

**Information about the implemented  
tax strategy  
Bank Millennium S.A.  
for 2023**

Warsaw, 10 July 2024

This information has been prepared pursuant to § 16 section 5 of the Tax Policy of Bank Millennium S.A. approved by way of Resolution No. 129/2021 of the Bank's Management Board of 18 August 2021 in order to implement the requirements under Article 27c of the Corporate Income Tax Act of 15 February 1992 and the international standard of tax transparency GRI 207: Tax 2019 issued by the *Global Sustainability Standards Board* (<https://www.globalreporting.org/>).

## **1. Preliminary Remarks / GRI 207: Disclosure 207-4**

Bank Millennium S.A. (hereinafter referred to as the Bank) is a domestic bank within the meaning of the Banking Law with its registered office in Warsaw, Stanisława Żaryna 2A, 02-593 Warsaw, entered under the KRS number 0000010186 into the Register of Entrepreneurs of the National Court Register, kept by the District Court for the m.st of Warsaw, XIII Commercial Division of the National Court Register, with tax identification number (NIP) - 526-021-29-31 and fully paid-up share capital in the amount of PLN 1,213,116,777.00. The Bank is a public company listed on the Warsaw Stock Exchange since 1992 (PLBIG0000016).

Bank Millennium S.A. is a nationwide universal bank performing banking activities under Articles 5-6 of the Banking Law (mainly maintaining bank accounts, issuing payment cards, granting credits and loans, intermediation in the sale of investment products and insurance), as well as brokerage activities, for individual clients (consumers) and entrepreneurs through a network of branches (612 at the end of 2023) and electronic banking. The Bank's capital group employs approx. 6900 employees and is the 7th commercial bank in Poland in terms of assets - more about the Bank at <https://www.bankmillennium.pl/o-banku/kim-jestesmy>.

The current business strategy *Millennium 2024 Inspired by people* is available on the Bank's website - tab: About the Bank / Investor Relations / Presentations and webcasts

The Bank is the parent company of the Bank Millennium Group, which also includes: Millennium Leasing Sp. z o.o. (leasing activities), Millennium Consulting S.A. (advisory activities), Millennium Towarzystwo Funduszy Inwestycyjnych S.A. (investment fund management), Bank Millennium Foundation (non-profit activities), Millennium Goodie Sp. z o.o. (smartshopping platform and goodie.pl mobile application management), Millennium Service Sp. z o.o. (management real estate, insurance brokerage), Millennium Consulting S.A. (advisory services), Millennium Telecommunication Services Sp. z o.o. (telecommunications services), Millennium Bank Hipoteczny S.A. (obtaining long-term financing through the issue of covered bonds), Piast Expert Sp. z o.o. in liquidation (the company is in the process of liquidation). The Bank holds, directly or indirectly, 100% of shares in these companies. All of the above-mentioned companies have their registered office in Poland (including for tax purposes).

The Bank does not have branches or subsidiaries outside the Republic of Poland. The majority shareholder of the Bank is Banco Comercial Portugues S.A. (50.1%) - the largest commercial bank in Portugal.

The balance sheet total of the Bank's assets amounted to PLN 124.8 billion at the end of 2023, of which property, plant and equipment amounted to PLN 0.5 billion. The balance sheet from item 3 of the Bank's separate financial statements for 2023 is presented below.

### 3. Balance Sheet

#### ASSETS

Amount '000 PLN	Note	31.12.2023	31.12.2022
Cash, cash balances at central banks	18	5 094 984	9 536 090
Financial assets held for trading	19	609 252	363 618
Derivatives		498 577	339 295
Equity instruments		121	113
Debt securities		110 554	24 210
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	20	147 623	201 036
Equity instruments		66 609	128 979
Debt securities		81 014	72 057
Financial assets at fair value through other comprehensive income	21	21 924 652	16 438 458
Equity instruments		28 789	24 393
Debt securities		21 895 863	16 414 065
Loans and advances to customers	22	72 405 446	75 855 606
Mandatorily at fair value through profit or loss		19 349	97 982
Fair valued through other comprehensive income		11 799 748	11 221 252
Valued at amortised cost		60 586 349	64 536 372
Financial assets at amortised cost other than Loans and advances to customers	23	21 469 710	5 308 320
Debt securities		18 439 780	3 893 212
Deposits, loans and advances to banks and other monetary institutions		1 866 688	1 410 245
Reverse sale and repurchase agreements		1 163 242	4 863
Derivatives - Hedge accounting	24	74 213	135 804
Investments in subsidiaries, joint ventures and associates	25	399 223	247 823
Tangible fixed assets	26	553 087	557 542
Intangible fixed assets	27	481 128	432 820
Income tax assets		368 279	643 196
Current income tax assets		0	0
Deferred income tax assets	28	368 279	643 196
Other assets	29	1 360 160	923 009
Non-current assets and disposal groups classified as held for sale	30	0	0
<b>Total assets</b>		<b>124 887 757</b>	<b>110 643 322</b>

The Bank's net profit for 2023 amounted to PLN 510.2 million. The profit and loss account from item 1 of the Bank's separate financial statements for 2023 is presented below.

## 1. Income Statement

Amount '000 PLN	Note	1.01.2023 - 31.12.2023	1.01.2022 - 31.12.2022
Net interest income		5 134 504	3 237 781
Interest income and other of similar nature	1	8 300 383	4 900 722
Income calculated using the effective interest method		8 191 912	4 929 519
Interest income from Financial assets at amortised cost, including:		6 385 562	3 696 751
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays		(11 404)	(1 291 600)
Interest income from Financial assets at fair value through other comprehensive income		1 806 350	1 232 768
Result of similar nature to interest from Financial assets at fair value through profit or loss		108 471	(28 797)
Interest expenses	2	(3 165 879)	(1 662 941)
Net fee and commission income		683 726	714 957
Fee and commission income	3	912 357	906 708
Fee and commission expenses	3	(228 631)	(191 751)
Dividend income	4	32 137	45 592
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	541 425	(2 377)
Results on financial assets and liabilities held for trading	6	47 982	(528)
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	12 359	25 696
Result on hedge accounting	8	1 160	(7 130)
Result on exchange differences, including:		(76 838)	(203 746)
- costs of settlements on foreign currency mortgage loans	14	(273 791)	(382 239)
Other operating income	9	405 347	239 141
Other operating expenses	10	(260 264)	(176 977)
Administrative expenses	11	(1 713 662)	(1 817 488)
Impairment losses on financial assets	12	(222 266)	(300 641)
Impairment losses on non-financial assets	13	(84)	(3 515)
Provisions for legal risk connected with FX mortgage loans	14	(3 065 380)	(2 017 320)
Result on modification, including:		(88 184)	(126 664)
- costs of settlements on foreign currency mortgage loans	14	(52 227)	(102 153)
Depreciation	15	(207 189)	(202 412)
Share of the profit of investments in subsidiaries		0	0
Banking tax		0	(169 063)
Profit before income taxes		1 224 773	(764 694)
Corporate income tax	16	(714 514)	(265 205)
Profit after taxes		510 259	(1 029 899)

Revenues, like expenses, from transactions with related parties from the BCP Group based abroad for 2023 were intangible. The summary from Note 9 to the Bank's separate financial statements is below:

**PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-31.12.2023**

	with subsidiaries	with parent company	with other entities from parent group
<b>Income from:</b>			
Interest	431 240	2 676	0
Commissions	25 484	120	0
Financial instruments valued at fair value through other comprehensive income	3 221	28	0
Dividends	28 706	0	0
Other net operating	25 100	0	0
<b>Expense from:</b>			
Interest	11 707	2	0
Commissions	2	0	0
Financial instruments valued at fair value through profit and loss	0	0	0
Other net operating	0	0	0
General and administrative expenses	9 995	431	94

Financial and non-financial statements (ESG report), as well as current and periodic reports of the Bank submitted to the stock exchange in 2023 are published on the website: <https://www.bankmillennium.pl/o-banku/relacje-inwestorskie>, as well as on the website of the Warsaw Stock Exchange and in the eKRS system of the Ministry of Justice.

### 1.1. Bank as a taxpayer

The bank is a taxpayer of the following types of taxes:

- corporate income tax (CIT);
- value added tax (VAT);
- tax on certain financial institutions (PNIF);
- real estate tax (PoN).

In rare cases, the Bank is also a taxpayer of other types of taxes, e.g. tax on civil law transactions.

The amounts of the above-mentioned taxes paid for 2023 are as follows:

Tax type	(PLN million)
CIT	599,3
PNIF	0*
VAT	64,4**
PoN	0,6
<b>TOGETHER:</b>	<b>644,3</b>

\* - from July 2022 to May 2024 (incl.) The Bank benefited from the PNIF exemption under Article 11(2)(1) of the PNIF Act in connection with the implemented recovery plan.

\*\* - the amount shows the payment of the VAT liability to the tax office; as regards the actual VAT charge, it should be taken into account that the Bank provides financial services exempt in principle from VAT, and therefore does not deduct the entire input VAT on purchases of goods and services (the amount of non-deducted VAT in 2023 amounted to approx. PLN 142.7 million).

The reconciliation of the effective tax position is included in the notes to the separate financial statements of the Bank - note 16b below:

#### 16b. Effective tax rate

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022
Profit before tax / (loss)	1 224 773	(764 694)
Statutory tax rate	19%	19%
Income tax according to obligatory income tax rate of 19%	(232 707)	145 292
Impact of permanent differences on tax charges:	(488 299)	(413 301)
Non-taxable income	54 668	41 596
Dividend income	5 906	8 411
Release of other provisions	48 570	32 027
Other	112	1 158
Cost which is not a tax cost	(542 967)	(454 897)
PFRON fee	(1 533)	(1 158)
Fees for Banking Guarantee Fund	(11 406)	(23 009)
Banking tax	(604)	(32 122)
Receivables written off	(14 945)	(9 255)
Costs of litigations and claims	(512 055)	(388 265)
Other	(2 424)	(1 088)
Amount of deductible temporary differences for which no deferred tax asset was recognized in the balance sheet	0	2 116
Deduction of the tax paid abroad	112	234
Other differences between gross financial result and taxable income with income tax (including R&D relief)	6 380	454
Total income tax reported in income statement	(714 514)	(265 205)
Effective tax rate	58.34%	/-/*

\* For the year 2022 the Bank recorded a negative gross financial result and at the same time a tax burden of a cost nature, therefore the Group did not calculate the effective tax rate.

### 1.2. Bank as a tax remitter

At the same time, the Bank acts as a payer of personal and corporate income tax. In 2023. The Bank collected the following amounts of taxes as a tax remitter:

Name of the declaration / main taxes included in them	(PLN million)
CIT-10Z declaration (tax on interest, intangible services and royalties paid to foreign legal entities)	0,4
CIT-6R declarations (tax on dividends of domestic legal entities)	2,2
PIT-4R declaration (PIT advances on employees' salaries, pensions and pensions of foreign clients)	80,3
PIT-8AR declaration (tax on interest paid to natural persons)	296,3

### 1.3. Reporting obligations of the Bank

The Bank also performs numerous reporting obligations provided for in the provisions of the tax law, in addition to submitting tax returns related to the above-mentioned taxes (CIT, PIT, VAT, PNIF) as a taxpayer and remitter, it is obliged to submit:

- IFT-1/1R and IFT-2/2R information,
- IKE-1 and IKZE-1 information,
- CRS-1 information on reportable accounts,
- FAT-1 information on reportable accounts,
- information to the STIR system on the accounts of eligible entities and transactions on them,
- TPR-C information,
- declarations related to fees and contributions that the Bank is obliged to pay.

From 2024 The Bank also provides the Head of the National Revenue Administration with PSP-IP information on cross-border payments.

## **2. Information on the processes and procedures in place to manage the performance of obligations under tax law and to ensure their proper performance / GRI 207: Disclosures 207-2,-3,-4**

The Bank has a tax strategy ("Tax Policy of Bank Millennium S.A.") approved in the form of Resolution No. 129/2021 of the Bank's Management Board of 18 August 2021 and published on the Bank's website: <https://www.bankmillennium.pl/o-banku/wladze-banku-i-lad-korporacyjny>. This document is superior in the tax area and defines the principles of managing the risk of non-compliance with tax law as well as the principles of tax governance, including the Bank's vision and tax objectives. "Tax policy of Bank Millennium S.A." also contains the rules for preparing this information on the implemented tax strategy.

Individual tax processes, as well as the roles and obligations of the entities, are regulated in dedicated intra-bank files (instructions, process cards and internal communications). Each tax process is formally regulated in order to determine the units involved in a given process, data flow, and deadlines for performing individual duties. Employees performing reporting obligations in the tax area perform their tasks taking into account the 4 eyes principle and participate in training aimed at improving their knowledge and competences. The correctness of the implementation of processes is the subject of internal controls.

The structure of the Bank's Head Office includes the Tax Department (DPD), which, in accordance with the Organizational Regulations, performs most of the duties in the tax area and supervises the Bank's tax compliance risk. All material tax issues and risks are addressed by the DPD Manager to the relevant member of the Bank's Management Board supervising the financial area and to the Processes and Operational Risk Committee. The reports of the DPD Manager contain a description of the raised issues/risks along with a recommendation as to risk mitigations or solutions to be implemented. The DPD Manager organizes regular meetings of persons involved in the implementation of tax processes in the Bank and its subsidiaries in order to discuss the most important tax issues in the Bank Millennium Group, in particular the status of implementation of changes in tax regulations concerning the Bank and/or its subsidiaries, identified tax risks, correctness of processes in the field of performance of tax obligations, inspections and disputes Tax.

The bank also uses the support of external tax advisors in cases requiring an additional legal and tax opinion or a review of a given process (the review usually ends with a report or memorandum containing the advisor's assessment along with the identification of identified irregularities or significant risks).

On its website (section About the Bank/Who we are/Taxes - Questions and Answers), the Bank also publishes information for Clients in the form of FAQs on the principles of taxation of basic banking products, as well as reporting obligations under tax regulations, including FATCA and CRS.

### **3. Information on voluntary forms of cooperation with the National Tax Administration (hereinafter: KAS) / GRI 207: Disclosure 207-3**

The Bank is not currently a party to the cooperation agreement with the Head of the National Revenue Administration referred to in Article 20s § 1 of the Act of 29 August 1997 - Tax Ordinance (hereinafter referred to as the Tax Ordinance).

In its relations with the tax administration, the Bank maintains the standards of the highest diligence, which is expressed in timely and comprehensive response to requests and other letters addressed to the Bank by the National Revenue Administration authorities, including as part of tax, customs and fiscal inspections and tax proceedings. The rules of correspondence with the authorities of the National Revenue Administration and the handling of inspections/proceedings in tax matters are regulated in the internal bank procedures.

The bank also tries to proactively present and discuss various tax issues with the guardian and management of the relevant tax office. Representatives of the Bank's Tax Department also actively participate in the work of tax experts at the Polish Bank Association and the Lewiatan Confederation, including issuing opinions on draft amendments to the tax law and meetings with representatives of the Ministry of Finance.

Information on material disputes with the authorities of the National Revenue Administration is included in the Bank's periodic financial reports published to the public.

### **4. Information on the taxpayer's performance of tax obligations in the territory of the Republic of Poland, together with information on the number of information on tax schemes referred to in Article 86a § 1 item 10 of the Tax Ordinance submitted to the Head of the National Revenue Administration, broken down by the taxes to which they relate.**

In connection with the end of the COVID-19 pandemic and the expiry of the suspension of the deadlines for submitting information on tax schemes, in 2023 the Bank submitted 9 MDR-3 forms and 4 MDR-2 notifications for 2020-23.

8 out of 9 the MDR-3 information concerned two schemes described in detail in the information on the implementation of the tax strategy for 2020 with NSP numbers: MDR3652228/19 (personal income tax) and MDR1870230/19 (corporate income tax).

The latest MDR-3 information concerned the division by spin-off of Millennium Dom Maklerski S.A. - a transaction described by the Bank in item 6 of each information on the implementation of the tax strategy for the years 2020-22, to which the Head of the National Revenue Administration assigned the NSP number: MDR3870166/23. The notification of this transaction as a tax scheme by the law firm handling the transaction resulted from prudential reasons, i.e. it was not known whether as at the date of the division the impact on the deferred part of the income tax or deferred tax assets or liabilities would exceed PLN 5,000,000 for the entities participating in the transaction, so the division could meet another specific hallmark under Article 86a § 1 item 1 letter a) of the Tax Ordinance. For this reason,



the Law Firm decided to submit the MDR-1 information, and the Bank to submit the MDR-3 information.

3 out of 4 MDR-2 notifications concerned corporate income tax and 1 MDR-2 notification concerned personal income tax. All notifications were related to standard banking products, where the Bank, on the basis of the information at its disposal, in specific 4 cases, had doubts as to the potential existence of a tax scheme. In accordance with the provisions of the Tax Ordinance, the Bank asked the Clients to provide information on the existence or non-existence of a tax scheme and notified the Head of the National Revenue Administration.

**5. Information on transactions with related parties within the meaning of Article 11a(1)(4), the value of which exceeds 5% of the balance sheet total of assets within the meaning of the accounting regulations, determined on the basis of the company's most recent approved financial statements, including entities that are not tax residents of the Republic of Poland**

The Bank's largest transaction in terms of value is the financing of Millennium Leasing Sp. z o.o. (ML) through the purchase of lease receivables, loans and bond issues. The sale of lease receivables to the Bank is the main source of financing for ML's operating activities. Debt financing is the basic and natural way of financing by leasing companies both on the Polish market and in the world.

At the end of 2023, the value of ML lease receivables sold to the Bank amounted to approx. PLN 5.5 billion, and loans granted to ML by the Bank amounted to approx. PLN 0.9 billion. The carrying amount of the Bank's total assets as at 31.12.2023 amounted to PLN 124.9 billion.

**6. Information on restructuring activities planned or undertaken by the taxpayer that may affect the amount of tax liabilities of the taxpayer or related entities within the meaning of Article 11a(1)(4)**

In 2023. The Bank did not plan or undertake such restructuring activities.

**7. Information on applications for tax interpretations submitted by the taxpayer**

In 2023, the Bank received 4 individual interpretations of tax law provisions referred to in Article 14b of the Tax Ordinance:

Date of issuance of the ruling, reference number	Subject of interpretation
30.03.2023, 0114-KDIP3-1.4011.128.2023.1.AK	Obligation to issue PIT-8C and PIT-11 information in a situation where, in accordance with the provisions of double tax treaties, income is subject to taxation in the country of residence of the non-resident client
08.05.2023, 0114-KDIP3-1.4011.148.2023.3.MG	Obligation to collect tax on interest or discount on Treasury bonds
02.08.2023, 0114-KDIP4-3.4012.216.2023.2.RK	VAT taxation of services related to insurance intermediation
19.09.2023, 0114-KDIP4.4012.260.2018.13.AS	VAT taxation of payments to the Non-Cash Transactions Support Program Fund

The content of the above individual interpretations is publicly available on the website <https://eureka.mf.gov.pl> (Customs and Tax Information System EUREKA).

In addition, the Bank received one decision of the Director of the National Tax Information of 4 April 2023 on the application of the general interpretation of the Minister of Finance of 15 September 2020 no. DD3.8201.1.2018 (file no. 0114-KDIP3-2.4011.123.2023.1.MN) in response to the Bank's request of 28 April 2023 for the issuance of an individual interpretation within the scope of Article 22 section 9 point 3 in connection with section 9b point 8 of the Personal Income Tax Act of 26 July 1991.

In 2023, the Bank did not apply for the issuance of:

- a) general tax interpretation referred to in Article 14a § 1 of the Tax Ordinance,
- b) binding rate information referred to in Article 42a of the Value Added Tax Act,
- c) binding excise duty information referred to in Article 7d(1) of the Excise Duty Act of 6 December 2008.

**8. Information on the taxpayer's tax settlements in the territories or countries applying harmful tax competition indicated in the executive acts issued on the basis of Article 11j(2) and on the basis of Article 23v(2) of the Personal Income Tax Act of 26 July 1991 and in the announcement of the minister competent for public finances issued on the basis of Article 86a § 10 of the Tax Ordinance**

The Bank did not make tax settlements in territories or countries applying harmful tax competition ("tax havens"). The bank also does not have subsidiaries in such locations.

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If you have any additional questions or concerns, please contact: [podatki@bankmillennium.pl](mailto:podatki@bankmillennium.pl)