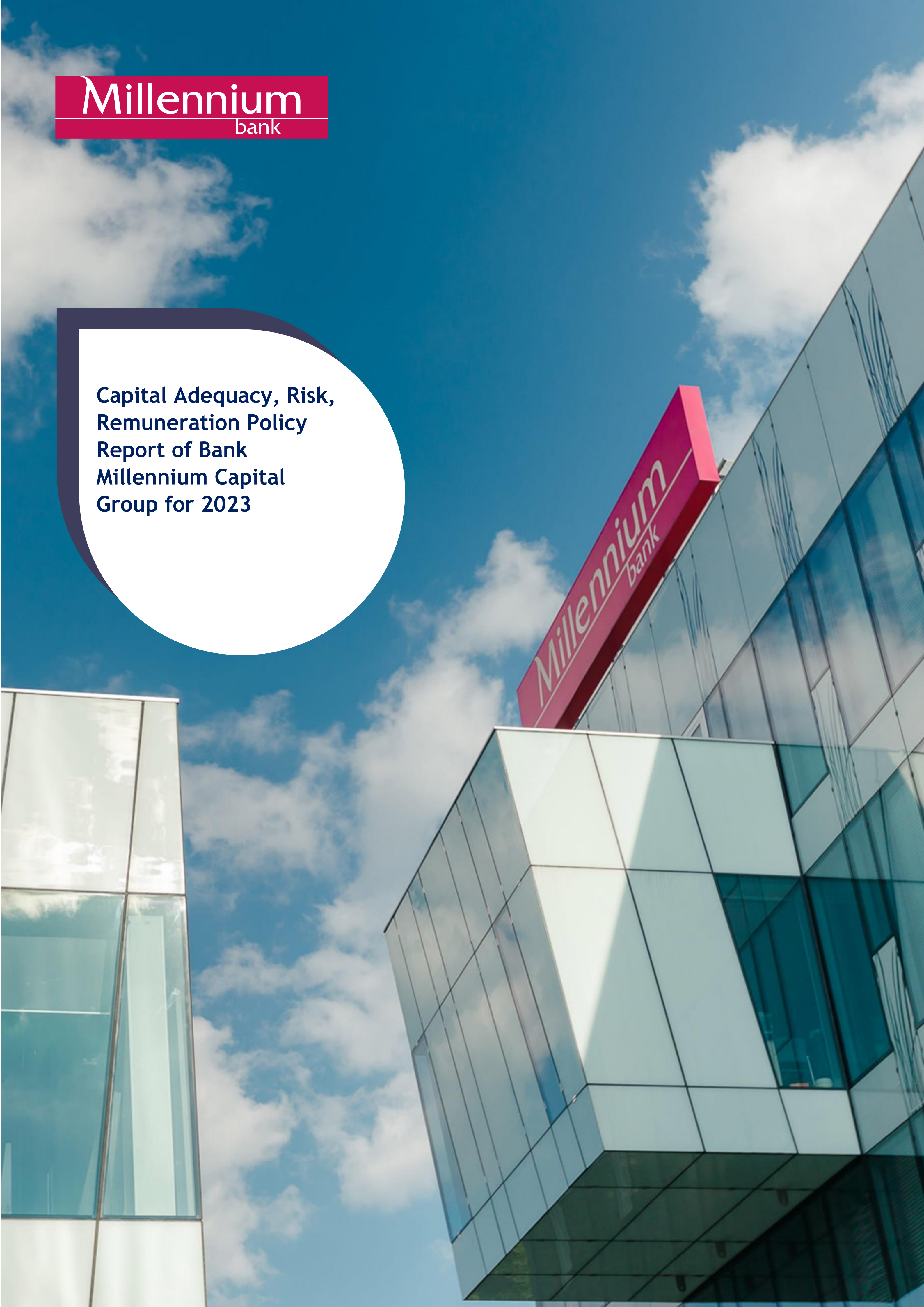

Millennium bank

Capital Adequacy, Risk, Remuneration Policy Report of Bank Millennium Capital Group for 2023

TABLE OF CONTENTS

1. INTRODUCTION

Pursuant to the requirements set forth in Part Eight of the Regulation (EU) 2019/876 of the European Parliament and of the Council 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, arket risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 ("CRR 2"), this document ("Disclosures") presents qualitative and quantitative information pertaining to the comprehensive image of the risk profile of the Bank Millennium S.A. (the "Bank") Capital Group (the "Group") as at 31 December 2023.

The presented information has been prepared on the basis of the prudentially consolidated Capital Group's data in accordance with the requirements of Art. 13 CRR 2 for significant subsidiaries of EU parent institutions, based on the highest national level of consolidation (Bank Millennium S.A. Group). In some cases, data was also presented for Bank Millennium SA.

Disclosed informations are compliant with requirements, the tempates and the scope defined in:

i. Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementng Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295 (further referred as to: ITS 2021/637);
ii. Guidelines EBA/GL/2020/07 of 2 June 2020 on reporting and disclosure of information on exposures covered by measures inresponse to the crisis caused by COVID-19;
iii. Guidelines amending Guidelines EBA/GL/2020/12 on uniform disclosures under Articke 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic (further referred as to: EBA/GL/2020/12).

Pursuant to Article 432.1 of CRR 2, the Group may omit in its Disclosures any information that is not regarded as material. The Group regards as immaterial any information the omission or misstatement of which could not change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. The Group did not consider any information covered by the disclosure obligation based on CRR 2 and other regulations as not material.

Pursuant to Article 432.2, the Group may omit in its disclosures any items of information which is regarded as proprietary or confidential. Information is regarded as proprietary if the Group believes that disclosing it publicly would undermine its competitive position. Information is regarded as confidential if the Group has made an obligation to a customer or other counterparty binding it to confidentiality. The Group did not consider any information covered by the disclosure obligation based on CRR 2 and other regulations as proprietary or confidential.

Information regarding broadly understood risk is also presented in the annual financial report, consisting of a narrative report and a financial report, a report on non-financial information and the remuneration policy, which is part of the financial report for 2023.

Amounts in tables are presented in PLN thousands, unless otherwise stated.

The disclosures were approved by the Bank's Management Board on April 24, 2024, and then updated after the decision of the Personnel Committee of the Supervisory Board of May 7, 2024 regarding the granting of variable remuneration to members of the Bank's Management Board for 2023. The changes concern the tables in section 9.3.

2. CAPITAL ADEQUACY

Capital management and planning

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) ensuring the solvency in normal and stressed conditions (economic capital adequacy/internal capital) and (b) meeting the requirements specified in external regulations (regulatory capital adequacy). Completing that goal, 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, taking into account 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.

Regulatory capital adequacy

The Bank and the Group are obliged by law to meet minimum own funds requirements, set in CRR art. 92. At the same time, the following levels, reccomendations and buffers were included in capital limits/targets setting:

- Pillar II FX mortgage loans buffer (P2R buffer) - KNF decision regarding order to maintain additional own funds to secure risk resulting from FX mortgage loans granted to households, under the art. 138.2.2 of Banking Act. A value of that buffer is defined for particular banks by KNF every year as a result of Supervisory Review and Evaluation Process (SREP) and relates to risk that is in KNF's opinion - inadequately covered by minimum own funds requirements, set in CRR art. 92. At present, the buffer was set by KNF in the decisions issued in the end of 2023 in the level of 1.47 p.p. (Bank) and 1.46 p.p. (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 1.10 p.p. (Bank and Group), and which corresponds to capital requirements over CET 1 ratio of 0.82 p.p. (Bank and Group)[1];
- Combined buffer – defined in Act on macroprudential 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[2];
    - Systemic risk buffer at the level of 0% from March 2020;
    - Countercyclical buffer at the 0% level.

[1] That decision replaces the previous recommendation from 2022, to maintain own funds for the coverage of additional capital requirements at the level of 1.95 pp (Bank) and 1.94 pp (Group) as for TCR, which should have consisted of at least 1.47 pp (Bank) and 1.46 pp (Group) as for Tier 1 capital and which should have consisted of at least 1.10 pp (Bank) and 1.09 pp (Group) as for CET1 capital.

[2] In November 2020 KNF informed about identification the Bank as other systemically important institution and imposition other systematically important institution buffer of 0.25%.

In accordance to binding legal requirements and recommendations of Polish Financial Supervisory Authority (KNF), the Bank defined regulatory minimum levels of capital ratios, being at the same time the base of defining capital limits.

The below table presents these levels as at 31 December 2023. The Bank will inform on each change of required capital levels in accordance with regulations.

Table 1 Minimum capital ratios as at the 2023 end (in percent)

Capital ratio	31.12.2023	
CET1 ratio	Bank	Group
Minimum	4.50%	4.50%
P2R Buffer	0.82%	0.82%
TSCR CET1 (Total SREP Capital Requirements)	5.32%	5.32%
Capital Conservation Buffer	2.50%	2.50%
OSII Buffer	0.25%	0.25%
Systemic risk buffer	0.00%	0.00%
Countercyclical capital buffer	0.00%	0.00%
Combined buffer	2.75%	2.75%
OCR CET1 (Overall Capital Requirements CET1)	8.07%	8.07%
T1 ratio	Bank	Group
Minimum	6.00%	6.00%
P2R Buffer	1.10%	1.10%
TSCR T1 (Total SREP Capital Requirements)	7.10%	7.10%
Capital Conservation Buffer	2.50%	2.50%
OSII Buffer	0.25%	0.25%
Systemic risk buffer	0.00%	0.00%
Countercyclical capital buffer	0.00%	0.00%
Combined buffer	2.75%	2.75%
OCR T1 (Overall Capital Requirements T1)	9.85%	9.85%
TCR ratio	Bank	Group
Minimum	8.00%	8.00%
P2R Buffer	1.47%	1.46%
TSCR TCR (Total SREP Capital Requirements)	9.47%	9.46%
Capital Conservation Buffer	2.50%	2.50%
OSII Buffer	0.25%	0.25%
Systemic risk buffer	0.00%	0.00%
Countercyclical capital buffer	0.00%	0.00%
Combined buffer	2.75%	2.75%
OCR TCR (Overall Capital Requirements TCR)	12.22%	12.21%

In December 2023, the Bank received[3] the amended recommendation to maintain own funds to cover an additional capital charge ("P2G") in order to absorb potential losses resulting from the

[3] The previous recommendation from December 2022 concerned the determination of the P2G capital charge of 1.72 percentage points. and 1.75 p.p. (on an individual and consolidated basis

occurrence of stresses, at the level of 1.59 pp and 1.60 (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 risk, expressed in the above capital targets/limits, is measured, and monitored in a regular manner. Capital limits were defined on the basis of the minimum regulatory capital levels. They are the basis of setting safety zones and risk appetite. Capital ratios in a given zone determine the need to make appropriate decisions or management actions. Regular monitoring of capital risk is based on the classification of capital ratios into appropriate zones, and then the assessment of trends and factors influencing the level of capital adequacy is carried out.

Own funds capital requirements

The Group calculates its own funds requirements using standard methodologies and is implementing at the same time a project of an implementation of internal ratings-based method (IRB) for calculation of own funds requirements for credit risk and obtaining of approval decisions from Regulatory Authorities on that matter.

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

In the end of 2014, the Group received another decision by Competent Authorities regarding the IRB process. According to its content, for the RRE and QRRE loan portfolios, the minimum own funds requirements calculated using the IRB approach had to be temporarily maintained at no less than 70% (“Regulatory floor”) of the respective capital requirements calculated using the Standardized approach until the Bank fulfils further defined conditions.

In July 2017 the Group received the decision of Competent Authorities (ECB cooperating with KNF) on approval the material changes to IRB LGD models and revoking the “Regulatory floor”.

In 2019, Eurobank S.A. was acquired. The exposures of the former Eurobank, including the RRE and QRRE portfolios, are covered by the Standardized Approach to the calculation of own funds requirements and are subject to the IRB roll-out plan.

Since 2018, the Group has been successively implementing a multi-stage process of implementing changes to the IRB method, related to the requirements regarding the new definition of default. In the first phase, in line with the “two-step approach” approved by Competent Authorities, the Group in 2020 successfully implemented solutions for the new definition of default in the production environment. The Group is obliged to include an additional conservative charge on the estimates of the RWA value for exposures classified under the IRB approach. The level of this add-on, calculated based on the supervisory algorithm, was set at 5% above the value resulting from the IRB method.

In 2021, all credit risk models included in the rating system subject to the current regulatory approval were recalibrated and rebuilt. In 2021 the Group also obtained a decision from Competent Authorities to approve significant changes to the IRB models used (LGD, LGD in-default and ELBE) for rating systems subject to the IRB approval.

In 2022, further work was carried out on credit risk models for the remaining credit portfolios covered by the IRB method roll-out plan: other retail exposures and corporate exposures.

In 2023, the IRB models (PD, LGD, CCF) were recalibrated in connection with changes in the definition of default, and a supervisory inspection began regarding the reconstruction of the 2021 models. The decision is expected at the end of 2024.

Internal capital

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

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

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

In 2023, both above capital targets were met with a surplus.

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

Capital ratios and capital adequacy - current situation, evaluation and trends

Capital ratios of the Group over the last three years were as follows:

Table 2 Capital ratios of Bank Millennium Group S.A. (in PLNm, in percent)

	31.12.2023	31.12.2022	31.12.2021
Risk-weighted assets	41 354.5	48 497.3	49 442.8
Own Funds requirements, including:	3 308.4	3 879.8	3 955.4
- Credit risk and counterparty credit risk	2 841.2	3 380.6	3 479.8
- Market risk	15.4	18.0	32.3
- Operational risk	446.4	474.5	433.0
- Credit Valuation Adjustment CVA	5.4	6.7	10.3
Own Funds, including:	7 470.6	6 991.1	8 436.3
Common Equity Tier 1 Capital	6 089.7	5 469.9	6 906.3
Tier 2 Capital	1 380.9	1 521.2	1 530.0
Total Capital Ratio (TCR)	**18.06%**	**14.42%**	**17.06%**
Tier 1 Capital ratio (T1)	**14.73%**	**11.28%**	**13.97%**
Common Equity Tier 1 Capital ratio (CET1)	**14.73%**	**11.28%**	**13.97%**

MREL ratio	**23.77%**	**14.45%**	**16.99%**
Leverage ratio	**4.66%**	**4.72%**	**6.46%**

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

Table 2a Capital adequacy of Bank Millennium Group S.A. (in percent, in percentage point)

Capital adequacy	31.12.2023	31.12.2022	31.12.2021
Total Capital Ratio (TCR)	**18.06%**	**14.42%**	**17.06%**
Minimum required level (OCR)	12.21%	12.69%	13.54%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	5.85	1.73	3.52
Minimum reccomended level TCR (OCR+P2G)	13.81%	14.44%	13.54%
Surplus(+) / Deficit(-) on recommended level (p.p.)	4.25	-0.02	3.52
Tier 1 Capital ratio (T1)	**14.73%**	**11.28%**	**13.97%**
Minimum required level (OCR)	9.85%	10.21%	10.84%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	4.88	1.07	3.13
Minimum reccomended level T1 (OCR+P2G)	11.45%	11.96%	10.84%
Surplus(+) / Deficit(-) on recommended level (p.p.)	3.28	-0.68	3.13
Common Equity Tier 1 Capital ratio (CET1)	**14.73%**	**11.28%**	**13.97%**
Minimum required level (OCR)	8.07%	8.34%	8.81%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	6.66	2.94	5.16
Minimum reccomended level CET1 (OCR+P2G)	9.67%	10.09%	8.81%
Surplus(+) / Deficit(-) on recommended level (p.p.)	5.06	1.19	5.16
Leverage ratio	**4.66%**	**4.72%**	**6.46%**
Minimum required level	3.00%	3.00%	3.00%
Surplus(+) / Deficit(-) of Leverage ratio (p.p.)	1.66	1.72	3.46

Capital ratios of the Group

As at 2023 end, Common Equity Tier 1 Capital ratio and Total Capital Ratio, increased in one year period by ca 3.45 pp and by ca 3.64 pp respectively.

Risk-weighted assets (RWA) decreased in 2023 by PLN 7,143 million (by 14.7%). The largest annual change concerned RWA for credit risk - a decrease of PLN 6,743 million (by 16%). One of the main factors of this decline were loan securitization transactions - the total impact of securitization on the RWA reduction at the end of 2023 is estimated at approximately PLN 7,155 million. The changes in RWA for operational risk, market risk and CVA (due to fair value adjustment due to credit risk) were not significant - a total decrease of PLN 400 million.

Own funds increased in 2023 by PLN 480 million (by 6.9%), mainly as a result of including the net profit for the first half of 2023 in own funds (an increase by PLN 358 million).

The minimum capital ratios required by the Polish Financial Supervision Authority in terms of the combined buffer requirement (OCR) are achieved with a large surplus at the end of 2023. Also in terms of the levels expected by the Polish Financial Supervision Authority, including the additional P2G mark-up, they were achieved for all capital ratios with a clear surplus. The Bank has fully regained capital adequacy, which allows it to commence activities aimed at completing the Capital Protection Plan, which has been implemented since October 2022.

Leverage ratio stood at the safe level of 4.66%, and it significantly exceeds the regulatory minimum (3%).

The Group uses transitional arrangements for IFRS 9 and temporary treatment in accordance to art. 468 of CRR. As at 31.12.2023, if these arrangement and treatments had not been applied, capital ratios were as follows:

- TCR: 17.83% (the surplus over reccomended level would be 4.02 p.p.)
- T1 ratio: 14.49% (the surplus over reccomended level would be 3.04 p.p.)
- CET1 ratio: 14.49% (the surplus over reccomended level would be 4.82 p.p.)
- Leverage ratio: 4.58% (the surplus over reccomended level would be 1.58 p.p.).

MREL requirements / ratios

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

The Bank received a joint decision from the resolution authorities in June 2023, obliging it to comply with MREL requirements. The decision sets updated minimum requirements that must be met by December 31, 2023 - at the levels of 18.89% (consolidated MRELtrea) and 5.91% (consolidated MRELtem). Additionally, in relation to the above decisions, the Bank should also meet the MREL requirement taking into account the Combined Buffer Requirement (currently 2.75%).

Taking into account the above, in September 2023, the Bank successfully completed the subscription of non-preference senior bonds with a total value of EUR 500 million under the Eurobond Issuance Program with a total nominal value of no more than EUR 3 billion.

This issuance, combined with the increase in own funds and active management of the risk exposure amount (TREA), made it possible to exceed the MREL requirements at the end of 2023, including the MRELtrea Requirement, taking into account the Combined Buffer Requirement.

In December 2023, BFG informed the Bank that the change in the level of the P2R Buffer in December 2023 will translate into a reduction in the obligation to maintain the level of own funds and eligible liabilities in relation to the MRELtrea requirement. The target updated consolidated MRELtrea would be 18.03% and the target consolidated MRELtem: 5.91%.

Capital adequacy in terms of surpluses/deficits of MREL indicators is presented in the table below.

Table 2b MREL ratios of Bank Millennium Group S.A. (in percent, in percentage point)

MREL	31.12.2023	30.09.2023	30.06.2023	31.12.2022
MRELtrea ratio (consolidated)	**23.77%**	**22.05%**	**14.93%**	**14.77%**
Minimum required level MRELtrea	18.89%	14.42%	14.42%	15.60%
Surplus(+) / Deficit(-) of MRELtrea (p.p.)	4.88	7.63	0.51	-0.83
Minimum required level including Combined Buffer requirement (CBR)	21.64%	17.17%	17.17%	18.35%
Surplus(+) / Deficit(-) of MRELtrea+CBR (p.p.)	2.13	4.88	-2.24	-3.58
MRELtem (consolidated)	**7.50%**	**7.72%**	**5.87%**	**6.04%**

Minimum required level of MRELtem	5.91%	4.46%	4.46%	3.00%
Surplus(+) / Deficit(-) of MRELtem (p.p.)	1.59	3.26	1.41	3.04

Capital ratios of the Bank over the last three years were as follows:

Table 3 Capital ratios of Bank Millennium S.A. (in PLNm, in percent)

	31.12.2023	31.12.2022	31.12.2021
Risk-weighted assets	37 960.4	48 046.0	48 895.7
Own Funds requirements, including:	3 036.8	3 843.7	3 911.7
- Credit risk and counterparty credit risk	2 589.0	3 386.7	3 477.7
- Market risk	15.4	18.0	32.3
- Operational risk	427.0	432.3	391.4
- Credit Valuation Adjustment CVA	5.4	6.7	10.3
Own Funds, including:	7 228.3	6 980.1	8 397.1
Common Equity Tier 1 Capital	5 847.4	5 458.9	6 867.1
Tier 2 Capital	1 380.9	1 521.2	1 530.0
Total Capital Ratio (TCR)	**19.04%**	**14.53%**	**17.17%**
Tier 1 Capital ratio (T1)	**15.40%**	**11.36%**	**14.04%**
Common Equity Tier 1 Capital ratio (CET1)	**15.40%**	**11.36%**	**14.04%**
MREL ratio (1)	**23.77%**	**14.45%**	**17.17%**
Leverage ratio	**4.77%**	**4.74%**	**6.45%**

(1) MREL ratio for Group

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

Table 3a Capital adequacy of Bank Millennium S.A. (in percent, in percentage point)

Capital adequacy	31.12.2023	31.12.2022	31.12.2021
Total Capital Ratio (TCR)	**19.04%**	**14.53%**	**17.17%**
Minimum required level (OCR)	12.22%	12.70%	13.57%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	6.82	1.83	3.6
Minimum reccomended level TCR (OCR+P2G)	13.81%	14.42%	13.57%
Surplus(+) / Deficit(-) on recommended level (p.p.)	5.23	0.11	3.60
Tier 1 Capital ratio (T1)	**15.40%**	**11.36%**	**14.04%**
Minimum required level (OCR)	9.85%	10.22%	11.31%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	5.55	1.14	2.73
Minimum reccomended level T1 (OCR+P2G)	11.44%	11.94%	11.31%
Surplus(+) / Deficit(-) on recommended level (p.p.)	3.96	-0.58	2.73
Common Equity Tier 1 Capital ratio (CET1)	**15.40%**	**11.36%**	**14.04%**
Minimum required level (OCR)	8.07%	8.35%	8.83%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	7.33	3.01	5.21
Minimum reccomended level CET1 (OCR+P2G)	9.66%	10.07%	8.83%

Surplus(+) / Deficit(-) on recommended level (p.p.)	5.74	1.29	5.21
Leverage ratio	**4.77%**	**4.74%**	**6.45%**
Minimum required level	3.00%	3.00%	3.00%
Surplus(+) / Deficit(-) of Leverage ratio (p.p.)	1.77	1.74	3.45

Capital ratios of the Bank

As at 2023 end, Common Equity Tier 1 Capital ratio and Total Capital Ratio, increased in one year period by ca 4.04 pp and by ca 4.51 pp respectively.

Risk-weighted assets (RWA) decreased in 2023 by PLN 10,086 million (by 21.0%). The largest annual change concerned RWA for credit risk - a decrease of PLN 9,972 million (by 23.6%). One of the main factors of this decline were loan securitization transactions - the total impact of securitization on the RWA reduction at the end of 2023 is estimated at approximately PLN 5,035 million. The changes in RWA for operational risk, market risk and CVA (due to fair value adjustment due to credit risk) were not significant - a total decrease of PLN 114 million.

Own funds increased in 2023 by PLN 248 million (by 3.6%), mainly as a result of including the net profit for the first half of 2023 in own funds (an increase by PLN 339 million).

The minimum capital ratios required by the Polish Financial Supervision Authority in terms of the combined buffer requirement (OCR) are achieved with a large surplus at the end of 2023. Also in terms of the levels expected by the Polish Financial Supervision Authority, including the additional P2G mark-up, they were achieved for all capital ratios with a clear surplus. The Bank has fully regained capital adequacy, which allows it to complete the Capital Protection Plan, which has been implemented since October 2022.

Leverage ratio stood at the safe level of 4.77%, and it significantly exceeds the regulatory minimum (3%).

The Bank uses transitional arrangements for IFRS 9 and temporary treatment in accordance to art. 468 of CRR. As at 31.12.2023, if these arranfement and treatments had not been applied, capital ratios were as follows:

- TCR: 18.84% (the surplus over reccomended level would be 4.02 p.p.)
- T1 ratio: 15.20% (the surplus over reccomended level would be 3.76 p.p.)
- CET1 ratio: 15.20% (the surplus over reccomended level would be 5.54 p.p.)
- Leverage ratio: 4.71% (the surplus over reccomended level would be 1.71 p.p.).

3. Own funds

The below table presents own funds components of Group as at 31 December, 2023.

Table no 4 EU CC1 - Composition of regulatory own funds (in PLN thous., in percents) (according to ITS/2021/637)

Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	2 360 619
	of which: Instrument type 1	2 360 619
	of which: Instrument type 2	
	of which: Instrument type 3	
2	Retained earnings	0
3	Accumulated other comprehensive income (and other reserves)	3 729 678
EU-3a	Funds for general banking risk	228 902
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	
5	Minority interests (amount allowed in consolidated CET1)	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	357 918
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**6 677 117**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-23 720
8	Intangible assets (net of related tax liability) (negative amount)	-436 826
9	Empty set in the EU	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	43 897
12	Negative amounts resulting from the calculation of expected loss amounts	-201 132
13	Any increase in equity that results from securitised assets (negative amount)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	
15	Defined-benefit pension fund assets (negative amount)	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-18 900
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	

20	Empty set in the EU	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-31 318
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	
EU-20c	of which: securitisation positions (negative amount)	-31 318
EU-20d	of which: free deliveries (negative amount)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	0
22	Amount exceeding the 17,65% threshold (negative amount)	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	
24	Empty set in the EU	
25	of which: deferred tax assets arising from temporary differences	
EU-25a	Losses for the current financial year (negative amount)	0
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	
26	Empty set in the EU	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	80 633
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-587 366**
29	**Common Equity Tier 1 (CET1) capital**	**6 089 751**
Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	
35	of which: instruments issued by subsidiaries subject to phase out	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	
Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	

39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
41	Empty set in the EU	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	
42a	Other regulatory adjustments to AT1 capital	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	
44	**Additional Tier 1 (AT1) capital**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**6 089 751**
Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	1 380 876
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Credit risk adjustments	
51	**Tier 2 (T2) capital before regulatory adjustments**	**1 380 876**
Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	
53	Direct, indirect and synthetic goldings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
54a	Empty set in the EU	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
56	Empty set in the EU	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	
EU-56b	Other regulatory adjustments to T2 capital	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**

58	**Tier 2 (T2) capital**	**1 380 876**
59	**Total capital (TC = T1 + T2)**	**7 470 627**
60	**Total Risk exposure amount**	**41 354 519**
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	**14,73%**
62	Tier 1 (as a percentage of total risk exposure amount)	**14,73%**
63	Total capital (as a percentage of total risk exposure amount)	**18,06%**
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	8,07%
65	of which: capital conservation buffer requirement	2,50%
66	of which: countercyclical buffer requirement	0,00%
67	of which: systemic risk buffer requirement	0,00%
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0,25%
EU-67b	of which: additional own funds requirements to cover risks other than the risk of excessive leverage	0,82%
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	7,63%%
National minima (if different from Basel III)		
69	NA	
70	NA	
71	NA	
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	228 877
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	
74	Empty set in the EU	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	450 840
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	

82	Current cap on AT1 instruments subject to phase out arrangements
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)
84	Current cap on T2 instruments subject to phase out arrangements
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)

Accounting consolidation scope and regulatory consolidation scope are the same.

Table no 5 EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements (in PLN thous.) (according to ITS/2021/637)

		Balance sheet as in published financial statements and under regulatory scope of consodildation
		As at period end
Assets		
1	Cash, cash balances at central banks	5 094 984
2	Financial assets held for trading	608 924
3	Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	147 623
4	Financial assets at fair value through other comprehensive income	22 096 200
5	Loans and advances to customers	73 643 060
6	Financial assets at amortised cost other than Loans and advances to customers	20 706 585
7	Derivatives – Hedge accounting	74 213
8	Investments in subsidiaries, joint ventures and associates	52 509
9	Tangible assets	565 630
10	Intangible assets	481 631
11	Tax assets	486 803
12	Other assets	1 544 328
13	Non-current assets and disposal groups classified as held for sale	17 514
	Total assets	**125 520 004**
LIABILITIES		
1	Financial liabilities held for trading	579 553
2	Financial liabilities measured at amortised cost	112 692 833
3	Provisions	1 445 472
4	Tax liabilities	461 457
5	Other liabilities	3 252 130
	Total Liabilities	**118 625 109**
EQUITY		
1	Capital	1 213 117
2	Own shares	-21
3	Share premium	1 147 502
4	Accumulated other comprehensive income	-217 512
5	Retained earnings	4 751 809
	Total equity	**6 894 895**
	Total equity and total liabilities	**125 520 004**

4. Own funds requirements

4.1. Own funds requirements and risk exposure amounts – composition and changes

Group and Bank calculate total risk exposure amount and maintain own funds requirements in accordance with CRR article 92.

As at the 31st December, 2023, total risk exposure amount was calculated as the sum of the following items:

- Risk weighted exposure amounts for credit risk and dilution risk according to internal rating based method for retail exposures for individual customers secured on residential real estates (RRE) and revolving retail exposures (QRRE) and these calculated according the standard method as for other portfolios (exposures of the former Eurobank, including the RRE and QRRE portfolios, are covered by the Standardized Approach to the calculation of own funds requirements and are subject to the IRB roll-out plan),
- Own funds requirements to settlement/delivery risk and free deliveries,
- Own funds requirements to trading book business for position risk and large exposures exceeding the limits specified in articles 395-401 CRR,
- Own funds requirements to market risk as for foreign-exchange risk, settlement risk and commodities risk,
- Own funds requirements to credit valuation adjustment risk,
- Own funds requirements to operational risk,
- Own funds requirements to counterparty credit risk.

Amounts of risk exposures and capital requirements. disclosed according to CRR art. 438.d are showed in the below table.

Table no 6 EU OV1 - Overview of risk-weighted assets (in PLN thous.) (according to ITS/2021/637)

		Total risk exposure amounts (TREA)		Total own funds requirements
		2023-12-31	2023-09-30	2023-12-31
1	Credit risk (excluding CCR)	32 771 862	37 802 709	2 621 749
2	Of which the standardised approach (i)	21 264 716	26 143 115	1 701 177
3	Of which the Foundation IRB (F-IRB) approach			
4	Of which slotting approach			
EU-4a	Of which equities under the simple riskweighted approach			
5	Of which the Advanced IRB (A-IRB) approach (ii)	11 507 147	11 659 594	920 572
6	Counterparty credit risk - CCR	281 783	431 124	22 543
7	Of which the standardised approach	202 402	322 034	16 192
8	Of which internal model method (IMM)			
EU-8a	Of which exposures to a CCP	11 807	9 222	945

EU-8b	Of which credit valuation adjustment - CVA	67 573	99 868	5 406
9	Of which other CCR			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)	2 919 094	1 216 055	233 527
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach	2 919 094	1 216 055	233 527
EU-19a	Of which 1250% / deduction	391 475	423 532	31 318
20	Position, foreign exchange and commodities risks (Market risk)	192 952	294 571	15 436
21	Of which the standardised approach	192 952	294 571	15 436
22	Of which IMA			
EU-22a	Large exposures			
23	Operational risk	5 580 304	5 580 304	446 424
EU-23a	Of which basic indicator approach			
EU-23b	Of which standardised approach	5 580 304	5 580 304	446 424
EU-23c	Of which advanced measurement approach			
24	*Amounts below the thresholds for deduction (subject to 250% risk weight)*	*1 127 100*	*1 519 415*	*90 168*
29	**Total**	**41 354 519**	**44 901 230**	**3 308 362**

(i) That amount includes PLN 96.3 m RWA stemming from transitional arrangements connected to implementation of IFRS9, defined in Regulation EU 2020/873 amending EU regulations as regards certain adjustments in response to the COVID-19 pandemic

(ii) That amount includes PLN 548.0 m RWA stemming from Competent Authorities decision on an conservative charge of 5% RWA on exposures classified under IRB approach

In the fourth quarter of 2023, total risk-weighted assets decreased by approx. 7.9% (by PLN 3,547 million), mainly in the area of credit risk ecluding counterparyt credit risk (decrease by 13.3% / by PLN 5,031 million).

In 2023, total risk-weighted assets (RWA) decreased by 14.7% (by approx. PLN 7,143 million). This change was mainly influenced by the decrease in RWA for credit risk together with counterparty credit risk (by 16%, by approx. PLN 6,743 billion). As regards credit risk, there was a significant decrease in RWA on cash loans (by 34.1%/by PLN 3,784 billion) and exposures to corporates (by 30.8%/ny PLN 3,396 billion), thanks to securitization transactions of cash loans and leasing receivables carried out in December and July 223. RWA for another risks – market, CVA and operational – dropped by PLN 400 million. The analysis of RWA changes is presented in the table below.

Table no 7 Analysis of risk-weighted assets (in PLN millions, in percent)

Risk weighted assets (RWA)	31.12.2022	31.12.2023	Change 2023/2022 (PLNm)	Change 2023/2022 (in percent)
Total RWA, including:	**48 497**	**41 355**	**-7 143**	**-14,7%**
Residential real estate loans	12 337	11 098	-1 238	-10,0%

Cash loans	11 085	7 301	-3 784	-34,1%
Other retail loans	3 621	3 193	-428	-11,8%
Corporates (incl. leasing and factoring)	11 010	7 614	-3 396	-30,8%
Total loans	38 052	29 206	-8 846	-23,2%
Institutions, sovereigns, trading book	1 790	1 950	161	9,0%
Other items in credit risk	2 161	1 830	-331	-15,3%
Securitisation transactions	254	2 528	2 273	894,2%
Total credit and counterparty credit risk	42 257	35 514	-6 743	-16,0%
Market risk	226	193	-33	-14,4%
CVA (credit valuation adjustment)	83	68	-16	-19,0%
Operational risk	5932	5580	-351	-5,9%

Additional information

EU INS1 - Insurance participations (according to ITS/2021/637)

Due to the fact that the Bank does not have any own funds instruments of an insurance company, reinsurance company or insurance holding company, the table is not presented.

EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio (according to ITS/2021/637)

Due to the fact that the Bank is not a financial conglomerate, the table is not presented.

4.2. Capital requirements for credit risk – standardised method

The Group calculates and maintains own funds requirements for credit risk calculated under standardised method for the pollowing portfolios: Central governments or central banks, Regional governments or local authorities, Public sector entities, Multilateral development banks, International organizations, Institutions, Corporates, Retail with exception for exposures secured by mortgages on residential real estate and revolving retail exposures, Items associated with particularly high risk, Covered bonds, Collective investments undertakings, Equity exposures, Other exposures.

Table no 8 EU CR4 - Standardised approach - Credit risk exposure and CRM effects (in accordance with ITS 2021/637) (in PLN thosus., in percents) (i)

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
Central governments or central banks	41 857 894	0	46 119 170	213 506	1 193 747	2,58%
Regional government or local authorities	60 543	238 963	60 543	52 286	22 566	20,00%
Public sector entities	44 627	3 962	44 627	987	22 807	50,00%
Multilateral development banks	989 110	0	989 110	0	0	0,00%
International organisations	0	0	0	0	0	n.d.
Institutions	2 335 833	60 344	1 867 893	26 131	670 620	35,41%
Corporates	7 178 633	5 275 418	5 446 103	899 957	6 020 421	94,87%
Retail	11 391 168	1 335 239	9 761 215	342 423	7 306 491	72,32%
Secured by mortgages on immovable property	4 882 848	1 384 374	4 568 638	450 677	2 382 623	47,47%
Exposures in default	1 464 366	44 745	1 328 554	44 355	1 649 463	120,14%
Exposures associated with particularly high risk	48	0	48	0	72	150,00%
Covered bonds	0	0	0	0	0	n.a.
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	n.a.
Collective investment undertakings	0	0	0	0	0	n.a.
Equity	228 877	0	228 877	0	228 877	100,00%
Other items	324 335	0	324 335	0	165 957	51,17%
TOTAL	**72 247 660**	**8 343 046**	**72 228 491**	**2 030 322**	**19 663 644**	**26,48%**

(i) The table does not include PLN 96.3 m RWA stemming from transitional arrangements connected to implementation of IFRS9, defined in Regulation EU 2020/873 amending EU regulations as regards certain adjustments in response to the COVID-19 pandemic

4.3. Capital requirements for credit risk - IRB method

Bank and Group calculate own funds requirements to credit risk with internal rating based approach (IRB) for retail exposures to individual customers secured on residential mortgages (RRE portfolio) and for retail revolving exposures (QRRE). Exposures of the former Eurobank, including the RRE and QRRE portfolios, are covered by the Standardized Approach to the calculation of own funds requirements and are subject to the IRB roll-out plan. As for other loan portfolios, IRB roll-out plan proceeds according to arrangements made with Competent Authorities. The exceptions are portfolios of exposures to central banks and governments, institutions, leasing and capital exposures, which are included in the permanent exclusions from the IRB approach implementation.

As at 31 December, 2023, average risk weights under IRB method are as follows:

- Total RRE portfolio: 26.9%
- RRE FX: 51.4%
- RRE PLN: 24.8%
- QRRE: 42.5%.

Information in that chapter are disclosed in line with requirements of the Table EU CRE – qualitative disclosure requirements related to IRB approach.

Table no 9 EU CRE - Qualitative disclosure requirements related to IRB approach (in accordance with ITS 2021/637)

Legal basis	Row number	Information
Article 452 (a) CRR	a)	The competent authority's permission of the approach or approved transition Description in the point 4.3.1
Article 452 (c) CRR	b)	The control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on: (i) the relationship between the risk management function and the internal audit function; (ii) the rating system review; (iii) procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models; (iv) the procedure to ensure the accountability of the functions in charge of developing and reviewing the models Description in the point 4.3.3
Article 452 (d) CRR	c)	The role of the functions involved in the development, approval and subsequent changes of the credit risk models; Description in the point 4.3.3
Article 452 (e) CRR	d)	The scope and main content of the reporting related to credit risk models; Description in the point 4.3.3

Article 452 (f) CRR	e)	A description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering: (i) the definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods; (ii) where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure; (iii) where applicable, the definitions, methods and data for estimation and validation of credit conversion factors, including assumptions employed in the derivation of those variables. Description in the point 4.3.2

4.3.1. Approval to use the IRB Approach

As at 31 December 2022, the Banco Comercial Portugues Group (the parent owner of Bank Millennium SA) has obtained the described below approvals of the Competent Authorities pertaining to the use of the IRB Approach by the Group and Bank Millennium SA ("IRB Decisions"). First two IRB decisions were issued by Banco de Portugal (the consolidating regulator of the Banco Comercial Portugues Group) in cooperation with the Polish Financial Supervision Commission (KNF – local regulator), and the last one decisions (issued in July 2017) was issued by European Central Bank (EBC) with cooperation of KNF.

The approval issued at the end of 2012 to use the Advanced IRB Approach for two credit portfolios of: retail exposures to individual clients secured by residential property (RRE) and qualifying revolving retail exposures (QRRE). The first IRB decision contained a "regulatory floor" according to which the minimum own funds requirements for the portfolios covered by the decisions had to be temporarily maintained at no less than 80% of the relevant capital requirements calculated using the Standardized Approach. The regulatory floor applied until the Component Authority determined that the conditions set forth by this decision have been fulfilled.

The approval issued at the end of 2014 entails:

1) reduction of the "regulatory floor" for RRE and QRRE portfolios from 80% to 70% of the relevant capital requirements calculated using the Standardized Approach. The regulatory floor shall be applied portfolio by portfolio, and should be adjusted up or downwards in case of any difference between expected losses and provisions so that the impact in the solvency ratios is exactly the same of considering only 70% of the capital requirements calculated under the standard method.

2) commencement of use of the IRB Approach for the other retail exposures class is conditional upon meeting certain conditions by 30 June 2015.

3) commencement of use of the IRB Approach for corporates (including specialized lending) is conditional upon meeting certain conditions. while the new application to use the IRB Approach should not be submitted before 31 December 2016.

4) the permission to make changes to models applicable to RRE and QRRE portfolios is conditional upon meeting certain conditions. while the new application to use the IRB Approach to these portfolios should be submitted until 30 June 2015.

In July 2017 Bank received the joint supervisory decision in the area of IRB method, issued by ECB in collaboration with KNF. The decision regards:

1) revoking the duty of the Bank to maintain the regulatory floor in view of generally positive assessment of the Bank’s compliance with conditions of the Decision of 2014.

2) Application of multiplier of 1.3 to estimation of LGD models for RRE and QRRE portfolios until ECB and KNF recognise the internal estimations of LGD models to be representative for currently prevailing conditions;

3) Issue additional recommendations in scope of improvement of IRB models for RRE and QRRE.

From 2018, Bank Millennium S.A. Group successively implements the multi-stage process of implementing changes to the IRB method, related to the requirements for the new definition of default. In the first phase, in line with the “two-step approach” approved by the Supervision, the Group in 2020 successfully implemented solutions for the new definition of default on the production environment. Then, in 2021, a recalibration and reconstruction of all credit risk models included in the rating system subject to the current supervisory approval was performed, taking into account the new definition of default. In the fourth quarter of 2021, the Group submitted requests to Competent Authorities under the procedure set out in Commission Delegated Regulation (EU) No 529/2014. Until the supervisory processes in this respect are completed, the Group is obliged to include an additional conservative charge on estimating the RWA for exposures classified under the IRB method[4]. The level of this mark-up, calculated on the basis of the supervisory algorithm, was set at 5% above the value resulting from the IRB method.

In April 2021, the Bank received a joint supervisory decision regarding the IRB approach, issued by the ECB in cooperation with KNF. This decision concerns:

1) lifting the Bank's obligation to maintain the multiplier of 1.3 imposed on LGD parameters due to a positive assessment of the implementation of the conditions of the 2017 decision,

2) issuing additional recommendations on improving the models used for RRE portfolios and QRRE.

3) using a multiplier of 1.2 to estimate the LGD parameter for the nondefault RRE and QRRE portfolio and the floor for in-default parmetres equal to 1.1 * EL BE (LGD in-default> = 1.1 * EL BE), until recognition by the Competent Authorities that certain recommendations issued in the decision have been met.

4.3.2. Internal rating systems

The Group defines a rating system as all of the methods, processes, controls, data collection and IT systems that are used for the assessment of credit risk and for classification of exposures to a pool with a specified risk level, including the rules on the priority of rating models, if applicable, and the rules for overriding rating grades. Elements of the rating system include PD, LGD, CCF-EAD models (hereinafter: models) and methodologies for evaluating specialized lending.

[4] ECB-SSM-2020-PTBCP-2 letter dated 15.01.2020

Evaluation of the client's credit risk in respect to its probability of default (PD) is based on a uniform rating scale, referred to as the Master Scale.

The Master Scale (MS) consists of 15 rating grades, where the given ratings are as follows:

1) Maximum security – only for sovereigns
2) Superior quality
3) Very high quality
4) High quality
5) Very good quality
6) Good quality
7) Average high quality
8) Average quality
9) Average low quality
10) Low quality
11) Very low quality
12) Restricted crediting
13) Soft signs of impairment
14) Strong signs of impairment
15) Default.

Ratings 13 – 15 are procedural ones, reserved to exposures with deteriorated quality.

All the clients with available lending, whether or not they actually use the approved credit limits and all other participants of credit transactions should have a previously awarded rating and should be assigned to an appropriate pool.

An adequate credit or rating policy should specify the model to be used for rating purposes or a homogenous pool for a given client segment.

Each PD model used must be calibrated to MS based on the observed or estimated probability of default.

The rating for governments, central banks, international organizations, multilateral development banks and Institutions may be assigned based on a rating awarded by recognized rating agencies, mapped to the Master Scale. Should the above-mentioned entities have more than one classification awarded by recognized rating agencies (split rating) the rating corresponding to the second best risk shall be taken into account at all times.

In case of retail customers, rating awarded through a behavioral model (behavioral rating) by default takes precedence over a rating awarded through an application model (application rating) if behavioral rating only is awarded. Within application ratings, the risk rating based on the Credit Information Bureau (BIK) rating, if assigned, is by definition more important.

In case of corporate customers, awarded rating comes from 3 components: a quantitative module based on an analysis of data from financial statements, a module of qualitative evaluation of customers based on non-financial information and a behavioral module assessing existing nature of co-operation between customer and Millennium Bank Group (including Bank Millennium). The rating should be assigned at the same time to all members of the economic group, that is to say, the group of connected clients.

Procedural ratings (13, 14 and 15 according to the Master Scale) are awarded to clients showing signs of deteriorating borrowing capacity and creditworthiness or with overdue debt.

Procedural ratings by default take precedence over application ratings.

After premises necessary to award any of the procedural ratings 13 or 14 are no longer satisfied, these ratings 13 and 14 expire immediately. Rating 15 expires when there are no indications of default and the quarantine period is over. During the quarantine period, the client should demonstrate appropriate behavior or financial situation.

Description of the internal ratings process

1. Central governments and central banks
   This exposure class is excluded permanently from the IRB approach.
2. Institutions
   This exposure class is excluded permanently from the IRB approach.
3. Corporates, including SMEs, specialized lending and purchased corporate receivables
   Exposure classes subject to the IRB roll-out plan.
4. Retail exposures
5. Equity exposures

In equity exposures, the Millennium Group classifies shares and equity instruments held by any of the Bank's units. On the consolidated basis, however, the shares representing investments in subsidiaries are excluded, since those are classified as intragroup transactions. However, due to the fact that the total value of the Group's equity portfolio is insignificant, it has been decided that these exposures should be excluded from the IRB approach permanently and the capital requirement for these exposures should be calculated based on the standardized approach.

4.3.2.1 PD models

The rating process in Bank Millennium is based on the following principles:

i. Awarding risk grades to all customers and credit exposures;
ii. All credit decisions should be preceded by awarding a risk grade to the client;
iii. In the retail segment, the rating process is based on PD scoring/rating models;
iv. The rating process is separated and independent from the credit decision process.

The presented rating principles apply to all categories of retail exposures: retail exposures to individuals secured by residential real estate, qualifying revolving retail exposures and other retail exposures.

The class of retail exposures to individuals secured by residential real estate include exposures which are mortgage loans or home equity loans granted to retail clients (small businesses and private individuals) and secured by mortgage.

The class of qualifying revolving retail exposures (QRRE) includes exposures to natural persons which are unsecured, renewable, with total exposure not exceeding EUR 100.000 and which meet the requirement of low volatility of loss rates.

All the retail exposures that do not qualify to the above categories are treated as other retail exposures.

In the rating process, the competences are allocated as follows:

a) Data input;
b) Verification of data;

c) Awarding of the final risk grade (automated decision).

Model-based risk grades and procedural ratings are awarded automatically and are not subject to expert adjustments.

In the rating process, the Bank uses data from various available sources:

- internal sources (Bank's IT systems);
- external sources (Credit Information Bureau - BIK);
- data received from customers.

With respect to probability of default (PD) models for retail exposures, there is a rating system in place for microbusinesses and a rating system for private individuals. Both systems use behavioral scoring models and application scoring models designed for specific client and/or product groups. Procedural ratings are awarded to clients showing signs of deteriorating borrowing capacity and creditworthiness or with past due debt.

A procedural rating has the priority in use. If the client has no procedural rating then the behavioral rating should be used, provided that it has been awarded.

Behavioral rating is awarded for the first time after three months of the client's cooperation with the Bank and then monthly, provided that the client's accounts meet the requirements of the behavioral model.

If the client has no behavioral or procedural rating then the application rating should be used.

Additional information on PD models:

Bank uses the following models for the portfolios:

Portfolio	PD models
Residential retail secured exposures (RRE)	RRE application model Behavioral model (BeScore) Procedural ratings model
QRRE	Application model for customers with MilleBIK Application model for customers without BIK Behavioral model (BeScore) Procedural ratings model
Other retail	Application model for customers with MilleBIK Application model for customers without BIK Application model for installment loans Application model for Biznes customers Behavioral model (BeScore) Procedural ratings model
Corporate exposures	Rating model for corporate clients Procedural ratings model

The Bank uses one PD estimation methodology common to all portfolios. It assumes making estimates based on the long-term average default (minimum of 5 historical years and PD forecasts for the next year). Estimation is made at the level of a given portfolio, and then, based on the calibration function, a PD is assigned to the given scoring score from the model. The exceptions in this respect are procedural ratings 13 and 14, for which there is a direct estimation.

The PD models used to calculate capital requirements are subject to periodic, independent validation. Each new version of the model is pre-validated before being released in the production environment. The implementation of the model is also independently validated (implementation validation). In order to verify the correctness of PD estimates, a number of tests and statistical measures are used, described in the PD model validation methodology. The areas examined include both qualitative and quantitative verification of the model, in particular: compliance with regulations, data quality, model assumptions, discriminatory power, quality of fit of the PD parameter, stability and concentration measures

4.3.2.2 LGD models

Loss Given Default (LGD) models have been built for the following two portfolios:

a) unsecured portfolio for retail clients.
b) portfolio secured by residential real estate for retail clients (RRE).

Pursuant to CRR, and its subsequent amendments, banks must estimate LGD parameters using data on defaulted exposures from all the available sources, taking into account all information that is significant for the estimation of economic loss levels.

For this reason, the Bank estimated the LGD parameters on the basis of a database that includes all cases of default resulting from the quantitative and qualitative premises of the definition of default coming from the period specified for a given calibration. When selecting this period, a time series is taken into account, taking into account both the latest data and observations both from the period of recession / economic slowdown and times of economic prosperity.

According to the LGD calculation methodology, the main factors in the calculation include: probability of cure or completion of the client recovery process, value of recoveries, costs and discount rate.

The Bank has taken the following approach to building LGD models:

a) Establish homogenous risk pools of transactions (pooling);
b) Estimate the probability of different paths of exit from the default status (cure, incomplete, liquidated);
c) Estimate loss parameters for each path of exit from default status.

Pools are identified by regression trees. Loss given default is estimated at the transaction level, while the probability of recovery is calculated at the customer level

For the capital requirement calculation, the LGD parameters are calculated in two versions:

1) Downturn LGD - parameters reflecting the period of economic downturn.
2) EL BE - parameters reflecting the expected economic loss, apply only to the in-default portfolio.

Downturn LGD parameters were estimated on a sample composed of observations from the worst identified period of economic slowdown and were increased by the estimation error. The period of economic slowdown was determined based on the analysis of the time series of marco-economic variables and the realized LGD values.

The EL BE parameters are used for the observations for which a default event has already occurred. They reflect the Bank's expected economic loss, assuming the current macroeconomic conditions.

The difference between the Downturn LGD parameter and the EL BE parameter is an estimate of the unexpected loss associated with a given default.

In order to avoid the instability of the parameters, the minimum number of observations that must occur in a given month and in the pool has been defined to be able to estimate the individual LGD component parameters (recovery probability and recovery rate). This means that the maximum recovery period depends on the number of observations for the largest mids, i.e. months from the default date.

In 2021, the Bank thoroughly rebuilt LGD models to take into account regulatory changes (in particular the new definition of default (NDD), guidelines for estimating PD and LGD parameters, regulatory implementing technical standards (RTS) and guidelines for estimates reflecting the period of recession (LGD Downturn) and the ECB guidelines on internal models). When calibrating new models, the following were implemented: the maximum recovery period for a given segment, after which flows and recoveries are no longer taken into account. In the RRE model, the biggest change is the direct inclusion of collateral values in the LGD estimation. In this way, the model obtained new parameters - the probability of using the obligation and the recovery rate from the collateral.

The downturn impact period was determined based on the recovery rate (CR) and the recovery rate for unrecovered observations (RR). The new models were submitted for supervisory approval in October 2021. In 2023, the IRB models (PD, LGD, CCF) were recalibrated in connection with changes in the definition of default, and a supervisory inspection began regarding the reconstruction of the 2021 models. The decision is expected at the end 2024. Only after obtaining regulatory approval will it be possible to put new models into production.

The models used to calculate capital requirements (in the current use) are subject to periodic validation and monitoring (once a year). Each new version of the model is subject to initial validation. The implementation of the model for the purposes of estimating capital requirements is also independently validated. In order to verify the correctness of the LGD model estimates, a number of statistical tests and measures are used, described in the LGD model validation methodology and in the monitoring methodology. The validated areas include the discriminant power of the model, estimation errors (backtest), model stability, predictive power of the model and individual variables, concentration measures and qualitative analysis.

4.3.2.3 Exposure at Default (EAD) models / CCF models

The EAD model is a statistical model, built for the retail exposures. When estimating EAD, the exposure at default was compared with the limit value and the balance sheet exposure observed for each of the 12 months prior to the default event. The calculation of balance sheet equivalent (CCF) parameters was performed for product groups for which there was a possibility of off-balance sheet exposure and the Bank had a significant number of observations allowing for statistical inference, i.e. for overdraft limits and credit cards (QRRE portfolio), as well as for the RRE portfolio, for which the Bank developed a new EAD model in 2021. Until approval for its use is obtained, in the process of estimating capital requirements, a conservative value of the CCF parameter equal to 100% is adopted for the RRE portfolio. For the guarantee portfolio, due to the limited number of empirical observations that make it impossible to carry out statistical analyzes, the conservative CCF value equal to 100% was assumed, similarly to the RRE portfolio.

EAD model estimation is based on estimating individual model components and then assembling them. These components are:

- CCF Best Estimate parameter representing the long-term average, calculated on the basis of the time window covering various phases of the business cycle,
- CCF Downturn parameter representing the parameter value in an economic downturn,
- estimation error.

The final value of the parameter used in the capital requirement estimation process is determined as the greater of the CCF Best Estimate and CCF Downturn values and includes the estimation error. Parameters are estimated on a pooled basis using a decision tree model where pooling variables are customer and exposure characteristics.

Models used in the process of calculation of capital requirements are subject to periodic validation and monitoring (every year). Each new version of the model is subject to initial validation. The model implementation for the purposes of capital requirements calculation is also validated. In order to verify the correctness of the EAD model estimates, a number of statistical tests and measures are used, described in the EAD model validation methodology. These are: measures of the discriminant power of the model, measures of estimation error, measures of model stability, tests of significance of pooling variables as well as measures of concentration.

In 2021, the Bank rebuilt the EAD model for cards for account limits and credit cards and, as mentioned earlier, created a new model for the RRE segment. The new models were estimated based on the new definition of default and are consistent with the regulations EBA/RTS/2018/04 and the "ECB Guide to internal models".

In 2023, the IRB models (PD, LGD, CCF) were recalibrated in connection with changes in the definition of default, and a supervisory inspection began regarding the reconstruction of the 2021 models. The decision is expected at the end of 2024. Only after obtaining regulatory approval will it be possible to put new models into production.

4.3.2.4 Quantitative information

Exposure and adjustment values

The below table presents the basic aggregates and parameters used in calculation of own funds requirements in IRB method. As for exposure classes under IRB method, exposure amounts. CCF’s, average PD’s, debtors amount, average LGD’s, risk-weighted assets, risk density, expected loss and specific credit risk adjustments, break downed by probability of default (PD) brackets are showed.

Table no 10 EU CR6 - IRB approach - Credit risk exposures by exposure class and PD range (in accordance with ITS 2021/637) (in percents, in PLN thous.) (i)

A-IRB, Portfolio	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
Qualifying revolving exposures (QRRE)												
	0,00 do <0,15	489 867	2 249 707	63,04%	1 908 160	0,0800%	405 718	65,4870%	66 164	3,47%	1 000	-2 691
	0,00 do <0,10	489 867	2 249 707	63,04%	1 908 160	0,0800%	405 718	65,4870%	66 164	3,47%	1 000	-2 691
	0,10 do <0,15	0	0	0,00%	0	0,0000%	0	0,0000%	0		0	0
	0,15 do <0,25	189 916	313 936	69,61%	408 442	0,1925%	74 637	71,5476%	31 996	7,83%	564	-2 135
	0,25 do <0,50	188 354	206 323	73,19%	339 356	0,3900%	55 523	75,6126%	49 806	14,68%	1 001	-2 809
	0,50 do <0,75	202 752	156 274	75,42%	320 616	0,7100%	48 094	77,9741%	77 868	24,29%	1 775	-3 842
	0,75 do <2,50	399 071	186 540	78,62%	545 730	1,7036%	76 119	79,5495%	260 848	47,80%	7 415	-10 630
	0,75 do <1,75	216 736	117 122	77,41%	307 397	1,2800%	43 534	78,9083%	118 695	38,61%	3 105	-5 145
	1,75 do <2,5	182 335	69 418	80,67%	238 333	2,2500%	32 585	80,3767%	142 153	59,64%	4 310	-5 485
	2,50 do <10,00	384 908	100 856	79,58%	465 174	6,0528%	60 727	80,5472%	535 720	115,17%	22 796	-18 873
	2,50 do <5,00	162 680	44 165	84,50%	200 001	3,8000%	26 250	80,9467%	172 820	86,41%	6 122	-6 425
	5,00 do <10,00	222 228	56 691	75,75%	265 173	7,7520%	34 477	81,2481%	362 901	136,85%	16 675	-12 448
	10,00 to <100,00	229 404	24 142	76,41%	247 851	23,7702%	30 714	83,4796%	533 433	215,22%	49 660	-22 485
	10,00 do <20,00	162 923	19 942	87,14%	180 301	15,4900%	21 309	82,9102%	371 478	206,03%	23 156	-15 314
	20,00 do <30,00	11 146	1 343	21,88%	11 440	26,4300%	1 395	80,0801%	28 012	244,87%	2 421	-1 027
	30,00 do <100,00	55 335	2 857	27,12%	56 110	49,8354%	8 010	86,0027%	133 943	238,72%	24 083	-6 144
	100,00 (default)	173 046	9 684	0,00%	173 046	100,0000%	20 852	74,5292%	227 617	131,54%	128 970	-80 986
QRRE	**Total**	**2 257 319**	**3 247 462**		**4 408 375**		**772 384**		**1 783 452**	**40,46%**	**213 181**	**-144 450**
Exposures secured on immovable property SME (RRE SME)												
	0,00 do <0,15	3 150	666	100,00%	3 816	0,0800%	18	33,4925%	206	5,41%	1	-1
	0,00 do <0,10	3 150	666	100,00%	3 816	0,0800%	18	33,4925%	206	5,41%	1	-1

	0,10 do <0,15	0	0	0,00%	0	0,0000%	0	0,0000%	0		0	0
	0,15 do <0,25	5 331	54	100,00%	5 385	0,1900%	20	33,8575%	566	10,51%	3	-6
	0,25 do <0,50	4 635	636	100,00%	5 271	0,3900%	19	33,6638%	936	17,77%	7	-6
	0,50 do <0,75	10 204	282	100,00%	10 486	0,7100%	34	33,6078%	2 831	26,99%	25	-23
	0,75 do <2,50	9 771	0	100,00%	9 771	1,6926%	33	33,5559%	4 607	47,15%	55	-93
	0,75 do <1,75	5 614	0	100,00%	5 614	1,2800%	18	33,5776%	2 244	39,97%	24	-25
	1,75 do <2,5	4 156	0	0,00%	4 156	2,2500%	15	33,5265%	2 363	56,85%	31	-68
	2,50 do <10,00	5 501	19	100,00%	5 521	5,7214%	14	33,4098%	5 141	93,12%	105	-35
	2,50 do <5,00	2 184	0	0,00%	2 184	3,8000%	7	33,4283%	1 676	76,74%	28	-16
	5,00 do <10,00	3 318	19	100,00%	3 337	6,9791%	7	33,4404%	3 465	103,85%	78	-20
	10,00 to <100,00	1 862	0	0,00%	1 862	15,4900%	4	33,9477%	2 700	144,97%	98	-107
	10,00 do <20,00	1 862	0	0,00%	1 862	15,4900%	4	33,9477%	2 700	144,97%	98	-107
	20,00 do <30,00	0	0	0,00%	0	0,0000%	0	0,0000%	0		0	0
	30,00 do <100,00	0	0	0,00%	0	0,0000%	0	0,0000%	0		0	0
	100,00 (default)	3 025	0	0,00%	3 025	100,0000%	5	73,9374%	2 670	88,29%	2 236	-1 702
RRE SME	**Razem**	**43 478**	**1 658**		**45 137**		**147**		**19 657**	**43,55%**	**2 532**	**-1 973**
Exposures secured on immovable property non-SME (RRE non-SME)												
	0,00 do <0,15	24 892 615	411 429	100,00%	25 304 044	0,0800%	125 226	40,2158%	2 156 997	8,52%	8 141	-71 858
	0,00 do <0,10	24 892 615	411 429	100,00%	25 304 044	0,0800%	125 226	40,2158%	2 156 997	8,52%	8 141	-71 858
	0,10 do <0,15	0	0	0,00%	0	0,0000%	0	0,0000%	0		0	0
	0,15 do <0,25	3 283 255	48 379	100,00%	3 331 634	0,1878%	14 614	42,5274%	572 422	17,18%	2 663	-14 060
	0,25 do <0,50	1 814 503	18 809	100,00%	1 833 312	0,3900%	8 381	43,1488%	547 968	29,89%	3 085	-9 554
	0,50 do <0,75	1 260 924	10 593	100,00%	1 271 517	0,7100%	5 977	43,1434%	578 321	45,48%	3 895	-9 242
	0,75 do <2,50	1 726 658	20 057	100,00%	1 746 715	1,6528%	7 917	43,7516%	1 389 263	79,54%	12 639	-17 879
	0,75 do <1,75	1 063 072	12 375	100,00%	1 075 447	1,2800%	4 905	43,6761%	733 848	68,24%	6 012	-9 674
	1,75 do <2,5	663 586	7 683	100,00%	671 268	2,2500%	3 012	43,8726%	655 415	97,64%	6 626	-8 205
	2,50 do <10,00	899 401	12 298	100,00%	911 700	5,4452%	3 680	44,1216%	1 426 787	156,50%	21 867	-15 452

	2,50 do <5,00	484 615	6 180	100,00%	490 795	3,8000%	2 066	44,0855%	652 800	133,01%	8 229	-7 044
	5,00 do <10,00	414 786	6 119	100,00%	420 905	7,3637%	1 614	44,0435%	773 987	183,89%	13 638	-8 407
	10,00 to <100,00	573 761	2 268	100,00%	576 029	21,3578%	2 403	43,7965%	1 421 357	246,75%	54 699	-20 548
	10,00 do <20,00	433 808	1 838	100,00%	435 646	15,4900%	1 724	43,0546%	1 051 274	241,31%	29 054	-14 681
	20,00 do <30,00	0	0	0,00%	0	0,0000%	0	0,0000%	0		0	0
	30,00 do <100,00	139 953	430	100,00%	140 383	39,5673%	679	46,0988%	370 083	263,62%	25 645	-5 867
	100,00 (default)	778 496	344	100,00%	778 840	100,0000%	3 800	66,9796%	1 062 962	136,48%	521 664	-338 217
RRE non-SME	**Total**	**35 229 613**	**524 178**		**35 753 791**		**171 998**		**9 156 078**	**25,61%**	**628 653**	**-496 809**

(i) The table does not include PLN 548.0 m RWA stemming from Competent Authorities decision on an conservative charge of 5% RWA on exposures classified under IRB approach.

The below table presents the scope of application of internal ratings based and standardised method of own funds requirements calculation.

Table no 11 EU CR6-A - Scope of the use of IRB and SA approaches (in accordance with ITS 2021/637) (in percents, in PLN thous.)

		Exposure value as defined in Article 166 CRR for exposrues subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to a roll-out plan (%)	Percentage of total exposure value subject to IRB Approach (%)
1	Central governments or central banks	0	43 205 229	100,00%	0,00%	0,00%
1.1	*Of which Regional governments or local authorities*		299 758	100,00%	0,00%	0,00%
1.2	*Of which Public sector entities*		58 467	100,00%	0,00%	0,00%
2	Institutions	0	6 002 003	100,00%	0,00%	0,00%
3	Corporates	0	15 212 510	10,90%	89,10%	0,00%
3.1	*Of which Corporates - Specialised lending, excluding slotting approach*		0	0,00%	0,00%	0,00%
3.2	*Of which Corporates - Specialised lending under slotting approach*		707 303	0,00%	100,00%	0,00%
4	Retail	41 303 708	60 974 549	1,84%	30,43%	67,74%
4.1	*of which Retail - Secured by real estate SMEs*		1 184 070	1,85%	94,34%	3,81%
4.2	*of which Retail - Secured by real estate non-SMEs*		41 212 428	0,00%	13,25%	86,75%

4.3	*of which Retail - Qualifying revolving*		5 504 780	0,00%	0,00%	100,00%
4.4	*of which Retail - Other SMEs*		4 113 307	26,67%	73,33%	0,00%
4.5	*of which Retail - Other non-SMEs*		8 959 964	0,00%	100,00%	0,00%
5	Equity	0	228 877	100,00%	0,00%	0,00%
6	Other non-credit obligation assets	0	4 310 330	100,00%	0,00%	0,00%
7	**Total**	**41 303 708**	**129 933 498**	**43,50%**	**24,71%**	**31,79%**

The below table presents risk-weighted assets flow statements of credit risk exposures under IRB approach, what relates to retail exposures to individual persons secured by residential real estates (RRE) and qualifying revolving retail exposures (QRRE). That information is disclosed in accordance to CRR art. 438.d.

Table no 12 EU CR8 - RWEA flow statements of credit risk exposures under IRB approach (in accordance with ITS 2021/637) (in PLN thous.)

Date: 31 December 2023 (reporting period); 30 September 2023 (previous reporting period)

		Risk weighted exposure amount
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**11 104 375**
2	Asset size (+/-)	-121 636
3	Asset quality (+/-)	-23 813
4	Model updates (+/-)	0
5	Methodology and policy (+/-)	0
6	Acquisitions and disposals (+/-)	-5 546
7	Foreign exchange movements (+/-)	-35 180
8	Other (+/-)	40 987
9	**Risk weighted exposure amount as at the end of the reporting period**	**10 959 187**

The following table presents a historical backtesting of PD as for exposures' classes.

Table no 13 EU CR9 - IRB approach - Back-testing of PD per exposure class - fixed PD scale (in accordance with ITS 2021/637) (in percents, in PLN thous.)

Exposure class	PD range		Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year				
Qualifying revolving exposures (QRRE)								
	0,00 to <0,15		581 973	519	0,09%	0,08%	0,08%	0,07%
		0,00 to <0,10	581 973	519	0,09%	0,08%	0,08%	0,07%
		0,10 to <0,15	0	0	0,00%	0,00%	0,00%	0,00%
	0,15 to <0,25		125 377	403	0,32%	0,19%	0,19%	0,27%
	0,25 to <0,50		95 079	430	0,45%	0,39%	0,39%	0,45%
	0,50 to <0,75		83 707	559	0,67%	0,71%	0,71%	0,70%
	0,75 to <2,50		135 577	1 698	1,25%	1,70%	1,70%	1,37%
		0,75 to <1,75	76 541	786	1,03%	1,28%	1,28%	1,16%
		1,75 to <2,5	59 036	912	1,54%	2,25%	2,25%	1,67%
	2,50 to <10,00		108 146	3 191	2,95%	6,05%	6,03%	3,25%
		2,50 to <5,00	47 568	1 180	2,48%	3,80%	3,80%	2,55%
		5,00 to <10,00	60 578	2 011	3,32%	7,75%	7,78%	3,83%
	10,00 to <100,00		47 051	5 985	12,72%	23,77%	24,16%	14,31%
		10,00 to <20,00	34 215	2 690	7,86%	15,49%	15,49%	7,88%
		20,00 to <30,00	2 386	316	13,24%	26,43%	26,43%	11,62%

	30,00 to <100,00	10 450	2 979	28,51%	49,84%	52,01%	29,67%
100,00 (default)		26 262	0	0,00%	100,00%	100,00%	0,00%
Exposures secured on immovable property SME (RRE SME)							
0,00 to <0,15		15	0	0,00%	0,08%	0,08%	0,00%
	0,00 to <0,10	15	0	0,00%	0,08%	0,08%	0,00%
	0,10 to <0,15	0	0	0,00%	0,00%	0,00%	0,00%
0,15 to <0,25		21	0	0,00%	0,19%	0,21%	2,31%
0,25 to <0,50		24	0	0,00%	0,39%	0,39%	0,00%
0,50 to <0,75		38	0	0,00%	0,71%	0,71%	0,00%
0,75 to <2,50		42	0	0,00%	1,69%	1,65%	0,50%
	0,75 to <1,75	26	0	0,00%	1,28%	1,28%	0,00%
	1,75 to <2,5	16	0	0,00%	2,25%	2,25%	1,25%
2,50 to <10,00		26	0	0,00%	5,72%	5,66%	0,00%
	2,50 to <5,00	11	0	0,00%	3,80%	3,80%	0,00%
	5,00 to <10,00	15	0	0,00%	6,98%	7,02%	0,00%
10,00 to <100,00		8	1	12,50%	15,49%	26,10%	2,50%
	10,00 to <20,00	6	1	16,67%	15,49%	15,49%	3,33%
	20,00 to <30,00	0	0	0,00%	0,00%	0,00%	0,00%
	30,00 to <100,00	2	0	0,00%	0,00%	57,94%	0,00%
100,00 (default)		5	0	0,00%	100,00%	100,00%	0,00%
Exposures secured on immovable property non-SME (RRE non-SME)							
0,00 to <0,15		139 629	111	0,08%	0,08%	0,08%	0,13%
	0,00 to <0,10	139 629	111	0,08%	0,08%	0,08%	0,13%
	0,10 to <0,15	0	0	0,00%	0,00%	0,00%	0,00%
0,15 to <0,25		16 730	53	0,32%	0,19%	0,19%	0,39%
0,25 to <0,50		9 779	30	0,31%	0,39%	0,39%	0,47%
0,50 to <0,75		7 027	42	0,60%	0,71%	0,71%	0,81%

0,75 to <2,50		9 173	128	1,40%	1,65%	1,65%	1,65%
	0,75 to <1,75	5 692	74	1,30%	1,28%	1,28%	1,29%
	1,75 to <2,5	3 481	54	1,55%	2,25%	2,25%	2,22%
2,50 to <10,00		4 403	165	3,75%	5,45%	5,44%	3,73%
	2,50 to <5,00	2 401	72	3,00%	3,80%	3,80%	3,00%
	5,00 to <10,00	2 002	93	4,65%	7,36%	7,42%	4,51%
10,00 to <100,00		2 317	379	16,36%	21,36%	26,47%	16,02%
	10,00 to <20,00	1 373	110	8,01%	15,49%	15,49%	7,79%
	20,00 to <30,00	0	0	0,00%	0,00%	0,00%	0,00%
	30,00 to <100,00	944	269	28,50%	39,57%	42,44%	39,17%
100,00 (default)		4 530	0	0,00%	100,00%	100,00%	0,00%

4.3.3 Rating systems control and review

The Group has implemented the principle of strict separation of commercial functions generating credit risk (which are performed in the Business Area) and client risk and exposure evaluation functions (which are performed by units in the Risk Area). In the area of retail exposures, the final risk grade (rating) is awarded automatically. In respect to corporate exposures, risk grades are awarded to clients and changed when necessary during their term by the specialized Ratings Department.

Management of rating models, including the performance of control function,. is regulated in internal procedures pertaining to model development, model calibration and model monitoring. Responsibility for these actions has been assigned to designated model owners.

EU CRE, b) Rating systems review and independence of the function in charge of reviewing the models from the function responsible for the development of the models (according to ITS 2021/637)

In order to ensure the appropriate control and review of the rating systems (adequate estimation of risk parameters and correct course of the rating and credit decision process), a validation and monitoring process has been introduced.

The monitoring process (review of rating systems) is performed by the unit responsible for model development. Monitoring is carried out on a regular basis in accordance with the established monitoring schedule. The risk model monitoring process is based on the Bank's internal methodologies. The conclusions from periodic monitoring serve as the basis for issuing possible recommendations for the improvement of model performance.

The validation process is performed by a unit independent from the organizational units responsible for model development. The model validation process is based on internal regulations developed by the Bank for individual models.

EU CRE, b) Procedure to ensure the accountability of the functions in charge of developing and reviewing the models (according to ITS 2021/637)

The model development functions are performed by the owners of the models and rating systems. They report to the Head of the Risk Department. The developed models are sent to the validation unit for initial validation. Internal model approval is required prior to model implementation. Internal model approval is performed by the Validation Committee. In the case of material models and models used to calculate capital requirements, ratification of the decision of the Validation Committee by the Risk Committee is also required.

EU CRE, c) The role of the functions involved in the development. approval and subsequent changes of the credit risk models (according to ITS 2021/637)

The following units handle the monitoring and validation process:

- The Bank’s Risk Committee, which has general responsibility for risk control;
- the Bank's Validation Committee which is responsible for confirming the results risk models validation and for continuing the implementation of the measures prescribed by the Model Validation Bureau. Validation results are then ratified by the Risk Committee;
- The Model Validation Bureau, which is responsible for qualitative and quantitative analyses, model validation independent from model development, development of model validation and monitoring methodologies, preparation of reports for the Validation Committee;
- Model Owners and Rating System Owners responsible for the development function which involves the following: new model development, recalibration of existing models,

management of factors affecting the use of a model, implementation of Validation Committee recommendations on its own and in cooperation with the IT team.

Reports and recommendations from model monitoring are approved by the Head of the Risk Department.

Reports and recommendations of the Model Validation Bureau are approved by the Validation Committee.

The Chairman of the Validation Committee is obliged to submit to the Risk Committee for ratification and, if necessary, other committees responsible for credit risk control, the conclusions of the Validation Committee with regard to the relevant credit risk models and rating systems used to calculate the capital requirements and the status of any corrective actions.

EU CRE, d) The scope and main content of the reporting related to credit risk models (according to ITS 2021/637)

The Bank stores the documentation of implemented models, rating system, monitoring and validation reports and minutes on decisions made by the Validation Committee and the Risk Committee.

The scope of model documentation as well as monitoring and validation reports is specified in the Bank's internal regulations. The documentation contains qualitative and quantitative elements that allow for the reconstruction and verification of the quality of operation of the models. In particular, the documentation includes, among others, the main assumptions of the models, data sources, methods and final results of the model, along with an assessment of their quality. Validation reports include in particular the results of qualitative and quantitative analyzes, conclusions drawn on their basis, the final evaluation of the models, as well as possible recommendations to improve the operation of the models.

CRE, b) The relationship between the risk management function and the internal audit function (according to ITS 2021/637)

The Internal Audit Department (hereinafter: DAW) as an independent third line of defense unit within the function ensuring adequacy and effectiveness of the risk management system and internal control system, regularly reviews the rating systems in accordance with the annual Audit Plans approved by the Supervisory Board. They cover the credit area, in particular the issues of estimating the value of risk parameters: PD, LGD, CCF and the expected loss ratio EL. Audit reviews also include the assessment of the organization of model management processes, their monitoring and validation, as well as the most important elements of internal and external reporting (including disclosures regarding capital adequacy). The reviews are carried out based on the Audit Charter and Audit Manual approved by the Audit Committee of the Supervisory Board. The research is carried out on the basis of specialized audit programs. In addition, as part of the advisory function, the DAW carries out reviews of the correctness of classification of changes to the IRB method under the procedures specified in the Commission Delegated Regulation (EU) No 529/2014.

4.3.4 Use of internal estimates

The Group acts in accordance with the IRB principles for the application of "use test" criteria. This means that the risk parameters used to calculate capital requirements for credit risk are also the parameters that are used for other internal purposes, in particular in the risk management process. Internal rating or internal loss estimation models play a major role in the risk management process and in the decision process at different risk management levels. i.e. for the purposes of defining the Bank's credit risk strategy, for approving and monitoring credit risk and for allocating economic capital.

The Group has many years of experience in using internal rating models, since individual rating systems have been used to evaluate client risk since the 1990s. Ever since that time, the methodologies have been developed, improved and, to an increasing extent, incorporated in business processes, thus boosting risk management "culture" and awareness in the management process.

- Management information system

Internal estimates are used broadly in the management information system in the areas of risk and operating activity. The individual management levels (Supervisory Board, Management Board, specialized committees) receive detailed information about exposure to individual risks types and about the risk profile, including estimated risk parameters. This allows for effective risk management.

- Risk Appetite

Internal estimates have been used to determine the "risk appetite" of the Bank and the Bank Millennium Group. The risk tolerance incorporates measures, buffers and quantitative limits which, along with qualitative guidelines on managing individual risk types, determine the Bank's propensity for risk. Risk parameters are also an important element of the risk strategy being pursued, which includes objectives and guidelines for managing different risk types.

- Concentration limits

In the area of credit concentration risk and risk of large exposures, internal estimates have been used to develop exposure limits for individual segments of the credit portfolio. For this purpose, a risk level calculated using risk parameters is compared to the available financial resources, which may be used to risk coverage, including a buffer for a potential increase in risk.

- Decision-making powers

Credit decision-making powers are an important area where internal estimates are applied. The amounts of decision-making powers rely on the client's MS risk grade and the total exposure to its economic group.

- Evaluation of borrowing capacity and creditworthiness

Internal estimates affect significantly the evaluation of the client's borrowing capacity and creditworthiness. The rating is taken into consideration through verification of "cut-off point" criteria which determine the maximum acceptable rating depending on segment/product. Adittionally in the case of retail clients rating influences calculation of the client's credit limit.

- Loan prices and pricing policy

Risk parameters are also used for pricing credit transactions, by reflecting the cost of risk in the price.

- Economic capital

Credit and market risk parameters are used as one of the element that allow the Bank to calculate economic capital corresponding to the risk. Economic capital in turn is used to evaluate the safety of operations, to allocate and reallocate capital to business lines, to evaluate risk-based efficiency and to determine concentration limits.

4.4. INTERNAL CAPITAL

The Group and the Bank calculate and maintain on an ongoing basis internal capital amount, that is considered to cover adequately the nature and level of the risk to which they are or might be exposed, according to art. 128 Banking Act and art. 73 of Directive 2013/36/UE.

EU OVC – ICAAP information (according to ITS/2021/637)

Information in this point relate to the used method of internal capital adequacy assessment.

The Group and the Bank carry out the internal capital adequacy assessment process (ICAAP), based among others on the models of internal (economic) capital.

The Group and the Bank define economic capital as the amount of capital which is needed to cover all the unexpected economic losses that may occur during a specified future period and that are estimated with specific probability, without jeopardizing interests of the Group's depositors/creditors. Internal capital calculations incorporate all the material risk types to which the Group is exposed and are based on a set of parameters developed on the basis of the individual features and characteristics of the Polish market. The models quantify the value of expected and unexpected losses on account of the risk types considered to be material, at the assumed confidence level and in a 1-year time horizon.

Internal capital is calculated and maintained as to every risk type evaluated as a material one in a yearly risk materiality assessment process.

The Group and the Bank defined the below risk types as material, presented together with methods of internal capital estimation. The last risk materiality assessment was completed in the end of 2023.

Table no 14 Material risk types and methodologies to estimate internal capital to material risk types

Lp	Risk category and type	Internal capital calculation method
1	Credit risk default risk	Modified Credit Risk + model
2	Counterparty credit risk	Modified Credit Risk + model
3	Sovereign credit risk	Modified Credit Risk + model
4	Funding cost risk	Method of hard-to-measure risks internal capital calculation
5	External fraud risk	Method of operational risk internal capital calculation
6	ICT - security risk [1)]	Method of operational risk internal capital calculation
7	ICT - availability and continuity risk	Method of operational risk internal capital calculation
8	Compliance and conduct risk	Method of operational risk internal capital calculation
9	Data protection risk	Method of operational risk internal capital calculation
10	Litigation risk	Method of litigation risk internal capital calculation
11	Interest rate risk in banking book - gap risk	Model of interest rate risk in banking book internal capital calculation
12	Economic risk	Method of hard-to-measure risks internal capital calculation
13	Strategic risk	Method of hard-to-measure risks internal capital calculation
14	Business risk - IT Strategy risk	Method of hard-to-measure risks internal capital calculation

15	Reputational risk	Method of hard-to-measure risks internal capital calculation
16	Financial market protection systems risk	Method of hard-to-measure risks internal capital calculation
17	Assistant program “Credit holidays” risk	Method of assistant program “credit holidays” risk internal capital calculation
18	Mortgage denominated in FX loans risk (RRE FX risk)	Modified Credit Risk + model / Methodology of calculation of additional own funds requirements to cover RRE FX risk

1) ICT – Information and Communication technologies

Completing risk materiality assessment in 2023, 12 main risk categories were defined in total, and within them several dozen types of risk, including many types of non-financial and hard-to-measure risks. Tha Bank / Group follow BCP Group risk taxonomy.

Defined risk categories include:

1. Credit risk
2. Concentration risk
3. Liquidity risk
4. Market risk
5. Real estate risk
6. Operational risk – processes
7. Operational risk – ICT (Information and Communication Technologies)
8. Operational risk – compliance and legal risk
9. Interest rate risk
10. Business risk
11. Reputational risk
12. Other risk types

Risk materiality assessment depends on the combination of likelihood and impact on capital (profit and loss account) and amunt of risk-weighted assets. Evaluation encompasses both risk before and after mitigation instruments / actions.

In the calculation of internal capital, the Group and the Bank present a conservative approach to the correlation between individual types of risk (the fact that different types of risk do not materialize into losses at the same time), without taking into account the effect of diversification.

In line with the recommendations issued by the banking supervision authority, individual risk types and the diversification effect are subjected to stress tests. The total diversified internal capital is subject to economic assessment of capital adequacy, by a comparison with "risk-taking capacity" (available financial resources). The Group conservatively assumes that the available financial resources are equivalent to regulatory own funds which form the basis for calculating the total capital ratio.

The internal capital adequacy assessment process following the Group's approach is closely linked to the risk, capital and business management processes in place in the Group. It consists of the following stages:

1. Classification and assessment of materiality of risk types, to determine the method for incorporating them in the risk management process and in the ICAAP process.

2. Measurement (quantification) of risk.

3. Aggregation of internal capital to cover material risk of operations, while taking into account the effect of correlation between risk types.

4. Assessment of capital adequacy by comparing the Bank's economic risk (internal capital) to its capacity to cover the risk.

5. Allocation of internal capital to business lines/areas of operation.

6. Use of allocated internal capital to measure risk-based efficiency, set risk limits, reallocate capital while taking into account risk-weighted returns.

7. Control and monitoring of the risk level, available financial resources, capital limits and objectives.

Capital adequacy assessment carried out at the end of 2023 indicates a sufficient level of this adequacy, which is shown in a significant surplus of capital resources (equivalent to regulatory own funds) as compared to economic risk (internal capital value).

Both the Bank and the Group meet the statutory requirements regarding the level of own funds and the internal capital set forth in Article 128 of the Banking Law Act and in the CRR.

4.5. Additional information

EU CR9.1 IRB approach - Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR) (according to ITS 2021/637)

Due to the fact that the Group does not perform PD estimates in accordance with Art. 180 section 1 letter f) CRR, the table is not presented.

EU CR10 Specialized lending and equity exposures under the simple riskweighted approach (according to ITS 2021/637)

Due to the fact that the Group does not calculate the risk-weighted exposure amount for specialized lending exposures and equity exposures using the simplified risk-weighting method, the table is not presented.

EU CCR7 RWEA flow statements of CCR exposures under the IMA (according to ITS 2021/637)

The Group does not use the internal models method to calculate risk-weighted exposures to counterparty credit risk, therefore the table is not presented.

EU MR2-B RWA flow statements of market risk exposures under the IMA (according to ITS 2021/637)

The information listed in the above-mentioned table required in ITS 2021/637 is not presented because the Bank does not use internal models for calculating capital requirements for market risk.

5. Credit risk

Qualitative information on credit risk are disclosed in Financial Report and in Management Report (chapters on credit risk).

5.1. Assets quality

In chapter on "Financial risk management" in part on "Credit risk" in the Financial Report presents a description of the credit risk management process, including the methodology of its measurement and the policy of limit control and risk reduction.

At the same time, the decription of the policy policy applicable to impairment and creating impairment charges was presented in that chapter. It contains, among others, a detailed description of:

- Organization of the process to identify and measure impairment of credit exposures in order to determine adjustments for specific and general credit risk
- Individual analysis of credit receivables impairment
- Collective analysis of a credit portfolio.

The Chapter “Risk management” in part “Credit risk” of the Management Report presents the basic principles of credit policy and the most important initiatives implemented in 2023. This chapter also includes an assessment of the level of credit risk and key asset quality indicators in various dimensions. It also presents the assessment of the degree of concentration of the loan portfolio broken down by product types and industries.

The Group considers its loan portfolio quality as high. As at 31 December, 2023, the Group presents the gross NPL ratio (non-performing gross loans in total gross loans) of 4.58% (as at 31.12.2022 it was 4.45%).

Below are presented qualitative informations on assets credit quality, in line with regulatory requirements.

Table no 15 EU CRB - Additional disclosure related to the credit quality of assets (in accordance with ITS 2021/637)

Legal basis	Row number	Information
	a)	The scope and definitions of ‘past-due’ and ‘impaired’ exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes as specified by the EBA Guidelines on the application of the definition of default in accordance with Article 178 CRR.

	The definition of 'past due' exposures for accounting and regulatory purposes is not different and represents a delay in the performance by the customer of any material credit obligation exceeding 90 days (90 days are counted consecutively, ie the next 90 days with a significant credit obligation past due). The definitions of 'impaired' and 'defaulted' exposures have been harmonized for the purposes of integrated credit risk management.
b)	The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this. Not all past due exposures (more than 90 days) are considered impaired. Separate materiality threshold criteria for the past due amount are used to calculate past due for the purpose of determining impaired exposures.
c)	Description of methods used for determining general and specific credit risk adjustments. organisation of the credit risk management and control function. These methods are presented in the Financial Report and in the Management Board Report (chapters on credit risk).
d)	The institution’s own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on defaultin accordance with Article 178 CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014. The Bank does not use its own definition of a restructured exposure. It is in line with Art. 178 CRR and other regulations indicated above.

The Group discloses the information on performing and non-performing exposures and related provisions in the below table. That table is equivalent to the Template no 4 of EBA Guidelines on disclosure of non-performing and forborne exposures from 17.12.2018 (EBA/GL/2018/10).

Table no 16 EU CR1 - Performing and non-performing exposures and related provisions (in accordance with ITS 2021/637) (in PLN thous.)

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	**Cash balances at central banks and other demand deposits**	**4 747 300**	**4 747 300**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**0**	**0**
010	**Loans and advances**	**74 058 363**	**67 996 064**	**3 458 837**	**3 466 507**	**0**	**3 353 260**	**-750 533**	**-427 578**	**-364 404**	**-1 746 180**	**0**	**-1 680 796**		**50 098 544**	**908 088**
020	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0		0	0
030	*General governments*	162 801	162 797	0	0	0	0	-1 431	-1 431	-0	0	0	0		129 289	0
040	*Credit institutions*	1 373 695	1 373 695	0	0	0	0	-160	-160	0	0	0	0		0	0
050	*Other financial corporations*	332 613	328 195	743	743	0	743	-4 240	-3 979	-260	-467	0	-467		67 670	93
060	*Non-financial corporations*	16 423 405	15 124 915	729 977	729 977	0	706 900	-141 544	-99 282	-42 538	-244 933	0	-245 856		11 249 580	428 399
070	*Of which SMEs*	4 720 829	4 369 057	279 518	279 518	0	279 518	-33 137	-26 389	-7 024	-98 234	0	-98 234		3 943 326	170 602
080	*Households*	55 765 850	51 006 462	2 728 117	2 735 787	0	2 645 617	-603 158	-322 725	-321 605	-1 500 781	0	-1 434 473		38 652 004	479 597

090	**Debt securities**	**40 898 334**	**40 817 319**	**4 996**	**4 996**	**0**	**4 996**	**-6**	**-6**	**0**	**-4 996**	**0**	**-4 996**	**0**	**0**
100	*Central banks*	9 797 077	9 797 077	0	0	0	0	0	0	0	0	0	0	0	0
110	*General governments*	28 859 131	28 859 131	0	0	0	0	-6	-6	0	0	0	0	0	0
120	*Credit institutions*	811 950	811 950	0	0	0	0	0	0	0	0	0	0	0	0
130	*Other financial corporations*	1 430 176	1 349 161	0	0	0	0	0	0	0	0	0	0	0	0
140	*Non-financial corporations*	0	0	4 996	4 996	0	4 996	0	0	0	-4 996	0	-4 996	0	0
150	**Off-balance-sheet exposures**	**13 373 530**	**12 641 013**	**54 377**	**54 377**	**0**	**54 377**	**31 738**	**21 611**	**10 127**	**10 628**	**0**	**10 628**	**0**	**0**
160	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0	0	0
170	*General governments*	297 567	297 567	0	0	0	0	578	578	0	0	0	0	0	0
180	*Credit institutions*	115 665	115 665	0	0	0	0	0	0	0	0	0	0	0	0
190	*Other financial corporations*	116 777	116 070	0	0	0	0	511	502	9	0	0	0	0	0
200	*Non-financial corporations*	8 525 773	8 081 261	45 725	45 725	0	45 725	17 752	16 697	1 055	5 511	0	5 511	0	0
210	*Households*	4 317 748	4 030 450	8 652	8 652	0	8 652	12 896	3 833	9 063	5 117	0	5 117	0	0
220	***Total***	**133 077 527**	**126 201 696**	**3 518 210**	**3 525 880**	**0**	**3 412 633**	**-718 800**	**-405 972**	**-354 277**	**-1 740 548**	**0**	**-1 675 163**	**50 098 544**	**908 088**

The Group discloses the information on maturity of exposures of loans and advances and debt securities in the below table.

Table no 17 EU CR1-A - Maturity of exposures (in accordance with ITS 2021/637) (in PLN thous.)

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	3 530 399	12 762 809	23 522 159	32 764 042	1 063 651	73 643 060
2	Debt securities	0	17 273 660	19 839 439	3 814 768	81 014	41 008 882
3	***Total***	3 530 399	30 036 469	43 361 598	36 578 810	1 144 665	114 651 942

The Group discloses the information on changes in the stock of non-performing loans and advances in the below table.

Table no 18 EU CR2 – Changes in the stock of non-performing loans and advances (in accordance with ITS 2021/637) (in PLN thous.)

		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**2 433 430**
020	Inflows to non-performing portfolios	678 075
030	Outflows from non-performing portfolios	-103 895
040	Outflows from non-performing portfolios closed accounts	-274 059
050	Outflows from non-performing portfolios change of balances	-274 249
060	**Final stock of non-performing loans and advances**	**2 459 302**

EU CR2a – Changes in the stock of non-performing loans and advances and related net accumulated recoveries (in accordance with ITS 2021/637) (in PLN thous.)

Taking into account that the NPE ratio did not exceed 5% at the end of 2023, in accordance with ITS 2021/637, the above table is not presented.

The Group discloses the information on credit quality of forborne exposures in the below table. That table is equivalent to the Template no 1 of EBA Guidelines on disclosure of non-performing and forborne exposures from 17.12.2018 (EBA/GL/2018/10).

Table no 19 EU CQ1 - Credit quality of forborne exposures (in accordance with ITS 2021/637) (in PLN thous.)

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	0	0	0	0	0	0	0	0
010	Loans and advances	449 078	1 566 700	1 566 700	1 566 700	-25 725	-714 570	685 586	356 813
020	*Central banks*	0	0	0	0	0	0	0	0
030	*General governments*	0	0	0	0	0	0	0	0
040	*Credit institutions*	0	0	0	0	0	0	0	0
050	*Other financial corporations*	11	233	233	233	-7	-139	0	0
060	*Non-financial corporations*	3 137	192 717	192 717	192 717	-165	-85 419	74 019	72 556
070	*Households*	445 930	1 373 750	1 373 750	1 373 750	-25 553	-629 012	611 566	284 257
080	Debt Securities	0	0	0	0	0	0	0	0
090	Loan commitments given	2 089	5 564	5 564	5 564	2	3 478	0	0
100	***Total***	**451 167**	**1 572 264**	**1 572 264**	**1 572 264**	**-25 723**	**-711 092**	**685 586**	**356 813**

EU CQ2 - Quality of forbearance (in accordance with ITS 2021/637) (in PLN thous.)

Taking into account that the NPE ratio did not exceed 5% at the end of 2023, in accordance with ITS 2021/637, the above table is not presented.

The Group discloses the information on credit quality of performing and non-performing exposures by past-due days in the below table. That table is equivalent to the Template no 3 of EBA Guidelines on disclosure of non-performing and forborne exposures from 17.12.2018 (EBA/GL/2018/10).

Table no 20 EU CQ3 - Credit quality of performing and non-performing exposures by past-due days (in accordance with ITS 2021/637) (in PLN thous.)

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	4 747 300	4 747 300	0	0	0	0	0	0	0	0	0	0
010	Loans and advances	74 058 363	73 636 132	422 232	3 466 507	1 873 140	238 132	339 652	393 250	473 621	79 322	69 391	3 466 342
020	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0
030	*General governments*	162 801	162 797	4	0	0	0	0	0	0	0	0	0
040	*Credit institutions*	1 373 695	1 373 695	0	0	0	0	0	0	0	0	0	0
050	*Other financial corporations*	332 613	332 417	196	743	297	0	145	87	214	0	0	737
060	*Non-financial corporations*	16 423 405	16 361 570	61 834	729 977	526 784	53 036	58 375	40 095	995	452	729 977	16 423 405

070	*Of which SMEs*	4 720 829	4 706 315	14 514	279 518	214 463	13 019	11 971	29 458	9 926	469	211	279 515
080	*Households*	55 765 850	55 405 652	360 198	2 735 787	1 346 059	185 096	289 267	334 788	433 312	78 327	68 939	2 735 628
090	Debt securities	40 898 334	40 898 334	0	4 996	4 996	0	0	0	0	0	0	4 996
100	*Central banks*	9 797 077	9 797 077	0	0	0	0	0	0	0	0	0	0
110	*General governments*	28 859 131	28 859 131	0	0	0	0	0	0	0	0	0	0
120	*Credit institutions*	811 950	811 950	0	0	0	0	0	0	0	0	0	0
130	*Other financial corporations*	1 430 176	1 430 176	0	0	0	0	0	0	0	0	0	0
140	*Non-financial corporations*	0	0	0	4 996	4 996	0	0	0	0	0	0	4 996
150	Off-balance-sheet exposures	13 373 530	0	0	54 377	0	0	0	0	0	0	0	54 371
160	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0
170	*General governments*	297 567	0	0	0	0	0	0	0	0	0	0	0
180	*Credit institutions*	115 665	0	0	0	0	0	0	0	0	0	0	0
190	*Other financial corporations*	116 777	0	0	0	0	0	0	0	0	0	0	0
200	*Non-financial corporations*	8 525 773	0	0	45 725	0	0	0	0	0	0	0	45 725
210	*Households*	4 317 748	0	0	8 652	0	0	0	0	0	0	0	8 646
220	***Total***	***133 077 527***	***119 281 765***	***422 232***	***3 525 880***	***1 878 136***	***238 132***	***339 652***	***393 250***	***473 621***	***79 322***	***69 391***	***3 525 708***

EU CQ4 – Quality of non-performing exposures by geography (in accordance with ITS 2021/637)

The information on quality of non-performing exposures by geography is not present due to the fact that non-domestic original exposures in all non-domestic countries in all exposure classes are less than 10% of the total (domestic and non-domestic) original exposures.

The Group discloses the information on credit quality of loans and advances to non-financial corporations by industry in the below table.

Table no 21 EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry (in accordance with ITS 2021/637) (in PLN thous.)

		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing	107 086	3 370	3 370	107 086	-2 661	0
020	Mining and quarrying	70 068	1 665	1 665	70 068	-1 606	0
030	Manufacturing	4 131 465	138 125	138 125	4 131 458	-86 148	0
040	Electricity, gas, steam and air conditioning supply	52 052	1 115	1 115	52 052	-803	0
050	Water supply	132 693	5 537	5 537	132 693	-3 142	0
060	Construction	1 069 088	71 770	71 770	1 069 088	-35 123	0
070	Wholesale and retail trade	5 230 720	160 514	160 514	5 230 717	-83 878	0
080	Transport and storage	2 864 168	149 687	149 687	2 864 110	-62 168	0
090	Accommodation and food service activities	225 696	56 921	56 921	225 696	-33 582	0

100	Information and communication	890 809	8 023	8 023	890 809	-15 026	0
110	Financial and insurance actvities	98 808	1 842	1 842	98 808	-1 421	0
120	Real estate activities	856 986	65 070	65 070	856 986	-23 871	0
130	Professional, scientific and technical activities	457 367	18 145	18 144	457 367	-13 941	0
140	Administrative and support service activities	550 770	33 378	33 378	550 770	-11 900	0
150	Public administration and defense, compulsory social security	120	0	0	120	-2	0
160	Education	66 510	2 174	2 174	66 510	-1 745	0
170	Human health services and social work activities	195 909	4 295	4 295	195 909	-4 094	0
180	Arts, entertainment and recreation	46 829	2 209	2 209	46 829	-1 822	0
190	Other services	106 240	6 138	6 138	106 240	-3 543	0
200	***Total***	***17 153 382***	***729 977***	***729 977***	***17 153 313***	***-386 477***	***0***

EU CQ6 - Collateral valuation - loans and advances (in accordance with ITS 2021/637) (in PLN thousands)

Taking into account that the NPE ratio did not exceed 5% at the end of 2023, in accordance with ITS 2021/637, the above table is not presented.

The Group discloses the information on collateral obtained by taking possession and execution processes in the below table. That table is equivalent to the Template no 9 of EBA Guidelines on disclosure of non-performing and forborne exposures from 17.12.2018 (EBA/GL/2018/10).

Table no 22 EU CQ7 - Collateral obtained by taking possession and execution processes (in accordance with ITS 2021/637) (in PLN thous.)

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	0	0
020	Other than PP&E	17 514	0
030	*Residential immovable property*	0	0
040	*Commercial Immovable property*	0	0
050	*Movable property (auto, shipping, etc.)*	17 514	0
060	*Equity and debt instruments*	0	0
070	*Other collateral*	0	0
080	***Total***	***17 514***	***0***

EU CQ8 - Collateral obtained by taking possession and execution processes - vintage breakdown (in accordance with ITS 2021/637) (in PLN thousands)

Taking into account that the NPE ratio did not exceed 5% at the end of 2023, in accordance with ITS 2021/637, the above table is not presented.

5.2. Credit risk mitigation techniques

The Group presents below the qualitative information on credit risk mitigation techniques, according to regulatory requirements.

Table no 23 EU CRC - Qualitative disclosure requirements related to CRM techniques** (in **accordance with ITS 2021/637)

Legal basis	Row number	Information
Article 453 (a) CRR	a)	A description of the core the policies and processes for on- and off-balance sheet netting and an indication of the extent to which institutions make use of balance sheet netting; The Group does not use on- and off-balance sheet netting.
Article 453 (b) CRR	b)	The core features of policies and processes for eligible collateral evaluation and management eligible collateral evaluation and management; Description in the text below the table.
Article 453 (c) CRR	c)	A description of the main types of collateral taken by the institution to mitigate credit risk; Description in the text below the table.
Article 453 (d) CRR	d)	For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures; The Group uses guarantees in the calculation of capital requirements for the purpose of reducing the amount of capital requirements. The main guarantors are: • BGK in the scope of the so-called portfolio guarantees for repayment of loans and leasing transactions granted under government programs (includes de minimis aid and other types of entrepreneurship support); • Societe Generale (FX mortgage loans of the former Eurobank) • State Treasury – in particular, it concerns guarantee protection for securities issued by PFR and BGK and purchased by the Bank. •Other banks, in terms of guarantee protection of loans for corporate clients or counter-guarantees/confirmations of letters of credit in the area of trade financing. The Group does not use credit derivatives to lower capital requirements
Article 453 (e) CRR	e)	Information about market or credit risk concentrations within the credit mitigation taken; Description in the text below the table.

EU CRC, b) Policies and processes for eligible collateral evaluation and management

Policy of collateral management

The main criterion considered in Bank when making a decision to provide financing on specific terms is the evaluation whether the client has capacity to service and repay the financing on a timely basis without a need to realize the collateral. Collateral is accepted to reduce credit risk incurred by the Group if the client fails to make the payments in contractual amounts and on contractual dates. Accordingly, the requirements for accepted collateral should correspond to the credit risk incurred by the Group in connection with the specific client, while taking into account the specific features of each individual financing transaction. Additionally, in the case of loans to finance real property (in particular retail mortgage loans), establishing collateral on the property is a mandatory element of the credit product.

The Group's collateral policy defines the principles governing the types, kinds and legal forms of collateral, the rules for valuating collateral and the requirements to be satisfied when collateral is accepted, the rules of measuring and monitoring collateral.

Collateral is valid until the repayment of all the Group's receivables resulting from the secured credit transaction. The validity or maturity date of the collateral should not be earlier than the full repayment date of the secured credit transaction. If the credit risk mitigating instrument matures earlier than the credit transaction, a substitution process must be specified in the contract with the client to avoid lowering the original protection.

The list of collateral types accepted by the Group includes financial collateral, mortgage, material collateral, guarantees, sureties and receivables. The accepted collateral types have been described in detail and the Group has also defined the terms relating to features of individual asset types on which they can be accepted as collateral. The Group has also defined a list of acceptable legal forms of collateral, taking into account the risk associated with the probability that the collateral might be lost, in particular upon bankruptcy of client or restructuring proceedings or enforced debt collection against the client.

The Group uses as well a range of supplementary collateral to facilitate enforcement or increase probability of achieving repayment from a given collateral type.

Depending on the type and kind of collateral items, the Bank monitors them in order to:

- ensure that the contractual terms of collateral are satisfied, which includes confirmation of legal certainty,
- update the value of collateral,
- verify that the collateral exists (local visits).

Collateral valuation

The Group has defined the rules for measuring the value of assets accepted as collateral.

For financial collateral, its value is determined on the basis of current market valuation of the asset, less relevant haircuts, including price volatility haircuts.

Mortgage collateral is valued on the basis of valuations prepared by expert appraisers verified by the Group’s specialized units.

For physical collateral, valuation depends on the type, unit value of the asset and age of the asset - the valuation is performed on the basis of the estimated market price determined by the Group’s specialized units or based on insurance / book value in the case of low-value assets.

In each case, the units performing the valuations/verifying the valuations are separate from sales units.

Monitoring and update of collateral value

Real estate collateral

The base value of mortgage collateral may be updated using one of the following forms:

- assessment of the value of the real estate, understood as the Group's estimation of the current value of the real estate collateralizing the credit transaction, based on the methodologies used by the Bank or on an analysis of the real estate market analysis on the date of the assessment (not applicable to commercial real estate).
- valuation by an expert appraiser.

The value of the real estate as collateral should be monitored on a regular basis, at least once a year for commercial properties and once every three years for residential properties. Property valuation should be verified when there is information that the value of the property may have fallen significantly relative to overall market prices. Statistical methods can be used to monitor property values and identify properties that require verification.

Financial collateral

In the case of financial collateral classified as "participation units in mutual funds sold by Bank Group entities and managed by Millennium TFI", their base value is updated daily.

Material collateral

The base value of material collateral should be updated, when based on a local vision. a material amortization of collateral, collateral deficiency or lack of collateral will be reported. The value of material collateral is assessed once a 12 months.

EU CRC, c) The description of main types of collateral

The Group accepts the listed below types of collateral. The types of collateral are subject to evaluation taking into account the legal form, legal environment, market realities, economic situation, order in satisfying oneself from collateral, previous experience as to the effectiveness of satisfying oneself with a given type and type of collateral and the assessment of the collateral provider.

Table no 24 Eligible credit risk mitigants

Mitigant Type	Forms of Mitigation
Financial Collaterals	Term deposit at Bank or another bank
	Structured products sold by Bank
	Polish State Treasury bonds admitted to organized trading
	Polish Treasury bills
	Shares included in WIG20 index
	Investment fund participation units sold by entities of the Bank's group
	Financial life insurance policies, including savings policies and unit linked, sold by Bank
Real Estate collaterals	Residential real estate
	Commercial real estate
Physical collaterals	Vehicles, including cars, construction equipment on a car chassis, other vehicles
	Separate specialist equipment and machines
	Technological line
	Airplane, helicopter, boat / ship
	Inventories
Receivables	Factoring
	Receivables from contracts / lease agreements

	Receivables from permanent cooperation
Guarantees and sureties	Bank guarantee
	State Treasury guarantees
	Sureties

In the process of calculating own funds requirements to cover credit risk. the Group primarily uses collateral on residential and commercial real estate, cash collateral, guarantees and collateral on State Treasury debt securities.

EU CRC, e) Market or credit risk concentrations within the credit mitigation taken

The Group notices concentration related to credit risk mitigation with respect to collaterals for loans in the form of a mortgage. The main risk factor associated with this protection are:

1) an increase in the exchange rate of CHF / PLN.
2) a decrease in the value of mortgage.

Both of these factors contribute to increase of average LTV ratio (the ratio of loan to value of collateral) and the resulting increase in the value of loans, where the value of the LTV is greater than 100% and a deterioration of capital adequacy.

The first risk factor increases the DTI ratio (the ratio of debt-to-income for a customer) and it leads also to deterioration of liquidity.

The Group identifies, measures, monitors and controls continuously above risk factors. Conservative liquidity strategy is used, which provides for the maintenance of liquid assets buffer for unexpected changes in exchange rates. Capital plan provides for the maintenance of capital adequacy at a satisfactory level in the coming years. Both plans - Liquidity and Capital – account for stress tests assuming a significant appreciation of the exchange rate of CHF / PLN. The level of non-performing loans is regularly monitored and in case of potential problems with debt repayment customer is contacted in order to apply the right solution, suitable to his financial capability. The quality of loans secured by real estate remains at a high level.

The below table presents the overview of CRM techniques.

Table no 25 EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (in accordance with ITS 2021/637) (in PLN thous.)

		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
1	Loans and advances	79 775 457	51 006 632	48 407 488	2 599 144	0
2	Debt securities	40 898 328	0	0	0	0
3	Total	120 673 785	51 006 632	48 407 488	2 599 144	0
4	*Of which non-performing exposures*	847 351	908 088	821 442	86 647	0
EU-5	*Of which defaulted*	847 351	908 088	821 442	86 647	0

EU CR7 - IRB approach - Effect on the RWEAs of credit derivatives used as CRM techniques (in accordance with ITS 2021/637)

The table is not presented, becauses the Group does not use credit risk derivatives as CRM techniques.

The below table discloses the information on the scope of use of CRM techniques in IRB method.

Table no 26 EU CR7-A - IRB approach - Disclosure of the extent of the use of CRM techniques (in accordance with ITS 2021/637) (in percents, in PLN thous.)

	A-IRB	Total exposures	**Credit risk Mitigation techniques**											**Credit risk Mitigation methods in the calculation of RWEAs**	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)		**RWEA without substitution effects (reduction effects only)**	**RWEA with substitution effects (both reduction and sustitution effects)**
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Guarantees (%)		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks														
2	Institutions														
3	Corporates														
3.1	*Of which Corporates – SMEs*														
3.2	*Of which Corporates – Specialised lending*														
3.3	*Of which Corporates – Other*														
4	Retail	40 207 303	0,00%	67,51%	67,51%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0	10 959 187

4.1	*Of which Retail – Immovable property SMEs*	45 137	0,00%	93,30%	9,33%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0	19 657
4.2	*Of which Retail – Immovable property non-SMEs*	35 753 791	0,00%	75,81%	75,81%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0	9 156 078
4.3	*Of which Retail – Qualifying revolving*	4 408 375	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0	1 783 452
4.4	*Of which Retail – Other SMEs*	0	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0	0
4.5	*Of which Retail – Other non-SMEs*	0	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0	0
5	Total	**40 207 303**	**0,00%**	**67,51%**	**67,51%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0**	**10 959 187**

(i) The table does not include PLN 548.0m RWA stemming from Competent Authorities decision on an conservative charge of 5% RWA on exposures classified under IRB approach.

6. Operational risk

The description of operational risk management process was presented in the Financial Report, the chapter “Financial risk management”, the part “Operational risk”. The methods used in the key steps of that process are:

- Collecting operational risk events
- Self-assessment of operational risk in individual processes
- Analysis and monitoring of risk indicators.

Other aspects related to operational risk - process management, fraud risk management, actions in the response of a pandemic and the war in Ukraine - are presented in the Management Board Report, in chapter "Risk management - other risk types".

Losses stemming from operational risk events

Recommendation M of KNF

The table below presents operational risk events registered in the database of operational risk events in 2023. The table does not include operational risk events related to credit risk, which are treated as credit risk events for the purpose of calculating credit requirements and events related to losses incurred on the mortgage loan portfolio as a result of court decisions unfavorable for the Bank.

Table no 27 Operational risk events (the amount of losses), divided by events categories and kind of loss (in PLN millions)

Event category	Net loss	Gross loss
Problems with computer hardware and software	0.4	0.4
Inernal fraud	0.1	0.1
Damage to physical assets	0,1	0,5
External fraud	20.3	20.9
TOTAL	**20.9**	**21.9**

Operational risk management system used in the Bank requires identification of a causes of an events and implementation of decisions or actions to reduce frequency and financial impact of events. It is completed using change of processes, strengthening of internal controls, adjustments of documentation and procedures and dedicated trainings.

In 2023 Bank Millennium Group reported no material operational risk events. i.e. those for which gross loss exceeds 10% of capital requirements for operational risk.

7. LIQUIDITY RISK

The below table presents qualitative information on liquidity risk management, according to regulatory requirements. Detailed information on the strategy, organizational model and liquidity risk management process in the Bank Millennium S.A. Group is presented in the Annual Financial Report, in the chapter on liquidity risk management.

Table no 28 EU LIQA - Liquidity risk management (in accordance with ITS 2021/637)

Legal basis	Row number	Information
Article 451a(4) CRR	a)	*Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding* The Bank has formalized rules for liquidity and financing risk management. Liquidity risk management strategies and processes, including the principles of diversification of sources and maturity of planned financing, are approved at the appropriate level of competence and are subject to regular reviews. As a rule, the strategy and policies must be updated at least once a year. Before they come into force, they must be approved at least by the Bank's Management Board (policies) and/or the Supervisory Board (strategies). Risk Strategy is a comprehensive document providing guidelines for risk management policy/strategy. This document is prepared in writing over a three-year period and is subject to annual review and update. It is approved by the Management Board and the Supervisory Board of the Bank. The risk strategy and its review are inextricably linked to other strategic documents, such as the Budget, Liquidity Plan and Capital Plan. The objectives included in the Risk Strategy regarding liquidity risk are qualitative guidelines as well as quantitative values through the definition of the risk appetite declaration. The policy includes all relevant methods for daily, short-term, medium-term and long-term liquidity and funding risk management. The key elements of the current policy are: - system of limits and methods of measuring liquidity risk, - monitoring sources of financing and concentration risk, - intraday liquidity management, - liquidity buffer and management of collateral positions, - internal transfer pricing system, - stress tests, - emergency liquidity plan. Detailed framework for liquidity risk management, including: the approach used regarding the financing sources of the BM Group and the structural liquidity analyzes performed on the basis of accumulated, adjusted liquidity gaps were presented in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2023 in the "Liquidity risk" chapter.
Art. 451a(4) CRR	b)	*Structure and organisation of the liquidity risk management function (authority, statute, other arrangements).*

		Both the Supervisory Board and the Management Board of the Bank (at the strategic level) as well as specialized committees and organizational units (at the operational level): the Capital, Assets and Liabilities Committee (KKAP), the Risk Committee (KR), Risk Department and Treasury Department. KKAP and KR play a mixed role in the process - decision-making and opinion-giving. The separation of responsibilities in terms of risk creation, measurement, monitoring and control is one of the main principles of risk management at the Bank. Hence, the method of organizing the process of managing other types of liquidity risk in the Bank ensures the independence of units concluding transactions (Treasury Department, Front-office), settling them (Treasury Operations Department, Back-office) and monitoring and controlling the risk (Risk Department and the Control and Control Office). Treasury Analyzes, Middle-Office). The detailed scope of competences and responsibilities of all units involved in the process is specified in the document regulating the framework for liquidity risk management, i.e. in the policy: Principles and rules of liquidity risk management at Bank Millennium S.A., in particular: - The Supervisory Board is responsible for approving the liquidity and financing risk strategy, including determining the risk tolerance/appetite and for supervising the compliance of the Bank's risk-taking policy with the Bank's strategy and financial plan, - The Bank's Management Board is responsible for defining the general policy directions in the field of liquidity risk control and management, including determining the organizational structure and limit levels, - The Capital, Assets and Liabilities Committee (KKAP) and the Risk Committee is responsible in particular for monitoring changes in liquidity risk and compliance with relevant policies and regulations, reviewing policies, regulations and practices applicable to the liquidity risk management process throughout the BM Group , as well as for reviewing and accepting risk limits, - The Treasury Department is responsible for the daily operational management of liquidity risk in relation to all positions for which it is responsible and the implementation of market operations, in accordance with the directions set by KKAP within the applicable policies, procedures and limits specified in the Bank, - The Risk Department is responsible for proposing and implementing liquidity risk management policy assumptions and methodologies for identifying, measuring, limiting, monitoring, mitigating and reporting, as well as for measuring, monitoring and reporting liquidity risk positions and stress test results, - The Treasury Operations Department is responsible for keeping records, controlling and settling transactions carried out by the Treasury Department. The general principles of risk management in the BM Group are described in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2023 in the "Risk management" chapter.
Art. 451a (4) CRR	c)	*A description of the degree of centralisation of liquidity management and interaction between the group's units* In accordance with the Risk Strategy adopted by the Management Board and Supervisory Board of the Bank, liquidity risk generated in its subsidiaries is consolidated and managed centrally. Financing requirements and any surplus liquidity in subsidiaries are managed through transactions concluded with the Bank, unless decisions are made in advance at an appropriate level of competence and arrangements regarding specific market transactions are made. Subsidiaries are obliged to manage their liquidity position in accordance with the guidelines set out in the above-mentioned. Risk Strategy, Liquidity Plan and in accordance with the limits and principles set out in the policy defining the framework for liquidity risk management.
	d)	*Scope and nature of liquidity risk reporting and measurement systems*

Art. 451a (4) CRR		The risk measurement system with the established limits is closely related to the reporting mechanism. The scope and nature of risk reporting and measurement systems are formalized and subject to regular reviews. In particular, the internal regulations specify the scope and mode of management information regarding liquidity and financing risk, including units responsible for preparing reports, recipients of reports, the scope and frequency of preparing reports. The bank regularly monitors and reports the supervisory liquidity ratio (LCR, NSFR) and examines, among others, the risk of financing concentration, the internal liquidity safety buffer and the stability of external funds. As a rule, in its frequency and content, the management information system is adapted to the level of competence and responsibility of recipients, as well as to changes taking place in the Bank's risk profile. This information is analyzed and allows obtaining a synthetic picture of the Bank's exposure to liquidity risk in the context of the adopted regulations. The information is intended to enable a reliable assessment of risk exposure by all units involved in the process and to support the Bank's management in the process of assessing the implementation of the adopted strategy/policy, as well as planning, identifying weak points in the Bank's operations that generate excessive risk and enable making decisions regarding risk management in within certain limits. Information regarding the level of liquidity and financing risk measures, the applicable limit and its use is provided in accordance with the specified monitoring/control mode - as a rule, on a daily basis to the Members of the Management Board responsible for the Risk Department and the Treasury Department, heads of the Risk Department and the Treasury Department. and monthly to the Capital, Assets and Liabilities Committee (KKAP) and quarterly to the Risk Committee (KR), the Bank's Management Board and the Supervisory Board. The reporting frequency may be increased if necessary. Details regarding the measurement of liquidity risk and the metrics used are presented in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2023: in the "Liquidity risk" chapter.
Art. 451a (4) CRR	e)	*Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.* The Bank has formalized rules of liquidity and funding risk management. Liquidity risk management strategies and processes, including the principles of diversifying the sources and maturity of planned funding, are approved with an appropriate level of competence and are regularly reviewed. As a rule, the strategy and policies must be updated at least once a year. Before they come into force, they must be approved at least by the Bank's Management Board (policies) and / and the Supervisory Board (strategies).
Art. 451a	f)	*An outline of the bank`s contingency funding plans*

(4) CRR		Liquidity Emergency Plan at Bank Millennium S.A. (The Plan) is a normative framework for identifying and managing the resolution of the liquidity crisis at the Bank, which may occur either as a result of unfavorable business conditions, unexpected external circumstances in the Bank's environment or a combination of both. The purpose of the Plan is to clearly and precisely define the strategy, procedure and determine the principles and responsibilities of the Bank's employees for the set of actions that may be taken in the event of a liquidity crisis that may be triggered for various reasons. In particular, the Plan specifies: - Rules, conditions and responsibilities regarding the activation and deactivation of the Plan, - Sources of emergency financing, - Recovery options and detailed policies to respond to varying degrees of liquidity crisis, including prioritization - Responsibility structure (assignment of functions to individual participants under the Emergency Liquidity Plan), - Decision-making path in situations of liquidity crisis, - Scope and form of reports, - Information channels in situations of liquidity crisis (internal communication, external communication). Additionally, in accordance with applicable rules, the Plan should be tested at least once a year or at each request of both the Capital, Assets and Liabilities Committee (KKAP) and the Risk Committee. Testing of the Plan aims to ensure that it is effective and operationally feasible, i.e. by: - Obtaining confirmation that the division of responsibilities is appropriate and understandable, - Review of the availability of required reports, legal documentation and operational plan enabling the launch of the Plan in a short time, - Testing key assumptions, such as the possibility of selling certain assets or concluding a repurchase agreement, the possibility of using credit lines or other sources of emergency financing, - Verification of the feasibility of transferring funds and security. As part of the above-mentioned testing of the Liquidity Contingency Plan in 2023, the Bank conducted an operational assessment of, among others, emergency procedure for liquidity support in the form of an extraordinary refinancing loan facility from the National Bank of Poland. The indicated Bank employees provided the required information to the extent provided for in the Liquidity Contingency Plan.
Art. 451a (4) CRR	g)	*An explanation of how stress testing is used* The basic purpose of conducting stress tests as part of liquidity risk management is to identify factors that may pose the greatest threat to the reduction of the Bank's liquidity, as well as to determine their impact on the Bank's liquidity, should they materialize. The liquidity stress testing program consists of scenario analysis, sensitivity analysis and reverse tests. Three variants are analyzed as part of the tests: - idiosyncratic - specific to the Bank, in which the banking sector as a whole is not subject to stress conditions, - systemic - external market crisis in which the Bank is affected by stress conditions as a result of deterioration of market conditions, - mixed – a combination of the variants listed above. Liquidity stress tests are conducted at least quarterly, and the results are presented to the Capital, Assets and Liabilities Committee (KKAP) as an additional indicator supporting the liquidity risk management process. The Management Board and Supervisory Board receive test results at least once a year. The scope and mode of management information is formalized and subject to regular reviews. The results of stress tests conducted in 2023 confirm the Group's stable and safe liquidity position.
Art. 451a (4) CRR	h)	*A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.*

		Statement by the Management Board of Bank Millennium S.A. in this regard, it has been included in Chapter 10 of this Report.
Art. 451a (4) CRR		*A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body.* *These ratios may include* · *Concentration limits on collateral pools and sources of funding (both products and counterparties*) Details on the measurement of liquidity risk and the applied concentration measures are presented in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2023: (i) in section Liquidity risk *Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank*
	i)	Details on the measurement of liquidity risk are presented in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2023 in section Liquidity risk. *Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity* Details on exposure to liquidity risk and sources of financing are presented in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2023 in section Liquidity risk. *Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps* Details on the measurement of liquidity risk and liquidity gaps by maturity ranges are presented in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2023 in section Liquidity risk.

In accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, the Group sets a liquidity coverage requirement (LCR). The net outflow coverage ratio is determined individually by each entity of the Bank's Capital Group subject to the requirement to determine this indicator and at the consolidated level for the Bank's Capital Group together. The minimum supervisory level of the LCR ratio of 100% was met by the Group on each reporting date (at the end of December 2023, the LCR ratio was 327%). The amount and main components of the net outflow coverage ratio for the Group in 2023 are presented in the table below. The data presented were determined as simple averages of observations at the end of each month in the twelve-month period preceding December 31, 2023.

Table no 29 EU LIQ 1 - Quantitative information of LCR (in accordance with ITS 2021/637) (in percents, in PLN thous.)

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	4Q23	3Q23	2Q23	1Q23	4Q23	3Q23	2Q23	1Q23
EU 1b	Number of data points used in the calculation of averages	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					39 166 968	34 585 077	29 920 613	31 304 213
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	83 394 322	80 280 205	78 526 773	77 401 458	4 165 798	3 971 573	3 917 101	3 955 962
3	*Stable deposits*	52 965 202	52 607 966	52 286 956	51 755 047	2 648 260	2 630 398	2 614 348	2 587 752
4	*Less stable deposits*	11 578 486	10 356 031	9 990 365	10 527 664	1 517 538	1 341 175	1 302 753	1 368 209
5	Unsecured wholesale funding	23 353 596	22 999 036	21 930 172	25 975 000	9 563 983	8 957 619	8 669 150	10 214 577
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	4 618 551	4 152 819	3 980 624	3 736 008	1 147 870	1 030 683	988 254	927 518
7	*Non-operational deposits (all counterparties)*	18 735 045	18 846 217	17 949 548	22 238 992	8 416 113	7 926 936	7 680 896	9 287 059
8	*Unsecured debt*	0	0	0	0	0	0	0	0
9	*Secured wholesale funding*	-	-	-	-	0	0	0	0
10	Additional requirements	8 985 927	8 830 540	8 675 041	8 914 771	1 412 337	1 332 241	1 302 786	1 325 814
11	*Outflows related to derivative exposures and other collateral requirements*	765 460	761 596	765 887	767 503	765 460	761 596	765 887	767 503
12	*Outflows related to loss of funding on debt products*	0	0	0	0	0	0	0	0
13	*Credit and liquidity facilities*	8 220 467	8 068 944	7 909 154	8 147 268	646 877	570 645	536 899	558 311
14	Other contractual funding obligations	41 023	148 168	86 801	17 503	27 274	131 603	36 284	1 738
15	Other contingent funding obligations	5 921 405	5 476 735	5 298 141	5 025 383	0	0	0	382 863

16	TOTAL CASH OUTFLOWS					15 169 392	14 393 035	13 925 321	15 880 954
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	1 717 236	677 014	45 630	10 538	0	0	0	0
18	Inflows from fully performing exposures	2 522 525	2 282 571	2 500 091	2 367 160	2 191 930	1 969 026	2 171 285	2 025 372
19	Other cash inflows	16 473	37 904	17 895	24 515	16 473	37 904	17 895	24 515
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	4 256 234	2 997 488	2 563 616	2 402 213	2 208 403	2 006 930	2 189 180	2 049 887
EU-20a	*Fully exempt inflows*	0	0	0	0	0	0	0	0
EU-20b	*Inflows subject to 90% cap*	0	0	0	0	0	0	0	0
EU-20c	*Inflows subject to 75% cap*	4 256 234	2 997 488	2 563 616	2 402 213	2 208 403	2 006 930	2 189 180	2 049 887
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					39 166 968	34 585 077	29 920 613	31 304 213
22	TOTAL NET CASH OUTFLOWS					12 960 990	12 386 105	11 736 141	13 831 067
23	LIQUIDITY COVERAGE RATIO					302,7544%	278,5786%	254,9141%	226,3210%

Below are presented the detailed qualitative information on liquidity coverage ratio. which complements the template EU LIQ1.

Table no 30 EU LIQB Qualitative information on LCR, which complements template EU LIQ1 (in accordance with ITS 2021/637 and Article 451a(2) CRR)

Legal basis	Row number	Information
Art. 451a(2) CRR	a)	*Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time wskaźnika pokrycia wypływów netto w czasie* Compared to December 31, 2022 and September 30, 2022, the value of the LCR ratio at the consolidated level increased by approximately 104 and 28 percentage points, respectively, mainly as a result of a significant increase in deposits from retail customers and changes in their structure (increase in the share of stable term deposits), as well as the issuance of EUR own bonds in September 2023. Funds from deposits allowed for a significant increase in the portfolio of liquid assets.
Art. 451a (4) CRR	b)	*Explanations on the changes in the LCR over time* As above
Art. 451a (4) CRR	c)	*Explanations on the actual concentration of funding sources* There was no excessive concentration of funding sources. Information in this regard is presented in the Consolidated Financial Annual Report of the Capital Group of Bank Millennium S.A. for the 12-month period ended December 31, 2023 in section on Liquidity risk.
Art. 451a (4) CRR	d)	*High-level description of the composition of the institution`s liquidity buffer.* The Group maintains a constantly safe level of unencumbered, high-quality liquid assets, which constitute a hedge in the event of stress scenarios in the area of liquidity. Liquid assets include cash, funds on nostro accounts (excluding the average required reserve level) and liquid securities, including securities received as collateral in reverse-repo transactions. The portfolio does not include securities constituting collateral and those that are blocked. The share of liquid debt securities (including NBP bills) in the total debt securities portfolio was over 99,9% at the end of December 2023 and reached the level of approx. PLN 40.9 billion, while at the end of December 2022 this level was PLN 20.4 billion.
Art. 451a (4) CRR	e)	*Derivative exposures and potential collateral calls* The Group provides liquidity in foreign currencies thanks to bilateral loans denominated in foreign currencies as well as currency and interest-currency swap transactions. The importance of swaps is declining as a result of the reduction of the foreign currency mortgage portfolio and the hedging of foreign currency legal provisions. The Group considers transactions in derivative instruments to be significant (the total nominal value of such transactions exceeded 10% of the net liquidity outflow of the LCR). The swap portfolio is diversified in terms of counterparties and maturities. The Group has signed annexes to framework agreements regulating security issues (Credit Support Annex, CSA) with the majority of contractors. Therefore, in the event of unfavorable changes in exchange rates (depreciation of PLN), the Bank is obliged to make a deposit to secure the settlement of derivative instruments in the future, and in the event of favorable changes in exchange rates (appreciation of PLN), the Group receives a security deposit from contractors. The liquidity risk in the unfavorable market scenario results from a change in the market value of derivative instruments, which creates liquidity needs due to the coverage of margins. In both the stress test scenarios and the LCR approach, this additional liquidity requirement is accounted for as the largest absolute net collateral flow realized over a 30-day period over a 24-month period.
Art. 451a	f)	*Currency mismatch in the LCR*

(4) CRR		The Group had two significant currencies (PLN and EUR), i.e. those for which the ratio of the value of liabilities in a given currency to the total value of liabilities in all currencies was at least 5%. The Capital Group of the Bank had an LCR ratio above 100% for all currencies in total and for PLN.
Art. 451a (4) CRR	g)	*Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile* No

According to the final text of the CRD V/CRR II package, the Group sets the net stable funding requirement (NSFR). The minimum supervisory level of the NSFR ratio of 100%, which has been binding since June 2021, was met by the Group on each reporting date (at the end of December 2023, the NSFR ratio was 180%). The amount and main components of the net stable funding ratio for the Group in 2022, in accordance with Art. 451a of Regulation 2019/876, are presented in the table below (according to the EU LIQ2 template contained in Commission Implementing Regulation (EU) 2021/637.

Table no 31 EU LIQ2 - Net stable Funding Ratio (in accordance with ITS 2021/637) (in percents, in PLN thous.)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	6 089 751	0	0	1 380 876	7 470 627
2	*Own funds*	6 089 751	0	0	1 380 876	7 470 627
3	*Other capital instruments*		0	0	0	0
4	Retail deposits		78 506 726	4 016 747	2 184 747	79 991 771
5	*Stable deposits*		66 990 757	3 727 223	2 132 890	69 314 970
6	*Less stable deposits*		11 515 969	289 524	51 857	10 676 801
7	Wholesale funding:		22 521 572	294 732	2 231 506	12 946 772
8	*Operational deposits*		5 056 521	0	0	2 528 260
9	*Other wholesale funding*		17 465 052	294 732	2 231 506	10 418 512
10	Interdependent liabilities		0	0	0	0
11	Other liabilities:	0	16 803	0	3 903 399	3 903 399
12	*NSFR derivative liabilities*	0				
13	*All other liabilities and capital instruments not included in the above categories*		16 803	0	3 903 399	3 903 399
14	**Total available stable funding (ASF)**					104 312 570
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					2 445 957
EU-15a	Assets encumbered for more than 12m in cover pool		0	0	0	0
16	Deposits held at other financial institutions for operational purposes		0	0	0	0
17	Performing loans and securities:		7 330 705	4 803 204	59 663 279	50 169 044
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		1 173 013	0	0	0

19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		61 654	27 343	447 110	466 947
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		3 992 570	3 973 977	20 556 120	21 253 649
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		195 026	199 348	1 011 636	854 750
22	*Performing residential mortgages, of which:*		560 262	590 003	37 995 963	27 601 553
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		420 207	433 711	26 350 743	17 554 942
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		1 543 206	211 882	664 086	846 896
25	Interdependent assets		0	0	0	0
26	Other assets:		2 654 796	247 103	2 428 558	4 526 752
27	*Physical traded commodities*				0	0
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		0	0	215 221	182 938
29	*NSFR derivative assets*		381 271	0	0	381 271
30	*NSFR derivative liabilities before deduction of variation margin posted*		794 662	0	0	39 733
31	*All other assets not included in the above categories*		1 478 862	247 103	2 213 337	3 922 810
32	Off-balance sheet items		2 962 020	2 823 576	6 354 978	736 291
33	**Total RSF**					57 878 044
34	**Net Stable Funding Ratio (%)**					**180,2282%**

8. Financial Leverage

The Bank calculated the leverage ratio at the consolidated level, as at 31.12.2023, based on Regulation (EU) No 575/2013 of the European Parliament and of the Council, Commission Delegated Regulation (EU) 2015/62 of 10.10.2014 and Regulation of the European Parliament and of the EU Council 2017/2395 of 12.12.2017 amending Regulation (EU) No 575/2013 as regards transitional arrangements to mitigate the impact of mitigating the impact of introducing IFRS 9 on own funds and treating certain exposures as large exposures to entities of the sector denominated in the national currency of any Member State, with respect to the leverage ratio.

As at 31 December 2023, the leverage ratio at the Group level was 4.66% using temporary definition of Tier 1 Capital and 4.58% using fully implemented definition of Tier 1 Capital.

When calculating leverage, the Group does not apply the derogations set forth in Articles 499.2 and 499.3 of CRR. Leverage ratio is calculated both with respect to Tier 1 capital and using the temporary definition of Tier 1 capital. The Group does not apply the option to exclude from the total exposure measure with regard to the amount of exposures to central banks, in accordance with the Guidelines EBA/GL/2020/11.

Table no 32 EU LR1 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures (in PLN thous). (in accordance with ITS 2021/637) (in PLN thous.)

		Applicable amount
1	Total assets as per published financial statements	125 520 004
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of point (i) of Article 429a(1) CRR)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustment for eligible cash pooling transactions	0
8	Adjustments for derivative financial instruments	130 730
9	Adjustment for securities financing transactions (SFTs)	0
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	4 670 208
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0
12	Other adjustments	387 505
13	**Leverage ratio total exposure measure**	**130 708 447**

Table no 33 EU LR2 – LRCom: Leverage ratio common disclosure (in accordance with ITS 2021/637) (in percents, in PLN thous.)

		CRR leverage ratio exposures	
		2022-12-31	2023-12-31
On-balance sheet exposures (excluding derivatives and SFTs)		0	0
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	110 152 841	124 403 117
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	0
5	(General credit risk adjustments to on-balance sheet items)	0	0
6	(Asset amounts deducted in determining Tier 1 capital)	1 753	-556 048
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	110 154594	123 847 069
Derivative exposures		**0**	**0**
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	781 576	906 287
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	220 743	127 025
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0	0
EU-9b	Exposure determined under Original Exposure Method	0	0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0	0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original exposure method)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	**Total derivatives exposures**	1 022 320	1 033 312
Securities financing transaction (SFT) exposures		**0**	**0**
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	4 853	1 157 858
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	Counterparty credit risk exposure for SFT assets	0	0
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0	0
17	Agent transaction exposures	0	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
18	**Total securities financing transaction exposures**	4 853	1 157 858

Other off-balance sheet exposures		**0**	**0**
19	Off-balance sheet exposures at gross notional amount	12 359 576	12 132 281
20	(Adjustments for conversion to credit equivalent amounts)	-7 688 512	-7 462 073
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0	0
22	**Off-balance sheet exposures**	4 671 064	4 670 208
Excluded exposures		**0**	**0**
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0	0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	0	0
EU-22c	(Excluded exposures of public development banks - Public sector investments)	0	0
EU-22d	(Excluded promotional loans of public development banks: - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	0	0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	0	0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0	0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0	0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0	0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0	0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0	0
EU-22k	(Total exempted xposures)	0	0
Capital and total exposure measure		**0**	**0**
23	**Tier 1 capital**	**5 469 947**	**6 089 751**
24	**Leverage ratio total exposure measure**	**115 832 832**	**130 708 447**
Leverage ratio			
25	Leverage ratio	4,72%	4,66%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	4,72%	4,66%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	4,72%	4,66%
26	Regulatory minimum leverage ratio requirement (%)	3,00%	3,00%
EU-26	Additional leverage ratio requirements (%)	0,00%	0,00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%
27	Leverage ratio buffer requirement (%)	0,00%	0,00%

27a	Overall leverage ratio requirement (%)	3,00%	3,00%
Choice on transitional arrangements and relevant exposures			
EU-27 b	Choice on transitional arrangements for the definition of the capital measure		
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		1 512 151
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	4 853	1 157 858
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	115 827 978	131 062 740
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	115 827 978	131 062 740
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4,72%	4,65%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4,72%	4,65%

Table no 34 EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (in accordance with ITS 2021/637) (in PLN thous.)

		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	124 403 117
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	124 403 117
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	44 336 382
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	105 170
EU-7	Institutions	2 335 833
EU-8	Secured by mortgages of immovable properties	39 215 724
EU-9	Retail exposures	13 420 510
EU-10	Corporate	7 178 632
EU-11	Exposures in default	2 000 455
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	15 810 410

Table no 35 EU LRA - Disclosure of LR qualitative information (in accordance with ITS 2021/637)

Legal basis	Row number	Information
Article 451	a)	Description of the processes used to manage the risk of excessive leverage The objective of the excessive leverage risk management process is to counteract the excessive level of leverage risk in order to enable the Bank and the Group to survive a number of different potential events causing financial stress and to maintain the level of leverage risk within the risk limits and the designated risk appetite. Risk is measured by calculating a number of risk indicators. Risk monitoring consists in determining the risk level in the form of a "safety zone", determining the degree of use of risk limit limits and analyzing changes in this degree. Risk reports are presented at meetings of risk and capital management committees. Risk control consists in making management decisions by authorized committees affecting the level of risk. As part of risk management, stress tests are performed to analyze the sensitivity of the leverage ratio to unfavorable economic conditions and negative events.
Article 451	b)	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers The consolidated leverage ratio decreased slightly in the period from December 2022 to December 2023: from 4.72% to 4.66%. The reason for this was a slightly faster increase in the total exposure measure (by 13%/PLN 14.9 billion) than the T1 capital measure (by 11%/PLN 620 million). The ratio is well above the regulatory minimum of 3% and, unless unexpected events occur, is not expected to decline to levels that threaten to exceed the limit.

The table below presents the leverage ratio in 2023. Its level exceeds the regulatory minimum specified in the CRR at 3%. Unless unforeseen negative circumstances occur, the Group expects a gradual increase in the ratio over the course of 2024, as the financial results improve.

Table no 36 Leverage ratios of the Groups in quarters of 2023 (in percents)

Leverage ratio	**31.12.2022**	**31.03.2023**	**30.06.2023**	**30.09.2023**	**31.12.2023**
Leverage ratio - using the fully implemented Tier 1 Capital definition	4.25%	4.38%	4.49%	4.62%	4.58%
Leverage ratio - using the temporary Tier 1 Capital definition	4.72%	4.47%	4.60%	4.72%	4.66%

9. Remuneration and recruitment policy

9.1. Recruitment policy

The Bank has a recruitment policy towards Members of the Supervisory Board ("Policy of selection and suitability of assessment of Members of the Supervisory Board of Bank Millennium S.A." adopted by the Resolution No 26/2023 of the Ordinary General Meeting on March 30, 2023) and towards Members of the Management Board and key function holders ("Policy of selection and suitability of assessment for Bank Millennium Management Board Members and Key Function Holders in the Bank Millennium S.A. Group", adopted by the Supervisory Board by the Resolution No 41/2022 on 2 December, 2022).

The Policies are designed to ensure. that people who perform the most important functions in the Bank Millennium SA Group, including functions in management bodies, have:

- adequate professional qualifications, experience and skills,
- appropriate reputation, honesty, ethics, knowledge,
- sufficient time that they can devote to performing their duties for the Group.

In the long-term perspective, the Policies are to support good management of the Group, achieving stable results and proper operational risk management.

The policies are based on the principles set out in:

1. The Banking Act of August 29, 1997 (Journal of Laws of 2023, item 2488 as amended, “the Banking Law”),
2. The Act of July 29, 2005 on financial instruments trading (Journal of Laws of 2023, item 646 as amended, “UOIF”),
3. Regulation of the Minister of Finance of May 29, 2018 on detailed technical and organizational conditions for investment companies and banks referred to in Art. 70 section 2 of the Act on Trading in Financial Instruments and custodian banks (Journal of Laws of 2018, item 1111; hereinafter referred to as the Regulation),
4. EBA and ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders under of 2 July 2021 (EBA / GL / 2021/06) (“the EBA Guidelines”)
5. Methodology for assessing the suitability of members of the bodies of supervised entities published by the PFSA on January 27, 2020 (“the PFSA Methodology”)
6. Recommendation Z on the principles of internal governance in banks issued pursuant to Art. 137 sec. 1 point 5 of the Banking Law.

The suitability of members of the Bank's governing bodies is assessed on the basis of the criteria set out in the Banking Law, the PFSA Methodology and the EBA Guidelines.

The following criteria covering experience and reputation are used in assessment of the qualification process:

- the level and profile of education and training and their relationship with banking or financial services,
- practical experience related to financial markets, regulatory requirements, planning, understanding and implementation of business strategy, risk management, ability to establish an effective management, supervision and control system in a financial institution, the ability to interpret financial information of a credit institution,

- period of employment in a managerial position, scope of competences in these positions, type and complexity of subordinate structures and number of subordinates.

In addition, the following criteria are taken into account in the suitability assessment process:

- warranty, including no criminal record, reputation, no connection with events in the area of money laundering and terrorist financing as well as fiscal crimes, financial situation as well as independence of judgment, which includes a conflict of interest and behavioral features; work experience, skills and knowledge;
- devoting the time necessary to perform the tasks in the position;
- combining positions and functions.

9.2. Decision making processes with regard to remuneration policy

The table below provides qualitative information on the remuneration policy in line with regulatory requirements.

Table no 37 EU REMA – Remuneration Policy (according to ITS 2021/637)

a)	Information relating to the bodies that oversee remuneration. Disclosures shall include:
	• *Name. composition and mandate of the main body (management body and remuneration committee where established) overseeing the remuneration policy and the number of meetings held by that main body during the financial year;* Supervision over the remuneration policy in the Bank Millennium Group is performed by the Personnel Committee of the Supervisory Board (“Committee”), with the composition as follows: • Alojzy Nowak – Chairman • Olga Grygier-Siddons • Anna Jakubowski • Miguel de Campos Pereira de Bragança • Bogusław Kott The committee is responsible in particular for the oversight of the remuneration policy, the appointment and suitability of the management bodies. In addition, in accordance with the scope of its competences, the Personnel Committee of the Supervisory Board, among others: (i) verifies meeting the criteria and conditions justifying obtaining variable remuneration components of Management Board Members before paying all or part of this remuneration, (ii) gives opinions on the remuneration policy. including the amount and type of remuneration components. (iii) gives opinions on the amount of remuneration for persons holding key managerial positions in the Group related to risk management and compliance of the Bank's operations with internal law and regulations. In 2023, 3 meetings of the Personnel Committee of the Supervisory Board were held (26.01.2023, 21.07.2023 and 03.11.2023). The subject of the Committee's work was in particular: 1. re-evaluation of the Members of the Bank's Management Board and establishing the rules for the payment of part of the retained bonus for 2019, 2021, 2022 to Members of the Bank's Management Board who performed functions in those years, 2. evaluation of the work results of individual Members of the Bank's Management Board in 2020-2022 and granting bonuses to individual Members of the Management Board for this period on the terms

set out in the “Employee Remuneration Policy in Bank Millennium Group” and the “Remuneration Policy with Respect to Risk Takers in the Bank Millennium S.A. Group"

3. consideration of information on decisions regarding bonuses granted in 2023 for Risk Takers, who are not Members of the Bank's Management Board,
4. analysis of the process of determining the amounts of payment of fixed and variable components of remuneration to persons holding managerial positions, in accordance with the remuneration policy and the rules for granting and payment of variable components of remuneration,
5. Supervision over the process of identifying employees with a significant impact on the risk profile,
6. Monitoring and evaluation of the remuneration policy pursued by the Management Board.

• *External consultants whose advice has been sought. the body by which they were commissioned. and in which areas of the remuneration framework;*

The Bank's Management Board sought the opinions of legal companies "PwC Legal Żelaznicki sp.k." on the conditions for paying bonuses for Bank Millennium employees, with particular emphasis on employees having a significant impact on the risk profile ("Risk Taker") in the context of the Capital Protection Plan in force at the Bank and the company "KPMG Law Bajno Stopyra sp.k." in relation to the rules of bonus payment in the context of the BFG administrative decision imposed on the Bank. In addition, PwC consulted on the job grids used in the financial market and the related remuneration principles.

• *Description of the scope of the institution’s remuneration policy (e.g. by regions. business lines). including the extent to which it is applicable to subsidiaries and branches located in third countries;*

In Bank Millennium (hereinafter referred to as the “Group”). the following documents specifying the framework for the remuneration policy are in force:

- "Remuneration Policy for Members of the Management Board and Supervisory Board of Bank Millennium SA". which defines the framework for remunerating Members of the Management Board and Supervisory Board from the perspective of compliance with corporate governance. the need for safe and stable management of the Bank. appropriateness of remuneration to the condition. scale of operations and development potential of the Bank. as well as the scope powers and responsibilities of individual members of the Management Board and the Supervisory Board.
- "Employee remuneration policy in the Bank Millennium Group". which is designed to provide a formal framework for shaping the practice of remunerating all Group employees from the perspective of corporate governance. institutional security as well as the appropriateness of remuneration to the condition. scale of operations and development potential of the Group.
- Detailed rules of remuneration for employees with a significant impact on the risk profile (“Risk Taker”) have been defined in the “Remuneration Policy for Employees with a Significant Impact on the Risk Profile in the Bank Millenium S.A. Group”.

The above framework is also applied in separate remuneration policies of the following subsidiaries: Millennium Bank Hipoteczny S.A. and Millennium TFI S.A., taking into account their business specifics.

The Bank Millennium SA Group does not have subsidiaries and branches located in third countries.

• *Description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile (identified staff).*

In the Bank, the identification of persons having a significant impact on the risk profile of the Bank Millennium Group is carried out in the fourth quarter for the following year. In 2023, 91 people were identified in the Bank Millennium Group who had the status of Risk Takers (a category of employees whose professional activity has a significant impact on the institution's risk profile).

As a result of the annual identification of the Risk Takers list carried out in the fourth quarter of 2023, which took into account the Delegated Regulation of the European Commission 2021/923 of 25 March 2021, 93 persons were identified as having an impact on the risk profile of the Bank Millennium Group for 2024.

The following categories of employees were taken into account: Supervisory Board. Management Board of the Bank, management boards of significant subsidiaries, members of banking committees making risk-bearing decisions, managing significant business lines, employees empowered to make decisions that open up exposure to risk, supervising control functions.

		The Personnel Committee of the Supervisory Board supervised the annual process of verification of the list of persons identified as Risk Takers.
b)	Information relating to the design and structure of the remuneration system for identified staff. Disclosures shall include:	
	•	*Overview of the key features and objectives of remuneration policy. and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders (e.g. the shareholders' meeting);* Remuneration Policy is one of the tools for implementation of the Human Resources strategy in Bank Millennium Group. in particular as regards acquisition and retention of stable. highly qualified and innovative staff. All individual remuneration system solutions are developed pursuant to the principles defined in the Policy. The Policy is to provide formal frameworks for shaping remuneration practice for all the employees of the Group in terms of corporate governance. security of the institution as well as appropriateness of remunerations in relation to standing. scale of operations and development potential of the Group. The Policy objectives shall be achieved in particular through: • adoption of such a structure of the fixed and variable remuneration components in defined business line. in which fixed remuneration constitutes the main source of income of the employees, • development of bonus systems based on performance evaluation. taking into account the risk and organisation management strategies in place, • introduction of such form and schedule of payment of variable remuneration components so that the value of the paid components is both motivational and adequate to the risk linked to the actual business results. Management of renumeration policy in Bank Millennium Group is as follows: • The Management Board of the Bank develops. implements and ensures operation of the Remuneration Policy adequate to the management system and risk strategy. and internal control system applied in the Group. • Personnel Committee of the Supervisory Board issues opinion on execution of the remuneration policy in the Group and presents in the report to the Supervisory Board conclusions on operation of the remuneration policy. • The Supervisory Board of the Bank is responsible for approval and maintenance of the Policy and once a year. prepares and presents to the General Shareholders Meeting an operational assessment report for the remuneration policy in the Group with special focus on the risk-takers remuneration policy. • General Shareholders Meeting receives an annual report on the assessment of the functioning the remuneration policy in the Group and assesses whether the approved Policy supports development and security of the Bank/ • HR Department is responsible for implementation of the Policy principles into the bonus systems and employee evaluation systems. The Department handles the evaluation process and pays variable remuneration components according to the Policy. • Internal Audit Department conducts a periodical compliance review of the remuneration practices in terms of the regulations and this Policy.
	•	*Information on the criteria used for performance measurement and ex ante and ex post risk adjustment;* Decision makers influencing the risk profile are assessed, inter alia, in terms of the criterion "Individual impact on the risk profile". Appropriate measures are assigned to each Risk Taker, which depend on the area in which they make decisions. These measures are assessed on a semi-annual basis. As a result of the assessment of Risk Taker, inter alia, to the extent that his decisions do not adversely affect the Bank's risk profile, a decision is made to grant and pay the current and deferred bonus in previous years.
	•	*Whether the management body and the remuneration committee, where established, reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration;*

		Based on the report prepared by the Human Resources Department of Bank Millennium, the Personnel Committee of the Supervisory Board analyzed the actions taken by the Bank in the field of remuneration policy in 2023 and assessed them positively. The report was presented to the Supervisory Board. Based on the positive recommendation of the Personnel Committee and the analysis of the report, the Council made a positive assessment of the functioning of the remuneration policy as conducive to the stable development of the organization and as adequate to the conditions of its operation. The Supervisory Board presented to the General Meeting (GSM), as part of the report of its activities in 2023, the assessment of the functioning of the remuneration policy in the Bank Millennium Group. The General Meeting of Shareholders recognized the policy pursued as supporting to the Bank's development and security. The following changes were introduced in the remuneration policies in force at the Bank in 2023: • clarifying the provisions regarding the possible impact of incentive systems on taking into account in bonuses goals that are contrary to the principles of sustainable development adopted by the Bank Millennium Group
	•	*Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee;* The heads of the internal audit, compliance and risk management units receive variable remuneration for achieving the goals resulting from their functions, and their remuneration does not depend on the financial results obtained in the areas of activity they control. The remuneration components of these persons are approved by the Supervisory Board on the basis of the recommendation of the Supervisory Board Personnel Committee.
	•	*Policies and criteria applied for the award of guaranteed variable remuneration and severance payments.* Bank Millennium does not offer guaranteed variable remuneration components and does not envisage other severance pays than retirement severance. The Group does not conduct its own pension programmes. Employees of the Group may receive a one-off severance pay paid in connection with employee's retirement in amount higher than the level defined in the Labour Code. The guarantee components of the variable remuneration are of an exceptional nature and may only be used in the first year of employment of a given Risk Taker.
c)	*Description of the ways in which current and future risks are taken into account in the remuneration processes Disclosures shall include an overview of the key risks. their measurement and how these measures affect remuneration.* When seting remuneration budgets, the Bank takes into account the level of current and future liquidity risk, credit risk and, additionally, due to the Bank's situation, legal risk. Risk review and measurement is based on the methodology used in the ICAAP process. The ICAAP process systematically assesses and reviews the materiality of individual risk types. All identified risks are subject to this assessment. Risk assessed as significant should be secured or covered by available financial resources (own funds) or other means of limitation and control. Significant types of risk are also managed in a formalized and structured management process performed by specialized organizational units. In the process of establishing bonus budgets for management staff, in particular liquidity, capital and credit risk indicators are analyzed.	
d)	*The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) of Directive (EU) 2013/36("CRD")* According to the remuneration policy, the total individual variable remuneration of persons having an impact on the risk profile, including members of the Management Board, may not exceed 100% of the total annual fixed remuneration. Increasing the maximum ratio of variable to fixed components of remuneration, but not more than 200%, for risk-taking employees requires the consent of the General Meeting of Shareholders.	
e)	*Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration*	

- *an overview of main performance criteria and metrics for institution. business lines and individuals.*

Variable remuneration components - the annual bonus pool for persons in managerial positions is granted after prior analysis of the Bank's situation in the field of:

- achieved business results: net profit, result on banking operations of business lines;
- cost to income ratio, ROE (regarding to Risk Takers)
- liquidity: loans / deposits ratio, liquid assets value level;
- capital adequacy ratios.

The Bank's results before granting the bonus pool for variable remuneration for persons in managerial positions are analysed in a three-year perspective.

Risk Takers carrying out tasks within particular business lines have specific business criteria corresponding to the goals of the areas they manage, in example:

- Retail Banking: Retail Result on Banking Activity - sales in the managed area.
- Corporate Banking: individual performance in a microregion, region or area
- Credit process effectiveness.
- Debt collection process effectiveness.

In relation to business line employees, criteria are applied regarding the sale of the main products offered by a given business line.

- *An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance.*

Criteria for the performance assessment at the level of the Bank, organizational units and at the individual level, constituting the basis for determining the variable remuneration.

Members of the Bank's Management Board:

Decisions regarding the award of bonuses to Management Board members are made by the Personnel Committee of the Supervisory Board after analysing the results, taking into account

1) the financial criteria:
   - implementation of planned budgets and indicators set for the managed area of activity,
   - comparison of results with competing banks of similar size,
   - business market criteria established for a given period;
2) and non-financial criteria. in particular:
   - overall quality of management in the area of responsibility,
   - effective leadership and contribution to the Bank's development.

Other Risk Takers

The Personnel Committee of the Management Board of Bank Millennium assesses the work of other persons identified as risk takers. The assessment is based on the following criteria:

1) financial (the Bank's financial results and the results of the business line / units / individual results)
2) non-financial ones related directly to a given Risk Taker. i.e. cooperation, commitment, quality, efficiency and team management.

The evaluation period covers a 3-year time horizon.

The value of the annual discretionary bonus is determined on the basis of the results from the particular analysed periods.

The level of bonus pools for other groups of employees is shaped based on the analysis of the business results of the entire institution (in particular the bank's adjusted profit; result on banking activities).

	•	*Information on the criteria used to determine the balance between different types of instruments awarded including shares. equivalent ownership interest. options and other instruments* The Bank uses one type of financial instrument for each group of eligible employees.
	•	*Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak. including the institution's criteria for determining performance metrics when the performance metrics are considered "weak".* The decision of the Bank's Management Board to determine the bonus pool is a condition for the commencement of the bonus granting process. The amount of the bonus pool is determined by the Bank's Management Board after the end of the assessment period and the disclosure of the financial results. The level of the bonus pool is correlated with the achievement of the result on banking activity, net profit, cost/income ratio, ROE. Capital adequacy ratios and liquidity ratios in the assessed entity may not fall below the levels of the Overall Capital Requirement "OCR" (taking into account the combined buffer requirement).
f)	*Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance* Disclosures shall include:	
	•	*An overview of the institution's policy on deferral. payout in instrument. retention periods and vesting of variable remuneration including where it is different among staff or categories of staff.* In accordance with the applicable Remuneration Policy with Respect to Risk Takers in the Bank Millennium S.A. Group" the following rules for deferring payments for variable remuneration components apply. **Members of the Management Board of Bank Millennium** Structure of variable remuneration: the award and payment (in case of shares - transfer of rights) of 50% of the variable remuneration value take place after the end of the accounting period and after the publication of the financial results. The payment of remain 50% of the variable remuneration is postponed for 5 years, payable in equal annual instalments. In the case of granting a bonus of more than PLN 2.000.000, the Non-Deferred Part of the Bonus is 40%, and the Deferred Part of the Bonus is 60%. Members of the Management Board receive each part of the bonus awarded - those paid out in the year following the settlement period and the deferred ones - half in cash and half in financial instrument (Bank's own shares). The shares are subject to retention for 1 year from the date of transfer of rights. **Other Risk Takers** Variable remuneration (annual bonus). as part of the accounting principles in accordance with the following scheme: • 50% of the bonus is paid in cash and is not deferred. • 10% of the bonus is paid in shares that are not deferred. even though they cannot be sold for 1 year. • 40% of the bonus is granted in the form of shares and is subject to deferment, their transfer takes place after periodic reassessment in equal annual instalments for 5 years. These shares are also subject to a retention period of 1 year from the date of transfer of rights. • In the case of granting a bonus of more than PLN 2.000.000. the Non-Deferred Part of the Bonus is 40%, and the Deferred Part of the Bonus is 60%. In 2023, by the decision of the Personnel Committee of the Management Board of the Bank. the bonus for Risk Takers. who are not Management Board Members, was paid in full in cash without applying the deferral mechanism (in accordance with the provisions of the Risk Takers Policy). The rationale for this decision was the level of the bonus lower than the threshold set in the Risk Takers Policy.
	•	*Information of the institution' criteria for ex post adjustments (malus during deferral and clawback after vesting. if permitted by national law).* The payment of the deferred part of the variable remuneration component is each time preceded by an assessment. Depending on the financial situation of the Bank, by the decision of the Personnel

		Committee of the Supervisory Board with regard to Members of the Management Board, and the Personnel Committee of the Bank's Management Board with respect to other Risk Takers, the bonus may be reduced or retained. The condition of payment is the non-occurrence of the following events: • significant correction of results in relation to the assessed period. • low level of the Bank's results threatening the capital base. • materialization of the risk of decisions taken in the period under assessment. which negatively affects the bank's risk profile. Pursuant to the labour law in force in Poland, it is not possible to withdraw the employee previously paid bonus.
	•	*where applicable. shareholding requirements that may be imposed on identified staff.* The Bank does not apply any additional requirements beyond those described in point f) tir 1 and 2
g)	*The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit. as referred to in point (f) of Article 450(1) CRR. Disclosures shall include:* *Information on the specific risk/performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded. including shares. equivalent ownership interests. share-linked instruments. equivalent non cash-instruments. options and other instruments.* Information in this regard has been presented under point e) tir 1 and 2.	
h)	*Upon demand from the relevant Member State or competent authority. the total remuneration for each member of the management body or senior management. as referred to in point (j) of Article 450(1) CRR* Information on the remuneration of members of the management body is disclosed in the Management Board Report on the activities of Bank Millennium and the Bank Millennium Capital Group for 2023 and in the Report on the remuneration of Members of the Management Board and Supervisory Board of Bank Millennium for 2023. Information on the total remuneration of senior management is not subject to publication.	
i)	*Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD. as referred to in point (k) of Article 450(1) CRR* *For the purposes of this point. institutions that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate which of the remuneration requirements they apply the derogation(s). (i.e.. point (l) and/or (m) and/or (o) of Article 94(1) CRD). the number of staff members that benefit from the derogation(s) and their total remuneration. split into fixed and variable remuneration.* The Bank does not use these derogations.	
j)	*Large institutions shall disclose the quantitative information on the remuneration of their collective management body. differentiating between executive and non-executive members in accordance with Article 450(2) CRR.* Quantitative information is presented in this Report. All members of the governing body have the status of executive members.	

9.3. QUANTITATIVE INFORMATION ON REMUNERATION

Aggregated quantitative information concerning remuneration of persons in management positions in Bank Millennium Group (including former Eurobank) who have material impact on its risk profile. in the meaning of article 450 of CRR. Variable remuneration includes remuneration paid in a given financial year for 2019, 2021 and 2022 and awarded (deferred) for 2022.

Table no 38 EU REM1 - Remuneration awarded for the financial year (in accordance with ITS 2021/637) (in PLN)

			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	12	7	66	9
2		Total fixed remuneration	2 125 532	13 288 957	27 746 397	2 727 722
3		Of which: cash-based	2 125 532	13 288 957	27 746 397	2 727 722
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	0	0	0	0
5		Of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
EU-5x		Of which: other instruments	0	0	0	0
6		(Not applicable in the EU)				
7		Of which: other forms	0	0	0	0
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	12	7	66	9
10		Total variable remuneration	0	11 176 670	4 917 [4315)]	472 009 [5)]
11		Of which: cash-based	0	5 588 335	4 270 500	427 160
12		Of which: deferred	0	2 915 698	0	0
EU-13a		Of which: shares or equivalent ownership interests	0	0	0	
EU-14a		Of which: deferred	0	0	0	
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	0	5 588 335	646 931	44 849

EU-14b	Of which: deferred	0	2 915 698	0	0
EU-14x	Of which: other instruments	0	0	0	0
EU-14y	Of which: deferred	0	0	0	0
15	Of which: other forms	0	0	0	0
16	Of which: deferred	0	0	0	0
17	**Total remuneration (2 + 10)**	**2 125 532**	**24 465 627**	**32 663 828**	**3 199 731**

Variable remuneration for members of the Bank's Management Board for 2023 was granted by the decision of the Personnel Committee of the Supervisory Board of May 7, 2024.

Table no 39 EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) (in accordance with ITS 2021/637) (in PLN)

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	0	0	0	0
2	Guaranteed variable remuneration awards -Total amount	0	0	0	0
3	Of which guaranteed variable remuneration awards paid during the financial year. that are not taken into account in the bonus cap	0	0	0	0
	Severance payments awarded in previous periods. that have been paid out during the financial year				
4	Severance payments awarded in previous periods. that have been paid out during the financial year - Number of identified staff	0	0	0	0
5	Severance payments awarded in previous periods. that have been paid out during the financial year - Total amount	0	0	0	0
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	0	0	0	0
7	Severance payments awarded during the financial year - Total amount	0	0	0	0
8	Of which paid during the financial year	0	0	0	0
9	Of which deferred	0	0	0	0

10	Of which severance payments paid during the financial year. that are not taken into account in the bonus cap	0	0	0	0
11	Of which highest payment that has been awarded to a single person	0	0	0	0

Table no 40 EU REM3 - Deferred remuneration (in accordance with ITS 2021/637) (in PLN)

Deferred variable remuneration includes remuneration paid/transferred in a given financial year, granted in 2023, remuneration remaining to be settled in subsequent years for 2021 and 2022, remuneration granted and retained in the previous financial year (2022) and unblocked in the current year (2023) and remuneration awarded and retained in the current year (2023).

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	0	0	0	0	0	0	0	0
2	Cash-based	0	0	0	0	0	0	0	0
3	Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
4	Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
5	Other instruments	0	0	0	0	0	0	0	0
6	Other forms	0	0	0	0	0	0	0	0
7	MB Management function	9 813 892	2 516 392	7 297 500	0	0	0	3 152 281	2 516 392
8	Cash-based	4 585 854	937 104	3 648 750	0	0	0	0	937 104

9	Shares or equivalent ownership interests	0	0	0	0	0	~~0~~	3 152 281	0
10	Share-linked instruments or equivalent non-cash instruments	5 228 038	1 579 288	3 648 750	0	0	~~0~~	0	1 579 288
11	Other instruments	0	0		0	0	~~0~~	0	0
12	Other forms	0	0		0	0	~~0~~	0	0
13	Other senior management	3 747 473	2 955 714	791 759	0	0	~~0~~	975 598	1 177 199
14	Cash-based	0	0	0	0	0	~~0~~	0	0
15	Shares or equivalent ownership interests	0	0	0	0	0	~~0~~	2 532 672	0
16	Share-linked instruments or equivalent non-cash instruments	1 177 199	1 177 199	0	0	0	~~0~~	19 869	1 177 199
17	Other instruments	0	0	0	0	0	~~0~~	0	0
18	Other forms	0	0	0	0	0	~~0~~	0	0
19	Other identified staff	116 415	116 415	0	0	0	~~0~~	249 420	116 415
20	Cash-based	0	0	0	0	0	~~0~~	0	0
21	Shares or equivalent ownership interests	0	0	0	0	0	~~0~~	242 646	0
22	Share-linked instruments or equivalent non-cash instruments	116 415	116 415	0	0	0	0	6 774	116 415
23	Other instruments	0	0	0	0	0	~~0~~	0	0
24	Other forms	0	0	0	0	0	~~0~~	0	0
25	**Total amount**	**11 107 506**	**3 810 006**	**7 297 500**	**0**	**0**	**0**	**5 954 243**	**3 810 006**

Table no 41 EU REM4 - Remuneration of 1 million EUR or more per year (in accordance with ITS 2021/637)

	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	0
3	2 000 000 to below 2 500 000	0
4	2 500 000 to below 3 000 000	0
5	3 000 000 to below 3 500 000	0
6	3 500 000 to below 4 000 000	0
7	4 000 000 to below 4 500 000	0
8	4 500 000 to below 5 000 000	0
9	5 000 000 to below 6 000 000	0
10	6 000 000 to below 7 000 000	0
11	7 000 000 to below 8 000 000	0

Table no 42 EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (in accordance with ITS 2021/637) (in PLN)

Variable remuneration includes remuneration paid in a given financial year for 20219, 2021 and 2022 and awarded (deferred) for 2022.

	Management body remuneration			Business areas						-
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										94
Of which: members of the MB	12	7	19							
Of which: other senior management				2	15		8	5	36	66
Of which: other identified staff					2				7	9
Total remuneration of identified staff	2 125 532	24 465 627	26 591 159	849 976	8 019 552	0	4 808 545	3 541 283	18 644 203	62 454 717
Of which: variable remuneration	0	11 176 670	11 176 670	149 655	1 277 306	0	850 835	465 793	2 645 852	6 566 110
Of which: fixed remuneration	2 125 532	13 288 957	15 414 489	700 321	6 742 246	0	3 597 710	3 075 491	15 998 350	45 888 607

Information on employees' remuneration paid / awarded for a given financial year.

Detailed information concerning remuneration of Management Board Members are presented in the Management Board Report on Activity of Bank Millennium S.A. for 2023.

10. Statement of the Management Board

The Management Board of Bank Millennium S.A. hereby declares that:

- to the best of their knowledge, the information disclosed in accordance with section eight of the CRR was prepared in accordance with internal control processes;
- to the best of its knowledge, the information provided on capital adequacy. risk and remuneration policy is accurate and presents a fair and reliable view of these matters;
- to the best of its knowledge, the adequacy of risk management arrangements in Bank Millennium S.A. ensures that the risk management systems in place are adequate to the risk profile and strategy of the Bank and the Group;
- approves this "Capital Adequacy, Risk, Remuneration Policy Report of Bank Millennium Capital Group as at 31 December 2023". which contains information about risk, discusses the general risk profile of the Bank and the Group associated with the business strategy and in which key indicators and figures were included, providing external stakeholders with a comprehensive view of risk management in the Bank Millennium S.A. Group, including the interaction between the Bank's risk profile and risk appetite, defined by the Management Board and approved by the Supervisory Board.

SIGNATURES

Date	Name and Surname	Position/Function	Signature
24.04.2024	Joao Bras Jorge	Chairman of the Management Board	....
24.04.2024	Fernando Bicho	Deputy Chairman of the Management Board	....
24.04.2024	Wojciech Haase	Member of the Management Board	....
24.04.2024	Andrzej Gliński	Member of the Management Board	....
24.04.2024	Wojciech Rybak	Member of the Management Board	....
24.04.2024	Antonio Pinto Junior	Member of the Management Board	....
24.04.2024	Jarosław Hermann	Member of the Management Board	....

APPENDIX 1 EU KM1 – KEY METRICS TEMPLATE (IN PLN THOUS.. IN PERCENTS)

		2023-12-31	2023-09-30	2023-06-30	2023-03-31	2022-12-31
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	6 089 751	6 055 532	5 510 919	5 294 414	5 469 947
2	Tier 1 capital	6 089 751	6 055 532	5 510 919	5 294 414	5 469 947
3	Total capital	7 470 627	7 471 677	6 962 332	6 780 712	6 991 125
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	41 354 519	44 901 230	47 147 871	47 954 391	48 497 286
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	14.7257%	13.4863%	11.6886%	11.0405%	11.2789%
6	Tier 1 ratio (%)	14.7257%	13.4863%	11.6886%	11.0405%	11.2789%
7	Total capital ratio (%)	18.0648%	16.6402%	14.7670%	14.1399%	14.4155%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
EU-7a	Additional CET1 SREP requirements (%)	1.4600%	1.9400%	1.9400%	1.9400%	1.9400%
EU-7b	Additional AT1 SREP requirements (%)	0.8200%	1.0900%	1.0900%	1.0900%	1.0900%
EU-7c	Additional T2 SREP requirements (%)	1.1000%	1.4600%	1.4600%	1.4600%	1.4600%
EU-7d	Total SREP own funds requirements (%)	9.4600%	9.9400%	9.9400%	9.9400%	9.9400%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5000%	2.5000%	2.5000%	2.5000%	2.5000%
EU-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
9	Institution specific countercyclical capital buffer (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
EU-9a	Systemic risk buffer (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
10	Global Systemically Important Institution buffer (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
EU-10a	Other Systemically Important Institution buffer	0.2500%	0.2500%	0.2500%	0.2500%	0.2500%
11	Combined buffer requirement (%)	2.7500%	2.7500%	2.7500%	2.7500%	2.7500%
EU-11a	Overall capital requirements (%)	12.2100%	12.6900%	12.6900%	12.6900%	12.6900%

12	CET1 available after meeting the total SREP own funds requirements	7.6257%	6.0263%	4.2286%	3.5855%	3.8189%
	Leverage ratio					
13	Leverage ratio total exposure measure	130 708 447	128 365 732	119 905 210	118 378 869	115 832 832
14	Leverage ratio	4.5848%	4.6203%	4.4866%	4.4724%	4.7223%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
EU-14a	Additional CET1 leverage ratio requirements (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
EU-14b	Additional AT1 leverage ratio requirements (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
EU-14c	Total SREP leverage ratio requirements (%)	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU-14d	Leverage ratio buffer requirement (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
EU-14e	Overall leverage ratio requirements (%)	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	40 505 129	39 507 829	30 871 816	29 204 460	25 567 879
EU-16a	Cash outflows - Total weighted value	15 091 905	15 271 908	13 862 250	14 809 348	14 105 269
EU-16b	Cash inflows - Total weighted value	2 709 469	2 044 756	1 994 701	1 985 300	2 641 658
16	Total net cash outflows (adjusted value)	12 382 436	13 227 153	11 867 549	12 824 048	11 463 610
17	**Liquidity coverage ratio (%)**	**327.1176%**	**298.6873%**	**260.1364%**	**227.7320%**	**223.0351%**
	Net Stable Funding Ratio					
18	Total available stable funding	104 312 570	102 960 696	96 299 681	93 615 826	94 192 890
19	Total required stable funding	57 878 044	57 572 241	57 997 064	57 755 325	60 277 408
20	NSFR ratio (%)	**180.2282%**	**178.8374%**	**166.0423%**	**162.0904%**	**156.2657%**

APPENDIX 2 EU CCA - MAIN FEATURES OF REGULATORY OWN FUNDS INSTRUMENTS AND ELIGIBLE LIABILITIES INSTRUMENTS

		Qualitative or quantitative information				
1	Issuer	Bank Millennium S.A.	Bank Millennium S.A.	Bank Millennium S.A.	Bank Millennium S.A.	Bank Millennium S.A.
2	Unique identifier (eg CUSIP. ISIN or Bloomberg identifier for private placement)	PLBIG0000016	PLBIG0000453	PLBIG0000461	PLBIG0000461	XS2684974046
2a	Public or private placement	public	nonpublic	nonpublic	nonpublic	nonpublic
3	Governing law(s) of the instrument	Polish	Polish	Polish	Polish	Luxembourg
3a	Contractual recognition of write down and conversion powers of resolution authorities	n.a.	n.a.	n.a.	n.a.	Yes
	Regulatory treatment					
4	Current treatment taking into account. where applicable, transitional CRR rules	Common Equity Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Eligible liabilities	Eligible liabilities
5	Post-transitional CRR rules	Common Equity Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Eligible liabilities	Eligible liabilities
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo/consolidated	Solo/consolidated	Solo/consolidated	Solo/consolidated	Solo/consolidated
7	Instrument type (types to be specified by each jurisdiction)	shares series A-L	bonds	bonds	bonds	Senior non-preferred bonds
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million. as of most recent reporting date)	2360.3580	551	830	149	2,174
9	Nominal amount of instrument	1213.1168	700	830	700	500 EUR
EU-9a	Issue price	2360.3580	700	830	700	500 EUR
EU-9b	Redemption price	n.a.	700	830	700	500 EUR
10	Accounting classification	Capital	Liabilities	Liabilities	Liabilities	Liabilities
11	Original date of issuance	30.06.1989	7.12.2017	30.01.2019	7.12.2017	18.09.2023
12	Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	n.a.	7.12.2027	30.01.2029	7.12.2027	18.09.2027
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes	No

15	Optional call date. contingent call dates and redemption amount	n.a.	7.12.2022	31.01.2024	7.12.2022	n.a.
16	Subsequent call dates. if applicable	n.a.	n.a.	n.a.	n.a.	n.a.
	Coupons / dividends					
17	Fixed or floating dividend/coupon	floating	floating	floating	floating	Fixen in 3 years
18	Coupon rate and any related index	n.a.	WIBOR 6M + 0.0230	WIBOR 6M + 0.0230	WIBOR 6M + 0.0230	0.09875
19	Existence of a dividend stopper	Yes	n.a.	n.a.	n.a.	n.a.
EU-20a	Fully discretionary. partially discretionary or mandatory (in terms of timing)	Fully discretionary	n.a.	n.a.	n.a.	n.a.
EU-20b	Fully discretionary. partially discretionary or mandatory (in terms of amount)	Fully discretionary	n.a.	n.a.	n.a.	n.a.
21	Existence of step up or other incentive to redeem	n.a.	No	No	No	No
22	Noncumulative or cumulative	n.a.	No	No	No	No
23	Convertible or non-convertible	n.a.	non-convertible	non-convertible	non-convertible	non-convertible
24	If convertible. conversion trigger(s)	n.a.	n.a.	n.a.	n.a.	n.a.
25	If convertible. fully or partially	n.a.	n.a.	n.a.	n.a.	n.a.
26	If convertible. conversion rate	n.a.	n.a.	n.a.	n.a.	n.a.
27	If convertible. mandatory or optional conversion	n.a.	n.a.	n.a.	n.a.	n.a.
28	If convertible. specify instrument type convertible into	n.a.	n.a.	n.a.	n.a.	n.a.
29	If convertible. specify issuer of instrument it converts into	n.a.	n.a.	n.a.	n.a.	n.a.
30	Write-down features	No	n.a.	n.a.	n.a.	n.a.
31	If write-down. write-down trigger(s)	General Shareholders Meeting	n.a.	n.a.	n.a.	n.a.
32	If write-down. full or partial	Full or partial	n.a.	n.a.	n.a.	n.a.
33	If write-down. permanent or temporary	n.a.	n.a.	n.a.	n.a.	n.a.
34	If temporary write-down. description of write-up mechanism	General Shareholders Meeting resolution	n.a.	n.a.	n.a.	n.a.

34a	Type of subordination (only for eligible liabilities)	n.a.	n.a.	n.a.	n.a.	agreement
EU-34b	Ranking of the instrument in normal insolvency proceedings	n.a.	Subordinated	Subordinated	4	5
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n.a.	Subordinated	Subordinated	Subordinated	qualified
36	Non-compliant transitioned features	n.a.	n.a.	n.a.	n.a.	n.a.
37	If yes. specify non-compliant features	n.a.	n.a.	n.a.	n.a.	n.a.
37a	Link to the full term and conditions of the intrument (signposting)	n.a.	https://www.bankmillennium.pl/o-banku/relacje-inwestorskie/raporty-biezace/-/r/691939	https://www.bankmillennium.pl/o-banku/relacje-inwestorskie/raporty-biezace/-/r/26915977	https://www.bankmillennium.pl/o-banku/relacje-inwestorskie/raporty-biezace/-/r/691939	https://www.bankmillennium.pl/o-banku/relacje-inwestorskie/raporty-biezace/-/news/zakonczenie-subskrypcji-obligacji-nieuprzywilejowanych-senioralnych-o-lacznej-wartosci-nominalnej-400-milionow-eur-emitowanych-w-ramach-programu-emtn?id=30314016

Appendix 3 Countercyclical capital buffers

Table EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (according to ITS 2021/637) (in PLN thous.. in percents)

		General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
010	**Breakdown by country: Poland**	31 969 658	40 207 303	0	0	12 820 609	84 997 570	2 302 729	0	202 209	2 504 938	31 311 729	100,00%	0,00%
020	Total	31 969 658	40 207 303	0	0	12 820 609	84 997 570	2 302 729	0	202 209	2 504 938	31 311 729	0,00%	0,00%

Exposures in this report do not include exposures to banks and central governments, local governments, public sector exposures and institutions in accordance with Art. 140.4 CRD. The Group has no credit exposures that are material for the purpose of the calculation of the institution specific countercyclical capital buffer in accordance with Commission Delegated Regulation (EU) No 1152/2014. Exposures included in the trading book or foreign credit exposures account for less than 2% of the total risk-weighted exposure amount, therefore they have been assigned the Group's location - Poland.

Table EU CCyB2 - Amount of institution-specific countercyclical capital buffer (according to ITS 2021/637) (in PLN thous.. in percents)

1	Total risk exposure amount	41 354 519
2	Institution specific countercyclical capital buffer rate	0.00%
3	Institution specific countercyclical capital buffer requirement	0

APPENDIX 4 IFRS 9 / ARTICLE 468-FL COMPARISON OF INSTITUTIONS' OWN FUNDS AND CAPITAL AND LEVERAGE RATIOS WITH AND WITHOUT THE APPLICATION OF TRANSITIONAL ARRANGEMENTS FOR IFRS 9 OR ANALOGOUS ECLS. AND WITH AND WITHOUT THE APPLICATION OF THE TEMPORARY TREATMENT IN ACCORDANCE WITH ARTICLE 468 OF THE CRR (IN PLN THOUS. AND IN %)

	31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022
Available capital (amounts)					
1. Common Equity Tier 1 (CET1) capital	6 089 751	6 055 532	5 510 919	5 294 414	5 469 947
2. Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5 988 046	5 924 845	5 373 555	5 177 398	5 274 322
2a. CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	6 089 751	6 055 532	5 510 919	5 294 414	5 090 865
3. Tier 1 capital	6 089 751	6 055 532	5 510 919	5 294 414	5 469 947
4. Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5 988 046	5 924 845	5 373 555	5 177 398	5 274 322
4a. Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	6 089 751	6 055 532	5 510 919	5 294 414	5 090 865
5. Total capital	7 470 627	7 471 677	6 962 332	6 780 712	6 991 125
6. Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7 368 922	7 340 990	6 824 968	6 663 696	6 795 500
6a. Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	7 470 627	7 471 677	6 962 332	6 780 712	6 612 043
Risk-weighted assets (amounts)					
7. Total risk-weighted assets	41 354 519	44 901 230	47 147 871	47 954 391	48 497 286
8. Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	41 317 819	44 790 461	46 986 380	47 844 790	48 274 985
Capital ratios					
9. Common Equity Tier 1 (as percentage of risk exposure amount)	14.73%	13.49%	11.69%	11.04%	11.28%

101

10. Common Equity Tier 1 (as percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.49%	13.23%	11.44%	10.82%	10.93%
10a. CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	14.73%	13.49%	11.69%	11.04%	10.50%
11. Tier 1 (as percentage of risk exposure amount)	14.73%	13.49%	11.69%	11.04%	11.28%
12. Tier 1 (as percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.49%	13.23%	11.44%	10.82%	10.93%
12a.Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	14.73%	13.49%	11.69%	11.04%	10.50%
13. Total capital (as percentage of risk exposure amount)	18.06%	16.64%	14.77%	14.14%	14.42%
14. Total capital (as percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.83%	16.39%	14.53%	13.93%	14.08%
14a.Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18.06%	16.64%	14.77%	14.14%	13.63%
Leverage ratio					
15. Leverage ratio total exposure measure	130 708 447	128 365 732	119 905 210	118 378 869	115 832 791
16. Leverage ratio	4.66%	4.72%	4.60%	4.47%	4.72%
17. Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.58%	4.62%	4.49%	4.40%	4.58%
17a. Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	4.66%	4.72%	4.60%	4.47%	4.49%

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