the programme. The 12th edition of the programme was held under the Patronage of the Ombudsman for Children. The programme was supported by volunteering employees of Bank Millennium. The workshops promote an attitude of openness, charity, activity and creativity. At the meetings, the children learn about the nature of money, the principles of saving, online safety and new technologies that will help them get a head start in their adult lives, so that they can manage their budgets and spending wisely in the future.

International Festival of Traditional Jazz "Old Jazz Meeting - Złota Tarka"

In August the next edition of the International Traditional Jazz Festival Old Jazz Meeting ‘Złota Tarka’ took place, which the Bank has been sponsoring for more than 20 years. This event is highly regarded on the Polish and international music scene and has had their loyal fans for years. During the festival, stars of the Polish and world music scene performed. The event's guests included, inter alia: Leszek Możdżer, Urszula Dudziak and Grażyna Auguścik.

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 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 carried out in Q1 of 2024. In Q2, Green Academy participants took an exam, after passing which they obtained certificates. Subsequently, in Q3 of this year, they implemented the Module 2. By the end of October, in line with the scheduled agenda of the training programme, participants are obliged to take an exam.

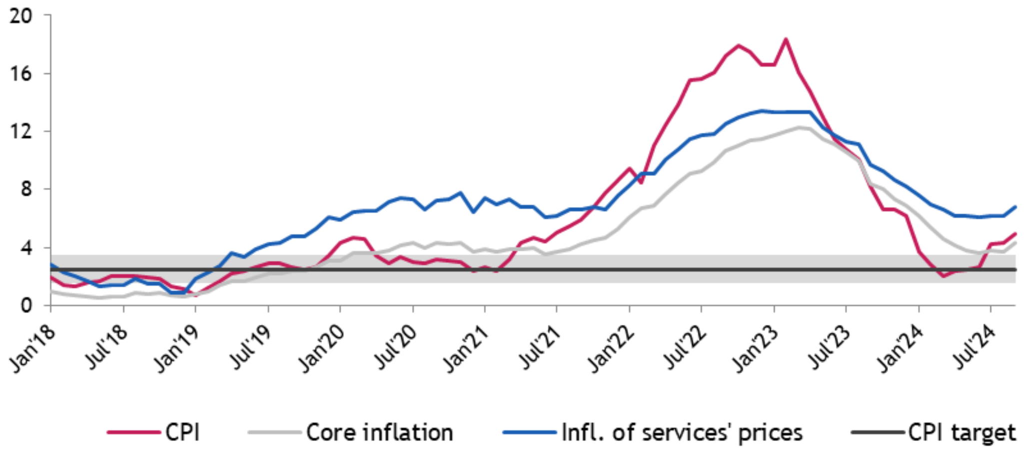
MACROECONOMIC SITUATION

The data coming in 3Q24 were in line with the disinflation scenario in many economies, which increased the probability of achieving medium-term inflation targets. At the same time, the economic outlook deteriorated, for example for the eurozone, especially for Germany. In such an environment, the European Central Bank continued in Sep'24 and Oct'24 the cycle of interest rates cuts. Moreover, the US Federal Reserve joined the group of central banks easing monetary policy. These decisions were conducive to interest rate cuts in the region: in Czechia and Hungary. At the same time, the Chinese economy, the second largest in the world, was growing in 3Q24 at a stable pace, although it was quite slow compared to historical data. Many central banks will continue to cut interest rates in the coming quarters.

As in the case of the euro zone, economic activity in Poland in 3Q24 turned out to be lower than expectations from a quarter ago, although the scale of the surprise was not large. According to the Bank, GDP growth slowed down in 3Q24 to 2.9% y/y from 3.2% y/y in 2Q24. Growth was propelled by household spending, especially on services, which benefited from quickly growing wages in real terms, as well as from significantly higher social benefits (800 plus) and pension benefits than a year ago. However, an increased consumers' propensity to save was also visible. Unemployment continued in 3Q24 to be very low, although employment declined slightly in some sectors.

In 3Q24 CPI inflation in Poland increased to an average of 4.5% y/y from 2.5% y/y a quarter earlier, mainly due to an increase in administered energy prices. This means that inflation has again exceeded the upper limit (3.5% y/y) of acceptable deviations from the inflation target. In 3Q24, core inflation, calculated as the CPI excluding food, fuel and energy carriers' prices also increased. It amounted to an average of 3.9% y/y vs 3.8% y/y in 2Q24. Core inflation continued to be significantly boosted by high and persistent inflation in services' prices. In 3Q24 it increased to 6.4% y/y from 6.2% y/y a quarter earlier. In such conditions, in 3Q and at the beginning of 4Q24, the Monetary Policy Council kept interest rates unchanged. The Governor of the National Bank of Poland communicated the possibility of their further stabilization at least until 2Q25. Bank Millennium also expects the interest rate cut cycle to resume in 2Q25 at the earliest.

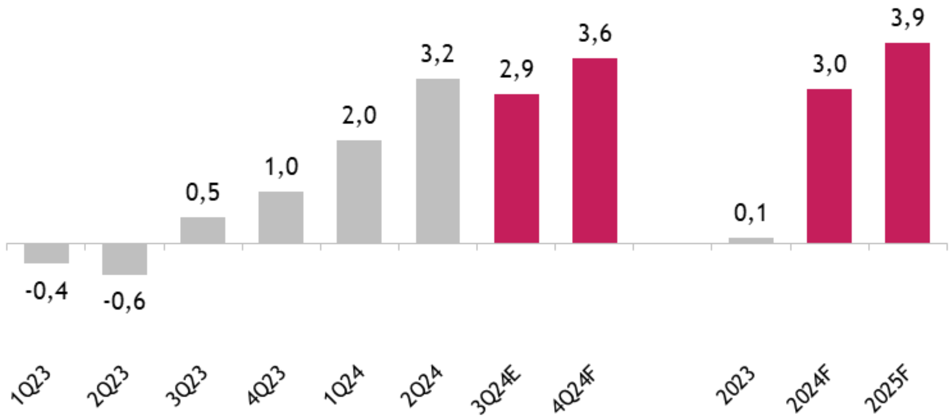
CPI, core inflation and inflation of services' prices (% /y)



In an environment of positive real interest rates in 3Q24, deposits in the banking sector continued to grow. In Sep'24, their value amounted to PLN2.0tn and was PLN31.5bn higher than at the end of 2Q24. This was due to an increase in both household deposits (+PLN15.4bn) and deposits of non-financial corporations (+PLN8.8bn). At the end of Sep'24, the total value of deposits in the economy was 5.8% higher than in the corresponding period of the previous year, with the increase in household deposits amounting to 8.4% y/y. The favourable income situation of households was conducive to savings' increase, although deposits' yearly growth slowed down. At the same time, the value of deposits from non-financial companies was lower than year ago by 1.7% y/y. In 3Q24, the value of newly granted loans was similar to 2Q24.

For the entire year 2024, the bank expects GDP growth to accelerate to 3.0% from 0.1% in 2023, which means only a slight downward revision compared to the forecast from the previous quarter. Private consumption should support GDP growth given expectations of households' still good income situation. According to the Bank's scenario, GDP growth in 2025 will accelerate to 3.9%. This is because expected solid consumer spending should be accompanied by stronger investment demand (supported by European funds under the National Recovery Plan and the Cohesion Fund), as well as by increased exports. During the 3Q24 the GDP forecast for 2025 was not significantly modified.

GDP and its forecasts (% y/y)



According to the Bank, CPI inflation will increase in 4Q24 to 5.0% y/y from 4.5% y/y in 3Q24. In 1Q25, CPI should continue to rise, while the scale of increase will depend on the government's decision on regulated energy prices. We assume that the protective measures will be partially extended, at least for 1H25. At the beginning of 2025, an increase in excise duty rates on tobacco products and alcohol will also contribute to higher inflation. In the baseline scenario Bank assumed that the average annual CPI inflation will increase in 2025 to 4.6% y/y from the estimated 3.7% y/y in 2024. In the case of core inflation, the Bank expects a slight decrease – to 4.1% y/y from 4.3% y/y, which, however, means that the NBP inflation target will continue to be significantly exceeded. Nevertheless, from 2Q25 onwards, inflation is likely to be in a downward trend. Together with the easing of monetary policy abroad, this should open up space for interest rate cuts in Poland. In the baseline scenario, the Bank assumes a decrease in the main policy rate to 4.75% at the end of 2025 from 5.75% currently, i.e. by 100 basis points. The small expected scale of cuts results from forecasts of quicker than the long-term average wage growth as well as from the expected continued expansionary fiscal policy. The macroeconomic scenario for the domestic economy is burdened with uncertainty, primarily related to the geopolitical situation and economic activity abroad.

Factors of uncertainty for the economy and the Bank Millennium Group

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

- Global political situation. This 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 countries of significant economic importance. 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 złoty 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 in Germany. This would have a negative impact on the financial results of Polish enterprises, which could potentially result in a decrease in demand for labour and an increase in unemployment. The possibility of a weaker situation of exporters is also associated with the risk of faster-than-expected interest rate cuts in the world, which could exert strong pressure on the appreciation of the domestic currency and thus worsen the profitability. As a result of materialisation of the above risk factors, the demand for the Group's products would decrease, and at the same time the credit risk could increase.
- 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 premiums, 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, i.a. from the cessation of military operations in Ukraine, improvement of economic sentiment and lower propensity to save, increase in labour supply and faster absorption of the EU funds. Moreover, stronger than expected economic recovery abroad would also contribute to the improvement of the domestic economic situation.

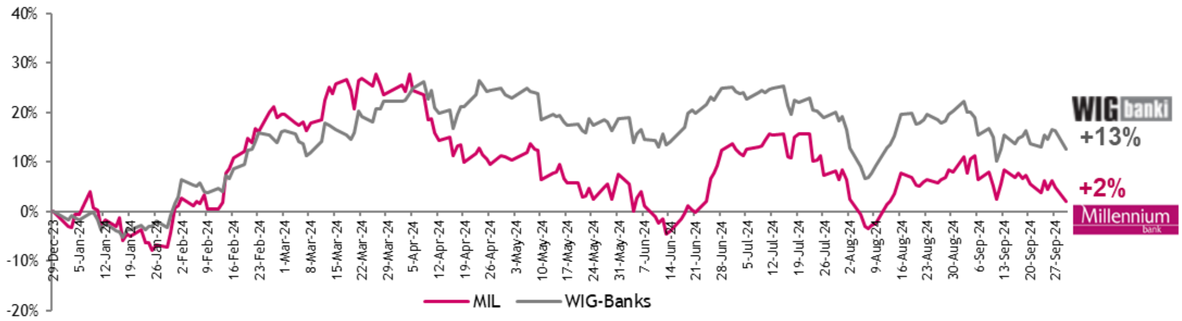
INFORMATION ON SHARES AND RATINGS

Due to geopolitical tensions, especially regarding the conflict in the Middle-East, in 3Q2, global markets experienced elevated volatility. Stocks in the USA and Europe faced losses. Market sentiment began to improve as macroeconomic data became more favourable, and what had been anticipated for several months started to happen – the Fed began a cycle of rate cuts. It was the Fed's decision to aggressively cut interest rates by 0.5 percentage points that led stock indices to reach new records. This volatility was also reflected on Warsaw Stock Exchange.

All in all, in 9M24 the broad market index WIG grew 6%, WIG Banks increased 13% while Bank Millennium's shares gained 2%.

During the 12 months ending 30 September 2024, WIG broad market index grew 27%, WIG20 index of largest companies 21%, while WIG Banks outperformed the market gaining 63%. In the same period, share price of Bank Millennium grew significantly by 50%.

Bank Millennium: ytd share price performance vs. WIG Banks



In 3Q24 the average daily turnover of Bank Millennium shares was 23% higher compared to the same period last year.

Market ratios	30.09.2024	29.12.2023(*)	Change y-t-d	29.09.2023(**)	Change y/y
Number of Bank's shares ('000)		1 213 117	0.00%		0.00%
Average daily turnover (ytd, in PLN'000)	8 259			6 735	22,6%
Bank's share price (PLN)	8.52	8.355	2.0%	5.70	49.5%
Market capitalisation of the Bank (PLNmn)	10 336	10 136	2.0%	6 915	49.5%
WIG Banks	12 458	11 062	12.6%	7 657	62.7%
WIG20	2 324	2 343	-0.8%	1 916	21.3%
WIG30	2 940	2 908	1.1%	2 373	23.9%
WIG - main index	83 274	78 460	6.1%	65 397	27.3%

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

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

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

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+

Date	Name and surname	Position/Function	Signature
28.10.2024	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature

CONSOLIDATED REPORT OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR 3RD QUARTER OF 2024

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2024

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1. GENERAL INFORMATION ABOUT ISSUER

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

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

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

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

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

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

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

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

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

Capital Group of Bank Millennium S.A.

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

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

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

*** Despite having a control over the Lubuskie Fabryki Mebli S.A., due to insignificant nature of this company from the realization of the primary goal of the consolidated financial statements point of view, which is the correct presentation of Group's financial situation, the Group does not consolidate capital involvement in aforementioned enterprise*

2. INTRODUCTION AND ACCOUNTING POLICY

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

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

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

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

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

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

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

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

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

As at September 30, 2024, the Tier 1 ratio was 583 bps (Bank) and 545 bps (Group) above the minimum requirement, and the total capital ratio (TCR) was 635 bps (Bank) and 573 bps (Group) above the minimum requirement.

In terms of MRELtrea and MRELtem requirements, the Group presents a significant surplus compared to the minimum levels required as at 30/09/2024, and also meets the MRELtrea requirement after including the Combined Buffer Requirement. MRELtrea surplus was 7.82 percentage points and MRELtem 3.06 p.p. Assuming no extraordinary factors, the Group plans to maintain both MREL ratios above the minimum required levels with a safe surplus.

It should be noted that the profitability of the Bank and the Group was improved despite the recording in May this year one-off initially estimated costs (recognized in these financial statements as a reduction in interest income) related to the so-called credit holidays in the amount of PLN 189.1 million for the Bank and PLN 201.0 million for the Group, respectively. In September this year, following a verification of the estimated participation of eligible mortgage borrowers, the estimated cost of credit holidays was lowered by PLN 44 million to the level of PLN 157 million for the Group and PLN 145 million for the Bank positively impacting interest income in 3rd quarter 2024. This cost resulted from the signing by the President of the Republic of Poland and the announcement in the Journal of Laws of the Republic of Poland of the Act of April 12, 2024 amending the Act on support for borrowers who have taken out a housing loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers which, among other things, extends the possibility for borrowers to suspend the repayment of a mortgage loan granted in Polish currency by an additional four months in 2024 ("credit holidays").

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

The liquidity position of Bank Millennium Group remained strong in 3Q 2024. LCR ratio reached the level of 365% at the of September 2024, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 66% and the share of liquid debt securities (mainly bonds issued by Poland government, other EU countries, European Union, multilateral development banks and NBP bills) in the Group's total assets remains significant at 35%.

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

The Management Board approved these condensed consolidated interim financial statements on 28th October 2024.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Amount '000 PLN	Note	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Net interest income		4 024 899	1 489 082	3 969 711	1 371 761
Interest income and other of similar nature	1	6 487 795	2 313 169	6 316 105	2 157 147
Income calculated using the effective interest method		6 407 385	2 290 552	6 241 006	2 132 190
Interest income from Financial assets at amortised cost, including:		5 411 939	1 932 939	5 592 321	1 930 244
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays		(157 306)	43 740	0	0
Interest income from Financial assets at fair value through other comprehensive income		995 446	357 613	648 685	201 946
Result of similar nature to interest from Financial assets at fair value through profit or loss		80 410	22 617	75 099	24 957
Interest expenses	2	(2 462 896)	(824 087)	(2 346 394)	(785 386)
Net fee and commission income		588 755	198 634	591 910	187 958
Fee and commission income	3	799 242	274 671	780 381	255 782
Fee and commission expenses	4	(210 487)	(76 037)	(188 471)	(67 824)
Dividend income		3 539	150	3 278	151
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	(1 133)	(400)	539 781	(862)
Results on financial assets and liabilities held for trading	6	(4 767)	(2 578)	(2 316)	(3 750)
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	9 871	4 073	11 598	4 332
Result on hedge accounting		201	1 657	1 517	1 208
Result on exchange differences		(119 242)	(32 641)	(46 955)	(26 198)
Other operating income		275 958	106 280	315 774	131 178
Other operating expenses		(374 073)	(104 472)	(228 732)	(81 826)
Administrative expenses	8	(1 489 393)	(495 641)	(1 305 103)	(440 574)
Impairment losses on financial assets	9	(278 187)	(105 857)	(203 884)	(51 611)
Impairment losses on non-financial assets		(4 353)	(2 257)	(53)	(283)
Provisions for legal risk connected with FX mortgage loans	10	(1 656 390)	(532 800)	(2 363 800)	(743 180)
Result on modification		(111 424)	(49 575)	(67 861)	(14 311)
Depreciation		(167 001)	(57 492)	(158 684)	(53 238)
Share of the profit of investments in subsidiaries		0	0	0	0
Banking tax		(133 512)	(98 990)	0	0
Profit before income taxes		**563 748**	**317 173**	**1 056 181**	**280 755**
Corporate income tax	11	(17 052)	(127 410)	(595 563)	(178 055)
Profit after taxes		**546 696**	**189 763**	**460 618**	**102 700**
Attributable to:					
Owners of the parent		546 696	189 763	460 618	102 700
Non-controlling interests		0	0	0	0
Weighted average number of outstanding ordinary shares (pcs.)		1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Profit (loss) per ordinary share (in PLN)		0.45	0.16	0.38	0.08

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Profit after taxes	546 696	189 763	460 618	102 700
Other comprehensive income items that may be (or were) reclassified to profit or loss	251 293	137 058	853 602	230 210
Result on debt securities	225 569	128 289	579 928	163 440
Hedge accounting	25 724	8 769	273 674	66 770
Other comprehensive income items that will not be reclassified to profit or loss	0	0	(84)	0
Actuarial gains (losses)	0	0	(84)	0
Result on equity instruments	0	0	0	0
Total comprehensive income items before taxes	**251 293**	**137 058**	**853 518**	**230 210**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(47 746)	(26 041)	(162 184)	(43 740)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0	16	0
Total comprehensive income items after taxes	**203 547**	**111 017**	**691 350**	**186 470**
Total comprehensive income for the period	**750 243**	**300 780**	**1 151 968**	**289 170**
Attributable to:				
Owners of the parent	750 243	300 780	1 151 968	289 170
Non-controlling interests	0	0	0	0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Amount '000 PLN	Note	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Cash, cash balances at central banks		7 091 943	5 856 992	5 094 984	4 581 063
Financial assets held for trading	12	786 045	632 990	608 924	785 232
Derivatives		458 180	464 102	498 249	549 537
Equity instruments		104	179	121	175
Debt securities		327 761	168 709	110 554	235 520
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers		131 720	149 835	147 623	146 177
Equity instruments		89 292	66 609	66 609	66 609
Debt securities		42 428	83 226	81 014	79 568
Financial assets at fair value through other comprehensive income	13	23 407 725	28 544 165	22 096 200	21 639 751
Equity instruments		28 788	28 790	28 793	24 392
Debt securities		23 378 937	28 515 375	22 067 407	21 615 359
Loans and advances to customers	14	75 542 305	74 645 200	73 643 060	73 983 320
Mandatorily at fair value through profit or loss		4 728	5 905	19 349	23 612
Valued at amortised cost		75 537 577	74 639 295	73 623 711	73 959 708
Financial assets at amortised cost other than Loans and advances to customers	15	25 153 657	22 099 071	20 706 585	19 438 245
Debt securities		24 518 861	21 412 853	18 749 907	16 892 500
Deposits, loans and advances to banks and other monetary institutions		418 445	488 442	793 436	533 703
Reverse sale and repurchase agreements		216 351	197 776	1 163 242	2 012 042
Derivatives - Hedge accounting	16	70 029	170 655	74 213	0
Investments in subsidiaries, joint ventures and associates		47 612	47 612	52 509	43 522
Tangible fixed assets		536 396	547 916	565 630	550 020
Intangible fixed assets		535 164	509 447	481 631	458 023
Income tax assets		727 672	779 196	486 803	680 349
Current income tax assets		247	2 534	1 810	2 333
Deferred income tax assets	18	727 425	776 662	484 993	678 016
Other assets		1 537 863	1 532 877	1 544 328	1 587 494
Non-current assets and disposal groups classified as held for sale		19 606	19 114	17 514	16 180
Total assets		**135 587 737**	**135 535 070**	**125 520 004**	**123 909 376**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.09.2024	30.06.2024	31.12.2023	30.09.2023
LIABILITIES					
Financial liabilities held for trading	12	656 115	514 947	579 553	680 843
Derivatives		442 775	406 290	576 833	528 848
Liabilities from short sale of securities		213 340	108 657	2 720	151 996
Financial liabilities measured at amortised cost		121 644 443	122 285 470	112 692 833	111 600 513
Liabilities to banks and other monetary institutions	19	293 267	585 422	563 512	428 097
Liabilities to customers	20	113 981 202	116 540 149	107 246 427	106 176 227
Sale and repurchase agreements	21	216 361	2 559	0	571 017
Debt securities issued	22	5 594 098	3 595 571	3 317 849	2 862 168
Subordinated debt	23	1 559 515	1 561 769	1 565 045	1 563 005
Derivatives – Hedge accounting	16	118 782	129 644	193 664	412 281
Provisions	24	2 771 287	2 263 958	1 445 472	1 203 791
Pending legal issues		2 737 005	2 223 914	1 403 105	1 167 499
Commitments and guarantees given		34 282	40 044	42 367	36 292
Income tax liabilities		185 079	147 558	461 457	503 242
Current income tax liabilities		184 472	147 123	461 217	503 044
Deferred income tax liabilities	18	607	435	240	198
Other liabilities		2 566 893	2 849 135	3 252 130	2 862 331
Total Liabilities		**127 942 599**	**128 190 712**	**118 625 109**	**117 263 002**
EQUITY					
Share capital		1 213 117	1 213 117	1 213 117	1 213 117
Own shares		(21)	(21)	(21)	(21)
Share premium		1 147 502	1 147 502	1 147 502	1 147 502
Accumulated other comprehensive income		(13 965)	(124 982)	(217 512)	(350 934)
Retained earnings		5 298 505	5 108 742	4 751 809	4 636 710
Total equity		7 645 138	7 344 358	6 894 895	6 646 374
Total equity and total liabilities		**135 587 737**	**135 535 070**	**125 520 004**	**123 909 376**

Book value of net assets	7 645 138	7 344 358	6 894 895	6 646 374
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	6.30	6.05	5.68	5.48

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total consolidated equity	Share capital	Own shares	Share premium	Accumulated other comprehensive income	Retained earnings	
						Unappropriated result	Other reserves
01.01.2024 - 30.09.2024							
Equity at the beginning of the period	6 894 895	1 213 117	(21)	1 147 502	(217 512)	792 276	3 959 533
Total comprehensive income for period (net)	750 243	0	0	0	203 547	546 696	0
net profit/ (loss) of the period	546 696	0	0	0	0	546 696	0
valuation of debt securities	182 711	0	0	0	182 711	0	0
valuation of shares	0	0	0	0	0	0	0
hedge accounting	20 836	0	0	0	20 836	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	(553 622)	553 622
Equity at the end of the period	7 645 138	1 213 117	(21)	1 147 502	(13 965)	785 350	4 513 155
01.07.2024 - 30.09.2024							
Equity at the beginning of the period	7 344 358	1 213 117	(21)	1 147 502	(124 982)	595 587	4 513 155
Total comprehensive income for period (net)	300 780	0	0	0	111 017	189 763	0
net profit/ (loss) of the period	189 763	0	0	0	0	189 763	0
valuation of debt securities	103 915	0	0	0	103 915	0	0
valuation of shares	0	0	0	0	0	0	0
hedge accounting	7 102	0	0	0	7 102	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	0	0
Equity at the end of the period	7 645 138	1 213 117	(21)	1 147 502	(13 965)	785 350	4 513 155
01.01.2023 - 31.12.2023							
Equity at the beginning of the period	5 494 406	1 213 117	(21)	1 147 502	(1 042 284)	(824 873)	5 000 965
Total comprehensive income for period (net)	1 400 489	0	0	0	824 772	575 717	0
net profit/ (loss) of the period	575 717	0	0	0	0	575 717	0
valuation of debt securities	545 145	0	0	0	545 145	0	0
valuation of shares	3 582	0	0	0	3 582	0	0
hedge accounting	285 013	0	0	0	285 013	0	0
actuarial gains/losses	(8 968)	0	0	0	(8 968)	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 041 432	(1 041 432)
Equity at the end of the period	**6 894 895**	**1 213 117**	**(21)**	**1 147 502**	**(217 512)**	**792 276**	**3 959 533**
01.01.2023 - 30.09.2023							
Equity at the beginning of the period	5 494 406	1 213 117	(21)	1 147 502	(1 042 284)	(824 873)	5 000 965
Total comprehensive income for period (net)	1 151 968	0	0	0	691 350	460 618	0
net profit/ (loss) of the period	460 618	0	0	0	0	460 618	0
valuation of debt securities	469 742	0	0	0	469 742	0	0
valuation of shares	0	0	0	0	0	0	0
hedge accounting	221 676	0	0	0	221 676	0	0
actuarial gains/losses	(68)	0	0	0	(68)	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 041 432	(1 041 432)
Equity at the end of the period	**6 646 374**	**1 213 117**	**(21)**	**1 147 502**	**(350 934)**	**677 177**	**3 959 533**

CONSOLIDATED STATEMENT OF CASH FLOW

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Profit (loss) after taxes	546 696	189 763	460 618	102 700
Total adjustments:	7 412 064	(2 599 361)	12 671 795	7 281 634
Interest received	6 144 549	2 258 763	5 882 068	2 022 447
Interest paid	(2 467 075)	(1 064 069)	(2 142 029)	(727 813)
Depreciation and amortization	167 001	57 492	158 684	53 238
Foreign exchange (gains)/ losses	0	0	0	0
Dividends	(3 539)	(150)	(3 278)	(151)
Changes in provisions	1 325 816	507 329	187 622	62 208
Result on sale and liquidation of investing activity assets	(2 320)	(3 799)	(540 741)	(5 074)
Change in financial assets held for trading	(195 861)	(41 333)	(24 558)	79 057
Change in loans and advances to banks	40 277	(9 095)	70 154	(117 703)
Change in loans and advances to customers	(6 297 618)	(2 498 260)	(2 354 674)	(1 487 054)
Change in receivables from securities bought with sell-back clause (loans and advances)	912 102	(28 998)	(2 042 972)	(1 981 688)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	1 680	130 306	153 518	195 312
Change in deposits from banks	(257 867)	(286 763)	(167 339)	(38 542)
Change in deposits from customers	8 810 064	(1 774 834)	10 170 592	6 264 550
Change in liabilities from securities sold with buy-back clause	243 551	226 330	602 714	227 566
Change in debt securities	196 766	128 863	2 674 941	2 641 770
Change in income tax settlements	(387 212)	127 362	593 936	177 569
Income tax paid	(177 780)	(64 358)	(163 919)	(47 360)
Change in other assets and liabilities	(734 575)	(295 623)	(489 882)	(71 964)
Other	94 105	31 476	106 958	35 266
Net cash flows from operating activities	**7 958 760**	**(2 409 598)**	**13 132 413**	**7 384 334**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Inflows:	443 098 175	146 669 472	518 969	6 580
Proceeds from sale of property, plant and equipment and intangible assets	7 415	1 355	15 779	6 429
Proceeds from sale of shares in related entities	0	0	499 912	0
Proceeds from sale of investment financial assets	443 087 221	146 667 967	0	0
Other	3 539	150	3 278	151
Outflows:	(458 311 795)	(150 154 132)	(8 568 112)	(1 151 448)
Acquisition of property, plant and equipment and intangible assets	(135 838)	(60 857)	(96 862)	(44 950)
Acquisition of shares in related entities	0	0	0	0
Acquisition of investment financial assets	(458 175 957)	(150 093 275)	(8 471 250)	(1 106 498)
Other	0	0	0	0
Net cash flows from investing activities	**(15 213 620)**	**(3 484 660)**	**(8 049 143)**	**(1 144 868)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Inflows from financing activities:	2 431 700	2 131 700	0	0
Long-term bank loans	0	0	0	0
Issue of debt securities	2 431 700	2 131 700	0	0
Increase in subordinated debt	0	0	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0	0	0
Other inflows from financing activities	0	0	0	0
Outflows from financing activities:	(99 634)	(33 729)	(223 471)	(90 198)
Repayment of long-term bank loans	0	0	(105 000)	(50 000)
Redemption of debt securities	0	0	0	0
Decrease in subordinated debt	0	0	0	0
Issue of shares expenses	0	0	0	0
Redemption of shares	0	0	0	0
Dividends paid and other payments to owners	0	0	0	0
Other outflows from financing activities	(99 634)	(33 729)	(118 471)	(40 198)
Net cash flows from financing activities	**2 332 066**	**2 097 971**	**(223 471)**	**(90 198)**

D. Net cash flows. Total (A + B + C)	**(4 922 794)**	**(3 796 287)**	**4 859 799**	**6 149 268**
- including change resulting from FX differences	(4 938)	(4 840)	(2 363)	301
E. Cash and cash equivalents at the beginning of the reporting period	**18 499 347**	**17 372 840**	**14 231 089**	**12 941 620**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**13 576 553**	**13 576 553**	**19 090 888**	**19 090 888**

4. NOTES TO CONSOLIDATED FINANCIAL DATA

1) INTEREST INCOME AND OTHER OF SIMILAR NATURE

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Interest income from Financial assets at fair value through other comprehensive income	995 446	357 613	648 685	201 946
Debt securities	995 446	357 613	648 685	201 946
Interest income from Financial assets at amortised cost	5 411 939	1 932 939	5 592 321	1 930 244
Balances with the Central Bank	163 690	56 661	170 466	56 492
Loans and advances to customers, including:	4 465 422	1 605 306	4 989 155	1 684 177
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays	(157 306)	43 740	0	0
Debt securities	727 370	252 307	362 106	165 592
Deposits, loans and advances to banks	20 668	8 242	25 531	10 421
Transactions with repurchase agreements	34 789	10 423	35 793	17 344
Hedging derivatives	0	0	9 270	(3 782)
Result of similar nature to interest, including:	80 410	22 617	75 099	24 957
Loans and advances to customers mandatorily at fair value through profit or loss	2 737	1 049	8 635	1 670
Financial assets and liabilities held for trading - derivatives	68 729	18 967	63 307	22 468
Financial assets held for trading - debt securities	8 944	2 601	3 157	819
Total	**6 487 795**	**2 313 169**	**6 316 105**	**2 157 147**

Following the signing by the President of the Republic of Poland and the announcement in the Journal of Laws of the Republic of Poland of the Act of April 12, 2024 amending the Act on support for borrowers who have taken out a mortgage loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and aid borrowers which, among other things, extends the possibility for borrowers to suspend the repayment of a mortgage loan granted in Polish currency for a period of up to four months (suspension of repayments up to 4 monthly installments) in 2024 ("credit holidays"), the Bank and the Group in May this year, recorded one-off costs related to credit holidays, initially estimated at PLN 189.1 million for the Bank and PLN 201.0 million for the Group, respectively. In September this year, following a verification of the estimated participation of eligible mortgage borrowers, the estimated cost of credit holidays was lowered by PLN 44 million to the level of PLN 157 million for the Group and PLN 145 million for the Bank, positively impacting interest income in 3rd quarter 2024.

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

Interest income for the 3 quarters 2024 contains interest accrued on impaired loans in the amount of PLN 136 871 thous. (for corresponding data in the year 2023 the amount of such interest stood at PLN 152,548 thous.).

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

2) INTEREST EXPENSES AND OTHER OF SIMILAR NATURE

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Financial liabilities measured at amortised cost	(2 462 896)	(824 087)	(2 346 394)	(785 386)
Liabilities to banks and other monetary institutions	(11 066)	(4 812)	(14 104)	(2 098)
Liabilities to customers	(2 009 789)	(665 037)	(2 129 822)	(707 751)
Transactions with repurchase agreement	(27 190)	(12 528)	(31 697)	(6 793)
Debt securities issued	(301 676)	(104 344)	(56 526)	(31 361)
Subordinated debt	(94 104)	(31 475)	(107 183)	(35 262)
Liabilities due to leasing agreements	(8 566)	(2 979)	(7 062)	(2 121)
Hedging derivatives	(10 505)	(2 912)	0	0
Other	0	0	0	0
Total	**(2 462 896)**	**(824 087)**	**(2 346 394)**	**(785 386)**

3) FEE AND COMMISSION INCOME

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Resulting from accounts service	84 812	28 554	88 333	29 288
Resulting from money transfers, cash payments and withdrawals and other payment transactions	75 612	25 996	70 704	23 866
Resulting from loans granted	153 423	48 280	153 843	50 880
Resulting from guarantees and sureties granted	10 237	3 367	10 825	3 612
Resulting from payment and credit cards	237 179	82 190	219 737	77 115
Resulting from sale of insurance products	106 419	39 190	131 733	34 258
Resulting from distribution of investment funds units and other savings products	21 083	7 247	19 300	6 449
Resulting from brokerage and custody service	10 157	3 381	8 270	2 845
Resulting from investment funds managed by the Group	64 023	23 618	46 636	16 890
Other	36 297	12 848	31 000	10 579
Total	799 242	274 671	780 381	255 782

4) FEE AND COMMISSION EXPENSE

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Resulting from accounts service	(32 813)	(10 689)	(32 300)	(10 913)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(3 341)	(1 048)	(3 714)	(1 229)
Resulting from loans granted	(26 486)	(11 721)	(17 886)	(5 886)
Resulting from payment and credit cards	(89 788)	(33 040)	(82 582)	(29 494)
Resulting from brokerage and custody service	(2 045)	(650)	(1 598)	(496)
Resulting from investment funds managed by the Group	(9 541)	(3 259)	(8 144)	(2 786)
Resulting from insurance activity	(6 693)	(1 634)	(7 696)	(2 063)
Other	(39 780)	(13 996)	(34 551)	(14 957)
Total	(210 487)	(76 037)	(188 471)	(67 824)

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

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

Taking into consideration this verdict, the Group as at 30 September 2024 had a provision **in** the amount of PLN 72.2 million which was estimated based on the maximum amount of potential returns and the probability of payment being made.

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

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Result on bancassurance transaction	0	0	553 912	0
Operations on debt instruments	143	6	(12 415)	(62)
Costs of financial operations	(1 276)	(406)	(1 716)	(800)
Total	(1 133)	(400)	539 781	(862)

Bancassurance transaction

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

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

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

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

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

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

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

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

6) RESULTS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Result on debt instruments	2 314	1 233	(715)	(3 899)
Result on derivatives	(7 093)	(3 805)	(1 612)	140
Result on other financial operations	12	(6)	11	9
Total	(4 767)	(2 578)	(2 316)	(3 750)

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

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Loans and advances to customers	3 173	(414)	(272)	1 970
Result on equity instruments	45 285	45 285	4 360	0
Result on debt instruments	(38 587)	(40 798)	7 510	2 362
Total	9 871	4 073	11 598	4 332

8) Administrative expenses

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Staff costs:	(887 213)	(303 250)	(766 493)	(264 655)
Salaries	(726 233)	(249 675)	(627 748)	(218 451)
Surcharges on pay	(128 872)	(43 265)	(111 856)	(37 268)
Employee benefits, including:	(32 108)	(10 310)	(26 889)	(8 936)
- provisions for retirement benefits	(4 385)	(1 462)	(3 450)	(1 150)
- provisions for unused employee holiday	(19)	(13)	(17)	(6)
- other	(27 704)	(8 835)	(23 422)	(7 780)
Other administrative expenses:	(602 180)	(192 391)	(538 610)	(175 919)
Costs of advertising, promotion and representation	(59 970)	(18 876)	(47 977)	(15 501)
IT and communications costs	(122 511)	(44 151)	(112 576)	(38 659)
Costs of renting	(43 636)	(14 250)	(61 634)	(23 555)
Costs of buildings maintenance, equipment and materials	(40 623)	(14 006)	(36 601)	(11 935)
ATM and cash maintenance costs	(27 089)	(8 902)	(26 470)	(8 987)
Costs of consultancy, audit and legal advisory and translation	(117 097)	(39 485)	(88 621)	(30 922)
Taxes and fees	(35 447)	(11 697)	(32 433)	(9 013)
KIR - clearing charges	(11 016)	(3 671)	(9 468)	(3 256)
PFRON costs	(7 085)	(2 390)	(6 347)	(2 249)
Banking Guarantee Fund costs	(60 850)	0	(60 039)	0
Financial Supervision costs	(13 088)	(4 327)	(11 054)	(3 306)
Costs of protection scheme	0	0	0	0
Other	(63 768)	(30 636)	(45 390)	(28 536)
Total	**(1 489 393)**	**(495 641)**	**(1 305 103)**	**(440 574)**

9) Impairment losses on financial assets

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Impairment losses on loans and advances to customers	(286 215)	(111 581)	(207 162)	(49 949)
Impairment charges on loans and advances to customers	(1 260 747)	(349 835)	(1 256 334)	(304 437)
Reversal of impairment charges on loans and advances to customers	900 478	229 741	981 689	243 633
Amounts recovered from loans written off	28 804	8 501	31 789	10 856
Sale of receivables	45 221	0	35 649	(10)
Other directly recognised in profit and loss	29	12	45	9
Impairment losses on securities	(1)	4	3	3
Impairment charges on securities	(1)	4	0	0
Reversal of impairment charges on securities	0	0	3	3
Impairment losses on off-balance sheet liabilities	8 029	5 720	3 275	(1 665)
Impairment charges on off-balance sheet liabilities	(32 125)	(4 661)	(31 527)	(6 708)
Reversal of impairment charges on off-balance sheet liabilities	40 154	10 381	34 802	5 043
Total	**(278 187)**	**(105 857)**	**(203 884)**	**(51 611)**

10) PROVISIONS FOR LEGAL RISK CONNECTED WITH FX MORTGAGE LOANS

01.01.2024 - 30.09.2024	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	7 871 789	6 516 460	1 355 329
Amounts written off	(886 986)	(886 986)	0
Costs of provisions for legal risk connected wlth FX mortgage loans	1 656 390	0	1 656 390
Allocation to the loans portfolio	0	322 113	(322 113)
Change of provisions due to FX rates differences	(217 793)	(217 793)	0
Balance at the end of the period	8 423 401	5 733 795	2 689 606

01.07.2024 - 30.09.2024	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	8 206 595	6 030 633	2 175 962
Amounts written off	(386 242)	(386 242)	0
Costs of provisions for legal risk connected wlth FX mortgage loans	532 800	0	532 800
Allocation to the loans portfolio	0	19 156	(19 156)
Change of provisions due to FX rates differences	70 247	70 247	0
Balance at the end of the period	8 423 401	5 733 795	2 689 606

01.01.2023 - 30.09.2023	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	5 395 344	4 572 901	822 443
Amounts written off	(331 048)	(331 048)	0
Costs of provisions for legal risk connected wlth FX mortgage loans	2 363 800	0	2 363 800
Allocation to the loans portfolio	0	2 070 528	(2 070 528)
Change of provisions due to FX rates differences	88 045	88 045	0
Balance at the end of the period	7 516 140	6 400 425	1 115 715

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

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Costs of settlements recognized in the profit and loss account, including:	(372 465)	(130 201)	(237 038)	(86 905)
- included in the “Result on exchange differences”	(288 611)	(88 601)	(196 012)	(81 900)
- included in the “Result on modification”	(83 854)	(41 600)	(41 026)	(5 005)
Costs of settlements charged to previously created provisions	198 993	87 450	59 514	28 963

11) CORPORATE INCOME TAX

11A. INCOME TAX REPORTED IN INCOME STATEMENT

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Current tax	(306 962)	(104 042)	(633 426)	(166 737)
Current year	(314 698)	(104 042)	(635 679)	(167 616)
Adjustment to prior years	7 736	0	2 253	879
Deferred tax:	289 910	(23 368)	37 863	(11 317)
Recognition and reversal of temporary differences	318 013	(21 162)	40 589	(13 017)
Recognition / (Utilisation) of tax loss	(28 103)	(2 206)	(2 726)	1 700
Total income tax reported in income statement	**(17 052)**	**(127 410)**	**(595 563)**	**(178 055)**

11B. EFFECTIVE TAX RATE

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Profit before tax	563 748	317 173	1 056 180	280 754
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	(107 112)	(60 263)	(200 674)	(53 343)
Impact of permanent differences on tax charges:	**65 173**	**(67 599)**	**(402 435)**	**(125 447)**
- Non-taxable income	70 075	27 557	30 092	15 518
Dividends income	1 516	4	532	3
Release of other provisions	32 530	13 519	25 838	11 905
Adjustment of income from cancellation of loans in CHF	34 723	14 146	0	0
Other	1 306	(112)	3 722	3 610
- Cost which is not a tax cost	(4 902)	(95 156)	(432 527)	(140 965)
PFRON fee	(1 347)	(454)	(1 205)	(427)
Fees for Banking Guarantee Fund	(11 562)	0	(11 408)	0
Banking tax	(25 367)	(18 808)	(604)	0
Receivables written off	(17 015)	(13 444)	(13 681)	(2 936)
Costs of litigations and claims	(168 471)	(61 102)	(401 950)	(136 669)
Asset due to future cancellations of CHF loans	221 560	(991)	0	0
Other	(2 700)	(357)	(3 679)	(933)
Other differences between the gross financial result and taxable income (including R&D relief)	24 887	452	7 546	735
Total income tax reported in income statement	**(17 052)**	**(127 410)**	**(595 563)**	**(178 055)**
Effective tax rate	3.02%	40.17%	56.39%	63.42%

11C. DEFERRED TAX REPORTED IN EQUITY

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Valuation of investment assets at fair value through other comprehensive income	(2 106)	22 270	40 752	59 280
Valuation of cash flow hedging instruments	5 409	7 075	10 297	25 153
Actuarial gains (losses)	(30)	(30)	(30)	(2 117)
Deferred tax reported directly in equity	3 273	29 315	51 019	82 316

Withholding tax audit for years 2015-17

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

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

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

Judgement of the Supreme Administrative Court

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

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

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

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

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

12) Financial assets held for trading

12a. Financial assets held for trading

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Debt securities	**327 761**	**168 709**	**110 554**	**235 520**
Issued by State Treasury	327 761	168 709	110 554	235 520
a) bills	0	0	0	0
b) bonds	327 761	168 709	110 554	235 520
Other securities	0	0	0	0
a) quoted	0	0	0	0
b) non quoted	0	0	0	0
Equity instruments	**104**	**179**	**121**	**175**
Quoted on the active market	104	179	121	175
a) financial institutions	28	84	31	106
b) non-financial institutions	76	95	90	69
Adjustment from fair value hedge	0	0	0	0
Positive valuation of derivatives	458 180	464 102	498 249	549 537
Total	**786 045**	**632 990**	**608 924**	**785 232**

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

	Fair Values 30.09.2024			Fair Values 30.06.2024		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	(3 141)	11 947	15 088	(9 055)	9 946	19 001
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	(3 141)	3 358	6 499	(9 055)	500	9 555
Other interest rate contracts: options	0	8 589	8 589	0	9 446	9 446
2. FX derivatives	25 179	70 923	45 744	74 400	102 360	27 960
FX contracts	(9 898)	5 782	15 680	(21 054)	2 168	23 222
FX swaps	35 077	65 141	30 064	95 454	100 192	4 738
Other FX contracts (CIRS)	0	0	0	0	0	0
FX options	0	0	0	0	0	0
3. Embedded instruments	(371 083)	0	371 083	(349 697)	0	349 697
Options embedded in deposits	(371 083)	0	371 083	(349 697)	0	349 697
Options embedded in securities issued	0	0	0	0	0	0
4. Indexes options	364 450	375 310	10 860	342 164	351 796	9 632
Total	**15 405**	**458 180**	**442 775**	**57 812**	**464 102**	**406 290**
Valuation of hedged position in fair value hedge accounting	-	0	0	-	0	0
Liabilities from short sale of debt securities	-	-	213 340	-	-	108 657

	Fair Values 31.12.2023			Fair Values 30.09.2023		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	(9 710)	12 060	21 770	(11 340)	17 531	28 871
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	(9 710)	538	10 248	(11 340)	493	11 833
Other interest rate contracts: options	0	11 522	11 522	0	17 038	17 038
2. FX derivatives	(60 286)	69 431	129 717	39 200	146 328	107 128
FX contracts	(28 415)	9 665	38 080	(26 112)	8 504	34 616
FX swaps	(31 871)	59 766	91 637	65 312	137 824	72 512
Other FX contracts (CIRS)	0	0	0	0	0	0
FX options	0	0	0	0	0	0
3. Embedded instruments	(414 200)	0	414 200	(383 875)	0	383 875
Options embedded in deposits	(414 200)	0	414 200	(383 875)	0	383 875
Options embedded in securities issued	0	0	0	0	0	0
4. Indexes options	405 612	416 758	11 146	376 704	385 678	8 974
Total	**(78 584)**	**498 249**	**576 833**	**20 689**	**549 537**	**528 848**
Valuation of hedged position in fair value hedge accounting	-	0	0	-	0	0
Liabilities from short sale of debt securities	-	-	2 720	-	-	151 996

13) Financial assets at fair value through other comprehensive income

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Debt securities	**23 378 937**	**28 515 375**	**22 067 407**	**21 615 359**
Issued by State Treasury	18 887 746	17 487 527	11 825 424	10 303 251
a) bills	0	0	0	0
b) bonds	18 887 746	17 487 527	11 825 424	10 303 251
Issued by Central Bank	4 060 055	10 601 655	9 797 077	10 874 781
a) bills	4 060 055	10 601 655	9 797 077	10 874 781
b) bonds	0	0	0	0
Other securities	431 136	426 193	444 906	437 327
a) listed	431 136	426 193	444 906	437 327
b) not listed	0	0	0	0
Shares and interests in other entities	28 788	28 790	28 793	24 392
Other financial instruments	0	0	0	0
Total financial assets at fair value through other comprehensive income	**23 407 725**	**28 544 165**	**22 096 200**	**21 639 751**

14) LOANS AND ADVANCES TO CUSTOMERS

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

Balance sheet value:	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Mandatorily at fair value through profit or loss	4 728	5 905	19 349	23 612
Companies	67	77	69	110
Individuals	4 661	5 828	19 280	23 502
Public sector	0	0	0	0

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

The Bank writes down the gross carrying amount of a financial asset when there is no reasonable probability that it will be fully (total writes off) or partially (partial writes off) recovered. Following the recorded partial writes off the Bank provisioned (deducting the carrying value of gross receivables) penalty interest amounting to PLN 506 million as at 30.09.2024.

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

	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Valued at amortised cost, as at 30.09.2024	68 132 119	6 396 564	3 605 013	(393 138)	(286 138)	(1 916 843)	75 537 577
Companies	15 970 711	1 396 842	957 411	(107 494)	(48 860)	(312 889)	17 855 721
Individuals	52 068 646	4 999 721	2 647 602	(285 485)	(237 278)	(1 603 954)	57 589 252
Public sector	92 762	1	0	(159)	0	0	92 604
Valued at amortised cost, as at 30.06.2024	67 081 281	6 662 036	3 483 398	(399 324)	(323 217)	(1 864 879)	74 639 295
Companies	15 862 268	1 490 189	789 663	(116 006)	(52 069)	(261 936)	17 712 109
Individuals	51 147 549	5 171 846	2 693 735	(283 037)	(271 148)	(1 602 943)	56 856 002
Public sector	71 464	1	0	(281)	0	0	71 184
Valued at amortised cost, as at 31.12.2023	66 610 808	6 050 620	3 458 837	(427 418)	(322 955)	(1 746 181)	73 623 711
Companies	15 453 270	1 303 085	730 805	(103 386)	(42 529)	(245 469)	17 095 776
Individuals	50 994 741	4 747 531	2 728 032	(322 601)	(280 426)	(1 500 712)	56 366 565
Public sector	162 797	4	0	(1 431)	0	0	161 370
Valued at amortised cost, as at 30.09.2023	66 535 196	6 439 466	3 545 132	(424 893)	(320 650)	(1 814 543)	73 959 708
Companies	15 835 051	1 504 576	740 088	(95 190)	(53 845)	(278 999)	17 651 681
Individuals	50 517 584	4 934 641	2 805 044	(328 002)	(266 805)	(1 535 544)	56 126 918
Public sector	182 561	249	0	(1 701)	0	0	181 109

14C. LOANS AND ADVANCES TO CUSTOMERS

	30.09.2024		30.06.2024	
	Valued at amortised cost	Mandatorily at fair value through profit or loss	Valued at amortised cost	Mandatorily at fair value through profit or loss
Loans and advances	68 899 501	751	68 073 747	934
▪ to companies	11 098 821	0	10 963 137	0
▪ to private individuals	57 718 731	751	57 050 783	934
▪ to public sector	81 949	0	59 827	0
Receivables on account of payment cards	1 269 032	3 977	1 248 599	4 971
▪ due from companies	13 963	67	13 908	77
▪ due from private individuals	1 255 069	3 910	1 234 691	4 894
Purchased receivables	164 007		166 959	
▪ from companies	164 007		166 959	
▪ from public sector	0		0	
Guarantees and sureties realised	321		326	
Debt securities eligible for rediscount at Central Bank	0		0	
Financial leasing receivables	7 002 984		6 956 491	
Other	95 109		83 543	
Interest	702 742		697 050	
Total:	**78 133 696**	**4 728**	**77 226 715**	**5 905**
Impairment allowances	(2 596 119)	-	(2 587 420)	-
Total balance sheet value:	**75 537 577**	**4 728**	**74 639 295**	**5 905**

	31.12.2023		30.09.2023	
	Valued at amortised cost	Mandatorily at fair value through profit or loss	Valued at amortised cost	Mandatorily at fair value through profit or loss
Loans and advances	67 292 473	10 527	67 594 413	13 386
▪ to companies	10 654 494	0	11 072 837	0
▪ to private individuals	56 586 451	10 527	56 450 847	13 386
▪ to public sector	51 528	0	70 729	0
Receivables on account of payment cards	1 209 584	8 822	1 180 686	10 226
▪ due from companies	13 541	69	14 056	110
▪ due from private individuals	1 196 043	8 753	1 166 630	10 116
Purchased receivables	143 844		139 976	
▪ from companies	143 844		139 976	
▪ from public sector	0		0	
Guarantees and sureties realised	560		1 616	
Debt securities eligible for rediscount at Central Bank	0		41	
Financial leasing receivables	6 738 380		6 911 912	
Other	104 560		62 485	
Interest	630 864		628 665	
Total:	**76 120 265**	**19 349**	**76 519 794**	**23 612**
Impairment allowances	(2 496 554)	-	(2 560 086)	-
Total balance sheet value:	**73 623 711**	**19 349**	**73 959 708**	**23 612**

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

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Loans and advances to customers (gross)	78 133 696	77 226 715	76 120 265	76 519 794
impaired	3 605 013	3 483 398	3 458 837	3 545 132
not impaired	74 528 683	73 743 317	72 661 428	72 974 662
Impairment write-offs	(2 596 119)	(2 587 420)	(2 496 554)	(2 560 086)
for impaired exposures	(1 916 843)	(1 864 879)	(1 746 181)	(1 814 543)
for not impaired exposures	(679 276)	(722 541)	(750 373)	(745 543)
Loans and advances to customers (net)	**75 537 577**	**74 639 295**	**73 623 711**	**73 959 708**

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

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Loans and advances to customers (gross)	78 133 696	77 226 715	76 120 265	76 519 794
case by case analysis	673 778	533 583	493 162	521 612
collective analysis	77 459 918	76 693 132	75 627 103	75 998 182
Impairment allowances	(2 596 119)	(2 587 420)	(2 496 554)	(2 560 086)
on the basis of case by case analysis	(210 300)	(168 667)	(150 724)	(176 815)
on the basis of collective analysis	(2 385 819)	(2 418 754)	(2 345 830)	(2 383 271)
Loans and advances to customers (net)	**75 537 577**	**74 639 295**	**73 623 711**	**73 959 708**

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

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Loans and advances to customers (gross)	78 133 696	77 226 715	76 120 265	76 519 794
corporate customers	18 417 727	18 213 585	17 649 961	18 262 525
individuals	59 715 969	59 013 130	58 470 304	58 257 269
Impairment allowances	(2 596 119)	(2 587 420)	(2 496 554)	(2 560 086)
for receivables from corporate customers	(469 402)	(430 292)	(392 815)	(429 735)
for receivables from private individuals	(2 126 717)	(2 157 128)	(2 103 739)	(2 130 351)
Loans and advances to customers (net)	**75 537 577**	**74 639 295**	**73 623 711**	**73 959 708**

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

	01.01.2024 - 30.09.2024	01.01.2024 - 30.06.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.09.2023
Balance at the beginning of the period	2 496 554	2 496 554	2 420 809	2 420 809
Change in value of allowances:	99 565	90 866	75 745	139 277
Impairment allowances created in the period	1 260 729	910 894	1 579 846	1 256 174
Amounts written off	(204 387)	(75 424)	(191 115)	(129 060)
Impairment allowances released in the period	(900 318)	(670 629)	(1 200 277)	(981 420)
Sale of receivables	(105 219)	(105 219)	(175 477)	(63 325)
KOIM created in the period*	52 844	35 695	71 261	53 457
Changes resulting from FX rates differences	(6 235)	(6 489)	(10 192)	(229)
Other	2 151	2 038	1 699	3 680
Balance at the end of the period	**2 596 119**	**2 587 420**	**2 496 554**	**2 560 086**

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

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

The value of POCI assets is as follows:

	Gross balance sheet value	Accumulated impairment	Net balance sheet value
30.09.2024			
- Companies	16 237	(441)	15 796
- Individuals	78 550	(38 442)	40 108
- Public sector	0	0	0
30.06.2024			
- Companies	16 963	(498)	16 465
- Individuals	83 038	(34 002)	49 036
- Public sector	0	0	0
31.12.2023			
- Companies	23 106	1 200	24 306
- Individuals	93 690	(25 136)	68 554
- Public sector	0	0	0
30.09.2023			
- Companies	25 013	222	25 235
- Individuals	107 671	(27 191)	80 481
- Public sector	0	0	0

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

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
in Polish currency	72 053 996	70 829 037	69 016 046	68 180 965
in foreign currencies (after conversion to PLN)	6 079 700	6 397 678	7 104 219	8 338 829
currency: USD	47 830	66 814	55 055	101 990
currency: EUR	4 073 686	4 170 514	3 906 098	4 242 918
currency: CHF	1 934 988	2 139 740	3 121 979	3 971 357
other currencies	23 196	20 610	21 087	22 564
Total gross	**78 133 696**	**77 226 715**	**76 120 265**	**76 519 794**

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

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

30.09.2024	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	24 518 868	0	0	(7)	0	0	24 518 861
Deposits, loans and advances to banks and other monetary institutions	418 462	0	0	(17)	0	0	418 445
Repurchase agreements	216 351	0	0	0	0	0	216 351

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

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

30.09.2023	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	16 892 503	0	0	(3)	0	0	16 892 500
Deposits, loans and advances to banks and other monetary institutions	533 875	0	0	(172)	0	0	533 703
Repurchase agreements	2 012 042	0	0	0	0	0	2 012 042

15B. DEBT SECURITIES

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
credit institutions	2 280 905	2 111 638	1 716 205	717 698
other companies	0	0	0	0
public sector*	22 237 956	19 301 215	17 033 702	16 174 802
Total	24 518 861	21 412 853	18 749 907	16 892 500

* also includes securities issued by governments of other EU countries

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

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Current accounts	300 408	349 426	571 479	174 805
Deposits	116 985	137 111	219 804	356 743
Other	0	0	0	0
Interest	1 069	1 976	2 313	2 326
Total (gross) deposits, loans and advances	418 462	488 513	793 596	533 874
Impairment allowances	(17)	(71)	(160)	(172)
Total (net) deposits, loans and advances	**418 445**	**488 442**	**793 436**	**533 702**

15D. REPURCHASE AGREEMENTS

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
credit institutions	216 231	0	1 146 305	2 011 248
other customers	0	197 670	11 553	0
interest	120	106	5 384	794
Total	216 351	197 776	1 163 242	2 012 042

16) DERIVATIVES - HEDGE ACCOUNTING

16A. HEDGE RELATIONS

Detailed information on cash flow hedge relations applied by the Group, items designated as hedged and hedging and presentation of the result (active as at 30.09.2024) is shown in a tables below:

	Hedge of volatility of the cash flows generated by PLN denominated financial assets	Cash flow volatility hedge for the flows generated by FX mortgage portfolio and its underlying PLN liabilities	Fair value hedge of a fixed interest rate debt instrument
Description of hedge transactions	The Group hedges the risk of the volatility of cash flows generated by PLN denominated financial assets. The volatility of cash flows results from interest rate risk.	The Group hedges the risk of the volatility of cash flows generated by FX mortgages and by PLN liabilities financially underlying such loans. The volatility of cash flows results from the currency risk and interest rate risk.	The Group hedges part of the interest rate risk associated with the change in the fair value of a fixed-rate debt instrument recorded in other comprehensive income, resulting from fluctuations in market interest rate.
Hedged items	Cash flows resulting from PLN denominated financial assets.	Cash flows resulting from the FX mortgage loan portfolio and PLN deposits together with issued debt PLN securities funding them.	A portfolio of fixed coupon debt securities classified as financial assets measured at fair value through other comprehensive income denominated in PLN.
Hedging instruments	IRS transactions	CIRS transactions	IRS transactions
Presentation of the result on the hedged and hedging transactions	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; interest on both: the hedged and the hedging instruments are recognised in net interest income. Ineffective part of the valuation of hedging instruments is recognized in the income statement as a result on instruments measured at fair value through profit and loss.	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; Ineffective part of the valuation of hedging instruments is recognized in the income statement as a result on instruments measured at fair value through profit and loss.	The result on the change in the fair value measurement of hedged items in the hedged risk is referred to the result on hedge accounting. The remaining part of the change in fair value measurement is recognized in other comprehensive income. Interest on debt securities is recognized in net interest income. The change in fair value measurement of derivative instruments being a hedge is presented in the result on hedge accounting, and interest on these instruments is recognized in the interest result.

	Cash flow volatility hedge due to future income and interest costs denominated in foreign currencies	Hedging the fair value of cash flows from issued fixed-rate liabilities denominated in foreign currencies	Hedging the fair value of the risk profile assigned to a portfolio of homogeneous, non-interest-bearing current accounts in PLN and separately foreign currencies (portfolio hedging)
Description of hedge transactions	The Group hedges the risk of the volatility of cash flows generated by income and interest costs denominated in foreign currencies. The volatility of cash flows results from the currency risk.	The Group hedges part of the interest rate risk related to changes in the fair value of cash flows from issued fixed-rate liabilities denominated in foreign currencies, resulting from the volatility of market interest rates.	The Group hedges part of the interest rate risk related to the change in the fair value of the risk profile assigned to the portfolios of homogeneous, non-interest-bearing current accounts in PLN and separately foreign currencies, resulting from the volatility of market interest rates.
Hedged items	Cash flows resulting from income and interest costs denominated in foreign currencies.	Cash flows from issued fixed-rate liabilities denominated in foreign currencies	Risk profile assigned to a portfolios of homogeneous, non-interest-bearing current accounts in PLN and separately in foreign currencies.
Hedging instruments	FX position resulting from recognized future leasing liabilities.	IRS transactions	IRS transactions
Presentation of the result on the hedged and hedging transactions	The effective part of the spot revaluation of hedging instruments is recognized in the revaluation reserve. The ineffective part of the valuation of the hedging item is recognized in the income statement as a result on instruments measured at fair value through profit and loss.	The result from the change in the fair value measurement of flows from hedged items in terms of the hedged risk is recognized in the result from hedge accounting. Interest on debt securities is recognized in interest income. The change in the fair value measurement of derivative instruments constituting hedging is presented in the result from hedge accounting, and interest on these instruments is recognized in net interest income.	The result from the change in fair value measurement determined for hedged items in terms of the hedged risk is recognized in the result from hedge accounting. The change in the fair value measurement of derivative instruments constituting security is presented in the result from hedge accounting, and interest on these instruments is recognized in net interest income.

16B. HEDGE ACCOUNTING - BALANCE SHEET VALUATION

	Fair values 30.09.2024			Fair values 30.06.2024		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(100 611)	0	100 611	(122 698)	0	122 698
IRS contracts	(18 171)	0	18 171	(6 946)	0	6 946
FXS contracts	0	0	0	0	0	0
2. Derivatives used as interest rate hedges related to interest rates						
IRS contracts	70 029	70 029	0	170 655	170 655	0
3. Total hedging derivatives	(48 753)	70 029	118 782	41 011	170 655	129 644

	Fair values 31.12.2023			Fair values 30.09.2023		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(150 631)	15 069	165 700	(289 358)	0	289 358
IRS contracts	(27 964)	0	27 964	(122 886)	0	122 886
FXS contracts	0	0	0	0	0	0
2. Derivatives used as interest rate hedges related to interest rates						
IRS contracts	59 144	59 144	0	(37)	0	37
3. Total hedging derivatives	(119 451)	74 213	193 664	(412 281)	0	412 281

17) IMPAIRMENT WRITE-OFFS FOR SELECTED ASSETS

Impairment write-offs:	Investment securities	Property. plant and equipment	Intangibles	Non-current assets held for sale	Other assets
As at 01.01.2024	5 001	816	3 988	0	30 279
- Write-offs created	1	0	0	0	15 489
- Write-offs released	0	0	0	0	(11 136)
- Utilisation	0	0	0	0	(2 844)
- Other	0	0	0	0	0
As at 30.09.2024	5 002	816	3 988	0	31 788
As at 01.01.2024	5 001	816	3 988	0	30 279
- Write-offs created	5	0	0	0	10 424
- Write-offs released	0	0	0	0	(8 328)
- Utilisation	0	0	0	0	(2 078)
- Other	0	0	0	0	0
As at 30.06.2024	5 006	816	3 988	0	30 297
As at 01.01.2023	5 002	816	3 988	137	29 405
- Write-offs created	2	0	0	0	19 352
- Write-offs released	(3)	0	0	0	(19 268)
- Utilisation	0	0	0	0	(1 383)
- Other	0	0	0	(137)	2 173
As at 31.12.2023	5 001	816	3 988	0	30 279
As at 01.01.2023	5 002	816	3 988	137	29 405
- Write-offs created	0	0	0	0	16 829
- Write-offs released	(3)	0	0	0	(16 775)
- Utilisation	0	0	0	0	(934)
- Other	0	0	0	(137)	137
As at 30.09.2023	4 999	816	3 988	0	28 662

18) DEFERRED INCOME TAX ASSETS AND LIABILITY

	30.09.2024			30.06.2024		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	20 462	(21 111)	(649)	913	(20 169)	(19 256)
Balance sheet valuation of financial instruments	25 183	(34 847)	(9 664)	37 594	(31 363)	6 231
Unrealised receivables/ liabilities on account of derivatives	38 404	(38 012)	392	33 254	(64 921)	(31 667)
Interest on deposits and securities to be paid/ received	103 211	(338 783)	(235 572)	130 056	(306 530)	(176 474)
Interest and discount on loans and receivables	0	(135 172)	(135 172)	0	(128 840)	(128 840)
Income and cost settled at effective interest rate	0	(2 795)	(2 795)	47 434	0	47 434
Impairment of loans presented as temporary differences	594 581	0	594 581	575 421	0	575 421
Employee benefits	25 069	0	25 069	25 058	0	25 058
Rights to use	4 400	(50)	4 350	4 347	(96)	4 251
Provisions for future costs	269 944	0	269 944	235 158	0	235 158
Asset due to future cancellations of CHF loans	221 560	0	221 560	222 551	0	222 551
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	9 381	(6 076)	3 305	35 513	(6 166)	29 347
Valuation of shares	1 273	(25 067)	(23 794)	1 273	(32 790)	(31 517)
Tax loss deductible in the future	17 702	0	17 702	19 908	0	19 908
Other	551	(2 383)	(1 832)	11	(954)	(943)
Net deferred income tax asset	**1 331 721**	**(604 296)**	**727 425**	**1 368 491**	**(591 829)**	**776 662**
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax provision	Deferred income tax asset	Deferred income tax provision	Net deferred income tax provision
Income and cost settled at effective interest rate	0	(1 515)	(1 515)	0	(1 365)	(1 365)
Employee benefits	196	0	196	205	0	205
Rights to use	7	0	7	6	0	6
Provisions for future costs	752	0	752	768	0	768
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	0	(31)	(31)	0	(31)	(31)
Other	13	(29)	(16)	15	(33)	(18)
Net deferred income tax provision	**968**	**(1 575)**	**(607)**	**994**	**(1 429)**	**(435)**

	31.12.2023			30.09.2023		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	(3 854)	13 021	9 167	(9 049)	(14 034)	(23 083)
Balance sheet valuation of financial instruments	(16 627)	(36 476)	(53 103)	(15 902)	(1 771)	(17 673)
Unrealised receivables/ liabilities on account of derivatives	67 024	(67 597)	(573)	62 068	(52 573)	9 495
Interest on deposits and securities to be paid/ received	127 301	(323 617)	(196 316)	119 607	(171 518)	(51 911)
Interest and discount on loans and receivables	0	(113 818)	(113 818)	0	(122 165)	(122 165)
Income and cost settled at effective interest rate	60 214	(801)	59 413	106 144	0	106 144
Impairment of loans presented as temporary differences	547 553	0	547 553	533 652	0	533 652
Employee benefits	23 055	0	23 055	21 475	0	21 475
Rights to use	4 201	0	4 201	4 817	0	4 817
Provisions for future costs	142 172	0	142 172	120 602	0	120 602
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	76 462	(25 410)	51 052	119 166	(36 808)	82 358
Valuation of shares	1 273	(33 300)	(32 027)	1 273	(31 280)	(30 007)
Valuation of future income from bancassurance cooperation	0	0	0	0	(10 260)	(10 260)
Tax loss deductible in the future	45 805	0	45 805	54 761	0	54 761
Other	141	(1 729)	(1 588)	690	(879)	(189)
Net deferred income tax asset	**1 074 721**	**(589 728)**	**484 993**	**1 119 304**	**(441 288)**	**678 016**
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax provision	Deferred income tax asset	Deferred income tax provision	Net deferred income tax provision
Income and cost settled at effective interest rate	0	(1 172)	(1 172)	0	(1 055)	(1 055)
Employee benefits	213	0	213	180	0	180
Rights to use	3	0	3	1	0	1
Provisions for future costs	763	0	763	720	0	720
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	0	(31)	(31)	0	(42)	(42)
Other	16	(32)	(16)	30	(32)	(2)
Net deferred income tax provision	**995**	**(1 235)**	**(240)**	**931**	**(1 129)**	**(198)**

19) LIABILITIES TO BANKS AND OTHER MONETARY INSTITUTIONS

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
In current account	30 519	37 056	25 424	28 561
Term deposits	262 124	547 162	536 152	398 119
Loans and advances received	0	0	0	0
Interest	624	1 204	1 936	1 417
Total	293 267	585 422	563 512	428 097

20) LIABILITIES TO CUSTOMERS

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Amounts due to private individuals	84 530 144	83 428 759	76 599 831	74 247 178
Balances on current accounts	55 458 182	54 019 698	50 242 523	50 232 578
Term deposits	28 541 707	28 686 153	25 771 736	23 490 181
Other	296 663	383 483	278 997	257 344
Accrued interest	233 592	339 425	306 575	267 075
Amounts due to companies	24 410 967	26 557 348	26 346 440	25 782 950
Balances on current accounts	14 107 438	14 160 410	14 675 577	13 400 555
Term deposits	9 933 748	12 006 416	11 162 998	11 943 086
Other	316 631	331 107	462 439	356 537
Accrued interest	53 150	59 415	45 426	82 772
Amounts due to public sector	5 040 091	6 554 042	4 300 156	6 146 099
Balances on current accounts	3 648 002	3 571 547	3 318 533	3 168 129
Term deposits	1 376 528	2 962 800	974 507	2 937 126
Other	1 798	1 931	1 677	29 627
Accrued interest	13 763	17 764	5 439	11 217
Total	**113 981 202**	**116 540 149**	**107 246 427**	**106 176 227**

21) LIABILITIES FROM SECURITIES SOLD WITH BUY-BACK CLAUSE

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
to the Central Bank	0	0	0	0
to banks	216 229	2 558	0	170 304
to customers	0	0	0	399 995
interest	132	1	0	718
Total	216 361	2 559	0	571 017

22) CHANGE OF DEBT SECURITIES

	01.01.2024 - 30.09.2024	01.01.2024 - 30.06.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.09.2023
Balance at the beginning of the period	3 317 849	3 317 849	243 753	243 753
Increases, on account of:	2 740 979	497 332	3 130 201	2 652 802
issue of bonds by the Bank	2 131 700	0	2 660 611	2 316 276
issue of covered bonds by Millennium Bank Hipoteczny	300 000	300 000	0	0
issue of Millennium Leasing bonds	0	0	280 000	280 000
valuation of the Bank's bonds designated to fair value hedged relationship	7 603	0	49 305	0
interest accrual	301 676	197 332	140 285	56 526
Reductions, on account of:	(464 730)	(219 610)	(56 105)	(34 387)
change in the valuation of the Bank's bonds designated to fair value hedged relationship	0	(35 131)	0	(5 815)
redemption of the Bank's bonds	(86 948)	(76 910)	0	0
other changes in carrying amount - (including exchange rate differences)	(25 565)	(17 388)	0	0
interest payment	(352 217)	(90 181)	(56 105)	(28 572)
Balance at the end of the period	**5 594 098**	**3 595 571**	**3 317 849**	**2 862 168**

23) CHANGE OF SUBORDINATED DEBT

	01.01.2024 - 30.09.2024	01.01.2024 - 30.06.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.09.2023
Balance at the beginning of the period	1 565 045	1 565 045	1 568 083	1 568 083
Increases, on account of:	94 104	62 629	141 686	107 183
issue of subordinated bonds	0	0	0	0
interest accrual	94 104	62 629	141 686	107 183
Reductions, on account of:	(99 634)	(65 905)	(144 724)	(112 261)
interest payment	(99 634)	(65 905)	(144 724)	(112 261)
Balance at the end of the period	**1 559 515**	**1 561 769**	**1 565 045**	**1 563 005**

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

24) Provisions

24a. Provisions

	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Provision for commitments and guarantees given	34 282	40 044	42 367	36 292
Provision for pending legal issues	2 737 005	2 223 914	1 403 105	1 167 499
Total	2 771 287	2 263 958	1 445 472	1 203 791

24b. Change of provision for commitments and guarantees given

	01.01.2024 - 30.09.2024	01.01.2024 - 30.06.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.09.2023
Balance at the beginning of the period	42 367	42 367	39 617	39 617
Charge of provision	32 125	27 464	40 884	31 039
Release of provision	(40 154)	(29 773)	(37 917)	(34 315)
FX rates differences	(56)	(14)	(217)	(49)
Balance at the end of the period	34 282	40 044	42 367	36 292

24c. Change of provision for pending legal issues

	01.01.2024 - 30.09.2024	01.01.2024 - 30.06.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.09.2023
Balance at the beginning of the period	1 403 105	1 403 105	976 552	976 552
Charge of provision	8 709	5 040	30 208	31 828
Release of provision	(7 838)	(6 000)	(11 936)	(9 734)
Utilisation of provision	(3 282)	(182)	(112 313)	(112 313)
Creation of provisions for legal risk connected with FX mortgage loans *	1 656 390	1 123 590	3 065 380	2 363 800
Allocation to the loans portfolio	(320 079)	(301 639)	(2 544 786)	(2 082 634)
Balance at the end of the period	2 737 005	2 223 914	1 403 105	1 167 499

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

5. RISK MANAGEMENT

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

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

5.1. CREDIT RISK

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

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

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

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

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

Changes in the loan portfolio of the Group after 9 months of 2024 are summarized below:

	30.09.2024		31.12.2023	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Not overdue and without impairment	72 896 070	418 462	70 944 753	793 596
Overdue*, but without impairment	1 634 543	0	1 729 055	0
Total without impairment	74 530 613	418 462	72 673 808	793 596
With impairment	3 618 934	0	3 487 577	0
Total	**78 149 546**	**418 462**	**76 161 385**	**793 596**
Impairment write-offs	(2 596 119)	(18)	(2 496 554)	(160)
Fair value adjustment**	(11 122)	0	(21 772)	0
Total, net	**75 542 305**	**418 445**	**73 643 060**	**793 436**
Loans with impairment / total loans	4.63%	0.00%	4.58%	0.00%

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

5.2. MARKET RISK

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

The market risk limits are revised at least once a year and to consider, inter alia, the change of the consolidated Own Funds, current and projected balance sheet structure as well as the market environment. The market risk limits valid in 3Q 2024 reflected the assumptions and risk appetite defined under Risk Strategy 2024 -2026. The current limits in place have been valid since 30th September 2024. All excesses of market risk limits are always reported, documented, and ratified at the proper competence level. In the 3Q 2024, no excesses of the market risk limits were recorded.

Open positions mostly included interest rate and FX risk instruments. According to the Risk Strategy approved in the Group, the FX open position is allowed, however should be kept at low levels. For this purpose, the Group has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows keeping FX open positions only in Trading Book. In the 3Q2024, the FX Total open position (Intraday as well as Overnight) remained below internal limits in place.

In 3Q2024, the VaR remained on average at the level of approx. PLN267.3m for the total Group, which is jointly Trading Book and Banking Book (50% of the limit) and at approx. PLN1.3m for Trading Book (7% of the limit). The exposure to market risk at the end of September 2024 was approx. PLN228.4m for Global Bank (40% of the limit) and approx. PLN0.7m for Trading Book (3% of the limit). It should be noted that the value at risk in Banking Book is only complementary risk measurement tool as positions are expected to be held to maturity and are in large majority not a subject to marked to market (see next section - Interest rate risk in Banking Book, IRRBB).

The market risk exposure in 3Q2024 in terms of value at risk for Trading Book, together with risk type division, is presented in the table below (PLN thousands).

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

	30.06.2024		VaR (3Q2024)			30.09.2024	
	Exposure	Limit usage	Average	Maximum	Minimum	Exposure	Limit usage
Total risk	1 967	10%	1 276	3 472	269	713	3%
Generic risk	1 961	n.a.	1 272	3 469	264	708	n.a.
Interest Rate VaR	1 966	13%	1 261	3 460	266	710	4%
FX Risk	59	1%	75	604	17	29	1%
Equity Risk	19	21%	15	21	8	16	16%
Diversification Effect	4.2%					6.6%	
Specific risk	6	0%	4	8	2	4	0%

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

5.3. INTEREST RATE RISK IN BANKING BOOK (IRRBB)

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

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

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

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

- the impact of a change in the yield curve on net interest income (NII) assuming shocks determined by the supervisory outlier test (SOT) with a set of two scenarios for interest rate risk,
- the impact on the economic value of equity (EVE) resulting from yield curve movements, including standard test assuming sudden parallel +/-200 basis points shift of the yield curve as well as supervisory outlier test (SOT) with set of six interest rate risk stress scenarios.
- the impact on the economic value of equity (EVE) resulting from 100 bps upward/downward yield curve movements,
- the interest rate sensitivity in terms of BPVx100, that is the change of the portfolio's value caused by a parallel shift of the yield curve by 1 basis point multiplied by 100,
- the impact on net interest income over a time horizon of next 12 months resulting from one-off interest rate shock of 100 basis points.

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

The results of the above-mentioned analysis for net interest income (NII), BPVx100 and economic value measures were regularly monitored and reported to the Capital, Assets and Liabilities Committee, to Risk Committee, the Management Board and Supervisory Board. The results of the IRRBB measurement as of the end of September 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 September 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 September 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 September 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 September 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 positive and equal to 2 million or +0.03% 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 -8 million or -0.14% 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 -PLN 34mn or -0.64% 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 PLN 21mn or 0.40% of the Group's NII reference level. Group also meets the supervisory limit of Supervisory Outlier Tests for net interest income which is defined at the level of 5% of Tier 1 Capital.

5.4. LIQUIDITY RISK

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

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

In 3Q2024, the Group continued to be characterized by solid liquidity position. All the supervisory and internal liquidity indicators remained significantly above minimum limits in place. According to rules in place, all eventual excesses of internal liquidity risk limits are always reported, documented, and ratified at the proper competence level. The steps taken as part of standard and binding risk management procedures have proved sufficient for managing liquidity in the current market environment.

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

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

In 3Q2024, the Group maintained Loan-to-Deposit ratio well below 100%. This ratio was equalled 66% at the end of September 2024 (64% at the end of June 2024). 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 September2024, 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. PLN48.0 billion (35% of total assets), whereas at the end of June 2024 was at the level of approx. PLN50.0 billion (37% of total assets).

Main liquidity ratios	30.06.2024	30.09.2024
Loans/Deposits ratio (%)	64%	66%
Liquid assets portfolio (PLN million)*	50 345	49 415
Liquidity Coverage Requirement, LCR (%)	337%	365%

(*) 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 PLN114.0 billion (PLN116.5 billion at the end of June 2024). The share of funds from individuals in total Clients' deposits equalled to approx. 74.2% at the end of September 2024 (71.6% at the end of June 2024). The maintenance of high share of funds from individuals had a positive impact on the Group's liquidity and supported the safe compliance of the supervisory measures.

The main source of financing of the Group remains deposits base, the large, diversified, and stable funding from retail, corporate and public sectors. The deposit base is supplemented by the deposits from financial institutions and other money market operations. The source of medium-term funding included subordinated debt, own EUR bonds issue, own EUR green 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 3Q2024. However, in case of significant increase of the share of the largest depositors, the additional funds from the depositors are not treated as stable. Despite of that, to prevent deposit base fluctuations, the Group maintains the reserves of liquid assets in the form of securities portfolio.

According to the final provisions of CRD V/CRR II package, the Group is daily calculating the liquidity coverage requirement (LCR) and monthly net stable funding requirement (NSFR) as well as long term funding ratio (LTFR/WFD, in accordance with KNF Recommendation WFD, which is in force since July 2024). In 3Q2024, the regulatory minimum of 100% for both LCR and NSFR was fulfilled by the Group. NSFR reached the level of 188% at the end of September 2024 (193% as of the end of June 2024) and LTFR reached 27,4% in September 2024.The LCR stayed at safe level of 365% at the end of September 2024 (337% at the end of June 2024). The comfortable liquidity position was kept due to increase of the retail Clients' deposits and to the new Senior Non-Preferred Bond issue of 500 million Euros done in September.

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 3Q2024 the internally defined limit of 12% total assets was not breached and the liquidity position was confirmed as solid.

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

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

5.5. OPERATIONAL RISK

In the third quarter of 2024 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with legal provisions in force and the best practice of national and international financial institutions.

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

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

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

5.6. CAPITAL MANAGEMENT

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

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

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

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

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

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

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

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

Capital adequacy	30.09.2024	30.06.2024	30.09.2023
Risk-weighted assets	44 208.00	43 317.69	44 901.23
Own Funds requirements, including:	3 536.64	3 465.41	3 592.10
- Credit risk and counterparty credit risk	3 016.70	2 945.15	3 114.13
- Market risk	16.36	16.63	23.56
- Operational risk	500.38	500.38	446.42
- Credit Valuation Adjustment CVA	3.20	3.25	7.99
Own Funds, including:	7 928.84	7 420.96	7 471.68
Common Equity Tier 1 Capital	6 763.85	6 178.90	6 055.53
Tier 2 Capital	1 164.99	1 242.05	1 416.15
Total Capital Ratio (TCR)	**17.94%**	**17.13%**	**16.64%**
Tier 1 Capital ratio (T1)	**15.30%**	**14.26%**	**13.49%**
Common Equity Tier 1 Capital ratio (CET1)	**15.30%**	**14.26%**	**13.49%**
Leverage ratio	**4.82%**	**4.41%**	**4.72%**

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

Capital adequacy	30.09.2024	30.06.2024	30.09.2023
Total Capital Ratio (TCR)	**17.94%**	**17.13%**	**16.64%**
Minimum required level (OCR)	12.21%	12.21%	12.69%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	5.73%	4.92%	3.95%
Minimum recommended level TCR (OCR+P2G)	13.81%	13.81%	14.44%
Surplus(+) / Deficit(-) on recommended level (p.p.)	4.13%	3.32%	2.20%
Tier 1 Capital ratio (T1)	**15.30%**	**14.26%**	**13.49%**
Minimum required level (OCR)	9.85%	9.85%	10.21%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	5.45%	4.41%	3.28%
Minimum recommended level T1 (OCR+P2G)	11.45%	11.45%	11.96%
Surplus(+) / Deficit(-) on recommended level (p.p.)	3.85%	2.81%	1.53%
Common Equity Tier 1 Capital ratio (CET1)	**15.30%**	**14.26%**	**13.49%**
Minimum required level (OCR)	8.07%	8.07%	8.34%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	7.23%	6.19%	5.15%
Minimum recommended level CET1 (OCR+P2G)	9.67%	9.67%	10.09%
Surplus(+) / Deficit(-) on recommended level (p.p.)	5.63%	4.59%	3.40%
Leverage ratio	**4.82%**	**4.41%**	**4.72%**
Minimum required level	3.00%	3.00%	3.00%
Surplus(+) / Deficit(-) of Leverage ratio (p.p.)	1.82%	1.41%	1.72%

In Q3 2024, capital ratios significantly improved - the Tier 1 capital ratio (equal to the Common Core Tier 1 capital ratio) by 104 bps, and the total capital ratio by 81 bps. T1 capital (CET1) increased by PLN 585 million (9.5%), which resulted primarily from the inclusion of the 1st half of 2024 net earnings. At the same time risk-weighted assets (RWA) went up by PLN 890 million (2.1%), what was a result of the increased business activity. Total Own Funds rose by PLN 508 million/6.8%.

In Q3 2024 financial leverage ratio rose by 41 bps, from 4.41% to 4.82%, which was caused mainly by an increase of T1 capital (by 9.5%), while the total exposure measure almost stood. The surplus over regulatory minimum of 3% is equal to 182 bps.

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

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

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

In terms of the MRELtrea and MRELtem requirements, the Group presents a surplus compared to the minimum required levels as of September 30, 2024, and also meets the MRELtrea Requirement after the inclusion of the Combined Buffer Requirement. In third quarter 2024, the Group completed the issue of senior non-preferred green notes of the nominal value of EUR 500 million, what considerably elevated both ratios.

MREL	30.09.2024	30.06.2024	30.09.2023
MRELtrea ratio	**28,60%**	**22,92%**	**22,05%**
Minimum required level MRELtrea	18,03%	18,03%	14,42%
Surplus(+) / Deficit(-) of MRELtrea (p.p.)	10,57%	4,89%	7,63%
Minimum required level including Combined Buffer Requirement (CBR)	20,78%	20,78%	17,17%
Surplus(+) / Deficit(-) of MRELtrea+CBR (p.p.)	7,82%	2,14%	4,88%
MRELtem ratio	**8,97%**	**7,05%**	**7,74%**
Minimum required level of MRELtem	5,91%	5,91%	4,46%
Surplus(+) / Deficit(-) of MRELtem (p.p.)	3,06%	1,14%	3,28%

6. OPERATIONAL SEGMENTS

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

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

Retail Customer Segment

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

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

Corporate Customer Segment

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

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

Treasury, ALM (assets and liabilities management) and Other

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

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

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

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

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

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

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

Income statement 1.01.2024 – 30.09.2024

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	3 468 436	567 526	(8 113)	4 027 849	(2 950)	4 024 899
Net fee and commission income	451 524	128 936	3 266	583 726	5 029	588 755
Dividends, other income from financial operations and foreign exchange profit	94 365	64 309	8 688	167 362	(288 764)	(121 402)
Result on non-trading financial assets mandatorily at fair value through profit or loss	3 173	0	6 698	9 871	0	9 871
Other operating income and cost	(8 168)	2 825	32 478	27 135	(125 250)	(98 115)
Operating income	4 009 330	763 596	43 017	4 815 943	(411 935)	4 404 008
Staff costs	(714 234)	(150 835)	(22 143)	(887 212)	0	(887 212)
Administrative costs, including:	(364 271)	(66 506)	(84 840)	(515 617)	(86 564)	(602 181)
- BGF costs	*0*	*0*	*(60 850)*	*(60 850)*	*0*	*(60 850)*
Depreciation and amortization	(143 845)	(20 070)	(3 086)	(167 001)	0	(167 001)
Operating expenses	(1 222 350)	(237 411)	(110 069)	(1 569 830)	(86 564)	(1 656 394)
Impairment losses on assets	(202 332)	(99 188)	(4 353)	(305 873)	23 333	(282 540)
Results on modification	(25 574)	(1 996)	0	(27 570)	(83 854)	(111 424)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(1 656 390)	(1 656 390)
Total operating result	**2 559 074**	**425 001**	**(71 405)**	**2 912 670**	**(2 215 410)**	**697 260**
Share in net profit of associated companies						0
Banking tax						(133 512)
Profit / (loss) before income tax						**563 748**
Income taxes						(17 052)
Profit / (loss) after taxes						**546 696**

Balance sheet items as at 30.09.2024

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	59 207 276	14 485 749	0	73 693 025	1 849 280	**75 542 305**
Debt securities (AC and HTCFS portfolios)	0	0	47 897 798	47 897 798	0	**47 897 798**
Liabilities to customers	88 503 375	28 036 774	0	116 540 149	0	**116 540 149**

Income statement 1.01.2023 – 30.09.2023

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

Balance sheet items as at 31.12.2023

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

7. TRANSACTIONS WITH RELATED ENTITIES

All and any transactions between entities of the Group in 3rd quarter of 2024 resulted from the current operations.

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

7.1. TRANSACTIONS WITH THE PARENT GROUP

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

	With parent company		With other entities from parent group	
	30.09.2024	31.12.2023	30.09.2024	31.12.2023
ASSETS				
Loans and advances to banks – accounts and deposits	6 406	2 097	0	0
Financial assets held for trading	5 478	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	0	0
LIABILITIES				
Loans and deposits from banks	623	719	0	0
Debt securities	0	0	0	0
Financial liabilities held for trading	0	0	0	0
Hedging derivatives	0	0	0	0
Other liabilities	188	215	14	8

	With parent company		With other entities from parent group	
	1.01.2024 - 30.09.2024	1.01.2023- 30.09.2023	1.01.2024 - 30.09.2024	1.01.2023- 30.09.2023
Income from:				
Interest	4 939	1 999	0	0
Commissions	155	84	0	0
Financial assets and liabilities held for trading	2 552	28	0	0
Expense from:				
Interest	0	3	0	0
Commissions	0	0	0	0
Financial assets and liabilities held for trading	0	0	0	0
Other net operating	0	0	0	0
Administrative expenses	138	377	0	64

	With parent company		With other entities from parent group	
	30.09.2024	31.12.2023	30.09.2024	31.12.2023
Conditional commitments	25 391	25 513	0	0
granted	0	0	0	0
obtained	25 391	25 513	0	0
Derivatives (par value)	186 620	0	0	0

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

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

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

8. FAIR VALUE

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

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

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

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

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

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

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

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

Receivables and liabilities with respect to banks

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

Loans and advances granted to customers valued at amortised cost

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

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

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

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

Debt securities valued at amortised cost

The fair value of debt securities at amortised cost (mainly bonds issued by State Treasury: domestic and foreign, in the Held to Collect portfolio) was calculated on market quotations basis.

Liabilities to customers

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

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

Subordinated liabilities, debt securities issued and medium-term loans

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

The table below presents results of the above-described analyses as at 30.09.2024 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	15	24 518 861	24 875 267
Deposits, loans and advances to banks and other monetary institutions	15	418 445	418 434
Loans and advances to customers*	14	75 537 577	75 071 074
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	19	293 267	293 267
Liabilities to customers	20	113 981 202	113 995 408
Debt securities issued	22	5 594 098	5 734 919
Subordinated debt	23	1 559 515	1 556 703

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

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

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

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

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

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

Data in PLN'000, as at 30.09.2024

	Note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	12			
Valuation of derivatives			82 870	375 310
Equity instruments		104		
Debt securities		327 760		
Non-trading financial assets mandatorily at fair value through profit or loss	14			
Equity instruments		22 683		66 609
Debt securities				42 427
Loans and advances				4 728
Financial assets at fair value through other comprehensive income	13			
Equity instruments		247		28 540
Debt securities		19 318 882	4 060 055	
Derivatives – Hedge accounting	16		70 029	
LIABILITIES				
Financial liabilities held for trading	12			
Valuation of derivatives			60 831	381 943
Short positions		213 340		
Derivatives – Hedge accounting	16		118 782	

Data in PLN'000, as at 31.12.2023

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

Using the criterion of valuation techniques as at 30.09.2024 Group classified into the third category following financial instruments:

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

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

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 01.01.2024	**405 612**	**(414 200)**	**95 154**	**81 014**	**19 349**
Settlement/sell/purchase	(42 206)	44 907	0	0	(20 531)
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	2 737
Results on financial assets and liabilities held for trading	1 044	(1 790)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	(38 587)	3 173
Result on exchange differences	0	0	(5)	0	0
Balance on 30.09.2024	**364 450**	**(371 083)**	**95 149**	**42 427**	**4 728**

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

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

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

9. CONTINGENT LIABILITIES AND ASSETS

9.1. LAWSUITS

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

Court cases brought up by the Group

Value of the court litigations, as at 30.09.2024, in which entities of the Group were a plaintiff, totaled PLN 2,255.0 million.

Proceedings on infringement of collective consumer interests

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

The Bank lodged an appeal within the statutory time limit.

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

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

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

Proceedings on competition-restricting practice

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

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

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

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

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

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

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

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

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

The Bank appealed against the said decision within statutory term.

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

Court cases against the Group

As at 30.09.2024, the most important proceedings, in the group of the court cases where the Group's companies were defendant, were following:

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

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

On May 6, 2024, the Bank's representative submitted a response to the appeal, requesting that it be dismissed in its entirety as unfounded. On May 24, 2024, the plaintiff filed a motion to suspend the proceedings. This request is groundless, the Bank's representative submitted an appropriate position on this matter. The appeal hearing date has been set for November 22, 2024.

As at 30.09.2024, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at PLN 6,195.4 million (excluding the class actions described below and in the **Chapter 10)**. In this group the most important category are cases related with FX loans mortgage portfolio.

The class action related to the LTV insurance:

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

Actual status:

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

By the resolution of 1 April 2020 the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing. On 18.10.2024, the Court adjourned the hearing without setting a new date. The Bank assesses that procedural chances of winning the case is positive.

As at 30 September 2024, there were also 102 individual court cases regarding LTV insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

Lawsuits filed by Financial Ombudsman for discontinuation of unfair market practices

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

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

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

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

The case is being examined by the court of first instance. The date of the first hearing was set for March 25, 2025.

Court cases concerning Art. 45 of the Consumer Credit Act

By September 30, 2024, the Bank received 993 lawsuits in which the plaintiffs (both clients and companies purchasing claims), alleging violation of the information obligations provided in Art. 30 of the Consumer Credit Act, demand reimbursement of interest and other costs incurred in connection with taking out a loan (free loan sanction within the meaning of Article 45).
As of September 30, 2024, 75 cases have been legally concluded, in 63 cases the Bank won the dispute and lost in 12 cases. Disputes in the above respect should be subject to constant observation and analysis.

Court cases regarding mortgage loans in PLN

By September 30, 2024, the Bank recorded the receipt of 119 lawsuits by borrowers of mortgage loans in PLN for reimbursement of benefits provided under the loan agreement. One final judgment was issued dismissing the borrowers' claim. The borrowers' allegations focus on the WIBOR ratio as an incomprehensible, unverifiable element affecting the consumer's liability, as well as the issue of insufficient information on the effects of variable interest rates provided to the consumer by the bank before the conclusion of the contract.

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

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

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

Administrative penalty proceedings by the Polish Financial Supervision Authority

On 22 December 2023, the Polish Financial Supervision Authority (KNF) started administrative proceedings against bank Millennium S.A. that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. On 16.09.2024, the Bank was served with the Resolution of 13.09.2024 issued by the PFSA (“the Resolution”) pursuant to the provisions of Chapter 2b of the Act of 21.07.2006 on Financial Market Supervision regarding: the possibility of concluding an arrangement regarding the conditions for extraordinary easing of sanctions and setting a 3-month deadline for concluding an arrangement. In response to the Resolution, on 27.09.2024 after considering the circumstances of the case, the Bank decided not to proceed with the procedure of concluding the arrangement.

On 31.05.2024, the Polish Financial Supervision Authority initiated administrative proceedings against Bank Millennium S.A. regarding the imposition of a financial penalty on the Bank pursuant to Art. 73 sec. 1 item 11 in conjunction with sec. 3 point 10 of the Act of 5 July 2018 on the National Cybersecurity System (UKSC) in connection with failure to ensure that an information system security audit was conducted within the statutory deadline. On 23 August 2024, the PFSA imposed a fine on the Bank in the amount of PLN 150,000.00. The Bank appealed against the fine by filing a complaint with the Provincial Administrative Court.

FX mortgage loans legal risk

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

9.2. OFF – BALANCE ITEMS

Amount '000 PLN	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Off-balance conditional commitments granted and received	**16 238 429**	**16 121 723**	**16 101 465**	**15 859 416**
Commitments granted:	13 480 434	13 398 009	13 385 540	13 170 837
loan commitments	11 798 667	11 813 978	11 709 292	11 468 861
guarantee	1 681 767	1 584 031	1 676 248	1 701 976
Commitments received:	2 757 995	2 723 714	2 715 925	2 688 579
financial	0	147	0	9 410
guarantee	2 757 995	2 723 567	2 715 925	2 679 169

10. LEGAL RISK RELATED TO FOREIGN CURRENCY MORTGAGE LOANS

On September 30, 2024, the Bank had 22,260 loan agreements and additionally 2,172 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by the Bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts (57% loans agreements before the courts of first instance and 43% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 4,605.6 million and CHF 328.1 million (Bank Millennium portfolio: PLN 4,159.6 million and CHF 317.2 million and former Euro Bank portfolio: PLN 446.0 million and CHF 10.9 million). Out of 22,260 BM loan agreements in ongoing individual cases 401 are also part of class action. From the total number of individual litigations against the Bank approximately 3,300 or 15% 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 880 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 401 are also part of ongoing individual cases, 1,327 concluded settlements and 22 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 6,158 (423), in 2022 the number increased by 5,757 (408), in 2023 the number increased by 6,878 (647), while in the first three quarters of 2024 the number increased by 4,711 (552).

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 Bank Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of the third quarter of 2024, 6,886 cases were finally resolved (6,786 in claims submitted by clients against the Bank and 100 in claims submitted by the Bank against clients i.e. debt collection cases) out of which 1,947 were settlements, 75 were remissions, 73 rulings were favourable for the Bank and 4,791 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 September 2024 was CHF 1,270 million (of which the outstanding amount of the loan agreements under the class action proceeding was CHF 106 million).

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 7,288 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the first 9 months of 2024, the Bank created PLN 1 495,7 million of provisions for Bank Millennium originated portfolio and PLN 160,7 million for the former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of September 2024 was PLN 7 701,8 million, and for the former Euro Bank portfolio - PLN 721,6 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 active loans (including expected number of amicable settlements).
    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 24,620: 1,362 in 2020; 8,451 in 2021; 7,943 in 2022; 3,671 in 2023 and 3,193 in the first three quarters of 2024. As of the end of third quarter of 2024, the Bank had 26,707 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totaled PLN 1 895,9 million: PLN 44.4 million in 2020; PLN 364.8 million in 2021; PLN 515.2 million in 2022; PLN 415.7 million in 2023 and PLN 555,9 million in the first three quarters of 2024. This cost is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement (the values of costs charged to particular items of the Income Statement due to settlements are presented **in Note 10 in Chapter 4 'Notes to Consolidated Financial Data'**).

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

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

Parameter	Scenario	Impact on the loss
Change in the assumed number of court cases	In addition to above assumed numbers, 1,000 new customers file a lawsuit against the Bank	PLN 187 mln
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 pp	PLN 78 mln
Change in probability of success in negotiations with court client	Change of probability by 1 pp	PLN 18 mln

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

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

Finally it should also be mentioned, that the Bank, as at 30 September 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).

Taking into consideration the continuation of negative outcome in the court verdicts regarding FX mortgage loans, the Bank will have to regularly review and may need to continue to create additional provisions for FX mortgage legal risk.

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

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

Jurisprudence of the Court of Justice of the European Union

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) a national court is not allowed:

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

   b. to refuse to declare that invalidation where the consumer has expressly sought it, after being objectively and exhaustively informed of the legal consequences and the particularly unfavorable financial consequences which it may have for him or her;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Jurisprudence of the Polish Supreme Court

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

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

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

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

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

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

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

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

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

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

11. ADDITIONAL INFORMATION

11.1. DATA ABOUT ASSETS, WHICH SECURE LIABILITIES

As at 30.09.2024 (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury Bonds DS0727	Held to maturity	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	267 000	243 674
2.	Treasury Bonds PS0527	Held to maturity	Security of payment obligation to BFG contribution - guarantee fund	142 000	137 159
3.	Treasury Bonds DS0726	Held to maturity	Security of payment obligation to BFG contribution - compulsory resolution fund	150 000	142 682
4.	Treasury Bonds PS0425	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	550 000	541 514
5.	Treasury Bonds WZ0525	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	173 000	178 232
6.	Treasury Bonds PS0527	Held to maturity	financial and registered pledge on the Bank's account in the brokerage house	188 850	182 411
7.	Treasury Bonds PS0527	Held to maturity	financial pledge on the Bank's account in the brokerage house	583 659	563 759
8.	Treasury Bonds PS1024	Held to maturity	pledge on the Millennium Leasing account related to a securitization transaction	317 000	322 981
9.	Cash	receivables	initial settlement deposit in KDPW CCP (MAGB)	11 000	11 000
10.	Cash	receivables	ASO guarantee fund (PAGB)	707	707
11.	Cash	receivables	appropriate security deposit at KDPW CCP (MATS)	469	469
12.	Cash	receivables	Settlement on transactions concluded	35 649	35 649
13.	Deposits placed	Deposits in banks	Settlement on transactions concluded	106 985	107 271
14.	Treasury Bonds WZ0126	Held to Collect and for Sale	mortgage bonds Millennium Bank Hipoteczny	5 000	5 091
15.	Treasury Bonds WZ0525	Held to Collect and for Sale	mortgage bonds Millennium Bank Hipoteczny	5 000	5 151
16.	Treasury Bonds WZ1129	Held to Collect and for Sale	mortgage bonds Millennium Bank Hipoteczny	15 000	14 902
17.	Mortgage loans	Held to maturity	mortgage bonds Millennium Bank Hipoteczny	1 495 548*	1 519 364*
		TOTAL		**4 046 867**	**4 012 016**

*balance sheet value of secured liabilities (issued mortgage bonds) amounts to PLN 301.002 ths. as at reporting date.

In addition, as at September 30, 2024, the Group had concluded short-term (usually settled within 7 days) transactions of sale of treasury securities with a repurchase agreement, the subject of which were securities worth PLN 216,282 thousand.

As at 31.12.2023 r. (PLN'000):

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

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

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

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

As at 30.09.2024

Type of security	Par value	Balance sheet value
Treasury bonds	212 255	216 282
TOTAL	212 255	216 282

As at 31.12.2023

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

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

11.3. 2023 DIVIDEND

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

11.4. EARNINGS PER SHARE

Profit per share calculated for III quarters of 2024 (and diluted profit per share) on the basis of the consolidated data amounts to PLN 0.45.

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

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

Shareholder as at 30.09.2024	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	107 970 000	8.90	107 970 000	8.90
Allianz Polska Otwarty Fundusz Emerytalny	105 043 837	8.66	105 043 837	8.66
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	65 492 207	5.40	65 492 207	5.40

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

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

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

In the 3rd quarter 2024, the Group did not grant any sureties or guarantees for a loan or bank loan which would cause the Group's exposure on this account as at 30 September 2024 to be significant.

11.7. SEASONALITY AND BUSINESS CYCLES

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

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

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

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

REFORM OF BENCHMARKS

1. WIBOR

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

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

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

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

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

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

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

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

- ✓ mortgage loans: 22 270,02 mortgage loans based on WIBOR (excluding 13 567,86 mortgage loans currently with temporary fixed rate where the clients have the option to switch to variable rate indexed to WIBOR after the end of such temporary fixed rate initial period);
- ✓ loan products, factoring and corporate discounting products: 17 390,70;
- ✓ debt instruments (11 105,06);
  - o Assets: 8 930,51
  - o Liabilities: 2 174,55
- ✓ derivative instruments: 11 031,73

The Bank also applies instruments based on WIBOR benchmarks in hedge accounting, details of the hedging relationships used by the Group, the items designated as hedged and hedging and the presentation of the result on these transactions are presented in Note 24 "Derivatives - Hedge accounting" in Chapter 13 "Notes to the Consolidated Financial Statements.

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

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

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

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

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

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

On 9 July 2024, the National Working Group announced that the collection of opinions as part of the public consultation process had ended on 1 July 2024.

In October 2024, The Steering Committee of the National Working Group on Benchmark Reform announced the launch of additional round of public consultations until October 31st, 2024. With a view to meeting the deadline set for the end of 2027 for the conversion of benchmarks in Poland, the NWG Steering Committee has decided to include four indices from the WIRF family in the next round of public consultations. WIRON, WIRON+ or WRR will not be taken into account in the further course of consultations.

The results of the public consultation will be an element to be taken into account in the decision on the selection of an alternative benchmark to WIBOR and the development of an updated Roadmap.

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

2. LIBOR USD

The Bank applies the USD LIBOR benchmark to the following products:
Retail banking/mortgage portfolio: PLN 2,43 million;
On 28 June 2024 the Financial Conduct Authority ("FCA") supervising ICE Benchmark Administration Limited, which is the administrator of the USD 3M LIBOR and USD 6M LIBOR benchmarks (the "Administrator"), has published information regarding the future of USD 3M LIBOR and USD 6M LIBOR. The FCA indicated that it does not intend to exercise the right to require the Administrator to continue to publish USD 3M LIBOR and USD 6M LIBOR according to the changed, so-called "synthetic" methodology after 30 September 2024.
This means that the USD LIBOR benchmarks for 3M and 6M tenors will be published in a "synthetic" form only until 30 September 2024, and from 1 October 2024 – they will be completely withdrawn.

Date	Name and surname	Position/Function	Signature
28.10.2024	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature

Condensed Interim Standalone Financial Statements of the Bank Millennium S.A. for the 9 months ended 30 September 2024

Contents

1. INTRODUCTION AND ACCOUNTING POLICY

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

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

Condensed interim financial statements of the Bank:

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

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

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

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

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

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

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

As at September 30, 2024, the Tier 1 ratio was 583 bps (Bank) and 545 bps (Group) above the minimum requirement, and the total capital ratio (TCR) was 635 bps (Bank) and 573 bps (Group) above the minimum requirement.

In terms of MRELtrea and MRELtem requirements, the Group presents a significant surplus compared to the minimum levels required as at 30/09/2024, and also meets the MRELtrea requirement after including the Combined Buffer Requirement. MRELtrea surplus was 7.82 percentage points and MRELtem 3.06 p.p. Assuming no extraordinary factors, the Group plans to maintain both MREL ratios above the minimum required levels with a safe surplus.

It should be noted that the profitability of the Bank and the Group was improved despite the recording in May this year one-off initially estimated costs (recognized in these financial statements as a reduction in interest income) related to the so-called credit holidays in the amount of PLN 189.1 million for the Bank and PLN 201.0 million for the Group, respectively. In September this year, following a verification of the estimated participation of eligible mortgage borrowers, the estimated cost of credit holidays was lowered by PLN 44 million to the level of PLN 157 million for the Group and PLN 145 million for the Bank positively impacting interest income in 3rd quarter 2024. This cost resulted from the signing by the President of the Republic of Poland and the announcement in the Journal of Laws of the Republic of Poland of the Act of April 12, 2024 amending the Act on support for borrowers who have taken out a housing loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers which, among other things, extends the possibility for borrowers to suspend the repayment of a mortgage loan granted in Polish currency by an additional four months in 2024 ("credit holidays").

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

The liquidity position of Bank Millennium Group remained strong in 3Q 2024. LCR ratio reached the level of 365% at the of September 2024, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained at secure level of 66% and the share of liquid debt securities (mainly bonds issued by Poland government, other EU countries, European Union, multilateral development banks and NBP bills) in the Group's total assets remains significant at 35%.

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

The Management Board approved these condensed interim financial statements on 28th October 2024.

2. STANDALONE FINANCIAL DATA (BANK)

STATEMENT OF PROFIT AND LOSS

Amount '000 PLN	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Net interest income	3 953 461	1 459 727	3 879 012	1 346 610
Interest income and other of similar nature	6 380 943	2 269 427	6 219 528	2 121 821
Income calculated using the effective interest method	6 300 816	2 246 935	6 144 429	2 096 864
Interest income from Financial assets at amortised cost, including:	4 642 317	1 652 995	4 770 096	1 648 443
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays	(145 346)	43 740	0	0
Interest income from Financial assets at fair value through other comprehensive income	1 658 499	593 940	1 374 333	448 421
Result of similar nature to interest from Financial assets at fair value through profit or loss	80 127	22 492	75 099	24 957
Interest expenses	(2 427 482)	(809 700)	(2 340 516)	(775 211)
Net fee and commission income	507 942	171 180	517 313	162 655
Fee and commission income	696 628	239 502	687 210	224 125
Fee and commission expenses	(188 686)	(68 322)	(169 897)	(61 470)
Dividend income	35 054	150	31 984	151
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	319	(400)	539 843	(800)
Results on financial assets and liabilities held for trading	(4 121)	(1 888)	(2 373)	(3 767)
Result on non-trading financial assets mandatorily at fair value through profit or loss	4 973	4 073	11 598	4 332
Result on hedge accounting	201	1 657	1 517	1 208
Result on exchange differences	(119 656)	(32 775)	(47 595)	(26 238)
Other operating income	241 507	94 929	279 507	118 524
Other operating expenses	(351 021)	(97 299)	(196 589)	(72 497)
Administrative expenses	(1 437 614)	(478 618)	(1 257 435)	(424 977)
Impairment losses on financial assets	(251 931)	(96 720)	(171 484)	(40 746)
Impairment losses on non-financial assets	(4 353)	(2 257)	(53)	(283)
Provisions for legal risk connected with FX mortgage loans	(1 656 390)	(532 800)	(2 363 800)	(743 180)
Result on modification	(111 413)	(49 576)	(67 861)	(14 311)
Depreciation	(164 352)	(56 610)	(155 334)	(52 115)
Share of the profit of investments in subsidiaries	0	0	0	0
Banking tax	(133 512)	(98 990)	0	0
Profit before income taxes	**509 094**	**283 783**	**998 250**	**254 566**
Corporate income tax	(949)	(121 132)	(579 161)	(174 124)
Profit after taxes	**508 145**	**162 651**	**419 089**	**80 442**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Profit after taxes	508 145	162 651	419 089	80 442
Other comprehensive income items that may be (or were) reclassified to profit or loss	98 882	126 180	754 495	167 213
Result on debt securities	225 538	128 775	579 416	163 466
Result on credit portfolio designated for pooling to Mortgage Bank	(152 380)	(11 364)	(98 595)	(63 023)
Hedge accounting	25 724	8 769	273 674	66 770
Other comprehensive income items that will not be reclassified to profit or loss	0	0	0	0
Actuarial gains (losses)	0	0	0	0
Result on equity instruments	0	0	0	0
Total comprehensive income items before taxes	98 882	126 180	**754 495**	**167 213**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(18 788)	(23 974)	(143 354)	(31 770)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0	0	0
Total comprehensive income items after taxes	**80 094**	**102 206**	**611 141**	**135 443**
Total comprehensive income for the period	588 239	264 857	**1 030 230**	**215 885**

STATEMENT OF FINANCIAL POSITION

ASSETS

Amount '000 PLN	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Cash, cash balances at central banks	7 091 943	5 856 992	5 094 984	4 581 063
Financial assets held for trading	787 521	633 530	609 252	785 650
Derivatives	459 657	464 642	498 577	549 955
Equity instruments	104	179	121	175
Debt securities	327 760	168 709	110 554	235 520
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	131 719	149 835	147 623	146 177
Equity instruments	89 292	66 609	66 609	66 609
Debt securities	42 427	83 226	81 014	79 568
Financial assets at fair value through other comprehensive income	23 216 671	28 307 531	21 924 652	21 498 030
Equity instruments	28 784	28 787	28 789	24 389
Debt securities	23 187 887	28 278 744	21 895 863	21 473 641
Loans and advances to customers	73 628 644	72 646 802	72 405 446	73 323 746
Mandatorily at fair value through profit or loss	4 728	5 905	19 349	23 612
Fair valued through other comprehensive income	12 333 864	11 978 944	11 799 748	11 669 731
Valued at amortised cost	61 290 052	60 661 953	60 586 349	61 630 403
Financial assets at amortised cost other than Loans and advances to customers	26 094 906	23 151 483	21 469 710	19 697 331
Debt securities	24 195 880	21 094 246	18 439 780	16 579 468
Deposits, loans and advances to banks and other monetary institutions	1 682 675	1 859 461	1 866 688	1 105 821
Reverse sale and repurchase agreements	216 351	197 776	1 163 242	2 012 042
Derivatives – Hedge accounting	70 029	170 655	74 213	0
Investments in subsidiaries, joint ventures and associates	513 326	514 326	399 223	390 236
Tangible fixed assets	523 387	535 668	553 087	532 389
Intangible fixed assets	537 286	510 667	481 128	456 528
Income tax assets	634 176	691 417	368 279	547 243
Current income tax assets	0	0	0	0
Deferred income tax assets	634 176	691 417	368 279	547 243
Other assets	1 372 099	1 350 893	1 360 160	1 397 182
Non-current assets and disposal groups classified as held for sale	0	0	0	0
Total assets	**134 601 707**	**134 519 799**	**124 887 757**	**123 355 575**

LIABILITIES AND EQUITY

Amount '000 PLN	30.09.2024	30.06.2024	31.12.2023	30.09.2023
LIABILITIES				
Financial liabilities held for trading	656 495	514 876	579 331	680 598
Derivatives	443 155	406 219	576 611	528 602
Liabilities from short sale of securities	213 340	108 657	2 720	151 996
Financial liabilities measured at amortised cost	121 383 698	121 967 610	112 664 017	111 577 874
Liabilities to banks and other monetary institutions	296 259	586 597	565 384	428 779
Liabilities to customers	114 307 625	116 811 703	107 505 636	106 444 648
Sale and repurchase agreements	216 360	2 559	0	571 017
Debt securities issued	5 003 939	3 004 982	3 027 952	2 570 425
Subordinated debt	1 559 515	1 561 769	1 565 045	1 563 005
Derivatives – Hedge accounting	118 782	129 644	193 664	412 281
Provisions	2 770 311	2 262 990	1 444 173	1 202 536
Pending legal issues	2 736 013	2 222 921	1 401 798	1 166 174
Commitments and guarantees given	34 298	40 069	42 375	36 362
Income tax liabilities	179 058	146 150	460 456	501 980
Current income tax liabilities	179 058	146 150	460 456	501 980
Deferred income tax liabilities	0	0	0	0
Other liabilities	2 290 861	2 560 883	2 931 853	2 545 584
Total Liabilities	**127 399 205**	**127 582 153**	**118 273 494**	**116 920 853**
EQUITY				
Share capital	1 213 117	1 213 117	1 213 117	1 213 117
Own shares	(21)	(21)	(21)	(21)
Share premium	1 147 241	1 147 241	1 147 241	1 147 241
Accumulated other comprehensive income	(59 248)	(161 453)	(139 342)	(227 713)
Retained earnings	4 901 413	4 738 762	4 393 268	4 302 098
Total equity	7 202 502	6 937 646	6 614 263	6 434 722
Total equity and total liabilities	**134 601 707**	**134 519 799**	**124 887 757**	**123 355 575**

Book value of net assets	7 202 502	6 937 646	6 614 263	6 434 722
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	5.94	5.72	5.45	5.30

STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total equity	Share capital	Own Shares	Share premium	Accumulated other comprehensive income	Retained earnings	
						Unappropriated result	Other reserves
01.01.2024 - 30.09.2024							
Equity at the beginning of the period	6 614 263	1 213 117	(21)	1 147 241	(139 342)	510 259	3 883 009
Total comprehensive income for the period (net)	588 239	0	0	0	80 094	508 145	0
net profit/ (loss) of the period	508 145	0	0	0	0	508 145	0
valuation of debt securities	182 686	0	0	0	182 686	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(123 428)	0	0	0	(123 428)	0	0
hedge accounting	20 836	0	0	0	20 836	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	(510 259)	510 259
Equity at the end of the period	**7 202 502**	**1 213 117**	**(21)**	**1 147 241**	**(59 248)**	**508 145**	**4 393 268**
01.07.2024 - 30.09.2024							
Equity at the beginning of the period	6 937 646	1 213 117	(21)	1 147 241	(161 453)	345 494	4 393 268
Total comprehensive income for the period (net)	264 856	0	0	0	102 205	162 651	0
net profit/ (loss) of the period	162 651	0	0	0	0	162 651	0
valuation of debt securities	104 308	0	0	0	104 308	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(9 205)	0	0	0	(9 205)	0	0
hedge accounting	7 102	0	0	0	7 102	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	0	0
Equity at the end of the period	7 202 502	1 213 117	(21)	1 147 241	(59 248)	508 145	4 393 268
01.01.2023 - 31.12.2023							
Equity at the beginning of the period	**5 404 493**	**1 213 117**	**(21)**	**1 147 241**	**(838 853)**	**(1 029 899)**	**4 912 908**
Total comprehensive income for the period (net)	1 209 770	0	0	0	699 511	510 259	0
net profit/ (loss) of the period	510 259	0	0	0	0	510 259	0
valuation of debt securities	544 119	0	0	0	544 119	0	0
valuation of shares	3 582	0	0	0	3 582	0	0
valuation of loans portfolio dedicated for pooling to Mortgage Bank	(124 751)	0	0	0	(124 751)	0	0
hedge accounting	285 013	0	0	0	285 013	0	0
actuarial gains (losses)	(8 452)	0	0	0	(8 452)	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 029 899	(1 029 899)
Equity at the end of the period	**6 614 263**	**1 213 117**	**(21)**	**1 147 241**	**(139 342)**	**510 259**	**3 883 009**
01.01.2023 - 30.09.2023							
Equity at the beginning of the period	5 404 493	1 213 117	(21)	1 147 241	(838 853)	(1 029 899)	4 912 908
Total comprehensive income for the period (net)	1 030 229	0	0	0	611 140	419 089	0
net profit/ (loss) of the period	419 089	0	0	0	0	419 089	0
valuation of debt securities	469 327	0	0	0	469 327	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(79 862)	0	0	0	(79 862)	0	0
actuarial gains (losses)	221 675	0	0	0	221 675	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 029 899	(1 029 899)
Equity at the end of the period	6 434 722	1 213 117	(21)	1 147 241	(227 713)	419 089	3 883 009

CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Profit (loss) after taxes	508 145	162 651	419 089	80 442
Total adjustments:	7 787 151	(2 540 376)	12 286 381	7 000 609
Interest received	6 042 262	2 183 536	5 786 190	1 987 871
Interest paid	(2 431 926)	(1 050 412)	(2 132 493)	(715 669)
Depreciation and amortization	164 352	56 610	155 334	52 115
Foreign exchange (gains)/ losses	0	0	0	0
Dividends	(35 054)	(150)	(31 984)	(151)
Changes in provisions	1 326 138	507 321	187 270	62 172
Result on sale and liquidation of investing activity assets	5 448	592	(532 746)	(1 741)
Change in financial assets held for trading	(196 724)	(42 143)	(24 878)	78 677
Change in loans and advances to banks	(212 453)	75 764	175 155	(67 702)
Change in loans and advances to customers	(5 629 867)	(2 504 424)	(2 411 843)	(1 580 440)
Change in receivables from securities bought with sell-back clause (loans and advances)	912 102	(28 998)	(2 042 972)	(1 981 688)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	2 282	130 757	153 407	195 304
Change in deposits from banks	(256 552)	(284 880)	(176 155)	(42 138)
Change in deposits from customers	8 884 474	(1 716 359)	10 220 740	6 363 218
Change in liabilities from securities sold with buy-back clause	243 550	226 329	602 714	227 566
Change in debt securities	153 965	111 964	2 371 455	2 338 284
Change in income tax settlements	(401 714)	121 133	580 535	174 124
Income tax paid	(164 368)	(54 958)	(157 618)	(47 234)
Change in other assets and liabilities	(712 868)	(303 535)	(542 768)	(77 220)
Other	94 104	31 477	107 038	35 261
Net cash flows from operating activities	**8 295 296**	**(2 377 725)**	**12 705 470**	**7 081 051**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Inflows:	439 073 589	145 264 605	538 296	2 831
Proceeds from sale of property, plant and equipment and intangible assets	1 914	288	6 312	2 680
Proceeds from sale of shares in related entities	1 000	1 000	500 000	0
Proceeds from sale of investment financial assets	439 035 621	145 263 167	0	0
Other	35 054	150	31 984	151
Outflows:	(454 282 781)	(148 705 196)	(8 266 601)	(896 377)
Acquisition of property, plant and equipment and intangible assets	(133 481)	(59 529)	(92 908)	(45 307)
Purchase o shares in related entities	(120 000)	0	(99 200)	0
Acquisition of investment financial assets	(454 029 300)	(148 645 667)	(8 074 493)	(851 070)
Other	0	0	0	0
Net cash flows from investing activities	**(15 209 192)**	**(3 440 591)**	**(7 728 305)**	**(893 546)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Inflows from financing activities:	2 131 700	2 131 700	0	0
Long-term bank loans	0	0	0	0
Issue of debt securities	2 131 700	2 131 700	0	0
Increase in subordinated debt	0	0	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0	0	0
Other inflows from financing activities	0	0	0	0
Outflows from financing activities:	(99 634)	(33 729)	(117 366)	(38 237)
Repayment of long-term bank loans	0	0	(5 000)	0
Redemption of debt securities	0	0	0	0
Decrease in subordinated debt	0	0	0	0
Issue of shares expenses	0	0	0	0
Redemption of shares	0	0	0	0
Dividends paid and other payments to owners	0	0	0	0
Other outflows from financing activities	(99 634)	(33 729)	(112 366)	(38 237)
Net cash flows from financing activities	**2 032 066**	**2 097 971**	**(117 366)**	**(38 237)**

D. Net cash flows. Total (a + b + c)	**(4 881 830)**	**(3 720 345)**	**4 859 799**	**6 149 268**
including change resulting from FX differences	(4 938)	(4 840)	(2 363)	301
E. Cash and cash equivalents at the beginning of the reporting period	**18 396 413**	**17 234 928**	**14 231 089**	**12 941 620**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**13 514 583**	**13 514 583**	**19 090 888**	**19 090 888**

3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

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

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

Impairment losses on financial assets

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Impairment losses on loans and advances to customers	(259 951)	(102 452)	(175 250)	(39 120)
Impairment charges on loans and advances to customers	(1 077 992)	(293 493)	(1 043 450)	(234 689)
Reversal of impairment charges on loans and advances to customers	747 873	183 310	801 775	185 214
Amounts recovered from loans written off	24 947	7 731	30 775	10 365
Sale of receivables	45 221	0	35 649	(10)
Other directly recognised in profit and loss	0	0	1	0
Impairment losses on securities	(1)	4	3	3
Impairment charges on securities	(1)	4	0	0
Reversal of impairment charges on securities	0	0	3	3
Impairment losses on off-balance sheet liabilities	8 021	5 728	3 763	(1 629)
Impairment charges on off-balance sheet liabilities	(32 133)	(4 653)	(31 039)	(6 672)
Reversal of impairment charges on off-balance sheet liabilities	40 154	10 381	34 802	5 043
Total	**(251 931)**	**(96 720)**	**(171 484)**	**(40 746)**

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

	01.01.2024 - 30.09.2024	01.01.2024 - 30.06.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.09.2023
Balance at the beginning of the period	2 299 364	2 299 364	2 242 135	2 242 135
Change in value of provisions:	92 840	88 182	57 229	104 399
Impairment allowances created in the period	1 010 898	734 733	1 214 029	974 006
Amounts written off	(181 830)	(61 106)	(165 261)	(122 736)
Impairment allowances released in the period	(680 165)	(511 605)	(885 407)	(739 701)
Sale of receivables	(105 219)	(105 219)	(173 110)	(63 325)
KOIM created in the period(*)	52 844	35 695	71 261	53 457
Changes resulting from FX rates differences	(5 880)	(6 396)	(8 016)	(221)
Other	2 192	2 080	3 733	2 919
Balance at the end of the period	**2 392 204**	**2 387 546**	**2 299 364**	**2 346 534**

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

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Investments in subsidiaries, joint ventures and associates	Property. plant and equipment	Intangibles	Other assets
As at 01.01.2024	5 001	6 700	797	0	24 546
- Write-offs created	1	0	0	0	15 489
- Write-offs released	0	0	0	0	(11 136)
- Utilisation	0	0	0	0	(2 843)
- Other	0	0	0	0	0
As at 30.09.2024	5 002	6 700	797	0	26 056
As at 01.01.2024	5 001	6 700	797	0	24 546
- Write-offs created	5	0	0	0	10 424
- Write-offs released	0	0	0	0	(8 328)
- Utilisation	0	0	0	0	(2 078)
- Other	0	0	0	0	0
As at 30.06.2024	5 006	6 700	797	0	24 564
As at 01.01.2023	5 002	6 700	797	0	25 845
- Write-offs created	2	0	0	0	19 352
- Write-offs released	(3)	0	0	0	(19 268)
- Utilisation	0	0	0	0	(1 383)
- Other	0	0	0	0	0
As at 31.12.2023	5 001	6 700	797	0	24 546
As at 01.01.2023	5 002	6 700	797	0	25 845
- Write-offs created	0	0	0	0	16 829
- Write-offs released	(3)	0	0	0	(16 775)
- Utilisation	0	0	0	0	(934)
- Other	0	0	0	0	0
As at 30.09.2023	4 999	6 700	797	0	24 965

Change of Provision for commitments and guarantees given

	01.01.2024 - 30.09.2024	01.01.2024 - 30.06.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.09.2023
Balance at the beginning of the period	42 375	42 375	40 174	40 174
Charge of provision	32 133	27 480	40 336	31 039
Release of provision	(40 154)	(29 773)	(37 916)	(34 802)
FX rates differences	(56)	(13)	(219)	(49)
Balance at the end of the period	34 298	40 069	**42 375**	**36 362**

Change of Provision for pending legal issues

	01.01.2024 - 30.09.2024	01.01.2024 - 30.06.2024	01.01.2023 - 31.12.2023	01.01.2023 - 30.09.2023
Balance at the beginning of the period	1 401 798	1 401 798	975 092	975 092
Charge of provision	8 709	5 040	30 208	31 828
Release of provision	(7 523)	(5 686)	(11 783)	(9 598)
Utilisation of provision	(3 282)	(182)	(112 313)	(112 313)
Creation of provision for legal risk connected with FX mortgage loans	1 656 390	1 123 590	3 065 380	2 363 800
Allocation to the loans portfolio	(320 079)	(301 639)	(2 544 786)	(2 082 635)
Balance at the end of the period	**2 736 013**	**2 222 921**	**1 401 798**	1 166 174

Provisions for legal risk connected with fx mortgage loans

01.01.2024 - 30.09.2024	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	7 871 789	6 516 460	1 355 329
Amounts written off	(886 986)	(886 986)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	1 656 390	0	1 656 390
Allocation to the loans portfolio	0	322 113	(322 113)
Change of provisions due to FX rates differences	(217 793)	(217 793)	0
Balance at the end of the period	8 423 401	5 733 795	2 689 606

01.07.2024 - 30.09.2024	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	8 206 595	6 030 633	2 175 962
Amounts written off	(386 242)	(386 242)	0
Costs of provisions for legal risk connected wIth FX mortgage loans	532 800	0	532 800
Allocation to the loans portfolio	0	19 156	(19 156)
Change of provisions due to FX rates differences	70 247	70 247	0
Balance at the end of the period	8 423 401	5 733 795	2 689 606

01.01.2023 - 30.09.2023	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	5 395 344	4 572 901	822 443
Amounts written off	(331 048)	(331 048)	0
Costs of provisions for legal risk connected with FX mortgage loans	2 363 800	0	2 363 800
Allocation to the loans portfolio	0	2 070 528	(2 070 528)
Change of provisions due to FX rates differences	88 045	88 045	0
Balance at the end of the period	7 516 140	6 400 425	1 115 715

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

	1.01.2024 - 30.09.2024	1.07.2024 - 30.09.2024	1.01.2023 - 30.09.2023	1.07.2023 - 30.09.2023
Costs of settlements recognized in the profit and loss account, including:	(372 465)	(130 201)	(237 038)	(86 905)
- included in the “Result on exchange differences”	(288 611)	(88 601)	(196 012)	(81 900)
- included in the “Result on modification”	(83 854)	(41 600)	(41 026)	(5 005)
Costs of settlements charged to previously created provisions	198 993	87 450	59 514	28 963

Deferred income tax assets and liability

	30.09.2024			30.06.2024		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	128	(1 367)	(1 239)	128	(1 383)	(1 255)
Balance sheet valuation of financial instruments	0	(34 847)	(34 847)	15 586	(31 363)	(15 777)
Unrealised receivables/ liabilities on account of derivatives	38 405	(38 012)	393	33 254	(64 921)	(31 667)
Interest on deposits and securities to be paid/ received	98 309	(338 272)	(239 963)	125 239	(306 171)	(180 932)
Interest and discount on loans and receivables	0	(131 454)	(131 454)	0	(134 026)	(134 026)
Income and cost settled at effective interest rate	0	(1 811)	(1 811)	46 270	0	46 270
Impairment of loans presented as temporary differences	538 383	0	538 383	519 944	0	519 944
Employee benefits	24 047	0	24 047	24 026	0	24 026
Rights to use	4 333	0	4 333	4 277	0	4 277
Provisions for future costs	266 950	0	266 950	233 120	0	233 120
Asset due to future cancellations of CHF loans	221 560	0	221 560	222 551	0	222 551
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in OCI	19 121	(5 223)	13 898	43 095	(5 223)	37 872
Valuation of shares	1 273	(25 067)	(23 794)	1 273	(32 790)	(31 517)
Other	8	(2 288)	(2 280)	31	(1 499)	(1 468)
Total	1 212 517	(578 341)	634 176	1 268 794	(577 376)	691 418

	31.12.2023			30.09.2023		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	128	(1 498)	(1 370)	128	(1 564)	(1 436)
Balance sheet valuation of financial instruments	1 332	(36 476)	(35 144)	(23 392)	(1 771)	(25 163)
Unrealised receivables/ liabilities on account of derivatives	67 024	(67 597)	(573)	62 068	(52 573)	9 495
Interest on deposits and securities to be paid/ received	122 682	(323 515)	(200 833)	114 616	(171 200)	(56 584)
Interest and discount on loans and receivables	0	(113 015)	(113 015)	0	(121 040)	(121 040)
Income and cost settled at effective interest rate	60 214	0	60 214	105 652	0	105 652
Impairment of loans presented as temporary differences	494 879	0	494 879	480 853	0	480 853
Employee benefits	21 984	0	21 984	20 523	0	20 523
Rights to use	4 128	0	4 128	4 231	0	4 231
Provisions for future costs	138 929	0	138 929	118 290	0	118 290
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in OCI	57 252	(24 567)	32 685	89 520	(36 106)	53 414
Valuation of shares	1 273	(33 300)	(32 027)	1 273	(31 280)	(30 007)
Valuation of future income from bancassurance cooperation	0	0	0	0	(10 260)	(10 260)
Other	144	(1 723)	(1 579)	259	(984)	(725)
Total	969 970	(601 692)	368 279	974 021	(426 778)	547 243

4. TRANSACTIONS WITH RELATED ENTITIES

All transactions among members of the Group made in 3rd quarter of 2024 and 2023 were driven by current activity. The below table presents major amounts of intergroup transactions, these were transactions with the following entities:

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

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

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

Assets and liabilities from transactions with related parties (data in '000 pln) as at 30.09.2024

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks - accounts and deposits	1 264 230	6 406	0
Loans and advances to customers	6 725 834	0	0
Investments in associates	465 714	0	0
Financial assets valued at fair value through profit and loss (held for trading)	1 515	5 478	0
Hedging derivatives	0	0	0
Other assets	18 179	0	0
LIABILITIES			
Deposits from banks	2 992	623	0
Deposits from customers	326 423	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	380	0	0
Subordinated debt	0	0	0
Other liabilities, including:	41 880	188	14
- financial leasing liabilities	29 652	0	0

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

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

Profit and loss on transactions with related parties (data in '000 pln) for the period 1.01-30.09.2024

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	340 348	4 939	0
Commissions	23 173	155	0
Financial instruments valued at fair value through profit and loss	2 677	2 552	0
Dividends	26 618	0	0
Other net operating	14 764	0	0
Expense from:			
Interest	8 240	0	0
Commissions	3	0	0
Financial instruments valued at fair value through profit and loss	0	0	0
Other net operating	0	0	0
General and administrative expenses	12 487	138	0

Profit and loss on transactions with related parties (data in '000 pln) for the period 1.01-30.09.2023

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

Off-balance transactions with related parties (data in '000 pln) as at na 30.09.2024

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	2 126 529	25 391	0
granted	1 810 709	0	0
obtained	315 819	25 391	0
Derivatives (par value)	264 819	186 620	0

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

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

5. FAIR VALUE

The methodology used by the Bank for valuation of assets and liabilities at fair value is described in detail in **Chapter 8. Condensed interim consolidated financial statements of Bank Millennium S.A.** for the 9 months ended 30 September 2024.

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

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

30.09.2024	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST		
Debt securities	24 195 880	24 545 845
Deposits, loans and advances to banks and other monetary institutions	1 682 675	1 682 664
Loans and advances to customers (*)	61 290 052	60 856 971
LIABILITIES MEASURED AT AMORTISED COST		
Liabilities to banks and other monetary institutions	296 259	296 259
Liabilities to customers	114 307 625	114 321 831
Debt securities issued	5 003 939	5 141 695
Subordinated debt	1 559 515	1 556 714

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

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

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

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

Data in PLN'000, as at 30.09.2024

	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		84 347	375 310
Shares	104		
Debt securities	327 760		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments	22 683		66 609
Debt securities			42 427
Loans and advances			4 728
Financial assets at fair value through other comprehensive income			
Equity instruments	247		28 537
Debt securities	19 189 803	3 998 085	
Loans and advances			12 333 864
Derivatives – Hedge accounting		70 029	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		61 211	381 943
Short positions	213 340		
Derivatives - Hedge accounting		118 782	

Data in PLN'000, as at 31.12.2023

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

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances at fair value through profit or loss	Loans and advances at fair value through other comprehensive income
Balance as at 01.01.2024	**405 612**	**(414 200)**	**95 151**	**81 014**	**19 349**	**11 799 748**
Settlement/sell/purchase/transfer to the portfolio	(42 206)	44 907	0	0	(20 531)	14 534
Change of valuation recognized in equity	0	0	0	0	0	(152 380)
Interest income and other of similar nature	0	0	0	0	2 737	671 962
Results on financial assets and liabilities held for trading	1 044	(1 790)	0	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	(38 587)	3 173	0
Result on exchange differences	0	0	(5)	0	0	0
Balance as at 30.09.2024	**364 450**	**(371 083)**	**95 146**	**42 427**	**4 728**	**12 333 864**

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

6. LEGAL RISK RELATED TO FOREIGN CURRENCY MORTGAGE LOANS

On September 30, 2024, the Bank had 22,260 loan agreements and additionally 2,172 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by the Bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts (57% loans agreements before the courts of first instance and 43% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 4,605.6 million and CHF 328.1 million (Bank Millennium portfolio: PLN 4,159.6 million and CHF 317.2 million and former Euro Bank portfolio: PLN 446.0 million and CHF 10.9 million). Out of 22,260 BM loan agreements in ongoing individual cases 401 are also part of class action. From the total number of individual litigations against the Bank approximately 3,300 or 15% 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 880 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 401 are also part of ongoing individual cases, 1,327 concluded settlements and 22 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 6,158 (423), in 2022 the number increased by 5,757 (408), in 2023 the number increased by 6,878 (647), while in the first three quarters of 2024 the number increased by 4,711 (552).

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 Bank Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of the third quarter of 2024, 6,886 cases were finally resolved (6,786 in claims submitted by clients against the Bank and 100 in claims submitted by the Bank against clients i.e. debt collection cases) out of which 1,947 were settlements, 75 were remissions, 73 rulings were favourable for the Bank and 4,791 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 September 2024 was CHF 1,270 million (of which the outstanding amount of the loan agreements under the class action proceeding was CHF 106 million).

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 7,288 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the first 9 months of 2024, the Bank created PLN 1 495,7 million of provisions for Bank Millennium originated portfolio and PLN 160,7 million for the former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of September 2024 was PLN 7 701,8 million, and for the former Euro Bank portfolio - PLN 721,6 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 active loans (including expected number of amicable settlements).
   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 24,620: 1,362 in 2020; 8,451 in 2021; 7,943 in 2022; 3,671 in 2023 and 3,193 in the first three quarters of 2024. As of the end of third quarter of 2024, the Bank had 26,707 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totaled PLN 1 895,9 million: PLN 44.4 million in 2020; PLN 364.8 million in 2021; PLN 515.2 million in 2022; PLN 415.7 million in 2023 and PLN 555,9 million in the first three quarters of 2024. This cost is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement (the values of costs charged to particular items of the Income Statement due to settlements are presented **in Note 10 in Chapter 4 'Notes to Consolidated Financial Data'**).

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

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

Parameter	Scenario	Impact on the loss
Change in the assumed number of court cases	In addition to above assumed numbers, 1,000 new customers file a lawsuit against the Bank	PLN 187 mln
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 pp	PLN 78 mln
Change in probability of success in negotiations with court client	Change of probability by 1 pp	PLN 18 mln

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

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

Finally it should also be mentioned, that the Bank, as at 30 September 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).

Taking into consideration the continuation of negative outcome in the court verdicts regarding FX mortgage loans, the Bank will have to regularly review and may need to continue to create additional provisions for FX mortgage legal risk.

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

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

Jurisprudence of the Court of Justice of the European Union

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

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

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

(i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term is unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;
(ii) the national court may remove only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by Council Directive 93/13 is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. At the same time, provisions of the Directive preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance;
(iii) the consequences of a judicial finding that a term if a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;
(iv) the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, shall inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

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

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

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

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

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

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

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

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

(ii) a national court is not allowed:

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

  b. to refuse to declare that invalidation where the consumer has expressly sought it, after being objectively and exhaustively informed of the legal consequences and the particularly unfavorable financial consequences which it may have for him or her;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Jurisprudence of the Polish Supreme Court

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

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

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

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

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

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

(i) When finding that a provision of an indexed or denominated credit agreement relating to the manner of determining the foreign currency exchange rate constitutes an unfair contractual provision and is not binding, then in currently existing legal situation it cannot be stated that such a provision could be replaced by another formula of defining the foreign currency exchange rate resulting from law or custom.

(ii) In case of impossibility to determine the foreign currency exchange rate binding the parties in the indexed or denominated loan agreement, the agreement is not binding also in the remaining scope.

(iii) If, in the performance of a credit agreement which is not binding due to the unfair nature of its provisions, the bank has disbursed to the borrower all or part of the amount of the credit and the borrower has made repayments of the credit, independent claims for repayment of the undue performance shall arise in favor of each party.

(iv) If a credit agreement is not binding due to the unfair nature of its provisions, the statute of limitations of the bank's claim for repayment of amounts disbursed under the credit shall, as a rule, start to run from the day following the day on which the borrower challenges being bound by the provisions of agreement.

(v) If a credit agreement is not binding due to the unfair nature of its provisions, there shall be no legal basis for any party to claim interest or other remuneration because of using party's pecuniary means during the period from the provision of undue benefit until the delay in the return of this benefit.

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

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

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

7. ADDITIONAL INFORMATION

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

During the 9 months ended September 30, 2024, the Bank's liabilities arising from the issue of debt securities increased by PLN 23 million and their balance as at that date amounted to PLN 5,003.9 million. The increase in these liabilities results mainly from the issue of 5-year Green Senior Non-Preferred Notes with a total nominal value of EUR 500 million carried out on 18 September 2024 (as reported in detail by the Bank in Current Report 26/2024). Additionally, the change in the balance of debt securities issued results from: negative the balance of interest accrued and paid for the period in the amount of PLN -51.4 million, a change in the valuation of issued securities in the hedging relationship in the amount of PLN +7.6 million, a decrease in value due to redemption in the amount of PLN -86.9 million and other changes in the carrying amount in the amount of PLN –24.9 million, mainly due to the strengthening of the PLN exchange rate against the EUR in the 3 quarters of 2024.

7.2. CAPITAL MANAGEMENT

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

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

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

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

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

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

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

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

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

Capital adequacy	30.09.2024	30.06.2024	30.09.2023
Risk-weighted assets	40 529,86	39 710,31	41 827,47
Own Funds requirements, including:	3 242,39	3 176,83	3 346,20
- Credit risk and counterparty credit risk	2 744,07	2 678,91	2 887,61
- Market risk	16,36	16,63	23,57
- Operational risk	478,00	478,00	427,01
- Credit Valuation Adjustment CVA	3,95	3,27	8,01
Own Funds, including:	7 520,55	7 061,44	7 298,87
Common Equity Tier 1 Capital	6 355,56	5 819,38	5 882,73
Tier 2 Capital	1 164,99	1 242,05	1 416,14
Total Capital Ratio (TCR)	**18,56%**	**17,78%**	**17,45%**
Tier 1 Capital ratio (T1)	**15,68%**	**14,65%**	**14,06%**
Common Equity Tier 1 Capital ratio (CET1)	**15,68%**	**14,65%**	**14,06%**
Leverage ratio	**4,83%**	**4,43%**	**4,87%**

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

Capital adequacy	30.09.2024	30.06.2024	30.09.2023
Total Capital Ratio (TCR)	**18,56%**	**17,78%**	**17,45%**
Minimum required level (OCR)	12,21%	12,21%	12,69%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	6,35%	5,57%	4,76%
Minimum recommended level TCR (OCR+P2G)	13,81%	13,81%	14,44%
Surplus(+) / Deficit(-) on recommended level (p.p.)	4,75%	3,97%	3,01%
Tier 1 Capital ratio (T1)	**15,68%**	**14,65%**	**14,06%**
Minimum required level (OCR)	9,85%	9,85%	10,21%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	5,83%	4,80%	3,85%
Minimum recommended level T1 (OCR+P2G)	11,45%	11,45%	11,96%
Surplus(+) / Deficit(-) on recommended level (p.p.)	4,23%	3,20%	2,10%
Common Equity Tier 1 Capital ratio (CET1)	**15,68%**	**14,65%**	**14,06%**
Minimum required level (OCR)	8,07%	8,07%	8,34%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	7,61%	6,58%	5,72%
Minimum recommended level CET1 (OCR+P2G)	9,67%	9,67%	10,09%
Surplus(+) / Deficit(-) on recommended level (p.p.)	6,01%	4,98%	3,97%
Leverage ratio	**4,83%**	**4,43%**	**4,87%**
Minimum required level	3,00%	3,00%	3,00%
Surplus(+) / Deficit(-) of Leverage ratio (p.p.)	1,83%	1,43%	1,87%

In Q3 2024, capital ratios significantly improved - the Tier 1 capital ratio (equal to the Common Core Tier 1 capital ratio) by 103 bps, and the total capital ratio by 78 bps. T1 capital (CET1) increased by PLN 536 million (9.2%), which resulted primarily from the inclusion of the 1st half of 2024 net earnings. At the same time risk-weighted assets (RWA) went up by PLN 820 million (2.1%), what was a result of the increased business activity. Total Own Funds rose by PLN 459 million/6.5%.

In Q3 2024 financial leverage ratio rose by 40 bps, from 4.43,% to 4.83%, which was caused mainly by an increase of T1 capital (by 9.2%), while the total exposure measure almost stood. The surplus over regulatory minimum of 3% is equal to 183 bps.

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

7.3. OFF BALANCE SHEET ITEMS

Structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	30.09.2024	30.06.2024	31.12.2023	30.09.2023
Off-balance conditional commitments granted and received	**18 364 957**	**18 196 223**	**17 283 356**	**17 490 786**
Commitments granted:	15 291 143	15 161 134	14 264 568	14 487 463
- financial	13 582 562	13 550 287	12 550 588	12 747 692
- guarantee	1 708 581	1 610 847	1 713 980	1 739 771
Commitments received:	3 073 814	3 035 089	3 018 788	3 003 323
- financial	0	147	0	9 410
- guarantee	3 073 814	3 034 942	3 018 788	2 993 913

7.4. REFORM OF BENCHMARKS

1. WIBOR

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

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

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

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

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

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

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

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

- ✓ mortgage loans: 22 270,02 mortgage loans based on WIBOR (excluding 13 567,86 mortgage loans currently with temporary fixed rate where the clients have the option to switch to variable rate indexed to WIBOR after the end of such temporary fixed rate initial period);
- ✓ loan products, factoring and corporate discounting products: 17 390,70;
- ✓ debt instruments (11 105,06);
  - Assets: 8 930,51
  - Liabilities: 2 174,55
- ✓ derivative instruments: 11 031,73

The Bank also applies instruments based on WIBOR benchmarks in hedge accounting, details of the hedging relationships used by the Group, the items designated as hedged and hedging and the presentation of the result on these transactions are presented in Note 24 "Derivatives - Hedge accounting" in Chapter 13 "Notes to the Consolidated Financial Statements.

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

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

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

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

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

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

On 9 July 2024, the National Working Group announced that the collection of opinions as part of the public consultation process had ended on 1 July 2024.

In October 2024, The Steering Committee of the National Working Group on Benchmark Reform announced the launch of additional round of public consultations until October 31st, 2024. With a view to meeting the deadline set for the end of 2027 for the conversion of benchmarks in Poland, the NWG Steering Committee has decided to include four indices from the WIRF family in the next round of public consultations. WIRON, WIRON+ or WRR will not be taken into account in the further course of consultations.

The results of the public consultation will be an element to be taken into account in the decision on the selection of an alternative benchmark to WIBOR and the development of an updated Roadmap.

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

2. LIBOR USD

The Bank applies the USD LIBOR benchmark to the following products:
Retail banking/mortgage portfolio: PLN 2,43 million;
On 28 June 2024 the Financial Conduct Authority ("FCA") supervising ICE Benchmark Administration Limited, which is the administrator of the USD 3M LIBOR and USD 6M LIBOR benchmarks (the "Administrator"), has published information regarding the future of USD 3M LIBOR and USD 6M LIBOR. The FCA indicated that it does not intend to exercise the right to require the Administrator to continue to publish USD 3M LIBOR and USD 6M LIBOR according to the changed, so-called "synthetic" methodology after 30 September 2024.
This means that the USD LIBOR benchmarks for 3M and 6M tenors will be published in a "synthetic" form only until 30 September 2024, and from 1 October 2024 – they will be completely withdrawn..

7.5. CREDIT HOLIDAYS 2024

Following the signing by the President of the Republic of Poland and the announcement in the Journal of Laws of the Republic of Poland of the Act of April 12, 2024 amending the Act on support for borrowers who have taken out a mortgage loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and aid borrowers which, among other things, extends the possibility for borrowers to suspend the repayment of a mortgage loan granted in Polish currency for a period of up to four months (suspension of repayments up to 4 monthly installments) in 2024 ("credit holidays"), the Bank and the Group in May this year, recorded one-off costs related to credit holidays, initially estimated at PLN 189.1 million for the Bank and PLN 201.0 million for the Group, respectively. In September this year, following a verification of the estimated participation of eligible mortgage borrowers, the estimated cost of credit holidays was lowered by PLN 44 million to the level of PLN 157 million for the Group and PLN 145 million for the Bank, positively impacting interest income in 3rd quarter 2024.

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

Date	Name and surname	Position/Function	Signature
28.10.2024	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature