Consolidated report
of the Bank Millennium S.A. Capital Group
for 1st quarter of 2020

Millennium
bank

Consolidated Financial Highlights

	Amount '000 PLN		Amount '000 EUR	
	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Interest income and other of similar nature	927 731	694 559	211 025	161 608
Fee and commission income	247 669	201 530	56 336	46 891
Profit (loss) before income tax	77 798	232 674	17 696	54 138
Profit (loss) after taxes	18 129	159 966	4 124	37 220
Total comprehensive income of the period	73 977	132 806	16 827	30 901
Net cash flows from operating activities	849 153	(1 036 081)	193 152	(241 072)
Net cash flows from investing activities	(663 727)	(151 699)	(150 974)	(35 297)
Net cash flows from financing activities	(26 829)	825 592	(6 103)	192 096
Net cash flows, total	158 598	(362 188)	36 075	(84 273)
Earnings (losses) per ordinary share (in PLN/EUR)	0.01	0.13	0.00	0.03
Diluted earnings (losses) per ordinary share	0.01	0.13	0.00	0.03
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Total Assets	101 930 807	98 055 942	22 391 057	23 025 935
Liabilities to banks and other monetary institutions	1 516 541	1 578 848	333 137	370 752
Liabilities to customers	83 583 600	81 454 765	18 360 741	19 127 572
Equity	9 015 496	8 941 519	1 980 426	2 099 687
Share capital	1 213 117	1 213 117	266 484	284 870
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN/EUR)	7.43	7.37	1.63	1.73
Diluted book value per share (in PLN/EUR)	7.43	7.37	1.63	1.73
Total Capital Ratio (TCR)	19.53%	20.09%	19.53%	20.09%
Pledged or paid dividend per share (in PLN/EUR)	-	-	-	-

Exchange rates accepted to convert selected financial data into EUR				
for items as at the balance sheet date	-	-	4.5523	4.2585
for items for the period covered by the report (exchange rate calculated as the average of exchange rates at the end of individual months of the period)	-	-	4.3963	4.2978

INFORMATION ABOUT THE ACTIVITY OF BANK MILLENNIUM S.A. AND CAPITAL GROUP OF BANK MILLENNIUM S.A. DURING THE 1ST QUARTER OF 2020

Bank Millennium S.A. Capital Group's (the "BM Group") consolidated 1Q20 reported net profit amounted to PLN18.1 million and was 89% lower than in the corresponding period last year. The results were burdened by a number of extraordinary items such as additional provisions against FX-mortgage legal risk (PLN55 million pre-tax/net), pre-emptive provision against expected Covid-19 pandemic impact (PLN60 million/PLN49 million) or costs of integration of Euro Bank (PLN30 million/PLN24 million). Furthermore, in 1Q20 the Bank booked a full annual Banking Guarantee Fund (BFG) resolution fee (PLN58 million, down 20% y/y) and quarterly charge for deposit guarantee fund of PLN27 million (up 132% y/y) so that the overall charge was comparable to this in the corresponding period the year before. 1Q20 also brought an increase of risk charge to a long unseen 108 basis points (75 basis points ex-Covid-19 provision), as some additional provisions against a few corporate cases coincided with changes to the risk model and the abovementioned Covid-19 related provision . Moreover, the 50 basis points reference rate and 100 basis points lombard rate cuts on March 17 and lost income from fee returns on early repaid consumer loans (linear method applied in 1Q20) had additional negative impact on the results. One-off adjusted net profit amounted to PLN190.1 million and was almost unchanged in comparison to the same period last year. Adjusted ROE of 8.4% compared against 9.1% in 1Q19. Finally, it is worth noting that the reported results were not fully comparable in y/y terms, as the 1Q19 ones did not include results of Euro Bank (acquired on the 31st of May, 2019).

1Q20 saw abrupt changes in the dynamic of business. While January and February brought strong business volumes (record high origination of mortgages in February, beat by even stronger volumes in March, strong cash loan origination in January and February), in March the outbreak of Covid-19 pandemic resulted in a shift of the Bank's and customers' priorities. As uninterrupted operating performance on the one hand and safety of employees and customers on the other became the new focal points, the second half of the month in particular, brought significant drop in newly originated volumes, especially in cash loans, while additionally extra costs were incurred in conjunction with the pandemic. Negative new business trends continued in April with lower customer activity observed in both retail and corporate segments. However in some segments, e.g. mortgages, disbursements continued to set new records.

Despite this challenging backdrop, 1Q20 overall brought high sales of mortgages (PLN1,343 million, up 57% y/y) and cash loans (PLN1,297 million, up 31%), a further continuation of growth in the number of active retail customers (new record of 2.6 million, up 34% y/y), current accounts (3,435 thousand, up 41%), active micro-business clients (96.4 thousand, up 27%) as well as cards (debit cards: 2,911 thousand up 29%, credit cards: 466 thousand, up 25%). Retail loans grew 4% q/q and 47% y/y (partially Euro Bank impact) while retail deposits were up 1% and 24% respectively. Mutual funds managed by Millennium TFI as well as the third-party ones saw significant redemptions in March. Combined with significant correction of the prices of equities as well as corporate and sovereign bonds these resulted in an unprecedented 20% q/q drop in AuM in both categories of the funds. In the corporate segment, most sales KPIs were a tad below these in the preceding period but nonetheless, the corporate loan book grew 2% q/q (up 6% y/y), while deposits were only marginally down q/q and up 7% y/y.

Last but not least, the integration of Euro Bank continued in line with the plan. In less than a year since the purchase date, quarterly synergies (PLN24 million) were close to integration costs (PLN30 million). As the synergies are expected to grow over time (PLN126 million targeted in 2020 overall), while integration costs should tail-off (actual integration opex in 1Q20 at 52% of the overall 2020 opex target), net synergies should have an increasingly positive contribution to the results. At the end of March, Bank Millennium operated 799 outlets (573 branches, 226 franchise branches) versus 830 at YE19 (602/228 respectively), while the FTEs of 8,412 compared against 8,436 respectively. The former did not yet fully reflect the 260 FTE reduction implemented in January this year.

Main financial and business highlights of 1Q20 are as follows:

Profit affected by integration costs and extraordinary provisions

- 1Q20 reported net profit of **PLN18.1mn** or extraordinary items/one-off adjusted (*) at **PLN190mn**, i.e. at a similar level as a year ago
- **PLN30mn** (PLN24mn after tax) of Euro Bank related integration costs, synergies of PLN24mn
- PLN55mn increase of provisions for FX mortgage legal risk
- PLN60mn (PLN49mn after tax) pre-emptive COVID-19 related provision
- Adjusted* ROE at **8.4%** and cost/income at **48.3%**

Higher income and cost after the merger

- Operating income grew by **24% y/y**
- Net interest income grew by **38% y/y**
- Net commission income grew by **19% y/y**
- Operating costs up **28% y/y** without integration costs **(**reported up 35% y/y**) and down 5% q/q without integration and BFG costs**

High asset quality and liquidity maintained

- Impaired loans ratio at **4.75%**
- Cost of risk** at **108bp (75bp ex-Covid-19 provision)**
- Loans to deposits ratio at low level of 86%

Solid capital and lower regulatory buffers

- Group's Total Capital Ratio (TCR) at **19.5%** and CET1 ratio at **16.5%** after incorporating 2H19 profit and well above levels required by the regulator (15.4% and 12.2% respectively)
- KNF reduced FX mortgage related buffer to **4.9%** in Nov'19
- Systemic risk buffer cut to 0% from 3% in Mar'20

Retail business

- **2.6mn active clients** (34% y/y); 708,000 new clients after 1 year including 494,000 taken over with Euro Bank
- **32%** yearly growth of deposits
- **47%** yearly growth of loans (72% y/y without FX mortgages)
- **High PLN1.3bn** origination of mortgages and cash loans translating into y/y growth of respective loan books of +57% and +31%
- Accelerating pace of growth in microbusiness accounts, 20,000 y/y net growth of active accounts (24% new accounts were opened on-line)
- **96,000** microbusiness clients

Companies business

- Current accounts volumes grew by **+39% y/y**
- Growth of loans to companies: **+7% y/y**
- **6%** annual growth in factoring turnover
- Growing number and volume of transactions in all main products for companies

Support for clients during COVID-19 epidemic:

Retail clients:

- Credit holidays – temporary deferral of principal and interest instalments
- Contactless card transactions up to PLN100 without PIN confirmation
- Most transactions can be done safely and remotely from home
- Fully online current account opening with the use of selfie
- Dedicated website and banner communication on the portal

Micro-companies and corporate customers:

- Application for PFR financial support (subsidy with redemption possibility) in Millenet for micro business and SME
- Temporary suspension of loan instalments, including factoring, leasing and charge cards for all companies
- Quick and simplified mode of credit renewal for SME and large companies
- BGK guarantees under new, more favourable conditions for micro business and SME (de minimis guarantee)
- Launching loans supported by BGK Liquidity Guaranties Fund for medium and large companies
- Remote signing of all agreements for SME and large companies

Quality and innovations

- The highest among banks in Poland NPS ratio (52)
- The Best Trade Finance Provider in Poland for 2020 according to the Global Finance
- 1.7m apps downloads by goodie

(*) without one-offs: in 1Q20: 1) integration costs (PLN 30.1mn), 2) PLN55.3mn provisions for FX mortgage legal risk, 3) proactive Covid-19 provision of PLN60mn, 4) linear distribution of BFG resolution fund fee of PLN58.2mn; in 1Q19: 1) integration costs (PLN 2mn), 2) PLN26.9mn release of tax asset provision, 3) linear distribution of BFG resolution fund fee of PLN73.3mn; (**) on gross loans

ACQUISITION OF EURO BANK

The process of integration of Euro Bank entered into its last stage, with restructuring carried out in the 1Q20 (260 FTE reduction carried in January) and decisions regarding optimisation of the retail branch network which translated into the merger or closure of several branches (31 less branches at the end of March compared to YE19).

MACROECONOMIC SITUATION AND FACTORS INFLUENCING RESULTS IN THE NEXT QUARTERS

1Q20 was marked by the spreading SARS-CoV-2 virus. In February, World Health Organisation (WHO) announced a state of pandemic of the COVID-19 disease caused by this virus. Self-isolation of people as well as restrictions introduced to counteract incidence of the disease, comprising i.a. freezing of part of trade and services as well as closing-down of some industrial plants have dramatically deteriorated the economic situation worldwide.

In China, where the original COVID-19 outbreak occurred, gross domestic product fell in 1Q20 for the first time since 1992 at least, and in the US in March and April 2020 the number of persons unemployed increased by more than 20 million, thus raising the unemployment rate to as yet unheard-of levels. Business was dramatically curtailed in part of Poland's key Eurozone trade partners. The market particularly collapsed in the services sector, which employs most of the professionally active people. The start of 2Q20 brought a slowing down of the disease and some countries began to gradually relax the preventive restrictions in social and economic life. Responding to the economic collapse, the authorities and central banks of many countries relaxed monetary and fiscal policy on an unprecedented scale.

Also in Poland COVID-19 is spreading, though the pandemic is on a smaller scale than in other countries. Nevertheless the restrictions introduced, including the shut-down of schools, shopping centers and almost all service outlets, had a very strong impact on economic activity in March 2020. According to data from Statistics Poland, the number of full time equivalents in companies employing at least 10 people fell by 34,200 vs. February; moreover industrial output and retail sales fell 2.3% y/y and 9.0% y/y respectively. Nevertheless thanks to good January and February data GDP growth in 1Q20 probably remained positive at approx. 2.0% y/y according to our estimates.

In order to counteract effects of the pandemic the government and the monetary authorities implemented coordinated unprecedented economic policy actions. At each of its meetings on 17th of March and 8th of April 2020, the Monetary Policy Council took 50 basis points off the main interest rate, which at the moment is at its historical low of 0.5%, despite CPI in 1Q20 standing at 4.5% y/y i.e. over the upper limit of deviation from the inflation target. Moreover in order to assure liquidity in the banking sector, the National Bank of Poland significantly reduced the mandatory reserve requirements over deposits and launched repo transactions as well as the programme to repurchase Treasury Bonds (T-bonds) and bonds it has guaranteed on the secondary market. By means of this instrument the Central Bank aims to assure sufficient funds, for which commercial banks may acquire T-bonds on the primary market, issued due to the huge borrowing needs, which arose in result of implementation of government support programmes.

In April 2020, the Anti-crisis Shield 1.0 and Anti-crisis Shield 2.0 legislation amendments came into force. They comprise very broad legal changes. In the context of the economy the most important parts involve full or partial waiver of the obligation to pay ZUS (social security) contributions during March-May 2020 as well as preferential loans. Moreover the Shield introduces co-payments to employee salaries in companies with strong revenue decrease as well as co-financing of idled companies. The government also proposes to increase infrastructural spending to support the economy in a somewhat longer perspective. Also a second support scheme has been launched via Polish Development Fund (PFR) with total value of PLN100bn (approx. 4.5% of GDP), known as the Financial Shield for Companies.

In our opinion full implementation of the support programmes will nevertheless not protect the economy from a significant collapse in 2Q20, which March data are already confirming vividly. With people in self-isolation and with part of the restrictions in business remaining in place in Poland and among its key trade partners, GDP in 2Q20 according to the Bank's forecasts will fall 10% vs. the same period of 2019. In the Bank's opinion GDP decrease will be driven by reduction of household consumption and cancelled new business CAPEX.

After most restrictions are lifted, the economy should accelerate strongly, although it will remain below the 1Q20 level due to weaker macroeconomic fundamentals - growing unemployment and lower wage dynamics, which will undermine consumption propensity. It may also be weakened by the probable need to provide debt relief to some households. Implementation of economic policy actions gives hope for limited growth of unemployment, which according to the Bank's projections will grow to approx. 9.0% at the end of the year from 5.5% in February this year. In the Bank's opinion, despite the expected improvement of the market after the restrictions are lifted, GDP in Poland will fall 3.5% in 2020 and the Polish economy will end up in a recession for the first time in the last decades. These expectations are close to the forecast of the International Monetary Fund, which has it at -4.6%. Still, according to the European Commission, Poland will be the European country which is expected to show the smallest contraction of GDP in 2020. Given such economic conditions the inflation of consumer prices will be shrinking in the Bank's opinion, gradually returning to the inflation target of 2.5% y/y at end of 2020. Following strongly dovish monetary policy, the Monetary Policy Council is not expected by the Bank to modify monetary policy in the nearest future, awaiting results of the changes made to-date. However one cannot rule out further reduction of interest rates, which would be mainly justified by reduction of costs of servicing public finances debt, which will increase very strongly this year.

It must be emphasized that in a pandemic situation, forecasting the macroeconomic situation involves great uncertainty as regards i.a. labour market situation, change of consumption patterns (especially services), the financial and liquidity situation of businesses, effectiveness of economic policy and above all further development of the pandemic, including possible subsequent COVID-19 waves.

Macroeconomic uncertainty factors for the economy and the Bank Millennium Group

The baseline scenario for development of macroeconomic situation in Poland shows pessimistic picture of economic activity in Poland in 2020 strongly restricted by effects of the COVID-19 pandemic with its largely unpredictable course. Thus, there are important risk factors for the economy both positive and negative, which, if materialised, might have significant impact upon results of the Polish banking sector including the BM Group. The most important negative factors are, as follows:

- **Labour market situation in Poland.** If an increase in unemployment were to be stronger than expected and paired with decreasing wages' growth, financial situation of households would deteriorate deeper than in the baseline scenario and it would have negative impact upon domestic household consumption. Furthermore, this would increase the share of non-performing loans in the banks' portfolio and would reduce creditworthiness of borrowers and, in consequence, negatively impact the opportunity for the Bank to increase lending activity.
- Restrictions imposed upon business activities maintained for longer time would increase **liquidity problems of companies and reduce appetite for investments** thereby reducing capability to timely repay liabilities due to the bank and limiting demand for investment loans and financing in form of leasing and other financial products offered by the Group.
- Stronger uncertainty on global markets resulting, inter alia, in **depreciation of PLN** would increase costs of financing in foreign currencies as well as value of required collaterals and would increase the PLN value of debt in FX thus having, potentially, impact upon repayment of liabilities due to the Bank by households and enterprises.

- **The risk of further interest rate cuts**, albeit not included in our baseline scenario, is valued by the forward transactions market (cut by 40 basis points within the perspective of four months) and if materialised, it would have negative impact upon the BM Group's results. BM Group result sensitivity to interest rate cuts is asymmetric and each consecutive cut will have greater negative impact upon the result than the positive impact in case rates would go up.

There are also chances to have less pessimistic economic situation in 2020 than under baseline scenario. These would include, mainly, higher than expected effectiveness of monetary and fiscal policy efforts undertaken both at home and abroad and designed to mitigate economic effects of the pandemic. Effective implementation of programmes (the BM Group is participating in implementation of some of them), would help prevent the above main negative uncertainty factors from occurring and could significantly accelerate the re-start of the economy after restrictions are lifted. This also applies to lifting economic policy restrictions abroad offering a chance to restore external demand faster and to rebuild stronger export activity of domestic enterprises.

THE IMPACT OF COVID-19 CORONAVIRUS PANDEMIC ON THE ACTIVITIES OF THE BANK MILLENNIUM S.A. CAPITAL GROUP

The Bank anticipates a lower-than-previously assumed demand for financial products and services. In addition, the financial situation of some of the Group's clients may deteriorate despite the Group's initiatives (as part of the overall Polish banking sector support actions) aimed at partial mitigation of the effects of the pandemic (i.a. the offer of temporary suspension of repayments of the loan capital and interest instalments for retail customers) and the Bank's active participation in the activities of the banking sector aimed at reducing the effects of the pandemic on the clients and Polish economy. Additionally, on case-by-case basis, the Bank and its leasing subsidiary started to offer their corporate customers support solutions including deferral of instalments and lending with the use of new guarantee schemes offered by Bank Gospodarstwa Krajowego (BGK).

Weakening of the Polish zloty may affect the cost of legal risk of FX mortgage loans. At present it is difficult to credibly estimate the scale of this impact. In 1Q20 the Bank decided to create additional PLN55 million provision for this risk.

The above-mentioned decisions of the Monetary Policy Council to reduce interest rates as well as the change in the parameters of the mandatory deposits reserves requirements from April 30 on, will altogether have a negative impact on the Group's net interest income of around PLN160 million to PLN190 million until year-end 2020. The actual impact may vary and will largely depend on achieved business results, changes in the cost of financing and other offsetting measures.

Despite this negative backdrop, the liquidity and capital position of the Group remained very strong. The decision of the Ministry of Finance on 18 March 2020 to reduce from 3% to 0% the systemic risk buffer results in the equivalent reduction of the capital ratio requirements at the solo and consolidated level. Consequently, the minimum regulatory capital requirements for the Bank and for the Group are now 15.5% and 15.4% respectively, while the required Tier 1 ratio is now 12.2% and 12.2% respectively. The capital ratios as at the end of March 2020 were significantly above these new levels. Total Capital ratio was 19.4% and 19.5% at solo and consolidated level respectively, while Tier 1 ratio was 16.3% and 16.5% respectively.

The decision of the Banking Guarantee Fund on 26 March 2020 to extend by one year the date of full implementation of MREL requirements as well as no-obligation to reach an interim level in 2020 provides more time to assess the new requirements and flexibility in their achievement. The above-mentioned reduction of the systemic risk buffer also decreases the future level of MREL requirements.

As a consequence of the Covid-19 pandemics and its direct and indirect effects, it is natural to assume that the net result of the BM Group in 2020 will be lower than in 2019.

SUPPORT FOR CLIENTS DURING COVID-19 EPIDEMIC

In the face of the unprecedented health, economic and social crisis the most important issue for Bank Millennium was to ensure the safety of employees and customers maintaining the continuity and high quality of business and services. Clients remain the priority for Bank Millennium through this crisis and a range of comprehensive measures to support our retail and business customers were implemented.

Key solutions implemented in connections with the COVID-19 epidemic included:

Retail clients:

- Credit holidays –temporary deferral of principal and interest instalments
- Contactless card transactions up to PLN100 without PIN confirmation
- Most transactions can be done safely and remotely from home
- Fully online current account opening with the use of selfie
- Dedicated website and banner communication on the portal

Micro-companies and corporate clients:

- Application for PFR financial support (subsidy with redemption possibility) in Millenet for micro business and SME
- Temporary suspension of loan instalments, including factoring, leasing and charge cards for all companies
- Quick and simplified mode of credit renewal for SME and large companies
- BGK guarantees under new, more favourable conditions for micro business and SME (de minimis guarantee)
- Launching loans supported by BGK Liquidity Guaranties Fund for medium and large companies
- Remote signing of all agreements for SME and large companies

As of 4th May, there were 41,900 applications approved for ‘Covid-19 credit holidays’ relating to outstanding cash loans, 16,000 applications for ‘Covid-19 credit holidays’ on mortgages loans with respective loan volumes of PLN1,191mn and PLN4,486mn The number of applications for credit holidays in the retail segment has been steadily declining since the introduction of the offer. The number of credit holidays for corporate customers stood at c800 (SMEs: 700) as the end of April with total value of loans with deferred payments totalling less than PLN500mn.

In April Bank Millennium conducted a survey (Computer Assisted Telephone Interview) among its retail clients. The results of the survey shown that 92% of surveyed clients were satisfied with the Bank’s activities. Clients were satisfied with the Bank's functioning in the current situation. Most of them have not experienced any problems, they also appreciated the possibility of online banking. What is very important is that clients still perceive the Bank as stable and trustworthy.

FX-MORTGAGE LEGAL RISK

Based on ZBP’s (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved in favour of banks until 2019 year. However, after the Court of Justice of the European Union (CJEU) judgment issued on 3 October 2019 (Case C-260/18) the proportion have adversely changed and so there is a risk that previously mostly positive for banks line of verdict in courts may change.

Considering the increased legal risk related to FX-indexed mortgages, in 4Q19 Bank Millennium created a provision in the amount of PLN223 million for legal risk. The methodology developed by Bank Millennium is based on the following main parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified (three-year) time horizon; (ii) the amount of Bank Millennium's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); and, (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases. The provision was further increased in 1Q20 by PLN55 million to reflect essentially more negative outcome from recent court rulings in the sector and the recent depreciation of the Polish zloty.

Bank Millennium undertakes a number of actions at different levels towards different stakeholders in order to mitigate legal and litigation risk regarding the FX-indexed mortgage loans portfolio. Bank Millennium is open to negotiate case-by-case favourable conditions for early repayment (partial or total) or the conversion of loans to PLN. On the other hand, Bank Millennium will continue to take all possible actions to protect its interests in courts while, at the same time, being open to find settlement with customers in the court under reasonable conditions.

Finally, it should be mentioned that Bank Millennium has to maintain additional own funds for the coverage of additional capital requirements related to the FX-indexed mortgage portfolio risks (Pillar II FX buffer) in the amount of 4.87p at the Group level, which corresponds to, approximately, PLN1.85 billion (EUR435 million), part of which is allocated to operational/legal risk.

Detailed data on the number and value of FX-indexed mortgage cases is provided in **Chapter 9.1. of Condensed Interim Consolidated Financial Statements of the Bank Millennium S.A. Capital Group.**

OTHER RISK FACTORS

Following the September 2019 ruling of the Court of Justice of the European Union on consumers' right to demand the reduction of the total loan cost corresponding to interest and costs for the remaining term of the agreement in case of early repayment of loan, in 4Q19 the bank made PLN66.4 million provision for potential fee returns to clients. The provision was estimated based on the maximum amount of potential returns and the probability of payment being made. In 2020, the Bank adopted a linear method for calculating/returns of the fees, but nonetheless the earlier created provisions have proven more than sufficient thus far and the Bank did not increase the amount in 1Q20.

GROUP PROFIT AND LOSS ACCOUNT IN 1Q20

Operating income *(PLNmn)*	1Q20	1Q19	Change y/y	4Q19	Change q/q
Net interest income *	689.6	500.3	37.8%	709.5	-2.8%
Net commission income	194.5	163.2	19.2%	182.6	6.5%
Core income	884.2	663.5	33.3%	892.2	-0.9%
Other non-interest income */**	36.6	77.3	-52.7%	62.0	-41.0%
Total operating income **	**920.7**	**740.8**	**24.3%**	**954.1**	**-3.5%**

(*) Pro-forma data: Net interest income (NII) includes margin from all derivatives. From 1st January 2006 the Bank started to apply hedge accounting principles. Starting from that date, the margin from these operations is reflected in NII. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides pro-forma data, which presents all margin from derivatives in NII caption, whereas in accounting terms part of this margin (PLN13.9mn in 1Q20 and PLN16.3mn in 1Q19) is presented in other non-interest Income. In the Bank's opinion, such approach allows better understanding of the real evolution of this item from economic point of view.

(**) Without fair value adjustment of credit portfolio (PLN11.7mn in 1Q20 and PLN4.9mn in 1Q19), which is included in the pro-forma cost of risk

Net interest income (pro-forma) in 1Q20 reached PLN689.6mn and increased 37.8% from the level in the corresponding period of the previous year. The growth was supported by the income from the operations of clients of acquired Euro Bank. Net interest margin (over average interest earning assets) (NIM) in 1Q20 reached 2.81%, 0.3 percentage points higher than the NIM in 1Q19. The growth of NIM was partly limited by return of fees on early repayments of consumer loans, fewer calendar days in the period and early impact of the interest rate cuts (base rate: 50 basis points, lombard rate: 100 basis points) on March 17th. In quarterly terms net interest income decreased slightly by 2.8%

Net commission income in 1Q20 amounted to PLN 194.5mn, increasing by 19.2% y/y. Insurance and cards related fees grew most during the year, with the former benefitting from higher fees from Euro Bank loan portfolio, while the latter from higher number of cards issued and higher transactionality. In contrast, capital market related and transactional fees decreased. The growth of net commission income vs. 4Q19 was also considerable and reached +6.5%.

Core income, defined as a combination of net interest and commission income, reached PLN 884.2mn, translating into a y/y increase of 33.3%, partially owing to the merger with Euro Bank. In q/q terms, a slight decrease was observed due to the contraction of NII.

Other non-interest income, which comprises FX result, results on financial assets and liabilities (without interest margin on derivatives and fair value adjustment on credit portfolio) and net other operating income and costs, amounted to PLN36.6mn and decreased strongly by 52.7% y/y as in 1Q19 this line of results included PLN26.9mn one-off tax asset recovery.

Total operating income (pro-forma) of the Group reached PLN920.7mn, up 24.3% y/y and decreased slightly by 3.5% q/q.

Operating costs *(PLNmn)*	**1Q20**	**1Q19**	**Change y/y**	**4Q19**	**Change q/q**
Personnel costs	(243.8)	(172.6)	41.3%	(232.6)	4.8%
Other administrative costs *	(274.2)	(211.9)	29.4%	(257.4)	6.5%
– *of which Banking Guarantee Fund (BFG) fees*	*(85.1)*	*(84.0)*	*1.3%*	*(13.9)*	*512.6%*
Total operating costs	(517.9)	(384.5)	34.7%	(490.0)	5.7%
– *of which Euro Bank integration costs ***	*(37.6)*	*(2.0)*	*-*	*(52.2)*	*-28.0%*
*Total costs without integration costs ***	*(480.3)*	*(382.5)*	*25.6%*	*(437.8)*	*9.7%*
*Total costs without integration costs and BFG ***	*(403.0)*	*(298.4)*	*35.0%*	*(423.9)*	*-4.9%*
Cost/income ytd - reported	56.2%	51.9%	*4.4pp*	51.4%	*4.9pp*
*Cost/income ytd - adjusted ****	*48.3%*	*46.0%*	*2.3pp*	*47.0%*	*1.3pp*

(*) including depreciation

(**) additional administrative costs directly related to Euro Bank acquisition, merger and integration processes

(***) with equal distribution of BFG resolution fee through the year, without, one-off income and without integration costs

Total costs amounted to PLN 517.9mn translating into a 34.7% increase compared to the 1Q19 level. Apart from higher FTEs and other administrative costs resulting from incorporation of staff and sales infrastructure of former Euro Bank, the Bank created a provision for staff restructuring in the amount of PLN23.8mn (including provision for group redundancies and retention bonus). The total value of integration costs in the reporting period was PLN30.1mn. The annual increase of opex without integration costs would be 25.6%, while in q/q terms it would be a up 9.7%. Total costs ex-BFG and integration costs would be down 4.9% q/q.

Personnel costs amounted to PLN243.8mn and grew 41.3% compared to the corresponding period of the previous year. Apart from 2.4 thousand higher FTEs (employees coming from Euro Bank) and the abovementioned staff restructuring reserve, this growth also stemmed from higher level of salaries. The number of the Group's staff stood at 8,412 employees (FTEs) at the end of March. Adjusted for staff restructuring provision, personnel costs would be up 27.5% y/y, while the q/q change would be -5.4%.

Employment structure *(FTEs)*	**31.03.2020**	**31.03.2019**	**Change y/y**	**31.12.2019**	**Change q/q**
Bank Millennium S.A. (with Euro Bank)	8 075	5 838	38.3%	8 118	-0.5%
Subsidiaries	337	345	-2.3%	347	-2.9%
Total Bank Millennium Group	8 412	6 183	36.1%	8 464	-0.6%

Other administrative costs (including depreciation) reached PLN 274.2mn and grew 29.4% y/y. Costs connected directly with the integration of Euro Bank were not high in the 1Q20 and amounted to PLN6.0mn. In quarterly terms, other administrative costs grew by 6.5% due to booking of the whole annual contribution for BFG resolution fund (PLN58.2mn) in the period. Adjusted for integration costs and overall BFG contribution admin costs were down 4.3% q/q.

Euro Bank acquisition resulted in a very strong increase in the number of outlets. At 368 branches a year ago, the total number of outlets grew to 830 outlets at YE19. During the 1Q20 the number of outlets decreased by 31 to 799 (573 own branches and 226 franchise branches).

As for the ongoing Euro Bank integration, the current plan assumes network downsizing by over 60 outlets and a 260 FTE reduction (already announced in January and partly executed in 1Q20) in 2020 overall. Following PLN30.1mn integration expenses (P&L) in 1Q20, PLN33.4mn is to be incurred in the remainder of the year. The Bank currently estimates total cumulative integration expenses (P&L and capex) connected with Euro Bank acquisition will be below the original plan and will stay below PLN300mn.

Effective accomplishment of restructuring process should allow to capture synergies in the amount of PLN126mn in 2020 overall. First tangible synergies were achieved already in 4Q19 (PLN23.4mn), while in 1Q20 these amounted to PLN23.5mn. PLN188mn of synergies are targeted in 2022.

Cost-to-income ratio without one-offs (mainly integration costs) reached 48.3% in 1Q20 and was 1.3 percentage points higher compared to the last year level.

Net profit *(PLNmn)*	1Q20	1Q19	Change y/y	4Q19	Change q/q
Operating income	920.7	740.8	24.3%	954.1	-3.5%
Operating costs *	(517.9)	(384.5)	34.7%	(490.0)	5.7%
Impairment provisions and other cost of risk **	(137.0)	(72.3)	89.3%	(72.4)	89.1%
COVID19 risk related provision	*(60.0)*	-	-	-	-
FX legal risk related provision	*(55.3)*	-	-	*(223.1)*	-
Banking tax	(72.7)	(51.4)	41.6%	(69.1)	5.2%
Pre-income tax profit	77.8	232.7	-66.6%	99.5	-21.8%
Income tax	(59.7)	(72.7)	-17.9%	(72.5)	-17.7%
Net profit - reported	18.1	160.0	-88.7%	27.0	-32.8%
Net profit - adjusted*	190.1	191.6	-0.8%	274.0	-30.6%

(*) without impairment provisions for financial and non-financial assets
(**) including fair value adjustment on loans (PLN11.7mn in 1Q20 and PLN4.9mn in 1Q19) and loans modification effect (PLN 1.9mn in 1Q20 and PLN3.7mn in 1Q19)
(***)without extraordinary items: in 1Q20: 1. integration costs (PLN 30.1mn), 2. PLN55.3mn provisions for FX mortgage legal risk, 3. PLN60mn provision for Covid-19 related risk, 4. linear distribution of BFG resolution fund fee of PLN58.2mn; in 1Q19: 1. integration costs (PLN 2mn), 2. PLN26.9mn release of tax asset provision, 3. linear distribution of BFG resolution fund fee of PLN73.3mn

Total cost of risk, which comprised net impairment provisions, fair value adjustment (of part of credit portfolio) and result on modifications, bore by the Group amounted to PLN137mn in 1Q20 and was 89.3% higher than in 1Q19. The higher level of provisions resulted from the incorporation of the loan book of Euro Bank, a handful of cases in the corporate segment and changes in the risk model in the retail segment. In addition, the Group pre-emptively created PLN60mn provision for risk related to potential Covid-19 impact. During next reporting periods, as more reliable information is obtained, the BM Group will allocate the provision to credit exposures.

Risk charges for retail segment in 1Q20 stood at PLN87.4mn, while for the corporate segment and other they amounted to PLN49.5mn . In relative terms, the cost of risk (i.e. net charges to average gross loans) for 1Q20 reached 75 basis points level compared to 57 basis points in the whole 2019 and 53 basis points in 1Q19. Including the extraordinary provision for Covid-19, the cost of risk was 108 basis points.

Additionally, in 1Q20 the provision for legal risk related to FX-mortgage portfolio was increased by an additional PLN55mn to reflect more negative outcome from recent court rulings in the sector and the recent depreciation of the Polish zloty.

Pre-income tax profit in 1Q20 amounted to PLN77.8mn and decreased 66.6% vs. 1Q19. This was mostly the result of the above mentioned high overall provisions as the pre-provision profit amounted to PLN402mn and was up 13% y/y.

Net profit reported in 1Q20 amounted to PLN18.1mn and was 88.7% lower vs the corresponding period of the previous year. Net profit of 1Q20 adjusted for the abovementioned extraordinary items (mainly integration costs and extra provisions) would reach PLN 190.1mn and would be practically equal to this in 1Q19.

Reported 1Q20 return on equity (ROE) with resolution BFG charge evenly spread across the year stood at 2.7% but when adjusted for extraordinary items it reached 8.4% compared to 9.1% in 1Q19.

BUSINESS RESULTS IN 1Q20

After the acquisition of Euro Bank completed in November 2019, the Bank successfully utilised the extended capacity to accelerate its growth in key banking services and improved the position of Bank Millennium Group on the Polish market.

The number of active retail clients reached 2.6mn at the end of March 2020 growing by 708 thousand y/y. The number of active digital customers grew 32% y/y to hit 1.8mn, with the number of clients using mobile application by 44% to 1.4mn, partially thanks to the merger, but mostly as a successful execution of the organic growth strategy.

Total **customer funds** of Bank Millennium Group reached PLN90,700mn on 31 March 2020 representing a 20.2% y/y growth. Deposits were the key growth factor and increased by 25.4% y/y to the level of PLN83,584mn. Apart from material organic growth the key reason for the increase were deposits of taken over Euro Bank and redemptions of investment funds).

Deposits of households reached PLN 63,328mn as at 31 March 2020 surging 32.4% y/y. Within deposits, current and saving accounts continued to grow at a high pace (up 43% y/y), so their share in total deposits of individuals increased to almost 74%. The number of current accounts grew by 995 thousand and all payment cards by 748 thousand during the year.

In the same period, the volume of Group's non-deposit investment products decreased strongly by 19.2% due to negative trends on the Polish capital market, although in quarterly terms the funds grew slightly by 0.4%. Total value of these products amounted to PLN 7,116mn at the end of March 2020. Within these assets, PLN 3,615mn was under management of Millennium TFI, PLN 2,957mn was managed by third party providers while PLN 545mn was an outstanding balance of own bank's securities placed to retail customers (mainly structured instruments).

Deposits from companies and public sector presented a robust increase by 7.5% during the year to PLN20,255mn. The growth was mostly driven by strong dynamics of current accounts: +39.5% y/y.

Customer funds *(PLNmn)*	31.03.2020	31.12.2019	Change q/q	31.03.2019	Change y/y
Deposits of individuals	63 328.3	61 091.9	3.7%	47 827.1	32.4%
Deposits of companies and public sector	20 255.3	20 362.9	-0.5%	18 845.6	7.5%
Total deposits	83 583.6	81 454.8	2.6%	66 672.6	25.4%
Investment products *	7 116.2	8 840.6	-19.5%	8 805.2	-19.2%
Total customer funds	90 699.8	90 295.3	0.4%	75 477.9	20.2%

(*) This category includes Bank's securities sold to retail customers, Millennium TFI mutual funds and other investment products of third parties sold to Group's clients

Total **net loans** of Bank Millennium Group reached PLN72,046mn as at the end of March 2020 after the strong growth of 33.6% y/y and 3.3% q/q. The growth of loans without foreign currency mortgage portfolio presented much higher growth rate of 42.1% y/y reflecting dynamic increases in all key groups of lending activity (PLN mortgage, consumer loans and companies) especially in March 2020. FX mortgage loans of Bank Millennium (without FX portfolio taken over from Euro Bank) increased slightly by 2.2% y/y due to the strong depreciation of PLN vs. Swiss Franc, especially in March 2020. Without the exchange rate impact, the FX mortgage loan book would fall materially (-8.5% y/y) on a combination of natural amortisation and early repayments. The share of FX mortgage loans (excluding taken over FX loans from Euro Bank) in total gross loans has dropped during the year to 19.8% as on 31 March 2020 from 25.8% one year ago.

The net value of loans to households amounted to PLN52,995mn at the end of March, up 47.2% y/y and 3.6% q/q. All main product categories presented very strong annual growth rates supported by acquired Euro Bank's clients: PLN mortgages were +59.1% y/while consumer loans +94.3% y/y.

Origination of cash loans in 1Q20 recovered strongly to PLN1.3bn (PLN1.1bn in 4Q19) but nonetheless was affected by adjusted risk appetite and lower demand at the of the period (Covid-19 pandemic impact). Sales of PLN mortgage loans also grew strongly compared to 4Q19 (up 16%) and reached PLN1.3bn. The y/y growth rate was 57%.

Net value of loans to companies amounted to PLN 19,050mn as at the end of March 2020 and grew by 6.2% yearly and by 2.3% quarterly.

Loans and advances to clients *(PLNmn)*	31.03.2020	31.12.2019	Change q/q	31.03.2019	Change y/y
Loans to households	**52 995.2**	**51 137.7**	**3.6%**	**36 001.4**	**47.2%**
- PLN mortgage loans	*22 357.8*	*21 469.5*	*4.1%*	*14 050.0*	*59.1%*
- FX mortgage loans	*15 551.4*	*14 603.6*	*6.5%*	*14 185.9*	*9.6%*
- of which Bank Millennium	*14 501.3*	*13 632.3*	*6.4%*	*14 185.9*	*2.2%*
- consumer loans	*15 086.0*	*15 064.6*	*0.1%*	*7 765.5*	*94.3%*
Loans to companies	**19 050.4**	**18 617.2**	**2.3%**	**17 938.4**	**6.2%**
- leasing	*6 628.9*	*6 659.9*	*-0.5%*	*6 421.0*	*3.2%*
- other loans to companies and factoring	*12 421.5*	*11 957.3*	*3.9%*	*11 517.4*	*7.8%*
Net loans & advances to clients	**72 045.6**	**69 754.9**	**3.3%**	**53 939.8**	**33.6%**
Net loans and advances to clients excluding FX mortgage loans	56 494.2	55 151.3	2.4%	39 753.9	42.1%
Provisions and adjustments for credit risk*	2 173.0	2 046.1	6.2%	1 799.6	20.7%
Gross* loans and advances to clients	**74 218.6**	**71 801.1**	**3.4%**	**55 739.4**	**33.2%**

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

LIQUIDITY, ASSET QUALITY AND SOLVENCY

The liquidity position of Bank Millennium Group remained very strong during 1Q20. LCR ratio at 162% as at the end of March 2020, was materially above the 100% minimum. Loan-to-deposit ratio remained at low level of 86% and the share of liquid securities (mainly treasury bonds and NBP bills) in Group's total assets remained considerable at 22%.

Group loans quality and liquidity indicators *(PLNmn)*	31.03.2020	31.12.2019	31.03.2019
Total impaired loans	3 528	3 276	2 466
Impairment provisions	2 076	1 961	1 731
FV correction	97	85	69
Total impairment provisions and FV correction	**2 173**	**2 046**	**1 800**
Impaired over total loans ratio (%)	**4.75%**	**4.56%**	**4.42%**
Loans past-due over 90 days /total loans (%)	2.75%	2.69%	2.39%
Coverage ratio (Total provisions + FV correction/impaired loans) (%)	**61.6%**	**62.4%**	**73.0%**
*Pro-forma coverage (without PPA effect *)*	*70.4%*	*74.8%*	*n/a*
Total provisions and FV correction/loans past-due (>90d) (%)	106.6%	105.8%	134.9%
Liquidity Coverage Ratio (LCR) for Group	**162%**	**171%**	**197%**

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

The Group continued to exhibit one of the best asset quality among Polish banks: the share of impaired loans in total loan portfolio remained stable at the low level of 4.75%. The share of loans past-due more than 90 days in total portfolio increased somewhat from 2.39% in March 2019 to 2.75% at the end of March 2020.

Coverage ratio of impaired loans decreased during the year from 73.0% at the end of March 2019 to 61.6% at the end of March 2020. The drop was related to the consolidation of Euro Bank's portfolio at fair value after PPA* valuation at the acquisition date. Without this effect the coverage ratio would amount to 70.4%. Provisions coverage of loans past-due more than 90 days also decreased during the year due to consolidation of Euro Bank's portfolio, but stayed at a comfortable level of 106.6% as at the end of March 31, 2020.

Impaired loans ratio development showed mixed trends in product segments. In the retail portfolio it improved y/y (mortgage ratio down from 2.74% to 2.70% and in other retail from 10.36% to 10.10%) while a deterioration was observed in the leasing portfolio (from 4.03% to 4.34% respectively). In the corporate loan portfolio the ratio improved from 4.23% to 4.08%.

Change of risk-weighted assets and capital ratios for both the Group and the Bank was driven by a combination of growth in the loan book and assets overall (in part due to the weaker PLN exchange rate) and higher operating risk requirement. In 1Q20, capital ratios of the Group/Bank slightly decreased: Group TCR decreased by 56bp and CET1 ratio by 40bp. That was driven by higher increase of own funds requirements (up 5.3%) than of own funds (up 2.4%).

Main capital adequacy and liquidity ratios:

Main capital indicators* *(PLNmn)*	**31.03.2020**	**30.12.2019**	**31.03.2019**
Risk-weighted assets (RWA) for Group	50,675.0	48,124.6	37,735.2
Risk-weighted assets (RWA) for Bank	49,714.1	47,267.6	37,027.7
Own funds requirements for Group	4,054.0	3,849.97	3,018.8
Own funds requirements for Bank	3,977.1	3,781.41	2,962.2
Own funds for Group	9,896.8	9,668.5	9,658.9
Own funds for Bank	9,655.9	9,454.5	9,418.0
Total Capital Ratio (TCR) for Group	**19.53%**	**20.09%**	**25.60%**
Minimum required level TCR	15.37%	18.37%	19.77%
Total Capital Ratio (TCR) for Bank	19.42%	20.00%	25.44%
Tier 1 ratio for Group	**16.51%**	**16.91%**	**21.54%**
Minimum required level T1	12.15%	15.15%	16.20%
Tier 1 ratio for Bank	16.35%	16.77%	21.30%
Common Equity Tier 1 (=T1) ratio for Group	**16.51%**	**16.91%**	**21.54%**
Minimum required level CET1	9.73%	12.73%	13.51%
Common Equity Tier 1 (=T1) ratio for Bank	16.35%	16.77%	21.30%

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

Own funds rise was determined by the inclusion of the 2H19 net earnings in reserve capital (PLN198.2mn at the Bank and PLN227.1mn at the Group). Own funds requirements increase was caused mainly by a rise of credit risk requirements by PLN148.3mn and PLN152.6mn (Group and Bank) and operational risk requirements by PLN55.7mn and PLN43.1mn (Group and Bank respectively).

Minimum required level of capital include:

- Pillar II RRE FX buffer - KNF recommendation to maintain additional own funds for the coverage of additional capital requirements in order to secure the risk resulting from FX mortgage loans granted to households, in line with art. 138.1.2a of Banking Act. A value of that buffer is defined for 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 recommendations issued in November 2019 in the level of 4.96pp (Bank) and 4.87pp (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 3.72pp in Bank and of 3.65pp in Group, and which corresponds to capital requirements over CET 1 ratio of 2.78pp in Bank and 2.73pp in Group [1];

[1] That recommendation replaces the previous one from 2018, to maintain own funds for the coverage of additional capital requirements at the level of 6.41 p.p. (Bank) and 6.27 p.p. (Group) as for TCR, which should have consisted of at least 4.81 pp (Bank) and 4.70pp (Group) as for Tier 1 capital and which should have consisted of at least 3.57pp (Bank) and 3.51pp (Group) as for CET1 capital

- 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%, and the value is set by KNF every year[2];
  - Systemic risk buffer at the level of 0% from March 2020 reduced from 3% previously;
  - Countercyclical buffer at the 0% level.

Additionally, there is a Stress Test buffer introduced by KNF to calculate possible level of dividend payment. For Bank Millennium Group it was reduced in December 2019 by 13bp to 3.01% level.

INFORMATION ON SHARES AND RATINGS

In 1Q20 Bank's quotations were still affected by newsflow and investors' concerns over legal risk related to FX mortgages. Additionally the economic outlook significantly deteriorated at the end of March due to the Covid-19 pandemic outbreak. This manifested itself in a strong sell-off on the Warsaw Stock Exchange. What is more, the Bank's share price along with these of the peers reacted negatively after reductions of interest rates by the Monetary Policy Council.

During the 12 months ending in March 2020, the broad-based WIG index fell 30%, index of the largest companies (WIG20) was down 35% while banking index (WIG Banki) decreased 45%. In the same time Bank Millennium share price dropped 64%.

Market ratios	31.03.2020	29.03.2019*	Change (%) y/y
Number of the Bank's shares (th)	1 213 117	1 213 117	0.0%
Average daily turnover in annual terms (th)	4 889	5 227	-6.5%
Bank share price (PLN)	3.22	8.94	-64.0%
Market capitalization of the Bank (PLNmn)	3 909	10 845	-64.0%
WIG Banks	4 155	7 586	-45.2%
WIG20	1 513	2 312	-34.6%
WIG30	1 737	2 655	-34.6%
WIG - main index	41 625	59 668	-30.2%

(*) last day of quotations in 1Q19

Bank Millennium's shares are included in following indexes on Warsaw Stock Exchange: WIG, WIG Banki, WIG 30, mWIG 40, WIG Poland and WIG-ESG.

On the 14th of April 2020 Fitch affirmed Bank Millennium's long-term rating at BBB- and Viability Rating (VR) at bbb-. The rating outlook remained stable.

[2] In August 2019 KNF informed that the Bank was no longer identified as other systemically important institution (O-SII).

Ratings of the Bank as at 31 March 2020 are presented in the table below.

Rating	MOODY'S	FITCH
Long-term deposit rating/IDR	Baa1 (stable outlook)	BBB- (stable outlook)
National long-term IDR	-	A(pol) (stable outlook)
Short-term deposit rating	Prime-2	F-3
Viability / standalone BCA rating	baa3	bbb-
Counterparty Risk Rating (CRR)	A3/Prime-2	-
Support Rating		4

CONSOLIDATED REPORT OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR 1 QUARTER OF 2020

CONTENTS

Condensed interim consolidated financial statements of the Bank Millennium s.a. Capital Group for the 3 months ended 31 March 2020

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1. General Information about Issuer

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

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

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

The Bank is a parent company of a Bank Millennium Capital Group (the Group) with over 8,400 employees with core business comprising banking, leasing, factoring, brokerage, capital operations, investment fund management and web portals activity.

Supervisory Board and Management Board of Bank Millennium S.A. as at 31 March 2020

Composition of the Supervisory Board as at 31 March 2020 was as follows:

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

Composition of the Management Board as at 31 March 2020 was as follows:

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

Capital Group of Bank Millennium S.A.

The Group's parent entity is Bank Millennium S.A. while the ultimate parent entity of the Bank Millennium S.A. is the Banco Comercial Portugues - company listed on the stock exchange in Lisbon. The companies that belong to the Capital Group as at 31 March 2020, are presented by the table below:

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

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

Acquisition of shares and merger with Euro Bank S.A.

Description of the transaction

On 5 November 2018, Bank Millennium (acquiring entity) announced and signed the preliminary agreement related to the acquisition of 99.787% shares of Euro Bank S.A. (acquired entity) from SG Financial Services Holdings ("Seller"), a wholly owned subsidiary of Societe Generale S.A. The transaction specified in the agreement is the direct acquisition of the shares by Bank Millennium.

The strategic rationale for the transaction

As a result of the transaction related to the acquisition of Euro Bank shares, Bank Millennium strengthened its important position in the Polish banking sector. The transaction increased the number of the Bank's clients by 1.4 million (of which more around 494 thousand fulfil the classification of active client as per Bank's internal definition) and therefore allowed the Bank to become one of the largest Polish bank in terms of the number of retail clients.

The acquisition of Euro Bank allowed the Bank to increase the segment of consumer loans, as well as the importance of this segment for the entire Group.

The acquisition of Euro Bank enabled Millennium Bank to acquire competences in the franchise model and strengthen its presence in smaller cities, where Euro Bank was strongly located, and contributed to increase of the geographical coverage of the Bank's distribution network.

Completion of the acquisition

On 3 January 2019, the Bank received information on issuing by the President of the Office of Competition and Consumer Protection the decision on the consent for the concentration consisting in the Bank's acquisition of control over Euro Bank S.A. The consent was issued on 28 December 2018.

On 28 May 2019 the Polish Financial Supervision Authority issued the consent specifying that there is no basis for the objection raising, and therefore Bank Millennium together with its parent entity, Banco Comercial Portugues, were allowed to acquire the shares of Euro Bank S.A. in the number resulting in exceeding 50% of the total number of votes on the general meeting of Euro Bank and of the share in the share capital. The number of acquired shares exceeding 50% results also in becoming a parent entity of Euro Bank.

On 31 May 2019, by executing the share purchase agreement between the Bank and SG Financial Services Holdings of 5 November 2018, the Bank has acquired the majority of shares, constituting 99.787% of Euro Bank S.A. share capital from the seller.

Additionally, on 31 May 2019, the Bank has repaid the unsubordinated financing granted to Euro Bank by Societe Generale S.A. ("SG") in the amount of ca. PLN 3.800.000.000. It was preceded by Euro Bank's repayment of a part of subordinated debt from SG in the amount of PLN 250.000.000, after obtaining appropriate agreements from the PFSA in this particular area. In October 2019, a final repayment of a subordinated loan of SG taken out by Euro Bank in the amount of PLN 100 million (fully collateralised by a cash deposit since 31 May 2019) took place.

In order to limit the risk associated with the Euro Bank's portfolio of mortgage loans denominated in CHF or denominated in PLN, but indexed to CHF, Euro Bank and SG signed on 31 May 2019 an "CHF Portfolio Indemnity and Guarantee Agreement" as it was planned in the Share Purchase Agreement. Euro Bank, Bank Millennium and SG also concluded an agreement related to the provision of certain limited transitional services by SG for Euro Bank.

Merger

On 6 June 2019, the Management Board of Bank Millennium and the Management Board of Euro Bank agreed and signed the merger plan of Bank Millennium and Euro Bank (the "Merger"). The merger was performed in accordance with art. 492 § 1 point 1 of the Commercial Companies Code (KSH) by transferring all assets and liabilities of Euro Bank (the acquired bank) to Bank Millennium (the acquiring bank), without increasing the share capital of Bank Millennium.

In accordance with the Merger, existing, dematerialized shares of Bank Millennium ("Merger Shares") were allocated to the minority shareholders of Euro Bank. The shares were purchased on Warsaw Stock Exchange S.A. in the secondary trading, by Millennium Dom Maklerski S.A. [Millennium Brokerage House], by the order of Bank Millennium, pursuant to art. 515 § 2 of the Commercial Companies Code.

The following share exchange parity has been determined in the Merger Plan: in exchange for 1 (one) share of Euro Bank, a minority shareholder of Euro Bank received 4.1 Merger Shares.

As a result of the Legal Merger performed 1st October 2019, Bank Millennium assumed all the rights and obligations of Euro Bank, and Euro Bank was dissolved without liquidation proceedings and its entire assets were transferred to Bank Millennium. The merger took place on the day of its entry into the register of entrepreneurs of the National Court Register of Bank Millennium.

The merged Bank operates under the name Bank Millennium S.A. based on the provisions of the Act of 15 September 2000 - Code of Commercial Companies ("KSH").

The merger was performed based on already obtained appropriate consents and permits required by law, i.e.:

(i) permission of the Polish Financial Supervision Authority ("PFSA") for the Merger, pursuant to art. 124 paragraph 1 of the Act of 29 August 1997 - Banking Law ("Banking Law");

(ii) permission of the PFSA to amend the Statute of Bank Millennium pursuant to art. 34 paragraph 2 of the Banking Law.

Provisional Transaction settlement

Transaction settlement was performed applying the acquisition method, in accordance with the International Financial Reporting Standard 3 "Business combinations" ("IFRS"), which requires, among others, recognition and measurement of identifiable assets acquired, and liabilities assumed measured at fair value as at the acquisition date, and any non-controlling interest in the acquired entity (if any) and separate recognition and measurement of goodwill or gain on bargain purchase

As part of the transaction, the Group identified non-controlling interests amounting to 0.2% of the total value of Euro Bank shares. Bank Millennium acquired 26,240 shares of the Bank, constituting 0.00216302% of its share capital, which were then offered as merging shares to authorized shareholders of Euro Bank other than the Bank. The average purchase price of one merger share was PLN 5.939842, and the total price, representing the total cost of purchasing the merger shares, was PLN 156.3 thousand.

The Group made a provisional settlement of the merger and calculation of goodwill in connection with the purchase of Euro Bank S.A. shares. In accordance with the requirements of IFRS 3, The Group will perform the final settlement of the acquisition within a maximum period of one year from the date of acquiring the control. During this time, the acquirer may adjust retrospectively the provisional fair values of assets and liabilities recognized as at the acquisition date to reflect any new information obtained in relation to facts and circumstances that existed as at the acquisition date and, if known, would affect the measurement of those assets and liabilities. Such adjustments refer to the recognized goodwill or gain on bargain purchase.

This provisional purchase price allocation has been prepared by the Bank's Management Board based on calculations resulting from the concluded Transaction Agreement. The final settlement in accordance with the terms of the Transaction Agreement will, however, be subject to final arrangements between Bank Millennium and SG Financial Services Holdings, disposing the shares of Euro Bank S.A.

Recognition and measurement of identifiable assets acquired liabilities assumed measured in accordance with IFRS

The following data regarding the fair value measurement of the acquired assets and assumed liabilities were based on the identification from the point of view of Bank Millennium and the adopted assumptions regarding the materiality threshold.

in PLN million	Euro Bank as at 31 May 2019	Fair value adjustments	Identifiable acquired assets and liabilities assumed measured at fair value
			In PLN million
Assets			
Cash and balances at Central Bank	241,6	0,0	241,6
Amounts due from banks	85,0	0,0	85,0
Loans and advances to customers	12 446,4	147,6	12 594,0
Financial assets held for trading/FVOCI/FVTPL	1 405,0	-3,1	1 401,9
Intangible assets	49,0	0,8	49,8
Fixed assets	127,2	-14,0	113,2
Deferred tax assets	169,0	-33,8	135,2
Other assets	42,0	30,2	72,2
Total assets	**14 565,2**	**127,7**	**14 692,9**
Liabilities and equity			
Amounts due to banks and financial institutions	4 086,5	0,0	4 086,5
Amounts due to customers	7 974,9	0,0	7 974,9
Debt securities	506,1	0,0	506,1
Provisions	1,3	0,0	1,3
Derivatives in hedge accounting	5,6	0,1	5,7
Other liabilities	340,6	23,9	373,6
Subordinated loan	100,1	0,0	100,1
Total liabilities	**13 015,1**	**24,0**	**13 048,2**
Net assets			**1 644,7**

Both the balance sheet amounts of Euro Bank S.A. as at 31 May 2019, as well as the amount of fair value adjustment of these items may change in the course of final Transaction settlement what may affect the value of goodwill recognized within the Transaction.
The adjustments to the fair value for temporary differences constituted the basis for the calculation of deferred tax.

Calculation of goodwill

As at the date of the present report, the Group did not complete the process of calculating goodwill as at 31 May 2019.

The purchase price allocation performed as at 31 May 2019 shall be considered as provisional and may be subject to changes if the Bank acquires new information as at 31 May 2019, which are not known at the date of preparation of the consolidated financial statements for I quarter 2020. In accordance with IFRS 3.45, the maximum period for making changes to the purchase price allocation expires after 12 months from the date of the acquisition, i.e. on 31 May 2020. Any changes will be made retrospectively (i.e. they will be recognized in other comprehensive income). The currently determined difference of the fair value of acquired assets and assumed liabilities at the acquisition date over the purchase price is recognized by the Group in accordance with the provisions of IFRS 3.32 as goodwill in intangible assets, which resulted in a significant increase in this item in the consolidated balance sheet.

In PLN thousand	Identifiable assets acquired and liabilities assumed measured at fair value
Price transferred in accordance with the Agreement	1 833 000
Preliminary price adjustment	(25 529)
Price after adjustment	1 807 471
Fair value of acquired net assets	1 644 714
Goodwill	162 757

As at the balance sheet date, no impairment allowances for goodwill were recognized in intangible assets.

The difference between the book value of the acquired assets and liabilities of Euro Bank S.A. and their fair value measurement will be subject to settlement through the profit or loss account - in the economic life of the individual components of the assets and liabilities acquired.

2. Introduction and Accounting Policy

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed consolidated interim financial statement do not include all of the information which is presented in full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the three months ending March 31, 2020.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2020 to 31 March 2020:

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

The Management Board approved these condensed consolidated interim financial statements on 8th May 2020.

3. Consolidated Financial Data (Group)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Net interest income		675 767	483 992
Interest income and other of similar nature	1	927 731	694 559
Income calculated using the effective interest method		895 187	663 790
Interest income from Financial assets at amortised cost		793 067	558 697
Interest income from Financial assets at fair value through other comprehensive income		102 120	105 093
Income of similar nature to interest from Financial assets at fair value through profit or loss		32 544	30 769
Interest expenses	2	(251 964)	(210 567)
Net fee and commission income		194 533	163 174
Fee and commission income	3	247 669	201 530
Fee and commission expenses	4	(53 136)	(38 356)
Dividend income		243	198
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	13 747	14 921
Results on financial assets and liabilities held for trading	6	9 734	18 075
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	(11 679)	4 053
Result on hedge accounting		(4 514)	(4 821)
Result on exchange differences		43 684	32 903
Other operating income		12 593	39 518
Other operating expenses		(25 060)	(16 106)
Administrative expenses	8	(464 566)	(351 056)
Impairment losses on financial assets	9	(121 565)	(63 094)
Provisions for COVID-19		(60 000)	0
Impairment losses on non-financial assets		(1 764)	(647)
Provisions for legal risk connected with FX mortgage loans		(55 325)	0
Result on modification		(1 949)	(3 666)
Depreciation		(53 340)	(33 412)
Share of the profit of investments in subsidiaries		0	0
Banking tax		(72 741)	(51 358)
Profit before income taxes		**77 798**	**232 674**
Corporate income tax	10	(59 669)	(72 708)
Profit after taxes		**18 129**	**159 966**
Attributable to:			
Owners of the parent		18 129	159 966
Non-controlling interests		0	0
Weighted average number of outstanding ordinary shares (pcs.)		1 213 116 777	1 213 116 777
Profit (loss) per ordinary share (in PLN)		0.01	0.13

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Profit after taxes	18 129	159 966
Other comprehensive income items that may be (or were) reclassified to profit or loss	68 982	(33 547)
Result on debt securities at fair value through other comprehensive income	48 793	(78 141)
Hedge accounting	20 189	44 594
Other comprehensive income items that will not be reclassified to profit or loss	(34)	16
Actuarial gains (losses)	0	0
Result on equity instruments at fair value through other comprehensive income	(34)	16
Total comprehensive income items before taxes	**68 948**	**(33 531)**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(13 107)	6 374
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	6	(3)
Total comprehensive income items after taxes	**55 848**	**(27 160)**

Total comprehensive income for the period	**73 977**	**132 806**
Attributable to:		
Owners of the parent	73 977	132 806
Non-controlling interests	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	31.03.2020	31.12.2019	31.03.2019
Cash, cash balances at central banks		2 477 540	2 203 444	1 736 975
Financial assets held for trading	11	795 572	986 728	871 558
Derivatives		189 809	112 485	98 095
Equity instruments		50	210	194
Debt securities		605 713	874 033	773 269
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers		169 610	169 610	73 778
Equity instruments		66 609	66 609	21 609
Debt securities		103 001	103 001	52 169
Financial assets at fair value through other comprehensive income	12	22 124 985	21 870 164	22 875 843
Equity instruments		29 631	29 643	29 315
Debt securities		22 095 354	21 840 521	22 846 528
Loans and advances to customers	13	72 045 583	69 754 938	53 939 776
Mandatorily at fair value through profit or loss		1 475 514	1 498 195	1 240 911
Valued at amortised cost		70 570 069	68 256 743	52 698 865
Financial assets at amortised cost other than Loans and advances to customers	14	2 179 225	1 037 869	1 256 877
Debt securities		48 355	48 153	45 039
Deposits, loans and advances to banks and other monetary institutions		2 018 927	784 277	414 429
Reverse sale and repurchase agreements		111 943	205 439	797 409
Derivatives – Hedge accounting	15	22 195	43 159	87 516
Investments in subsidiaries, joint ventures and associates		0	0	0
Tangible fixed assets		637 057	666 330	537 179
Intangible fixed assets		335 935	342 653	93 564
Income tax assets		554 727	541 828	387 722
Current income tax assets		10 801	10 310	27 551
Deferred income tax assets	17	543 925	531 518	360 171
Other assets		546 794	399 778	418 421
Non-current assets and disposal groups classified as held for sale		41 583	39 441	27 584
Total assets		**101 930 807**	**98 055 942**	**82 306 793**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	31.03.2020	31.12.2019	31.03.2019
LIABILITIES				
Financial liabilities held for trading	11	312 949	353 000	214 804
Derivatives		247 274	150 735	100 622
Liabilities from short sale of securities		65 675	202 265	114 182
Financial liabilities measured at amortised cost		88 802 162	85 853 762	71 038 795
Liabilities to banks and other monetary institutions	18	1 516 541	1 578 848	1 868 210
Liabilities to customers	19	83 583 600	81 454 765	66 672 620
Sale and repurchase agreements	20	1 056 303	90 712	55 759
Debt securities issued	21	1 101 040	1 183 232	897 591
Subordinated debt	22	1 544 678	1 546 205	1 544 615
Derivatives – Hedge accounting	15	1 277 724	426 847	367 337
Provisions	23	272 166	304 726	104 881
Pending legal issues		156 261	251 333	56 255
Commitments and guarantees given		55 905	53 393	48 626
Provisions for COVID-19		60 000	0	0
Income tax liabilities		20 095	38 590	33 316
Current income tax liabilities		20 095	38 590	33 316
Deferred income tax liabilities	17	0	0	0
Other liabilities		2 230 216	2 137 498	2 030 468
Total Liabilities		**92 915 311**	**89 114 423**	**73 789 601**
EQUITY				
Share capital		1 213 117	1 213 117	1 213 117
Share premium		1 147 502	1 147 502	1 147 502
Accumulated other comprehensive income		125 941	70 093	46 532
Retained earnings		6 528 936	6 510 807	6 110 041
Total equity		9 015 496	8 941 519	8 517 192
Total equity and total liabilities		**101 930 807**	**98 055 942**	**82 306 793**

Book value of net assets	9 015 496	8 941 519	8 517 192
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	7.43	7.37	7.02

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	
					Unappropriated result	Other reserves
01.01.2020 - 31.03.2020						
Equity at the beginning of the period	**8 941 519**	**1 213 117**	**1 147 502**	**70 093**	**692 065**	**5 818 742**
Total comprehensive income for period (net)	73 977	0	0	55 848	(540 495)	558 624
net profit/ (loss) of the period	18 129	0	0	0	18 129	0
valuation of debt securities at fair value through other comprehensive income	39 523	0	0	39 523	0	0
valuation of shares at fair value through other comprehensive income	(28)	0	0	(28)	0	0
hedge accounting	16 353	0	0	16 353	0	0
Transfer between items of reserves	0	0	0	0	(558 624)	558 624
Equity at the end of the period	**9 015 496**	**1 213 117**	**1 147 502**	**125 941**	**151 570**	**6 377 366**
01.01.2019 - 31.12.2019						
Equity at the beginning of the period	**8 384 386**	**1 213 117**	**1 147 502**	**73 692**	**671 323**	**5 278 752**
Total comprehensive income for period (net)	557 133	0	0	(3 599)	20 742	539 990
net profit/ (loss) of the period	560 732	0	0	0	560 732	0
valuation of debt securities at fair value through other comprehensive income	(35 303)	0	0	(35 303)	0	0
valuation of shares at fair value through other comprehensive income	154	0	0	154	0	0
hedge accounting	32 145	0	0	32 145	0	0
actuarial gains (losses)	(595)	0	0	(595)	0	0
Transfer between items of reserves	0	0	0	0	(539 990)	539 990
Equity at the end of the period	**8 941 519**	**1 213 117**	**1 147 502**	**70 093**	**692 065**	**5 818 742**

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	
					Unappropriated result	Other reserves
01.01.2019 - 31.03.2019						
Equity at the beginning of the period	**8 384 386**	**1 213 117**	**1 147 502**	**73 692**	**671 323**	**5 278 752**
Total comprehensive income for the period (net)	132 806	0	0	(27 160)	159 966	0
net profit/ (loss) of the period	159 966	0	0	0	159 966	0
valuation of debt securities at fair value through other comprehensive income	(63 294)	0	0	(63 294)	0	0
valuation of shares at fair value through other comprehensive income	13	0	0	13	0	0
hedge accounting	36 121	0	0	36 121	0	0
Transfer between items of reserves	0	0	0	0	(539 990)	539 990
Equity at the end of the period	**8 517 192**	**1 213 117**	**1 147 502**	**46 532**	**291 299**	**5 818 742**

CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Profit (loss) after taxes	18 129	159 966
Total adjustments:	831 024	(1 196 047)
Interest received	894 112	578 395
Interest paid	(228 844)	(186 455)
Depreciation and amortization	53 340	33 412
Foreign exchange (gains)/ losses	54 991	3 548
Dividends	(243)	(198)
Changes in provisions	(32 560)	(7 571)
Result on sale and liquidation of investing activity assets	(12 645)	(12 454)
Change in financial assets held for trading	140 288	(16 217)
Change in loans and advances to banks	(944 937)	(31 574)
Change in loans and advances to customers	(3 025 982)	(1 737 326)
Change in receivables from securities bought with sell-back clause (loans and advances)	87 571	(548 669)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	810 826	(26 303)
Change in deposits from banks	(103 137)	82 753
Change in deposits from customers	2 344 512	607 904
Change in liabilities from securities sold with buy-back clause	971 893	7 914
Change in debt securities	(79 773)	90 295
Change in income tax settlements	50 559	45 077
Income tax paid	(93 442)	(80 113)
Change in other assets and liabilities	(71 271)	(10 992)
Other	15 767	12 527
Net cash flows from operating activities	**849 154**	**(1 036 081)**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Inflows:	1 645	19 844
Proceeds from sale of property, plant and equipment and intangible assets	1 402	19 646
Proceeds from sale of shares in related entities	0	0
Proceeds from sale of investment financial assets	0	0
Other	243	198
Outflows:	(665 372)	(171 543)
Acquisition of property, plant and equipment and intangible assets	(4 674)	(9 131)
Acquisition of shares in related entities	0	0
Acquisition of investment financial assets	(660 698)	(162 412)
Other	0	0
Net cash flows from investing activities	**(663 727)**	**(151 699)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Inflows from financing activities:	0	830 000
Long-term bank loans	0	0
Issue of debt securities	0	0
Increase in subordinated debt	0	830 000
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(26 829)	(4 408)
Repayment of long-term bank loans	(5 000)	0
Redemption of debt securities	0	(122)
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other outflows from financing activities	(21 829)	(4 286)
Net cash flows from financing activities	**(26 829)**	**825 592**

D. Net cash flows. Total (A + B + C)	**158 598**	**(362 188)**
- including change resulting from FX differences	10 178	1 236
E. Cash and cash equivalents at the beginning of the reporting period	**3 752 789**	**4 520 688**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**3 911 387**	**4 158 500**

4. Notes to Consolidated Financial Data

1) Interest income and other of similar nature

	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Interest income from Financial assets at fair value through other comprehensive income	102 120	105 093
Debt securities	102 120	105 093
Interest income from Financial assets at amortised cost	793 067	558 697
Balances with the Central Bank	3 637	2 860
Loans and advances to customers	718 199	488 624
Debt securities	371	344
Deposits, loans and advances to banks	522	460
Transactions with repurchase agreements	5 925	1 544
Hedging derivatives	64 413	64 865
Income of similar nature to interest, including:	32 544	30 769
Loans and advances to customers mandatorily at fair value through profit or loss	30 128	26 000
Financial assets held for trading - debt securities	2 416	4 769
Total	**927 731**	**694 559**

In the line „Hedging derivatives" the Group presents net interest income from derivatives set as and being effective cash flow and fair value hedges. A detailed description of the hedging relations used by the Group is presented in note (23).

Interest income for the I quarter 2020 contains interest accrued on impaired loans in the amount of PLN 24,539 thous. (for corresponding data in the year 2019 the amount of such interest stood at PLN 14,668 thous.).

2) Interest expenses and other of similar nature

	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Financial liabilities measured at amortised cost	(251 958)	(210 527)
Liabilities to banks and other monetary institutions	(6 333)	(6 709)
Liabilities to customers	(215 765)	(182 830)
Transactions with repurchase agreement	(6 302)	(2 479)
Debt securities issued	(6 045)	(4 125)
Subordinated debt	(15 586)	(12 733)
Liabilities due to leasing agreements	(1 927)	(1 651)
Other	(6)	(40)
Total	**(251 964)**	**(210 567)**

3) Fee and commission income

	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Resulting from accounts service	19 727	19 134
Resulting from money transfers, cash payments and withdrawals and other payment transactions	16 309	17 295
Resulting from loans granted	49 401	44 454
Resulting from guarantees and sureties granted	3 773	3 569
Resulting from payment and credit cards	55 560	45 520
Resulting from sale of insurance products	57 167	26 699
Resulting from distribution of investment funds units and other savings products	14 432	14 894
Resulting from brokerage and custody service	4 431	3 576
Resulting from investment funds managed by the Group	17 565	18 341
Other	9 304	8 048
Total	247 669	201 530

4) Fee and commission expense

	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Resulting from accounts service	(757)	(418)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(884)	(882)
Resulting from loans granted	(13 609)	(8 190)
Resulting from payment and credit cards	(27 601)	(21 486)
Resulting from brokerage and custody service	(794)	(627)
Resulting from investment funds managed by the Group	(3 068)	(2 225)
Other	(6 423)	(4 528)
Total	(53 136)	(38 356)

5) Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss

	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Operations on debt instruments	14 150	15 471
Costs of financial operations	(403)	(550)
Total	13 747	14 921

6) Results on financial assets and liabilities held for trading

	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Result on debt instruments	(3 333)	(1 110)
Result on derivatives	13 054	19 065
Result on other financial operations	13	120
Total	9 734	18 075

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

	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Loans and advances to customers	(11 679)	(4 929)
Result on equity instruments	0	0
Result on debt instruments	0	8 982
Total	(11 679)	4 053

8) ADMINISTRATIVE EXPENSES

	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Staff costs:	(243 752)	(172 555)
Salaries	(204 672)	(140 596)
Surcharges on pay	(34 347)	(25 545)
Employee benefits, including:	(4 733)	(6 414)
- provisions for retirement benefits	(1 172)	(1 051)
- provisions for unused employee holiday	(8)	(50)
- other	(3 553)	(5 313)
Other administrative expenses:	(220 814)	(178 501)
Costs of advertising, promotion and representation	(14 101)	(6 795)
IT and communications costs	(34 854)	(24 258)
Costs of renting	(21 081)	(18 386)
Costs of buildings maintenance, equipment and materials	(13 846)	(8 627)
ATM and cash maintenance costs	(7 541)	(4 957)
Costs of consultancy, audit and legal advisory and translation	(5 583)	(5 719)
Taxes and fees	(8 615)	(6 111)
KIR - clearing charges	(1 970)	(1 377)
PFRON costs	(2 158)	(1 401)
Banking Guarantee Fund costs	(85 075)	(84 022)
Financial Supervision costs	(2 501)	(1 621)
Other	(23 489)	(15 227)
Total	**(464 566)**	**(351 056)**

9) IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Impairment losses on loans and advances to customers	(119 476)	(66 223)
Impairment charges on loans and advances to customers	(499 151)	(235 089)
Reversal of impairment charges on loans and advances to customers	365 347	164 186
Amounts recovered from loans written off	14 304	5 216
Sale of receivables	0	0
Other directly recognised in profit and loss	24	(536)
Impairment losses on securities	0	0
Impairment charges on securities	0	0
Reversal of impairment charges on securities	0	0
Impairment losses on off-balance sheet liabilities	(2 089)	3 129
Impairment charges on off-balance sheet liabilities	(31 841)	(13 222)
Reversal of impairment charges on off-balance sheet liabilities	29 752	16 351
Total	**(121 565)**	**(63 094)**

10) CORPORATE INCOME TAX

10A. INCOME TAX REPORTED IN INCOME STATEMENT

	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Current tax	(83 017)	(80 066)
Current year	(83 017)	(80 066)
Adjustment to previous years	0	0
Deferred tax:	23 348	7 358
Recognition and reversal of temporary differences	23 429	7 944
Recognition / (Utilisation) of tax loss	(81)	(586)
Total income tax reported in income statement	**(59 669)**	**(72 708)**

10B. EFFECTIVE TAX RATE

	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Profit before tax	77 798	232 674
Statutory tax rate	19%	19%
Income tax according to obligatory income tax rate of 19%	(14 782)	(44 208)
Impact of permanent differences on tax charges:	**(44 887)**	**(28 500)**
- Non-taxable income	74	5 591
Dividend income	0	(17)
Release of other provisions	40	5 608
Other	34	0
- Cost which is not a tax cost	(44 961)	(34 091)
Write-down of unrealized deferred tax assets	0	(3 585)
Loss on sale of receivables	0	0
PFRON fee	(410)	(264)
Fees for Banking Guarantee Fund	(15 719)	(15 964)
Banking tax	(13 821)	(9 758)
Income/cost of provisions for factoring and leasing receivables	(1 202)	(3 951)
Receivables written off	(516)	(152)
Costs of litigations and claims	(11 468)	679
Depreciation and insurance costs of cars (in excess of PLN 150,000)	(425)	(528)
Other	(1 400)	(568)
Deduction of the tax paid abroad	0	0
Adjustment resulted from Article 38a of CIT	0	0
Total income tax reported in income statement	**(59 669)**	**(72 708)**
Effective tax rate	76.70%	31.25%

10c. Deferred tax reported in equity

	31.03.2020	31.12.2019	31.03.2019
Valuation of securities at fair value through other comprehensive income	(31 822)	(22 559)	(15 958)
Valuation of cash flow hedging instruments	1 652	5 487	4 555
Actuarial gains (losses)	628	628	489
Deferred tax reported directly in equity	(29 542)	(16 444)	(10 914)

On December 31, 2019, the Bank Millennium Tax Group (PGK) ended its legal existence. The parties of PGK (Bank Millennium S.A., Millennium Service Sp.z o.o. and Millennium Goodie Sp.z o.o.) did not extend the contract for the following years. This means that for 2020, each company accounts for corporate income tax individually.

Withholding tax audit for years 2015-16

On 12 February 2019 the Head of Western Pomeranian Customs & Tax Office (Zachodniopomorski Urząd Celno-Skarbowy w Szczecinie, ZUCS) commenced tax audits regarding the correctness of withholding tax (WHT) settlements for years 2015 and 2016. On 17 December 2019 the Bank received audit results as of 13 December 2019, in which ZUCS questioned WHT-exemption on coupon interest from bonds paid to MB Finance AB with the seat in Sweden constituting a collateral to 10Y subordinated bonds with a par value of EUR 150 mio. issued by this company in December 2007 (fully amortized in December 2017). WHT arrear for these years is ca. PLN 6.7 mio. Bank does not agree with these findings, did not correct its WHT settlements for years 2015-16 and tax audits transformed by the virtue of law into tax proceedings, in which ZUCS will issue its final decision. The Bank received legal expertise of 29 January 2020 from professors from the Department of Public Finance Law of the Faculty of Law and Administration of the Nicolaus Copernicus University in Toruń, in the light of which the position of ZUCS expressed in the audit results was found to be inconsistent with tax law.

11) Financial assets held for trading

11a. Financial assets held for trading

	31.03.2020	31.12.2019	31.03.2019
Debt securities	**605 713**	**874 033**	**773 269**
Issued by State Treasury	605 713	874 033	773 269
a) bills	0	0	0
b) bonds	605 713	874 033	773 269
Other securities	0	0	0
a) quoted	0	0	0
b) non quoted	0	0	0
Equity instruments	**50**	**210**	**194**
Quoted on the active market	50	210	194
a) financial institutions	0	0	26
b) non-financial institutions	50	210	168
Adjustment from fair value hedge	0	803	3 433
Positive valuation of derivatives	189 809	111 682	94 662
Total	**795 572**	**986 728**	**871 558**

11b. Financial assets and liabilities held for trading - Valuation of derivatives, Adjustment from fair value hedge and Short positions as at:

	Fair Values 31.03.2020		
	Total	Assets	Liabilities
1. Interest rate derivatives	(5 893)	38 108	44 001
Forward Rate Agreements (FRA)	0	0	0
Interest rate swaps (IRS)	(5 875)	38 033	43 908
Other interest rate contracts: options	(18)	75	93
2. FX derivatives*	(55 507)	95 479	150 986
FX contracts	13 454	33 899	20 445
FX swaps	(62 504)	55 765	118 269
Other FX contracts (CIRS)	(6 457)	5 815	12 272
FX options	0	0	0
3. Embedded instruments	(45 120)	4 583	49 703
Options embedded in deposits	(43 724)	0	43 724
Options embedded in securities issued	(1 396)	4 583	5 979
4. Indexes options	49 055	51 639	2 584
Total	**(57 465)**	**189 809**	**247 274**
Valuation of hedged position in fair value hedge accounting	-	0	0
Liabilities from short sale of debt securities	-	-	65 675

**Notional value for double-currency derivatives constitutes the sum of both transactions expressed in PLN*

	Fair Values 31.12.2019			Fair Values 31.03.2019		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	9 642	28 109	18 467	5 387	30 129	24 742
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	9 639	28 028	18 389	4 041	28 783	24 742
Other interest rate contracts: options	3	81	78	1 346	1 346	0
2. FX derivatives*	(48 269)	18 036	66 305	(8 696)	22 483	31 179
FX contracts	(15 946)	3 128	19 074	(8 520)	1 831	10 351
FX swaps	(28 682)	14 241	42 923	5 330	19 392	14 062
Other FX contracts (CIRS)	(3 641)	667	4 308	(5 506)	1 260	6 766
FX options	0	0	0	0	0	0
3. Embedded instruments	(60 944)	1 284	62 228	(39 945)	7	39 952
Options embedded in deposits	(55 654)	0	55 654	(32 722)	0	32 722
Options embedded in securities issued	(5 290)	1 284	6 574	(7 223)	7	7 230
4. Indexes options	61 294	64 253	2 959	40 612	42 043	1 431
Total	**(38 277)**	**111 682**	**149 959**	**(2 642)**	**94 662**	**97 304**
Valuation of hedged position in fair value hedge accounting	-	803	776	-	3 433	3 318
Liabilities from short sale of debt securities	-	-	202 265	-	-	114 182

**Notional value for double-currency derivatives constitutes the sum of both transactions expressed in PLN*

12) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.03.2020	31.12.2019	31.03.2019
Debt securities	**22 095 354**	**21 840 521**	**22 846 528**
Issued by State Treasury	21 315 376	20 664 511	22 364 004
a) bills	0	0	0
b) bonds	21 315 376	20 664 511	22 364 004
Issued by Central Bank	599 967	999 916	399 942
a) bills	599 967	999 916	399 942
b) bonds	0	0	0
Other securities	180 011	176 094	82 582
a) listed	180 011	176 094	82 582
b) not listed	0	0	0
Shares and interests in other entities	29 631	29 643	29 315
Other financial instruments	0	0	0
Total financial assets at fair value through other comprehensive income	**22 124 985**	**21 870 164**	**22 875 843**

13) LOANS AND ADVANCES TO CUSTOMERS

13A. LOANS AND ADVANCES TO CUSTOMERS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

Balance sheet value:	31.03.2020	31.12.2019	31.03.2019
Mandatorily at fair value through profit or loss *	1 475 514	1 498 195	1 240 911
Companies	15 653	18 435	19 396
Individuals	1 459 789	1 479 645	1 221 378
Public sector	72	115	137
* The above data includes the fair value adjustment, in the amount of:	(97 070)	(84 519)	(69 005)

The Group has separated credit exposures which include, in the interest rate definition, leverage/multiplier feature and presented aforementioned exposures in these financial statements as "Non-trading financial assets mandatorily at fair value through profit or loss - Credits and advances". The provisions of IFRS 9 indicate that the multiplier feature modifies money over time and causes the need to apply fair value measurement, however the economic sense of the transaction, i.e. portfolio management not based on fair value and maintaining the portfolio to obtain cash flows from the contract, constitute characteristics of portfolios valued at amortized cost.

The Bank writes down the gross carrying amount of a financial asset when there is no reasonable probability that it will be fully (total writes off) or partially (partial writes off) recovered. Following the recorded partial writes off the Bank transferred to off-balance sheet evidence (deducting the carrying value of gross receivables) penalty interest amounting to PLN 544 million as at 31.03.2020.

13B. LOANS AND ADVANCES TO CUSTOMERS VALUED AT AMORTISED COST

	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Valued at amortised cost, as at 31.03.2020	66 063 173	3 147 017	3 435 785	(290 518)	(182 564)	(1 602 824)	70 570 069
Companies	17 016 034	1 390 902	884 845	(135 341)	(34 405)	(437 314)	18 684 721
Individuals	48 702 086	1 756 057	2 544 911	(153 980)	(148 159)	(1 165 174)	51 535 741
Public sector	345 053	58	6 029	(1 197)	0	(336)	349 607
Valued at amortised cost, as at 31.12.2019	63 797 231	3 218 496	3 202 634	(273 822)	(187 580)	(1 500 216)	68 256 743
Companies	16 729 597	1 420 459	858 535	(134 939)	(34 301)	(432 961)	18 406 390
Individuals	46 875 151	1 798 024	2 344 099	(138 457)	(153 279)	(1 067 255)	49 658 283
Public sector	192 483	13	0	(426)	0	0	192 070
Valued at amortised cost, as at 31.03.2019	48 868 837	3 149 164	2 411 452	(239 888)	(178 696)	(1 312 004)	52 698 865
Companies	15 930 710	1 601 326	836 417	(163 812)	(61 860)	(462 178)	17 680 603
Individuals	32 699 729	1 547 707	1 575 035	(75 797)	(116 832)	(849 826)	34 780 016
Public sector	238 398	131	0	(279)	(4)	0	238 246

13C. LOANS AND ADVANCES TO CUSTOMERS

	31.03.2020	
	Valued at amortised cost	Mandatorily at fair value through profit or loss *
Loans and advances	65 181 723	666 703
▪ to companies	12 480 708	
▪ to private individuals	52 550 494	666 703
▪ to public sector	150 521	
Receivables on account of payment cards	92 038	808 811
▪ due from companies	69	15 725
▪ due from private individuals	91 969	793 086
Purchased receivables	175 287	
▪ from companies	175 287	
▪ from public sector	0	
Guarantees and sureties realised	2 560	
Debt securities eligible for rediscount at Central Bank	3 181	
Financial leasing receivables	6 794 394	
Other	4 039	
Interest	392 753	
Total:	**72 645 975**	**1 475 514**
Impairment allowances	(2 075 906)	-
Total balance sheet value:	**70 570 069**	**1 475 514**
* The above data includes the fair value adjustment in the amount of	-	(97 070)

In the first quarter of 2020, the Group allocated part of the provisions created for legal risk connected with FX mortgage loans (more information on the creation of the provisions is presented in **Chapter 9.1** Lawsuits) to the loan portfolio. In case of contracts for which the Group expects reduction of contractual cash flows, the gross carrying value of mortgage loans has been adjusted by PLN 163 million in order to reflect the estimated modified cash flows resulting from the aforementioned contracts.

	31.12.2019		31.03.2019	
	Valued at amortised cost	Mandatorily at fair value through profit or loss *	Valued at amortised cost	Mandatorily at fair value through profit or loss *
Loans and advances	62 678 603	640 622	47 305 413	482 888
▪ to companies	11 959 879		11 473 519	
▪ to private individuals	50 572 229	640 622	35 595 388	482 888
▪ to public sector	146 495		236 506	
Receivables on account of payment cards	98 810	857 573	2 220	758 024
▪ due from companies	124	18 550	65	19 533
▪ due from private individuals	98 686	839 023	2 155	738 490
Purchased receivables	229 982		250 647	
▪ from companies	224 809		250 647	
▪ from public sector	5 173		0	
Guarantees and sureties realised	1 368		10 504	
Debt securities eligible for rediscount at Central Bank	3 595		3 552	
Financial leasing receivables	6 826 605		6 597 413	
Other	2 180		1 303	
Interest	377 218		258 401	
Total:	**70 218 361**	**1 498 195**	**54 429 453**	**1 240 911**
Impairment allowances	(1 961 618)	-	(1 730 588)	-
Total balance sheet value:	**68 256 743**	**1 498 195**	**52 698 865**	**1 240 911**
* The above data includes the fair value adjustment in the amount of	-	(84 519)	-	(69 005)

13D. Quality of loans and advances to customers portfolio valued at amortised cost

	31.03.2020	31.12.2019	31.03.2019
Loans and advances to customers (gross)	72 645 975	70 218 361	54 429 453
impaired	3 435 785	3 202 634	2 411 452
not impaired	69 210 190	67 015 727	52 018 001
Impairment write-offs	(2 075 906)	(1 961 618)	(1 730 588)
for impaired exposures	(1 602 824)	(1 500 216)	(1 312 004)
for not impaired exposures	(473 082)	(461 402)	(418 584)
Loans and advances to customers (net)	**70 570 069**	**68 256 743**	**52 698 865**

13E. Loans and advances to customers portfolio valued at amortised cost by methodology of impairment assessment

	31.03.2020	31.12.2019	31.03.2019
Loans and advances to customers (gross)	72 645 975	70 218 361	54 429 453
case by case analysis	873 253	832 630	799 625
collective analysis	71 772 722	69 385 731	53 629 828
Impairment allowances	(2 075 906)	(1 961 618)	(1 730 588)
on the basis of case by case analysis	(352 566)	(348 300)	(397 314)
on the basis of collective analysis	(1 723 340)	(1 613 318)	(1 333 274)
Loans and advances to customers (net)	**70 570 069**	**68 256 743**	**52 698 865**

13F. Loans and advances to customers portfolio valued at amortised cost by kind of customers

	31.03.2020	31.12.2019	31.03.2019
Loans and advances to customers (gross)	72 645 975	70 218 361	54 429 453
corporate customers	19 642 921	19 201 087	18 606 982
individuals	53 003 054	51 017 274	35 822 471
Impairment allowances	(2 075 906)	(1 961 618)	(1 730 588)
for receivables from corporate customers	(608 593)	(602 627)	(688 133)
for receivables from private individuals	(1 467 313)	(1 358 991)	(1 042 455)
Loans and advances to customers (net)	**70 570 069**	**68 256 743**	**52 698 865**

13G. Movements in impairment allowances for loans and advances to customers carried at amortised cost

	01.01.2020 - 31.03.2020	01.01.2019 - 31.12.2019	01.01.2019 - 31.03.2019
Balance at the beginning of the period	1 961 618	1 758 867	1 758 867
Change in value of allowances:	114 288	202 751	(28 279)
Impairment allowances created in the period	499 151	1 194 987	235 089
Amounts written off	(52 968)	(302 480)	(106 899)
Impairment allowances released in the period	(365 347)	(754 495)	(164 185)
Sale of receivables	0	0	0
KOIM created in the period*	9 375	45 900	5 520
Changes resulting from FX rates differences	21 447	5 179	1 900
Other	2 630	13 661	296
Balance at the end of the period	**2 075 906**	**1 961 618**	**1 730 588**

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

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

The value of POCI assets is as follows:

	Gross balance sheet value	Accumulated impairment	Net balance sheet value
31.03.2020			
- Companies	101	(23)	78
- Individuals	501 536	(45 914)	455 622
- Public sector	0	0	0
31.12.2019			
- Companies	101	(23)	78
- Individuals	523 989	(45 236)	478 753
- Public sector	0	0	0
31.03.2019			
- Companies	101	(23)	78
- Individuals	11 970	3 307	15 277
- Public sector	0	0	0

13H. Loans and advances to customers portfolio valued at amortised cost by currency

	31.03.2020	31.12.2019	31.03.2019
in Polish currency	52 692 601	51 524 094	36 056 596
in foreign currencies (after conversion to PLN)	19 953 374	18 694 267	18 372 857
currency: USD	240 542	106 179	228 084
currency: EUR	3 971 202	3 816 004	3 764 026
currency: CHF	15 733 235	14 763 316	14 366 367
other currencies	8 395	8 768	14 380
Total gross	**72 645 975**	**70 218 361**	**54 429 453**

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

14A. Financial assets at amortised cost other than Loans and advances to customers

31.03.2020	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	48 409	0	0	(54)	0	0	48 355
Deposits, loans and advances to banks and other monetary institutions	2 018 927	0	0	0	0	0	2 018 927
Repurchase agreements	111 943	0	0	0	0	0	111 943

31.12.2019	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	48 207	0	0	(54)	0	0	48 153
Deposits, loans and advances to banks and other monetary institutions	784 277	0	0	0	0	0	784 277
Repurchase agreements	205 439	0	0	0	0	0	205 439

31.03.2019	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	45 059	0	0	(20)	0	0	45 039
Deposits, loans and advances to banks and other monetary institutions	414 445	0	0	(16)	0	0	414 429
Repurchase agreements	797 409	0	0	0	0	0	797 409

14B. DEBT SECURITIES

	31.03.2020	31.12.2019	31.03.2019
credit institutions	0	0	0
other companies	0	0	0
public sector	48 355	48 153	45 059
Total	48 355	48 153	45 059

14C. DEPOSITS, LOANS AND ADVANCES TO BANKS AND OTHER MONETARY INSTITUTIONS

	31.03.2020	31.12.2019	31.03.2019
Current accounts	289 856	213 459	112 754
Deposits	1 728 445	570 036	300 371
Interest	626	782	1 320
Total (gross) deposits, loans and advances	2 018 927	784 277	414 445
Impairment allowances	0	0	(16)
Total (net) deposits, loans and advances	**2 018 927**	**784 277**	**414 429**

14D. REPURCHASE AGREEMENTS

	31.03.2020	31.12.2019	31.03.2019
credit institutions	88 326	90 707	93 305
other customers	23 614	114 718	704 103
interest	3	14	0
Total	111 943	205 439	797 409

15) DERIVATIVES – HEDGE ACCOUNTING

15A. HEDGE RELATIONS

Detailed information on cash flow hedge relations applied by the Group, items designated as hedged and hedging and presentation of the result (as at 31.03.2020) is shown in a table below:

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

	Hedge of the volatility of cash flows generated by the portfolio of issued PLN liabilities	Cash flow volatility hedge due to future income and interest costs denominated in foreign currencies
Description of hedge transactions	The Group hedges the risk of fluctuations in cash flows generated by issued PLN liabilities. The volatility of cash flows results from interest rate risk.	The Group hedges the risk of the volatility of cash flows generated by income and interest costs denominated in foreign currencies. The volatility of cash flows results from the currency risk.
Hedged items	Cash flow resulting from the portfolio of issued zloty liabilities.	Cash flows resulting from income and interest costs denominated in foreign currencies.
Hedging instruments	IRS transactions	FX position resulting from recognized future leasing liabilities.
Presentation of the result on the hedged and hedging transactions	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; interest on both the hedged and the hedging instruments are recognised in net interest income. Ineffective part of the valuation of hedging instruments is recognized in the income statement as a result on instruments measured at fair value through profit and loss.	The effective part of the spot revaluation of hedging instruments is recognized in the revaluation reserve. The ineffective part of the valuation of the hedging item is recognized in the income statement as a result on instruments measured at fair value through profit and loss.

	Hedge of the volatility of cash flows generated by the portfolio of floating-rate foreign currency mortgage loans	Fair value hedge of a fixed interest rate debt instrument
Description of hedge transactions	The Group hedges the currency risk and interest rate risk of cash flows for a portion of the period - over the time horizon of hedging transactions - from floating-rate loans in a foreign currency by converting interest rate flows in foreign currency into zloty flows.	The Group hedges part of the interest rate risk associated with the change in the fair value of a fixed-rate debt instrument recorded in other comprehensive income, resulting from fluctuations in market interest rate.
Hedged items	Cash flow resulting from the portfolio foreign currency mortgage loans	A portfolio of fixed coupon debt securities classified as financial assets measured at fair value through other comprehensive income denominated in PLN.
Hedging instruments	FX Swap transactions	IRS transactions
Presentation of the result on the hedged and hedging transactions	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; interest on hedging instruments (swap points settled) are recognised in the interest margin. Ineffective part of the valuation of hedging instruments is recognized in the income statement as a result on instruments measured at fair value through profit and loss.	The result on the change in the fair value measurement of hedged items in the hedged risk is referred to the result on hedge accounting. The remaining part of the change in fair value measurement is recognized in other comprehensive income. Interest on debt securities is recognized in net interest income. The change in fair value measurement of derivative instruments being a hedge is presented in the result on hedge accounting, and interest on these instruments is recognized in the interest result.

15B. HEDGE ACCOUNTING - BALANCE SHEET VALUATION

	Fair values 31.03.2020		
	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate			
CIRS contracts	(1 189 792)	0	1 189 792
IRS contracts	0	0	0
FXS contracts	(46 739)	22 195	68 934
2. Derivatives used as interest rate hedges related to interest rates			
IRS contracts	(18 998)	0	18 998
3. Total hedging derivatives	(1 255 529)	22 195	1 277 724

	Fair values 31.12.2019			Fair values 31.03.2019		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(380 312)	37 641	417 953	(285 068)	82 269	367 337
IRS contracts	4 732	4 732	0	5 247	5 247	0
FXS contracts	56	786	730	0	0	0
2. Derivatives used as interest rate hedges related to interest rates						
IRS contracts	(8 164)	0	8 164	0	0	0
3. Total hedging derivatives	(383 688)	43 159	426 847	(279 821)	87 516	367 337

16) Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Property. plant and equipment	Intangibles	Non-current assets held for sale	Other assets
As at 01.01.2020	5 024	8 754	3 988	136	8 126
- Write-offs created	0	0	0	0	10 176
- Write-offs released	0	0	0	0	(8 412)
- Utilisation	0	0	0	0	(59)
- Other	0	0	0	0	0
As at 31.03.2020	5 024	8 754	3 988	136	9 831
As at 01.01.2019	5 024	8 754	3 988	136	8 126
- Write-offs created	34	121	0	0	24 194
- Write-offs released	0	0	0	0	(22 998)
- Utilisation	0	0	0	0	(3 844)
- Other	0	0	0	0	7 334
As at 31.12.2019	5 058	8 875	3 988	136	12 812
As at 01.01.2019	5 024	8 754	3 988	136	8 126
- Write-offs created	0	0	0	0	3 431
- Write-offs released	0	0	0	0	(2 783)
- Utilisation	0	0	0	0	(25)
- Other	0	0	0	0	(1 783)
As at 31.03.2019	5 024	8 754	3 988	136	6 966

17) DEFERRED INCOME TAX ASSETS AND LIABILITY

	31.03.2020		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	75 354	(26 371)	48 983
Balance sheet valuation of financial instruments	261 022	(259 613)	1 409
Unrealised receivables/ liabilities on account of derivatives	12 927	(16 051)	(3 124)
Interest on deposits and securities to be paid/ received	33 777	(56 038)	(22 261)
Interest and discount on loans and receivables	1	(76 799)	(76 798)
Income and cost settled at effective interest rate	171 661	(1 080)	170 581
Impairment of loans presented as temporary differences	394 401	0	394 401
Employee benefits	22 987	0	22 987
Rights to use	7 530	0	7 530
Provisions for future costs	21 735	0	21 735
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	2 449	(31 991)	(29 542)
Tax loss deductible in the future	9 262	0	9 262
Other	2 967	(4 205)	(1 238)
Net deferred income tax asset	1 016 073	(472 148)	543 925

	31.12.2019			31.03.2019		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	77 167	(3 807)	73 360	95 164	(5 350)	89 814
Balance sheet valuation of financial instruments	83 451	(106 714)	(23 263)	92 778	(112 379)	(19 601)
Unrealised receivables/ liabilities on account of derivatives	13 753	(20 117)	(6 364)	8 194	(14 973)	(6 779)
Interest on deposits and securities to be paid/ received	34 958	(60 770)	(25 812)	26 343	(38 595)	(12 252)
Interest and discount on loans and receivables	2	(74 142)	(74 140)	2	(51 776)	(51 774)
Income and cost settled at effective interest rate	180 305	(1 251)	179 054	94 748	(1 221)	93 527
Impairment of loans presented as temporary differences	363 612	0	363 612	240 686	0	240 686
Employee benefits	21 366	0	21 366	15 593	0	15 593
Rights to use	6 347	(33)	6 314	9 144	(2 774)	6 370
Provisions for future costs	22 361	0	22 361	15 842	0	15 842
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	6 121	(22 565)	(16 444)	5 057	(15 971)	(10 914)
Tax loss deductible in the future	9 343	0	9 343	734	0	734
Other	3 519	(1 388)	2 131	3 686	(4 761)	(1 075)
Net deferred income tax asset	822 305	(290 787)	531 518	607 971	(247 800)	360 171

18) LIABILITIES TO BANKS AND OTHER MONETARY INSTITUTIONS

	31.03.2020	31.12.2019	31.03.2019
In current account	36 149	91 893	108 123
Term deposits	262 290	320 346	531 688
Loans and advances received	1 214 447	1 162 366	1 224 787
Interest	3 655	4 243	3 612
Total	1 516 541	1 578 848	1 868 210

19) LIABILITIES TO CUSTOMERS

	31.03.2020	31.12.2019	31.03.2019
Amounts due to private individuals	63 328 296	61 091 901	47 827 065
Balances on current accounts	46 610 922	43 720 046	32 551 082
Term deposits	16 461 371	17 138 725	15 044 284
Other	147 482	125 991	161 087
Accrued interest	108 521	107 139	70 612
Amounts due to companies	17 942 285	18 250 129	15 646 006
Balances on current accounts	10 433 235	9 640 221	7 450 933
Term deposits	7 134 142	8 172 004	7 802 579
Other	349 078	410 116	374 238
Accrued interest	25 830	27 788	18 256
Amounts due to public sector	2 313 019	2 112 735	3 199 549
Balances on current accounts	1 821 998	1 776 813	1 336 768
Term deposits	482 573	327 891	1 855 980
Other	7 477	7 692	4 482
Accrued interest	971	339	2 319
Total	**83 583 600**	**81 454 765**	**66 672 620**

20) LIABILITIES FROM SECURITIES SOLD WITH BUY-BACK CLAUSE

	31.03.2020	31.12.2019	31.03.2019
to the Central Bank	0	0	0
to banks	1 055 588	90 706	55 753
to customers	0	0	0
interest	715	7	6
Total	1 056 303	90 712	55 759

21) CHANGE OF DEBT SECURITIES

	01.01.2020 - 31.03.2020	01.01.2019 - 31.12.2019	01.01.2019 - 31.03.2019
Balance at the beginning of the period	1 183 232	809 679	809 679
Increases, on account of:	6 807	840 801	151 718
issue of Banking Securities	762	233 810	112 843
Purchase of Euro Bank S.A. bonds	0	506 056	0
issue of bonds by the Bank	0	0	0
issue of bonds by the Millennium Leasing	0	74 750	34 750
interest accrual	6 045	26 185	4 125
Reductions, on account of:	(88 999)	(467 248)	(63 806)
repurchase of Banking Securities	(33 910)	(100 594)	(30 323)
repurchase of Euro Bank S.A. bonds	0	(250 000)	0
repurchase of bonds by the Bank	0	0	(122)
repurchase of bonds by the Millennium Leasing	(52 670)	(84 770)	(31 100)
interest payment	(2 419)	(31 884)	(2 261)
Balance at the end of the period	**1 101 040**	**1 183 232**	**897 591**

22) CHANGE OF SUBORDINATED DEBT

	01.01.2020 - 31.03.2020	01.01.2019 - 31.12.2019	01.01.2019 - 31.03.2019
Balance at the beginning of the period	1 546 205	701 883	701 883
Increases, on account of:	15 586	991 066	842 732
issue of subordinated bonds	0	830 000	830 000
Merger with Euro Bank S.A.	0	100 130	0
interest accrual	15 586	60 936	12 732
Reductions, on account of:	(17 113)	(146 744)	0
Settlement of subordinated debt of Euro Bank S.A.	0	(100 000)	0
interest payment	(17 113)	(46 744)	0
Balance at the end of the period	**1 544 678**	**1 546 205**	**1 544 615**

During 2019 and 2020 the Group did not have any delays in the payment of principal and interest instalments, nor did it infringe any contractual provisions resulting from its subordinated liabilities.

23) Provisions

23a. Provisions

	31.03.2020	31.12.2019	31.03.2019
Provision for commitments and guarantees given	55 905	53 393	48 626
Provision for pending legal issues	156 261	251 333	56 255
Provisions for COVID-19	60 000	0	0
Total	272 166	304 726	104 881

* Considering the high uncertainty about the impact of COVID-19 on the behavior of loan portfolios of the Group (including the impact of economic slowdown and assistance programs), the Group decided to create an additional reserve of PLN 60 million to cover the risk arising from the epidemic situation and its impact on the economy. During next reporting periods, as more reliable information is obtained, the Group will allocate the provision to credit exposures.

23b. Change of provision for commitments and guarantees given

	01.01.2020 - 31.03.2020	01.01.2019 - 31.12.2019	01.01.2019 - 31.03.2019
Balance at the beginning of the period	53 393	51 742	51 742
Charge of provision	31 841	71 253	13 222
Release of provision	(29 752)	(70 312)	(16 351)
Merger with Euro Bank S.A.	0	745	0
FX rates differences	423	(35)	13
Balance at the end of the period	**55 905**	**53 393**	**48 626**

23c. Change of provision for pending legal issues

	01.01.2020 - 31.03.2020	01.01.2019 - 31.12.2019	01.01.2019 - 31.03.2019
Balance at the beginning of the period	251 333	60 710	60 710
Charge of provision	1 131	7 913	916
Release of provision	(210)	(14 332)	(2 581)
Utilisation of provision	(489)	(27 875)	(4 573)
Reclassification*	(163 023)	1 783	1 783
FX differencies	12 194	0	0
Creation of provisions for legal risk connected with FX mortgage loans	55 325	223 134	0
Balance at the end of the period	156 261	251 333	56 255

* In the first quarter of 2020, the Group allocated part of the provisions created at legal risk due to foreign currency mortgage loans (more information on the creation of the provisions is presented in **Chapter 9.1** Lawsuits) to the loan portfolio. Given that part of the provisions refers to the new estimate of cash flow from the mortgage loan portfolio, the allocated provision value was presented in these financial statements as a reduction in the gross value of mortgage loans for which contractual cash flows are expected to decrease.

5. Changes in Risk Management process

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

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

Credit risk

In the first quarter of 2020 the Group both in the corporate and retail segments focused on further improving of the credit policy as well as the tools and processes of credit risk management.

In the corporate segment, the Group initially focused on activities aimed at improving and accelerating credit processes, including decision-making processes. As in previous periods, work continued on improving IT tools supporting the credit process.

In the retail segment, during the quarter, the Group continue its activities in the area of optimization of credit risk management methodologies, tools and processes, focused on improving the credit process and to take full advantage of the new enlarged distribution capabilities after Eurobank integration, with very successful impact on the quarterly new production.

The outbreak of the COVID-19 coronavirus pandemic led the Group to take several risk measures. In the corporate segment, credit holidays have been implemented for customers who have temporary problems. The Group has focused on portfolio and industry analyses to identify major risks, namely focusing on the top 250 clients and on the economic sectors more exposed to impacts of the COVID-19 pandemic conducting a strong monitoring process with direct contact with our clients. The other area of Bank's interest was analyses of legal regulations, as well as adaptation of internal regulations, credit processes and monitoring to changed credit conditions for clients. The Group also analysed the potential impact of the broad range of support measures announced by the local authorities and follows the ones still under discussion.

In the retail segment, credit holidays have been implemented for customers who have temporary problems arising from the COVID-19 coronavirus pandemic. At the same time, changes to the lending policy have been implemented that respond to changing market conditions. In order to limit the potential increase in risk, the Bank introduced the obligation of additional collateral for selected loan transactions (this applies, in particular, to the segment of micro-enterprises); increased requirements for confirming the stability of income sources, and more frequently processed cases in the non-automatic path with the participation of a credit analyst. In addition, changes to the process have been implemented to improve the quality of the retail transaction risk assessment process while maintaining the existing credit policy.

Despite the high-degree of uncertainty regarding the potential impacts of the outbreak of the COVID-19 pandemic, namely in terms of differentiation between temporary liquidity problems and steady deterioration of customer's financial situation, when a material percentage of clients requested credit holidays, and the potential positive impact from authorities support measures, it is possible to have insights regarding short-term economic outlook and expected impact. However, addressing potential long term impact is still difficult and requires deeper analysis and data driven expert decisions. Taking into consideration above uncertainty, the Group decided to pre-emptively create a provision for risk related to potential Covid-19 impact in the amount of 60 million zlotys.

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

Changes in the loan portfolio of the Group after 3 months of 2020 are summarized below:

	31.03.2020		31.12.2019	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Not overdue and without impairment	67 640 937	2 018 927	66 147 204	784 277
Overdue*, but without impairment	3 049 323	0	2 377 686	0
Total without impairment	70 690 260	2 018 927	68 524 890	784 277
With impairment	3 528 299	0	3 276 185	0
Total	**74 218 559**	**2 018 927**	**71 801 075**	**784 277**
Impairment write-offs	(2 075 906)	0	(1 961 617)	0
Fair value adjustment**	(97 070)	0	(84 519)	0
Total, net	**72 045 583**	**2 018 927**	**69 754 938**	**784 277**
Loans with impairment / total loans	4.75%	0.00%	4.56%	0.00%

(*) Loans overdue not more than 4 days are treated as technical and are not shown in this category.

(**) Fair value adjustment is defined as the difference between the nominal value and the fair value of the portfolio measured at fair value through profit or loss. The fair value adjustment is influenced, in particular, by taking into account the credit risk of the portfolio.

Market risk

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

All eventual excesses of market risk limits are reported, documented and ratified at the proper competence level.

The market risk limits are revised at least once a year and in order to take into account, inter alia, the change of the consolidated Own Funds, current and projected balance sheet structure as well as the market environment. The current limits in place have been valid since 1st January 2020.

Within the current market environment, the Group continued to act very prudently. The strong market volatility in connection with the global COVID-19 pandemic resulted in increase of the Group's market and interest rate risk. In 1Q2020, none of the established market risk limits were breached - neither for the total Group nor for the Banking Book and Trading Book separately.

Open positions contain mainly interest rate and FX risk instruments. According to the Risk Strategy approved in the Group, the FX open position is allowed, however should be kept at low levels. For this purpose, the Group has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows to keep FX open positions only in Trading Book. In the 1Q2020, the FX Total open position (Intraday as well as Overnight) remained below 2% of Own Funds and well below the maximum limits in place.

The VaR indicators in the period under consideration for the Group, that is jointly Trading Book and Banking Book, increased due to market volatility caused by the COVID-19 pandemic but still were below maximum limits in place. The VaR remained on average at the level of approx. PLN 52.7 m (21% of the limit) for Group and at approx. PLN 2.2 m (7 % of the limit) for Trading Book. Similarly, as of the end of March 2020 the market risk exposure was approx. PLN 100.9 m (40% of the limit) for Global Bank and approx. PLN 2.5 m (9% of the limit) for Trading Book.

The market risk exposure in 1Q2020 in terms of value at risk for Trading Book, together with risk type division, is presented in the table below (PLN thousands).

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

	31.03.2020		VaR (1Q 2020)			31.12.2019	
	Exposure	Limit usage	Average	Maximum	Minimum	Exposure	Limit usage
Total risk	2 537	9%	2 229	5 378	762	2 455	8%
Generic risk	2 534	9%	2 227	5 374	759	2 452	8%
Interest Rate VaR	2 498	8%	2 214	5 387	758	2 451	8%
FX Risk	102	1%	113	650	28	11	0%
Diversification Effect	2.6%					0.4%	
Specific risk	2	0%	2	4	2	2	0%

In addition to above mention market risk limits, the stop loss limits are introduced for the financial markets portfolios. The aim is to limit the maximum losses of the trading activity of the Group. In case of the limit is reached, a review of the management strategy and assumptions for the positions in question must be undertaken.

Interest rate risk in Banking Book (IRRBB)

In case of the Banking Book, the main component of the market risk is interest rate risk. In order to manage this risk, the following principles are in place:

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

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

- the impact on net interest income over a time horizon of next 12 months resulting from one-off interest rate shock of upward/downward shift by 100 basis points,
- the economic value of equity that measures the theoretical change in the net present value of all Group's positions resulting from different upward/downward parallel basis points shocks applied to market interest rates curves. Therefore, the results show the impact on the Group's economic value resulting from the interest rate change.

Due to specificity of the Polish legal system, the interest rate of consumer credits is limited (it cannot exceed two times Reference Rate of the National Bank of Poland increased by 7 percentage points). In situations of decreasing interest rates, the impact on Net Interest Income is negative and depends on the percentage of the loan portfolio that is affected by the new maximum rate.

The results of COVID-19 pandemic and its highly negative impact on the economic environment, as well as the reductions of the reference rates by the Monetary Policy Council at its meetings on 17th March and 8th April 2020 will have a negative impact on the activity and financial results of Group. Before above mentioned two interest rate cuts, the NBP Reference rate was set at 1.5%, so that the maximum interest rate for loan portfolio could not exceed 10% annually. On March the maximum interest rate dropped immediately to 9% and then in April to 8%.

As already disclosed on the Current Report published on 14th April 2020, the above-mentioned decisions of the Monetary Policy Council to reduce interest rates as well as the change in the parameters of the mandatory deposits reserves requirements from April 30 on, will altogether have a negative impact on the Group's net interest income of around PLN160 million to PLN190 million until year-end 2020. The actual impact may vary and will largely depend on achieved business results, changes in the cost of financing and other offsetting measures.

The supervisory stress tests results of 31st March 2020 show that even under the most severe outlier test scenario, the decline of economic value at equity for Banking Book is far below supervisory limit of 15% of Tier 1. Similarly, decline of EVE under standard scenario of sudden parallel +/-200 basis points shift of the yield curve also stayed far below supervisory maximum of 20% of Own Funds.

Liquidity risk

The liquidity risk measurement, monitoring and reporting is carried out daily with the use of both measures defined by the supervisory authorities and internally, for which limits were established. In 1Q2020, the COVID-19 pandemic has an impact on global financial markets resulting in strong depreciation of Polish Zloty, loss of trust and confidence among market participants through decrease in financing possibilities as well as a sharp decline in activity on the treasury securities market. Despite COVID-19’s implications observed in the market mentioned above, the Bank did not observe any threat to its liquidity position due to the spread of COVID-19. The Group was characterized still by solid liquidity position. All the supervisory and internal liquidity indicators still remained significantly above minimum limits in place. The steps taken as part of standard and binding risk management procedures have proved sufficient for managing liquidity in the current market environment.

The Group manages FX liquidity through the use of FX-denominated bilateral loans as well as subordinated debt, Cross Currency Swap and FX Swap transactions. The swaps portfolio is diversified in term of counterparties and maturity dates. For the majority of counterparties the Bank has signed a Credit Support Annex to the master agreements. As a result, in case of unfavourable changes of FX rates (PLN depreciation), the Bank is obliged to place deposits as collateral with counterparties in order to secure the settlement of derivative instruments in the future, and in case of favourable FX rates changes (PLN appreciation) receives deposits as collateral from the counterparty. There is no relationship between level of the Bank’s ratings and parameters of collateral in any of the signed ISDA Schedules and Credit Support Annexes (both international and domestic). A potential downgrade in any rating will not have an impact on the method of calculation or collateral exchange.

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

The strong market volatility in connection with the global COVID-19 pandemic resulted in Polish Zloty depreciation. The immediate effect of the appreciation of the Swiss franc for the Bank is to place additional deposits as collateral with its counterparties. The collateral needs were partially covered by the increase of total deposits (both secured and unsecured) and by liquidating part of unencumbered liquidity assets.

Total Clients' deposits of the Group reached the level of PLN 83.6 billion (PLN 81.5 billion at the end of December 2019). The growth of the deposits were driven mostly by funds of individuals, of which the share in total Client's deposits grow to approx. 75.8% at the end of March 2020 from 75.0% at the end of December 2019. The increasing share of funds from individuals had a positive impact on the Group's liquidity, prevents of any liquidity problems under COVID-19 crisis implications, and supported the compliance of the supervisory measures.

The main source of financing remains deposits base, the large, diversified and stable funding from retail, corporate and public sectors. The deposit base is supplemented by the deposits from financial institutions and other money market operations. The source of medium-term funding remains also medium-term loans, subordinated debt and own bonds issue.

The level of deposit concentration is regularly monitored and did not have any negative impact on the stability of the deposit base in 1Q2020. However, in case of significant increase of the share of the largest depositors, the additional funds from the depositors are not treated as stable. Despite of that, in order to prevent deposit base fluctuations, the Group maintains the reserves of liquid assets in the form of securities portfolio as described above.

In 1Q2020, the Group has consistently maintained Loan-to-Deposit ratio well below 100%. This ratio was equalled 86% at the end of March 2020 (86% at the end of December 2019). The Group continue the policy of investing the liquidity surplus in the portfolio of liquid assets, especially in the debt securities with low specific risk (Polish Government Bonds, Treasury and NBP Bills) of which the share in total debt securities amounted to 99% at the end of March 2020. During 1Q2020 this portfolio remains stable at the level of approx. PLN 22.70 billion at the end of March 2020 (22% of total assets) (PLN 22.71 billion at the end of December 2019 (23% of total assets)). Those assets are Central Bank eligible and are characterized with high liquidity and can be easily used as collateral or sold without material loss on its value. The portfolio, supplemented by the cash and exposures to the National Bank of Poland, is treated as the Group's liquidity reserve, which can overcome crisis situations.

According to the Regulation of European Parliament and Council no 575/2013 on prudential requirements for credit institutions and investment firms (CRR), the Group is daily calculating the liquidity coverage requirement (LCR). The regulatory minimum of 100% for LCR requirement, valid in 2020, was fulfilled by the Group. Despite the increase of the total deposits (both secured and unsecured funding), the LCR Group reached the level of 162% at the end of March 2020 (171% at the end of December 2019). The decreased of LCR was mainly caused by higher collaterals with counterparties.

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

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

Operational risk

In the first quarter of 2020 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with legal provisions in force and the best practice of national and international financial institutions.

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

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

In the first quarter of 2020 the registered level of operational risk losses was at the acceptable level.

Capital management

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

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

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

The Bank and the Group are obliged by law to meet minimum own funds requirements, set in art. 92 of the EU Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending EU Regulation No. 648/2012 (CRR). At the same time, the following levels, recommendations and buffers were included in capital limits/targets setting:

- Pillar II FX mortgage buffer (RRE FX) - KNF recommendation to maintain additional own funds for the coverage of additional capital requirements in order to secure the risk resulting from FX mortgage loans granted to households, in line with art. 138.1.2a of Banking Act. At present, the buffer was set by KNF in recommendations issued in November 2019 in the level of 4.96 p.p. (the Bank) and 4.87 p.p. (the Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements for Tier 1 ratio of 3.72 p.p. (the Bank) and of 3.65 p.p. (the Group), and which corresponds to capital requirements for CET 1 ratio of 2.78 p.p. (the Bank) and 2.72 p.p. (the Group);
- Combined buffer – defined in Act on macro prudential supervision over the financial system and crisis management – that consists of:
  - Capital conservation buffer at the level of 2.5%;
  - Other systemically important institution buffer (OSII) – at the level of 0% and the value is set by KNF every year;
  - Systemic risk buffer at the level of 0%, reduced from 3% in March 2020;
  - Countercyclical buffer at the 0% level.

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

Capital adequacy	31.03.2020	31.12.2019	31.03.2019
Risk-weighted assets	50,675.0	48,124.6	37,735.2
Own Funds requirements, including:	4,054.0	3,850.0	3,018.9
- Credit risk and counterparty credit risk	3,642.0	3495.2	2,656.6
- Market risk	24.3	24.2	22.6
- Operational risk	382.5	326.9	336.9
- Credit Valuation Adjustment CVA	5.2	3.6	2.8
Own Funds, including:	9,896.8	9,668.5	9,658.9
Common Equity Tier 1 Capital	8,366.8	8,138.5	8,128.0
Tier 2 Capital	1,530.0	1,530.0	1,530.0
Total Capital Ratio (TCR)	**19.53%**	**20.09%**	**25.60%**
Minimum required level	15.37%	18.37%	19.77%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	4.16pp	1.72pp	6.83pp
Tier 1 Capital ratio (T1)	**16.51%**	**16.91%**	**21.54%**
Minimum required level	12.15%	15.15%	16.20%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	4.36pp	1.76pp	5.34pp
Common Equity Tier 1 Capital ratio (CET1)	**16.51%**	**16.91%**	**21.54%**
Minimum required level	9.73%	12.73%	13.51%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	6.78pp	4.18pp	8,03pp
Liquidity Coverage ratio (LCR)	**162%**	**171%**	**197%**

Own funds rise in 1Q20 compared to 4Q19 was determined by the inclusion of the 2nd half of 2019 net earnings in reserve capital (PLN198.2m Bank and PLN227.1m Group). Own funds requirements increase was caused mainly by a rise of credit risk requirements by PLN148.3m and PLN152.6m (Group and Bank) and operational risk requirements by PLN55.7m and 43.1m (Group and Bank).

The decision of the Banking Guarantee Fund on 26 March 2020 to extend by one year the date of full implementation of MREL requirements as well as no-obligation to reach an interim level in 2020 provides more time to assess the new requirements and flexibility in their achievement. The above-mentioned reduction of the systemic risk buffer also decreases the future level of MREL requirements.

6. Operational Segments

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

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

Retail Customer Segment

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

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

Corporate Customer Segment

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

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

Treasury, ALM (assets and liabilities management) and Other

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

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

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

- Net interest income calculated on the basis of interest on external working assets and liabilities of the segment as well as allocated assets and liabilities generating internal interest income or cost. Internal income and costs are calculated based on market interest rates with internal valuation model applied;
- Net commission income;
- Other income from financial transactions and FX gains, such as: dividend income, result on investment and trading activity, FX gains/losses and result on other financial instruments;
- Other operating income and expenses;
- Costs on account of impairment of financial and non-financial assets;
- Segment share in operating costs, including personnel and administration costs;
- Segment share in depreciation costs;
- Operating profit calculated as a measure of segment profit differs from the IFRS financial result before tax due to: share in net profits of associates, charge of bank tax, cost of provisions for legal risk resulted from FX mortgage loans and provisions for COVID-19. These items and the income tax burden were presented only at the Group level.

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

Income statement 1.01.2020 – 31.03.2020

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	487 138	87 334	101 295	675 767
Net fee and commission income, including:	153 981	40 064	488	194 533
Fee and commission income	201 534	42 883	3 252	247 669
Fee and commission expenses	(47 553)	(2 819)	(2 764)	(53 136)
Dividends, other income from financial operations and foreign exchange profit	25 250	18 059	19 585	62 894
Result on non-trading financial assets mandatorily at fair value through profit or loss	(11 679)	0	0	(11 679)
Other operating income and cost	(4 688)	(3 189)	(4 590)	(12 467)
Operating income	650 002	142 268	116 778	909 048
Staff costs	(199 972)	(36 554)	(7 226)	(243 752)
Administrative costs	(140 340)	(15 963)	(64 511)	(220 814)
Depreciation and amortization	(48 641)	(3 968)	(731)	(53 340)
Operating expenses	(388 953)	(56 485)	(72 468)	(517 906)
Impairment losses on assets	(73 119)	(48 446)	(1 764)	(123 329)
Results on modification	(2 613)	664	0	(1 949)
Operating Profit	**(464 685)**	**(104 267)**	**(74 232)**	**(643 184)**
Share in net profit of associated companies				0
Provisions for COVID-19				(60 000)
Provisions for legal risk connected with FX mortgage loans				(55 325)
Banking tax				(72 741)
Profit / (loss) before income tax				77 798
Income taxes				(59 669)
Profit / (loss) after taxes				18 129

Balance sheet items as at 31.03.2020

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Loans and advances to customers	55 536 517	16 509 066	0	72 045 583
Liabilities to customers	65 798 762	17 636 911	147 927	83 583 600

Income statement 1.01.2019 – 31.03.2019

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	339 007	75 590	69 395	483 992
Net fee and commission income, including:	122 353	41 145	(324)	163 174
Fee and commission income	155 928	43 443	2 159	201 530
Fee and commission expenses	(33 575)	(2 298)	(2 483)	(38 356)
Dividends, other income from financial operations and foreign exchange profit	24 262	16 091	20 923	61 276
Result on non-trading financial assets mandatorily at fair value through profit or loss	(4 929)	0	8 982	4 053
Other operating income and cost	(4 700)	(4 852)	32 964	23 412
Operating income	475 993	127 974	131 940	735 907
Staff costs	(127 572)	(35 215)	(9 769)	(172 556)
Administrative costs	(85 725)	(13 259)	(79 516)	(178 500)
Depreciation and amortization	(29 016)	(3 586)	(810)	(33 412)
Operating expenses	(242 313)	(52 060)	(90 095)	(384 468)
Impairment losses on assets	(30 431)	(32 663)	(647)	(63 741)
Results on modification	(3 786)	120	0	(3 666)
Operating Profit	**199 463**	**43 371**	**41 198**	**284 032**
Share in net profit of associated companies	0	0	0	0
Banking tax				(51 358)
Profit / (loss) before income tax				**232 674**
Income taxes				(72 708)
Profit / (loss) after taxes				**159 966**

Balance sheet items as at 31.12.2019

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Loans and advances to customers	53 530 748	16 224 190	0	69 754 938
Liabilities to customers	63 811 244	17 506 007	137 514	81 454 765

7. Transactions with Related Entities

All and any transactions between entities of the Group in 1 quarter of 2020 resulted from the current operations.

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

7.1. Transactions with the Parent Group

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

	With parent company		With other entities from parent group	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
ASSETS				
Loans and advances to banks - accounts and deposits	224 456	106 971	0	0
Financial assets held for trading	0	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	0	0
LIABILITIES				
Loans and deposits from banks	460	271	128 948	117 588
Debt securities	0	0	0	0
Financial liabilities held for trading	387	361	0	0
Hedging derivatives	0	0	0	0
Other liabilities	0	0	218	215

	With parent company		With other entities from parent group	
	2020	2019	2020	2019
Income from:				
Interest	(27)	(48)	0	0
Commissions	35	209	0	0
Financial assets and liabilities held for trading	0	0	0	0
Expense from:				
Interest	4	69	(82)	(298)
Commissions	0	0	0	0
Financial assets and liabilities held for trading	420	488	0	0
Other net operating	2	13	0	0
Administrative expenses	0	0	178	982

	With parent company		With other entities from parent group	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Conditional commitments	101 116	101 101	0	0
granted	100 345	100 345	0	0
obtained	771	756	0	0
Derivatives (par value)	16 606	15 807	0	0

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

Name and surname	Position/Function	Number of shares as of delivery date of quarterly report prepared as at 31.03.2020	Number of shares as of delivery date of report prepared as at 31.12.2019
Joao Nuno Lima Bras Jorge	Chairman of the Management Board	151 000	111 000
Fernando Maria Cardoso Rodrigues Bicho	Deputy Chairman of the Management Board	0	0
Wojciech Haase	Member of the Management Board	7 494	7 494
Andrzej Gliński	Member of the Management Board	0	0
Wojciech Rybak	Member of the Management Board	0	0
Antonio Ferreira Pinto Junior	Member of the Management Board	0	0
Jarosław Hermann	Member of the Management Board	0	0
Bogusław Kott	Chairman of the Supervisory Board	1 000	1 000
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Dariusz Rosati	Deputy Chairman and Secretary of the Supervisory Board	0	0
Miguel de Campos Pereira de Bragança	Member of the Supervisory Board	0	0
Agnieszka Hryniewicz-Bieniek	Member of the Supervisory Board	0	0
Anna Jakubowski	Member of the Supervisory Board	0	0
Grzegorz Jędrys	Member of the Supervisory Board	0	0
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Alojzy Nowak	Member of the Supervisory Board	0	0
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Supervisory Board	0	0
Miguel Maya Dias Pinheiro	Member of the Supervisory Board	0	0
Lingjiang Xu	Member of the Supervisory Board	0	0

8. Fair Value

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

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

Level 1 - valuation based on the data fully observable (active market quotations);
Level 2 - valuation models using the information not constituting the data from level 1, but observable, either directly or indirectly;
Level 3 - valuation models using unobservable data (not derived from an active market).
Valuation techniques used to determine fair value are applied consistently. Change in valuation techniques resulting in a transfer between these methods occurs when:

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

8.1. Financial instruments not recognized at fair value in the balance sheet

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

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

Receivables and liabilities with respect to banks

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

Loans and advances granted to customers valued at amortised cost

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

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

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

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

Liabilities to customers

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

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

Liabilities from the issuance of structured debt securities

Liabilities from the issuance of structured debt securities - bank's securities (BPW) are stated/priced at fair value in accordance with Bank's model. In this model, zero coupon bond price is calculated, which afterwards is increased by the option price, which was basis for a strategy built in a given structured bond.

The fair value of other liabilities arising from debt securities issued by the Bank (bonds (BKMO)) was estimated based on the expected cash flows using current interest rates taking into account the margin for credit risk. The current level of margins was appointed on the basis of recent transactions of similar credit risk.

Subordinated liabilities and medium term loans

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

The table below presents results of the above-described analyses as at 31.03.2020 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	14	48 355	48 124
Deposits, loans and advances to banks and other monetary institutions	14	2 018 927	2 018 940
Loans and advances to customers*	13	70 570 069	67 877 328
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	18	1 516 541	1 518 378
Liabilities to customers	19	83 583 600	83 640 916
Debt securities issued	21	1 101 040	1 109 392
Subordinated debt	22	1 544 678	1 547 927

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

Models used for determination of the fair value of financial instruments presented in the above table and not recognized at fair value in Group's balance sheet, use techniques based on parameters not derived from the market. Therefore, they are considered as the third level of valuation.

The table below presents data as at 31.12.2019 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	14	48 153	46 875
Deposits, loans and advances to banks and other monetary institutions	14	784 277	784 120
Loans and advances to customers*	13	68 256 743	65 973 779
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	18	1 578 848	1 580 741
Liabilities to customers	19	81 454 765	81 463 818
Debt securities issued	21	1 183 232	1 189 016
Subordinated debt	22	1 546 205	1 548 362

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

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

Data in PLN'000, as at 31.03.2020

	Note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	11			
Valuation of derivatives			133 587	56 222
Equity instruments		50		
Debt securities		605 713		
Non-trading financial assets mandatorily at fair value through profit or loss	13			
Equity instruments				66 609
Debt securities				103 001
Loans and advances				1 475 514
Financial assets at fair value through other comprehensive income	12			
Equity instruments		242		29 389
Debt securities		21 495 387	599 967	
Derivatives – Hedge accounting	15		22 195	
LIABILITIES				
Financial liabilities held for trading	11			
Valuation of derivatives			194 987	52 287
Short positions		65 675		
Derivatives – Hedge accounting	15		1 277 724	

Data in PLN'000, as at 31.12.2019

	Note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	11			
Valuation of derivatives			46 143	65 538
Equity instruments		210		
Debt securities		874 033		
Non-trading financial assets mandatorily at fair value through profit or loss	13			
Equity instruments				66 609
Debt securities				103 001
Loans and advances				1 498 195
Financial assets at fair value through other comprehensive income	12			
Equity instruments		276		29 367
Debt securities		20 840 604	999 917	
Derivatives – Hedge accounting	15		43 159	
LIABILITIES				
Financial liabilities held for trading	11			
Valuation of derivatives			84 772	65 186
Short positions		202 265		
Derivatives – Hedge accounting	15		426 847	

Using the criterion of valuation techniques as at 31.03.2020 Group classified into the third category following financial instruments:

- credit exposures with a leverage / multiplier feature inbuilt in the definition of interest rate. To estimate the fair value of loans, due to the lack of availability of the market value, an internal valuation model was used, taking into account the assumption that at the time of granting the loan the fair value is equal to the carrying value. The fair value of loans without recognized impairment is equal to the sum of future expected cash flows discounted at the balance sheet date. The discounting rate is the sum of: the cost of risk, the cost of financing, the value of the expected return. The fair value of impaired loans is equal to the sum of future expected recoveries discounted using the effective interest rate, recognizing that the average expected recoveries fully take into account the element of credit risk. In case of an increase in the discount rate by 1 p.p. valuation of the portfolio would have been reduced by -0.1% (sensitivity analysis: based on the FV model for the portfolio of credit cards);
- index options, option transactions are measured at fair value with use of option measurement models, the model measurement is supplemented with impact on fair value of the estimated credit risk parameter;
- VISA Inc. engagement shares (classified as a debt instrument) in an amount of 23,847; the method of fair value calculation of this instrument considers the time value of money, the time line for conversion of preferred stock in common stock of VISA and adjustments resulting from litigations (on-going or potential) against VISA and the Bank.;
- other equity instruments measured at fair value (unquoted on an active market).

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

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 31.12.2019	**61 294**	**(60 944)**	**95 976**	**103 001**	**1 498 195**
Settlement/sell/purchase	(6 987)	10 405	0	0	(41 130)
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	30 128
Results on financial assets and liabilities held for trading	(5 252)	5 419	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	0	(11 679)
Result on exchange differences	0	0	22	0	0
Balance on 31.03.2020	**49 055**	**(45 120)**	**95 998**	**103 001**	**1 475 514**

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

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 31.12.2018	**35 430**	**(35 584)**	**50 651**	**43 187**	**1 250 525**
Settlement/sell/purchase	17 357	(15 736)	147	15 710	156 406
Change of valuation recognized in equity	0	0	172	0	0
Interest income and other of similar nature	0	0	0	0	114 665
Results on financial assets and liabilities held for trading	8 507	(9 624)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	45 000	44 104	(23 401)
Result on exchange differences	0	0	6	0	0
Balance on 31.12.2019	**61 294**	**(60 944)**	**95 976**	**103 001**	**1 498 195**

9. Contingent liabilities and assets

9.1. Lawsuits

Below please find the data on the court cases pending, brought up by and against entities of the Group. A separate category are the proceedings related to the activities of the Tax Control Authority described in **Chapter 4. note 10) "Corporate Income Tax".**

Court cases brought up by the Group

Value of the court litigations, as at 31.03.2020, in which the companies of the Group were a plaintiff, totalled PLN 324.8 million.

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

1) send information on the UOKiK's decision to the said 78 clients,

2) place the information on decision and the decision itself on the website and on Twitter,

3) to pay a fine amounting to PLN 20.7 mln.

The decision of the President of UOKIK is not final. The Bank does not agree with this decision and lodged an appeal within the statutory time limit.

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

In the Bank's assessment, the Court should not assess the Bank's behaviour in 2015 from the perspective of today's case-law views on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the President of UOKiK was published), nor should it impose penalties for these behaviours using current policy. The above constitutes a significant argument against the validity of the judgment and supports the appeal which the Bank submitted to the Court of second instance.

The verdict issued on January 7 is not final. According to current estimates of the risk of losing the dispute, the Bank has not created a provision.

The Bank (along with other banks) is also a party to the dispute with UOKiK, in which the President of UOKiK recognized the practice of participating banks, including Bank Millennium, in an agreement aimed at jointly setting interchange fee rates charged on transactions made with Visa and Mastercard cards as restrictive of competition, and by decision of 29 December 2009 imposed a fine on the Bank in the amount of PLN 12.2 million. Case is pending, the Bank has created a reserve in the amount equal to the penalty imposed.

Court cases against the Group

As at 31.03.2020, the most important proceedings, in the group of the court cases where the Group's companies were defendant, were following:

- The Bank is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, the Bank was sued jointly and severally with another bank, and in one with another bank and card organizations. The total value of claims submitted in these cases is PLN 729 580 027. The proceedings with the highest value of the submitted claim are brought by PKN Orlen SA, in which the plaintiff demands payment of PLN 635 681 381. The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2006-2014. In the other two cases, the charges are similar to those raised in the case brought by PKN Orlen SA, while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, the Bank did not create a provision. In addition, we point out that the Bank participates as a side intervener in two other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2008-2014.
- A lawsuit brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium S.A., worth of the dispute 521.9 million PLN with statutory interest from 05.04.2016 until the day of payment. The plaintiff filed the suit dated 23.10.2015 to the Regional Court in Warsaw; the suit was served to the Bank on 04.04.2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by the Bank and consisting in the wrong interpretation of the Agreement for working capital loan concluded between the Bank and PCZ S.A., which resulted in placing the loan on demand. In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of 250.0 million PLN. The petition was dismissed on 5.09.2016 with legal validity by the Appellate Court. The Bank is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Supporting the position of the Bank, the Bank's attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to the Bank, issued in the same legal state in the action brought by PCZ SA against the Bank. At present, the Court of first instance is conducting evidence proceedings.
- Additionally, on 19 January 2018 the Bank has received the lawsuit petition of First Data Polska SA requesting the payment of 186.8 mln PLN. First Data claims a share in an amount which the Bank has received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its request on an agreement with the Bank on co-operation in scope of acceptance and settlement of operations conducted with the usage of Visa cards. The Bank does not accept the claim and filed the response to the lawsuit petition within the deadline set forth in the law. In accordance with the judgment of 13/06/2019, the Bank won the case before the Court of first instance. The case is currently pending before the Court of second instance. According to current estimates of the risk of losing the dispute, the Bank has not create a provision.

As at 31.03.2020, the total value of the subjects of the other litigations in which the Group appeared as defendant, stood at PLN 441.8 million (excluding the class actions described below). In this group the most important category are cases related with FX loans mortgage portfolio and cases related to forward transactions (option cases).

FX mortgage loans legal risk

On 3 October 2019, the Court of Justice of the European Union ('the CJEU') issued the judgment in Case C-260/18 in connection with the preliminary questions formulated by the District Court of Warsaw in the case against Raiffeisen Bank International AG. The judgment of the CJEU, in connection with the interpretation of European Union law made therein, is binding on domestic courts. The judgment in question interpreted Article 6 of Directive 93/13 in its answers to the preliminary questions. In the light of the subject matter judgment, Article 6 of Directive 93/13: must be interpreted as meaning that (i) the national court may, on the basis of national law, conclude that a credit agreement cannot continue to exist without unfair terms on the ground that the removal of those unfair terms would alter the nature of the main subject-matter of the contract; (ii) the effects for the consumer's situation resulting from the cancellation of the contract as a whole must be assessed in the light of the circumstances existing or foreseeable at the time when the dispute arose and that the will of the consumer is decisive as to whether he wishes to maintain the contract and avoid those effects; (iii) Article 6 of the Directive precludes the filling in of gaps in the contract caused by the removal of unfair terms from the contract (even if the non-filling of those gaps would result in detrimental for consumer falling of the contract), solely on the basis of national legislation of a general nature which provides that the effects expressed in the content of a legal act are to be supplemented, in particular, by principles arising from equity rules or established customs; (iv) Article 6 of the Directive precludes the maintenance of unfair terms in the contract (even if their removal would result in the contract being annulled to the detriment of the consumer) if the consumer has not consented to the maintenance of such terms.

The CJEU judgment concerns only the situation where the national court has previously found the contract term to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a particular contract term can be regarded as abusive in the circumstances of the case. It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the national courts within the framework of disputes considered which would possibly result in the emergence of further interpretations, which are relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis of these matters. Further request for clarification and ruling addressed to the European Court of Justice and Polish Supreme Court may also be filed with potential impact on the outcome of the court cases.

As at the end of I quarter 2020, the Bank had 2,537 loan agreements and additionally 275 loan agreements from former Euro Bank (2,759 loans agreements before the Court of first instance and 53 loans agreements before the court of second instance) under individual litigations concerning indexation clauses of FX mortgage loans submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 282.0 million and CHF 10.1 million. Until 31.03.2020 only 32 cases were finally resolved and the vast majority of such judgments were in accordance with the Bank's interest. The claims formulated by the Clients in individual proceedings primarily concern the declaration of invalidity of the contract or payment for reimbursement of allegedly undue performance, due to the abusive nature of indexation clauses. The pushy advertising campaign observed in the public domain to encourage claims against banks may lead to an increase of the number of future court disputes. In addition, the Bank is a party to the group proceedings (class action) subject matter of which is to determine the Bank's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3281. The case is still before its first hearing, originally planned for March 2020, which was cancelled due to the situation related to COVID-19. The next date of the hearing has not been set yet.

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved in favour of banks until 2019 year. However, after the Court of Justice of the European Union (CJEU) judgment issued on 3 October 2019 (Case C-260/18) the proportion have adversely changed and so there is a risk, that so far mostly positive for banks line of verdict in courts may change.

Taking into consideration the increased legal risk related to FX mortgages, Bank Millennium created in year 2019 PLN 223 million and in I quarter 2020 PLN 55 million provision for legal risk. The methodology developed by the Bank is based on the following main parameters: (1) the number of current (including class action) and potential future court cases that will appear within a specified (three-year) time horizon, (2) the amount of the Bank's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account), (3) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

Bank Millennium undertakes number of actions at different levels towards different stakeholders in order to mitigate legal and litigation risk as regard FX mortgage loans portfolio. The Bank is open to negotiate case by case favourable conditions for early repayment (partial or total) or conversion of loans to PLN. On the other hand, the Bank will continue to take all possible actions to protect its interests in courts while at the same time being open to find settlement with customers in the court under reasonable conditions.

Finally it should be mentioned, that the Bank has to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 4.96 p.p. (4.87 p.p. at the Group level), part of which is allocated to operational/legal risk.

The class action related to the LTV insurance:

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

Actual status:

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

The next stage of the proceedings is establishing the composition of the group (i.e. determining whether all persons who joined the proceedings may participate in the group).

As at 31 March 2020, there were also 534 individual court cases regarding LTV insurance.

9.2. OFF - BALANCE ITEMS

Amount '000 PLN	31.03.2020	31.12.2019	31.03.2019
Off-balance conditional commitments granted and received	**12 858 613**	**12 169 901**	**10 163 772**
Commitments granted:	12 310 327	11 629 618	9 764 592
loan commitments	10 616 011	9 883 053	8 324 735
guarantee	1 694 316	1 746 565	1 439 858
Commitments received:	548 286	540 284	399 179
financial	0	0	2 538
guarantee	548 286	540 284	396 641

10. Additional Information

10.1. Data about assets, which secure liabilities

As at 31.03.2020 r. (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds WZ0121	Held to Collect and for Sale	Lombard credit granted to the Bank by the NBP	130 000	130 571
2.	Treasury bonds WZ0121	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	338 000	339 484
3.	Central Bank bills NBP_030420	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	60 650	60 647
4	Central Bank bills NBP_030420	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	51 250	51 247
5.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	9 046	9 046
6.	Cash	receivables	Settlement on transactions concluded	36 139	36 139
7.	Deposits	Deposits in banks	Settlement on transactions concluded	1 289 311	1 289 311
8.	Leasing receivables	Loans and advances	Loans granted to Millennnium Leasing	569 257	569 257
		TOTAL		2 483 653	2 485 701

Additionally, as at March 31, 2020, the Group had concluded short-term transactions (usually settled within 7 days) of Treasury securities sale with a repurchase agreement, subject of securities worth PLN 1,053,080 thousand.

As at 31.12.2019 r. (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds WZ0121	Held to Collect and for Sale	Lombard credit granted to the Bank by the NBP	130 000	131 453
2.	Treasury bonds WZ0121	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	358 000	362 002
3.	Central Bank bills NBP_030120	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	51 750	51 746
4	Central Bank bills NBP_030120	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	51 250	51 246
5.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	7 243	7 243
6.	Cash	receivables	Settlement on transactions concluded	1 518	1 518
7.	Deposits	Deposits in banks	Settlement on transactions concluded	345 035	345 035
8.	Leasing receivables	Loans and advances	Loans granted to Millennnium Leasing	524 932	524 932
		TOTAL		1 469 728	1 475 175

Additionally, as at December 31, 2019, the Group had concluded short-term transactions (usually settled within 7 days) of Treasury securities sale with a repurchase agreement, subject of securities worth PLN 90,453 thousand.

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

As at 31 March 2020 following securities (presented in the Group's balance-sheet) were underlying Sell-buy-back transactions (PLN'000):

Type of security	Par value	Balance sheet value
Treasury bonds	1 049 842	1 053 080
TOTAL	1 049 842	1 053 080

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

As at 31 December 2019 following securities (presented in the Group's balance-sheet) were underlying Sell-buy-back transactions (PLN'000):

Type of security	Par value	Balance sheet value
Treasury bonds	85 221	90 453
TOTAL	85 221	90 453

10.3. 2020 DIVIDEND

Bank Millennium has a dividend policy of distributing between 35% to 50% of net profit, assuming that the recommendations of the Polish Financial Supervision Authority (KNF) regarding the payment of dividends will be met.

The high capital ratios at the end of 2019 would allow to pay dividend if not additional K1 and K2 criteria for banks with FX mortgage loan portfolio, which KNF maintained when announcing in December 2019 a recommendation on the banks' dividend policy. K1 criterion is based on FX mortgage share in total portfolio and K2 criterion is based on share of 2007-2008 vintages in total FX mortgage portfolio.

Regardless of the above, taking into consideration the acquisition and subsequent merger with Euro Bank S.A. conducted in 2019 (without a share issue), the Bank intended to retain all of its 2019 net profit in own funds in order to strengthen capital ratios. Therefore, the Management Board of the Bank submitted to Annual General Meeting a proposal of full retention of 2019 net profit, and the General Meeting of Shareholders that was held on March 20, 2020 decided to retain the profit for 2019 in the Bank's equity.

10.4. EARNINGS PER SHARE

Profit per share calculated for 1 quqrter of 2020 (and diluted profit per share) on the basis of the consolidated data amounts to PLN 0.01.

10.5. Shareholders holding no less than 5% of the total number of votes at the General Shareholders Meeting of the Group's parent company - Bank Millennium S.A.

Because the Bank is a public company whose shares are traded on the WSE primary market, the Bank has no detailed information about the shareholding structure as of March 31, 2020 Information on shareholders, contained in the table below, is provided on the basis of data collected in connection with the registration of shareholders entitled to participate in the General Meeting of the Bank convened for March 20, 2020.

The largest shareholders of the Group's parent entity – the Bank - (above 5% share in the vote at the General Shareholders Meetings) were as follows:

Shareholder as at 31.03.2020	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50,10	607 771 505	50,10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	100 000 000	8,24	100 000 000	8,24
Aviva Otwarty Fundusz Emerytalny Aviva Santander	76 760 000	6,33	76 760 000	6,33
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	67 590 000	5,57	67 590 000	5,57

Shareholder as at 31.12.2019	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50,10	607 771 505	50,10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	100 000 368	8,24	100 000 368	8,24
Aviva Otwarty Fundusz Emerytalny Aviva Santander	76 760 317	6,33	76 760 317	6,33
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	67 593 025	5,57	67 593 025	5,57

10.6. Information about loan sureties or guarantees extended by the Group

In the 1 quarter, the Group did not grant any sureties or guarantees for a loan or bank loan which would cause the Group's exposure on this account as at 31 March 2020 to be significant.

10.7. Seasonality and business cycles

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

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

As at 31 March 2020, the Group has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed consolidated statements, Group did not:

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

FX mortgage loan portfolio

Regarding regulations on FX mortgage loans, which have been discussed in Poland during last 4 years, it was approved a Presidential Draft Bill of 2 August 2017 regarding changes in the Act on Support for Distressed Borrowers who Took Residential Loans. The finally accepted Bill does not include the creation of a Conversion Fund. On the other hand, it increased availability of the PLN 600 million worth Borrowers' Support Fund originally created in 2015 and still waiting to be used for borrowers in need (both PLN and FX mortgages) and sets potential future contributions. The Bill came into force from 1 January 2020.

Mortgage Bank

Mortgage loans are an important element of the Bank's retail business. Therefore, in June 2018, the Bank filed to the Polish Financial Supervision Authority an application for granting permission to set up a mortgage bank called "Millennium Bank Hipoteczny" based in Warsaw, the sole shareholder of which will be Bank Millennium. The new Bank is to provide medium and long-term financing through the issuance of covered bonds to support residential mortgage lending business.

Events after the date for which financial statements were prepared

Approval of the Fourth Bank Millennium S.A. Bonds Issue Programme

On 8 May 2020 the Bank's Supervisory Board approved the fourth Bank's bonds issue programme ("the Programme"), with nominal value not higher than PLN 4 bn.

The bonds shall be issued in many series during the period of 5 years, under the Act on Bonds dated 15 January 2015. The maximum maturity of the bonds shall not be longer than 15 years.

The bonds may be issued as senior bonds, subordinated bonds or bonds, liabilities under which may be included in the maintained minimum level of own funds and liabilities subject to redemption or conversion (MREL). The bonds shall be denominated in PLN or in other currencies and will not be secured.

Upon establishment of the Programme the possibility was ended of issuing bonds under the to-date third bonds issue programme with nominal value not higher than PLN 3 bn, foreseen previously until 31 July 2020.

Condensed Interim Standalone Financial Statements of the Bank Millennium S.A. for the 3 months ended 31 March 2020

Contents

1. Introduction and Accounting Policy

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed consolidated interim financial statement do not include all of the information which is presented in full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2019.

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the three months ending March 31, 2020.

Condensed interim financial statements of the Bank:

- are prepared on the basis of the assumption of business continuity by the Bank, namely scale of business is not to be reduced substantially in a period of not less than one year from the balance sheet date;

- have been prepared in PLN, and all values, unless otherwise indicated, are given in PLN rounded to one thousand.

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank's economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the three months period ended 31 March 2020. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the three months period ended 31 March 2020 contain all important information, which also serves as explanatory data to these standalone statements of the Bank.

The Management Board approved these condensed interim financial statements on 8th May 2020.

2. Standalone Financial Data (Bank)

INCOME STATEMENT

Amount '000 PLN	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Net interest income	650 657	459 554
Interest income and other of similar nature	899 490	666 707
Income calculated using the effective interest method	866 945	635 933
Interest income from Financial assets at amortised cost	764 804	530 903
Interest income from Financial assets at fair value through other comprehensive income	102 140	105 030
Income of similar nature to interest from Financial assets at fair value through profit or loss	32 545	30 774
Interest expenses	(248 833)	(207 153)
Net fee and commission income	166 992	143 535
Fee and commission income	210 493	174 274
Fee and commission expenses	(43 501)	(30 739)
Dividend income	35 908	42 308
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	13 647	14 921
Results on financial assets and liabilities held for trading	8 931	18 004
Result on non-trading financial assets mandatorily at fair value through profit or loss	(11 679)	4 053
Result on hedge accounting	(4 514)	(4 821)
Result on exchange differences	44 335	33 271
Other operating income	7 398	39 720
Other operating expenses	(16 103)	(6 407)
Administrative expenses	(452 170)	(336 900)
Impairment losses on financial assets	(104 457)	(53 817)
Provisions for COVID-19	(60 000)	0
Impairment losses on non-financial assets	(1 764)	(647)
Provisions for legal risk connected with FX mortgage loans	(55 325)	0
Result on modification	(1 949)	(3 666)
Depreciation	(49 653)	(30 863)
Share of the profit of investments in subsidiaries	0	0
Banking tax	(72 741)	(51 358)
Profit before income taxes	**97 513**	**266 887**
Corporate income tax	(55 156)	(69 688)
Profit after taxes	**42 357**	**197 199**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Profit after taxes	42 357	197 199
Other comprehensive income items that may be (or were) reclassified to profit or loss	69 836	(33 484)
Result on debt securities at fair value through other comprehensive income	49 647	(78 078)
Hedge accounting	20 189	44 594
Other comprehensive income items that will not be reclassified to profit or loss	0	0
Actuarial gains (losses)	0	0
Result on equity instruments at fair value through other comprehensive income	0	0
Total comprehensive income items before taxes	**69 836**	**(33 484)**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(13 269)	6 362
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0
Total comprehensive income items after taxes	**56 567**	**(27 122)**
Total comprehensive income for the period	**98 924**	**170 077**

BALANCE SHEET

ASSETS

Amount '000 PLN	31.03.2020	31.12.2019	31.03.2019
Cash, cash balances at central banks	2 477 540	2 203 444	1 736 975
Financial assets held for trading	796 370	987 465	872 560
Derivatives	190 657	113 432	99 291
Equity instruments	0	0	0
Debt securities	605 713	874 033	773 269
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	169 610	169 610	73 778
Equity instruments	66 609	66 609	21 609
Debt securities	103 001	103 001	52 169
Financial assets at fair value through other comprehensive income	22 101 958	21 856 275	22 862 001
Equity instruments	29 389	29 367	29 042
Debt securities	22 072 569	21 826 908	22 832 959
Loans and advances to customers	71 254 042	68 828 777	53 014 195
Mandatorily at fair value through profit or loss	1 475 514	1 498 195	1 240 911
Valued at amortised cost	69 778 528	67 330 582	51 773 284
Financial assets at amortised cost other than Loans and advances to customers	2 179 176	1 037 840	1 256 844
Debt securities	48 355	48 153	45 039
Deposits, loans and advances to banks and other monetary institutions	2 018 878	784 248	414 396
Reverse sale and repurchase agreements	111 943	205 439	797 409
Derivatives – Hedge accounting	22 195	43 159	87 516
Investments in subsidiaries, joint ventures and associates	88 874	88 874	90 081
Tangible fixed assets	596 455	622 506	516 366
Intangible fixed assets	325 366	331 978	82 188
Income tax assets	418 466	405 412	258 174
Current income tax assets	0	0	26 933
Deferred income tax assets	418 466	405 412	231 241
Other assets	381 543	249 448	233 106
Non-current assets and disposal groups classified as held for sale	0	0	0
Total assets	**100 811 595**	**96 824 788**	**81 083 784**

LIABILITIES AND EQUITY

Amount '000 PLN	31.03.2020	31.12.2019	31.03.2019
LIABILITIES			
Financial liabilities held for trading	313 106	353 004	214 804
Derivatives	247 431	150 739	100 622
Liabilities from short sale of securities	65 675	202 265	114 182
Financial liabilities measured at amortised cost	88 160 215	85 127 543	70 283 130
Liabilities to banks and other monetary institutions	759 852	849 452	1 136 619
Liabilities to customers	83 825 155	81 637 517	66 841 784
Sale and repurchase agreements	1 056 303	90 712	55 759
Debt securities issued	974 227	1 003 657	704 353
Subordinated debt	1 544 678	1 546 205	1 544 615
Derivatives – Hedge accounting	1 277 724	426 847	367 337
Provisions	272 530	304 289	104 473
Pending legal issues	155 361	250 433	55 341
Commitments and guarantees given	57 169	53 856	49 132
Provisions for COVID-19	60 000	0	0
Income tax liabilities	19 683	38 057	22 079
Current income tax liabilities	19 683	38 057	22 079
Deferred income tax liabilities	0	0	0
Other liabilities	1 979 326	1 884 961	1 785 915
Total Liabilities	**92 022 584**	**88 134 701**	**72 777 738**
EQUITY			
Share capital	1 213 117	1 213 117	1 213 117
Share premium	1 147 241	1 147 241	1 147 241
Accumulated other comprehensive income	123 415	66 848	46 335
Retained earnings	6 305 238	6 262 881	5 899 353
Total equity	8 789 011	8 690 087	8 306 046
Total equity and total liabilities	**100 811 595**	**96 824 788**	**81 083 784**

Book value of net assets	8 789 011	8 690 087	8 306 046
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	7.24	7.16	6.85

STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total equity	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	
					Unappropriated result	Other reserves
01.01.2020 - 31.03.2020						
Equity at the beginning of the period	**8 690 087**	**1 213 117**	**1 147 241**	**66 848**	**560 727**	**5 702 154**
Total comprehensive income for the period (net)	98 924	0	0	56 567	(518 370)	560 727
net profit/ (loss) of the period	42 357	0	0	0	42 357	0
valuation of debt securities at fair value through other comprehensive income	40 214	0	0	40 214	0	0
hedge accounting	16 353	0	0	16 353	0	0
Transfer between items of reserves	0	0	0	0	(560 727)	560 727
Equity at the end of the period	**8 789 011**	**1 213 117**	**1 147 241**	**123 415**	**42 357**	**6 262 881**

Amount '000 PLN	Total equity	Share capital	Share premium	Accumulated other comprehensive income	Unappropriated result	Other reserves
01.01.2019 - 31.12.2019						
Equity at the beginning of the period	**8 135 969**	**1 213 117**	**1 147 241**	**73 457**	**486 887**	**5 215 267**
Total comprehensive income for the period (net)	554 118	0	0	(6 609)	73 840	486 887
net profit/ (loss) of the period	600 683	0	0	0	600 683	0
Merger with Euro Bank*	(39 956)	0	0	0	(39 956)	0
valuation of debt securities at fair value through other comprehensive income	(38 481)	0	0	(38 481)	0	0
valuation of shares at fair value through other comprehensive income	139	0	0	139	0	0
hedge accounting	32 145	0	0	32 145	0	0
actuarial gains (losses)	(412)	0	0	(412)	0	0
Transfer between items of reserves	0	0	0	0	(486 887)	486 887
Equity at the end of the period	**8 690 087**	**1 213 117**	**1 147 241**	**66 848**	**560 727**	**5 702 154**

Amount '000 PLN	Total equity	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	
					Unappropriated result	Other reserves
01.01.2019 - 31.03.2019						
Equity at the beginning of the period	**8 135 969**	**1 213 117**	**1 147 241**	**73 457**	**486 887**	**5 215 267**
Total comprehensive income for the period (net)	170 077	0	0	(27 122)	197 199	0
net profit/ (loss) of the period	197 199	0	0	0	197 199	0
valuation of debt securities at fair value through other comprehensive income	(63 243)	0	0	(63 243)	0	0
hedge accounting	36 121	0	0	36 121	0	0
Transfer between items of reserves	0	0	0	0	(486 887)	486 887
Equity at the end of the period	**8 306 046**	**1 213 117**	**1 147 241**	**46 335**	**197 199**	**5 702 154**

CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Profit (loss) after taxes	42 357	197 199
Total adjustments:	755 467	(1 281 814)
Interest received	865 864	550 392
Interest paid	(224 606)	(182 200)
Depreciation and amortization	49 653	30 863
Foreign exchange (gains)/ losses	24 495	3 421
Dividends	(35 908)	(42 308)
Changes in provisions	(31 759)	(7 572)
Result on sale and liquidation of investing activity assets	(13 513)	(14 876)
Change in financial assets held for trading	140 225	(15 894)
Change in loans and advances to banks	(944 917)	(31 576)
Change in loans and advances to customers	(3 130 191)	(1 706 860)
Change in receivables from securities bought with sell-back clause (loans and advances)	87 571	(548 669)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	810 979	(26 303)
Change in deposits from banks	(107 972)	78 676
Change in deposits from customers	2 403 796	619 532
Change in liabilities from securities sold with buy-back clause	971 893	7 914
Change in debt securities	(28 182)	85 537
Change in income tax settlements	46 612	43 726
Income tax paid	(91 309)	(72 932)
Change in other assets and liabilities	(52 856)	(65 212)
Other	15 591	12 527
Net cash flows from operating activities	**797 824**	**(1 084 615)**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Inflows:	38 305	63 713
Proceeds from sale of property, plant and equipment and intangible assets	2 397	21 405
Proceeds from sale of shares in related entities	0	0
Proceeds from sale of investment financial assets	0	0
Other	35 908	42 308
Outflows:	(655 192)	(171 164)
Acquisition of property, plant and equipment and intangible assets	(4 400)	(8 824)
Purchase of Euro Bank shares less cash acquired	0	0
Acquisition of investment financial assets	(650 792)	(162 340)
Other	0	0
Net cash flows from investing activities	**(616 887)**	**(107 451)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Inflows from financing activities:	0	830 000
Long-term bank loans	0	0
Issue of debt securities	0	0
Increase in subordinated debt	0	830 000
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(22 339)	(122)
Repayment of long-term bank loans	(5 000)	0
Redemption of debt securities	0	(122)
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other outflows from financing activities	(17 339)	0
Net cash flows from financing activities	(22 339)	829 878

D. Net cash flows. Total (A + B + C)	**158 598**	**(362 188)**
including change resulting from FX differences	10 178	1 236
E. Cash and cash equivalents at the beginning of the reporting period	**3 752 789**	**4 520 688**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**3 911 387**	**4 158 500**

3. Supplementary information for standalone financial data

As at 31 March 2020, the Bank has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed statements, Bank did not:

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

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

FX mortgage loan portfolio

Regarding regulations on FX mortgage loans, which have been discussed in Poland during last 4 years, it was approved a Presidential Draft Bill of 2 August 2017 regarding changes in the Act on Support for Distressed Borrowers who Took Residential Loans. The finally accepted Bill does not include the creation of a Conversion Fund. On the other hand, it increased availability of the PLN 600 million worth Borrowers' Support Fund originally created in 2015 and still waiting to be used for borrowers in need (both PLN and FX mortgages) and sets potential future contributions. The Bill came into force from 1 January 2020.

Mortgage Bank

Mortgage loans are an important element of the Bank's retail business. Therefore, in June 2018, the Bank filed to the Polish Financial Supervision Authority an application for granting permission to set up a mortgage bank called "Millennium Bank Hipoteczny" based in Warsaw, the sole shareholder of which will be Bank Millennium. The new Bank is to provide medium and long-term financing through the issuance of covered bonds to support residential mortgage lending business.

Events after the date for which financial statements were prepared

Approval of the Fourth Bank Millennium S.A. Bonds Issue Programme

On 8 May 2020 the Bank's Supervisory Board approved the fourth Bank's bonds issue programme ("the Programme"), with nominal value not higher than PLN 4 bn.

The bonds shall be issued in many series during the period of 5 years, under the Act on Bonds dated 15 January 2015. The maximum maturity of the bonds shall not be longer than 15 years.

The bonds may be issued as senior bonds, subordinated bonds or bonds, liabilities under which may be included in the maintained minimum level of own funds and liabilities subject to redemption or conversion (MREL). The bonds shall be denominated in PLN or in other currencies and will not be secured.

Upon establishment of the Programme the possibility was ended of issuing bonds under the to-date third bonds issue programme with nominal value not higher than PLN 3 bn, foreseen previously until 31 July 2020.

Impairment losses on financial assets

	1.01.2020 - 31.03.2020	1.01.2019 - 31.03.2019
Impairment losses on loans and advances to customers	(101 567)	(56 946)
Impairment charges on loans and advances to customers	(458 375)	(189 442)
Reversal of impairment charges on loans and advances to customers	342 889	128 182
Amounts recovered from loans written off	13 895	4 850
Sale of receivables	0	0
Other directly recognised in profit and loss	24	(536)
Impairment losses on securities	0	0
Impairment charges on securities	0	0
Reversal of impairment charges on securities	0	0
Impairment losses on off-balance sheet liabilities	(2 890)	3 129
Impairment charges on off-balance sheet liabilities	(32 642)	(13 222)
Reversal of impairment charges on off-balance sheet liabilities	29 752	16 351
Total	**(104 457)**	**(53 817)**

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

	1.01.2020 - 31.03.2020	1.01.2019 - 31.12.2019	1.01.2019 - 31.03.2019
Balance at the beginning of the period	1 801 122	1 589 048	1 589 048
Change in value of provisions:	111 425	212 074	(32 584)
Impairment allowances created in the period	458 375	825 462	189 442
Amounts written off	(36 927)	(239 319)	(101 552)
Impairment allowances released in the period	(342 889)	(592 613)	(128 182)
Sale of receivables	0	0	0
KOIM created in the period(*)	9 375	25 312	5 520
Merger with Euro Bank S.A.	0	176 996	0
Changes resulting from FX rates differences	20 866	5 291	1 892
Other	2 625	10 945	296
Balance at the end of the period	**1 912 547**	**1 801 122**	**1 556 464**

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

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Investments in subsidiaries, joint ventures and associates	Property. plant and equipment	Intangibles	Other assets
As at 01.01.2020	5 050	7 600	8 856	0	12 670
- Write-offs created	0	0	0	0	10 176
- Write-offs released	0	0	0	0	(8 412)
- Utilisation	0	(900)	0	0	(59)
- Other	0	0	0	0	0
As at 31.03.2020	5 050	6 700	8 856	0	14 375
As at 01.01.2019	5 016	7 600	8 733	0	8 059
- Write-offs created	34	0	123	0	23 850
- Write-offs released	0	0	0	0	(22 697)
- Utilisation	0	0	0	0	(405)
- Other	0	0	0	0	3 862
As at 31.12.2019	5 050	7 600	8 856	0	12 670
As at 01.01.2019	5 016	7 600	8 733	0	8 060
- Write-offs created	0	0	0	0	3 431
- Write-offs released	0	0	0	0	(2 783)
- Utilisation	0	0	0	0	(25)
- Other	0	0	0	0	(1 783)
As at 31.03.2019	5 016	7 600	8 733	0	6 899

Change of Provision for commitments and guarantees given

	1.01.2020 - 31.03.2020	1.01.2019 - 31.12.2019	1.01.2019 - 31.03.2019
Balance at the beginning of the period	53 856	52 248	52 248
Charge of provision	32 642	70 581	13 222
Release of provision	(29 752)	(70 220)	(16 351)
Merger with Euro Bank S.A.	0	1 281	0
FX rates differences	423	(34)	13
Balance at the end of the period	**57 169**	**53 856**	**49 132**

Change of Provision for pending legal issues

	1.01.2020 - 31.03.2020	1.01.2019 - 31.12.2019	1.01.2019 - 31.03.2019
Balance at the beginning of the period	250 433	59 797	59 797
Charge of provision	1 131	7 311	916
Release of provision	(210)	(14 318)	(2 581)
Utilisation of provision	(490)	(27 876)	(4 574)
Creation of provision for legal risk connected with FX mortgage loans	55 325	223 134	0
Merger with Euro Bank S.A.	0	602	0
FX differencies	12 195	0	0
Reclassification	(163 023)	1 783	1 783
Balance at the end of the period	155 361	250 433	55 341

Deferred income tax assets and liability

	31.03.2020		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	1 659	(2 346)	(687)
Balance sheet valuation of financial instruments	238 697	(259 609)	(20 912)
Unrealised receivables/ liabilities on account of derivatives	12 927	(16 051)	(3 124)
Interest on deposits and securities to be paid/ received	32 287	(56 038)	(23 751)
Interest and discount on loans and receivables	0	(76 538)	(76 538)
Income and cost settled at effective interest rate	171 661	0	171 661
Impairment of loans presented as temporary differences	350 241	0	350 241
Employee benefits	21 916	0	21 916
Rights to use	6 911	0	6 911
Provisions for future costs	19 030	0	19 030
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	2 246	(31 195)	(28 949)
Other	6 755	(4 087)	2 668
Total	864 330	(445 864)	418 466

	31.12.2019			31.03.2019		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	1 659	(2 345)	(686)	1 708	0	1 708
Balance sheet valuation of financial instruments	84 191	(106 710)	(22 519)	89 883	(112 374)	(22 491)
Unrealised receivables/ liabilities on account of derivatives	13 753	(20 117)	(6 364)	8 194	(14 973)	(6 779)
Interest on deposits and securities to be paid/ received	33 268	(60 770)	(27 502)	25 017	(38 594)	(13 577)
Interest and discount on loans and receivables	0	(73 860)	(73 860)	0	(51 427)	(51 427)
Income and cost settled at effective interest rate	180 305	0	180 305	94 748	0	94 748
Impairment of loans presented as temporary differences	321 341	0	321 341	202 973	0	202 973
Employee benefits	20 140	0	20 140	14 477	0	14 477
Rights to use	5 971	0	5 971	5 945	0	5 945
Provisions for future costs	19 408	0	19 408	13 591	0	13 591
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	6 082	(21 762)	(15 680)	5 052	(15 921)	(10 869)
Other	6 123	(1 265)	4 858	6 621	(3 679)	2 942
Total	692 241	(286 829)	405 412	468 209	(236 968)	231 241

4. Transactions with Related Entities

All transactions among members of the Group made in 1st quarter of 2020 and 2019 were driven by current activity. The below table presents major amounts of intergroup transactions, these were transactions with the following entities:

- MILLENNIUM LEASING,
- MILLENNIUM DOM MAKLERSKI,
- MILLENNIUM TFI
- MILLENNIUM SERVICE,
- MILLENNIUM TELECOMMUNICATION SERVICES,
- MILLENNIUM GOODIE,
- PIAST EXPERT.

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

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

Assets and liabilities from transactions with related parties (data in ‘000 pln) as at 31.03.2020

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	0	224 456	0
Loans and advances to customers	5 838 577	0	0
Investments in associates	88 874	0	0
Financial assets valued at fair value through profit and loss (held for trading)	848	0	0
Hedging derivatives	0	0	0
Other assets	74 166	0	0
LIABILITIES			
Deposits from banks	0	460	128 948
Deposits from customers	389 795	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	560	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	157	387	0
Subordinated debt	0	0	0
Other liabilities, including:	124 836	0	218
financial leasing liabilities	122 088	0	0

Assets and liabilities from transactions with related parties (data in '000 pln) as at 31.12.2019

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	0	106 971	0
Loans and advances to customers	5 734 190	0	0
Investments in associates	88 874	0	0
Financial assets valued at fair value through profit and loss (held for trading)	948	0	0
Hedging derivatives		0	0
Other assets	43 052	0	0
LIABILITIES			
Deposits from banks	0	271	117 588
Deposits from customers	320 265	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	551	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	4	361	0
Subordinated debt	0	0	0
Other liabilities, including:	136 826	0	215
financial leasing liabilities	131 106	0	0

Profit and loss on transactions with related parties (data in '000 pln) for the period 1.01-31.03.2020

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	30 844	(27)	0
Commissions	4 261	35	0
Financial instruments valued at fair value through profit and loss	626	0	0
Dividends	35 665	0	0
Other net operating	1 806	0	0
Expense from:			
Interest	1 021	4	(82)
Commissions	1	0	0
Financial instruments valued at fair value through profit and loss	0	420	0
Other net operating	0	2	0
General and administrative expenses	7 505	0	178

Profit and loss on transactions with related parties (data in '000 pln) for the period 1.01-31.03.2019

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	28 777	(5)	0
Commissions	15 543	54	0
Financial instruments valued at fair value through profit and loss	279	0	0
Dividends	42 110	0	0
Other net operating	5 888	0	0
Expense from:			
Interest	1 047	0	(72)
Commissions	2	0	0
Financial instruments valued at fair value through profit and loss	0	406	0
Other net operating	0	2	0
General and administrative expenses	11 037	0	259

Off-balance transactions with related parties (data in '000 pln) as at 31.03.2020

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	838 907	101 116	0
granted	835 960	100 345	0
obtained	2 946	771	0
Derivatives (par value)	100 900	16 606	0

Off-balance transactions with related parties (data in '000 pln) as at na 31.12.2019

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	825 371	101 101	0
granted	822 429	100 345	0
obtained	2 942	756	0
Derivatives (par value)	117 695	15 807	0

5. Fair Value

The methodology used by the Bank for valuation of assets and liabilities at fair value is described in detail in Chapter 8. Condensed interim consolidated financial statements of Bank Millennium S.A. for the 3 months ended 31 March 2020.

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

5.1. Financial instruments not recognized at fair value in the balance sheet

31.03.2020	Balance sheet value	Fair value
Assets measured at Amortised Cost		
Debt securities	48 355	48 124
Deposits, loans and advances to banks and other monetary institutions	2 018 878	2 018 891
Loans and advances to customers (*)	69 778 528	67 087 795
Liabilities measured at Amortised Cost		
Liabilities to banks and other monetary institutions	759 852	760 004
Liabilities to customers	83 825 155	83 882 471
Debt securities issued	974 227	980 766
Subordinated debt	1 544 678	1 547 927

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

31.12.2019	Balance sheet value	Fair value
Assets measured at Amortised Cost		
Debt securities	48 153	46 875
Deposits, loans and advances to banks and other monetary institutions	784 248	784 091
Loans and advances to customers (*)	67 330 582	65 052 959
Liabilities measured at Amortised Cost		
Liabilities to banks and other monetary institutions	849 452	850 852
Liabilities to customers	81 637 517	81 646 570
Debt securities issued	1 003 657	1 008 580
Subordinated debt	1 546 205	1 548 362

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

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

Data in PLN'000, as at na 31.03.2020

	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		134 435	56 222
Debt securities	605 713		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments			66 609
Debt securities			103 001
Loans and advances			1 475 514
Financial assets at fair value through other comprehensive income			
Equity instruments			29 389
Debt securities	21 472 602	599 967	
Derivatives - Hedge accounting		22 195	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		195 144	52 287
Short positions	65 675		
Derivatives - Hedge accounting		1 277 724	

Data in PLN'000, as at 31.12.2019

	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		47 091	65 537
Debt securities	874 033		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments			66 609
Debt securities			103 001
Loans and advances			1 498 195
Financial assets at fair value through other comprehensive income			
Equity instruments			29 367
Debt securities	20 826 992	999 917	
Derivatives - Hedge accounting		43 159	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		84 776	65 187
Short positions	202 265		
Derivatives - Hedge accounting		426 847	

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance as at 01.01.2020	**61 294**	**(60 944)**	**95 976**	**103 001**	**1 498 195**
Settlement/sell/purchase	(6 987)	10 405	0	0	(41 130)
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	30 128
Results on financial assets and liabilities held for trading	(5 252)	5 419	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	0	(11 679)
Result on exchange differences	0	0	22	0	0
Balance as at 31.03.2020	**49 055**	**(45 120)**	**95 998**	**103 001**	**1 475 514**

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance as at 01.01.2019	**35 430**	**(35 584)**	**50 651**	**43 187**	**1 250 525**
Settlement/sell/purchase	17 357	(15 736)	147	15 710	156 406
Change of valuation recognized in equity	0	0	172	0	0
Interest income and other of similar nature	0	0	0	0	114 665
Results on financial assets and liabilities held for trading	8 507	(9 624)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	45 000	44 104	(23 401)
Result on exchange differences	0	0	6	0	0
Balance as at 31.12.2019	**61 294**	**(60 944)**	**95 976**	**103 001**	**1 498 195**

6. Additional Information

6.1. Issue, redemption or repayment of debt or equity instruments

During the three months ended March 31, 2020, the Bank's total liabilities under the issue of debt securities decreased by PLN 29.4 million. The decrease (approx. PLN 33.1 million) was caused by the redemption of Bank Securities (BPW). Part of the decrease in liabilities (PLN 3.7 million) was offset by the accrual of interest on BKMO series T bonds and EBK series C bonds.

6.2. Off balance sheet items

Structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	31.03.2020	31.12.2019	31.03.2019
Off-balance conditional commitments granted and received	**13 697 520**	**12 995 272**	**10 929 016**
Commitments granted:	13 146 288	12 452 047	10 526 968
- financial	10 657 657	9 939 514	8 325 477
- guarantee	2 488 631	2 512 533	2 201 491
Commitments received:	551 232	543 226	402 048
- financial	0	0	2 538
- guarantee	551 232	543 226	399 510