Consolidated report
of the Bank Millennium S.A. Capital Group
for 3rd quarter of 2020

Millennium bank

Consolidated Financial Highlights

	Amount '000 PLN		Amount '000 EUR	
	1.01.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.01.2020 - 30.09.2020	1.01.2019 - 30.09.2019
Interest income and other of similar nature	2 430 080	2 427 665	547 069	563 446
Fee and commission income	706 868	661 098	159 133	153 437
Profit (loss) before income tax	313 296	735 854	70 530	170 787
Profit (loss) after taxes	131 870	533 763	29 687	123 883
Total comprehensive income of the period	283 683	537 049	63 864	124 646
Net cash flows from operating activities	2 481 872	(824 279)	558 728	(191 310)
Net cash flows from investing activities	(4 042 554)	205 038	(910 075)	47 588
Net cash flows from financing activities	(779 958)	841 741	(175 587)	195 363
Net cash flows, total	(2 340 640)	222 500	(526 934)	51 641
Earnings (losses) per ordinary share (in PLN/EUR)	0.11	0.44	0.02	0.10
Diluted earnings (losses) per ordinary share	0.11	0.44	0.02	0.10
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
Total Assets	102 246 400	97 916 394	22 586 905	22 993 165
Liabilities to banks and other monetary institutions	1 105 330	1 578 848	244 175	370 752
Liabilities to customers	85 852 463	81 454 765	18 965 376	19 127 572
Equity	9 222 082	8 941 519	2 037 219	2 099 687
Share capital	1 213 117	1 213 117	267 986	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)	7,60	7,37	1,68	1,73
Diluted book value per share (in PLN/EUR)	7,60	7,37	1,68	1,73
Total Capital Ratio (TCR)	20.02%	20.09%	20.02%	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	-	-	4.5268	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)	-	-	4.4420	4.3086

INFORMATION ABOUT THE ACTIVITY OF BANK MILLENNIUM AND CAPITAL GROUP OF BANK MILLENNIUM S.A. DURING 3Q20/9M20

Bank Millennium S.A. Capital Group's (the "BM Group") consolidated reported 9M20 net profit amounted to PLN132 million (3Q20: PLN60 million) and was PLN402 million (3Q20: PLN140 million) below the level in the corresponding period of last year. Direct and indirect impact of Covid-19 pandemic (i.a. lower economic activity in most of 2Q20, an impact of the unprecedented 140bp base interest rate cut in 1Q20-2Q20) and substantial extraordinary negative P&L items were the main burdens on 9M20 and 3Q20 results. Adjusted for the latter, 9M20 net profit stood at PLN583 million, down 10% y/y while this of 3Q20 amounted to PLN189 million, down 14% y/y. Adjusted ROE of 8.5% (3Q20: 9.0%) compared against 10% in 9M19 (3Q19: 10%).

It is worth reminding however, that the y/y comparability of 9M20 results P&L remained distorted due to the Euro Bank merger (acquired on the 31st of May, 2019). 3Q20 was broadly comparable in y/y terms bar the impact of the Euro Bank integration (significant merger related opex in 3Q19) and Covid-19 pandemic impact on 3Q20 results. The q/q comparison of reported results remained blurred due to significant extraordinary items such (see below for details) and last but no least the uneven impact of the recent deep interest rate reductions (early impact in 2Q20, almost full impact in 3Q20).

What we are particularly proud of this quarter

- stabilisation of NII and core income with NII having likely reached its lowest point of the year after the rate cuts
- new quarterly record of mortgage loan originations (3Q: PLN1.8 billion, up 15% q/q, 9M20: PLN 4.7 billion, up 54% y/y) translating into market share of 14% in 3Q20 (13% in 2Q20, 10% in 1Q20)
- number of active digital customers crossing the 2 million mark (up 27% y/y), number of active mobile customers exceeding 1.6 million (up 33%) and over 2 million downloads of goodie application
- AuM of Millennium TFI and third party funds combined grew 13% q/q to nearly PLN6.0 billion almost entirely offsetting outflows in 1Q20

3Q20 results highlights

The environment was more supportive in 3Q20 (Covid-19 pandemic easing and economic activity rebounding) and although our results remained *inter alia* under the negative impact of the recent 140bp combined interest rate cuts it was a better quarter for Bank Millennium and marked a start of an 'adjustment' phase.

Key highlights of the results were:

- **stabilisation of core income** (down 1% q/q after the 7% drop in 2Q20) as pro-forma NII contracted only marginally (down 2% q/q after the 7% drop) while net fees were flat (revenues were up 5% q/q with growth observed in pretty much all lines except insurance fees but higher card related cost drove the 23% q/q growth in total fee expenses); NIM contracted 9bps to 2.49% (2Q20: down 23bp) with average deposit cost in 3Q20 falling to 0.23% from 0.72% in the preceding quarter; with the closing time gap between re-pricing of assets and liabilities, it seems that *ceteris paribus* the trough has been passed and 4Q20 should bring an improvement of NII;
- **positive contribution of other income**, owing chiefly to better FX-income and the lack of provisions against 'small TSUE' while gains on bonds were lower than in the preceding quarter;

- **4% q/q growth of total revenues after three consecutive quarters of contraction**; combined with opex stable despite higher restructuring costs it resulted in an improvement of the C/I ratio (reported at 46.4% vs. 47.1% in 2Q20, adjusted: similar level of 46%);
- **risk charge at a conservative elevated level (3Q20:80bp, 9M20: 92bp or 80bp ex-Covid) despite no Covid-19 provisions *per se*, no visible signs of loan book quality deterioration and PLN11 million positive contribution from NPL disposal**; in 3Q20 the bulk of the risk cost was attributable to the retail segment (91bp or PLN128 million out of PLN150 million in total); asset quality improved slightly with total NPL ratio contracting to 4.7% from 4.9% (retail 4.8% from 4.9% at the end of June, corporate with leasing 4.5% from 4.7%) and no visible signs of quality deterioration of loans coming out of credit moratoria; despite the sale of NPLs in September, coverage ratio improved to 68% at the end of September from 66% at the end of June and from 62% at YE19; adjusting POCI assets between gross value and related provisions would increase the coverage ratio to 74.7%;
- **continued build-up of provision buffer against potential legal risks related to FX-mortgages** (PLN130 million charge in 3Q20, PLN298 million in 9M20) increased it to PLN521 million or 3.8% of the gross FX-mortgage book excluding loans originated by Euro Bank (subject to indemnity clauses and guarantees issued by Societe Generale); the number of individual lawsuits filed against the Bank in relation to indexation clauses reached 4,632 at the end of September (including Euro Bank originated loans), but the quarterly inflow of new cases fell below 900 (2Q20: 938);
- **loan growth turning positive (+2% q/q) after the 1% contraction in 2Q20** with record high origination of mortgages (PLN1.8 billion) and the resultant 5% q/q growth of the PLN mortgage portfolio being the main driver (see below for details);
- **growth of deposits slowing considerably** (marginal q/q contraction after the 3% increase in 2Q20) owing to maturing retail term deposits and saving accounts after significant reduction in their remuneration; **L/D remained robust at 85%** (83% at the of June) while the deposit mix improved further with the share of current accounts and savings deposits reaching 78% vs. 75% at the end of June and 68% at YE19;
- **strong capital ratios** with consolidated TCR/T1 ratios at 20.0%/17.0% respectively; surplus over the regulatory minimum ratios remained substantial (4.6ppt/4.8ppt); **consolidated FX buffer of 4.87%, covering risk connected with FX-mortgage loans (including legal risk among others), was equivalent to PLN1.8 billion of absorption capacity.**

Substantial extraordinary P&L items

Negative extraordinary items outweighed the positive ones in both 9M20 and 3Q20. The former included additional provisions against FX-mortgage legal risk (9M20: PLN298 million pre-tax/net, 3Q20: PLN130 million respectively), pre-emptive provision against expected Covid-19 pandemic impact (9M20: PLN69 million pre-tax/PLN49 million net, 3Q20: null), additional provisions against refund of fees on earlier repaid consumer loans (‘small TSUE’) (9M20: PLN61 million pre-tax/PLN49 million net, 3Q20: null) or costs of integration of Euro Bank (9M20: PLN53 million pre-tax/PLN43 million net, 3Q20: PLN 17 million/PLN14 million). Positive non-recurrent items were scarce and relatively small (e.g. Visa revaluation of PLN19 million pre-tax/PLN15 million net in 9M20 or PLN12 million pre-tax/PLN9 million in 3Q20, PLN11 million pre-tax/ PLN 9 million net positive contribution to the risk charge from the sale of consumer NPLs and some other operating income from different sources). Lastly, nominal and effective CIT rates were high in both 9M20 and 3Q20 due to material non-tax deductible items such as BFG charges or banking tax among others.

Business trends and highlights

Following the relaxation of pandemic restrictions in June, early weeks of 3Q20 brought a strong rebound of economic activity which translated into an improvement of the transaction volumes in corporate business and a pick-up of lending growth and higher retail customers’ activity.

As for the details of business trends, **3Q20 brought a continuation of strong mortgage originations with sales totalling record PLN1.8 billion (up 15% q/q)**. and market share of 14.5% vs. 12.9% in 2Q20, 9.7% in 1Q20 and 7.5% in 3Q19. As a result, PLN mortgage portfolio at the end of September was up 5% q/q and up 19% y/y. The share of mortgages in total loan book increased to 53% from 51% at YE19.

Originations of cash loans were less linear but the quarter overall brought solid PLN1.2 billion worth of sales, above the PLN1.1 billion in 2Q20 and only slightly below the PLN1.3 billion in 1Q20. As a result, the non-mortgage retail loan portfolio grew 1% q/q while credit holidays are gradually finishing. Margin on new production improved, owing, among others, to fewer (and lower) promotions. Customer acquisition continued although it was admittedly slower than anticipated before the outbreak of the pandemic. All key metrics - number of active retail customers (new all-time high of 2,639 thousand, up 30% y/y), PLN retail current accounts (3,234 thousand, up 35%), active micro-business clients (102 thousand, up 26%) as well as cards (debit cards: 2,965 thousand up 21%, credit cards: 476 thousand, up 21%) continued to show healthy y/y growth.

Mutual funds managed by Millennium TFI as well as the third-party ones saw continuation of inflows (partly a result of conversion of deposits at the Bank) resulting in a 13% q/q growth in AuM in both categories combined (2Q: up 9% q/q). At nearly PLN6.0 billion at the end of September, total AuM was not far off from the YE19 level of PLN6.1 billion.

Digital banking continued to reach new important milestones with the number of active digital customers crossing the 2 million mark (up 27% y/y), number of active mobile customers exceeding 1.6 million (up 33%) and over 2 million downloads of goodie application.

Corporate business continued to support customers (further facilitation of access to banking services including increasing share of digital signage of agreements, improving functionality of FX platform or 3D Secure authorisation of internet card payments, broadened number of products with BGK guarantees, high number of educational webinars etc.) **but at the same time customer activity rebounded, returning in several areas to pre-Covid levels**. Factoring business increased compared to the respective period of the last year (volumes up 6% y/y, assets up 4% y/y), number of guarantees and LoCs issued increased 4% q/q to pre-Covid level while the y/y growth in the number of transactions returned to a high single digit level. Demand for loans remained subdued owing to excessive liquidity (injections within government anti-crisis schemes) and low corporates' propensity to invest. Totalling PLN18.1 billion (net), corporate loan portfolio decreased 1% q/q and was down 1% y/y while the year-to-date contraction rate of 3% was lower than this of the market overall.

Quality and Innovations

- The Best Consumer Digital Bank in Poland for 2020 in the World's Best Digital Banks competition by Global Finance Magazine. Moreover, Bank Millennium website was hailed the Best Integrated Consumer Bank Site in Central and Eastern Europe for 2020.
- Main prize in the prestigious European Customer Centricity Awards competition in the complaints category. The jury of the competition appreciated the project "Hug the problem" - which focuses on the evolution in complaints towards addressing customer needs and individual approach.
- "Trusted in Business" award for Millennium Leasing from CRIF Poland
- DGP/PWC's 'Stars of Banking in 2020': 1st in the "Growth Star" category, 2nd in the "Customer Relationship" category, 3rd for overall achievement in the competition's main category and also in the "Star of Innovation" category
- Golden Banker 2020: main award in the category "Fin-Tech Innovation" for implementing the Autopay service (in cooperation with Blue Media), 2nd place in the "Mortgage Loan" category (an all-rounder performing well in diverse conditions)
- KPMG's Customer Experience survey: the best in Customer Experience among banks
- The highest NPS ratio*** (52) among banks in Poland
- The Best Web Site Design in Central and Eastern Europe according to the Global Finance magazine
- 2.0 million apps downloads by goodie – Bank's smartshopping platform

Banking amid Covid-19 pandemic

A gradual pick-up of traffic at banking branches continued until a plateau at c70% of pre-Covid level was reached in mid-July. Branch network functioning returned to normal while approximately 50% of HQ staff worked in the office in the months of July and August with safety rules remaining tight. On August 31, in anticipation of a second wave that unfortunately became reality, the maximum HQ presence was cut back to 33% on a rotational basis with further limitations introduced in the middle of October.

The Bank continued to facilitate multichannel access to its services and products and to limit paper documents. Mobile authorisation of a part of transactions at branches was introduced. A new version of mobile application was launched, offering an option of tracking a status of mortgage loan application. This functionality will also be available in Millenet. Within Finanse 360° service, the number of external banks set up continued to increase, while application process for a cash loan was enhanced by an introduction of login to another bank to confirm applicant's revenues. The bank also provided access to PUE ZUS platform from Millenet, offering its customers alternative way to obtain a tourist voucher offered by the government.

The increased popularity of remote access channels and greatly facilitated online access to banking services that the outbreak of the pandemic had accelerated, manifested themselves through much higher number of logins to web (Millenet) and mobile access, higher number of electronic transfers and e-commerce card transactions or higher share of digital channels in origination of cash loans and overdrafts. At the same time the number of calls/emails to the contact centre fell from April/May peak to below pre-Covid levels.

On September 30, there were 53,154 active 'Covid-19 credit holidays' schemes relating to outstanding cash loans and 11,155 active holidays schemes on mortgage loans with respective loan volumes of PLN1,571 million and PLN3,066 million. The public credit moratoria introduced in June by the so called 'Anti-crisis shield 4.0' enjoyed little take up so far with merely 98 applications filed by the end of September. Loans 'returning to service' in June, July and August so far performed well with only 1.2% of loans with delay above 30 days. The number of credit holidays for corporate customers also fell significantly (3,123,incl. leasing: 3,065) from levels observed at the of June with value of loans with deferred exposures totalling PLN469 million.

The improvement of the economic backdrop and customer activity observed during the summer months may however deteriorate temporarily again in light of the recent fast increase of new Covid-19 cases and fresh restrictions introduced by the government of Poland. This reinforces our cautious view on the impact of the pandemic on the Bank's results in 2020 overall as expressed in current reports issued during 2Q20 as well as our 1Q20 and 1H20 reports. The cumulative NII drop in 9M20 compared to the annualised 4Q19 level totalled PLN170 million and therefore seems to imply a better full year performance than the PLN240 million to PLN285 million negative NII impact guidance from our April 14 and June 2, 2020 current reports due to swift mitigation actions adopted by the Bank. The environment is of limited predictability however and therefore the actual impact may vary and will largely depend on achieved business results, changes in the cost of financing and other offsetting measures that the Bank has undertaken.

As per our previous comments, Polish zloty remains volatile and its substantial weakening may *inter alia* affect the cost of legal risk related to FX-mortgage loan portfolio. In 9M20, the Bank created PLN298 million of additional provisions for this risk (1Q20: PLN55 million, 2Q20: PLN113 million, 3Q20: PLN130 million) increasing the overall provision to PLN521 million as on September 30, 2020, an equivalent of 3.8% of gross portfolio. At present it is difficult to credibly estimate the scale of this impact going forward but it should be assumed that the Bank will continue to strengthen on regular basis the level of provisions against this risk.

Given the recently heightened risk of a new round of economic stress and the negative impact of interest rate rates cuts in spring the Bank continues to progress with its near-term cost/capex reduction initiatives as highlighted in the 1H20 report. Among others, these manifested themselves through an accelerated branch optimisation (down by 99 or 17% of own outlets since YE19 with 38 outlet reduction in 3Q20 alone) and headcount reduction (ytd: down 618 or 7% of FTEs, 3Q20: down 295 FTEs).

The integration of Euro Bank together with further operation efficiency initiatives continued in line with the recently accelerated plan. 3Q20 brought a further increase of gross cost synergies (PLN48 million vs. PLN 37 million in 2Q20) adding to a total of PLN110 million in 9M20 vs. PLN23 million in 2019 overall. Synergies are expected to increase further in subsequent quarters with full year 2020 target at PLN155mn+ and 2021 target at PLN210 million. Integration costs in 3Q20 increased to PLN17 million (9M20: PLN53 million), hence net synergies (pre-tax) of PLN31 million in the period were marginally below these in the preceding quarter. 9M20 integration opex of PLN53 million constituted over 74% of the full year plan. As per the comment above, the number of branches and FTEs remained in the downtrend.

MACROECONOMIC SITUATION

Global COVID-19 pandemic caused unprecedented economic downturn. Due to fast increasing numbers of coronavirus infections governments of many countries, also in Europe and North America, imposed in Q1 and Q2 2020 restrictions upon business and social life resulting in sharp deterioration in economic activity. Gross domestic product in the US, e.g. in the biggest economy in the world, declined in Q2 2020 by ca. 9.5% y/y[1] , and in euro zone (main buyer of Polish exports) even more - by 14.7% y/y.

Also in Poland, restrictions introduced in March and self-isolation of the society triggered unprecedented decrease of business activity. Alongside gradual opening of the economy in May and June, economy quickly improved although in the entire Q2 2020 GDP dropped by 8.2% y/y, after increase by 2.0% y/y in preceding quarter i.e. the strongest drop in the modern history. Restrictions had major impact, in particular, upon a part of service sector including, inter alia, recreation, entertainment, culture and tourism although major declines were also recorded in industrial production. Under conditions of strong limitations imposed upon business operation, the registered unemployment rate increased - up to 6.1% at the end of Q2 from 5.2% in February i.e. before COVID-19 pandemic breakout in Poland.

In Q3 2020, business activity both at home and abroad after easing majority of the restrictions significantly increased relative to the previous quarter and process of economy recovery was relatively broad. In July - September, when pandemic impact was mild, annual growth rate of industrial production and retail sale in Poland rebounded to positive levels in effect of fast restoration of demand, both at home and abroad, and making up for losses generated during spring lockdown. Despite optimistic data from industry and trade, GDP dropped during this period, according to Bank's calculations by ca. 2.5% y/y, in effect of continuously limited activity in certain services and weak construction output. Lower, than in the year before, level of construction activities resulted, mainly, from a transition period between the old and the new EU budget perspective which provided co-financing to a significant part of infrastructural projects.

Improvement in economic activity contributed to stabilisation of the labour market situation - at the end of Q3 2020 unemployment rate was at 6.1%, as in the quarter before. Labour market suffered less than expected in March in effect of economic policy of the Government. Within programmes called Anti-crisis Shield and Financial Shield mechanisms were introduced to partially finance labour costs and provide incentives for companies to maintain employment.

In 3Q 2020 CPI inflation stabilised as well. It amounted, on average, to 3.0% y/y against 3.2% y/y in preceding quarter, as an effect of on the one hand decreasing y/y fuel prices due to lower prices of crude oil on global markets. On the other hand, high inflation of services' prices has been maintained throughout the pandemic, as service providers are able, under conditions of business activity rebounding only moderate increase of unemployment, to transfer costs of more stringent sanitary standards upon consumers.

1 - Bank Millennium calculations on the basis of annualised data.

The Monetary Policy Council maintained, in Q3 2020, very mild monetary policy stance - reference rate of the National Bank of Poland remained at historically low level of 0.10% and the programme of repurchase of treasury bonds and bonds guaranteed by the State Treasury was continued (debt issued by the Polish Development Fund to meet the needs of the Financial and issued by Bank Gospodarstwa Krajowego to obtain resources for the COVID-19 Counteracting Fund). The scale of repurchase in Q3 2020 was, however, significantly smaller as the Central Bank acquired bonds for PLN9.1bn, while in Q2 2020 the amount obtained was PLN77.4bn.

With opening economy, strong increase of households' and non-financial enterprises' deposits recorded in Q2 2020 slowed down in Q3 and the total value of deposits did not significantly change. In July - September, however, demand for consumer loans slightly increased while the value of loans to finance housing real properties stabilised. The value of new loans is clearly lower than a year ago. Against Government's support which improve corporate liquidity and slowing in an uncertain environment investment activity companies, the value of new loans to enterprises declined relative to Q2 2020.

At the beginning of the Q4 2020, the risk of significant intensification of COVID-19 pandemic materialised throughout Poland and Europe resulting in introduction of new restrictions. Under these conditions, according to the Bank, GDP will decrease in the last three months of 2020 relative to Q3. Decline in business activity will not be, however, so strong as at the turn of Q1 and Q2, provided that restrictions will not be so drastic as in spring. Those sectors which will suffer the most will be the services related to entertainment, recreation, accommodation and travel. Trade and industry will feel negative impact of restrictions and self-isolation of the population to a lower extent. After better than expected Q3 2020, the last quarter of the current year will, according to the Bank, bring about economic growth slowdown, an increase of unemployment and in the entire 2020 the year GDP will decrease, according to Bank estimates, by ca. 3,5%. However this will make Poland positively stand out against other EU member states. Relatively smaller scale of GDP decrease in Poland results from lower share of sectors suffering the most from restrictions and self-isolation, strong labour market, positive increase in real terms of wages and easing of the state's fiscal and monetary policies. Next year should bring about further making up for the losses incurred in 2020 and GDP growth rate is expected to be positive. The Bank does not assume that after the considerable monetary easing the Monetary Policy Council will modify the parameters of the cost of money in Poland. Nonetheless, due to the pandemic the above presented macroeconomic scenario is burdened by high level of uncertainty.

FACTORS OF MACROECONOMIC UNCERTAINTY FOR THE ECONOMY AND THE BANK MILLENNIUM GROUP

At the beginning of Q4 2020 the main risk factor for the economy and for the Bank Millennium Group as indicated in previous reports i.e. major spread of COVID-19 pandemic and implementation of new restrictions has started to materialise. This, after better than expected Q3 2020, worsens perspectives for Q4 and the beginning of 2021.

According to the Bank, spread of the COVID-19 pandemic remains the most important risk factor as well as introduction and more radical administrative restrictions in Poland and among the most important Poland's trade partners. Apparently, considering the costs involved it will be difficult to return to the same scale of economy lockdown as it was in the spring 2020. A worse than expected development of macroeconomic situation could impact the BM Group through:

- stronger raise of unemployment and drop of income, which would weaken demand from households for banking products. At the same time, a deterioration of economic prospects would contribute to a lowered corporate demand for investment loans,
- a stronger than expected deterioration of the income situation of households and enterprises could translate into a growth of credit risk – deterioration in the area of timely settlement of liabilities due to the BM Group,

- increase of uncertainty on financial markets resulting among others in a depreciation of the PLN. This would push up the costs of financing in foreign currencies as well as the value of required collateral and would increase the PLN value of FX debt, thus having potentially an impact upon the repayment of liabilities due to the Bank by households and enterprises,
- another interest rate cut in Poland that would additionally decrease the Group's income.

There is also a chance that, chiefly in 2021, the economic situation will be more favourable than in the current baseline scenario. This would involve first of all lower spread of infections and a higher than expected effectiveness of efforts both in monetary and fiscal policy undertaken in Poland and abroad, whose purpose is to mitigate the economic consequences of the pandemic. The effective implementation of the programmes (the BM Group is taking part in some of them) would help prevent occurrence of the main negative uncertainty factors or mitigate their impact on the BM Group results.

GROUP PROFIT AND LOSS ACCOUNT

Group's operating income *(PLN million)*	1-3Q20	1-3Q19	Change y/y	3Q20	2Q20	Change q/q
Net interest income *	1 958.4	1 789.9	9.4%	628.6	640.2	-1.8%
Net commission income	553.3	516.5	7.1%	179.8	179.0	0.4%
Core income	2 511.8	2 306.4	8.9%	808.4	819.2	-1.3%
Other non-interest income */**	156.5	211.0	-25.8%	78.9	41.1	91.9%
Total operating income **	2 668.3	2 517.4	6.0%	887.2	860.3	3.1%

(*) Pro-forma data: Net interest income includes margin from all derivatives. From 1st of January 2006 the Bank started to apply hedge accounting principles. Starting from that date, the margin from these operations is reflected in Net Interest Income. 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 Net Interest Income caption, whereas in accounting terms part of this margin (PLN31.3mn in 1-3Q20 and PLN45.7mn in 1-3Q19) 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 (PLN 32.2 million in 1-3Q20 and PLN 12.9 million in 1-3Q19), which is included in the pro-forma cost of risk

Net interest income (pro-forma) in 1-3Q20 reached PLN1,958mn (PLN629mn in 3Q20) and increased 9% compared to the level recorded in the corresponding period of the previous year (a decrease by 2% q/q). The growth was supported by the income from transactions with clients of acquired Euro Bank. Net interest margin (over average interest earning assets) (NIM) in 1-3Q20 reached 2.63% and was lower by 16 basis points than in 1-3Q19. 3Q20 average NIM decreased 9 basis points q/q to the level of 2.49%, but the scale of the decrease was much lower than in 2Q20. The contraction of NIM stemmed from unprecedented interest rates cuts by the MPC (down 140 basis points in March through May) and leveraged impact on the maximum interest rate (cut by 280 basis points from 10% to 7.2%). The high concentration of the cuts and their immediate impact on remuneration of interest earning assets (especially consumer loans) amplified the impact in the short term due to the time needed for the Bank to adjust its funding (deposit) cost accordingly. Moreover, when compared with the previous year, interest margin was undermined by the return of fees on early repayments of consumer loans.

Net commission income in 1-3Q20 amounted to PLN553mn (PLN180mn in 3Q20), growing 7% y/y (flat compared to 2Q20). Insurance, loans and cards related fees grew most during the year, with the former benefitting from higher fees from former Euro Bank loan portfolio, while the latter from higher number of cards issued and generally higher transactionality. In contrast, management fees on mutual funds and transactional fees decreased.

Core income, defined as a combination of net interest and net commission income, reached PLN 2,512mn in 1-3Q20 (PLN808mn in 3Q20), translating into a y/y increase of 9% partially owing to the merger with Euro Bank (down slightly 1% q/q).

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 PLN157mn in 1-3Q20 and decreased 26% y/y due to extraordinary items: provisions for the return of commissions from loans repaid earlier by clients with the gross negative impact of PLN60.5mn. **Total operating income (pro-forma)** of the Group reached PLN2,668mn in 1-3Q20 (PLN887mn in 3Q20), up 6% y/y (a decrease by 3% q/q).

Operating costs *(PLNmn)*	1-3Q20	1-3Q19	Change y/y	3Q20	2Q20	Change q/q
Personnel costs	(662.8)	(603.8)	9.8%	(211.6)	(207.4)	2.0%
Other administrative costs *	(672.4)	(632.3)	6.3%	(200.5)	(197.7)	1.4%
– *of which Banking Guarantee Fund (BFG) fees*	*(140.4)*	*(109.6)*	*28.1%*	*(27.3)*	*(28.0)*	*-2.4%*
Total operating costs	(1 335.1)	(1 236.1)	8.0%	(412.1)	(405.1)	1.7%
– *of which integration and restructuring costs ***	*(52.6)*	*(64.1)*	*-17.9%*	*(17.3)*	*(5.2)*	*232.9%*
*Total costs without integration and restructuring costs ***	*(1 282.5)*	*(1 172.0)*	*9.4%*	*(394.8)*	*(399.9)*	*-1.3%*
*Total costs without integr. And restr. costs and BFG ***	*(1 142.1)*	*(1 062.4)*	*7.5%*	*(367.5)*	*(371.9)*	*-1.2%*
Cost/income ytd - reported	50.0%	49.1%	0.9 pp	46.4%	47.1%	-0.7 pp
*Cost/income ytd - adjusted ****	*46.8%*	*46.6%*	0.2 pp	*46.1%*	*46.0%*	0.1 pp

(*) 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 PLN1,335mn in 1-3Q20 (PLN412mn in 3Q20) translating into 8% increase compared to the 1-3Q19 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 PLN31.3mn in 1-3Q20 (including provisions for group redundancies and retention bonus). The total value of integration costs in the reporting period was PLN52.6mn and they were lower than in 1-3Q19 (PLN64.1mn) Total costs ex-BFG and integration in 1-3Q20 amounted to PLN1,142mn and PLN368mn in 3Q20 showing an increase by 8% y/y and quarterly decrease of 1%.

Personnel costs amounted to PLN663mn (PLN212mn in 3Q20) and grew 10% y/y (up 2% q/q). After incorporating employees coming from Euro Bank (2.4 thousand FTEs) the Bank reduced its personnel to 7,846 FTEs (the Group) at the end of September which translates into an annual reduction of 718 FTEs (-8% y/y).

Employment *(FTEs)*	30.09.2020	30.09.2019	Change y/y	30.06.2020	Change q/q
Bank Millennium S.A. (with Euro Bank)	7 514	8 219	-8.6%	8 201	-8.4%
Subsidiaries	332	345	-3.6%	349	-4.8%
Total Bank Millennium Group	7 846	8 564	-8.4%	8 550	-8.2%

Other administrative costs (including depreciation) reached PLN672mn (PLN201mn in 3Q20) and grew 6% y/y (up 1% q/q). Costs connected directly with the integration of Euro Bank in 1-3Q20 amounted to PLN19.5mn.

Euro Bank acquisition resulted in a very strong increase in the number of outlets which have started to be reduced since in line with the Bank's branch network optimisation policy. At the end of September 2019 the total number of branches (including Euro Bank) was 833 and has since been reduced by 107 units to 726 outlets at the end of September 2020.

As for the ongoing network optimisation, the plan assumes network downsizing by over 110 outlets in 2020 of which 99 have been already closed by the end of September 2020. PLN52.6mn integration expenses (P&L) in 1-3Q20 represent c74% of expenses planned for the current year upon the revised estimates. 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 PLN156mn in 2020 overall (revised upwards from the original budget). First tangible synergies were achieved already in 4Q19 (PLN23.4mn), while in 1-3Q20 these amounted to PLN110mn.

Cost-to-income ratio without extraordinary items (mainly integration costs and the above mentioned provision in other operating income and cost) and adjusted by equal distribution of BFG resolution fee throughout the year reached 46.8% in 1-3Q20 and was only 0.2 percentage points higher compared to the last year level.

Net profit *(PLNmn)*	**1-3Q20**	**1-3Q19**	**Change y/y**	**3Q20**	**2Q20**	**Change q/q**
Operating income	2 668.3	2 517.4	6.0%	887.2	860.3	3.1%
Operating costs *	(1 335.1)	(1 236.1)	8.0%	(412.1)	(405.1)	1.7%
Impairment provisions and other cost of risk **	(513.2)	(366.6)	40.0%	(150.3)	(165.9)	-9.4%
- of which Covid-19 risk related provision	-69.3	-	-	-	-9.3	-
FX legal risk related provision	(297.7)	0.0	-	(129.7)	(112.7)	15.0%
Banking tax	(209.0)	(178.9)	-	(67.8)	(68.4)	-0.9%
Pre-income tax profit	313.3	735.9	-57.4%	127.4	108.1	17.8%
Income tax	(181.4)	(202.1)	-	(67.2)	(54.5)	23.2%
Net profit - reported	131.9	533.8	-75.3%	60.1	53.6	12.2%
Net profit - adjusted*	583.2	647.0	-9.9%	189.3	204.1	-7.3%

(*) without impairment provisions for financial and non-financial assets

(**) including fair value adjustment on loans (PLN 32.2 million in 1-3Q20 and PLN 12.9 million in 1-3Q19) and loans modification effect (PLN 10.1mn in 1-3Q20 and PLN9.2mn in 1-3Q19)

(***)without extraordinary items: in 1-3Q20: 1. integration costs (PLN52.6mn gross), 2. PLN298mn provisions for FX mortgage legal risk (gross), 3. PLN69.3mn (gross) provisions for Covid-19 risk, 4. PLN60.5mn (gross) provisions for the return of commissions from loans repaid earlier by clients, 5. linear distribution of BFG resolution fund fee of PLN58.2mn

in 1-3Q19: 1. integration costs (PLN64.1mn gross), 2. PLN26.9mn (gross) release of tax asset provision 3. PLN 45mn of positive revaluation of shares in PSP 4. PLN32mn (gross) provisions for the return of commissions from loans repaid earlier by clients 5.acquisition related extra provisions for Euro Bank of PLN 88.6mn, 6. linear distribution of BFG resolution fund fee of PLN73.3mn

Total cost of risk, which comprised net impairment provisions, fair value adjustment (of a part of credit portfolio) and result on modifications, bore by the Group amounted to PLN513mn in 1-3Q20 and was 40% higher than in 1-3Q19. The higher level of provisions resulted from the incorporation of the loan book of Euro Bank, changes in the risk model in the retail segment with introduction of more conservative default definition, but also from additional provisions for risk related to potential Covid-19 impact. In 1Q20 the Group pre-emptively created PLN60mn such provisions which during 2Q20 were allocated to particular credit exposures. Additional Covid-19 provision of PLN9.3mn was also created in 2Q20.

Risk charges for retail segment in 1-3Q20 stood at PLN338mn (without extra Covid-19 provisions), while for the corporate segment and other they amounted to PLN106mn. In relative terms, the cost of risk (i.e. net charges to average gross loans) for 1-3Q20 reached 92 basis points compared to 78 basis points in 1-3Q19. Without the extraordinary provision for Covid-19 in 2020 and EuroBank loans in 2019, the cost of risk was 80 basis points in 1-3Q20 and 61 basis points in 1-3Q19.

In 3Q20, the Bank sold a portfolio of consumer NPLs. The transaction positively contributed to the risk charge line (PLN11mn).

Additionally, in 1-3Q20 the Bank continued to provision for legal risk related to FX-mortgage portfolio (PLN130mn charge in 3Q20) with 1-3Q20 provisions totaling PLN298mn. The balance of the provisions increased to PLN521mn or 3.8% of the gross FX-mortgage book excluding loans originated by Euro Bank (subject to indemnity clauses and guarantees).

Pre-income tax profit in 1-3Q20 amounted to PLN313mn (PLN127mn in 3Q20) and decreased 57% vs. the corresponding period of the previous year (up 18% q/q). This was mostly the result of the above mentioned high overall provisions as the pre-provision profit amounted to PLN1,333mn and was up 4% y/y.

Net profit reported in 1-3Q20 amounted to PLN132mn (PLN60mn in 3Q20) and was 75% lower vs the corresponding period of the previous year. Net profit of 1-3Q20 adjusted for the abovementioned extraordinary items (mainly Euro Bank integration costs and extra provisions) would reach PLN583mn compared to PLN647mn adjusted net profit for 1-3Q19 which translate into a decrease by 10% y/y.

Reported 1-3Q20 return on equity (ROE) with resolution BFG charge evenly spread across the year stood at 2.1% but when adjusted for extraordinary items it reached 8.5% compared to 10.0% in 1-3Q19.

Loans and advances to clients

Total **net loans** of Bank Millennium Group reached PLN72,590mn as at the end of September 2020 and grew 4% y/y. The growth of loans without foreign currency mortgage portfolio was higher, at 7% y/y. FX mortgage loans decreased by 5% y/y. The share of FX mortgage loans (excluding these taken over with Euro Bank) in total gross loans has dropped during the year to 18.3% on 30 September 2020 from 20.2% a year ago.

The net value of loans to households amounted to PLN54,469mn at the end of September 2020, up 6% y/y. Within this line PLN mortgages grew strongly by 19% y/y but growth rate of consumer loans slowed to 2% y/y (fully comparable data between 2020 and 2019 as the loan portfolio included Euro Bank in consolidated accounts since 1 June 2020).

In 1-3Q20, origination of mortgage loans was much higher than in 1-3Q19 and reached PLN4.7bn translating into an outstanding annual growth of 49% with 3Q20 sales setting a new quarterly record of PLN1.8bn worth of loans.

The net value of consumer loans reached PLN15,242mn growing +1% y/y and nearly 2% q/q. Origination of cash loans decelerated and amounted to PLN3.6bn for the period 1-3Q20 (-7% y/y). It was mostly affected by the Covid-19 pandemic which resulted in lower demand for the product and consequently pushed the annual growth rate below the higher levels recorded in previous periods. On quarterly basis there was an increase of sales level by 12% to PLN 1.1bn in 3Q20.

Net value of loans to companies amounted to PLN 18,121mn as at the end of September 2020 and decreased slightly by 1% yearly. This loan portfolio decreased by 0.7% quarterly as the Covid-19 pandemic had a considerable adverse effect on new lending to companies.

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

Loans and advances to clients *(PLN million)*	30.09.2020	30.09.2019	Change y/y	30.06.2020	Change q/q
Loans to households	54 468.5	51 177.4	*6.4%*	53 262.6	*2.3%*
- *PLN mortgage loans*	*24 720.3*	*20 732.4*	*19.2%*	*23 451.6*	*5.4%*
- *FX mortgage loans*	*14 505.7*	*15 311.5*	*-5.3%*	*14 792.9*	*-1.9%*
- *of which Bank Millennium loans*	*13 515.5*	*14 260.8*	*-5.2%*	*13 790.1*	*-2.0%*
- *of which ex-Euro Bank loans*	*990.3*	*1 050.7*	*-5.8%*	*1 002.8*	*-1.2%*
- *consumer loans*	*15 242.4*	*15 133.4*	*0.7%*	*15 018.1*	*1.5%*
Loans to companies and public sector	18 121.1	18 303.7	*-1.0%*	18 245.3	*-0.7%*
- *leasing*	*6 311.2*	*6 537.1*	*-3.5%*	*6 451.0*	*-2.2%*
- *other loans to companies and factoring*	*11 810.0*	*11 766.6*	*0.4%*	*11 794.3*	*0.1%*
Net loans & advances to clients	**72 589.7**	**69 481.1**	***4.5%***	**71 507.8**	***1.5%***
Net loans and advances to clients excluding FX mortgage loans	*58 083.9*	*54 169.5*	*7.2%*	*56 714.9*	*2.4%*
Impairment write-offs	2 418.4	1 958.8	*23.5%*	2 358.1	*2.6%*
Gross* loans and advances to clients	**75 008.0**	**71 439.9**	***5.0%***	**73 866.0**	***1.5%***

(*) Including, besides provisions for credit risk, also fair value adjustment of loan portfolio presented in fair value as well as modification. Includes also IFRS9 initial adjustment. Gross loan portfolio in this case presents value of loans and advances before mentioned provisions and adjustments.

Customers' deposits

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

Customer deposits *(PLN million)*	30.09.2020	30.09.2019	Change y/y	30.06.2020	Change q/q
Deposits of individuals	61 933.2	60 598.6	2.2%	63 436.3	-2.4%
Deposits of companies and public sector	23 919.3	19 742.5	21.2%	22 818.3	4.8%
Total deposits	**85 852.5**	**80 341.1**	**6.9%**	**86 254.6**	**-0.5%**

Total deposits increased by 7% y/y to the level of PLN85,852mn as at 30 September 2020, which was strongly supported by the high growth of companies' deposits.

Deposits of individuals reached PLN 61,933mn as at 30 September 2020 growing 2% y/y and decreasing 2% q/q. The Bank did not compete actively for retail term deposits and had to make significant cuts in the deposit interest rates strong MC interest rates cut. Within deposits, current and saving accounts continued to grow at a high pace (up 20% y/y), so their share in total deposits of individuals increased to 81%, which is correlated with higher customers' transactionality (high dynamics of current accounts and debit cards). On the other hand, term deposits of individuals dropped 37% y/y.

Deposits from companies and public sector presented a strong 21% increase y/y to PLN23,919mn as at the end of September 2020. The growth was mostly driven by strong dynamics of current accounts: +66% y/y whereas term deposits fell visibly by 24% y/y. Similar to the retail deposits case, this was mainly the effect of strong reduction of central bank interest rates. Additionally, higher liquidity of companies postponing capital expenditures and using financial support from the government aid programs (counteracting Covid-19 pandemic) contributed to this growth.

LIQUIDITY, ASSET QUALITY AND SOLVENCY

Regulatory capital adequacy

The Group is 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).

In 3Q20 compared to the previous quarter, Group TCR did not change, and regarding T1 and CET1 the change was not material (increase by 2 bp).

Main capital adequacy and liquidity ratios:

Main capital and liquidity indicators * (PLN million)	30.09.2020	30.06.2020	30.09.2019
Risk-weighted assets (RWA) for Group	50,305.4	50,007.1	48,316.7
Risk-weighted assets (RWA) for Bank	49,790.8	49,129.0	41,046.1
Own funds requirements for Group	4,024.4	4,000.6	3,865.3
Own funds requirements for Bank	3,983.3	3,930.3	3,283.7
Own Funds for Group	10,070.7	10,012.8	9,778.8
Own Funds for Bank	9,827.0	9,772.0	8,602.1
Total Capital Ratio (TCR) for Group	20.02%	20.02%	20.24%
Minimum required level TCR	15.37%	15.37%	19.77%
Total Capital Ratio (TCR) for Bank	19.74%	19.89%	20.96%
Tier 1 ratio for Group	16.98%	16.96%	17.07%
Minimum required level T1	12.15%	12.15%	16.20%
Tier 1 ratio for Bank	16.66%	16.78%	17.47%
Common Equity Tier 1 (=T1) ratio for Group	16.98%	16.96%	17.07%
Minimum required level CET1	9.73%	9.73%	13.51%
Common Equity Tier 1 (=T1) ratio for Bank	16.66%	16.78%	17.47%
Leverage Ratio (LR) for Group	8.08%	8.03%	8.27%

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

Small rise of own funds by PLN 58m (by 0.6%) was accompanied by the similar rise of own funds capital requirements (by PLN 24m, by 0.6% as well as own funds).

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 4.96 p.p. (Bank) and 4.87 p.p. (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 3.72 p.p. in Bank and of 3.65 p.p. in Group, and which corresponds to capital requirements over CET 1 ratio of 2.78 p.p. in Bank and 2.73 p.p. in Group;
- 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;
    - Systemic risk buffer at the level of 0%, reduced from 3% in March 2020;
    - Countercyclical buffer at the 0% level.

Credit risk

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

The credit policy pursued in the Group is based on a set of principles such as:

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

In the area of credit risk, in the three quarters of 2020, the Group initially worked on improving of credit risk management tools and processes, while since the appearance of the COVID-19 pandemic, the Group has focused on adapting regulations, credit processes and monitoring to changed conditions, in particular on:

- adjusting the credit policy to the market situation;
- updating the industry risk classification and industry limits.

In the retail segment particular attention was focused on:

- enabling customers to benefit from a prolongation of instalments in connection with the occurrence of a COVID-19 pandemic (so-called credit holidays) and monitoring the situation of customers who have used this option;
- strengthening mechanisms for verification of the stability of income sources of customers applying for a new credit product;
- ensuring higher coverage of credit exposure with collateral in the processes of granting and renewing financing (in particular, it applies to mortgage-secured loans and credit products granted to micro-enterprises).

In the corporate segment, the Group initially dealt with 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. Since the appearance of the COVID-19 pandemic, the Group has focused on portfolio and industry analyses to identify risks, analyses of legal regulations and supporting tools introduced, as well as worked on adapting regulations, credit processes and monitoring to changed conditions.

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

Loan portfolio quality

Share of impaired loans, including stage 3 portfolio and POCI Assets (Purchased or Originated Credit Impaired) in default, in total loan portfolio was at the end of September 2020 on the level of 4,74%. This means increase from level 4.56% at the end of 2019. Partly this increase result from the new, more stringent, default definition for the retail portfolio introduced in January 2020, which resulted in an increase of this indicator by as much as 0.14pp. Group still enjoys one of the best asset quality among Polish banks. Share of loans past-due more than 90 days in total portfolio has increased during last three quarters from 2.69% in December 2019 to 2.82% in September 2020.

Coverage ratio of impaired loans, now defined as relation of all risk provisions for stage 3 loans and POCI in default, had increased during the half year from 62.4% in December 2019 to 68.0% now. This change means a partial approximation of the level of this indicator to the value before the purchase of the Euro Bank portfolio, when the indicator significantly decreased. Pursuant to the provisions of the IFRS 3 standard, at the time of acquisition, the Euro Bank portfolio was valued and disclosed in the books of Bank Millennium at fair value. In the case of an impaired portfolio, which at the time of the acquisition was shown in the books of Bank Millennium as POCI, the fair value was close to the net value of this portfolio in the books of Euro Bank, and the value of balance sheet provisions for this portfolio at the time of acquisition was 0 (zero), which had a direct negative impact on provision coverage ratio. Without this effect, the loan coverage ratio would be 74,7% . Coverage by total provisions of loans past-due more than 90 days also increased from 106% three quarters ago to 114% now.

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

Group loans quality indicators	30.09.2020	31.12.2019
Total impaired loans (PLN million)	3 554	3 276
Total provisions (PLN million)	2 418	2 046
Impaired over total loans ratio (%)	**4.74%**	**4.56%**
Loans past-due over 90 days /total loans (%)	2.82%	2.69%
Total provisions/impaired loans (%)	**68.0%**	**62.4%**
Pro-forma coverage ratio (no PPA effect)*	*74.7%*	*72.5%*
Total provisions/loans past-due (>90d) (%)	114.5% 107.0%	105.8%

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

Impaired loan ratios by segment show a mixed trend, in the retail portfolio increase from 4.7% to 4.9% (including mortgage loans show a decrease from 2.53% to 2.46%), while this ratio for the corporate portfolio decreased during the three quarters from 4.14% to 4.10% (mainly in the other enterprises portfolio from 4.15% to 4.07%, but in leasing portfolio decreased slightly only by 0.03 pp.). Last three quarters, the value of foreign currency mortgage loans decreased by ab. PLN 54m to value PLN14,725mn (in PLN terms), i.e. by 0.4% despite the increase in the exchange rate CHF/PLN. In this portfolio ab. PLN 1 billion of FX mortgage loans is connected with acquisition of Euro Bank. However, it should be noted that ex-Euro Bank mortgage portfolio enjoys a guarantee and indemnity from Société Genéralé. Excluding this Euro Bank portfolio, the share of FX mortgage in the total loan portfolio decreased in this period from 19.49% to 18.55%. The improvement in the currency structure of the mortgage loan portfolio was supported by a significant increase in sales of loans in PLN .

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

Portfolio quality by products:	Loans past-due > 90 days ratio		Impaired loans Ratio	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
Mortgage	1.03%	1.19%	*2.46%*	*2.53%*
*Other retail**	*7.55%*	*6.31%*	*10.75%*	*9.51%*
Total retail* clients	2.98%	2.79%	4.94%	4.71%
Leasing	*2.08%*	*2.28%*	*4.15%*	*4.12%*
Other loans to companies	*2.41%*	*2.51%*	*4.07%*	*4.15%*
Total companies	2.29%	2.42%	4.10%	4.14%
Total loan portfolio	**2.82%**	**2.69%**	**4.74%**	**4,56%**

(*) incl. Microbusiness, annual turnover below PLN 5 million

FX-MORTGAGE LEGAL RISK

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 majority of court cases have been lost by banks.

Taking into consideration the increased legal risk related to FX mortgages, Bank Millennium created in year 2019 PLN 223 million and during 3 quarters 2020 PLN 298 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.

In this context, taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, and if such trend continues, the Bank will have to regularly review and may need to continue to increase the balance of provisions allocated to court litigations.

Finally it should be mentioned, that the Bank, as at 30.09.2020, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 4.96 p.p. (4.87 p.p. at the Group level), part of which is allocated to operational/legal risk.

Detailed data on the number and value of FX mortgage cases is provided further in the report.

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 1Q20, the Bank adopted a linear method for calculating/returns of the fees and in 2Q20 increased the earlier created provision by PLN60 million. There was no provision increase in 3Q20.

More details on potential risks can be found further in the report.

INFORMATION ON SHARES AND RATINGS

During nine months of 2020 the Bank's share price similarly to these of the peers remained under the impact of investors' concerns over negative economic implications of Covid-19 pandemic as well as concerns related to potential legal risk related to FX mortgages. Following the strong equities sell-off in March/early April, subsequent months brought a swift recovery of share prices of many names and sectors globally but banks lagged. Polish banks' share prices were additionally negatively impacted by potential implications of the combined 140bp interest rate cut by the Monetary Policy Council (interest rate setter) between March and May. This took the base interest rate to an unprecented level of 0.1%.

During the 12 months ending in September 2020, the broad-based WIG index fell 14%, WIG20 (index of the largest companies) was down 22% while WIG Banki, the banking index, decreased 48%. In the same time Bank Millennium's share price dropped 52%.

Since the beginning of the year the price of Bank Millennium's shares decreased 53% while the banking index fell 45%.

During the month of May 2020 Bank Millennium's shares were under additional pressure ahead of supply from ETFs following the rebalancing of the MSCI indices.

In 3Q20, the average daily turnover of Bank Millennium's shares (PLN7.7mn) was 24% higher than in the same period last year.

	30.09.2020	30.12.2019*	Change (%) ytd	30.09.2019	Change (%) y/y
Number of the Bank's shares (th)	1 213 117	1 213 117	0.0%	1 213 117	0.0%
Average daily turnover ('000PLN)	7 665			6 199	23,6%
Bank's share price (PLN)	2,76	5,85	-52,8%	5,715	-51,6%
Market capitalisation of the Bank (PLNmn)	3 353	7 097	-52,8%	6 933	-51,6%
WIG Banks	3 699	6 768	-45,4%	7 142	-48,2%
WIG20	1 713	2 150	-20,3%	2 173	-21,2%
WIG30	1 959	2 472	-20,8%	2 463	-20,5%
WIG - main index	49 412	57 833	-14,6%	57 320	-13,8%

Bank Millennium was the first Polish bank listed on the Warsaw Stock Exchange. Currently, it is a member of the WIG Index, WIG Banks, WIG 30, mWIG 40, WIG Poland and WIG-ESG.

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

Bank Millennium's ratings

On September 30, 2020 the Moody's rating agency completed its periodic review of the financial situation of Bank Millennium and left the bank's ratings unchanged.

On October 5, 2020 Fitch rating agency affirmed Bank Millennium's long-term rating at BBB- and Viability Rating (VR) at bbb-. The rating outlook remained stable.

Ratings of the Bank as at 30 September 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 3RD QUARTER OF 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 7,800 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 30 September 2020

Composition of the Supervisory Board 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 was as follows:

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

Capital Group of Bank Millennium S.A.

The Group's parent entity is Bank Millennium S.A. while the ultimate parent entity of the Bank Millennium S.A. is the Banco Comercial Portugues - company listed on the stock exchange in Lisbon. The companies that belong to the Capital Group as at 30 September 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 BANK HIPOTECZNY S.A.	mortgage banking	Warsaw	100	100	full consolidation
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 announced and signed the preliminary agreement related to the acquisition of 99.787% shares of Euro Bank S.A. from SG Financial Services Holdings 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.

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.

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 final settlement of the merger and calculation of goodwill in connection with the purchase of Euro Bank S.A. shares within a period of one year from the date of acquiring the control in accordance with the requirements of IFRS 3. 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.

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.

A detailed description of the fair value measurement of individual assets acquired and liabilities assumed was presented in the consolidated annual report of the Millennium Group for 2019.

Identifiable acquired assets and liabilities assumed measured at fair value	
	In PLN million
Assets	
Cash and balances at Central Bank	241.6
Amounts due from banks	85.0
Loans and advances to customers	12 557.7
Financial assets held for trading/FVOCI/FVTPL	1 401.9
Intangible assets	49.8
Fixed assets	113.2
Deferred tax assets	143.5
Other assets	72.2
Total assets	**14 664.9**
Liabilities and equity	
Amounts due to banks and financial institutions	4 086.5
Amounts due to customers	7 974.9
Debt securities	506.1
Provisions	1.3
Derivatives in hedge accounting	5.7
Other liabilities	375.0
Subordinated loan	100.1
Total liabilities	**13 049.6**
Net assets	**1 615.3**
Liabilities and equity	**14 664.9**

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 has completed the process of calculating goodwill as at 31 May 2019.

In accordance with IFRS 3.45, the maximum period for making changes to the purchase price allocation expired after 12 months from the date of the acquisition, i.e. on 31 May 2020. The finally 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.

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	1 615 346
Goodwill	192 125

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 nine months ending September 30, 2020.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2020 to 30 September 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 26th October 2020.

Change of apllied accounting principles introduced in 2020

In the course of 2020, the Group changed the presentation of provisions for legal risk connected with FX mortgage loans (for more information on the creation of these provisions, see **Chapter 9.1 "Lawsuits"**) which in the financial statements for year 2019 were recognized as provisions for pending legal issues. Having in mind that part of these provisions relate to the new estimation of cash flows from the mortgage loan portfolio, the Group allocated these provisions to individual credit exposures and presented in these financial statements as a decrease in the gross value of mortgage loans for which contractual cash flow are expected to reduce. In order to ensure comparability, the Group made appropriate balance sheet data adjustments as at December 31, 2019 as illustrated in the table below.

Balance sheet item	Data as at 31 December 2019 presented in consolidated financial statements for year 2019	Value of adjustment	Data as at 31 December 2019 presented in consolidated financial statements for III quarter 2020
Loans and advances to customers valued at amortised cost	68 256 743	(139 548)	68 117 195
Total assets	**98 055 942**	**(139 548)**	**97 916 394**
Provisions for pending legal issues	251 333	(139 548)	111 785
Total liabilities	**89 114 423**	**(139 548)**	**88 974 875**

3. Consolidated Financial Data (Group)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Net interest income		1 927 169	623 945	1 744 105	687 578
Interest income and other of similar nature	1	2 430 080	692 996	2 427 665	940 168
Income calculated using the effective interest method		2 371 138	680 729	2 334 551	907 653
Interest income from Financial assets at amortised cost		2 106 937	612 538	2 040 780	812 995
Interest income from Financial assets at fair value through other comprehensive income		264 201	68 191	293 772	94 659
Income of similar nature to interest from Financial assets at fair value through profit or loss		58 942	12 267	93 114	32 515
Interest expenses	2	(502 911)	(69 051)	(683 560)	(252 590)
Net fee and commission income		553 326	179 798	516 506	178 307
Fee and commission income	3	706 868	235 165	661 098	238 271
Fee and commission expenses	4	(153 542)	(55 367)	(144 592)	(59 964)
Dividend income		3 542	274	2 939	257
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	78 023	29 103	34 309	5 005
Results on financial assets and liabilities held for trading	6	40 055	7 916	50 728	19 104
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	(13 153)	5 777	52 527	41 995
Result on hedge accounting		(10 740)	(2 708)	(15 638)	(5 687)
Result on exchange differences		106 236	34 603	124 140	45 463
Other operating income		88 575	23 898	80 131	28 466
Other operating expenses		(136 914)	(21 112)	(85 269)	(54 350)
Administrative expenses	8	(1 176 160)	(360 348)	(1 109 436)	(426 448)
Impairment losses on financial assets	9	(465 739)	(142 105)	(342 178)	(124 998)
Impairment losses on non-financial assets		(5 178)	(587)	(2 305)	(1 005)
Provisions for legal risk connected with FX mortgage loans		(297 673)	(129 654)	0	0
Result on modification		(10 090)	(1 858)	(9 187)	(2 552)
Depreciation		(158 956)	(51 743)	(126 661)	(53 622)
Share of the profit of investments in subsidiaries		0	0	0	0
Banking tax		(209 027)	(67 839)	(178 857)	(68 849)
Profit before income taxes		**313 296**	**127 360**	**735 854**	**268 664**
Corporate income tax	10	(181 426)	(67 214)	(202 091)	(68 524)
Profit after taxes		**131 870**	**60 146**	**533 763**	**200 140**
Attributable to:					
Owners of the parent		131 870	60 146	533 763	200 140
Non-controlling interests		0	0	0	0
Weighted average number of outstanding ordinary shares (pcs.)		1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Profit (loss) per ordinary share (in PLN)		0.11	0.05	0.44	0.16

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Profit after taxes	131 870	60 146	533 763	200 140
Other comprehensive income items that may be (or were) reclassified to profit or loss	187 382	(42 970)	4 035	21 131
Result on debt securities at fair value through other comprehensive income	204 355	(33 955)	(38 608)	17 007
Hedge accounting	(16 973)	(9 015)	42 643	4 124
Other comprehensive income items that will not be reclassified to profit or loss	42	24	24	(20)
Actuarial gains (losses)	0	0	0	0
Result on equity instruments at fair value through other comprehensive income	42	24	24	(20)
Total comprehensive income items before taxes	**187 424**	**(42 946)**	**4 059**	**21 111**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(35 603)	8 164	(768)	(4 016)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	(8)	(5)	(5)	4
Total comprehensive income items after taxes	**151 813**	**(34 787)**	**3 287**	**17 099**

Total comprehensive income for the period	**283 683**	**25 359**	**537 049**	**217 239**
Attributable to:				
Owners of the parent	283 683	25 359	537 049	217 239
Non-controlling interests	0	0	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Cash, cash balances at central banks		1 181 740	1 224 788	2 203 444	3 197 632
Financial assets held for trading	11	480 355	479 157	986 728	876 246
Derivatives		155 792	141 929	112 485	124 980
Equity instruments		258	212	210	142
Debt securities		324 305	337 016	874 033	751 124
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers		188 628	177 097	169 610	147 875
Equity instruments		142 305	66 609	66 609	66 609
Debt securities		46 323	110 488	103 001	81 266
Financial assets at fair value through other comprehensive income	12	24 795 607	26 105 506	21 870 164	21 102 026
Equity instruments		29 705	29 676	29 643	29 485
Debt securities		24 765 902	26 075 830	21 840 521	21 072 541
Loans and advances to customers	13	72 589 651	71 507 848	69 615 390	69 481 058
Mandatorily at fair value through profit or loss		1 586 693	1 480 998	1 498 195	1 435 612
Valued at amortised cost		71 002 958	70 026 850	68 117 195	68 045 446
Financial assets at amortised cost other than Loans and advances to customers	14	946 625	985 092	1 037 869	1 129 766
Debt securities		42 946	43 879	48 153	55 353
Deposits, loans and advances to banks and other monetary institutions		862 165	875 837	784 277	1 023 868
Reverse sale and repurchase agreements		41 514	65 376	205 439	50 545
Derivatives – Hedge accounting	15	29 350	86 775	43 159	8 886
Investments in subsidiaries, joint ventures and associates		0	0	0	0
Tangible fixed assets		571 831	600 834	666 330	663 067
Intangible fixed assets		368 800	370 393	342 653	305 383
Income tax assets		584 995	540 899	541 828	528 857
Current income tax assets		3 472	3 060	10 310	10 002
Deferred income tax assets	17	581 523	537 839	531 518	518 855
Other assets		478 022	466 874	399 778	425 686
Non-current assets and disposal groups classified as held for sale		30 796	33 374	39 441	47 651
Total assets		**102 246 400**	**102 578 637**	**97 916 394**	**97 914 135**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.09.2020	30.06.2020	31.12.2019	30.09.2019
LIABILITIES					
Financial liabilities held for trading	11	156 426	200 229	353 000	150 169
Derivatives		119 371	129 931	150 735	110 298
Liabilities from short sale of securities		37 055	70 298	202 265	39 871
Financial liabilities measured at amortised cost		89 604 569	89 996 642	85 853 762	85 241 599
Liabilities to banks and other monetary institutions	18	1 105 330	1 429 762	1 578 848	1 756 132
Liabilities to customers	19	85 852 463	86 254 625	81 454 765	80 341 143
Sale and repurchase agreements	20	448 535	0	90 712	52 036
Debt securities issued	21	658 917	767 017	1 183 232	1 447 129
Subordinated debt	22	1 539 324	1 545 238	1 546 205	1 645 159
Derivatives – Hedge accounting	15	653 259	678 043	426 847	677 936
Provisions	23	386 464	282 637	165 178	111 059
Pending legal issues		324 316	225 982	111 785	55 747
Commitments and guarantees given		62 148	56 655	53 393	55 312
Income tax liabilities		46 331	15 412	38 590	22 524
Current income tax liabilities		46 331	15 412	38 590	22 524
Deferred income tax liabilities	17	0	0	0	0
Other liabilities		2 177 269	2 205 831	2 137 498	2 789 412
Total Liabilities		**93 024 318**	**93 378 794**	**88 974 875**	**88 992 699**
EQUITY					
Share capital		1 213 117	1 213 117	1 213 117	1 213 117
Own shares		(3 120)	0	0	0
Share premium		1 147 502	1 147 502	1 147 502	1 147 502
Accumulated other comprehensive income		221 906	256 693	70 093	76 979
Retained earnings		6 642 677	6 582 531	6 510 807	6 483 838
Total equity		9 222 082	9 199 843	8 941 519	8 921 436
Total equity and total liabilities		**102 246 400**	**102 578 637**	**97 916 394**	**97 914 135**

Book value of net assets	9 222 082	9 199 843	8 941 519	8 921 436
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)	7.60	7.58	7.37	7.35

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total consolidated equity	Share capital	Own shares	Share premium	Accumulated other comprehensive income	Retained earnings	
						Unappropriated result	Other reserves
01.01.2020 - 30.09.2020							
Equity at the beginning of the period	**8 941 519**	**1 213 117**	**0**	**1 147 502**	**70 093**	**692 065**	**5 818 742**
Total comprehensive income for period (net)	280 563	0	(3 120)	0	151 813	(426 754)	558 624
net profit/ (loss) of the period	131 870	0	0	0	0	131 870	0
valuation of debt securities at fair value through other comprehensive income	165 527	0	0	0	165 527	0	0
valuation of shares at fair value through other comprehensive income	34	0	0	0	34	0	0
hedge accounting	(13 748)	0	0	0	(13 748)	0	0
Own shares purchase	(3 120)	0	(3 120)	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	(558 624)	558 624
Equity at the end of the period	**9 222 082**	**1 213 117**	**(3 120)**	**1 147 502**	**221 906**	**265 311**	**6 377 366**
01.07.2020 - 30.09.2020							
Equity at the beginning of the period	**9 199 843**	**1 213 117**	**0**	**1 147 502**	**256 693**	**205 165**	**6 377 366**
Total comprehensive income for period (net)	22 239	0	(3 120)	0	(34 787)	60 146	0
net profit/ (loss) of the period	60 146	0	0	0	0	60 146	0
valuation of debt securities at fair value through other comprehensive income	(27 504)	0	0	0	(27 504)	0	0
valuation of shares at fair value through other comprehensive income	19	0	0	0	19	0	0
hedge accounting	(7 302)	0	0	0	(7 302)	0	0
Own shares purchase	(3 120)	0	(3 120)	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	0	0
Equity at the end of the period	**9 222 082**	**1 213 117**	**(3 120)**	**1 147 502**	**221 906**	**265 311**	**6 377 366**

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	
					Unappropriated result	Other reserves
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	Unappropriated result	Other reserves
01.01.2019 - 30.09.2019						
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)	537 050	0	0	3 287	(6 227)	539 990
net profit/ (loss) of the period	533 763	0	0	0	533 763	0
valuation of debt securities at fair value through other comprehensive income	(31 273)	0	0	(31 273)	0	0
valuation of shares at fair value through other comprehensive income	19	0	0	19	0	0
hedge accounting	34 541	0	0	34 541	0	0
Transfer between items of reserves	0	0	0	0	(539 990)	539 990
Equity at the end of the period	**8 921 436**	**1 213 117**	**1 147 502**	**76 979**	**665 096**	**5 818 742**

CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Profit (loss) after taxes	131 870	60 146	533 763	200 140
Total adjustments:	2 350 002	(990 901)	(1 358 042)	2 043 240
Interest received	2 417 577	688 981	2 342 403	966 476
Interest paid	(501 948)	(89 976)	(597 408)	(214 182)
Depreciation and amortization	158 956	51 743	126 661	53 622
Foreign exchange (gains)/ losses	12 408	(25 230)	11 385	7 163
Dividends	(3 542)	(274)	(2 939)	(257)
Changes in provisions	81 738	103 827	(1 393)	2 724
Result on sale and liquidation of investing activity assets	(84 954)	(30 972)	(29 983)	(3 614)
Change in financial assets held for trading	301 784	(10 696)	(210 658)	(98 417)
Change in loans and advances to banks	(288 334)	(44 346)	(620 983)	(394 862)
Change in loans and advances to customers	(4 805 881)	(1 657 537)	(18 672 375)	(2 466 963)
Change in receivables from securities bought with sell-back clause (loans and advances)	157 488	23 862	189 347	20 469
Change in financial liabilities valued at fair value through profit and loss (held for trading)	29 838	(68 587)	219 661	256 598
Change in deposits from banks	(165 068)	(29 543)	21 497	(151 554)
Change in deposits from customers	4 989 762	(197 924)	14 662 842	3 722 169
Change in liabilities from securities sold with buy-back clause	365 607	448 645	6 126	32 187
Change in debt securities	(211 463)	(106 517)	655 741	(20 547)
Change in income tax settlements	170 557	66 238	55 571	86 319
Income tax paid	(239 982)	(71 255)	(249 676)	(70 941)
Change in other assets and liabilities	(76 771)	(52 464)	702 872	302 374
Other	42 231	11 125	33 267	14 476
Net cash flows from operating activities	**2 481 872**	**(930 755)**	**(824 279)**	**2 243 380**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Inflows:	26 189	448 184	597 634	432
Proceeds from sale of property, plant and equipment and intangible assets	22 647	7 950	19 799	175
Proceeds from sale of shares in related entities	0	0	0	0
Proceeds from sale of investment financial assets	0	439 960	574 896	0
Other	3 542	274	2 939	257
Outflows:	(4 068 743)	(14 630)	(392 596)	(2 086 798)
Acquisition of property, plant and equipment and intangible assets	(41 029)	(14 630)	(392 596)	(71 965)
Acquisition of shares in related entities	0	0	0	0
Acquisition of investment financial assets	(4 027 714)	0	0	(2 014 833)
Other	0	0	0	0
Net cash flows from investing activities	**(4 042 554)**	**433 554**	**205 038**	**(2 086 366)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Inflows from financing activities:	13 000	0	930 130	0
Long-term bank loans	13 000	0	0	0
Issue of debt securities	0	0	0	0
Increase in subordinated debt	0	0	930 130	0
Net proceeds from issues of shares and additional capital paid-in	0	0	0	0
Other inflows from financing activities	0	0	0	0
Outflows from financing activities:	(792 958)	(402 496)	(88 389)	(23 591)
Repayment of long-term bank loans	(432 048)	(380 484)	(44 046)	0
Redemption of debt securities	(299 440)	0	(122)	0
Decrease in subordinated debt	0	0	0	0
Issue of shares expenses	0	0	0	0
Redemption of shares	0	0	0	0
Dividends paid and other payments to owners	0	0	0	0
Other outflows from financing activities	(61 470)	(22 012)	(44 221)	(23 591)
Net cash flows from financing activities	**(779 958)**	**(402 496)**	**841 741**	**(23 591)**

D. Net cash flows. Total (A + B + C)	**(2 340 640)**	**(899 697)**	**222 500**	**133 423**
- including change resulting from FX differences	7 517	1 127	4 322	5 610
E. Cash and cash equivalents at the beginning of the reporting period	**3 752 789**	**2 311 846**	**4 520 688**	**4 609 765**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**1 412 149**	**1 412 149**	**4 743 188**	**4 743 188**

4. Notes to Consolidated Financial Data

1) INTEREST INCOME AND OTHER OF SIMILAR NATURE

	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Interest income from Financial assets at fair value through other comprehensive income	264 201	68 191	293 772	94 659
Debt securities	264 201	68 191	293 772	94 659
Interest income from Financial assets at amortised cost	2 106 937	612 538	2 040 780	812 995
Balances with the Central Bank	5 148	79	9 280	3 342
Loans and advances to customers	1 942 389	578 781	1 816 641	737 234
Debt securities	898	187	1 118	429
Deposits, loans and advances to banks	782	210	2 474	541
Transactions with repurchase agreements	6 437	(2)	10 392	2 645
Hedging derivatives	151 283	33 283	200 875	68 804
Income of similar nature to interest, including:	58 942	12 267	93 113	32 514
Loans and advances to customers mandatorily at fair value through profit or loss	55 073	11 863	83 233	29 949
Financial assets held for trading - debt securities	3 869	404	9 880	2 565
Total	**2 430 080**	**692 996**	**2 427 665**	**940 168**

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 (15).

Interest income for the 3rd quarter 2020 contains interest accrued on impaired loans in the amount of PLN 81,222 thous. (for corresponding data in the year 2019 the amount of such interest stood at PLN 50,883 thous.).

2) INTEREST EXPENSES AND OTHER OF SIMILAR NATURE

	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Financial liabilities measured at amortised cost	(502 876)	(69 040)	(683 439)	(252 550)
Liabilities to banks and other monetary institutions	(15 865)	(3 656)	(22 137)	(7 659)
Liabilities to customers	(419 570)	(50 001)	(587 543)	(216 596)
Transactions with repurchase agreement	(7 784)	(110)	(4 414)	(1 141)
Debt securities issued	(11 970)	(2 291)	(18 169)	(8 329)
Subordinated debt	(41 467)	(10 968)	(45 163)	(16 569)
Liabilities due to leasing agreements	(6 220)	(2 014)	(5 647)	(1 979)
Hedging derivatives	0	0	(365)	(276)
Other	(35)	(11)	(121)	(40)
Total	**(502 911)**	**(69 051)**	**(683 560)**	**(252 590)**

3) Fee and commission income

	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Resulting from accounts service	62 200	22 665	58 178	19 917
Resulting from money transfers, cash payments and withdrawals and other payment transactions	49 871	17 710	54 871	18 938
Resulting from loans granted	154 801	48 705	146 977	55 852
Resulting from guarantees and sureties granted	10 371	3 395	10 261	3 523
Resulting from payment and credit cards	166 515	59 640	155 644	58 459
Resulting from sale of insurance products	122 671	32 172	98 833	36 095
Resulting from distribution of investment funds units and other savings products	47 602	18 615	46 199	15 362
Resulting from brokerage and custody service	14 220	4 758	9 984	3 230
Resulting from investment funds managed by the Group	48 876	16 699	56 641	19 189
Other	29 741	10 806	23 510	7 706
Total	706 868	235 165	661 098	238 271

4) Fee and commission expense

	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Resulting from accounts service	(2 161)	(475)	(1 635)	(715)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(3 315)	(1 229)	(2 662)	(904)
Resulting from loans granted	(38 421)	(12 166)	(32 636)	(14 352)
Resulting from payment and credit cards	(77 177)	(29 757)	(82 295)	(34 304)
Resulting from brokerage and custody service	(2 455)	(884)	(1 713)	(537)
Resulting from investment funds managed by the Group	(7 949)	(2 539)	(7 574)	(3 201)
Other	(22 064)	(8 317)	(16 077)	(5 951)
Total	(153 542)	(55 367)	(144 592)	(59 964)

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

	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Operations on debt instruments	79 694	29 718	36 368	5 805
Costs of financial operations	(1 671)	(615)	(2 059)	(800)
Total	78 023	29 103	34 309	5 005

6) RESULTS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Result on debt instruments	10 379	3 182	(2 675)	(960)
Result on derivatives	29 670	4 718	53 363	20 052
Result on other financial operations	6	16	40	12
Total	40 055	7 916	50 728	19 104

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

	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Loans and advances to customers	(32 171)	(5 754)	(12 901)	(7 800)
Result on equity instruments	75 696	75 696	45 000	45 000
Result on debt instruments	(56 678)	(64 165)	20 428	4 795
Total	(13 153)	5 777	52 527	41 995

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

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

Taking into consideration this verdict, the Group created in 2019 a reserve in the amount of PLN 66.4 million (split between Net Interest Income and Other Operating Costs) and PLN 60.5 million during III quarters 2020 (Other Operating Costs), for potential returns to the clients. The provision is estimated based on the maximum amount of potential returns and the probability of payment being made. The adequateness of such reserve will be checked through time and will depend on the clarification of the implications of the verdict and on the number of agreements and values to be returned.

8) ADMINISTRATIVE EXPENSES

	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Staff costs:	(662 752)	(211 552)	(603 806)	(231 589)
Salaries	(547 328)	(170 734)	(496 662)	(191 430)
Surcharges on pay	(91 860)	(27 006)	(84 178)	(30 263)
Employee benefits, including:	(23 564)	(13 812)	(22 966)	(9 896)
- provisions for retirement benefits	(4 319)	(1 539)	(3 155)	(1 030)
- provisions for unused employee holiday	(24)	(5)	(1 742)	(1 765)
- other	(19 221)	(12 268)	(18 069)	(7 101)
Other administrative expenses:	(513 408)	(148 796)	(505 630)	(194 859)
Costs of advertising, promotion and representation	(40 836)	(10 742)	(51 723)	(24 835)
IT and communications costs	(97 290)	(31 250)	(108 193)	(48 318)
Costs of renting	(60 862)	(20 543)	(55 488)	(18 609)
Costs of buildings maintenance, equipment and materials	(39 093)	(10 683)	(30 259)	(11 511)
ATM and cash maintenance costs	(20 724)	(6 251)	(15 489)	(5 185)
Costs of consultancy, audit and legal advisory and translation	(21 363)	(6 240)	(49 063)	(29 301)
Taxes and fees	(24 477)	(7 353)	(22 344)	(8 941)
KIR - clearing charges	(5 790)	(1 908)	(5 311)	(2 086)
PFRON costs	(6 487)	(2 109)	(5 240)	(2 183)
Banking Guarantee Fund costs	(140 389)	(27 323)	(109 580)	(13 530)
Financial Supervision costs	(7 704)	(2 481)	(7 483)	(4 090)
Other	(48 393)	(21 913)	(45 457)	(26 270)
Total	**(1 176 160)**	**(360 348)**	**(1 109 436)**	**(426 448)**

9) IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Impairment losses on loans and advances to customers	(457 281)	(136 576)	(339 467)	(122 053)
Impairment charges on loans and advances to customers	(1 334 494)	(427 948)	(931 670)	(385 451)
Reversal of impairment charges on loans and advances to customers	829 547	268 818	573 340	258 297
Amounts recovered from loans written off	36 261	11 174	17 032	4 643
Sale of receivables	11 404	11 420	1 447	0
Other directly recognised in profit and loss	41	0	384	458
Impairment losses on securities	50	0	(6)	0
Impairment charges on securities	0	0	(6)	0
Reversal of impairment charges on securities	50	0	0	0
Impairment losses on off-balance sheet liabilities	(8 508)	(5 529)	(2 705)	(2 945)
Impairment charges on off-balance sheet liabilities	(66 146)	(19 265)	(59 062)	(34 766)
Reversal of impairment charges on off-balance sheet liabilities	57 638	13 736	56 357	31 821
Total	**(465 739)**	**(142 105)**	**(342 178)**	**(124 998)**

10) Corporate income tax

10a. Income tax reported in income statement

	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Current tax	(249 858)	(88 240)	(251 799)	(78 007)
Current year	(252 312)	(88 240)	(251 799)	(78 007)
Adjustment to previous years	2 454	0	0	0
Deferred tax:	68 432	21 026	49 708	9 483
Recognition and reversal of temporary differences	23 366	4 657	49 700	9 214
Recognition / (Utilisation) of tax loss	45 066	16 369	8	269
Total income tax reported in income statement	**(181 426)**	**(67 214)**	**(202 091)**	**(68 524)**

10b. Effective tax rate

	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Profit before tax	313 296	127 360	735 854	268 664
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	(59 526)	(24 198)	(139 812)	(51 046)
Impact of permanent differences on tax charges:	**(124 354)**	**(43 016)**	**(62 279)**	**(17 478)**
- Non-taxable income	8 761	2 460	7 404	1 165
Dividend income	527	3	384	(12)
Release of other provisions	2 151	159	6 981	1 373
Other	6 083	2 298	39	(196)
- Cost which is not a tax cost	(133 115)	(45 476)	(69 683)	(18 643)
Write-down of unrealized deferred tax assets	(171)	0	(3 987)	(402)
Loss on sale of receivables	(8)	0	0	0
PFRON fee	(1 218)	(386)	(990)	(409)
Fees for Banking Guarantee Fund	(26 673)	(5 190)	(20 818)	(2 564)
Banking tax	(39 715)	(12 889)	(33 983)	(13 081)
Income/cost of provisions for factoring and leasing receivables	644	979	(5 441)	(192)
Receivables written off	(1 270)	(265)	(1 049)	(244)
Costs of litigations and claims	(61 730)	(26 283)	(545)	(979)
Depreciation and insurance costs of cars (in excess of PLN 150,000)	(1 159)	(348)	(1 660)	(562)
Other	(1 815)	(1 094)	(1 210)	(210)
Deduction of the tax paid abroad	0	0	0	0
Adjustment resulted from Article 38a of CIT	2 454	0	0	0
Total income tax reported in income statement	**(181 426)**	**(67 214)**	**(202 091)**	**(68 524)**
Effective tax rate	57.91%	52.78%	27.46%	25.51%

10C. DEFERRED TAX REPORTED IN EQUITY

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Valuation of securities at fair value through other comprehensive income	(61 395)	(67 838)	(22 559)	(23 474)
Valuation of cash flow hedging instruments	8 713	6 996	5 487	4 926
Actuarial gains (losses)	628	628	628	489
Deferred tax reported directly in equity	(52 054)	(60 214)	(16 444)	(18 059)

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. On 13 October 2020 the Bank received negative decisions issued by Head of ZUCS “sustaining” adverse audit’s findings. Total withholding tax arrears determined for years 2015-16 is PLN 6 580 618 to be increased by penalty interests (8% p.a.). Bank does not agree with decisions and will appeal and lodge complaints to the administrative court, if sustained in the second instance. The Bank received an expert opinion as of January 29, 2020 of tax professors from the Public Finances Law Department of the Faculty of Law and Administration at Nicolaus Copernicus University in Torun, according to which ZUCS’s statement violates binding tax law provisions.

11) Financial assets held for trading

11a. Financial assets held for trading

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Debt securities	**324 305**	**337 016**	**874 033**	**751 124**
Issued by State Treasury	324 305	337 016	874 033	751 124
a) bills	0	0	0	0
b) bonds	324 305	337 016	874 033	751 124
Other securities	0	0	0	0
a) quoted	0	0	0	0
b) non quoted	0	0	0	0
Equity instruments	**258**	**212**	**210**	**142**
Quoted on the active market	258	212	210	142
a) financial institutions	99	44	0	0
b) non-financial institutions	159	168	210	142
Adjustment from fair value hedge	0	0	803	1 683
Positive valuation of derivatives	155 792	141 929	111 682	123 297
	0			
Total	**480 355**	**479 157**	**986 728**	**876 246**

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

	Fair Values 30.09.2020			Fair Values 30.06.2020		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	(23 160)	37 539	60 699	(19 419)	39 576	58 995
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	(23 166)	37 390	60 556	(19 424)	39 454	58 878
Other interest rate contracts: options	6	149	143	5	122	117
2. FX derivatives*	56 219	88 316	32 097	28 717	62 143	33 426
FX contracts	4 725	14 445	9 720	(1 429)	10 604	12 033
FX swaps	51 482	69 210	17 728	30 105	46 798	16 693
Other FX contracts (CIRS)	12	4 661	4 649	41	4 741	4 700
FX options	0	0	0	0	0	0
3. Embedded instruments	(22 419)	3 430	25 849	(33 188)	2 910	36 098
Options embedded in deposits	(23 644)	0	23 644	(32 577)	0	32 577
Options embedded in securities issued	1 225	3 430	2 205	(611)	2 910	3 521
4. Indexes options	25 781	26 507	726	35 888	37 300	1 412
Total	**36 421**	**155 792**	**119 371**	**11 998**	**141 929**	**129 931**
Valuation of hedged position in fair value hedge accounting	-	0	0	-	0	0
Liabilities from short sale of debt securities	-	-	37 055	-	-	70 298

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

	Fair Values 31.12.2019			Fair Values 30.06.2019		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	9 642	28 109	18 467	6 335	30 181	23 846
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	9 639	28 028	18 389	6 335	30 124	23 789
Other interest rate contracts: options	3	81	78	0	57	57
2. FX derivatives*	(48 269)	18 036	66 305	8 099	40 228	32 129
FX contracts	(15 946)	3 128	19 074	483	6 817	6 334
FX swaps	(28 682)	14 241	42 923	12 197	30 149	17 952
Other FX contracts (CIRS)	(3 641)	667	4 308	(4 581)	3 262	7 843
FX options	0	0	0	0	0	0
3. Embedded instruments	(60 944)	1 284	62 228	(50 639)	264	50 903
Options embedded in deposits	(55 654)	0	55 654	(42 795)	0	42 795
Options embedded in securities issued	(5 290)	1 284	6 574	(7 844)	264	8 108
4. Indexes options	61 294	64 253	2 959	50 831	52 624	1 793
Total	**(38 277)**	**111 682**	**149 959**	**14 626**	**123 297**	**108 671**
Valuation of hedged position in fair value hedge accounting	-	803	776	-	1 683	1 627
Liabilities from short sale of debt securities	-	-	202 265	-	-	39 871

**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

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Debt securities	**24 765 902**	**26 075 830**	**21 840 521**	**21 072 541**
Issued by State Treasury	24 584 502	25 702 392	20 664 511	19 496 062
a) bills	54 999	809 614	0	0
b) bonds	24 529 503	24 892 778	20 664 511	19 496 062
Issued by Central Bank	0	0	999 916	1 399 825
a) bills	0	0	999 916	1 399 825
b) bonds	0	0	0	0
Other securities	181 400	373 438	176 094	176 654
a) listed	181 400	373 438	176 094	176 654
b) not listed	0	0	0	0
Shares and interests in other entities	29 705	29 676	29 643	29 485
Other financial instruments	0	0	0	0
Total financial assets at fair value through other comprehensive income	**24 795 607**	**26 105 506**	**21 870 164**	**21 102 026**

13) Loans and advances to customers

13a. Loans and advances to customers mandatorily at fair value through profit or loss

Balance sheet value:	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Mandatorily at fair value through profit or loss *	1 586 693	1 480 998	1 498 195	1 435 612
Companies	13 547	13 163	18 435	19 791
Individuals	1 573 046	1 467 759	1 479 645	1 415 700
Public sector	100	76	115	121
* The above data includes the fair value adjustment, in the amount of:	(108 297)	(109 935)	(84 519)	(73 425)

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 532 million as at 30.09.2020.

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 30.09.2020	65 925 044	3 924 554	3 463 433	(381 301)	(207 925)	(1 720 847)	71 002 958
Companies	16 071 245	1 522 817	829 445	(125 275)	(43 474)	(449 015)	17 805 743
Individuals	49 555 207	2 401 510	2 628 424	(254 229)	(164 450)	(1 270 986)	52 895 476
Public sector	298 592	227	5 564	(1 797)	(1)	(846)	301 739
Valued at amortised cost, as at 30.06.2020	65 201 990	3 584 639	3 488 430	(346 709)	(194 165)	(1 707 335)	70 026 850
Companies	16 215 232	1 460 172	875 337	(139 886)	(36 170)	(470 537)	17 904 148
Individuals	48 663 041	2 124 197	2 607 277	(205 500)	(157 994)	(1 235 925)	51 795 096
Public sector	323 717	270	5 816	(1 323)	(1)	(873)	327 606
Valued at amortised cost, as at 31.12.2019	63 662 781	3 216 123	3 199 909	(273 822)	(187 580)	(1 500 216)	68 117 195
Companies	16 729 589	1 420 459	858 535	(134 939)	(34 301)	(432 961)	18 406 382
Individuals	46 740 709	1 795 651	2 341 374	(138 457)	(153 279)	(1 067 255)	49 518 743
Public sector	192 483	13	0	(426)	0	0	192 070
Valued at amortised cost, as at 30.09.2019	63 816 684	3 037 498	3 076 635	(324 772)	(166 349)	(1 394 250)	68 045 446
Companies	16 428 568	1 452 720	825 536	(163 694)	(46 829)	(409 287)	18 087 014
Individuals	47 191 042	1 584 765	2 251 099	(160 392)	(119 520)	(984 963)	49 762 031
Public sector	197 074	13	0	(686)	0	0	196 401

13C. LOANS AND ADVANCES TO CUSTOMERS

	30.09.2020		30.06.2020	
	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	66 104 126	749 073	64 949 294	676 357
▪ to companies	11 886 095		11 888 949	
▪ to private individuals	54 099 224	749 073	52 922 417	676 357
▪ to public sector	118 807		137 928	
Receivables on account of payment cards	86 301	837 620	87 219	804 641
▪ due from companies	182	13 647	75	13 239
▪ due from private individuals	86 119	823 973	87 144	791 402
Purchased receivables	215 704		175 419	
▪ from companies	215 704		175 419	
▪ from public sector	0		0	
Guarantees and sureties realised	4 617		7 508	
Debt securities eligible for rediscount at Central Bank	2 810		3 247	
Financial leasing receivables	6 470 373		6 636 169	
Other	4 217		3 998	
Interest	424 883		412 205	
Total:	**73 313 031**	**1 586 693**	**72 275 059**	**1 480 998**
Impairment allowances	(2 310 073)	-	(2 248 209)	-
Total balance sheet value:	**71 002 958**	**1 586 693**	**70 026 850**	**1 480 998**
* The above data includes the fair value adjustment in the amount of	-	(108 297)	-	(109 935)

In 2020, the Group changed its accounting policy and allocated a part of provisions created for legal risk connected with FX mortgage loans to the loans portfolio, and an appropriate adjustment of comparable data as at December 31, 2019 presented in these financial statements has been introduced (more information on this topic is presented in **Chapter 2 "Introduction and Accounting Policy"**).

	31.12.2019		30.09.2019	
	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	62 539 055	640 622	62 581 655	604 021
▪ to companies	11 959 871		11 796 107	
▪ to private individuals	50 432 689	640 622	50 631 115	604 021
▪ to public sector	146 495		154 433	
Receivables on account of payment cards	98 810	857 573	123 406	831 591
▪ due from companies	124	18 550	239	19 912
▪ due from private individuals	98 686	839 023	123 167	811 679
Purchased receivables	229 982		227 510	
▪ from companies	224 809		227 510	
▪ from public sector	5 173		0	
Guarantees and sureties realised	1 368		1 521	
Debt securities eligible for rediscount at Central Bank	3 595		3 359	
Financial leasing receivables	6 826 605		6 687 221	
Other	2 180		1 560	
Interest	377 218		304 585	
Total:	**70 078 813**	**1 498 195**	**69 930 817**	**1 435 612**
Impairment allowances	(1 961 618)	-	(1 885 371)	-
Total balance sheet value:	**68 117 195**	**1 498 195**	**68 045 446**	**1 435 612**
* The above data includes the fair value adjustment in the amount of	-	(84 519)	-	(73 425)

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

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Loans and advances to customers (gross)	73 313 031	72 275 059	70 078 813	69 930 817
impaired	3 463 433	3 488 430	3 199 909	3 076 635
not impaired	69 849 598	68 786 629	66 878 904	66 854 182
Impairment write-offs	(2 310 073)	(2 248 209)	(1 961 618)	(1 885 371)
for impaired exposures	(1 720 847)	(1 707 335)	(1 500 216)	(1 394 250)
for not impaired exposures	(589 226)	(540 874)	(461 402)	(491 121)
Loans and advances to customers (net)	**71 002 958**	**70 026 850**	**68 117 195**	**68 045 446**

13E. LOANS AND ADVANCES TO CUSTOMERS PORTFOLIO VALUED AT AMORTISED COST BY METHODOLOGY OF IMPAIRMENT ASSESSMENT

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Loans and advances to customers (gross)	73 313 031	72 275 059	70 078 813	69 930 817
case by case analysis	817 933	859 130	832 630	808 414
collective analysis	72 495 098	71 415 929	69 246 183	69 122 403
Impairment allowances	(2 310 073)	(2 248 209)	(1 961 618)	(1 885 371)
on the basis of case by case analysis	(337 065)	(368 829)	(348 300)	(356 988)
on the basis of collective analysis	(1 973 008)	(1 879 380)	(1 613 318)	(1 528 383)
Loans and advances to customers (net)	**71 002 958**	**70 026 850**	**68 117 195**	**68 045 446**

13F. LOANS AND ADVANCES TO CUSTOMERS PORTFOLIO VALUED AT AMORTISED COST BY KIND OF CUSTOMERS

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Loans and advances to customers (gross)	73 313 031	72 275 059	70 078 813	69 930 817
corporate customers	18 727 890	18 880 544	19 201 079	18 903 911
individuals	54 585 141	53 394 515	50 877 734	51 026 906
Impairment allowances	(2 310 073)	(2 248 209)	(1 961 618)	(1 885 371)
for receivables from corporate customers	(620 408)	(648 790)	(602 627)	(620 496)
for receivables from private individuals	(1 689 665)	(1 599 419)	(1 358 991)	(1 264 875)
Loans and advances to customers (net)	**71 002 958**	**70 026 850**	**68 117 195**	**68 045 446**

13G. MOVEMENTS IN IMPAIRMENT ALLOWANCES FOR LOANS AND ADVANCES TO CUSTOMERS CARRIED AT AMORTISED COST

	01.01.2020 - 30.09.2020	01.01.2020 - 30.06.2020	01.01.2019 - 31.12.2019	01.01.2019 - 30.09.2019
Balance at the beginning of the period	1 961 618	1 961 618	1 758 867	1 758 867
Change in value of allowances:	348 455	286 591	202 751	126 504
Impairment allowances created in the period	1 334 494	906 546	1 194 987	931 670
Amounts written off	(177 752)	(96 140)	(302 480)	(263 965)
Impairment allowances released in the period	(829 547)	(560 729)	(754 495)	(573 324)
Sale of receivables	(26 712)	0	0	0
KOIM created in the period*	29 050	19 260	45 900	18 093
Changes resulting from FX rates differences	15 212	14 398	5 179	12 122
Other	3 710	3 256	13 661	1 908
Balance at the end of the period	**2 310 073**	**2 248 209**	**1 961 618**	**1 885 371**

** 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 were recognised in the Bank's books at fair value.

The value of POCI assets is as follows:

	Gross balance sheet value	Accumulated impairment	Net balance sheet value
30.09.2020			
- Companies	101	(23)	78
- Individuals	427 386	(39 474)	387 912
- Public sector	0	0	0
30.06.2020			
- Companies	101	(23)	78
- Individuals	448 650	(47 659)	400 991
- Public sector	0	0	0
31.12.2019			
- Companies	101	(23)	78
- Individuals	523 989	(45 236)	478 753
- Public sector	0	0	0
30.09.2019			
- Companies	101	(23)	78
- Individuals	536 087	(11 311)	524 776
- Public sector	0	0	0

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

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
in Polish currency	54 905 259	53 441 206	51 524 094	50 346 676
in foreign currencies (after conversion to PLN)	18 407 772	18 833 853	18 554 719	19 584 141
currency: USD	156 685	183 518	106 179	221 955
currency: EUR	3 538 718	3 657 369	3 816 004	3 858 836
currency: CHF	14 709 540	14 988 047	14 623 768	15 495 310
other currencies	2 830	4 919	8 768	8 040
Total gross	**73 313 031**	**72 275 059**	**70 078 813**	**69 930 817**

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

30.09.2020	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	42 950	0	0	(4)	0	0	42 946
Deposits, loans and advances to banks and other monetary institutions	862 165	0	0	0	0	0	862 165
Repurchase agreements	41 514	0	0	0	0	0	41 514

30.06.2020	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	43 883	0	0	(4)	0	0	43 879
Deposits, loans and advances to banks and other monetary institutions	875 837	0	0	0	0	0	875 837
Repurchase agreements	65 376	0	0	0	0	0	65 376

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

30.09.2019	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	55 378	0	0	(25)	0	0	55 353
Deposits, loans and advances to banks and other monetary institutions	1 023 868	0	0	0	0	0	1 023 868
Repurchase agreements	50 545	0	0	0	0	0	50 545

14B. DEBT SECURITIES

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
credit institutions	0	0	0	0
other companies	0	0	0	0
public sector	42 946	43 879	48 153	55 353
Total	42 946	43 879	48 153	55 353

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

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Current accounts	129 491	252 895	213 459	219 763
Deposits	732 450	622 476	570 036	801 502
Interest	224	466	782	2 604
Total (gross) deposits, loans and advances	862 165	875 837	784 277	1 023 868
Impairment allowances	0	0	0	0
Total (net) deposits, loans and advances	**862 165**	**875 837**	**784 277**	**1 023 868**

14D. REPURCHASE AGREEMENTS

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
credit institutions	14 506	65 376	90 707	50 544
other customers	27 008	0	114 718	0
interest	0	0	14	1
Total	41 514	65 376	205 439	50 545

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 30.09.2020) 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 30.09.2020			Fair values 30.06.2020		
	Total	Total	Total	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(592 486)	29 350	621 836	(554 601)	86 775	641 376
IRS contracts	0	0	0	0	0	0
FXS contracts	(15 211)	0	15 211	(18 755)	0	18 755
2. Derivatives used as interest rate hedges related to interest rates						
IRS contracts	(16 212)	0	16 212	(17 912)	0	17 912
3. Total hedging derivatives	(623 909)	29 350	653 259	(591 268)	86 775	678 043

	Fair values 31.12.2019			Fair values 30.09.2019		
	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	(643 984)	6 009	649 993
IRS contracts	4 732	4 732	0	1 390	2 877	1 487
FXS contracts	56	786	730	(21 169)	0	21 169
2. Derivatives used as interest rate hedges related to interest rates						
IRS contracts	(8 164)	0	8 164	(5 287)	0	5 287
3. Total hedging derivatives	(383 688)	43 159	426 847	(669 050)	8 886	677 936

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	5 058	8 875	3 988	136	12 812
- Write-offs created	0	0	0	0	27 646
- Write-offs released	(50)	0	0	0	(19 598)
- Utilisation	0	0	0	0	(124)
- Other	0	(123)	0	0	0
As at 30.09.2020	5 008	8 752	3 988	136	20 736
As at 01.01.2020	5 058	8 875	3 988	136	12 812
- Write-offs created	0	0	0	0	22 316
- Write-offs released	(50)	0	0	0	(16 859)
- Utilisation	0	0	0	0	(180)
- Other	0	(123)	0	0	0
As at 30.06.2020	5 008	8 752	3 988	136	18 089
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	5	0	0	0	12 666
- Write-offs released	0	0	0	0	(10 359)
- Utilisation	0	0	0	0	(117)
- Other	0	0	0	0	(1 783)
As at 30.09.2019	5 029	8 754	3 988	136	8 533

17) DEFERRED INCOME TAX ASSETS AND LIABILITY

	30.09.2020			30.06.2020		
	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	31 600	(23 572)	8 028	49 604	(17 360)	32 244
Balance sheet valuation of financial instruments	139 076	(143 647)	(4 571)	128 652	(137 134)	(8 482)
Unrealised receivables/ liabilities on account of derivatives	11 012	(13 286)	(2 274)	13 284	(16 782)	(3 498)
Interest on deposits and securities to be paid/ received	39 219	(44 860)	(5 641)	38 250	(57 052)	(18 802)
Interest and discount on loans and receivables	0	(82 876)	(82 876)	0	(80 489)	(80 489)
Income and cost settled at effective interest rate	180 572	(1 106)	179 466	175 697	(4 590)	171 107
Impairment of loans presented as temporary differences	435 473	0	435 473	417 414	0	417 414
Employee benefits	21 136	0	21 136	22 468	0	22 468
Rights to use	8 870	0	8 870	7 722	0	7 722
Provisions for future costs	22 008	0	22 008	17 949	0	17 949
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	9 510	(61 564)	(52 054)	7 796	(68 010)	(60 214)
Tax loss deductible in the future	54 408	0	54 408	38 040	0	38 040
Other	1 454	(1 904)	(450)	3 706	(1 326)	2 380
Net deferred income tax asset	954 338	(372 815)	581 523	920 582	(382 743)	537 839

	31.12.2019			30.09.2019		
	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	88 549	(11 903)	76 646
Balance sheet valuation of financial instruments	83 451	(106 714)	(23 263)	139 710	(155 108)	(15 398)
Unrealised receivables/ liabilities on account of derivatives	13 753	(20 117)	(6 364)	10 541	(19 916)	(9 375)
Interest on deposits and securities to be paid/ received	34 958	(60 770)	(25 812)	32 576	(48 991)	(16 415)
Interest and discount on loans and receivables	2	(74 142)	(74 140)	2 536	(111 162)	(108 626)
Income and cost settled at effective interest rate	180 305	(1 251)	179 054	200 624	(1 262)	199 362
Impairment of loans presented as temporary differences	363 612	0	363 612	356 241	0	356 241
Employee benefits	21 366	0	21 366	16 574	0	16 574
Rights to use	6 347	(33)	6 314	6 630	(2 058)	4 572
Provisions for future costs	22 361	0	22 361	30 159	0	30 159
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	6 121	(22 565)	(16 444)	28 239	(24 380)	3 859
Tax loss deductible in the future	9 343	0	9 343	1 329	0	1 329
Other	3 519	(1 388)	2 131	(17 320)	(2 751)	(20 071)
Net deferred income tax asset	822 305	(290 787)	531 518	896 388	(377 531)	518 857

18) LIABILITIES TO BANKS AND OTHER MONETARY INSTITUTIONS

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
In current account	58 924	53 609	91 893	90 588
Term deposits	272 936	221 339	320 346	431 060
Loans and advances received	772 291	1 150 893	1 162 366	1 230 295
Interest	1 179	3 921	4 243	4 189
Total	1 105 330	1 429 762	1 578 848	1 756 132

19) LIABILITIES TO CUSTOMERS

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Amounts due to private individuals	61 933 166	63 436 308	61 091 901	60 598 603
Balances on current accounts	50 105 344	49 654 092	43 720 046	41 821 836
Term deposits	11 577 731	13 528 393	17 138 725	18 520 637
Other	175 749	157 412	125 991	146 866
Accrued interest	74 342	96 411	107 139	109 264
Amounts due to companies	21 321 101	20 347 830	18 250 129	16 057 336
Balances on current accounts	14 325 475	13 217 391	9 640 221	8 505 617
Term deposits	6 630 201	6 725 350	8 172 004	7 165 093
Other	351 042	384 978	410 116	361 365
Accrued interest	14 383	20 111	27 788	25 261
Amounts due to public sector	2 598 196	2 470 487	2 112 735	3 685 204
Balances on current accounts	2 182 148	2 125 809	1 776 813	1 465 790
Term deposits	410 856	337 793	327 891	2 205 780
Other	4 925	6 398	7 692	11 360
Accrued interest	267	487	339	2 274
Total	**85 852 463**	**86 254 625**	**81 454 765**	**80 341 143**

20) LIABILITIES FROM SECURITIES SOLD WITH BUY-BACK CLAUSE

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
to the Central Bank	0	0	0	0
to banks	123 584	0	90 706	52 034
to customers	324 950	0	0	0
interest	1	0	7	2
Total	448 535	0	90 712	52 036

21) CHANGE OF DEBT SECURITIES

	01.01.2020 - 30.09.2020	01.01.2020 - 30.06.2020	01.01.2019 - 31.12.2019	01.01.2019 - 30.09.2019
Balance at the beginning of the period	1 183 232	1 183 232	809 679	809 679
Increases, on account of:	41 576	10 167	840 801	835 832
issue of Banking Securities	29 606	488	233 810	236 857
Purchase of Euro Bank S.A. bonds	0	0	506 056	506 056
issue of bonds by the Bank	0	0	0	0
issue of bonds by the Millennium Leasing	0	0	74 750	74 750
interest accrual	11 970	9 679	26 185	18 169
Reductions, on account of:	(565 891)	(426 382)	(467 248)	(198 382)
repurchase of Banking Securities	(164 539)	(62 443)	(100 594)	(94 985)
repurchase of Euro Bank S.A. bonds	0	0	(250 000)	0
repurchase of bonds by the Bank	(299 440)	(299 440)	0	(118)
repurchase of bonds by the Millennium Leasing	(88 500)	(52 670)	(84 770)	(84 770)
interest payment	(13 412)	(11 829)	(31 884)	(18 509)
Balance at the end of the period	**658 917**	**767 017**	**1 183 232**	**1 447 129**

22) CHANGE OF SUBORDINATED DEBT

	01.01.2020 - 30.09.2020	01.01.2020 - 30.06.2020	01.01.2019 - 31.12.2019	01.01.2019 - 30.09.2019
Balance at the beginning of the period	1 546 205	1 546 205	701 883	701 883
Increases, on account of:	41 467	30 499	991 066	975 293
issue of subordinated bonds	0	0	830 000	830 000
Merger with Euro Bank S.A.	0	0	100 130	100 130
interest accrual	41 467	30 499	60 936	45 163
Reductions, on account of:	(48 348)	(31 466)	(146 744)	(32 017)
Settlement of subordinated debt of Euro Bank S.A.	0	0	(100 000)	0
interest payment	(48 348)	(31 466)	(46 744)	(32 017)
Balance at the end of the period	**1 539 324**	**1 545 238**	**1 546 205**	**1 645 159**

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

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Provision for commitments and guarantees given	62 148	56 655	53 393	55 312
Provision for pending legal issues	324 316	225 982	111 785	55 747
Total	386 464	282 637	165 178	111 059

23B. CHANGE OF PROVISION FOR COMMITMENTS AND GUARANTEES GIVEN

	01.01.2020 - 30.09.2020	01.01.2020 - 30.06.2020	01.01.2019 - 31.12.2019	01.01.2019 - 30.09.2019
Balance at the beginning of the period	53 393	53 393	51 742	51 742
Charge of provision	66 146	46 881	71 253	59 062
Release of provision	(57 638)	(43 902)	(70 312)	(56 358)
Merger with Euro Bank S.A.	0	0	745	745
FX rates differences	247	283	(35)	121
Balance at the end of the period	62 148	56 655	53 393	55 312

23c. Change of provision for pending legal issues

	01.01.2020 - 30.09.2020	01.01.2020 - 30.06.2020	01.01.2019 - 31.12.2019	01.01.2019 - 30.09.2019
Balance at the beginning of the period	111 785	111 785	60 710	60 710
Charge of provision	18 057	12 561	7 913	7 849
Release of provision	(11 630)	(10 484)	(14 332)	(8 894)
Utilisation of provision	(489)	(489)	(27 875)	(5 701)
Creation of provisions for legal risk connected with FX mortgage loans	297 673	168 019	223 134	0
Allocation to the loans portfolio*	(73 873)	(61 906)	(139 548)	0
Reclassification	(26 862)	0	1 783	1 783
FX differences	9 655	6 496	0	0
Balance at the end of the period	324 316	225 982	111 785	55 747

* In 2020, the Group changed its accounting policy and allocated a part of provisions created for legal risk connected with FX mortgage loans to the loans portfolio, and an appropriate adjustment of comparable data as at December 31, 2019 presented in these financial statements has been introduced (more information on this topic is presented in **Chapter 2 "Introduction and Accounting Policy"**).

As at 30.09.2020 the Group recorded PLN 12.3 million in relation to court cases related to the low down payment insurance.

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 third quarter of 2020 the Bank Millennium Group, both in the corporate and retail segments, continued to implement initiatives aimed at mitigating the negative effects of COVID-19 outbreak. At first stage of the crisis the measures were focused on providing remote work opportunity for all operational teams involved in risk management, preparation of set of deep analyses in order to better understand the characteristics of the crisis and its impact on economy and consequently on quality of portfolio. As a result of analytical works the Group implemented several changes in the Credit Policy which were targeted on assurance of proper quality of portfolio under new more demanding economic environment e.g.:

- implementation of more prudent Credit Policy rules for populations of customers with high sensitivity on negative economic evolutions: higher level of collateralisation, change of balance between automatic / analyst decision;
- implementation of customer's supportive measures including credit holidays up to 6 months, in line with the non-legislative moratorium that was developed under the auspices of the Polish Bank Association under arrangements with banks-members of the Polish Bank Association and notified to EBA;
- take advantage of usage of governmental supporting programs e.g. new BGK programs: de minimis and liquidity credit guarantees, PFR support funds.

In order to address all the potential negative evolutions which could impact the quality of portfolio the Group extended the scope and increased frequency of portfolio monitoring. Weekly review of all key elements impacting quality of portfolio and set of analyses related to the future evolution of cost of risk allows to better understand the crisis impacts on each of elements determining the quality of portfolio and to quickly react on unfavourable changes.

Implementation of supporting measures especially credit holidays created additional element of uncertainty in the credit risk management. The Group prepared activities in the Collection area which allow for quick and appropriate reaction when the credit holidays period ends.

In the area of credit risk, in the third quarter of 2020, the Group has focused on adapting regulations, credit processes and monitoring to changed conditions, in particular on:

- adjusting the credit policy to the market situation;
- updating the industry risk classification and industry limits.

The outbreak of the COVID-19 pandemic led the Group to take several risk measures. In the corporate segment, credit holidays have been implemented for customers who may have temporary problems. The Group has focused on portfolio and industry analyses to identify major risks, namely focusing on the clients with the highest exposures and on the economic sectors more exposed to impacts of the COVID-19 pandemic. 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 conditions, including also the broad range of support measures announced by the local authorities.

In the retail segment, the Bank focused on adjusting changes in its credit policy to the current market conditions related to the COVID-19 pandemic. In addition, changes were implemented to improve the efficiency of the risk assessment process for retail and mortgage-secured transactions through automation that did not increase risk exposure.

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

Changes in the loan portfolio of the Group after 9 months of 2020 are summarized below:

	30.09.2020		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	70 068 190	862 165	66 147 204	784 277
Overdue*, but without impairment	1 385 814	0	2 377 686	0
Total without impairment	71 454 004	862 165	68 524 890	784 277
With impairment	3 554 016	0	3 276 185	0
Total	**75 008 020**	**862 165**	**71 801 075**	**784 277**
Impairment write-offs	(2 310 073)	0	(1 961 617)	0
Fair value adjustment**	(108 296)	0	(84 519)	0
Total, net	**72 589 651**	**862 165**	**69 754 938**	**784 277**
Loans with impairment / total loans	4.74%	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.

Exposures subject to measures applied in response to the COVID-19 crisis:

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria, Gross carrying amount	Number of obligors	TOTAL	Of which: legislative moratoria	Of which: expired
Loans and advances for which moratorium was offered	**69 465**	**9 384 938**		
Loans and advances subject to moratorium (granted)	**69 437**	**9 255 683**	**16 389**	**4 149 363**
of which: Households		7 515 904	16 389	2 879 206
of which: Collateralised by residential immovable property		5 342 172	14 240	2 276 580
of which: Non-financial corporations		1 739 779	0	1 270 156
of which: Small and Medium-sized Enterprises		879 265	0	652 420
of which: Collateralised by commercial immovable property		94 720	0	26 961

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria, Gross carrying amount	Residual maturity of moratoria				
	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances subject to moratorium (granted)	**4 455 308**	**651 013**	**0**	**0**	**0**
of which: Households	4 254 584	382 113	0	0	0
of which: Collateralised by residential immovable property	2 905 824	159 768	0	0	0
of which: Non-financial corporations	200 724	268 899	0	0	0
of which: Small and Medium-sized Enterprises	164 716	62 130	0	0	0
of which: Collateralised by commercial immovable property	67 759	0	0	0	0

Loans and advances subject to legislative and non-legislative moratoria Gross carrying amount	TOTAL	Performing		
		Performing Gross carrying amount	Of which: grace period of capital and interest	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)
Loans and advances subject to moratorium	**5 106 320**	**5 047 633**	**4 592 958**	**323 470**
of which: Households	4 636 697	4 591 572	4 591 572	290 744
of which: Collateralised by residential immovable property	3 065 592	3 033 791	3 033 791	192 338
of which: Non-financial corporations	469 623	456 062	1 386	32 726
of which: Small and Medium-sized Enterprises	226 846	225 604	200	9 550
of which: Collateralised by commercial immovable property	67 759	67 759	0	0

Loans and advances subject to legislative and non-legislative moratoria Gross carrying amount	Non-performing		Inflows to non-performing exposures
	Non-performing Gross carrying amount	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
Loans and advances subject to moratorium	**58 687**	**45 378**	**7 044**
of which: Households	45 126	45 044	6 710
of which: Collateralised by residential immovable property	31 801	31 801	1 798
of which: Non-financial corporations	13 561	334	334
of which: Small and Medium-sized Enterprises	1 242	0	0
of which: Collateralised by commercial immovable property	0	0	0

Information on loans and advances subject to legislative and non-legislative moratoria, Accumulated impairment	TOTAL	Performing		
		Performing Accumulated impairment	Of which: grace period of capital and interest	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)
Loans and advances subject to moratorium	**(100 067)**	**(80 591)**	**(77 011)**	**(22 379)**
of which: Households	(94 042)	(76 917)	(76 917)	(21 918)
of which: Collateralised by residential immovable property	(41 393)	(30 068)	(30 068)	(13 081)
of which: Non-financial corporations	(6 025)	(3 674)	(93)	(461)
of which: Small and Medium-sized Enterprises	(2 802)	(2 688)	(34)	(269)
of which: Collateralised by commercial immovable property	(901)	(901)	0	0

Information on loans and advances subject to legislative and non-legislative moratoria, Accumulated impairment	Non-performing		
	Non-performing Accumulated impairment	Of which: grace period of capital and interest	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratorium	**(19 475)**	**(17 124)**	**(17 233)**
of which: Households	(17 124)	(17 124)	(17 075)
of which: Collateralised by residential immovable property	(11 325)	(11 325)	(11 325)
of which: Non-financial corporations	(2 351)	0	(157)
of which: Small and Medium-sized Enterprises	(114)	0	0
of which: Collateralised by commercial immovable property	0	0	0

Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	Gross carrying amount		Gross carrying amount
	TOTAL	of which: forborne	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	**279 457**	**0**	**0**
of which: Households	0		0
of which: Collateralised by residential immovable property	0		0
of which: Non-financial corporations	279 457	0	0
of which: Small and Medium-sized Enterprises	102 269		0
of which: Collateralised by commercial immovable property	0		0

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 3Q2020, 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 3Q2020, 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. In 3Q 2020, the VaR remained on average at the level of approx. PLN 81.3 m for the Group (33% of the limit) and at approx. PLN 2.8 m for Trading Book (9% of the limit). Similarly, as of the end of September 2020 the market risk exposure was approx. PLN 77 m for Global Bank (31% of the limit) and approx. PLN 3.2 m for Trading Book (11% of the limit).

The market risk exposure in 3Q2020 in terms of value at risk for Trading Book, together with risk type division, is presented in the table below (PLN thousands).

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

	30.09.2020		VaR (Q3 2020)			30.06.2020	
	Exposure	Limit usage	Average	Maximum	Minimum	Exposure	Limit usage
Total risk	3,204	11%	2,793	6,162	1,163	1,470	5%
Generic risk	3,202	11%	2,791	6,160	1,160	1,468	5%
Interest Rate VaR	3,240	11%	2,789	6,118	1,166	1,429	5%
FX Risk	179	2%	106	357	23	164	2%
Diversification Effect	6.8%					8.5%	
Specific risk	2	0%	0	0	0	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 rates 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 share 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 and 28th May 2020 will have a negative impact on the activity and financial results of Group. Before above mentioned three 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%, in April to 8% and in May to 7.2%.

As already disclosed on the Current Report published on 14th April and 2nd June 2020, the above-mentioned decisions of the Monetary Policy Council to reduce interest rates to its historical minimum (decrease reference rate to 0.1% and the Lombard rate to 0.50%) as well as the decision regarding change in the parameters of the obligatory requirement, will altogether may have a negative impact on the Group's net interest income. The cumulative decrease in net interest income for the nine months of 2020 compared to the annualized level of 4Q 2019 amounted to a total of PLN 170 million, therefore it seems to imply better results for the full year than a negative impact on the net interest income between PLN 240 million and PLN 285 million highlighted in above mentions Current Reports, mainly due to the quick remedial actions taken by the Bank. However, the predictability of the environment is limited, therefore the actual impact may change and will largely depend on the business results achieved, changes in the cost of financing and other remedial measures taken by the Bank.

When it comes to impact of interest rate changes to economic value in the long term, the supervisory stress tests results as of 30thSeptember 2020 show that even under the most severe outlier test scenario, the decline of EVE 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 3Q 2020, the pandemic has an impact on global financial markets resulting in depreciation of Polish Zloty, limited 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 continued to be characterized by solid liquidity position. All the supervisory and internal liquidity indicators were monitored and controlled with the frequency formally approved. 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.

In 3Q 2020 the Group to maintained Loan-to-Deposit ratio well below 100%. This ratio was equalled 85% at the end of September 2020 (83% at the end of June 2020). 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 98% at the end of September 2020. During 3Q 2020 this portfolio decreased to the level of approx. PLN 24.6 billion at the end of September 2020 (24% of total assets) from PLN 26.0 billion at the end of June 2020 (25% 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.

Main liquidity ratios	30.09.2020	30.06.2020
Loans/Deposits ratio (%)	85%	83%
Liquid assets portfolio (PLN million)*	24 498	26 207
Liquidity Coverage requirement, LCR (%)	177%	202%

(*) Liquid Assets Portfolio: The sum of cash, exposure to Central Bank (the surplus above the required obligatory reserve), Polish Government debt securities, NBP-Bills and due from banks with maturity up to 1 month. The debt securities portfolio is reduced by NBP haircut for repo transactions and securities encumbered for non-liquidity purposes.

Total Clients' deposits of the Group reached the level of PLN 85.9 billion (PLN 86.3 billion at the end of June 2020). The share of funds from individuals in total Client's deposits equalled to approx. 72.1% at the end of September 2020 (73.5% at the end of June 2020). The maintenance of high share of funds from individuals had a positive impact on the Group's liquidity and supported the safe compliance of the supervisory measures.

The main source of financing remains deposits base, the large, diversified and stable funding from retail, corporate and public sectors. The deposit base is supplemented by the deposits from financial institutions and other money market operations. The source of medium-term funding 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 3Q 2020. 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.

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 was fulfilled by the Group. The LCR reached the level of 177% at the end of September 2020 (202% at the end of June 2020). The decreased of LCR was mainly caused by reduction of stable funding from retail customers (term deposits) compensated with increased funding from financial and corporate clients, as well as secured transactions (Sell-Buy-Back), which led to reduction of the position in government bonds (HQLA).

In 3Q 2020, the Group also regularly calculated net stable funding requirement (NSFR). In 3Q 2020, the NSFR was above planned supervisory minimum of 100% (supervisory minimum will be valid in June 2021).

Additionally, the Group employs an internal structural liquidity analysis based on cumulative liquidity gaps calculated on an actuarial basis (i.e. assuming a certain probability of cash flow occurrence). In 3Q 2020 the internally defined limit of 12% total assets was breached for cumulative liquidity gaps in time buckets up to 7 days and 7 days to 1 month (gaps consists of 85% and 90% of targeted level). It was highlighted that gaps decreased mainly due to drop in assumed possibilities of bonds liquidation (the current method do not take under consideration such possibilities like switch auction/NBP bond's purchases, popular during COVID-19 crisis). The breached was ratified at proper competence level and the liquidity position was confirmed as solid.

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 third 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 third 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	30.09.2020	30.06.2020	30.09.2019
Risk-weighted assets	50,305.4	50,007.1	48,316.7
Own Funds requirements, including:	4,024.4	4,000.6	3,865.3
- Credit risk and counterparty credit risk	3,608.4	3,584.5	3,420.3
- Market risk	28.4	28.8	24.3
- Operational risk	382.6	382.6	415.9
- Credit Valuation Adjustment CVA	5.0	4.6	4.8
Own Funds, including:	10,070.7	10,012.8	9,778.8
Common Equity Tier 1 Capital	8,540.7	8,482.8	8,248.8
Tier 2 Capital	1,530.0	1,530.0	1,530.0
Total Capital Ratio (TCR)	**20.02%**	**20.02%**	**20.24%**
Minimum required level	15.37%	15.37%	19.77%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	4.65 p.p.	4.65 p.p.	0.47 p.p.
Tier 1 Capital ratio (T1)	**16.98%**	**16.96%**	17.07%
Minimum required level	12.15%	12.15%	16.20%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	4.83 p.p.	4.81 p.p.	0.87 p.p.
Common Equity Tier 1 Capital ratio (CET1)	**16.98%**	**16.96%**	**17.07%**
Minimum required level	9.73%	9.73%	13.51%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	7.25 p.p.	7.23 p.p.	3.56 p.p.
Leverage ratio (LR)	8.08%	8.03%	8.27%

Regarding TCR, capital adequacy ratios in 3Q 2020 compared to 2Q 2020 did not change, and regarding T1 and CET1 the change was not material (increase by 2 bp). Small rise of own funds by PLN 58m (by 0.6%) was accompanied by the similar rise of own funds capital requirements (by PLN 24m, by 0.6% as well as own funds).

The decision of the Banking Guarantee Fund in 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. 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 – 30.09.2020

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	1 229 067	230 419	467 683	1 927 169
Net fee and commission income, including:	438 219	112 495	2 612	553 326
Fee and commission income	571 780	119 523	15 565	706 868
Fee and commission expenses	(133 561)	(7 028)	(12 953)	(153 542)
Dividends, other income from financial operations and foreign exchange profit	57 220	48 483	111 413	217 116
Result on non-trading financial assets mandatorily at fair value through profit or loss	(32 172)	0	19 019	(13 153)
Other operating income and cost	(9 022)	(4 128)	(35 189)	(48 339)
Operating income	1 683 312	387 269	565 538	2 636 119
Staff costs	(531 759)	(109 381)	(21 613)	(662 753)
Administrative costs	(386 395)	(47 222)	(79 790)	(513 407)
Depreciation and amortization	(143 830)	(12 840)	(2 286)	(158 956)
Operating expenses	(1 061 984)	(169 443)	(103 689)	(1 335 116)
Impairment losses on assets	(354 469)	(111 354)	(5 094)	(470 917)
Results on modification	(12 011)	1 921	0	(10 090)
Operating Profit	**254 848**	**108 393**	**456 755**	**819 996**
Share in net profit of associated companies				0
Provisions for legal risk connected with FX mortgage loans				(297 673)
Banking tax				(209 027)
Profit / (loss) before income tax				**313 296**
Income taxes				(181 426)
Profit / (loss) after taxes				**131 870**

Balance sheet items as at 30.09.2020

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Loans and advances to customers	56 800 735	15 788 916	0	72 589 651
Liabilities to customers	65 390 980	20 295 131	166 352	85 852 463

Income statement 1.01.2019 – 30.09.2019

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	1 317 467	238 725	187 913	1 744 105
Net fee and commission income, including:	399 530	115 947	1 029	516 506
Fee and commission income	529 203	122 985	8 910	661 098
Fee and commission expenses	(129 673)	(7 038)	(7 881)	(144 592)
Dividends, other income from financial operations and foreign exchange profit	78 305	51 412	66 761	196 478
Result on non-trading financial assets mandatorily at fair value through profit or loss	(12 901)	0	65 428	52 527
Other operating income and cost	(12 179)	(9 863)	16 904	(5 138)
Operating income	1 770 222	396 221	338 035	2 504 478
Staff costs	(470 082)	(104 770)	(28 954)	(603 806)
Administrative costs	(371 269)	(39 796)	(94 565)	(505 630)
Depreciation and amortization	(112 800)	(11 328)	(2 533)	(126 661)
Operating expenses	(954 151)	(155 894)	(126 052)	(1 236 097)
Impairment losses on assets	(277 895)	(64 292)	(2 296)	(344 483)
Results on modification	(9 437)	250	0	(9 187)
Operating Profit	**528 739**	**176 285**	**209 687**	**914 711**
Share in net profit of associated companies	0	0	0	0
Banking tax				(178 857)
Profit / (loss) before income tax				**735 854**
Income taxes				(202 091)
Profit / (loss) after taxes				**533 763**

Balance sheet items as at 31.12.2019

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Loans and advances to customers	53 391 200	16 224 190	0	69 615 390
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 III quarters 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	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
ASSETS				
Loans and advances to banks - accounts and deposits	1 153	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	691	271	125 598	117 588
Debt securities	0	0	0	0
Financial liabilities held for trading	362	361	0	0
Hedging derivatives	0	0	0	0
Other liabilities	0	0	128	215

	With parent company		With other entities from parent group	
	2020	2019	2020	2019
Income from:				
Interest	(151)	(33)	0	0
Commissions	84	165	0	0
Financial assets and liabilities held for trading	0	0	0	0
Expense from:				
Interest	3	75	(239)	(229)
Commissions	0	0	0	0
Financial assets and liabilities held for trading	468	603	0	0
Other net operating	9	10	0	0
Administrative expenses	0	0	259	778

	With parent company		With other entities from parent group	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
Conditional commitments	101 114	101 101	0	0
granted	100 345	100 345	0	0
obtained	769	756	0	0
Derivatives (par value)	15 929	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 30.09.2020	including received under the incentive program (*)	Number of shares as of delivery date of report prepared as at 31.12.2019
Joao Nuno Lima Bras Jorge	Prezes Zarządu	247 021	96 021	111 000
Fernando Maria Cardoso Rodrigues Bicho	Wiceprezes Zarządu	76 252	76 252	0
Wojciech Haase	Członek Zarządu	69 625	62 131	7 494
Andrzej Gliński	Członek Zarządu	62 131	62 131	0
Wojciech Rybak	Członek Zarządu	62 131	62 131	0
Antonio Ferreira Pinto Junior	Członek Zarządu	62 131	62 131	0
Jarosław Hermann	Członek Zarządu	62 131	62 131	0

(*) shares blocked on investment accounts until July 3, 2021

Name and surname	Position/Function	Number of shares as of delivery date of quarterly report prepared as at 30.09.2020	Number of shares as of delivery date of report prepared as at 31.12.2019
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 30.09.2020 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	14	42 946	43 079
Deposits, loans and advances to banks and other monetary institutions	14	862 165	862 126
Loans and advances to customers*	13	71 002 958	68 662 249
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	18	1 105 330	1 106 180
Liabilities to customers	19	85 852 463	85 911 248
Debt securities issued	21	658 917	660 512
Subordinated debt	22	1 539 324	1 539 803

** 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	68 117 195	65 834 231
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 30.09.2020

	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			125 855	29 937
Equity instruments		258		
Debt securities		324 305		
Non-trading financial assets mandatorily at fair value through profit or loss	13			
Equity instruments			75 696	66 609
Debt securities				46 323
Loans and advances				1 586 693
Financial assets at fair value through other comprehensive income	12			
Equity instruments		318		29 387
Debt securities		24 765 902		
Derivatives - Hedge accounting	15		29 350	
LIABILITIES				
Financial liabilities held for trading	11			
Valuation of derivatives			92 796	26 575
Short positions		37 055		
Derivatives - Hedge accounting	15		653 259	

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 30.09.2020 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) with shares in possession number of 23,798; 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	(28 364)	31 054	0	0	65 597
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	55 073
Results on financial assets and liabilities held for trading	(7 149)	7 471	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	(56 678)	(32 172)
Result on exchange differences	0	0	20	0	0
Balance on 30.09.2020	**25 781**	**(22 419)**	**95 996**	**46 323**	**1 586 693**

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 30.09.2020, in which the companies of the Group were a plaintiff, totalled PLN 352.4 million.

Proceedings on infringement of collective consumer interests

On January 3 2018, the Bank 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 Bank lodged an appeal within the statutory time limit.

On January 7, 2020, the first instance court dismissed the Bank's appeal in its entirety. The bank appealed against the judgment within the statutory deadline. The court presented the view that the judgment issued in the course of the control of a contractual template (in the course of an abstract control), recognizing the provisions of the template as abusive, determines the abusiveness of similar provisions in previously concluded contracts. Therefore, the information provided to consumers was incorrect and misleading. As regards the penalty imposed by 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), the more penalties for these behaviours should not be imposed using current policy. The above constitutes a significant argument against the validity of the judgment and supports the appeal which the Bank submitted to the Court of second instance.
According to current estimates of the risk of losing the dispute, the Bank has not created a provision.

Proceedings on competition-restricting practice

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.

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

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

Penalty was imposed upon the Bank in the amount of 10.464.213 PLN. Penalty amount takes account of two mitigating circumstances: cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of provisions in question.

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

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

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

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

The decision is not final and binding. The Bank will file appeal against the said decision within statutory term. The Bank believes that chances for it to win the case are positive.

Court cases against the Group

As at 30.09.2020, 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 three 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 created a specific provision.

As at 30.09.2020, the total value of the subjects of the other litigations in which the Group appeared as defendant, stood at PLN 698.0 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 of 30th of September 2020, the Bank had 4,195 loan agreements and additionally 437 loan agreements from former Euro Bank (98% loans agreements before the Court of first instance and 2% loans agreements before the court of second instance) under individual ongoing litigations (excluding debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 481.9 million and CHF 26.1 million (Bank Millennium portfolio: PLN 434.9 million and CHF 25.3 million and former Euro Bank portfolio: PLN 47.1 million and CHF 0.8 million). Out of 4,195 loan agreements in ongoing individual cases 26 also are a part of class action.

Until 30.09.2020 only 51 cases were finally resolved.

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 affects the number of 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 3,281. At the current stage, the composition of the group has been established and confirmed by the court. The proceedings entered the phase of reviewing the case on the merits. On 11 August 2020 the claimant requested granting interim measures to secure the claims against the Bank. In a decision of 18 August 2020, the request for granting interim measures was dismissed. The court’s decision dismissing the request for interim measures with a justification has not yet been served to the claimant’s counsel. During the session on 26 of October 2020 the Court conducted a hearing of parties' position and afterwards postponed the session without setting the next term.

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 majority of court cases have been lost by banks.

Taking into consideration the increased legal risk related to FX mortgages, Bank Millennium created in year 2019 PLN 223 million and during 3 quarters 2020 PLN 298 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.

In this context, taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, and if such trend continues, the Bank will have to regularly review and may need to continue to increase the balance of provisions allocated to court litigations.

Finally it should be mentioned, that the Bank, as at 30.09.2020, 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.
By the resolution of 1 April 2020 the court established the composition of the group as per request of the plaintiff. Bank submitted an appeal against the resolution on 14 July 2020. The appeal has not yet been decided.

As at 30 September 2020, there were also 455 individual court cases regarding LTV insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

Lawsuits filed by Financial Ombudsman for discontinuation of unfair market practices

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

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

Furthermore, the Ombudsman requires the Bank to be ordered to publish, on its web site, information on use of unfair market practices.
The lawsuit does not include any demand for payment, by the Bank, of any specified amounts. Nonetheless, if the practice is deemed to be abusive it may constitute grounds for future claims to be filed by individual clients.

9.2. OFF - BALANCE ITEMS

Amount '000 PLN	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Off-balance conditional commitments granted and received	**15 651 999**	**14 089 761**	**12 169 901**	**11 879 548**
Commitments granted:	14 344 293	13 346 042	11 629 618	11 355 613
loan commitments	12 611 879	11 610 230	9 883 053	9 665 760
guarantee	1 732 414	1 735 812	1 746 565	1 689 853
Commitments received:	1 307 706	743 719	540 284	523 935
financial	149 822	26 065	0	744
guarantee	1 157 884	717 654	540 284	523 191

10. Additional Information

10.1. DATA ABOUT ASSETS, WHICH SECURE LIABILITIES

As at 30.09.2020 r. (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds OK0722	Held to Collect and for Sale	Lombard credit granted to the Bank by the NBP	130 000	129 779
2.	Treasury bonds OK0722	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	355 000	354 397
3.	Treasury bonds OK0521	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	79 000	78 968
4.	Treasury bonds OK0521	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	71 000	70 972
5.	Cash	receivables	Initial settlement deposit in Security Fund KDPW CCP (MARI)	100	100
6.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	8 645	8 645
7.	Cash	receivables	Settlement on transactions concluded	54 957	54 957
8.	Deposits	Deposits in banks	Settlement on transactions concluded	632 450	632 450
9.	Leasing receivables	Loans and advances	Loans granted to Millennnium Leasing	503 881	503 881
		TOTAL		1 835 034	1 834 149

As at 30.09.2020, the Group had concluded short-term transactions (usually settled within 7 days) of Treasury securities sale with a buy-back clause, subject of securities worth PLN 448,237 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 buy-back clause, subject of securities worth PLN 90,453 thousand.

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

As at 30 September 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	431 598	448 237
TOTAL	431 598	448 237

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		
Treasury bonds	85 221	90 453
TOTAL	85 221	90 453

10.3. 2019 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 III quarters of 2020 (and diluted profit per share) on the basis of the consolidated data amounts to PLN 0.11.

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 September 30, 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 Extraordinary General Meeting of the Bank convened for July 03, 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 30.09.2020	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 III quarter 2020, the Group did not grant any sureties or guarantees for a loan or bank loan which would cause the Group's exposure on this account as at 30 September 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 30 September 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.

Mortgage bank

Mortgage loans are an important element of the Bank's retail business. Therefore, in June 2018, the Bank submitted a request to the Polish Financial Supervision Authority ("PFSA") for permission to establish a mortgage bank. On June 16, 2020, PFSA issued a permission to establish a mortgage bank under the name of "Millennium Bank Hipoteczny Spółka Akcyjna" with its head office in Warsaw. Shareholders' equity of Millennium Bank Hipoteczny Spółka Akcyjna shall be PLN 40,000,000 and has been wholly covered by Bank Millennium S.A. with a cash contribution of PLN 120,000,000. Registered ordinary shares in the number of 40,000,000 with nominal value of PLN 1 per share have been taken-up by the Bank with the issue price of PLN 3 per share. The new Bank is to provide medium and long-term financing through the issuance of covered bonds to support residential mortgage lending business.

Condensed Interim Standalone Financial Statements of the Bank Millennium S.A. for the 9 months ended 30 September 2020

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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 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 nine months ending September 30, 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 nine months period ended 30 September 2020. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the nine months period ended 30 September 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 26th October 2020.

Change of apllied accounting principles introduced in 2020

In the course of 2020, the Bank changed the presentation of provisions for legal risk connected with FX mortgage loans (for more information on the creation of these provisions, see **Chapter 9.1 "Lawsuits"** of the Condensed Consolidated Interim Financial Statement) which in the financial statements for year 2019 were recognized as provisions for pending legal issues. Having in mind that part of these provisions relate to the new estimation of cash flows from the mortgage loan portfolio, the Bank allocated these provisions to individual credit exposures and presented in these financial statements as a decrease in the gross value of mortgage loans for which contractual cash flow are expected to reduce. In order to ensure comparability, the Bank made appropriate balance sheet data adjustments as at December 31, 2019 as illustrated in the table below.

Balance sheet item	Data as at 31 December 2019 presented in standalone financial statements for year 2019	Value of adjustment	Data as at 31 December 2019 presented in standalone financial statements for III quarter 2020
Loans and advances to customers valued at amortised cost	67 330 582	(139 548)	67 191 034
Total assets	**96 824 788**	**(139 548)**	**96 685 240**
Provisions for pending legal issues	250 433	(139 548)	110 885
Total liabilities	**88 134 701**	**(139 548)**	**87 995 153**

2. Standalone Financial Data (Bank)

INCOME STATEMENT

Amount '000 PLN	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Net interest income	1 858 455	598 764	1 433 695	487 315
Interest income and other of similar nature	2 353 001	665 640	2 064 751	703 997
Income calculated using the effective interest method	2 294 059	653 373	1 971 637	671 482
Interest income from Financial assets at amortised cost	2 029 929	585 202	1 687 922	584 252
Interest income from Financial assets at fair value through other comprehensive income	264 130	68 171	283 715	87 230
Income of similar nature to interest from Financial assets at fair value through profit or loss	58 942	12 267	93 114	32 515
Interest expenses	(494 546)	(66 876)	(631 056)	(216 682)
Net fee and commission income	476 118	154 401	432 969	144 173
Fee and commission income	604 640	202 399	537 963	183 328
Fee and commission expenses	(128 522)	(47 998)	(104 994)	(39 155)
Dividend income	39 190	258	44 969	208
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	77 700	28 992	34 111	4 940
Results on financial assets and liabilities held for trading	39 465	8 019	50 786	19 177
Result on non-trading financial assets mandatorily at fair value through profit or loss	(13 153)	5 777	50 507	40 788
Result on hedge accounting	(10 740)	(2 708)	(14 876)	(5 121)
Result on exchange differences	106 175	34 615	120 181	43 711
Other operating income	71 191	18 951	70 696	23 662
Other operating expenses	(115 249)	(14 801)	(59 241)	(44 590)
Administrative expenses	(1 143 541)	(351 880)	(949 691)	(325 953)
Impairment losses on financial assets	(406 403)	(127 542)	(162 075)	(54 001)
Impairment losses on non-financial assets	(5 134)	(581)	(2 265)	(1 061)
Provisions for legal risk connected with FX mortgage loans	(297 673)	(129 654)	0	0
Result on modification	(10 090)	(1 859)	(9 187)	(2 552)
Depreciation	(147 970)	(48 292)	(96 200)	(32 630)
Share of the profit of investments in subsidiaries	0	0	0	0
Banking tax	(209 027)	(67 840)	(167 777)	(60 493)
Profit before income taxes	**309 314**	**104 620**	**776 602**	**237 573**
Corporate income tax	(171 449)	(62 787)	(196 115)	(59 595)
Profit after taxes	**137 865**	**41 833**	**580 487**	**177 978**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Profit after taxes	137 865	41 833	580 487	177 978
Other comprehensive income items that may be (or were) reclassified to profit or loss	188 241	(42 946)	150	19 760
Result on debt securities at fair value through other comprehensive income	205 214	(33 931)	(41 607)	16 379
Hedge accounting	(16 973)	(9 015)	41 757	3 381
Other comprehensive income items that will not be reclassified to profit or loss	0	0	0	0
Actuarial gains (losses)	0	0	0	0
Result on equity instruments at fair value through other comprehensive income	0	0	0	0
Total comprehensive income items before taxes	**188 241**	**(42 946)**	**150**	**19 760**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(35 766)	8 160	(29)	(3 754)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0	0	0
Total comprehensive income items after taxes	**152 475**	**(34 786)**	**122**	**16 006**
Total comprehensive income for the period	**290 340**	**7 047**	**580 608**	**193 983**

BALANCE SHEET

ASSETS

Amount '000 PLN	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Cash, cash balances at central banks	1 181 740	1 224 788	2 203 444	3 154 410
Financial assets held for trading	481 052	479 847	987 465	877 131
Derivatives	156 747	142 831	113 432	126 008
Equity instruments	0	0	0	0
Debt securities	324 305	337 016	874 033	751 123
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	188 628	177 097	169 610	128 204
Equity instruments	142 305	66 609	66 609	66 609
Debt securities	46 323	110 488	103 001	61 595
Financial assets at fair value through other comprehensive income	24 779 358	26 082 339	21 856 275	19 785 033
Equity instruments	29 387	29 383	29 367	29 204
Debt securities	24 749 971	26 052 956	21 826 908	19 755 829
Loans and advances to customers	71 846 615	70 746 083	68 689 229	55 975 440
Mandatorily at fair value through profit or loss	1 586 693	1 480 998	1 498 195	1 435 612
Valued at amortised cost	70 259 922	69 265 085	67 191 034	54 539 828
Financial assets at amortised cost other than Loans and advances to customers	946 484	984 994	1 037 840	4 371 195
Debt securities	42 946	43 879	48 153	55 353
Deposits, loans and advances to banks and other monetary institutions	862 024	875 739	784 248	4 265 297
Reverse sale and repurchase agreements	41 514	65 376	205 439	50 545
Derivatives – Hedge accounting	29 350	86 776	43 159	8 886
Investments in subsidiaries, joint ventures and associates	208 874	88 874	88 874	1 921 874
Tangible fixed assets	538 766	564 855	622 506	538 396
Intangible fixed assets	358 710	360 064	331 978	108 566
Income tax assets	454 584	409 880	405 412	243 360
Current income tax assets	0	0	0	0
Deferred income tax assets	454 584	409 880	405 412	243 360
Other assets	306 003	308 806	249 448	164 835
Non-current assets and disposal groups classified as held for sale	0	0	0	0
Total assets	**101 320 164**	**101 514 403**	**96 685 240**	**87 277 330**

LIABILITIES AND EQUITY

Amount '000 PLN	30.09.2020	30.06.2020	31.12.2019	30.09.2019
LIABILITIES				
Financial liabilities held for trading	156 427	200 229	353 004	150 169
Derivatives	119 372	129 931	150 739	110 298
Liabilities from short sale of securities	37 055	70 298	202 265	39 871
Financial liabilities measured at amortised cost	89 151 191	89 340 703	85 127 543	75 346 794
Liabilities to banks and other monetary institutions	389 654	694 493	849 452	1 253 701
Liabilities to customers	86 205 891	86 461 156	81 637 517	71 732 542
Sale and repurchase agreements	448 535	0	90 712	52 036
Debt securities issued	567 787	639 816	1 003 657	763 728
Subordinated debt	1 539 324	1 545 238	1 546 205	1 544 787
Derivatives - Hedge accounting	653 259	678 043	426 847	671 163
Provisions	387 248	282 653	164 741	108 769
Pending legal issues	323 412	225 063	110 885	54 232
Commitments and guarantees given	63 836	57 590	53 856	54 537
Income tax liabilities	44 652	14 390	38 057	22 306
Current income tax liabilities	44 652	14 390	38 057	22 306
Deferred income tax liabilities	0	0	0	0
Other liabilities	1 950 080	2 025 005	1 884 961	2 261 551
Total Liabilities	**92 342 857**	**92 541 023**	**87 995 153**	**78 560 752**
EQUITY				
Share capital	1 213 117	1 213 117	1 213 117	1 213 117
Own shares	(3 120)	0	0	0
Share premium	1 147 241	1 147 241	1 147 241	1 147 241
Accumulated other comprehensive income	219 323	254 109	66 848	73 579
Retained earnings	6 400 746	6 358 913	6 262 881	6 282 641
Total equity	8 977 307	8 973 380	8 690 087	8 716 578
Total equity and total liabilities	**101 320 164**	**101 514 403**	**96 685 240**	**87 277 330**

Book value of net assets	8 977 307	8 973 380	8 690 087	8 716 578
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)	7.40	7.40	7.16	7.19

STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total consolidated equity	Share capital	Own shares	Share premium	Accumulated other comprehensive income	Retained earnings	
						Unappropriated result	pozostałe kapitały
01.01.2020 - 30.09.2020							
Equity at the beginning of the period	**8 690 087**	**1 213 117**	**0**	**1 147 241**	**66 848**	**560 727**	**5 702 154**
Total comprehensive income for period (net)	287 220	0	(3 120)	0	152 475	(422 862)	560 727
net profit/ (loss) of the period	137 865	0	0	0	0	137 865	0
valuation of debt securities at fair value through other comprehensive income	166 223	0	0	0	166 223	0	0
hedge accounting	(13 748)	0	0	0	(13 748)	0	0
Own shares purchase	(3 120)	0	(3 120)	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	(560 727)	560 727
Equity at the end of the period	**8 977 307**	**1 213 117**	**(3 120)**	**1 147 241**	**219 323**	**137 865**	**6 262 881**
01.07.2020 - 30.09.2020							
Equity at the beginning of the period	**8 973 380**	**1 213 117**	**0**	**1 147 241**	**254 109**	**96 032**	**6 262 881**
Total comprehensive income for period (net)	3 927	0	(3 120)	0	(34 786)	41 833	0
net profit/ (loss) of the period	41 833	0	0	0	0	41 833	0
valuation of debt securities at fair value through other comprehensive income	(27 484)	0	0	0	(27 484)	0	0
valuation of shares at fair value through other comprehensive income	(7 302)	0	0	0	(7 302)	0	0
Own shares purchase	(3 120)	0	(3 120)	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	0	0
Equity at the end of the period	**8 977 307**	**1 213 117**	**(3 120)**	**1 147 241**	**219 323**	**137 865**	**6 262 881**

Amount '000 PLN	Total equity	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	
					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**
01.01.2019 - 30.09.2019						
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)	580 609	0	0	122	93 600	486 887
net profit/ (loss) of the period	580 487	0	0	0	580 487	0
valuation of debt securities at fair value through other comprehensive income	(33 701)	0	0	(33 701)	0	0
hedge accounting	33 823	0	0	33 823	0	0
Transfer between items of reserves	0	0	0	0	(486 887)	486 887
Equity at the end of the period	**8 716 578**	**1 213 117**	**1 147 241**	**73 579**	**580 487**	**5 702 154**

CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Profit (loss) after taxes	137 865	41 833	580 487	177 978
Total adjustments:	2 394 367	(870 059)	(377 969)	3 049 857
Interest received	2 340 490	661 614	1 975 133	729 653
Interest paid	(496 782)	(86 289)	(566 403)	(195 208)
Depreciation and amortization	147 970	48 292	96 200	32 630
Foreign exchange (gains)/ losses	12 408	(3 731)	4 025	(4 997)
Dividends	(39 190)	(258)	(44 969)	(208)
Changes in provisions	82 959	104 595	(3 276)	2 146
Result on sale and liquidation of investing activity assets	(82 842)	(28 822)	(33 930)	(4 874)
Change in financial assets held for trading	301 824	(10 703)	(191 552)	(97 957)
Change in loans and advances to banks	(288 222)	(44 303)	(3 072 121)	694 146
Change in loans and advances to customers	(4 920 637)	(1 651 499)	(5 695 688)	(2 237 750)
Change in receivables from securities bought with sell-back clause (loans and advances)	157 488	23 862	189 347	20 469
Change in financial liabilities valued at fair value through profit and loss (held for trading)	29 835	(68 586)	212 888	255 964
Change in deposits from banks	(67 775)	58 812	249 004	119 188
Change in deposits from customers	5 040 620	(171 328)	5 877 243	3 288 684
Change in liabilities from securities sold with buy-back clause	365 607	448 645	6 126	32 187
Change in debt securities	(124 978)	(70 994)	153 428	(2 173)
Change in income tax settlements	156 923	63 693	201 342	88 660
Income tax paid	(235 266)	(69 976)	(221 899)	(66 964)
Change in other assets and liabilities	(27 887)	(84 188)	442 993	380 665
Other	41 822	11 105	44 140	15 596
Net cash flows from operating activities	**2 532 232**	**(828 226)**	**202 518**	**3 227 835**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Inflows:	59 081	439 125	1 954 296	1 951
Proceeds from sale of property, plant and equipment and intangible assets	19 891	5 912	23 208	1 743
Proceeds from sale of shares in related entities	0	0	1 210	0
Proceeds from sale of investment financial assets	0	432 955	1 884 909	0
Other	39 190	258	44 969	208
Outflows:	(4 185 035)	(135 003)	(1 922 043)	(2 062 306)
Acquisition of property, plant and equipment and intangible assets	(40 247)	(15 003)	(89 043)	(58 370)
Purchase of Euro Bank shares less cash acquired	(120 000)	(120 000)	(1 833 000)	0
Acquisition of investment financial assets	(4 024 788)	0	0	(2 003 936)
Other	0	0	0	0
Net cash flows from investing activities	**(4 125 954)**	**304 122**	**32 253**	**(2 060 355)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Inflows from financing activities:	0	0	830 000	0
Long-term bank loans	0	0	0	0
Issue of debt securities	0	0	0	0
Increase in subordinated debt	0	0	830 000	0
Net proceeds from issues of shares and additional capital paid-in	0	0	0	0
Other inflows from financing activities	0	0	0	0
Outflows from financing activities:	(746 918)	(375 593)	(78 380)	(18 323)
Repayment of long-term bank loans	(394 828)	(358 112)	(44 046)	0
Redemption of debt securities	(300 000)	0	0	0
Decrease in subordinated debt	0	0	0	0
Issue of shares expenses	0	0	0	0
Redemption of shares	0	0	0	0
Dividends paid and other payments to owners	0	0	0	0
Other outflows from financing activities	(52 090)	(17 481)	(34 334)	(18 323)
Net cash flows from financing activities	**(746 918)**	**(375 593)**	751 620	(18 323)

D. Net cash flows. Total (A + B + C)	**(2 340 640)**	**(899 697)**	**986 391**	**1 149 157**
including change resulting from FX differences	7 517	1 127	4 322	5 610
E. Cash and cash equivalents at the beginning of the reporting period	**3 752 789**	**2 311 846**	**4 520 688**	**4 357 922**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**1 412 149**	**1 412 149**	**5 507 079**	**5 507 079**

3. Supplementary information for standalone financial data

As at 30 September 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.

Mortgage bank

Mortgage loans are an important element of the Bank's retail business. Therefore, in June 2018, the Bank submitted a request to the Polish Financial Supervision Authority ("PFSA") for permission to establish a mortgage bank. On June 16, 2020, PFSA issued a permission to establish a mortgage bank under the name of "Millennium Bank Hipoteczny Spółka Akcyjna" with its head office in Warsaw. Shareholders' equity of Millennium Bank Hipoteczny Spółka Akcyjna shall be PLN 40,000,000 and has been wholly covered by Bank Millennium S.A. with a cash contribution of PLN 120,000,000. Registered ordinary shares in the number of 40,000,000 with nominal value of PLN 1 per share have been taken-up by the Bank with the issue price of PLN 3 per share. The new Bank is to provide medium and long-term financing through the issuance of covered bonds to support residential mortgage lending business.

Impairment losses on financial assets

	1.01.2020 - 30.09.2020	1.07.2020 - 30.09.2020	1.01.2019 - 30.09.2019	1.07.2019 - 30.09.2019
Impairment losses on loans and advances to customers	(396 720)	(121 260)	(159 901)	(51 224)
Impairment charges on loans and advances to customers	(1 183 989)	(375 205)	(623 137)	(289 038)
Reversal of impairment charges on loans and advances to customers	740 667	231 535	448 367	233 831
Amounts recovered from loans written off	35 159	10 992	13 038	3 526
Sale of receivables	11 404	11 420	1 447	0
Other directly recognised in profit and loss	39	(2)	384	457
Impairment losses on securities	50	0	(6)	0
Impairment charges on securities	0	0	(6)	0
Reversal of impairment charges on securities	50	0	0	0
Impairment losses on off-balance sheet liabilities	(9 733)	(6 282)	(2 168)	(2 777)
Impairment charges on off-balance sheet liabilities	(67 371)	(20 018)	(58 434)	(34 522)
Reversal of impairment charges on off-balance sheet liabilities	57 638	13 736	56 266	31 745
Total	**(406 403)**	**(127 542)**	**(162 075)**	**(54 001)**

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

	1.01.2020 - 30.09.2020	1.01.2020 - 30.06.2020	1.01.2019 - 31.12.2019	1.01.2019 - 30.09.2019
Balance at the beginning of the period	1 801 122	1 801 122	1 589 048	1 589 048
Change in value of provisions:	350 650	262 622	212 074	(7 867)
Impairment allowances created in the period	1 183 989	808 784	825 462	623 137
Amounts written off	(113 448)	(73 591)	(239 319)	(214 590)
Impairment allowances released in the period	(740 667)	(509 132)	(592 613)	(448 350)
Sale of receivables	(26 712)	0	0	0
KOIM created in the period(*)	29 050	19 260	25 312	18 093
Merger with Euro Bank S.A.	0	0	176 996	0
Changes resulting from FX rates differences	14 732	14 049	5 291	11 935
Other	3 706	3 252	10 945	1 908
Balance at the end of the period	**2 151 772**	**2 063 744**	**1 801 122**	**1 581 181**

** 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	27 602
- Write-offs released	(50)	0	0	0	(19 598)
- Utilisation	0	(900)	0	0	(124)
- Other	0	0	(123)	0	0
As at 30.09.2020	5 000	6 700	8 733	0	20 550
As at 01.01.2020	5 050	7 600	8 856	0	12 670
- Write-offs created	0	0	0	0	22 278
- Write-offs released	0	0	0	0	(16 859)
- Utilisation	0	(900)	0	0	(180)
- Other	0	0	(123)	0	0
As at 30.06.2020	5 050	6 700	8 733	0	17 909
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	8 059
- Write-offs created	6	0	0	0	12 323
- Write-offs released	0	0	0	0	(10 058)
- Utilisation	0	0	0	0	(150)
- Other	0	0	0	0	(1 783)
As at 30.09.2019	5 021	7 600	8 733	0	8 392

Change of Provision for commitments and guarantees given

	1.01.2020 - 30.09.2020	1.01.2020 - 30.06.2020	1.01.2019 - 31.12.2019	1.01.2019 - 30.09.2019
Balance at the beginning of the period	53 856	53 856	52 248	52 248
Charge of provision	67 371	47 353	70 581	58 434
Release of provision	(57 638)	(43 902)	(70 220)	(56 266)
Merger with Euro Bank S.A.	0	0	1 281	0
FX rates differences	247	283	(34)	121
Balance at the end of the period	**63 836**	**57 590**	**53 856**	**54 537**

Change of Provision for pending legal issues

	1.01.2020 - 30.09.2020	1.01.2020 - 30.06.2020	1.01.2019 - 31.12.2019	1.01.2019 - 30.09.2019
Balance at the beginning of the period	110 885	110 885	59 797	59 797
Charge of provision	17 979	12 542	7 311	7 247
Release of provision	(11 555)	(10 484)	(14 318)	(8 894)
Utilisation of provision	(489)	(489)	(27 876)	(5 701)
Creation of provision for legal risk connected with FX mortgage loans	297 673	168 019	223 134	0
Allocation to the loans portfolio*	(73 873)	(61 906)	(139 548)	0
Reclassification	(26 862)	0	1 783	1 783
Merger with Euro Bank S.A.	0	0	602	0
FX differencies	9 654	6 496	0	0
Balance at the end of the period	323 412	225 063	110 885	54 232

* In 2020, the Bank changed its accounting policy and allocated a part of provisions created for legal risk connected with FX mortgage loans to the loans portfolio, and an appropriate adjustment of comparable data as at December 31, 2019 presented in these financial statements has been introduced (more information on this topic is presented in **Chapter 1 "Introduction and Accounting Policy"**).

As at 30.09.2020 the Bank registered PLN 12.3 million dedicated to court cases related to the low down payment insurance.

Deferred income tax assets and liability

	30.09.2020			30.06.2020		
	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	(3 502)	(1 843)	1 659	(2 383)	(724)
Balance sheet valuation of financial instruments	124 200	(143 645)	(19 445)	117 736	(137 132)	(19 396)
Unrealised receivables/ liabilities on account of derivatives	11 012	(13 286)	(2 274)	13 284	(16 782)	(3 498)
Interest on deposits and securities to be paid/ received	38 201	(44 860)	(6 659)	36 737	(57 052)	(20 315)
Interest and discount on loans and receivables	0	(82 659)	(82 659)	0	(80 250)	(80 250)
Income and cost settled at effective interest rate	180 572	0	180 572	175 697	(3 613)	172 084
Impairment of loans presented as temporary differences	387 903	0	387 903	371 708	0	371 708
Employee benefits	20 181	0	20 181	21 481	0	21 481
Rights to use	8 829	0	8 829	7 118	0	7 118
Provisions for future costs	19 173	0	19 173	15 806	0	15 806
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	9 307	(60 753)	(51 446)	7 594	(67 200)	(59 606)
Other	4 200	(1 948)	2 252	6 740	(1 268)	5 472
Total	805 237	(350 653)	454 584	775 560	(365 680)	409 880

	31.12.2019			30.09.2019		
	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)	1 659	(289)	1 370
Balance sheet valuation of financial instruments	84 191	(106 710)	(22 519)	132 547	(155 105)	(22 558)
Unrealised receivables/ liabilities on account of derivatives	13 753	(20 117)	(6 364)	10 541	(17 690)	(7 149)
Interest on deposits and securities to be paid/ received	33 268	(60 770)	(27 502)	30 440	(48 935)	(18 495)
Interest and discount on loans and receivables	0	(73 860)	(73 860)		(54 462)	(54 462)
Income and cost settled at effective interest rate	180 305	0	180 305	115 392	0	115 392
Impairment of loans presented as temporary differences	321 341	0	321 341	206 414	0	206 414
Employee benefits	20 140	0	20 140	15 046	0	15 046
Rights to use	5 971	0	5 971	6 120	0	6 120
Provisions for future costs	19 408	0	19 408	15 008	0	15 008
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	6 082	(21 762)	(15 680)	5 591	(22 850)	(17 259)
Other	6 123	(1 265)	4 858	5 112	(1 179)	3 933
Total	692 241	(286 829)	405 412	543 870	(300 510)	243 360

4. Transactions with Related Entities

All transactions among members of the Group made durin III quarters 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 BANK HIPOTECZNY,
- 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 30.09.2020

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	0	1 153	0
Loans and advances to customers	5 568 508	0	0
Investments in associates	208 874	0	0
Financial assets valued at fair value through profit and loss (held for trading)	955	0	0
Hedging derivatives	0	0	0
Other assets	34 545	0	0
LIABILITIES			
Deposits from banks	0	691	125 598
Deposits from customers	519 780	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	1	362	0
Subordinated debt	0	0	0
Other liabilities, including:	107 051	0	128
financial leasing liabilities	100 505	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 1.01-30.09.2020

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	72 749	(151)	0
Commissions	14 844	84	0
Financial instruments valued at fair value through profit and loss	1 317	0	0
Dividends	35 665	0	0
Other net operating	5 510	0	0
Expense from:			
Interest	2 032	3	(239)
Commissions	72	0	0
Financial instruments valued at fair value through profit and loss	0	468	0
Other net operating	0	9	0
General and administrative expenses	18 884	0	259

Profit and loss on transactions with related parties (data in ‘000 pln) for the period 1.01-30.09.2019

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	110 673	(33)	0
Commissions	35 504	165	0
Financial instruments valued at fair value through profit and loss	914	0	0
Dividends	42 110	0	0
Other net operating	10 850	0	0
Expense from:			
Interest	3 740	75	(229)
Commissions	2	0	0
Financial instruments valued at fair value through profit and loss	0	603	0
Other net operating	0	10	0
General and administrative expenses	27 464	0	778

Off-balance transactions with related parties (data in ‘000 pln) as at 30.09.2020

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	834 418	101 114	0
granted	831 627	100 345	0
obtained	2 791	769	0
Derivatives (par value)	99 251	15 929	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 9 months ended 30 September 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

30.09.2020	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST		
Debt securities	42 946	43 079
Deposits, loans and advances to banks and other monetary institutions	862 024	861 985
Loans and advances to customers (*)	70 259 922	67 919 172
LIABILITIES MEASURED AT AMORTISED COST		
Liabilities to banks and other monetary institutions	389 654	389 564
Liabilities to customers	86 205 891	86 264 676
Debt securities issued	567 787	569 005
Subordinated debt	1 539 324	1 539 803

** 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 (*)	67 191 034	64 913 411
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 30.09.2020

	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		126 810	29 938
Debt securities	324 305		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments		75 696	66 609
Debt securities			46 323
Loans and advances			1 586 693
Financial assets at fair value through other comprehensive income			
Equity instruments			29 387
Debt securities	24 749 971		
Derivatives - Hedge accounting		29 350	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		92 796	26 576
Short positions	37 055		
Derivatives - Hedge accounting		653 259	

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	(28 364)	31 054	0	0	65 597
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	55 073
Results on financial assets and liabilities held for trading	(7 149)	7 471	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	(56 678)	(32 172)
Result on exchange differences	0	0	20	0	0
Balance as at 30.09.2020	**25 781**	**(22 419)**	**95 996**	**46 323**	**1 586 693**

	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	17 730	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	42 084	(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 nine months ended September 30, 2020, the Bank's total liabilities under the issue of debt securities decreased by PLN 435.9 million. The decrease was mainly due to the redemption (in line with the contractual maturity) of BKMO T-series bonds worth PLN 300 million and Bank Securities (BPW) worth approximately PLN 164.5 million. The decrease in the balance was partially compensated by the new issue of BPW worth PLN 29.6 millio. In addition, during III quarters of 2020, interest in the total amount of PLN 9.9 million was accrued whereas the value of interest paid was PLN 10.9 million, respectively.

6.2. Off balance sheet items

Structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Off-balance conditional commitments granted and received	**16 486 417**	**14 919 830**	**12 995 272**	**12 378 993**
Commitments granted:	15 175 920	14 173 255	12 452 047	11 852 088
- financial	12 652 405	11 651 746	9 939 514	9 384 585
- guarantee	2 523 515	2 521 509	2 512 533	2 467 503
Commitments received:	1 310 497	746 575	543 226	526 905
- financial	149 822	26 065	0	744
- guarantee	1 160 675	720 510	543 226	526 161