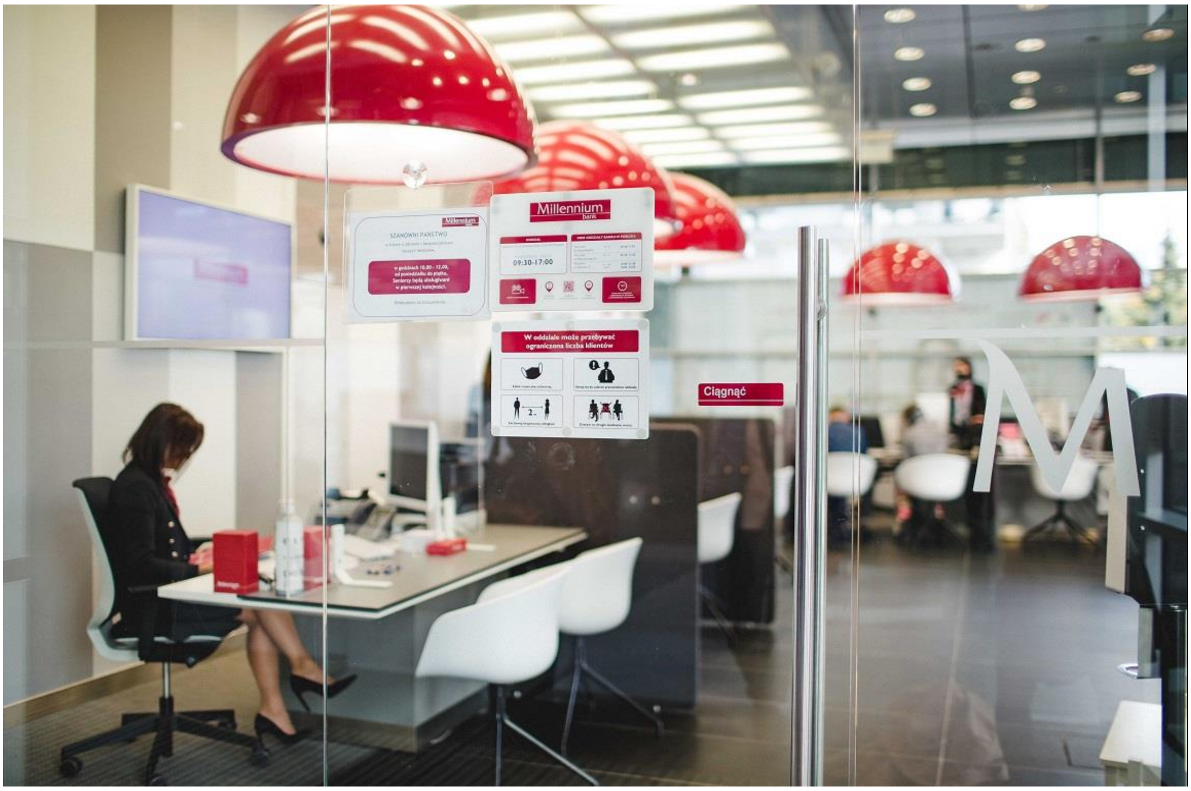

Capital Adequacy, Risk, Remuneration Policy Report of Bank Millennium Capital Group for 2020

Millennium bank

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1. Introduction

Pursuant to the requirements set forth in Part Eight of the Regulation (EU) 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 Regulation (EU) No. 648/2012 as amended ("CRR"), this material ("Disclosures") presents qualitative and quantitative information pertaining to the comprehensive image of the risk profile of the Bank Millennium S.A. (the "Bank") Capital Group ("the Group") as at 31 December 2019.

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

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

It should be noted that this material does not cover the entire scope of information to be disclosed, as defined in Part Eight of CRR. Information not included in the Disclosures has been presented in the following documents:

- Report of the Bank Millennium SA Capital Group for 12 months ended 31 December 2020, hereinafter referred to as "Yearly Financial Report"
- Management Board Report on the Activity of Bank Millennium and Capital Group of Bank Millennium for 2020, hereinafter referred to as: "Management Board Report"
- 2020 Bank Millennium and Bank Millennium Capital Group Non-financial Information Report, hereinafter referred to as "Non-financial Report".

Disclosures of information required by Part Eight of CRR in other documents is regulated by Article 434.2 of CRR.

The information presented has been prepared on the basis of the top domestic consolidation level (Bank Millennium SA Group). In some cases data was presented for Bank Millennium SA solo as well.

The update of the document approved by the Management Board on the 17th November, 2021, relates to tables 53, 54, 56 in Chapter 12 „Remuneration and recruitment Policy", with data on variable remuneration granted to Management Board as for year 2020.

2. Capital adequacy

Capital management and planning

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

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

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

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

Regulatory capital adequacy

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

- Pillar II 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 reccomendations issued in the end of 2020 in the level of 3.41 p.p. (Bank) and 3.35 p.p. (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 2.56 p.p. in Bank and of 2.52 p.p. in Group, and which corresponds to capital requirements over CET 1 ratio of 1.91 p.p. in Bank and 1.88 p.p. in Group [1];
- Combined buffer – defined in Act on macroprudential supervision over the financial system and crisis management – that consists of:
    - Capital conservation buffer at the level of 2.5%;
    - Other systemically important institution buffer (OSII) – at the level of 0.25%, and the value is set by KNF every year[2];
    - Systemic risk buffer at the level of 0% from March 2020[3];
    - Countercyclical buffer at the 0% level.

[1] That recomendation replaces the previous one from 2019, to maintain own funds for the coverage of additional capital requirements at the level of 4.96 p.p. (Bank) and 4.87 p.p. (Group) as for TCR, which should have consisted of at least 3.72 p.p. (Bank) and 3.65 p.p. (Group) as for Tier 1 capital and which should have consisted of at least 2.78 p.p. (Bank) and 2.73 p.p. (Group) as for CET1 capital

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

[3] Amended in the Regulation of Ministry of Finance and Development as of 18.03.2020

In accordance to binding legal requirements and recommendations of Polish Financial Supervisory Authority (KNF), Bank defined minimum levels of capital ratios. being at the same time capital targets/limits. These are OCR (overall capital requirements) as for particular capital ratios.

The below table presents these levels as at 31 December 2020. The Bank will inform on each change of required capital levels in accordance with regulations.

Table 1 Minimum capital ratios as at the 2020 end (in %)

Capital ratio	31.12.2020	
CET1 ratio	Bank	Group
Minimum	4,50%	4,50%
Pillar II RRE FX	1,91%	1,88%
TSCR CET1 (Total SREP Capital Requirements)	6,41%	6,38%
Capital Conservation Buffer	2,50%	2,50%
OSII Buffer	0,25%	0,25%
Systemic risk buffer	0,00%	0,00%
Countercyclical capital buffer	0,00%	0,00%
Combined buffer	2,75%	2,75%
OCR CET1 (Overall Capital Requirements CET1)	9,16%	9,13%
T1 ratio	Bank	Group
Minimum	6,00%	6,00%
Pillar II RRE FX	2,56%	2,52%
TSCR T1 (Total SREP Capital Requirements)	8,56%	8,52%
Capital Conservation Buffer	2,50%	2,50%
OSII Buffer	0,25%	0,25%
Systemic risk buffer	0,00%	0,00%
Countercyclical capital buffer	0,00%	0,00%
Combined buffer	2,75%	2,75%
OCR T1 (Overall Capital Requirements T1)	11,31%	11,27%
TCR ratio	Bank	Group
Minimum	8,00%	8,00%
Pillar II RRE FX	3,41%	3,35%
TSCR TCR (Total SREP Capital Requirements)	11,41%	11,35%
Capital Conservation Buffer	2,50%	2,50%
OSII Buffer	0,25%	0,25%
Systemic risk buffer	0,00%	0,00%
Countercyclical capital buffer	0,00%	0,00%
Combined buffer	2,75%	2,75%
OCR TCR (Overall Capital Requirements TCR)	14,16%	14,10%

Capital risk, expressed in the above capital targets/limits, is measured and monitored in a regular manner. As for all capital targets, there are determined some minimum ranges for those values. A capital ratios in a given range causes a need to take an appropriate management decision or action.

Regular monitoring of capital risk relies on classification of capital ratios to the right ranges and then performing the evaluation of trends and drivers influencing capital adequacy.

Own funds capital requirements

The Group is completing a project of an implementation of internal ratings based method (IRB) for calculation of own funds requirements for credit risk and calculates its own funds minimum requirements using the IRB and standardise method for credit risk and standardise methods for other risk types.

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

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

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

Since 2018, the Bank Millennium Group has been successively implementing a multi-stage process of implementing changes to the IRB method, related to the requirements regarding the new definition of default. In the first phase, in line with the two-step approach approved by the Tegaulator, the Bank Millennium Group in 2020 successfully implemented solutions for the new definition of default on the production environment. For 2021, it is planned to recalibrate and / or rebuild all credit risk models included in the rating system subject to the current Supervisory approval. These activities are to ensure full adjustment of the Bank Millennium Group to the EBA / GL / 2016/07 guidelines and other guidelines covering the subject of risk parameter modeling. Until the above-mentioned overarching goal is achieved, the Bank Millennium Group is obliged to include an additional conservative charge on estimating the RWA value for exposures classified under the IRB approach. The level of this mark-up, calculated on the basis of the regulatory algorithm, was set at 5% above the value resulting from the IRB method.

Internal capital

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

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

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

In 2020, both above capital targets were met with a surplus. A surplus of own funds over internal capital supports a further increase of banking activity, in particular in areas with a higher risk-adjusted return.

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

Capital adequacy results

Capital adequacy evolution of Bank Millennium Group and Bank Millennium SA over the last three years was as follows:

Table 2 Capital adequacy of Bank Millennium Group (PLN mln, %)

Capital adequacy	31.12.2020	31.12.2019	31.12.2018
Risk-weighted assets	51 138.0	48 124.6	36 635.5
Own Funds requirements, including:	4 091.0	3 850.0	2 930.8
- Credit risk and counterparty credit risk	3 677.0	3 495.2	2 593.9
- Market risk	26.7	24.2	20.3
- Operational risk	382.6	326.9	313.1
- Credit Valuation Adjustment CVA	4.8	3.6	3.5
Own Funds, including:	9 969.0	9 668.5	7 943.0
Common Equity Tier 1 Capital	8 439.0	8 138.5	7 243.0
Tier 2 Capital	1 530.0	1 530.0	700.0
Total Capital Ratio (TCR)	**19.49%**	**20.09%**	**21.68%**
Minimum required level	14.10%	18.37%	19.15%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	5.39	1.72	2.53
Tier 1 Capital ratio (T1)	**16.50%**	**16.91%**	**19.77%**
Minimum required level	11.27%	15.15%	15.58%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	5.23	1.76	4.19
Common Equity Tier 1 Capital ratio (CET1)	**16.50%**	**16.91%**	**19.77%**
Minimum required level	9.13%	12.73%	12.89%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	7.37	4.18	6.88
Leverage ratio	**8.30%**	**8.11%**	**8.78%**

The Group uses transitional arrangements for IFRS 9. As at 31.12.2020, if IFRS 9 transitional arrangements had not been applied, capital ratios were as follows:

- TCR: 19.15%
- T1: 16.15%
- CET1: 16.15%
- Leverage ratio: 8.00%.

Table 3 Capital adequacy of Bank Millennium (PLN mln)

Capital adequacy	31.12.2020	31.12.2019	31.12.2018
Risk-weighted assets	50 757.4	47 267.6	36 012.8
Own Funds requirements, including:	4 060.6	3 781.4	2 880.9
- Credit risk and counterparty credit risk	3 688.3	3 455.8	2 570.6
- Market risk	26.6	24.2	20.3
- Operational risk	340.7	297.7	286.4
- Credit Valuation Adjustment CVA	4.9	3.7	3.6
Own Funds, including:	9 726.6	9 454.5	7 738.5
Common Equity Tier 1 Capital	8 196.6	7 924.5	7 038.5
Tier 2 Capital	1 530.0	1 530.0	700.0
Total Capital Ratio (TCR)	**19.16%**	**20.00%**	**21.49%**
Minimum required level	14.16%	18.46%	19.29%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	5.00	1.54	2.20
Tier 1 Capital ratio (T1)	**16.15%**	**16.77%**	**19.54%**
Minimum required level	11.31%	15.22%	15.69%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	+4.84	1.55	3.85
Common Equity Tier 1 Capital ratio (CET1)	**16.15%**	**16.77%**	**19.54%**
Minimum required level	9.16%	12.78%	12.97%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	6.99	3.99	6.57
Leverage ratio	**8.06%**	**7.94%**	**8.57%**

The Bank uses transitional arrangements for IFRS 9. As at 31.12.2020, if IFRS 9 transitional arrangements had not been applied, capital ratios were as follows:

- TCR: 18.82%
- T1: 15.79%%
- CET1: 15.79%%
- Leverage ratio: 7.83%.

As at 2020 end, capital adequacy in Bank Millennium Group remained on very high and safe level. Total Capital Ratio stayed at year end at 19.49% level for the Group (19.16% for the Bank) and Common Equity Tier 1 Capital ratio (equals T1 ratio) was at 16.50% for the Group (16.15% for the Bank). Therefore, minimum capital levels required by KNF for Bank and Group were achieved with a surplus.

Capital adequacy ratios of the Group decreased during one year period by ca 0.6 p.p. for the Group (by 0.8 p.p. for the Bank). It was caused by a faster risk-weighted assets than own funds growth. In 2020, risk-weighted assets of the Group went up by ca PLN 4 billion (i.e. by 6.3%), mainly as a result of loan portfolio growth. The Group's Own Funds raised by ca PLN 300 million in 2020 (by 3.1%), mainly as a result of retention of net earnings (net earnings for second half of 2019 amounted to PLN 227 million) and as result of few another factors, of which the increase of revaluation reserve was the most important.

Bank Millennium has a dividend policy of distributing between 35% to 50% of net profit, subject to regulatory recommendations.

On the December 16, 2020, the PFSA adopted a Resolution which presented a position on the dividend policy of banks (and other entities) in 2021, including the recommendation to Bank Millennium:

- suspension of dividend payments (including retained earnings from previous years) in the first half of 2021,
- the Bank's failure to undertake, in the first half of 2021, without prior consultation with the supervisory authority, other activities beyond the scope of current business and operating activities, which may result in a reduction in the capital base, including buyouts of own shares.

Based on the above recommendations and position of PFSA, considering a uncertainty in business activity due to COVID-19 pandemic, and also seeing the need to assure a reliable capital support for growth of business activity and existing operational/legal risks, the Management Board of the Bank will submit to AGM a proposal of full retention of 2020 net profit in Bank's own funds.

Leverage ratio stood at the safe level of 8%-9%, with small periodic changes and considerably exceeds a value deemed as safe (3%).

In a long perspective, capital adequacy level of Bank and Group is evaluated as satisfactory.

3. Risk management goals and strategy

Rules management goals

The mission of risk management in the Bank Millennium Group is to ensure that all types of risks are managed, monitored and controlled as required for the risk profile (risk tolerance), nature and scale of the Group's operations. Important principle of risk management is the optimization of the risk and profitability trade-off – the Group pays special attention to ensure that its business decisions balance risk and profit adequately.

The goals of the risk management mission are achieved through implementation of the following actions:

- Development of risk management strategies, credit policy, processes and procedures defining the principles for acceptance of the allowable level of particular types of risk,
- Increasingly wider implementation of the IT tools for risks identification, control and measurement,
- Increasing awareness of employees as regards their responsibility for proper risk management at every level of the Group's organisational structure.

Risk management is centralized for the Group and takes into account the need to obtain the assumed profitability and to maintain proper risk-capital relationship, in the context of having proper level of capital to cover the risk. Within risk management system, a broad range of methods is used, both qualitative and quantitative, including advanced mathematical and statistical tools supported by adequate IT systems.

When defining the business and profitability targets, the Group takes into account the specified risk framework (Risk Appetite) in order to ensure that business structure and growth will respect the risk profile that is targeted and that will be reflected in several indicators such as:

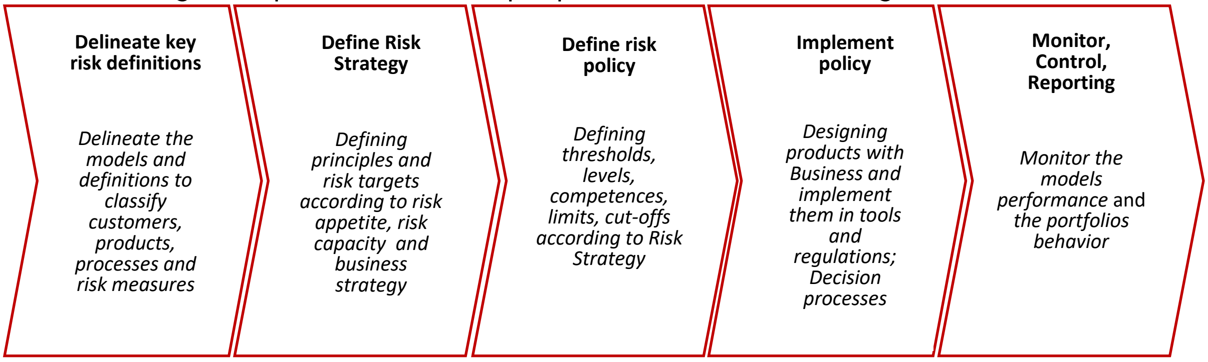
- Loan growth in specific products / segments
- Structure of the loan portfolio
- Asset quality indicators
- Cost of risk
- Capital requirements / Economic capital
- Amount and structure of liquidity needed.

Risk management model

The risk management and control model at the Group's level is based on the following main principles:

- ensuring the full-scope quantification and parameterization of various types of risks in the perspective of optimizing balance sheet and off-balance sheet items to the assumed level of profitability of business activity. The main areas of analysis encompass credit risk, market risk, liquidity risk and operational risk;
- all types of risks are monitored and controlled in reference to the profitability of operations and the level of capital necessary to ensure the safety of operations from the point of view of capital adequacy. The results of risk measuring are regularly reported as part of the management information system;
- the segregation of duties between risk origination, risk management and risk control.

The Risk management process of the Group is presented in the below diagram:



Segregation of duties in risk management

The split of competence in the field of risk management is as follows:

- The Supervisory Board is responsible for overseeing the compliance of the Group's risk-taking policy with the Group's strategy and its financial plan. Within the Supervisory Board acts the Committee for Risk Matters, which supports it in realization of those tasks, among others. issuing opinion on the Group's Risk Strategy, including the Group's Risk Appetite;
- The Management Board is responsible for the effectiveness of the risk management system, internal capital estimation process, for reviewing the internal capital calculation and maintenance process and the internal control systems;
- The Credit Committee, the Capital, Assets and Liabilities Committee, and the Liabilities at Risk Committee are responsible for current management of different areas of banking risk, within the framework determined by the Management Board;
- The Risk Committee and the Processes and Operational Risk Committee are responsible for defining the policy and for monitoring and control of different areas of banking risk, within the framework determined by the Management Board;
- The Validation Committee is responsible for confirmation of risk models validation results and follow-up in the implementation of the measures defined by the Models Validation Office;
- The Risk Department is responsible for risk management, including identifying, measuring, analysing, monitoring and reporting on risk within the Bank. The Risk Department also prepares risk management policies and procedures as well as provides information and proposes courses of action necessary for the Capital, Assets and Liabilities Committee, Risk Committee and the Management Board to make decisions with respect to risk management;
- The Rating Department is mainly responsible for risk rating assignment for Corporate clients (based on the evaluation of clients' creditworthiness) as well as for rating monitoring and potential revision during the period of its validity. Rating assignment process is independent from credit decision process;
- The Corporate Credit Underwriting Department, Mortgage Credit Underwriting Department and Consumer Finance Credit Underwriting Department have responsibility, within the Corporate Customer segment and Retail Customer segment, respectively, for the credit decision process, including analyzing customers' financial situation, preparing credit proposals for the decision-making levels and making credit decisions within specified limits;
- The Retail Liabilities Monitoring and Collection Department and Retail Liabilities Restructuring and Recovery Department have responsibility for monitoring repayment of overdue debts by retail customers and their collection;
- The Corporate Recovery Department develops specific strategies with respect to each debtor from recovery portfolio, which aims to maximize timely collection of the

outstanding debt and minimize the risk incurred by the Group. This approach is constantly revised to reflect updated information, and the best practices and experiences regarding collection of overdue debts;

- The Treasury Control and Analyses Office has responsibility for monitoring the use of part of the Group's limits, including counterparty and stop-loss limits, the Group's FX position, results of active trading and control of operations of the treasury segment;
- The Models Validation Office has responsibility for qualitative and quantitative models analysis and validation, independent from the function of models development; development of the models validation and monitoring tools; activities connected with issuing opinions on the adequacy of the models for the segment, for which they were developed; preparing reports for the Validation Committee needs;
- Fraud Risk Management Team in the Security Department has responsibility for implementation and monitoring the Bank policy execution in the scope of fraud risk management in cooperation with others Bank units. Team constitutes a competence center for anti-fraud process;
- The Compliance Department has the responsibility to ensure compliance with legal regulations, related regulatory standards, market principles and standards as well as internal organization regulations and codes of conduct.

Risk management strategy

The Group has prepared a comprehensive guideline document for the risk management policy/strategy: "Risk Strategy for 2021-2023". The document takes a 3-year perspective and is reviewed and updated annually. It is approved by the Bank's Management Board and Supervisory Board. The risk strategy is inextricably linked to other strategic documents. such as: Budget, Liquidity Plan, Capital Plan.

The Risk Strategy bases on the two concepts defined by the Group:

1. Risk profile - current risk profile in amount or type of risk the Group is currently exposed. The Group should also has a forward looking view how their risk profile may change under both expected and stress economic scenarios in accordance with risk appetite.
2. Risk appetite – the maximum amount or type of risk the Group is prepared to accept/tolerate to achieve its financial and strategic objective. Three zones are defined in accordance with warning / action required level.

Risk strategy is one of the crucial features that determines the risk profile of the Bank/Group.

Risk appetite has to ensure that business structure and growth will respect the forward risk profile. Risk appetite was reflected through defined indicators in several key areas, such as:

- Solvency
- Liquidity and funding
- Earnings volatility and business mix
- Franchise and reputation.

The Group has a clear risk strategy, covering retail credit, corporate credit, markets activity and liquidity, operational (including legal risk and court cases) and capital management. For each risk type and overall the Group clearly defines the risk appetite.

Risk management is defined mainly through the principles and targets defined in Risk Strategy and complemented in more detail by the principles and qualitative guidelines defined in the following documents:

a. Capital Management and Planning Framework
b. Credit Principles and Guidelines
c. Rules on Concentration Risk Management
d. Principles and Rules of Liquidity Risk Management
e. Principles and Guidelines on Market Risk Management on Financial Markets
f. Principles and Guidelines for Market Risk Management in Banking Book
g. Investment Policy
h. Principles and Guidelines for Management of Operational Risk
i. Policy, Rules and Principles of the Model Risk Management
j. Stress tests policy.

Within Risk appetite, the Bank and Group have defined tolerance zones for its measures (build up based on the "traffic lights" principle). As for all tolerance zones for risk appetite, it have been set:

- Risk appetite status – green zone means a measure within risk appetite, yellow zone means an increased risk of risk appetite breach, red zone means risk appetite breach;
- Escalation process of actions/decisions taken - management bodies / organizational entities responsible for decisions and actions in a particular zones;
- Actions taken – defining a typical actions and decisions aiming at getting back / maintaining a metric within Risk appetite monitoring process;
- Mitigation plan formulation – defining a responsible organizational entities;
- Mitigation plan approval – defining a responsible management bodies;
- Risk appetite breach notification (entry into yellow or red zone) regarding breach description, high-level mitigation plan and timeline for breach resolution – defining a management bodies to which information is provided;
- Mitigation plan monitoring – defining a responsible management bodies.

Changes in any defined metric that will be higher than 10% should be consider an alert level and should be monitor by Management Board and reported to Committee for Risk Matters whenever there is material risk of financial stability or achievement of the planned results of the Bank.

Zone thresholds and metrics are defined and revised on a yearly basis.

Monitoring of Risk appetite is a part of Supervisory Board (Committee for risk matters of Supervisory Board), Management Board and Risk Committee. Risk appetite dashboard review is a constant topic of these bodies meetings, including information on breaches and mitigation plan reporting/review (if applicable).

Risk management information system

Bank and Group have in place an integrated management information system that enables them to generate reports on identification, measurement and control measures relating to the management of individual risk types.

Bank and Group have defined the risk exposure reporting policy for management purposes, which sets forth the general rules for preparing and distributing information used to manage different risks. The unit responsible for preparing reports on exposure to different risks is mainly the Risk Department. The frequency and information content of the reports is adjusted to the level of powers and responsibilities of their recipients and also to the changes in the Bank's and the Group's risk profile.

Information contained in internal reports enable reliable evaluation of the risk exposure and support the decision-making process in the bank's risk management area.

The reports also include information on exposure to risks in the business activity of the subsidiaries.

Risk exposure reports for management purposes are addressed to:

- Supervisory Board (reports approved by the Bank's Management Board)
- Bank's Management Board
- Committees dedicated to risk management – Risk Committee, Capital, Assets and Liabilities Committee, Credit Committee, Liabilities at Risk Committee, Validation Coommittee, Processes and Operational Risk Committee
- Members of the Bank's Management Board
- Risk Department (internal reports)

The risk exposure reporting policy defines the following for each addressee:

- Information content (e.g. synthetic information about the credit portfolio, including key risk parameters, change in revaluation charges in the profit and loss account. etc.).
- Information format
- Information frequency (CRR 435.2.e).

Other information

In respect to individual disclosures made pursuant to Article 435.1 of CRR. the following:

- the structure and organization of the relevant risk management function including information on its authority and statute. or other appropriate arrangements;
- the scope and nature of risk reporting and measurement systems;
- the strategy for hedging and mitigating risk. and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants,

have been discussed in risk management chapters in the Yearly Financial Report and the Management Board Report.

The declarations on the adequacy of risk management arrangements providing assurance that the risk management systems put in place are adequate with regard to the profile and strategy are presented at the end of this document. (CRR 435.1.e)

Discussion of the overall risk profile. with key indicators and figures. have been included in the Yearly Financial Reports and the Management Board Reports, in the chapters on risk management. (CRR 435.1.f)

Every Board Member holds 1 directorship. (CRR 435.2.a)

The Bank has established a separate risk committee: Bank Millennium SA Risk Committee. In 2020 the Committee held 18 meetings. (CRR 435.2.d).

Table EU OVA – Institution risk management approach

Informations in that chapter and in another indicated above documents are disclosed compliant with the requirements of the Table EU OVA – Institution risk management approach (EBA/GL/2016/11).

4. CRR scope of application and own funds

The scope of consolidation of the Capital Group of Bank Millennium SA as determined in accordance with the prudential regulations (Regulation CRR) is the same as the scope of consolidation made for the preparation of consolidated financial statements prepared by the Group in accordance with IAS/IFRS. The Group did not make any exclusions of consolidated entities in comparison to IFRS financial statements, based on possibility provided by article 19.1 of the CRR.

Table 4 EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

ASSETS (PLN thous.)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash, cash balances at central banks	1 460 289	1 460 289	1 461 440				
Financial assets held for trading	423 846	423 846	269 709	171 415			
Derivatives	154 188	154 188		171 415			
Equity instruments	245,1179	245,1179	245,11791				
Debt securities	269 413	269 413	269 464				
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	251 107	251 107	251 107				
Equity instruments	200 772	200 772	200 772				
Debt securities	50 335	50 335	50 335				
Financial assets at fair value through other comprehensive income	18 642 615	18 642 615	18 645 168				
Equity instruments	29 538	29 538	29 539				
Debt securities	18 613 077	18 613 077	18 615 629				
Loans and advances to customers	74 088 342	74 088 342	75 083 367				
Mandatorily at fair value through profit or loss	1 615 753	1 615 753					
Valued at amortised cost	72 472 589	72 472 589					
Financial assets at amortised cost other than Loans and advances to customers	730 598	730 598	673 791	66 351			
Debt securities	38 818	38 818	38 829				
Deposits, loans and advances to banks and other monetary institutions	625 430	625 430	634 962				
Repurchase agreements	66 350	66 350		66 351			
Derivatives – Hedge accounting	21 795	21 795		21 795			

Investments in subsidiaries, joint ventures and associates	0	0					
Tangible assets	571 813	571 813	571 813				
Intangible assets	384 781	384 781	384 780				
Tax assets	665 939	665 939	662 058				
Current tax assets	3 882	3 882					
Deferred tax assets	662 057	662 057	662 058				
Other assets	508 269	508 269	521 143				
Non-current assets and disposal groups classified as held for sale	22 390	22 390	22 390				
Total assets	**97 771 785**	**97 771 785**	**98 546 765**	**259 560**			

LIABILITIES AND EQUITY (PLN thous.)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
LIABILITIES							
Financial liabilities held for trading	168 553	168 553					
Derivatives	103 775	103 775					
Liabilities from short sale of securities	64 778	64 778					
Financial liabilities measured at amortised cost	84 915 527	84 915 527					
Liablities to banks and other monetary institutions	1 057 652	1 057 652					
Liabilities to customers	81 510 540	81 510 540					
Repurchase agreements	248 566	248 566					
Debt securities issued	558 560	558 560					
Subordinated debt	1 540 209	1 540 209					
Derivatives – Hedge accounting	738 850	738 850					
Provisions	607 650	607 650					
Pending legal issues	555 922	555 922					
Commitments and guarantees given	51 728	51 728					
Risk of COVID-19	0	0					
Tax liabilities	30 843	30 843					
Current tax liabilities	30 843	30 843					
Deferred tax liabilities	0	0					
Other liabilities	2 219 386	2 219 386					
Total Liabilities	88 680 809	88 680 809					
EQUITY							
Capital	1 213 117	1 213 117					
Own shares	-21	-21					
Share premium	1 147 502	1 147 502					

Accumulated other comprehensive income	199 857	199 857
Retained earnings	6 530 521	6 530 521
Total equity	**9 090 976**	**9 090 976**
Total equity and total liabilities	**97 771 785**	**97 771 785**

Table 5 EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements (PLN thous.)

			Positions			
		Total	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitization framework	Subject to the market risk framework
1	Assets carryiyng value amount under the scope of regulatory consolidation (as per template EU LI1)	97 771 785				
2	Liabilities carryiyng value amount under the scope of regulatory consolidation (as per template EU LI1)	97 771 785				
3	Total net amount under the regulatory scope of consolidation	97 771 785				
4	Off-balance-sheet amounts	14 177 193				
5	*Differences (3+4-6)*	-672 100				
6	Exposure amounts considered for regulatory purposes	112 621 078	112 361 517	259 560		

Table EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity)

Considering that used in the Group method of the accounting consolidation is the same as the method of regulatory consolidation, the Table EU LI3 (EBA/GL/2016/11) is not presented.

Table EU LIA -Explanations of differences between accounting and regulatory exposure amounts

The main differences between accounting and regulatory exposure are as follow:

- amounts comes from the difference treatment of impairment. In financial statement an impairment amount is presented as at the closing date of 31st December, 2020. As for calculation of regulatory exposure amounts, art. 1 point 1 of Regulation (EU) No 183/2014 regarding specifying the calculation of specific and general credit risk adjustments was used. In accordance with that article, impairments and adjustments were included as at 31st December, 2019, that is on the day, when they reduced CET1 own funds of the Group (inclusion of impairments and adjustments as at 31st December, 2020 will decrease the regulatory exposure by ca PLN 780 million);
- not including a decrease of gross regulatory exposure of loans by part of provisions for legal risk of FX mortgage loans (that inclusion will reduce the regulatory exposure by ca PLN 196 million);
- not including in off-balance sheet regulatory exposure an amount of ca PLN 324 million connected to mortgage loans, for which a positive credit decision has been made, but a loan account has not been opened yet (that inclusion will increase the regulatory exposure by ca PLN 324 million).

Companies included in consolidation as at 31.12.2020 are presented in the following table:

Table 6. Companies of Bank Millennium Group included in consolidation as at 31.12.2020

Company	Activity domain	Head office	% of the Group's capital share	% of the Group's voting share	Recognition in financial statements
BANK MILLENNIUM SA	banking services	Warsaw	Parent company		full consolidation
MILLENNIUM BANK HIPOTECZNY S.A.	mortgage bank activities	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 on capital market, consulting services	Warszawa	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 company 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.

As at 31 December 2020 none of the Group's companies disclosed the capital shortage in relation to existing capital requirements.

Group considers that there are no current or foreseen material or legal impediment to the prompt transfer of own funds or repayment of liabilities among parent undertaking and its subsidiaries. (Art. 436.c).

Group did not receive from competent authorities waiver from application of prudential requirements on an individual basis, based on CRR art. 7. Group did not receive a permission of competent authorities, based on CRR art. 9. (art. 436.e)

The below table presents own funds components of Group as at 31.12.2020.

Table 7. Bank Millennium Group Own Funds as at 31.12.2020 (in PLN thous.)

ID	Item	Amount
1	**OWN FUNDS**	**9 968 996**
1.1	TIER 1 CAPITAL	8 438 996
1.1.1	COMMON EQUITY TIER 1 CAPITAL	8 438 996
1.1.1.1	Capital instruments eligible as CET1 Capital	2 333 722
1.1.1.1.1	Paid up capital instruments	1 213 117
1.1.1.1.2	Memorandum item: Capital instruments not eligible	0
1.1.1.1.3	Share premium	1 147 502
1.1.1.1.4	(-) Own CET1 instruments	-21
1.1.1.1.4.1	(-) Direct holdings of CET1 instruments	-21
1.1.1.1.4.2	(-) Indirect holdings of CET1 instruments	0
1.1.1.1.4.3	(-) Synthetic holdings of CET1 instruments	0
1.1.1.1.5	(-) Actual or contingent obligations to purchase own CET1 instruments	-26 876
1.1.1.2	Retained earnings	0
1.1.1.2.1	Previous years retained earnings	0
1.1.1.2.2	Profit or loss eligible	0
1.1.1.2.2.1	Profit or loss attributable to owners of the parent	22 817
1.1.1.2.2.2	(-) Part of interim or year-end profit not eligible	-22 817
1.1.1.3	Accumulated other comprehensive income	199 857
1.1.1.4	Other reserves	6 278 804
1.1.1.5	Funds for general banking risk	228 902
1.1.1.6	Transitional adjustments due to grandfathered CET1 Capital instruments	0
1.1.1.7	Minority interest given recognition in CET1 capital	0
1.1.1.8	Transitional adjustments due to additional minority interests	0
1.1.1.9	Adjustments to CET1 due to prudential filters	14 116
1.1.1.9.1	(-) Increases in equity resulting from securitised assets	0
1.1.1.9.2	Cash flow hedge reserve	35 981
1.1.1.9.3	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	0
1.1.1.9.4	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	0
1.1.1.9.5	(-) Value adjustments due to the requirements for prudent valuation	-21 863
1.1.1.10	(-) Goodwill	-192 126
1.1.1.10.1	(-) Goodwill accounted for as intangible asset	-192 126
1.1.1.10.2	(-) Goodwill included in the valuation of significant investments	0
1.1.1.10.3	Deferred tax liabilities associated to goodwill	0
1.1.1.11	(-) Other intangible assets	-192 655
1.1.1.11.1	(-) Other intangible assets gross amount	-192 655
1.1.1.11.2	Deferred tax liabilities associated to other intangible assets	0
1.1.1.12	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0

1.1.1.13	(-) IRB shortfall of credit risk adjustments to expected losses	-443 087
1.1.1.14	(-)Defined benefit pension fund assets	0
1.1.1.14.1	(-)Defined benefit pension fund assets gross amount	0
1.1.1.14.2	Deferred tax liabilities associated to defined benefit pension fund assets	0
1.1.1.14.3	Defined benefit pension fund assets which the institution has an unrestricted ability to use	0
1.1.1.15	(-) Reciprocal cross holdings in CET1 Capital	0
1.1.1.16	(-) Excess of deduction from AT1 items over AT1 Capital	0
1.1.1.17	(-) Qualifying holdings outside the financial sector which can alternatively be subject to a 1250% risk weight	0
1.1.1.18	(-) Securitisation positions which can alternatively be subject to a 1250% risk weight	0
1.1.1.19	(-) Free deliveries which can alternatively be subject to a 1250% risk weight	0
1.1.1.20	(-) Positions in a basket for which an institution cannot determine the risk weight under the IRB approach. and can alternatively be subject to a 1250% risk weight	0
1.1.1.21	(-) Equity exposures under an internal models approach which can alternatively be subject to a 1250% risk weight	0
1.1.1.22	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	0
1.1.1.23	(-) Deductible deferred tax assets that rely on future profitability and arise from temporary differences	0
1.1.1.24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	0
1.1.1.25	(-) Amount exceeding the 17.65% threshold	0
1.1.1.26	Other transitional adjustments to CET1 Capital	211 463
1.1.1.27	(-) Additional deductions of CET1 Capital due to Article 3 CRR	0
1.1.1.28	CET1 capital elements or deductions - other	0
1.1.2	ADDITIONAL TIER 1 CAPITAL	0
1.1.2.1	Capital instruments eligible as AT1 Capital	0
1.1.2.1.1	Paid up capital instruments	0
1.1.2.1.2*	Memorandum item: Capital instruments not eligible	0
1.1.2.1.3	Share premium	0
1.1.2.1.4	(-) Own AT1 instruments	0
1.1.2.1.4.1	(-) Direct holdings of AT1 instruments	0
1.1.2.1.4.2	(-) Indirect holdings of AT1 instruments	0
1.1.2.1.4.3	(-) Synthetic holdings of AT1 instruments	0
1.1.2.1.5	(-) Actual or contingent obligations to purchase own AT1 instruments	0
1.1.2.2	Transitional adjustments due to grandfathered AT1 Capital instruments	0
1.1.2.3	Instruments issued by subsidiaries that are given recognition in AT1 Capital	0
1.1.2.4	Transitional adjustments due to additional recognition in AT1 Capital of instruments issued by subsidiaries	0
1.1.2.5	(-) Reciprocal cross holdings in AT1 Capital	0
1.1.2.6	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	0

1.1.2.7	(-) AT1 instruments of financial sector entities where the institution has a significant investment	0
1.1.2.8	(-) Excess of deduction from T2 items over T2 Capital	0
1.1.2.9	Other transitional adjustments to AT1 Capital	0
1.1.2.10	Excess of deduction from AT1 items over AT1 Capital (deducted in CET1)	0
1.1.2.11	(-) Additional deductions of AT1 Capital due to Article 3 CRR	0
1.1.2.12	AT1 capital elements or deductions - other	0
1.2	TIER 2 CAPITAL	1 530 000
1.2.1	Capital instruments and subordinated loans eligible as T2 Capital	1 530 000
1.2.1.1	Paid up capital instruments and subordinated loans	1 530 000
1.2.1.2*	Memorandum item: Capital instruments and subordinated loans not eligible	0
1.2.1.3	Share premium	0
1.2.1.4	(-) Own T2 instruments	0
1.2.1.4.1	(-) Direct holdings of T2 instruments	0
1.2.1.4.2	(-) Indirect holdings of T2 instruments	0
1.2.1.4.3	(-) Synthetic holdings of T2 instruments	0
1.2.1.5	(-) Actual or contingent obligations to purchase own T2 instruments	0
1.2.2	Transitional adjustments due to grandfathered T2 Capital instruments and subordinated loans	0
1.2.3	Instruments issued by subsidiaries that are given recognition in T2 Capital	0
1.2.4	Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries	0
1.2.5	IRB Excess of provisions over expected losses eligible	0
1.2.6	SA General credit risk adjustments	0
1.2.7	(-) Reciprocal cross holdings in T2 Capital	0
1.2.8	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	0
1.2.9	(-) T2 instruments of financial sector entities where the institution has a significant investment	0
1.2.10	Other transitional adjustments to T2 Capital	0
1.2.11	Excess of deduction from T2 items over T2 Capital (deducted in AT1)	0
1.2.12	(-) Additional deductions of T2 Capital due to Article 3 CRR	0
1.2.13	T2 capital elements or deductions - other	0
	Common Equity Tier1 Ratio (CET1)	**16.50%**
	Total Capital Ratio (TCR)	**19.49%**

Reconciliation of items of own funds and equity reported in the audited financial report

Table 8 Reconciliation of items of own funds and equity reported in the Yearly Financial Report (in PLN thous.)

Item	Note of financial report	Value in financial report	Item in Table No. 7
Subordinated liabilities	35	1 540 209	1.2.1.1
Share capital	39	1 213 117	1.1.1.1.1
Own shares		-21	1.1.1.1.4.1
Capital from sale of shares over nominal value	List of equity items page 10	1 147 502	1.1.1.1.3
Revaluation capital	39	199 857	1.1.1.3
Retained earnings	39	6 530 521	1.1.1.2 1.1.1.4 1.1.1.5
Total equity and subordinated liabilities reported in the audited financial report		10 631 185	**0**
Obligations to purchase own CET1 instruments		-26 876	**1.1.1.1.5**
Part of net result, which cannot be included in own funds as of reporting date for purposes of calculation of prudential standards		-22 817	1.1.1.2.2.2
Goodwill		-192 126	1.1.1.10
Gross amount of other intangible assets		-192 655	1.1.1.11.1
Shortage of credit risk corrections in view of expected losses according to IRB approach		-443 087	1.1.1.13
Transitional adjustments due to IFRS 9		211 463	1.1.1.26
Value correction due to requirements on prudential valuation		-21 863	1.1.1.9.5
Correction by part of principal of subordinated liability. which cannot be included in own funds		0	1.2.1.1
Correction by interest accrued on subordinated liability		-10 209	1.2.1.1
Provision for instruments hedging cash flows		35 981	1.1.1.9.2
Total own funds		**9 968 996**	**1**

Items non deducted from own funds

As at 31 December 2020 the Group did not make significant investments in financial sector entities, as mentioned in article 43 CRR.

In case of deferred tax assets, mentioned in article 38 CRR, their value constitutes 7.8% of adjusted Tier I and in consequence it is exempted from deductions in keeping with article 48 CRR. At the same time this amount was assigned a risk weight of 250% for purposes of calculation of capital requirements.

5. Capital requirements and internal capital

5.1. Capital requirements by exposure classes and risk types

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

As at the 31st December, 2020 total risk exposure amount was calculated as the sum of the following items:

- Risk weighted exposure amounts for credit risk and dilution risk according to internal rating based method for retail exposures for individual customers secured on residential real estates (RRE) and revolving retail exposures (QRRE) and these calculated according the standard method as for other portfolios
- Own funds requirements to settlement/delivery risk and free deliveries
- Own funds requirements to trading book business for position risk and large exposures exceeding the limits specified in articles 395-401 CRR
- Own funds requirements to market risk as for foreign-exchange risk. settlement risk and commodities risk
- Own funds requirements to credit valuation adjustment risk
- Own funds requirements to operational risk
- Own funds requirements to counterparty credit risk.

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

Table 9 EU OV1. Overview of risk-weighted assets (PLN thous.)

			RWAs			Minimum capital requirements
			31.12.2020	30.09.2020	31.12.2019	31.12.2020
CRR	1	Credit risk (excluding CCR)	45 068 197	44 329 754	43 082 326	3 605 456
Art. 438cd	2	*of which the standardized approach*	34 010 456	33 594 634	34 089 757	2 720 836
Art. 438cd	3	*of which the foundation IRB (FIRB) approach*				
Art. 438cd	4	*of which the advanced IRB (AIRB) approach*	11 057 741	10 735 119	8 992 569	884 619

Art. 438d	5	*of which equity IRB under the simple risk-weighted approach or the IMA*				
Art. 107 Art. 438cd	6	CCR	291 654	256 332	120 023	23 332
Art. 438cd	7	*of which mark-to-market*	231 864	194 204	75 090	18 549
Art. 438cd	8	*of which original exposure*				
	9	*of which standardized approach*				
	10	*of which internal model method (IMM)*				
Art. 438cd	11	*of which risk exposure amount for contributions to the default fund of a CCP*				
Art. 438cd	12	*of which CVA*	59 790	62 128	44 933	4 783
Art. 438e	13	*Settlement risk*				
Art. 449oi	14	Securitization exposures in the banking book (after the cap)				
	15	of which IRB approach				
	16	*of which IRB supervisory formula approach (SFA)*				
	17	*of which internal assessment approach (IAA)*				
	18	*of which standardized approach*				
Art. 438e	19	*Market risk*	333 154	354 845	302 494	26 652
	20	of which standardized approach	333 154	354 845	302 494	26 652
	21	*of which IMA*				
Art. 438e	22	*Large exposures*				
Art. 438f	23	Operational risk	4 782 941	4 782 941	4 086 613	382 635
	24	of which basic indicator approach				
	25	*of which standardized approach*	4 782 941	4 782 941	4 086 613	382 635
	26	*of which advanced measurement approach*				
Art. 437.2, Art. 48, Art. 60	27	*Amounts below the thereshold for deduction (subject to 250% risk weight)*	662 058	581 524	533 129	52 965
Art. 500	28	Floor adjustment				
	29	Total	51 138 003	50 305 396	48 124 585	4 091 040

In y-o-y, total risk-weighted assets (RWA) grew up by 6.3% (by ca PLN 3 bn). The increase in RWA on credit risk had a dominant influence on this change (76% of total RWA change), whereas operational risk RWA amounted to 23% of total RWA change. Within credit risk RWA, RWA of exposures to retail customers rose by almost 7%, when RWA of corporate exposures was stabilized and other RWA increased visibly (by ca 20%). In the latter group the most important changes were: increaaase of deferref tax assets RWA (by ca PLN 290 million) and RWA connected to Regulation (EU) 2020/873 amending Regulation (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, amounted to ca PLN 183 million. Other risks RWA – except for operational risk - are less important. The analysis of RWA changes is presented in the following Table 10.

Table 10. Analysis of RWA's main changes in 2020 (PLN million)

Item	Change in 2020 (in PLN milllion)	Change in 2020 (in %)
RWA total, including:	3 013	6.3%
RWA credit risk (including CCR) [1)]	2 272	5.2%
incl. RWA retail exposures	1 689	6.8%
incl. RWA corporate exposures	(37)	(0.2%)
incl. RWA other exposures	620	20.2%
RWA market risk	31	10.1%
RWA CVA [2)]	15	33.1%
RWA operational risk	696	17.0%

**CCR - counterparty credit risk*
***CVA - credit valuation adjustment*

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

Table 11 EU CR8 - RWA flow statements of credit risk exposures under IRB approach

Date: 31 December 2020 (reporting period), 30 September 2020 (previous reporting period), PLN thous

		RWA amounts	Capital requirements
1	**RWAs as at the end of the previous reporting period**	**10 735 119**	**858 810**
2	Asset size	278 861	22 309
3	Asset quality	-34 503	-2 760
4	Model updates	0	0
5	Methodology and policy	0	0
6	Acquisitions and disposals	0	0
7	Foreign exchange movements	83 189	6 655
8	Other	-4 924	-394

9	**RWAs as at the end of the reporting period**	**11 057 741**	**884 619**

relates to retail exposures to individual persons secured by residential real estate collateral (RRE) and qualifying

revolving retail exposures (QRRE)

Table EU INS1 – Non-deducted participations in insurance undertakings

Considering that Bank does not have holdings of own funds instruments of an insurance undertaking, a re-insurance undertaking or an insurance holding company and does not have permit according to the paragraph 49.1 CRR, Table EU INS1 (EBA/GL/2016/11) is not presented.

5.2. INTERNAL CAPITAL

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

The Group and the Bank carry out the internal capital adequacy assessment process (ICAAP) in reliance on the models of internal (economic) capital.

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

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

The Group and the Bank defined the below risk types as material, presented together with methods of internal capital estimation. The last risk materiality assessment was completed in December 2020.

Table 12. Material risk types and methodologies to estimate internal capital to material risk types

Lp	Risk type	Internal capital estimation method
1	Credit risk default risk	Modified Credit Risk + model
2	Counterparty credit risk	Modified Credit Risk + model
3	Sovereign credit risk	Modified Credit Risk + model
4	External fraud risk	Modified standardized method of operational risk regulatory capital requirements calculation
5	ICT - security risk [1)]	Modified standardized method of operational risk regulatory capital requirements calculation

6	ICT - availability and continuity risk	Modified standardized method of operational risk regulatory capital requirements calculation
7	Compliance and conduct risk	Method of hard-to-measure risks internal capital calculation
8	Data protection risk	Method of hard-to-measure risks internal capital calculation
9	Litigation risk	Modified method of calculation of additional own funds requirements to cover risk of retail exposures denominated in FX secured on residential real estates
10	Interest rate risk in banking book - behavioral and optional risk	Method of interest rate risk in banking book internal capital calculation
11	Interest rate risk in banking book - gap risk	Method of interest rate risk in banking book internal capital calculation
12	Economic risk	Method of hard-to-measure risks internal capital calculation
13	Strategic risk	Method of hard-to-measure risks internal capital calculation
14	Business risk - IT Strategy risk	Method of hard-to-measure risks internal capital calculation
15	BFG risk	Method of hard-to-measure risks internal capital calculation
16	Mortgage denominated in FX loans risk (RRE FX risk)	Modified methodology of calculation of additional own funds requirements to cover risk of retail exposures denominated in FX secured on residential real estates

1) ICT - Information and Communication technologies

Completing risk materiality assessment in 2020, 10 main risk categories were defined in total, and within them 67 types of risk, including many types of non-financial and hard-to-measure risks. Tha Bank / Group follow BCP Group risk taxonomy, with few differences coming from Polish specifities and PFSA recommendations.

Defined risk categories include:

1. Credit risk
2. Concentration risk
3. Liquidity risk
4. Market risk
5. Real estate risk
6. Operational risk
7. Interest rate risk
8. Business risk
9. Reputational risk
10. Other risk types

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

In internal capital calculation, the Group and the Bank have taken a conservative approach to the correlation between individual risk types (the fact that different risk types do not convert to losses simultaneously) and calculates the effect of diversification on the entire loss distribution.

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

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

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

2. Measurement (quantification) of risk,

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

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

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

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

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

Capital adequacy assessment carried out at the end of 2020 indicates a high level of this adequacy, which is shown in a significant surplus of capital resources (equivalent to regulatory own funds) as compared to economic risk (internal capital value) and risk calculated on the basis of supervisory regulations (the value of minimum capital requirements to cover risk).

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

6. Credit risk

Table EU CRA - General qualitative information about credit risk

Qualitative information on credit risk are disclosed in Financial Report (chapter on credit risk) and in Management Report, according to requirements of Table EU CRA – General qualitative information about credit risk (EBA/GL/2016/11).

Table 13 EU CRB-B Total and average net amount of exposures (PLN thous.)

		Net value of exposures at the end of the period *)	Average net exposures over the period *)
1	Central governments or central banks		
2	Institutions		
3	Corporates		
4	*of which: Specialized lending*		
5	*of which: SMEs*		
6	Retail	40 607 214	38 614 737
7	*Secured by real estate property*	35 837 316	34 056 914
8	** SME's*	41 145	42 222
9	** Non-SME's*	35 796 170	34 014 691
10	*Qualifying revolving*	4 769 898	4 557 824
11	*Other retail*		
12	** SMEs*		
13	** Non-SMEs*		
14	Equity		
15	**Total IRB approach**	**40 607 214**	**38 614 737**
16	Central governments or central banks	19 845 266	24 320 826
17	Regional governments or local authorities	269 746	276 649
18	Public sector entities	202 451	212 256
19	Multilateral development banks	182 591	181 399
20	International organizations		
21	Institutions	758 148	1 323 585
22	Corporates	23 222 056	22 710 185
23	*of which: SMEs*	11 765 176	12 022 856
24	Retail	21 930 996	22 096 193
25	*of which: SMEs*	2 482 713	2 531 537
26	Secured by mortgages on immovable property	4 797 417	4 580 012
27	*of which: SMEs*	243	263
28	Exposures in default	1 583 000	1 507 995

29	Items associated with particularly high risk	47	46
30	Covered bonds		
31	Claims on institutions and corporates with a short-term credit assessment		
32	Collective investments undertakings		
33	Equity exposures	280 599	226 202
34	Other exposures	2 285 483	2 280 923
35	**Total standarized approach**	**68 977 381**	**73 628 264**
36	**Total**	**109 584 595**	**112 243 001**

**) without counterparty credit risk, on-balance and off-balance*

Table 14 EU CRB-C - Geographical breakdown of exposures (PLN thous.) *

		European Union (EU)	Poland	Other EU countries	Other geographical areas	Total
1	Central governments or central banks					
2	Institutions					
3	Corporates					
4	Retail	200 121	39 727 021	495 851	184 222	40 607 214
5	Equity					
6	**Total IRB approach**	200 121	39 727 021	495 851	184 222	40 607 214
7	Central governments or central banks		19 845 266			19 845 266
8	Regional governments or local authorities		269 746			269 746
9	Public sector entities		202 451			202 451
10	Multilateral development banks	182 591				182 591
11	International organizations					
12	Institutions	310 803	63 774	5 784	377 787	758 148
13	Corporates	389 796	22 832 259	0	0	23 222 056
14	Retail	28 137	21 444 299	341 940	116 619	21 930 996
15	Secured by mortgages on immovable property	5 520	4 791 159	513	225	4 797 417
16	Exposures in default	15 448	1 520 341	22 693	24 518	1 583 000
17	Items associated with particularly high risk	35	12			47
18	Covered bonds					
19	Claims on institutions and corporates with a short-term credit assessment					
20	Collective investments undertakings					
21	Equity exposures	0	96 101	0	184 498	280 599
22	Other exposures	0	2 285 483	0	0	2 285 483
23	**Total standarized approach**	911 362	67 039 390	347 724	678 904	68 977 381
24	**Total**	1 111 483	106 766 412	843 575	863 126	109 584 595

**) without counterparty credit risk, net values of balance sheet and off-balance sheet exposures*

Table 15. EU CRB-D - Concentration of exposures by industry or counterparty types (in PLN thous.) *

		Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accomodation and food service activities	Information and communication
1	Central governments or central banks										
2	Institutions										
3	Corporates										
4	Retail	456		4 928			5 661	14 412	444	3 247	71
5	Equity										
6	**Total IRB approach**	**456**		**4 928**			**5 661**	**14 412**	**444**	**3 247**	**71**
7	Central governments or central banks								972 454		
8	Regional governments or local authorities										
9	Public sector entities						10	494	151 236		
10	Multilateral development banks										
11	International organizations										
12	Institutions										
13	Corporates	88 687	299 456	6 478 071	563 119	203 567	1 251 193	7 313 400	2 302 414	112 818	1 429 706
14	Retail	28 866	12 325	316 547	6 642	29 503	344 067	494 449	530 336	65 939	57 430
15	Secured by mortgages on immovable property										
16	Exposures in default	3 018	1 091	221 285	38	1 297	20 144	61 478	46 826	50 233	2 574
17	Items associated with particularly high risk										
18	Covered bonds										
19	Claims on institutions and corporates with a short-term credit assessment										

20	Collective investments undertakings										
21	Equity exposures										
22	Other exposures										
23	**Total standarized approach**	**117 553**	**311 781**	**6 794 618**	**569 761**	**233 070**	**1 595 270**	**7 808 344**	**3 956 439**	**178 757**	**1 487 136**
24	**Total**	**118 009**	**311 781**	**6 799 546**	**569 761**	**233 070**	**1 600 931**	**7 822 755**	**3 956 884**	**182 004**	**1 487 208**

		Financial and insurance activity	Real estate activities	Professional, scientific and technical activities	Administrative and support services activities	Public administration and defence, compulsory social security	Education	Human healyh services and social work acivities	Arts, entertainment and recreation	Other services	Total
1	Central governments or central banks										
2	Institutions										
3	Corporates										
4	Retail	940	4 364	3 871	940		465	723		622	41 145
5	Equity										
6	**Total IRB approach**	**940**	**4 364**	**3 871**	**940**		**465**	**723**		**622**	**41 145**
7	Central governments or central banks										972 454
8	Regional governments or local authorities					266 970					266 970
9	Public sector entities						43 099		1 927		196 765
10	Multilateral development banks			4 620							4 620
11	International organizations										0
12	Institutions										0
13	Corporates	342 245	1 269 267	115 475	632 044	28	35 490	111 709	18 733	22 402	22 589 825
14	Retail	45 575	44 342	182 400	100 391	70	25 091	61 916	16 722	33 382	2 395 992
15	Secured by mortgages on										0

	immovable property										
16	Exposures in default	2 938	40 485	11 791	76 028		491	1 571	567	1 305	543 162
17	Items associated with particularly high risk										0
18	Covered bonds										0
19	Claims on institutions and corporates with a short-term credit assessment										0
20	Collective investments undertakings										0
21	Equity exposures										0
22	Other exposures										0
23	**Total standarized approach**	**387 820**	**1 313 609**	**302 495**	**732 435**	**267 067**	**103 680**	**173 625**	**37 382**	**55 784**	**26 426 626**
24	**Total**	**388 761**	**1 317 973**	**306 367**	**733 375**	**525 973**	**209 903**	**357 195**	**74 071**	**115 538**	**27 111 104**

**) without counterparty credit risk, net values of balance sheet and off-balance sheet exposures*

Table 16. EU CRB-E - Maturity of exposures (in PLN thous.)

		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Central governments or central banks						
2	Institutions						
3	Corporates						
4	Retail	1 264 171	1 737 593	2 277 940	35 327 509		36 594 486
5	Equity						
6	**Total IRB approach**	**1 264 171**	**1 737 593**	**2 277 940**	**35 327 509**		**36 594 486**
7	Central governments or central banks		688 684	17 494 441	984 153	677 988	19 845 266
8	Regional governments or local authorities	138 153	39 136	31 788	60 668		114 778
9	Public sector entities	21 635	59 561	66 758	54 496		171 751
10	Multilateral development banks	0	81 738	0	100 852		182 591
11	International organizations						
12	Institutions	75 010	674 649			8 489	683 138
13	Corporates	3 152 173	8 843 171	8 710 278	2 497 921	18 512	15 860 511
14	Retail	852 761	986 824	8 118 064	11 945 720	27 627	21 488 597
15	Secured by mortgages on immovable property	785	895	38 944	4 756 793		4 795 877
16	Exposures in default	720 878	129 033	424 682	289 471	18 936	1 565 221
17	Items associated with particularly high risk					6 747	6 747
18	Covered bonds						
19	Claims on institutions and corporates with a short-term credit assessment						
20	Collective investments undertakings						
21	Equity exposures					280 599	280 599
22	Other exposures					3 541 356	3 541 356
23	**Total standarized approach**	**4 239 733**	**11 373 763**	**34 421 330**	**15 643 810**	**4 561 318**	**62 175 333**
24	**Total**	**5 503 905**	**13 111 357**	**36 699 270**	**50 971 319**	**4 561 318**	**98 769 819**

6.1. CAPITAL REQUIREMENTS TO CREDIT RISK

Calculating risk-weighted exposures in scope of credit risk, Group and Bank use standard method and internal rating based method as for portfolios described in the point 6.1 according to the approval of the competent authorities described in the point 11.1.

Exposure to securitization positions are not present (Explanations in the additional information to the Yearly Financial Report) (Art. 449).

Table 17. EU CR4 - Standardised approach - Credit risk exposure and CRM effects (in PLN thous.)

		Exposures CCF and CRM		Exposures after CRM		RWA's and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance-sheet amount	On-balance sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	19 845 266		19 845 266		1 655 144	8,3%
2	Regional governments or local authorities	115 192	154 945	115 192	123	23 063	20,0%
3	Public sector entities	167 625	30 655	167 625	2 472	94 129	55,3%
4	Multilateral development banks	182 591		182 591		0	0,0%
5	International organizations						
6	Institutions	683 139	117 682	683 139	21 159	140 797	20,0%
7	Corporates	15 474 483	9 027 840	15 474 483	1 990 604	15 056 183	86,2%
8	Retail	20 587 521	458 851	20 587 521	6 351	13 439 348	65,3%
9	Secured by mortgages on immovable property						
10	Exposures in default	2 052 368	21 296	2 052 368	21 296	2 730 256	131,7%
11	Items associated with particularly high risk	47		47		70	150,0%
12	Covered bonds						
13	Claims on institutions and corporates with a short-term credit assessment						
14	Collective investments undertakings						
15	Equity exposures	280 599		280 599		280 833	100,1%
16	Other exposures	2 285 483		2 285 483		1 069 301	46,8%
17	**Total**	**61 674 314**	**9 811 269**	**61 674 314**	**2 042 004**	**34 489 125**	**54,1%**

(*) only on-balance and off-balance positions

The below table presents exposures' amounts in scope of standardised approach of credit risk own funds requirements and the breakdown by asset class and risk weight.

Table 18. EU CR5 - Standardized approach (in PLN thous.)

	Exposure classes	Risk weight								Other	Total
		0%	20%	35%	50%	75%	100%	150%	250%		
1	Central governments or central banks	19 183 208							662 058		19 845 266
2	Regional governments or local authorities		115 315								115 315
3	Public sector entities		7 752		139 845		22 500				170 097
4	Multilateral development banks	182 591									182 591
5	International organizations										
6	Institutions		683 138		21 159		1				704 298
7	Corporates	1 382 538	209 244	138 665	136 788		15 564 823	33 030			17 465 087
8	Retail	89 141	38 709	3 708 398	859 973	15 609 895	127 558	160 199			20 593 872
9	Secured by mortgages on immovable property										
10	Exposures in default	17 148			50 414		599 818	1 406 284			2 073 664
11	Items associated with particularly high risk							47			47
12	Covered bonds										
13	Claims on institutions and corporates with a short-term credit assessment										
14	Collective investments undertakings										
15	Equity exposures						280 443		156		280 599
16	Other exposures	1 216 182					1 069 301				2 285 483
17	**Total**	**22 070 807**	**1 054 157**	**3 847 063**	**1 208 179**	**15 609 895**	**17 664 443**	**1 599 560**	**662 214**		**63 716 317**

(*) on-balance and off-balance, securities financing and derivatives, without counterparty credit risk

6.2. COUNTERPARTY CREDIT RISK

Counterparty credit risk means the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

The exposure to counterparty credit risk pertains to exposures arising from derivatives. repurchase transactions. securities or commodities lending or borrowing transactions. long settlement transactions and margin lending transactions.

At the end of 2020, the Group hold derivatives and repurchase transactions and there were no transactions regarding securities or commodities lending or borrowing transactions, long settlement transactions or margin lending transactions.

The Group presents its exposure to counterparty credit risk primarily under hedging derivatives and derivatives under contracts concluded with customers and repurchase transactions.

Amounts of exposures to counterparty credit risk are presented in the below table.

Table 19. EU CCR3 - Standardized approach - CCR exposures by regulatory portfolio and risk (in PLN thous.)

	Exposure classes	Risk weight									Total
		0%	2%	4%	10%	20%	50%	75%	100%	150%	
1	Central governments or central banks										
2	Regional governments or local authorities										
3	Public sector entities										
4	Multilateral development banks										
5	International organizations										
6	Institutions					47 419	70 694				118 113
7	Corporates								106 547	7 043	113 591
8	Retail							160			160
9	Claims on institutions and corporates with a short-term credit assessment										
10	Other exposures										
11	**Total**					**47 419**	**70 694**	**160**	**106 547**	**7 043**	**231 864**

Table EU CCRA – Qualitative disclosure requirements related to CCR

Qualitative information related to CCR is disclosed in the current chapter, in line with requirements of the Table EU CCRA – Qualitative disclosure requirements related to CCR (EBA/GL/2016/11).

The below table presents risk-weighted assets and own funds requirements amounts regarding counterparty credit risk.

Table 20. Counterparty credit risk - risk-weighted assets and capital requirements (in PLN thous.)

Exposure type	Portfel	RWA 31.12.2020	Own funds requirements 31.12.2020
Derivatives	Institution	116 422	9 314
Derivatives	Corporates	113 591	9 087
Derivatives	Retail	160	13
Repos	Institution	1 691	135
Total		**231 864**	**18 549**

Internal capital (Article 439.a)

In respect to the approaches used to assign internal capital to counterparty credit risk exposures, a modified Credit Risk+[4] approach is used, taking into account counterparty risk parameters: PD, LGD & EAD.

Credit limits

Credit limits applicable to counterparty credit risk exposures are set within the exposure limits for banks and non-bank customers, which are parties to transactions.

For banks, overall exposure limits are set in accordance with internal *Instruction for setting and controlling exposure limits to foreign and domestic banks*. With respect to foreign exchange transactions, fx swaps, currency options, deposit transactions, FRAs, interest rate swaps and currency-interest rate swaps ("fx and money market transactions") - sub-limits are set, which mark the Bank's maximum exposure to outstanding currency purchase/sale transactions (spot and forward), active (outstanding) term deposits in a foreign or Polish bank (without due interest) and other outstanding transactions mentioned above. Irrespective of the sub-limits, settlement limits have been set, which are linked to the concentration of the counterparty's obligations towards the Bank for the settlement date agreed on when they were concluded ("value date").

The Group also concludes derivatives contracts upon orders from its customers. With respect to treasury transaction limits (including derivatives) concluded with non-bank customers, granting such limits to a customer is a pre-requisite[5] for the Bank to perform a derivative transaction for the customer. The Bank requires a customer applying for a treasury limit to have credit capacity for requested treasury limit and additionally for the amount equal to a specific portion of the requested treasury limit, to have a risk rating and natural exposure, that is cash flows under sales and purchases in a convertible currency other than PLN.

[4] Statistical credit risk model, developed by Credit Suisse First Boston Bank
[5] It is possible to conclude transaction under cash deposit, in case of lack of treasury transaction limit

Collateral (Article 439.b)

As part of the policies for securing collateral, Credit Support Annexes to ISDA (International Swaps and Derivatives Association) agreements (CSAs) are broadly used – or their Polish equivalents (binding in relations with domestic banks).

The Bank concludes derivative transactions with those counterparties on the inter-bank market, with whom it has signed ISDA (International Swaps and Derivatives Association) master agreements. According to current market practice and regulations, CSAs are signed along with ISDA agreements to cover matters related to the collateralization of exposures under concluded transactions. CSAs are signed bilaterally and establish mutual rights to receive a security deposit from a counterparty for whom the valuation of active derivative transactions is negative on a given day. All active CSAs in place between the Bank and its counterparties fulfil currently binding on the Bank requirements (including the ones related to Variation Margin) established by EMIR regulations.

The position concluded under derivative transactions with customers other than banks is immediately referred for management by inter-bank market dealers and is hedged by an inter-bank market transaction.

The rules for establishing credit impairment for credit risk are presented in the section entitled "Financial risk management - Credit risk" of the Yearly Financial Report.

Wrong way risk exposures (Article 439.c)

The Group does not identify its wrong-way risk exposures as material.

The impact of the amount of collateral the Bank would have to provide given a downgrade in its credit rating (Article 439.d)

The Bank is the Guarantor of the loan agreement signed between Millennium Leasing and European Investment Bank („Finance Contract") on December 15, 2017. The initial amount s of the loan EUR 100 m was drawn in four tranches in 2018.

As on 31/12/2020 the loan amounted to EUR 41,7 m.

The loan is secured in two ways. By Millennium Leasing in the form of assignment of rights from lease agreements (the value of assigned rights makes not less than 120 % of the granted loan) and by Bank Millennium in the form of the First Demand Guarantee up to amount of the already drawn loan plus accompanied interests, taxes, fiscal charges, duties etc.

According to the provisions of the Finance Contract in case the credit rating:

- by Fitch is B+ or below;
- by Moody is B1 or below;

it will be necessary to establish additional security for the Guarantee in the form of guarantee on terms acceptable for EIB (cash collateral, financial collateral, or other security).

In First Demand Guarantee agreements Bank Millennium long term rating granted by Fitch is at level BBB - and by Moody's at Baa2. The Bank is obliged to inform EIB about any change in its rating and deliver to EIB any other information on its financial position likely to have a detrimental effect on its ability to perform the obligations resulted from those agreements.

Articles 439.e. 439.f. 439.g. 439.h. 439.i CRR

To determine the amount of its credit exposure under derivative instruments, the Group applies the Mark-to-market method laid down in Article 274 of CRR.

Amounts of counterparty credit risk by approach is presented in the below table.

Table 21. EU CCR1 - Analysis of CCR exposure by approach (in PLN thous.)

	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE (Effective Expected Exposure Profile)	Multiplier	EAD post CRM (EAD post Credit Risk Mitigation)	RWAs
Mark to market		500 141			0	611 062	231 864

Amounts of risk of credit valuation adjustment are showed in the below table.

Tabela 22. EU CCR2 - CVA capital charge (in PLN thous.)

		Exposure value	RWAs
1	Total portfolios subject to the advanced method		
2	(i) VaR component (including the 3x multiplier)		
3	(ii) SVaR component (including the 3x multiplier)		
4	All portfolios subject to the standardized method	373 669	59 790
EU4	based on the original exposure method		
5	Total subject to the CVA capital charge	373 669	59 790

Exposures to derivatives with Central Counterparties are presented in the below table.

Table 23. EU CCR8 - Exposures to CCPs (in PLN thous.)

		EAD post CRM	RWAs
1	**Exposures to QCCPs (total)**		43 366
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of ehich	248 883	43 366
3	(i) OTC derivatives	248 883	43 366
4	(ii) Exchange-traded derivatives		
5	(iii) SFTs		
6	(iv) Netting sets where cross-product nettinh has been approved		
7	Segregated initial margin	3 305	
8	Non-segregated initial margin		
9	Prefunded default fund contributions	5 617	70 209
10	Alternative calculation of own funds requirements for exposures		43 366

11	**Exposures to non-QCCP (total)**		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of ehich		
13	(i) OTC derivatives		
14	(ii) Exchange-traded derivatives		
15	(iii) SFTs		
16	(iv) Netting sets where cross-product nettinh has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Prefunded default fund contributions		
20	Unfunded default fund contributions		

Table EU CCR4 - IRB approach - CCR exposures by portfolio and PD scale

Considering that Bank does not calculate CCR own requirements using IRB approach, Table EU CCR4 (EBA/GL/2016/11) is not presented.

Table EU CCR7 - RWA flow statements of CCR exposures under the IMM

Considering that the Bank does not use IMM, Table EU CCR7 (EBA/GL/2016/11) is not presented.

Table EU CCR5-A - Impact of netting and collateral held on exposure values

Considering that the Bank does not use netting for CCR exposures, Table EU CCR5-A (EBA/GL/2016/11) is not presented.

Table 24. EU CCR5-B - Composition of collateral for exposures to CCR (in PLN thous.)

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
		40 396	3 305	496 351	116 869	
Total		40 396	3 305	496 351	116 869	

Table [EU CCR6] - Credit derivatives exposures

Considering that the Bank does not hold credit derivatives exposures, Table EU CCR6 (EBA/GL/2016/11) is not presented.

Fair values of respective derivatives contracts. notional amounts of instruments by maturities and valuation of derivative instruments are presented in notes to the Yearly Financial Report (Note 23).

Data on security margins and netting of receivables and liabilities under master agreements are presented in Additional Information to the Yearly Financial Report.

6.3. CREDIT RISK ADJUSTMENTS (IMPAIRMENT AND IMPAIRMENT CHARGES)

The Group's strategy and policy applicable to impairment and recognizing impairment charges has been presented in the Yearly Financial Report section 3 "Credit risk" in the part 9 on financial risk management. It contains a detailed description of:

- Organization of the process to identify and measure impairment of credit exposures in order to determine adjustments for specific and general credit risk
- Analysis of individual impairment of credit receivables
- Collective analysis of a credit portfolio (Art. 442 a-b)

Table EU CRB-A - Additional disclosure related to the credit quality of assets (442.a,b)

Information in that chapter and the indicated above documents are disclosed according to the requirements of Table EU CRB-A – **Additional disclosure related to the credit quality of assets (EBA/GL/2016/11).**

Table 25. EU CR1-A - Credit quality of exposures by exposure class and instrument (in PLN thous.)

		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
1	Central governments or central banks	0	0	0	0	0	0	0
2	Institutions	0	0	0	0	0	0	0
3	Corporates	0	0	0	0	0	0	0
4	*of which: Specialized lending*	0	0	0	0	0	0	0
5	*of which: SMEs*	0	0	0	0	0	0	0
6	Retail	1 043 018	40 217 883	595 606	58 081	0	653 687	40 607 214
7	*Secured by real estate property*	916 521	35 484 492	519 582	44 116	0	563 698	35 837 316
8	* SME's	1 812	39 848	439	77	0	516	41 145
9	* Non-SME's	914 709	35 444 644	519 144	44 039	0	563 182	35 796 170

10	*Qualifying revolving*	126 496	4 733 391	76 024	13 965	0	89 989	4 769 898
11	*Other retail*	0	0	0	0	0	0	0
12	* SMEs	0	0	0	0	0	0	0
13	* Non-SMEs	0	0	0	0	0	0	0
14	Equity	0	0	0	0	0	0	0
15	**Total IRB approach**	**1 043 018**	**40 217 883**	**595 606**	**58 081**	**0**	**653 687**	**40 607 214**
16	Central governments or central banks	0	19 845 266	0	0	0	0	19 845 266
17	Regional governments or local authorities	0	270 286	0	540	0	540	269 746
18	Public sector entities	5 315	199 000	701	1 164	0	1 865	202 451
19	Multilateral development banks	0	182 591	0	0	0	0	182 591
20	International organizations	0	0	0	0	0	0	0
21	Institutions	0	758 148	0	0	0	0	758 148
22	Corporates	790 501	22 898 045	331 868	134 622	0	466 490	23 222 056
23	*of which: SMEs*	470 628	11 522 898	167 391	60 960	0	228 351	11 765 176
24	**Retail**	1 992 068	21 229 447	1 079 461	211 058	8 781	1 290 519	21 930 996
25	*of which: SMEs*	227 425	2 423 165	156 288	11 589	0	167 877	2 482 713
26	*Secured by mortgages on immovable property*	46 718	4 772 591	13 859	8 032	0	21 891	4 797 417
27	*of which: SMEs*	0	243	0	0	0	0	243
28	Exposures in default	2 794 584	0	1 211 583	0	7 928	1 211 583	1 583 000
29	Items associated with particularly high risk	6 700	47	6 700	0	0	6 700	47
30	Covered bonds	0	0	0	0	0	0	0
31	Claims on institutions and corporates	0	0	0	0	0	0	0

	with a short-term credit assessment							
32	Collective investments undertakings	0	0	0	0	0	0	0
33	Equity exposures	0	280 599	0	0	0	0	280 599
34	Other exposures	0	3 541 356	1 255 873	0	0	1 255 873	2 285 483
35	**Total standarized approach**	**2 794 584**	**69 204 784**	**2 674 602**	**347 385**	**8 781**	**3 021 987**	**68 977 381**
36	**Total**	**3 837 601**	**109 422 668**	**3 270 208**	**405 466**	**8 781**	**3 675 674**	**109 584 595**
37	of which: loans	3 830 901	84 663 854	2 007 635	405 466	8 781	2 413 101	86 081 655
38	of which: debt securities	0	18 923 921	0	0	0	0	18 923 921
39	of which: off-balance sheet	26 468	12 050 881	13 946	30 857	8 781	44 803	12 032 546

Table 26. EU CR1-B - Credit quality of exposures by industry or conterparty types (in PLN tsd)

		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures (*)	Non-defaulted exposures (*)					(a+b-c-d)
1	Agriculture, forestry and fishing	14 680	116 075	11 935	811	0	12 746	118 009
2	Mining and quarrying	1 739	312 030	835	1 153	0	1 988	311 781
3	Manufacturing	350 830	6 623 253	141 682	32 855	0	174 537	6 799 546
4	Electricity, gas, steam and air conditioning supply	532	574 084	623	4 231	0	4 854	569 761
5	Water supply	1 971	233 143	1 056	988	0	2 044	233 070
6	Construction	50 504	1 594 852	34 128	10 297	0	44 425	1 600 931
7	Wholesale and retail trade	166 550	7 816 852	116 178	44 468	0	160 647	7 822 755
8	Transport and storage	80 959	3 928 649	40 419	12 306	0	52 725	3 956 884
9	Accomodation and food service activities	91 025	133 570	41 689	902	0	42 591	182 004
10	Information and communication	6 972	1 502 033	5 095	16 702	0	21 797	1 487 208

11	Financial and insurance activities	8 385	389 047	5 832	2 838	0	8 671	388 761
12	Real estate activities	45 733	1 287 397	5 531	9 626	0	15 157	1 317 973
13	Professional, scientific and technical activities	42 491	297 975	32 587	1 512	0	34 099	306 367
14	Administrative and support services activities	110 022	662 389	36 798	2 238	0	39 036	733 375
15	Public administration and defence, compulsory social security	0	267 608	0	541	0	541	267 067
16	Education	1 968	104 258	1 716	364	0	2 080	104 146
17	Human healyh services and social work acivities	3 062	174 530	1 705	1 539	0	3 244	174 347
18	Arts, entertainment and recreation	1 690	37 634	1 815	127	0	1 942	37 382
19	Other services	3 171	55 634	2 065	334	0	2 399	56 406
20	**Total**	**982 281**	**26 111 013**	**481 689**	**143 834**	**0**	**625 523**	**26 467 772**

Table 27. EU CR1-C - Credit quality of exposures by geography (in PLN thous.)

		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
1	European Union (EU)	38 337	1 094 965	16 635	5 184	58	21 819	1 111 483
2	Poland	3 637 649	106 657 517	3 136 916	391 838	8 689	3 528 754	106 766 412
3	Other EU countries	71 566	830 837	52 299	6 529	27	58 828	843 575
4	Other geographical areas	90 050	839 348	64 358	1 915	8	66 273	863 126
5	Total	**3 837 601**	**109 422 668**	**3 270 208**	**405 466**	**8 781**	**3 675 674**	**109 584 595**

Table 28. EU CR2-A - Changes in the stock of general and specific credit risk adjustments (in PLN thous.)

		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance**	1 966 675	
2	Increases due to amounts set aside for estimated loan losses during the period	1 667 413	
3	Decreases due to amounts reversed for estimated loan losses during the period	-1 038 000	
4	Decreases due to amounts taken against accumulated credit risk adjustments	-220 732	
5	Transfers between credit risk adjustments	0	
6	Impact of exchange rate differences	20 250	
7	Business combinations, including acquisitions and disposals of subsidiaries	0	
8	Other adjustments	-17 973	
9	**Closing balance**	2 377 634	
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	50 818	
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	19 631	

Table 29. EU CR2-B - Changes in the stock of defaulted and impaired loans and debt securities (in PLN thous.)

		Gross carrying values defaulted exposures
1	**Opening balance**	**1 800 414**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	1 505 026
3	Returned to non-defaulted status	190 209
4	Amounts written off	
5	Other changes	
6	**Closing balance**	**3 115 231**

The Group has presented the distribution of the key receivables portfolio by the residual maturity for main exposure types: deposits and loans granted to banks and other monetary institutions (Note

22 to the Yearly Financial Report), loans and borrowings granted to customers (Note 21 to the Yearly Financial Report). (Art. 442.f).

At the same time, in the chapter "Credit risk" in the Yearly Financial Report and the Management Board Report, the Bank/Group presents a general assessment of the credit risk level and assessment of changes in this respect, along with key asset quality indicators. It also presents an assessment of concentration levels in the credit portfolio. broken down into product types and industries.

The agreed changes in the impairment and impairment charges are presented in the Notes (21) to the Yearly Financial Report. (Art. 442.i)

6.4. USE OF EXTERNAL RATINGS

When calculating requirements for own funds for entities other than financial institutions or government entities, the Group does not use ratings awarded by eligible credit assessment institutions (ECAIs). This is justified by the immaterial number of borrowers and counterparties who have a rating awarded by an ECAI. (Art. 444)

The following table presents the mapping of external ratings of each of the named ECAIs to credit quality grades featured in the unified rating Master Scale. The Group recognizes the following external rating agencies: Fitch, Moody's, Standard & Poors.

Table 30. Bank's Master Scale vs. ratings used by external rating agencies

MS risk grades	Fitch	Moody's	S&P
1	AAA	Aaa	AAA
1	AA+	Aa1	AA+
2	AA	Aa2	AA
2	AA-	Aa3	AA-
3	A+	A1	A+
3	A	A2	A
4	A-	A3	A-
5	BBB+	Baa1	BBB+
6	BBB	Baa2	BBB
7	BBB-	Baa3	BBB-
8	BB+	Ba1	BB+
9	BB	Ba2	BB
10	BB-	Ba3	BB-
11	B+	B1	B+
12	B or lower	B2 or lower	B or lower

Table EU CRD - Qualitative disclosure requirements on institution's use of external credit ratings under the astandardised approach for credit risk

Information in that chapter is disclosed according to the requirements of Table EU EU CRD – Qualitative disclosure requirements on institution's use of external credit ratings under the astandardised approach for credit risk (EBA/GL/2016/11).

6.5. Encumbered assets

The following information on encumered assets is presented based on Commission Delegated Regulation (EU) No 2017/2295 supplementing CRR with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets.

Table 31. Encumbered assets - Template A - carrying and fair value amounts (in PLN thous.)

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	1 372 600	1 372 600	96 399 185	96 399 185
Debt securities	549 184	549 184	18 422 458	18 422 458
Of which issued by general and local governments	549 184	549 184	17 994 235	17 994 235
Other assets*	823 416	823 416	77 976 727	77 976 727
Of which: deposits in other banks and loans and advances to other banks**	503 532	503 532	121 898	121 898

* *„Other assets" covers all on-balance sheet exposures excluding debt securities*
** *collateral placed in other banks regarding derivatives transactions are presented in that item as encumbered assets*

Table 32. - Encumbered assets - Template B - assets, collateral received and own debt securities (in PLN thous.)

	Fair value of encumbered collateral received or own debt securities issued	Unencumbered, fair value of collateral received or own debt securities issued available for encumbrance
Assets, collateral received and own debt securities issued	1 372 600	0

Table 33. - Encumbered assets - Template C - carrying amount of selected financial liabilities (in PLN thous.)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	1 091 054	752 098
Of which: derivative transactions	842 625	503 532

Additional information (Template D)

Information presented in the templates A, B and C were presented based on the following rules:

- main sources of encumbrance were presented in the below table with data on encumbered assets as at 31 December, 2020; information in that format is disclosed in yearly financial reports with quarterly frequency,
- assets in the below table in lines 2 and from 5 to 8 were not presented in templates A, B i C because they may not be linked with a specific transaction, nevertheless they may not be freely withdrawn. That approach is used by the Bank in case of fulfilling reporting requirements about unencumbered assets, according to the appendix XVII to Regulatory Technical Standards (EU) No 680/2014.

Table 34. Encumbered assets - details (in PLN thous.)

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	129 922
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	354 787
3.	Treasury bonds OK0521	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	88 000	94 473
4.	Treasury bonds OK0521	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	71 000	76 223
5.	Treasury bonds PS0422	Held to Collect and for Sale	initial settlement deposit in KDPW CCP (MARI)	300 000	313 311
6.	Cash	receivables	initial settlement deposit in KDPW CCP (MARI)	100	100
7.	Cash	receivables	ASO guarantee fund (PAGB)	2 415	2 415
8.	Cash	receivables	payment to the OTC Guarantee Fund - KDPW_CCP	5 617	5 617
9.	Cash	receivables	Settlement on transactions concluded	45 153	45 153
10.	Deposits	Deposits in banks	Settlement on transactions concluded	503 532	503 532
11.	Leasing receivables	Loans and advances	Loans granted to Millennnium Leasing	274 731	274 731
		RAZEM		1 775 548	1 800 264

Encumbered assets of the Group presented in the above table are at the same time encumbered assets of the Bank, with exception of the position 11, which regards encumbered assets of the Bank's subsidiary.

Encumbered assets of the Group are denominated in PLN, with exception of deposits placed as a settlement of derivative transactions (point 10 of the above table), which are concluded mostly in EUR.

Additionally, as at December 31, 2020, the Group had concluded short-term transactions (usually settled within 7 days) of Treasury securities sale with a repurchase agreement, subject of securities worth PLN 248,429 thousand.

Considering values, the level of assets encumbrance of the Bank and the Group is immaterial and is not important for a model of financing of activity.

6.6. NON-PERFORMING AND FORBORNE EXPOSURES

The below tables disclose information on non-perforrming exposures, foreborne exposures and foreclosed assets, in accordance to the EBA Guidelines on disclosure of non-performing and forborne exposures from 17/12/2018 [EBA/GL/2018/10].

The Group disclosed the following tables in that scope:

- NPE 1 – Credit quality of forborne exposures
- NPE 3 – Credit quality of performing and non-performing exposures by past-due days
- NPE 4 – Performing and non-performing exposures and related provisions
- NPE 9 – Collateral obtained by taking possession and execution process.

As at 31 December, 2020, the Group presents the gross NPL ratio (non-performing loans in total loans) of 4.95%.

Table 35. NPE 1 – Credit quality of forborne exposures (in PLN thous.)

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	176 149	1 316 715	1 181 806	1 181 806	-19 343	568 049	38 775	29 685
Central banks	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial corporations	183	703	703	703	0	532	0	0
Non-financial corporations	46 483	182 774	182 774	182 774	558	91 374	4 820	4 820
Households	129 483	1 133 238	998 328	998 328	-19 902	476 142	33 955	24 865
Debt Securities	0	0	0	0	0	0	0	0
Loan commitments given	7 003	4 775	4 764	4 764	20	1 236	55	55
Total	**359 301**	**2 638 206**	**2 368 375**	**2 368 375**	**-38 666**	**1 137 334**	**77 605**	**59 426**

Table 36. NPE-3 Credit quality of performing and non-performing exposures by past-due days (in PLN thous.)

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	72 687 612	72 457 800	206 603	3 729 794	1 858 999	145 405	306 983	518 252	626 266	171 452	102 439	3 341 583
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
General governments	76 489	76 489	0	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	234 873	234 849	7	8 527	4 540	90	114	139	1 077	2 560	8	8 527
Non-financial corporations	15 348 631	15 348 614	1	769 247	519 542	14 056	41 190	23 314	62 211	46 289	62 644	769 197
Of which SMEs	7 545 199	7 545 193	1	455 299	320 668	14 007	19 722	22 634	46 462	2 623	29 181	455 299
Households	57 027 619	56 797 847	206 595	2 952 020	1 334 917	131 259	265 679	494 798	562 977	122 603	39 788	2 563 858
Debt securities	18 923 921	18 923 921	0	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
General governments	18 545 953	18 545 953	0	0	0	0	0	0	0	0	0	0
Credit institutions	182 591	182 591	0	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	195 377	195 377	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	12 061 075			16 274								16 150
Central banks	0			0								0
General governments	154 968			0								0
Credit institutions	75 000			0								0
Other financial corporations	121 000			0								0

Non-financial corporations	7 260 011			14 256								14 256
Households	4 450 096			2 018								1 894
Total	**103 672 609**	**91 381 721**	**206 603**	**3 746 068**	**1 858 999**	**145 405**	**306 983**	**518 252**	**626 266**	**171 452**	**102 439**	**3 357 733**

Table 37. NPE 4 – Performing and non-performing exposures and related provisions (in PLN thous.)

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advances	72 687 612	67 533 603	4 048 359	3 729 794	0	3 341 583	650 152	374 609	311 971	1 784 965	0	1 681 718	8 781	1 962 852	65 435
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	76 489	76 485	0	0	0	0	186	186	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	234 873	229 596	5 277	8 527	0	8 527	2 351	2 056	295	5 415	0	5 415	0	1 598	0
Non-financial corporations	15 348 631	13 983 667	1 301 419	769 247	0	769 197	129 683	106 045	23 638	300 887	0	300 887	0	1 072 114	10 277
Of which SMEs	7 545 199	6 563 391	942 153	455 299	0	455 299	58 999	45 225	13 774	148 984	0	148 984	0	716 718	10 277
Households	57 027 619	53 243 855	2 741 662	2 952 020	0	2 563 858	517 932	266 322	288 038	1 478 664	0	1 375 416	8 781	889 141	55 158
Debt securities	18 923 921	0	0	0	0	0	0	0	0	0	0	0	0	195 377	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	18 545 953	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	182 591	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Non-financial corporations	195 377	0	0	0	0	0	0	0	0	0	0	0	0	195 377	0
Off-balance-sheet exposures	12 061 075	9 172 783	772 524	16 274	0	16 150	12 061 075	9 172 783	772 524	16 274	0	16 150	0	150 654	90
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	154 968	154 722	0	0	0	0	154 968	154 722	0	0	0	0	0	0	0
Credit institutions	75 000	75 000	0	0	0	0	75 000	75 000	0	0	0	0	0	0	0
Other financial corporations	121 000	120 604	396	0	0	0	121 000	120 604	396	0	0	0	0	132	0
Non-financial corporations	7 260 011	6 564 008	656 706	14 256	0	14 256	7 260 011	6 564 008	656 706	14 256	0	14 256	0	142 217	90
Households	4 450 096	2 258 448	115 423	2 018	0	1 894	4 450 096	2 258 448	115 423	2 018	0	1 894	0	8 305	0
Total	**103 672 609**	**76 706 386**	**4 820 883**	**3 746 068**	**0**	**3 357 733**	**12 711 228**	**9 547 392**	**1 084 496**	**1 801 239**	**0**	**1 697 868**	**8 781**	**2 308 884**	**65 526**

Table 38. NPE 9 - Collateral obtained by taking possession and execution process (in PLN thous.)

	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E	22 280	1 929
Residential immovable property		
Commercial Immovable property		
Movable property (auto, shipping, etc.)	22 280	1 929
Equity and debt instruments		
Other		
Total	**22 280**	**1 929**

7. Operational risk

The capital requirements for operational risk are calculated using the standardized approach (CRR Article 317-320). They represented about 9.4% of the total amount of capital requirements as at 31 December 2020 (Art. 446).

Losses stemming from operational risk events

The below table presents operational risk events registered in the operational risk database in 2020. Operational risk events related to credit risk, which are treated as credit risk events for the purpose of calculating credit risk capital requirements, are not included in the table.

Table 39. Operational risk events (the amount of losses), divided by events categories and kind of loss (in PLN million)

Event category	Net loss	Gross loss
Employment practices and workplace safety	10,0	10
Clients, products and business practices	2.4	2.4
Internal fraud	0.8	0.8
Damage to physical assets	0,0	0.4
External fraud	0,0	0.1
Execution,delivery and process management	0.1	0.1
TOTAL	**13.3**	**13.8**

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

In 2020 Bank Millennium Group reported no material operational risk events. i.e. those for which gross loss exceeds 10% of capital requirements for operational risk.

8. Market risk and other risk types

Table EU MRA – Qualitative disclosure requirements related to market risk

Qualitative information related to market risk are disclosed in Financial Report (chapter 8) and in Management Report, according to requirements of the Table EU MRA – Qualitative disclosure requirements related to market risk (EBA/GL/2016/11) [445 CRR].

The Group uses standardized approaches to calculate its capital requirements for various types of market risk. As at 31.12.2020 the Group maintained requirements for own funds for general and specific risk of debt instruments and the general interest rate risk. The exposure to market risk was not material. Capital requirements for this risk represented 0.7% of the total amount of capital requirements as at 31 December, 2020.

Risk weighted exposure and own funds requirements to market risk are showed in the below table.

Table 40. EU MR1 - Market risk under the standardised approach (in PLN thous.)

		RWA	Capital requirements
1	Interest rate risk (general and specific)	332 664	26 613
2	Equity risk (general and specific)	490	39
3	Foreign exchange risk		
4	Commodity risk		
	Options		
5	Simplified approach		
6	Delta-plus method		
7	Scenario approach		
8	Securitization (specific risk)		
9	**Total**	**333 154**	**26 652**

Own funds requirements to settlement risk, delivery risk, large exposures limits excess were not reported as at 31.12.2019.

Table EU MRB -Qualitative disclosure requirements for institutions using the IMA

Table EU MR2-A - Market risk under the IMA

Table EU MR2-B - RWA flow statements of market risk exposures under the IMA

Tabela EU MR3 – IMA values for trading portfolios

Tabela EU MR4 – Comparison of VaR estimates with gain/loss

Information listed in the above tables is not presented, as the Bank does not use internal models to calculate capital requirements to credit risk.

Exposures in equities not included in the trading book

As at 31 December 2020 the Group had exposures in equities not included in the trading book with total balance-sheet value of PLN 230,311 thousand. The adopted methods of valuation. balance-sheet classification and effect of measurement at fair value are presented in the table below (Art. 447).

Table 41. Exposures in equities not included in the trading book (in PLN thous.)

Balance-sheet classification	Measurement method	Balance-sheet value	Effect of pricing carried in revaluation capital
Equity instruments mandatorily at fair value through profit or loss (FVTPL)	Valuation models in case of stock and shares not quoted on the active market	200 772	0
Equity instruments at fair value through other comprehensive income (FVTOCI)	Fair value measured on the basis of active market quotations or valuation models in case of stock and shares not quoted on the active market	29 539	27 995

Below are presented the most important from the point of view of the balance sheet equity exposures of the Group as at 31 December 2020, including the assignment of strategic goals of connected with these equities:

1. Visa Inc.; balance sheet value of the equity component PLN 134,163 thous. – increase of the position comes from the positive valuation of the part of Visa Incorporation shares admitted to trading;
2. Polski Standard Płatności sp. z o.o.; balance-sheet value PLN 66,609 thous. – the purpose of the equity exposure is to introduce into the Bank's offering new products and services for the Bank's customers (FVTPL);
3. Biuro Informacji Kredytowej S.A.; balance-sheet value PLN 13,392 thous. – the equity exposure is connected with the banking activity (FVTOCI);
4. Krajowa Izba Rozliczeniowa S.A.; balance-sheet value PLN 15,316 thous.- the equity exposure is connected with the banking activity (FVTOCI);
5. Giełda Papierów Wartościowych SA; balance-sheet value PLN 320 thous. – the equity exposure is connected with activity on the capital market (FVTOCI).

In the analysed period (2020) the Group:

- did not realise profit on sale of shares from the FVTOCI and mandatorily at FVTPL book,

- in calculating own funds as at 31.12.2020 the positive effect of pricing of shares (net amount with account of deferred tax) from the FVTOCI book, presented in the balance-sheet in revaluation capital was recognised in the amount of PLN 22,676 thous.

Exposure to interest rate risk on positions not included in the trading book

Information on exposures to interest rate risk on positions not included in the trading book are presented in the Yearly Financial Report, in the market risk management section of the financial risk management chapter (Art.448).

9. Exposure to liquidity risk

In accordance with the Regulation of the European Parliament and of the Council (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR), the Group sets a liquidity coverage requirement (LCR). The net outflow coverage ratio is determined individually by each entity of the Group subject to the requirement to determine this ratio and consolidated for the Group. The minimum, supervisory level of the 100% LCR ratio, which was in force in 2019, was met by the Group on each reporting date (at the end of December 2020, the LCR ratio was 161%). The amount and main components of the net outflow coverage ratio for the Group in 2020 are presented in the below table, in accordance with the guidelines on disclosure of the net coverage ratio in addition to disclosing information on liquidity risk management pursuant to art. 435 of Regulation (EU) No 575/2013 (EBA/GL/2017/01). The data presented were designated as simple averages from observations at the end of each month in the twelve-month period preceding December 31, 2020.

The Group recognizes derivative transactions as material (the total nominal value of such transactions exceeded 10% of the net liquidity outflow of the LCR). The liquidity risk in the unfavorable market scenario results from the change in the market value of derivative instruments, which creates liquidity needs due to coverage of margins. Both in stress scenarios and in the LCR approach, this additional liquidity requirement is included as the largest absolute flow of net hedges realized over a 30-day period over 24 months.

Detailed information on the strategy, organizational model and liquidity risk management process in the Bank Millennium SA Group. presented in the Annual Financial Report, in the part concerning liquidity risk management (Art. 435).

Table 42. EU LIQ 1 Liquidity coverage requirement for Group (montly average for 2020) (in PLN million)

	Scope of consolidation (solo/consolidated)	Total unweighted value (simple average)	Total weighted value (simple average)
	Currency and units (PLN million)		
	Quarter ending on (DD Month YYY)	**31 December 2020**	**31 December 2020**
	Number of data points used in the calculation of averages	**12**	**12**
	HIGH-QUALITY LIQUID ASSETS		
1	Total high-quality liquid assets (HQLA)		24 006
	CASH-OUTFLOWS		
2	Retail deposits and deposits from small business customers, of which:	65 126	3 784
3	*Stable deposits*	48 231	2 412
4	*Less stable deposits*	10 808	1 372
5	Unsecured wholesale funding	17 594	7 892
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	0	0
7	*Non-operational deposits (all counterparties)*	17 569	7 867
8	*Unsecured debt*	25	25
9	Secured wholesale funding		0
10	Additional requirements	11 983	2 032
11	*Outflows related to derivative exposures and other collateral requirements*	866	866
12	*Outflows related to loss of funding on debt products*	0	0

13	*Credit and liquidity facilities*	11 117	1 166
14	Other contractual funding obligations	423	409
15	Other contingent funding obligations	1 067	1 067
16	**TOTAL CASH OUTFLOWS**		15 185
CASH-INFLOWS			
17	Secured lending (eg reverse repos)	468	15
18	Inflows from fully performing exposures	2 426	1 874
19	Other cash inflows	39	39
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		0
EU-19b	(Excess inflows from a related specialised credit institution)		0
20	**TOTAL CASH INFLOWS**	2 933	1 928
EU-20a	***Fully exempt inflows***	0	0
EU-20b	***Inflows Subject to 90% Cap***	0	0
EU-20c	***Inflows Subject to 75% Cap***	2 933	1 928
21	**LIQUIDITY BUFFER**		**24 006**
22	**TOTAL NET CASH OUTFLOWS**		**13 257**
23	**LIQUIDITY COVERAGE RATIO (%)**		181%

Note: Information calculated as the consolidated LCR simple month-end observations over the twelve months in 2020 (EBA/GL/2017/01).

10. Financial Leverage

Bank completed calculation of leverage ratio on consolidated base, as at 31 December 2019, based on CRR, Regulatory Technical Standards (EU) 2015/62 from 10 October 2014 on leverage ratio and Regulation (EU) 2017/2395 from 12 December 2017 on transitional arrangments for mitigating the impact of the introduction of IFRS 9 on own funds and the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State.

As at 31 December 2020, the leverage ratio at the Group level was 8.30% using temporary definition of Tier 1 Capital and 8.12% using fully implemented definition of Tier 1 Capital.

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

The distribution of the total exposure measure used in the leverage ratio and leverage levels as at 31 December 2020 are presented in the table below:

Table 43. Distribution of total exposure measure and leverage ratios as at 31 December 2020 (in PLN thous., in %)

The amount and distribution of total exposure used in the leverage ratio	Value
Exposure to equity financing transactions. exposure in accordance to Article 429.5 and 429.8 of CRR	66 351
Derivatives: current replacement cost	287 516
Derivatives: amount calculated with market value method	256 641
Off-balance sheet items with CCF 10% according to Article 429.10 of CRR	844 555
Off-balance sheet items with CCF 20% according to Article 429.10 of CRR	441 059
Off-balance sheet items with CCF 50% according to Article 429.10 of CRR	1 577 743
Off-balance sheet items with CCF 100% according to Article 429.10 of CRR	42 412
Other assets	98 586 323
Deducted amount of assets - Tier I Capital - fully implemented definition	-840 647
Deducted amount of assets - Tier I Capital - temporary definition	-445 796
Total exposure of leverage ratio - using fully implemented definition of Tier I Capital	101 261 954

Total exposure of leverage ratio – using temporary definition of Tier I Capital	101 656 804
Tier I Capital – fully implemented definition	8 227 534
Tier I Capital – temporary definition	8 438 996
Leverage ratio - using the fully implemented Tier 1 Capital definition	8,12%
Leverage ratio - using the temporary Tier 1 Capital definition	8,30%

The Group does not apply amounts that have been excluded from the total exposure measure in accordance with CRR 429.11.

With the Risk Strategy assumptions currently in place, the Group assesses the risk of excessive financial leverage as immaterial and therefore no specific procedures have been developed in this area.

The table below presents the leverage ratio levels in 2020. Its level is satisfactory, with a considerably excess over the value deemed as safe (3%).

Table 44. Leverage ratios of the Groups in quarters of 2020 (in %)

Leverage ratio	31.03.2020	30.06.2020	30.09.2020	31.12.2020
Leverage ratio - using the fully implemented Tier 1 Capital definition	7.89%	7.91%	7.88%	8.12%
Leverage ratio - using the temporary Tier 1 Capital definition	7.99%	8.03%	8.06%	8.30%

11. IRB method

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

As at 31 December, 2020, average risk weights under IRB method are as follows:

- Total RRE portfolio: 25.5%
- RRE FX: 32.5%
- RRE PLN: 21.3%
- QRRE: 32.4%.

Information in that chapter is disclosed according to the requirements of Table EU CRE - Qualitative disclosure requirements related to IRB models (EBA/GL/2016/11).

11.1. Approval to use the IRB Approach

As at 31 December 2020, the Banco Comercial Portugues Group (the parent owner of Bank Millennium SA) has obtained the described below approvals of the competent authority pertaining to the use of the IRB Approach by the Group and Bank Millennium SA ("IRB Decisions"). First two IRB decisions were issued by Banco de Portugal (the consolidating regulator of the Banco Comercial Portugues Group) in cooperation with the Polish Financial Supervision Commission (KNF – local regulator), and the last one decisions (issued in July 2017) was issued by European Central Bank (EBC) with cooperation of KNF.

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

The approval issued at the end of 2014 entails:

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

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

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

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

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

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

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

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

From 2018, Bank Millennium S.A. Group successively implements the multi-stage process of implementing changes to the IRB method, related to the requirements for the new definition of default. In addition to process reorganization activities, advanced works related to the development of the IT environment are carried out. In the first phase, in line with the "two-step approach" approved by the Supervision, the Bank Millennium Group in 2020 successfully implemented solutions for the new definition of default on the production environment and ensured an appropriate level of use of these solutions in risk management processes. For 2021, it is planned to recalibrate and / or rebuild all credit risk models included in the rating system subject to the current Supervisory approval. These activities are to ensure full adjustment of the Bank Millennium Group to the EBA / GL / 2016/07 guidelines and other guidelines covering the subject of risk parameter modeling. Until the above-mentioned overarching goal is achieved, the Bank Millennium Group is obliged to include an additional conservative charge on estimating the RWA value for exposures qualified for the IRB method. The level of this mark-up, calculated on the basis of the supervisory algorithm, was set at 5% above the value resulting from the application of the IRB method.

11.2. INTERNAL RATING SYSTEMS AND PROCESSES

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

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

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

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

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

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

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

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

The rating for governments, central banks, international organizations, multilateral development banks and Institutions may be assigned based on a rating awarded by recognized rating agencies, mapped to the Master Scale.

Should the above-mentioned entities have more than one classification awarded by recognized rating agencies (split rating) the rating corresponding to the second best risk shall be taken into account at all times.

The table showing relationships between internal and external risk grades is presented in chapter 6.4 of the Disclosures. The Bank recognizes the following external rating agencies for comparison purposes: Fitch, Moody’s, Standard & Poor’s.

In case of retail customers, rating awarded through a behavioral model (behavioral rating) by default takes precedence over a rating awarded through an application model (application rating) if behavioral rating only is awarded. In case of corporate customers, awarded rating comes from 3 components: quantitative module based on an analysis of data from financial statements, module of qualitative evaluation of customers based on non-financial information and behavioral module assessing existing nature of co-operation between customer and Millennium Bank Group (including Bank Millennium).

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

Procedural ratings by default take precedence over application ratings.

After the pre-conditions necessary to award any of the procedural ratings are no longer satisfied, ratings 13 and 14 expire immediately, while rating 15 either expires or is maintained for a "quarantine period".

Description of the internal ratings process

1. Central governments and central banks

This exposure class is excluded permanently from the IRB approach.

2. Institutions

This exposure class is excluded permanently from the IRB approach.

3. Corporates, including SMEs, specialized lending and purchased corporate receivables

Exposure classes subject to the plan of gradual implementation of the IRB approach.

4. Retail exposures

- PD models

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

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

The presented rating principles apply to all categories of retail exposures: retail exposures to individuals secured by residential real estate, qualifying revolving retail exposures and other retail exposures.
The class of retail exposures to individuals secured by residential real estate include exposures which are mortgage loans or home equity loans granted to retail clients (small businesses and private individuals) and secured by mortgage.

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

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

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

a) Data input;
b) Verification of data;
c) Awarding of the final risk grade (automated decision).

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

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

- internal sources (Bank's IT systems);
- external sources (Biuro Informacji Kredytowej S.A.);
- data received from customers.

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

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

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

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

- LGD models

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

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

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

Accordingly, the Bank has estimated LGD parameters using a database that contains all the defaults resulting from quantitative and qualitative premises included in default definitions.

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

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

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

Loss given default is estimated on transaction level.

- Exposure at Default (EAD) models / CCF models

The EAD model was built for retail portfolio exposure. When estimating EAD, the exposure at default was compared to the limit value and the balance sheet exposure observed one year before the default event. The calculation of balance sheet equivalent (CCF) parameters was carried out for product groups for which there was a possibility of off-balance sheet exposure and the Bank had a significant number of observations allowing for statistical inference, i.e. for overdraft limits and credit cards (QRRE portfolio). The Bank also developed the EAD model for the RRE portfolio, which will be subject to the supervisory validation process in the coming period. Until consent is obtained, in the process of estimating capital requirements, however, prior to its approval, a conservative CCF value of 100% is assumed for this portfolio. A similar approach has been used in the case of the guarantee portfolio. Due to the fact that the limited number of empirical observations, which prevented the observation from being carried out, was too small for statistical analyzes, the conservative CCF value equal to 100% was adopted, analogically to the RRE portfolio.

5. Equity exposures

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

6. Exposure values and adjustments

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

Table 45. EU CR6 - IRB approach - Credit risk exposures by exposure class and PD range (in %, in PLN thous.)

Segmento	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	RWAs	RWA density	EL	Value adjustments and provisions
QRRE	0,00 do <0,15	364 187 770	1 934 850 957	63,58%	1 594 374 932	0,08%	300 793	62,06%	55 010 810	3,45%	791 581	1 813 114
QRRE	0,15 do <0,25	164 005 068	296 786 989	71,51%	376 229 789	0,19%	59 861	63,29%	27 242 877	7,24%	457 196	1 702 104
QRRE	0,25 to <0,50	168 381 779	197 513 045	74,72%	315 970 467	0,39%	45 028	64,07%	41 260 044	13,06%	789 542	2 176 594
QRRE	0,50 to <0,75	184 595 499	153 676 594	77,00%	302 925 377	0,71%	38 524	64,72%	64 123 261	21,17%	1 392 069	2 959 681
QRRE	0,75 to <2,50	379 959 402	205 543 899	80,52%	545 471 491	1,72%	62 901	65,40%	226 010 386	41,43%	6 127 827	8 446 786
QRRE	2,50 to <10,00	380 123 502	127 868 510	75,35%	476 476 476	5,99%	55 470	65,72%	464 427 811	97,47%	18 739 605	14 000 346
QRRE	10,00 to <100,00	158 008 867	17 889 053	77,04%	171 791 180	22,84%	19 494	66,50%	309 664 133	180,26%	26 120 481	10 043 735
QRRE	100,00 (default)	117 961 979	8 534 402	0,00%	117 961 979	100,00%	17 217	91,64%	76 265 634	64,65%	108 100 571	52 186 548
QRRE	Razem	1 917 223 868	2 942 663 448	67,42%	3 901 201 691	5,14%	599 288	64,55%	1 264 004 955	32,40%	162 518 872	93 328 909
Residential Retail	0,00 do <0,15	22 431 405 222	831 599 178	100,00%	23 263 004 399	0,08%	108 046	33,66%	1 742 627 442	7,49%	6 264 268	17 254 145
Residential Retail	0,15 do <0,25	3 876 923 606	77 074 558	100,00%	3 953 998 164	0,19%	15 255	34,42%	574 446 019	14,53%	2 541 938	5 205 477
Residential Retail	0,25 to <0,50	2 223 456 313	42 070 482	100,00%	2 265 526 795	0,39%	8 705	34,50%	568 091 529	25,08%	3 047 916	6 723 253
Residential Retail	0,50 to <0,75	1 677 860 491	29 327 756	100,00%	1 707 188 247	0,71%	6 445	34,87%	658 748 517	38,59%	4 226 936	9 351 090
Residential Retail	0,75 to <2,50	2 576 591 744	58 652 455	100,00%	2 635 244 199	1,67%	9 013	35,39%	1 794 707 686	68,10%	15 640 148	26 438 641
Residential Retail	2,50 to <10,00	1 436 391 667	25 287 875	100,00%	1 461 679 542	5,61%	4 576	35,54%	1 959 978 154	134,09%	29 109 019	29 503 090
Residential Retail	10,00 to <100,00	381 626 218	5 911 404	100,00%	387 537 622	22,44%	1 190	35,50%	813 668 041	209,96%	31 047 445	29 699 314
Residential Retail	100,00 (default)	922 872 188	153 667	100,00%	923 025 855	100,00%	3 059	79,12%	1 681 469 011	182,17%	730 304 675	324 110 676
Residential Retail	Razem	35 527 127 449	1 070 077 375	100,00%	36 597 204 824	3,23%	156 289	35,22%	9 793 736 400	26,76%	822 182 345	448 285 686
Total	Razem	37 444 351 316	4 012 740 823	76,11%	40 498 406 514	3,42%	697 904	38,04%	10 531 182 243	26,00%	984 701 217	541 614 595

7. Drivers that impacted on the loss experience, in conjunction with the actual results in a longer term

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

Table 46. EU CR9 - IRB approach - Backtesting of PD per exposure class

Exposure class	PD range	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
				End of previous year	End of the year			
QRRE	<0,06% - 0,12%)	0,08%	0,08%	256 497	300 773	245	14	0,05%
QRRE	<0,12% - 0,18%)	0,15%	0,15%	31 455	28 979	74	1	0,14%
QRRE	<0,18% - 0,28%)	0,23%	0,23%	32 783	30 868	112	15	0,19%
QRRE	<0,28% - 0,53%)	0,39%	0,39%	47 324	45 016	273	15	0,36%
QRRE	<0,53% - 0,95%)	0,71%	0,71%	39 649	38 511	307	21	0,61%
QRRE	<0,95% - 1,73%)	1,28%	1,28%	35 372	35 160	491	29	1,05%
QRRE	<1,73% - 2,94%)	2,25%	2,25%	26 057	27 668	512	43	1,63%
QRRE	<2,94% - 4,90%)	3,80%	3,80%	21 483	22 998	717	43	2,58%
QRRE	<4,90% - 7,60%)	6,10%	6,10%	15 201	15 066	808	30	3,79%
QRRE	<7,60% - 12%)	9,55%	9,55%	11 598	11 358	891	31	5,46%
QRRE	<12% - 20%)	15,49%	15,49%	15 354	13 130	1591	32	8,99%
QRRE	<20% - 100%)	42,92%	42,92%	6 797	6 250	2 843	47	32,19%
Residential Retail	<0,06% - 0,12%)	0,08%	0,08%	96 055	108 046	101	1	0,03%
Residential Retail	<0,12% - 0,18%)	0,15%	0,15%	7 267	8 176	33	1	0,09%
Residential Retail	<0,18% - 0,28%)	0,23%	0,23%	6 519	7 079	23	0	0,14%
Residential Retail	<0,28% - 0,53%)	0,39%	0,39%	8 053	8 705	54	1	0,21%
Residential Retail	<0,53% - 0,95%)	0,71%	0,71%	6 148	6 445	75	0	0,37%
Residential Retail	<0,95% - 1,73%)	1,28%	1,28%	4 963	5 471	105	1	0,60%
Residential Retail	<1,73% - 2,94%)	2,25%	2,25%	3 159	3 542	132	0	1,15%
Residential Retail	<2,94% - 4,90%)	3,80%	3,80%	2 189	2 392	125	0	1,64%

Residential Retail	<4,90% - 7,60%)	6,10%	6,10%	1 178	1 300	79	0	2,21%
Residential Retail	<7,60% - 12%)	9,55%	9,55%	814	880	78	0	4,22%
Residential Retail	<12% - 20%)	15,49%	15,49%	578	772	70	0	7,68%
Residential Retail	<20% - 100%)	36,28%	36,28%	665	418	267	0	45,42%

Comparison of actual and modeled PD

The tables below present the calculation of actual default rates and estimated default rates for portfolios covered by the permission to use the IRB approach.

Table 47. Actual and estimated default rates for the QRRE portfolio (in %)

Term	Estimated default rate	Actual default rate
2015	2,69%	1,82%
2016	2,47%	1,59%
2017	2,27%	1,45%
2018	2,01%	1,43%
2019	1,95%	1,40%
2020	1,85%	1,64%

Table 48. Actual and estimated default rates for the portfolio of loans secured by residential property (in %)

Term	Estimated default rate	Actual default rate
2015	0,82%	0,55%
2016	0,88%	0,60%
2017	0,91%	0,53%
2018	0,82%	0,43%
2019	0,83%	0,38%
2020	0,64%	0,83%

In the case of both QRRE and RRE portfolios one can observe the increase of realized default rates in the most recent year however in the case of QRRE portfolio the realized default rate is lower than the estimated one. Observed increase might be connected with the beginning of the crisis resulted from the pandemic situation as well as purchase of the portfolio of Eurobank which was characterized by higher level of risk than the portoflio of Bank Millennium. The biggest impact however for the observed increase for RRE portfolio and the fact that the realized default rate is higher than estimated was introducing of new default definition. Had the old definition been applied, then the default rate for this portfolio for the most recent year would amount to 0.39.

In the case of QRRE portolio the realized default rate, even with the new default definition applied, remained at the lower level than the estimated one. It resulted mostly from applying within the estimation of long-term PD, an additional conservative buffer (higher than in the case of RRE portfolio) connected with the estimation error which increases estimated values of PD parameter.

Comparison of actual and modeled CCF

The analysis of actual CCF has been conducted for QRRE portfolio cases defaulted during the calendar year 2020 (reporting period) as well as defaults from 2018 and 2019 (comparative periods) which at the end of the preceding year (31 December 2019 in case of the reporting period) were not defaulted and had a positive off-balance sheet exposure. The analysis involved a comparison of the average actual conversion factors with average modeled levels (weighted by the amount of off-balance sheet exposure). The modeled factors include a number of conservative haircuts and should be higher than the actual figures. The results are presented in the table below.

Table 49. Comparison of actual and modeled CCF (in %)

CCF	2020	2019	2018	2017
Modeled CCF	75,12%	96,30%	89,00%	91,30%
Actual CCF	50,71%	53,57%	55,80%	57,20%

In both the reporting period and the comparative periods, actual CCF levels did not exceed the modeled levels. Since the Bank has not recorded higher than expected credit conversion factors, this credit risk element does not lead to the occurrence of higher than expected losses.

Comparison of actual and modeled LGD

The analysis of actual LGD was carried out for cases from RRE and QRRE portfolios. Calculation of actual LGD figures requires a longer time horizon, because recoveries may occur only after the exposure achieves the default status. Accordingly, the calculation of actual LGDs was based on the cases, which defaulted at the latest in December 2018. The average LGD calculated on the basis of these cases (EAD-weighted average) was compared with the average LGD level used for the purpose of IRB capital requirements calculation (EAD weighted). The model values include a number of conservative haircuts (including an additional multiplier imposed by regulators in the IRB decision from July 2017 on approval of changed LGD models for RRE and QRRE portfolios) and should be higher than the actual losses. The results are presented in the table below.

Table 50. Comparison of actual and modeled LGD (in %)

LGD	Portfolio	
	RRE	QRRE
Actual LGD	33,14%	54,07%
Modelled LGD	38,06%	67,44%

For both analyzed portfolios, modeled loss amounts were much higher than actual figures. We can therefore state that there were no unexpected losses associated with LGD levels and the parameters used have proven to be sufficiently conservative.

The Group does not have companies conducting credit activity abroad (CRR 452.j),

Table EU CR10 - IRB (specialised lending and equities)

Considering that the Group does not use IRB method for specialised lending and equities, Table EU CR10 (EBA/GL/2016/11) is not presented.

Table EU CR7 - IRB approach - Effect on the RWAs of credit derivatives used as CRM techniques

Considering that the Group does not use credit derivatives as CRM techniques, Table EU CR7 (EBA/GL/2016/11) is not presented.

11.3. USE OF INTERNAL ESTIMATES

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

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

- Management information system

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

- Risk Appetite

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

- Concentration limits

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

- Decision-making powers

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

- Evaluation of borrowing capacity and creditworthiness

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

- Loan prices and pricing policy

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

- Economic capital

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

11.4. CREDIT RISK MITIGATION

Table EU CRC – Qualitative disclosure requirements related to CRM techniques (art. 453.a,e)

Information in that chapter is disclosed according to the requirements of Table EU CRC – Qualitative disclosure requirements related to CRM techniques (EBA/GL/2016/11).

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

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

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

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

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

Mortgage collateral is valued on the basis of valuations prepared by expert appraisers verified by the Group’s specialized units. As the value of collateral of retail loans is monitored during their service, the collateral amount is revaluated using the statistical method based on real property price indices.

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

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

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

- ensure that the contractual terms of collateral are satisfied, which includes confirmation of legal certainty,
- update the value of collateral,

- verify that the collateral exists (local visits).

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

Use of credit risk mitigation techniques

The Group does not make use of on- and off-balance sheet netting (CRR 453.a).

Policies and processes for collateral valuation and management

In the collateral management area, the Group applies the approach, in which collateral is used to ensure that the Group receives the repayment of principal, interest, commissions and fees if the client fails to make the payments in contractual amounts and on contractual dates. However the main source for the repayment of receivables is always the borrower's income/revenues including the funded project. Collateral should correspond to the credit risk incurred by the Bank, while taking into account the specific features of each individual credit transaction.

Legal collateral is applicable until all the amounts due to the Group under the collateralized credit transaction are repaid. The validity date or maturity date of collateral should not be earlier than the date of total repayment of the secured credit transaction.

Real estate collateral (revaluation)

In respect to the valuation of loan collateral in the largest credit portfolio, i.e. residential retail loans, the loan application review process must include in each case a valuation of the real estate securing the loan performed by an expert appraiser.

The Group monitors collateral in order to:

- update the base value of the collateral,
- ensure that the chosen contractual terms of collateral are satisfied,
- verify that the collateral exists (local visits).

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

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

Update of the base value of financial collateral

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

Update of the base value of material collateral

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

The table below presents the types, kinds and legal forms of collateral accepted by the Bank. The collateral acceptance process is regulated by special procedures. Other collateral types may be accepted if they meet certain specified requirements (CRR 453.c).

Table 51. Types and kinds of collateral used by the Group

Type	Kind	Legal form
Financial	Term deposit in the Bank in PLN/foreign currency with a 100% principal guarantee	Ownership transfer
	Superduet Deposit in PLN/foreign currency with a 100% principal guarantee in the deposit part	For a deposit: - Ownership transfer For participation units in mutual funds: Registered pledge (ultimately) and Ordinary pledge (as temporary collateral)
	Prestige Investment Program in PLN/foreign currency	Transfer of receivables.
	Guarantee policy	Transfer of receivables
	Megazysk insurance agreement	Transfer of receivables
	Term deposit in another bank in PLN/foreign currency with a 100% principal guarantee	Transfer of receivables Registered pledge (ultimately) and Ordinary pledge (as temporary collateral)
	Participation units in mutual funds. being in sale by entities belonging to the Group. managed by Millennium TFI, ING TFI, Investors, Esaliens TFI	Registered pledge (ultimately) and Ordinary pledge (as temporary collateral)
	WSE-listed shares included in WIG 20 stock index. deposited in Millennium Brokerage House	Ownership transfer Registered pledge (ultimately) and Ordinary pledge (as temporary collateral) Ordinary pledge
	Treasury bills deposited in the Bank	Ownership transfer Registered pledge (ultimately) and Ordinary pledge (as temporary collateral) Ordinary pledge
	Dematerialized State Treasury bonds admitted to organized trading. deposited in the Bank or in Millennium Brokerage House	Registered pledge (ultimately) and Ordinary pledge (as temporary collateral) Ordinary pledge
Mortgage	Residential real estate (used by an owner to inhabitancy or to rent excluding business activity: residential flats, housing buildings, grounds with a purpose of building of the above immovable)	Mortgage and

	Commercial real estate (offices. storage space. stores. service facilities. hotels. with a purpose of sale or rent in the course of business activity. residential flats. housing buildings one- or multi families grounds with a purpose of building of the above immovable other grounds)	Registered pledge and Ownership transfer (conditionally) – if collateral is established on parts of real property [e.g. devices. specialized equipment. machinery. production lines permanently connected to land or to a building which. if dismantled. will compromise the building's structure or materially reduce the value of collateral being dismantled (e.g. utilities. elevators)]
Material	Vehicles. including cars. construction equipment built on car chassis. other vehicles (e.g. semi-trailers and trailers and truck tractors)	Registered pledge and ownership transfer (conditional)
		Registered pledge for future collateral and ownership transfer (conditional)
	Fleet consisting of cars	Registered pledge and ownership transfer (conditional)
	Independent specialized hardware and machinery	Registered pledge and ownership transfer (conditional)
		Ownership transfer
	Production lines	Registered pledge and ownership transfer (conditional)
		Ownership transfer
	Collection of fixed assets including specialized equipment and machinery	Registered pledge and ownership transfer (conditional)
	Airplanes. helicopters. boat/ship	Registered pledge and ownership transfer (conditional)
	Inventory	Registered pledge and ownership transfer (conditional)
Receivables	Receivables under contracts pertaining to the client's business activity and lease.	Assignment of contractual receivables
	Receivables from permanent cooperation with specified business partners	Assignment of receivables from permanent cooperation with specified business partners
Guarantees and sureties	Bank guarantee	Bank guarantee
	State Treasury Guarantee	State Treasury Guarantee
	Surety	Surety under Civil Law
		Promissory note surety

The Group does not use any guarantees and credit derivatives as risk protection instruments in the capital requirement calculation process. (CRR 453.d)

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

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

Both of these factors contribute to increase of average LTV ratio (the ratio of loan to value of collateral) and the resulting increase in the value of loans. where the value of the LTV is greater than 100% and a deterioration of capital adequacy. The first risk factor increases the DTI ratio (the ratio of debt-to-income for a customer) and it leads also to deterioration of liquidity.

The Group identifies, measures, monitors and controls continuously above risk factors. Conservative liquidity strategy is used, which provides for the maintenance of liquid assets buffer for unexpected changes in exchange rates. Capital plan provides for the maintenance of capital adequacy at a satisfactory level in the coming years. Both plans - Liquidity and Capital – account for stress tests assuming a significant appreciation of the exchange rate of CHF / PLN. The level of non-performing loans is regularly monitored and in case of potential problems with debt repayment customer is contacted in order to apply the right solution, suitable to his financial capability. The quality of loans secured by real estate remains at a high level. (CRR 453.e)

Group does use own estimates of LGD or conversion factors for exposures under the current IRB approval, and not as for portfolios under IRB roll-out plan, own estimates of the above parameters will be used. Therefore information defined in CRR art. 453.f are not presented.

Group does not use guarantees or credit derivatives as credit risk mitigation instruments by calculation of risk-weighted exposure amounts (CRR art. 453.g).

Table 52. EU CR3 - CRM techniques - Overview (in PLN thous.)

		Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	51 944 066	34 137 589	31 981 056	2 156 532	0
2	Total debt securities	18 728 544	195 377	0	195 377	0
3	**Total exposures**	**70 672 610**	**34 332 966**	**31 981 056**	**2 351 910**	**0**
4	Of which defaulted	1 632 167	514 420	451 577	62 844	0

Group does not use Advanced Measurement Approaches to operational risk. (CRR art. 454).

Group does not use Internal Market Risk Models (CRR art. 455).

11.5. RATING SYSTEMS CONTROL AND REVIEW

The Group has implemented the principle of strict separation of commercial functions generating credit risk (which are performed in the Business Area) and client risk and exposure evaluation functions (which are performed by units in the Risk Area). In the area of retail exposures, the final risk grade (rating) is awarded automatically. In respect to corporate exposures, risk grades are awarded to clients and changed when necessary during their term by the specialized Ratings Department.
Management of rating models, including the performance of control functions, is regulated in internal procedures pertaining to model development, model calibration and model monitoring. Responsibility for these actions has been assigned to designated model owners.
In order to ensure the appropriate control and review of the rating systems (adequate estimation of risk parameters and correct course of the rating and credit decision process), a validation and monitoring process has been introduced.
The monitoring process is performed by the unit responsible for model development.
The validation process is performed by a unit independent from the organizational units responsible for model development.

The following units handle the monitoring and validation process:

- The Risk Committee, which has general responsibility for risk control;
- The Bank's Validation Committee which is responsible for confirming the results risk models validation and for continuing the implementation of the measures prescribed by the Model Validation Bureau. Validation results are then ratified by the Risk Committee;
- The Model Validation Bureau, which is responsible for qualitative and quantitative analyses, model validation independent from model development, development of model validation and monitoring methodologies, preparation of reports for the Validation Committee;
- Model Owners and Rating System Owners responsible for the development function which involves the following: new model development, recalibration of existing models, management of factors affecting the use of a model, implementation of Validation Committee recommendations on its own and in cooperation with the IT team.

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

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

The Chairman of the Validation Committee is obligated to submit to the Risk Committee and, if necessary, to other committees responsible for controlling credit risk, requests from the Validation Committee regarding all the credit risk models and rating systems and the implementation status of corrective action, if any.

The Bank stores the documentation of implemented models, rating systems, monitoring and validation reports and the methodologies used to prepare monitoring and validation reports; minutes on decisions made by the Validation Committee and the Risk Committee.

In addition, the Internal Audit Department shall review rating systems according to the annual Audit Plans approved by the Supervisory Board. These include the credit area, in particular issues of risk parameters estimation: PD, LGD, CCF and expected loss EL. The reviews are carried out based on the Audit Charter and the Audit Manual approved by the Audit Committee of the Supervisory Board. Research is carried out on the basis of specialist audit programs.

12. Remuneration and recruitment policy

12.1. Recruitment policy

The Bank adopted the document "The Policy of selection and assessment of suitability of Members of the Management Board and Supervisory Board of Bank Millennium and persons performing key functions in the Bank Millennium SA Group", that was amended on the 18th July, 2019. The amendment ensured compliance of the provisions of the Policy with the law, and in particular clarified the method of assessing the suitability of persons subject to the Policy used in the Bank Millennium Group. In 2021, the Bank plans to conduct a policy review in order to further adapt it to changing legal regulations and guidelines of supervisory authorities.

This policy provides that persons performing functions in the management bodies have the appropriate professional qualifications and proper reputation. Persons performing functions in management bodies must have a good reputation and be qualified according to the profile of the function they perform and the size of the area they manage.

The body responsible for assessing the qualifications of the Bank's Management Board Members is the Personnel Committee at the Bank's Supervisory Board.

The assessment of the qualifications of the Members of the Managing Body is based on the criteria in art. 22aa of the Banking Act of 29 August 1997 (Journal of Laws of 2018, item 2187 as amended) and in the EBA and ESMA Guidelines on the suitability of members of the management body and persons performing the most important functions of March 21, 2018 (EBA/GL/2017/12) as well as Methodology of assessing the suitability of members of bodies of entities supervised by the Polish Financial Supervision Authority.

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

- level and profile of acquired education and training and their relationship with banking or financial services,
- practical experience related to financial markets, regulatory requirements, planning, understanding and implementation of business strategy, risk management, ability to establish an effective management system, supervision and control in a financial institution, ability to interpret financial information of a credit institution,
- period of employment in a managerial position, scope of competence in these positions, type and complexity of subordinate structures and number of subordinates,
- reputation, honesty and ethics, i.e. all data that may testify to an unblemished opinion in personal and professional life, including data from criminal records or other administrative records, as well as data on the financial condition, e.g. financial and business results of entities owned by the Member or managed by him or entities in which he had significant shares,

In addition, information is included to assess the independence of Members of the Managing Body, in particular, past and present positions, personal, professional or business relationships with Members of the Managing Body or shareholders with a controlling interest, and the ability to allocate sufficient time for tasks related to managing a credit institution. The composition of the Managing Body must jointly have practical experience related to credit institutions. Information on the members of the Managing Body can be found in the Report of the Management Board on the activities of Bank Millennium.

12.2. DECISION-MAKING PROCESSES REGARDING REMUNERATION POLICY

The "Employee remuneration policy in the Bank Millennium Group" was developed on the ground of assumptions regarding the remuneration of employees in the Bank Millennium Group referring to management system and internal control rules employed in the Bank.

In 2020, within the "Employee remuneration policy in the Bank Millennium Group" additional "Remuneration policy with respect to Risk Takers in the Bank Millennium S.A. Group" has been operating as well as

in 2020, there was an additional "Policy of Remuneration of Employees Having a Significant Impact on the Risk Profile in the Bank Millennium S.A. Group" (Risk Takers Policy) operated at the Bank and the Incentive Scheme Regulations specifying the detailed mode and conditions of the Incentive Scheme, which define the detailed terms of granting, offering, holding and issuing own shares. The rules applicable in 2020 were prepared in 2019 as part of cooperation with an external consultant, the Gessel law firm, which supported the Bank in the preparation of the process aimed at awarding Bank Millennium shares under variable remuneration for Risk Takers. The project was developed by representatives of the Human Resources, Legal and Compliance Departments and supervised directly by the President of the Bank's Management Board.

The draft Regulations of the incentive program and modified rules for granting variable remuneration presented in "Remuneration policy with respect to Risk Takers in the Bank Millennium S.A. Group" were consulted with the members of the Personnel Committee of the Supervisory Board. Proposal of documents were recommended by this body for submission to the Supervisory Board. By the decision of the Supervisory Board of November 29th, 2019 (resolution no 25/2019 and no 26/2019), the Bank implemented modified rules under which 50% of the variable remuneration for Risk Takers will be paid in the Bank's own shares listed on the Warsaw Stock Exchange. The principles set out in these documents will apply to the payment of variable remuneration from 2020.

In connection with the planned changes in the legal environment, the Supervisory Board, by Resolution No. 15/2020 of June 3, introduced changes to the Risk Takers Policy aimed at adapting to the requirements of Directive 2019/878/EU (CRD V). They concerned, in particular, the extension of the deferral period for a portion of Risk Takers' variable remuneration and the introduction of the possibility of waiving the application of the deferral and converting the variable remuneration to a financial instrument with regard to remuneration below the level approved by the Supervisory Board.

The Personnel Committee of the Supervisory Board supervised the annual verification process of the list of people identified as Risk Takers.

In 2020, supervision over the remuneration policy in the Bank Millennium Group was performed by the Personnel Committee of the Supervisory Board, composed of:

1. Andrzej Koźmiński – Chairman
2. Nuno Manuel da Silva Amado

3. Miguel de Campos Pereira de Bragança
4. Bogusław Kott

The Committee is responsible, inter alia, for determining assessment criteria and assessing the work of the Bank's Management Board Members, including their re-evaluation of work in order to decide on granting entitlement to the deferred part of bonuses from previous years. In addition, in accordance with the scope of its competences, the Personnel Committee of the Supervisory Board, among others: (i) verifies meeting the criteria and conditions justifying obtaining variable remuneration components of Management Board Members before paying all or part of this remuneration, (ii) gives opinions on the remuneration policy, including the amount and type of remuneration components , (iii) gives opinions on the amount of remuneration for persons holding key managerial positions in the Group related to risk management and compliance of the Bank's operations with internal law and regulations.
In 2020, 4 meetings of the Personnel Committee of the Supervisory Board were held (23/01/2020, 19/03/2020, 21/05/2020, 03.12.2020). The subject of the Committee's work was in particular:

(i) re-evaluation of the Members of the Bank's Management Board and establishing the rules for the payment of part of the retained bonus for 2016, 2017 and 2018 to Members of the Bank's Management Board who performed functions in those years,
(ii) evaluation of the work results of individual Members of the Bank's Management Board in 2016-2019 and granting bonuses to individual Members of the Management Board for this period on the terms set out in the Employee Remuneration Policy in the Bank Millennium Group and the Rules for granting and paying out variable remuneration components to Members of the Management Board of Bank Millennium SA,
(iii) consideration of information on decisions regarding bonuses for 2016-2019 for " Risk Takers ", who are not Members of the Bank's Management Board,
(iv) analysis of the process of determining the amounts of payment of fixed and variable components of remuneration to persons holding managerial positions, in accordance with the remuneration policy and the rules for granting and payment of variable components of remuneration.
(v) Supervision over the process of identifying employees with a significant impact on the risk profile

The Supervisory Board presented to the General Meeting (GSM), as part of the report of its activities in 2020, the assessment of the functioning of the remuneration policy in the Bank Millennium Group. The General Meeting of Shareholders recognized the policy pursued as supporting to the Bank's development and security.

Information on the remuneration system, including the criteria used for performance measurement and risk adjustment, deferred payment policies and vesting criteria:

Pursuant to the remuneration policy, the individual remuneration of persons influencing the risk profile, including members of the Management Board, may not exceed the adopted reference level (currently 100%) in relation to the total annual base salary. In addition, the pool allocated to variable remuneration components of Bank Millennium Management Board Members may not exceed the share in the consolidated net profit of the Bank Millennium Group determined by the Supervisory Board (currently 2%). While maintaining these limitations, the bonus pool can be increased as indicators improve.

The remuneration of persons making decisions affecting the risk profile is shaped in particular in relation to:

- the scope of tasks carried out in a given organizational unit,
- the scope of responsibility for employees

- on the basis of analysis of payroll information presented in payroll surveys on the labor market at financial institutions.

Bonus pool and results

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

- achieved business results: net profit, result on banking operations, cost to income ratio, ROE;
- liquidity: loans / deposits ratio, liquid assets value level;
- capital adequacy ratios in relation to the KNF reference level.

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

The level of the bonus pool is correlated with the result on banking activities, net profit, cost / income ratio, ROE. Capital adequacy ratios in the period under assessment may not fall below levels accepted by the PFSA. Risk indicators relating to the Bank's liquidity in the period under assessment may not fall below levels accepted by the PFSA.

Payment deferral policy

Risk Takers - Members of the Management Board of Bank Millennium

Variable remuneration (annual bonus) paid for 2019 in 2020: The award and payment (in case of shares – transfer of rights) of 50% of the variable remuneration value took place after the end of the accounting period and after the publication of the financial results, and the payment of 50% of the variable remuneration is postponed for 3 years, payable in equal annual instalments. Members of the Management Board receive each part of the bonus awarded – those paid out in the year following the settlement period and the deferred ones - half in cash and half in financial instrument (phantom shares).

Other Risk Takers - Bank Millennium

Variable remuneration (annual bonus) for 2019, awarded in 2020, was subject to the following rules: The cash part (50% of the awarded amount) was paid in the year following the year to which the remuneration relates. The remaining 50% was allocated in Bank Millennium's own shares. The rights to 10% of the total variable remuneration - expressed in shares - were transferred in 2020, while the rights to the remaining 40% in the form of shares will be transferred after reassessment in equal annual installments for 3 years. The shares are subject to retention for 1 year from the date of transfer of rights.

Eligibility criteria

The bonus, in the deferred part, is subject to re-assessment in subsequent years and may be reduced or retained on the basis of the decision of the Personnel Committee of the Supervisory Board depending on the financial situation of the Bank resulting from actions taken in the assessed period.

The condition of payment is the non-occurrence of the following events:

- significant correction of results in relation to the assessed period,
- low level of the Bank's results threatening the capital base,
- materialization of the risk of decisions taken in the period under assessment, which negatively affects the bank's risk profile.

Criteria for assessing results at the level of the Bank, organizational units and individual, which are the basis for determining and paying out individual variable remuneration

Members of the Bank's Management Board:

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

- implementation of planned budgets and indicators set for the managed area of activity,
- comparison with competing banks of similar size,
- business market criteria established for a given period;

and non-financial criteria, in particular:

- overall quality of management in the area of responsibility,
- effective leadership and contribution to the Bank's development,
- management and supervision of entities in the area of responsibility.

Other Risk Takers

The Personnel Committee of the Management Board of Bank Millennium assesses work in a given settlement period based on quantitative criteria for a given area of responsibility (results of business operations of banking lines) and discretionary assessment of individual quality of work, with particular emphasis on the quality of decisions affecting the bank's risk profile in a minimum perspective of three years. Each person identified as taking risk was assigned an individual assessment criterion in the periodic assessment system related to his scope of responsibility regarding the impact on the risk profile of Bank Millennium Group.

Based on the overall evaluation of the results for the period under review, the value of the annual discretionary bonus is determined.

Directors of internal audit, compliance, legal , and risk management are remunerated in terms of variable remuneration for achieving the objectives arising from their functions, and their remuneration is not dependent on financial results executed in the areas controlled by them – both in the Bank and the relevant Subsidiaries.

Quantitative information on remuneration

Aggregated quantitative information concerning remuneration of persons in management positions in Bank Millennium Group. who have material impact on its risk profile, in the meaning of article 450 of CRR

Table 53. Aggregate quantitative information on remuneration per 2020, broken down by areas of the company's activity and by senior management and members of staff whose actions have a material impact on the risk profile of the institution (PLN thous.)

Business lines	Total remuneration		
	Management Board	Risk Takers (without Management Board Members)	Total
Retail Banking		6 925	6 925
Corporate Banking		8 872	8 872
Overall Bank Management	12 426	10 924	23 350
Total	**12 426**	26 721	39 146

Table 54. The amounts of remuneration for 2020 the financial year, split into fixed and variable remuneration. and the number of beneficiaries; the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types; the amounts of outstanding deferred remuneration, split into vested and unvested portions; broken down by Management Board Members, persons reporting directly to Management Board Members and other persons in management positions in Bank Millennium Group, whose actions have a material impact on the risk profile of the institution (PLN thous.)

	Management Board Members	Persons in management positions - reporting directly to Management Board Members (*)	Other persons in management positions
Number of persons	7	56	8
Fixed remuneration plus additional benefits	12 426	21 844	2 452
Variable remuneration (*)	0	2 209	216
Total cash	0	2 209	216
Cash paid		2 209	216
Cash deferred			
Total financial instrument (*)	0	0	0
Vested financial instrument			
Paid financial instrument			
Deferred financial instrument			

Table 54-A The amounts of remuneration for 2020 the financial year, split into fixed and variable remuneration. and the number of beneficiaries; the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types; the amounts of outstanding deferred remuneration, split into vested and unvested portions; broken down by Management Board Members, persons reporting directly to Management Board Members and other persons in management positions in Bank Millennium Group, whose actions have a material impact on the risk profile of the institution; remuneration connected to the project of merging with Eurobank paid to former Eurobank employees which, at the moment of setting, had a material impact on the risk profile of institution (in PLN thous.)

	Management Board Members	Persons in management positions - reporting directly to Management Board Members	Other persons in management positions
Number of persons		13	
Fixed remuneration plus additional benefits		2 787	
Variable remuneration (*)	0	1 408	0
Total cash	0	704	0
Cash paid		704	

Cash deferred			
Total financial instrument	0	704	0
Vested financial instrument			
Paid financial instrument		563	
Deferred financial instrument		141	

Table 55. The amounts of outstanding deferred remuneration for the 2020 financial year, split into vested and unvested portions; broken down by Management Board Members, persons reporting directly to Management Board Members holding function in 2019 and other persons in management positions in Bank Millennium Group in 2019, whose actions have a material impact on the risk profile of the institution (PLN thous.)

	Management Board Members	Persons in management positions - reporting directly to Management Board Members	Other persons in management positions
Variable remuneration with deferred payment - part already awarded	0	0	0
Variable remuneration with deferred payment - part not yet awarded	0	0	0
Total deferred variable remuneration	0	0	0

Table 56. The amounts of deferred remuneration awarded during 2020 year, paid out and reduced through performance adjustments for persons in management positions (including former employees), broken down by Management Board Members, persons reporting directly to Management Board Members and other persons in management positions in Bank Millennium Group, whose actions have a material impact on the risk profile of the institution (PLN thous.)

	Management Board Members	Persons in management positions - reporting directly to Management Board Members	Other persons in management positions
Number of persons	8	80	20
Employed as of end of year	7	53	8
Former employees	1	27	12
Deferred remuneration paid out during the financial year, subject to adjustment for performance in previous financial years	3 746	1 851	387
Employed as of end of year	3 308	942	146
Former employees	438	909	241

(*) Deferred remuneration for 2016, 2017 and 2018 programmes

Table 57. New sign-on and severance payments made during the 2020 financial year, and the number of beneficiaries of such payments among persons in management positions, broken down by Management Board Members, persons reporting directly to Management Board Members and other persons in management positions in Bank Millennium Group, whose actions have a material impact on the risk profile of the institution (PLN thous.)

	Management Board Members	Persons in management positions - reporting directly to Management Board Members	Other persons in management positions
New sign-on and severance payments	0	362	0
Highest such payment	0	236	0
Number of persons receiving such payments	*0*	*2*	0

The number of individuals being remunerated EUR 1 million or more per financial year

1 person – remuneration in band 1-1,5 mln EUR.

Detail information concerning remuneration of Management Board Members are presented in the Management Board Report on Activity of Bank Millennium S.A. for 2020.

13. Statement of the Management Board

The Management Board of Bank Millennium SA hereby declares that:

- to the best of their knowledge, the information disclosed in accordance with section eight of the CRR was prepared in accordance with internal control processes;
- to the best of its knowledge, the adequacy of risk management arrangements in Bank Millennium SA, ensures that the risk management systems in place are adequate to the risk profile and strategy of the Bank and the Group
- approves this "Capital Adequacy, Risk, Remuneration Policy Report of Bank Millennium Capital Group as at 31 December 2020 ", which contains information about risk, discusses the general risk profile of the Bank and the Group associated with the business strategy and in which key indicators and figures were included, providing external stakeholders with a comprehensive view of risk management in the Bank Millennium SA Group, including the interaction between the Bank's risk profile and risk appetite, definedby the Management Board and approved by the Supervisory Board.

SIGNATURES

Date	Name and Surname	Position/Function	Signature
17.11.2021	Joao Bras Jorge	Chairman of the Management Board	....
17.11.2021	Fernando Bicho	Deputy Chairman of the Management Board	....
17.11.2021	Wojciech Haase	Member of the Management Board	....
17.11.2021	Andrzej Gliński	Member of the Management Board	....
17.11.2021	Wojciech Rybak	Member of the Management Board	....
17.11.2021	Antonio Pinto Junior	Member of the Management Board	....
17.11.2021	Jarosław Hermann	Member of the Management Board	....

Appendix 1 Own funds in accordance with the EU Commission Implementing Regulation No 1423/2013 of 20.12.2013

Laying down implementing technical standards with regard to disclosure of own funds requirementys for institutions, according to CRR

Main features of capital instruments

1	Issuer
2	Unique identifier (eg CUSIP. ISIN or Bloomberg identifier for private placement)
3	Governing law(s) of the instrument
Regulatory treatment	
4	Transitional CRR rules
5	Post-transitional CRR rules
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated
7	Instrument type (types to be specified by each jurisdiction)
8	Amount recognised in regulatory capital (Currency in million. as of most recent reporting date)
9	Nominal amount of instrument
9a	Issue price
9b	Redemption price
10	Accounting classification
11	Original date of issuance
12	Perpetual or dated
13	Original maturity date
14	Issuer call subject to prior supervisory approval
15	Optional call date. contingent call dates and redemption amount
16	Subsequent call dates. if applicable
Coupons / dividends	
17	Fixed or floating dividend/coupon
18	Coupon rate and any related index
19	Existence of a dividend stopper
20a	Fully discretionary. partially discretionary or mandatory (in terms of timing)
20b	Fully discretionary. partially discretionary or mandatory (in terms of amount)
21	Existence of step up or other incentive to redeem
22	Noncumulative or cumulative
23	Convertible or non-convertible
24	If convertible. conversion trigger(s)
25	If convertible. fully or partially
26	If convertible. conversion rate
27	If convertible. mandatory or optional conversion
28	If convertible. specify instrument type convertible into
29	If convertible. specify issuer of instrument it converts into
30	Write-down features
31	If write-down. write-down trigger(s)
32	If write-down. full or partial
33	If write-down. permanent or temporary
34	If temporary write-down. description of write-up mechanism
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)
36	Non-compliant transitioned features
37	If yes. specify non-compliant features

	A	B1	B2	C	D1	D2	D3
1	Bank Millennium S.A.	Bank Millennium S.A.	Bank Millennium S.A.	Bank Millennium S.A.	Bank Millennium S.A.	Bank Millennium S.A.	Bank Millennium S.A.
2	N/A	N/A	N/A	PLBIG0000016	PLBIG0000016	PLBIG0000016	PLBIG0000016
3	Polish	Polish	Polish	Polish	Polish	Polish	Polish
4	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	Common Tier I Capital	Common Tier I Capital	Common Tier I Capital	Common Tier I Capital	Common Tier I Capital	Common Tier I Capital	Common Tier I Capital
6	Stand-alone level/consolidated level	Stand-alone level/consolidated level	Stand-alone level/consolidated level	Stand-alone level/consolidated level	Stand-alone level/consolidated level	Stand-alone level/consolidated level	Stand-alone level/consolidated level
7	registered founder	registered ordinary	registered ordinary	bearer ordinary	bearer ordinary	bearer ordinary	bearer ordinary
8	427 400	600 000	600 000	18 772 600	6 800 008	10 445 464	4 006 000
9	1.00	1.00	1.00	1.00	1.00	1.00	1.00
9a	1.00	1.00	1.00	1.00	1.00	1.00	1.00
9b	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	equity	equity	equity	equity	equity	equity	equity
11	30.06.1989	13.06.1990	13.12.1990	17.05.1991	31.12.1991	31.01.1992	10.03.1992
12	perpetual	perpetual	perpetual	perpetual	perpetual	perpetual	perpetual
13	N/A	N/A	N/A	N/A	N/A	N/A	N/A
14	N/A	N/A	N/A	N/A	N/A	N/A	N/A
15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Floating rate	Floating rate	Floating rate	Floating rate	Floating rate	Floating rate	Floating rate
18	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Yes	Yes	Yes	Yes	Yes	Yes	Yes
20a	fully discretionary	fully discretionary	fully discretionary	fully discretionary	fully discretionary	fully discretionary	fully discretionary
20b	fully discretionary	fully discretionary	fully discretionary	fully discretionary	fully discretionary	fully discretionary	fully discretionary
21	N/A	N/A	N/A	N/A	N/A	N/A	N/A
22	N/A	N/A	N/A	N/A	N/A	N/A	N/A
23	N/A	N/A	N/A	N/A	N/A	N/A	N/A
24	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	GSM. statutory approach	GSM. statutory approach	GSM. statutory approach	GSM. statutory approach	GSM. statutory approach	GSM. statutory approach	GSM. statutory approach
32	full or partial	full or partial	full or partial	full or partial	full or partial	full or partial	full or partial
33	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34	GSM's resolution	GSM's resolution	GSM's resolution	GSM's resolution	GSM's resolution	GSM's resolution	GSM's resolution
35	N/A	N/A	N/A	N/A	N/A	N/A	N/A
36	N/A	N/A	N/A	N/A	N/A	N/A	N/A

37	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Transitional Own Funds (PLN thousand)	(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
Common Equity Tier 1 capital: instruments and reserves			
Capital instruments and the related share premium accounts	2 360 619	26 (1). 27. 28. 29. EBA list 26 (3)	0
Retained earnings	6 278 804	26 (1) (c)	0
Accumulated other comprehensive income (and other reserves. to include unrealised gains and losses under the applicable accounting standards)	199 857	26 (1)	0
Funds for general banking risk	228 902	26 (1) (f)	0
Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	0
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**9 068 181**		0
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	-21 863	34. 105	0
Intangible assets (net of related tax liability) (negative amount)	-384 780	36 (1) (b). 37. 472 (4)	0
Fair value reserves related to gains or losses on cash flow hedges	35 981	33 (a)	0
Negative amounts resulting from the calculation of expected loss amounts	-443 087	36 (1) (d). 40. 159. 472 (6)	0
Own shares and commitments to buy own shares	-26 876		
Transitional adjustments due to MSSF 9	211 463	473a	0
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-		0
Of which: …filter for unrealised loss 1	-	467	0
Of which: …filter for unrealised loss 2	-	467	0
Of which: …filter for unrealised gain 1	-	468	0
Of which: …filter for unrealised gain 2	-	468	0
Total regulatory adjustments to Common equity Tier 1 (CET1)	-629 184		0
Common Equity Tier 1 (CET1) capital	**8 438 996**		0
Additional Tier 1 (AT1) capital: instruments			
Additional Tier 1 (AT1) capital before regulatory adjustments	-		0
Additional Tier 1 (AT1) capital: regulatory adjustments			
Additional Tier 1 (AT1) capital	-		0

Tier 1 capital (T1 = CET1 + AT1)	8 438 996		0
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and subordinated debt qualified as Tier II capital	1 530 000	63	
Tier 2 (T2) capital before regulatory adjustments	1 530 000		0
Tier 2 (T2) capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	0		0
Tier 2 (T2) capital	1 530 000		0
Total capital (TC = T1 + T2)	9 968 996		0
Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013(i.e. CRR residual amounts)	-		0
Of which: …items not deducted from CET1 (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line. e.g. Deferred tax assets that rely on future profitability net of related tax liablity. indirect holdings of own CET1. etc)	-	472. 472 (5). 472 (8) (b). 472 (10) (b). 472 (11) (b)	0
Of which: …items not deducted from AT1 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line. e.g. Reciprocal cross holdings in T2 instruments. direct holdings of non-significant investments in the capital of other financial sector entities. etc)	-	475. 475 (2) (b). 475 (2) (c). 475 (4) (b)	0
Items not deducted from T2 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line. e.g. Indirect holdings of own t2 instruments. indirect holdings of non significant investments in the capital of other financial sector entities. indirect holdings of significant investments in the capital of other financial sector entities etc)	-	477. 477 (2) (b). 477 (2) (c). 477 (4) (b)	0
Total risk weighted assets	51 138 003		0
Capital ratios and buffers			0
Common Equity Tier 1 (as a percentage of risk exposure amount)	16,50%	92 (2) (a). 465	0
Tier 1 (as a percentage of risk exposure amount)	16,50%	92 (2) (b). 465	0
Total capital (as a percentage of risk exposure amount)	19,49%	92 (2) (c)	0
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements. plus systemic risk buffer. plus the systemically important institution buffer (G-SII or O-SII buffer). expressed as a percentage of risk exposure amount)	7,25%	CRD 128. 129. 130	0
of which: capital conservation buffer requirement	2,50%		0
of which: countercyclical buffer requirement	0,00%		0
of which: systemic risk buffer requirement	0,00%		0
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0,25%	CRD 131	0
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	16,50%	CRD 128	0

Description of key components of own funds

Details of items from Table no 7 (in PLN thous.)

1.1.1.1.1	**Paid-for capital instruments**						**1 213 117**
This item is equal to the company's share capital. which comprises the following components (nominal value of one share = PLN 1):							
Series / issue	Share type	Privilege type	Number of shares	Series / issue value	Payment of capital	Registration date	Right to dividend

A	registered founding	x2 voting rights	106 850	106 850	cash	30.06.1989	30.06.1989
B1	registered ordinary		150 000	150 000	cash	13.06.1990	01.01.1990
B2	registered ordinary		150 000	150 000	cash	13.12.1990	01.01.1990
C	bearer ordinary		4 693 150	4 693 150	cash	17.05.1991	01.01.1991
D1	bearer ordinary		1 700 002	1 700 002	cash	31.12.1991	01.01.1992
D2	bearer ordinary		2 611 366	2 611 366	cash	31.01.1992	01.01.1992
D3	bearer ordinary		1 001 500	1 001 500	cash	10.03.1992	01.01.1992
E	bearer ordinary		6 000 000	6 000 000	cash	28.05.1993	01.01.1992
F	bearer ordinary		9 372 721	9 372 721	cash	10.12.1993	01.01.1993
G	bearer ordinary		8 000 000	8 000 000	cash	30.05.1994	01.10.1993
H	bearer ordinary		7 082 129	7 082 129	cash	24.10.1994	01.10.1994
Increase of nominal share value from PLN 1 to 4				122 603 154	Reserve capital	24.11.1994	
1:4 share split			122 603 154			05.12.1994	
I	bearer ordinary		65 000 000	65 000 000	cash	12.08.1997	01.10.1996
J	bearer ordinary		196 120 000	196 120 000	Capitals of Bank Gdański S.A.	12.09.1997	01.10.1996
K	bearer ordinary		424 590 872	424 590 872	cash	31.12.2001	01.01.2001
L	bearer ordinary		363 935 033	363 935 033	cash	26.02.2010	01.01.2009
Total number of shares			1 213 116 777				
Total stock capital				1 213 116 777			

1.1.1.1.3	**Agio**	**1 147 502**
Agio is the capital from sale of shares above their nominal value. It is created with the issue premium generated from an issue of shares less direct related costs incurred.		
1.1.1.2.1	**Profits retained from previous periods**	**0**
1.1.1.2.2.1	**Profit or loss attributable to owners of the parent entity**	**22 817**
This item is equal to 2019 consolidated net result.		
1.1.1.2.2.2	**(-) Part of unrecognized profit from the current period or unrecognized annual profit**	**-22 817**
Net result, which may be included into own funds for prudential standards		
1.1.1.3	**Accumulated other total income**	**199 857**
This item comprises revaluation capital, which arose in result of recognition of: * Effect of measurement (at fair value) of financial assets available for sale in the net amount i.e. after deduction of deferred tax. These amounts are removed from revaluation capital is done when all or part of the valuated assets are taken out of the books or when impairment is recognised (the valuation effect is then taken to the P&L Account). Amount of PLN 231,851 thous. * Effect of measurement (at fair value) of derivative instruments hedging cash flows in the net amount i.e. after deduction of deferred tax. Revaluation capital carries part of profit or loss involved with the instrument hedging cash flows, which constitutes an effective hedge, while the ineffective part of profit or loss involved with this hedging instrument is carried in P&L. Amount of PLN (-) 35,979 thous. * Actuarial profit / (loss) in the net amount i.e. after deferred tax. Revaluation capital carries profit or loss resulting from discounting of future liabilities arisen on account of a provision created for retirement severance pay. These values are not eligible for moving to P&L. The amount is PLN (-) 3,016 thous.		
1.1.1.4	**Reserve capital**	**6 278 804**
This capital arose in result of annual resolutions of the Shareholders' Meeting on distribution of profit. These resolutions decided to retain part of profit generated in the Bank and in Companies of the Group. According to the Articles of Association the GSM decides about use of additional reserve capital and it may be used in particular to cover any future losses or for payment of dividend.		
1.1.1.5	**General banking risk fund**	**228 902**
The General Banking Risk Fund in the Bank was created with profit after tax in keeping with provisions of Banking Law of 29 August 1997 as amended.		
1.1.1.9.2	**Provision for instruments hedging cash flows**	**35 981**
This amount with a negative mark is a component of item 1.1.1.3 and in accordance with article 33 of Regulation No. 575/2013 the Bank does not include it in own funds.		
1.1.1.9.5	**Value adjustments coming from**	**-21 863**

	requirements on prudent valuation	
That adjustment concerns: * debt securities (valued at fair value through profit and loss): PLN (-) 269 thous. * debt securities (valued at fair value through other comprehensive income): PLN (-) 18,404 thous. * shares (valued at fair value): PLN (-) 489 thous. * balance sheet value of derivatives (trading portfolio): PLN (-) 324 thous. * balance sheet value of derivatives (hedging): PLN (-) 761 thous. * loans (valued at fair value): : PLN (-) 1,616 thous.		
1.1.1.10.1	(-) Goodwill included in the valuation of material investments	**-192 126**
The ammount comes from the purchase and connection with Eurobank		
1.1.1.11.1	**(-) Gross amount of other intangible assets**	**-192 655**
This amount comprises mainly the value of software purchased by the Bank and companies of the Group.		
1.1.1.13	**(-) Shortage of credit risk corrections in view of expected losses according to IRB approach**	**-443 087**
Deductions under art. 36 CRR concern portfolios of retail residential real estate (RRE) mortgages and renewable retail exposures (QRRE). with respect to which the Group has permission to apply the IRB approach. The method of carrying the amounts of expected losses is consistent with CRR art. 128 and 159.		
1.1.1.26	**Other interim corrections in Tier I**	**211 463**
These corrections comprise following amounts: * Transitional adjustments due to MSSF 9 (473a): PLN 211,463 thous.		
1.2.1.1	**Paid-for equity instruments and subordinated loans**	**1 530 000**
The Bank (and Group) includes in supplementary funds the liabilities from issue of securities with maturities on 7 December, 2027 and 30 January, 2029. The nominal amount of the liability is PLN 700 000 000 and PLN 830 000 000.		
1.2.10	**Other interim corrections in Tier II**	**0**

Appendix 2 IFRS 9 / Article 468-FL Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs. and with and without the application of the temporary treatment in accordance with Article 468 of the CRR (in PLN thous. and in %)

	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019
Available capital (amounts)					
1. CET1 capital	8 438 996	8 540 672	8 482 785	8 366 754	8 138 540
2. CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8 227 534	8 313 505	8 351 872	8 254 239	8 017 832
2a. CET1 capital as if the temporary treatment of unrealized gains and losses measured at fair value through OCI (other comprehensove income) in accordance with Article 468 of the CRR had not been applied	8 438 996	8 540 672	8 482 785	8 366 754	8 138 540
3. Tier 1 capital	8 438 996	8 540 672	8 482 785	8 366 754	8 138 540
4. Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8 227 534	8 313 505	8 351 872	8 254 239	8 017 832
4a. Tier 1 capital as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8 438 996	8 540 672	8 482 785	8 366 754	8 138 540
5. Total capital	9 968 996	10 070 672	10 012 785	9 896 754	9 668 540
6. Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9 757 534	9 843 505	9 881 272	9 784 239	9 547 832
6a. Total capital as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	9 968 996	10 070 672	10 012 785	9 896 754	9 668 540
Risk-weighted assets (amounts)					
7. Total risk-weighted assets	51 138 003	50 305 396	50 007 068	50 675 012	48 124 585
8. Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	50 954 615	50 127 053	49 849 885	50 491 071	48 011 238
Capital ratios					
9. CET1 (as percentage of risk exposure amount)	16,50%	16,98%	16,96%	16,51%	16,91%
10. CET1 (as percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,15%	16,58%	16,75%	16,35%	16,70%
10a. CET1 (as percentage of risk exposure amount) as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	16,50%	16,98%	16,96%	16,51%	16,91%
11. Tier 1 (as percentage of risk exposure amount)	16,50%	16,98%	16,96%	16,51%	16,91%
12. Tier 1 (as percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,15%	16,58%	16,75%	16,35%	16,70%
12a. Tier 1 (as percentage of risk exposure amount) as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	16,50%	16,98%	16,96%	16,51%	16,91%

13. Total capital (as percentage of risk exposure amount)	19,49%	20,02%	20,02%	19,53%	20,09%
14. Total capital (as percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19,15%	19,64%	19,82%	19,38%	19,89%
14a. Total capital (as percentage of risk exposure amount) as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	19,49%	20,02%	20,02%	19,53%	20,09%
Leverage ratio					
15. Leverage ratio total exposure measure	101 643 044	105 926 315	105 676 689	104 668 999	100 317 830
16. Leverage ratio	8,30%	8,06%	8,03%	7,99%	8,11%
17. Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,13%	7,88%	7,91%	7,89%	8,00%
17a. Leverage ratio as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8,30%	8,06%	8,03%	7,99%	8,11%

Disclosures index

The below table presents the disclosure index with references to chapters in the Disclosures or another documents of the Group, wherein information defined in Part Eight of CRR are presented. The table presents the references to the tables and templates set in the another European regulations on disclosures:

- EBA/GL/2016/11 - Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013
- RTS/2017/2295 – Commission delegated regulation (EU) 2017/2295 supplementing CRR with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets
- EBA/GL/2018/01 – EBA guidelines on uniform disclosures under Article 473a of CRR as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds
- EBA/GL/2017/01 – EBA guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of CRR
- EBA/GL/2018/10 - EBA Guidelines on disclosure of non-performing and forborne exposures
- ITS/1423/2013 – Commission implementing regulation (EU) No 1423/2013 laying down implementing technical standards with regards to disclosure of own funds requirements for institutions according to CRR
- EBA/GL/2014/03 - EBA guidelines on disclosure of encumbered and unencumbered assets
- ITS/2016/200 – Commission implementing regulation (EU) laying down implementing technical standards with regards to disclosure of the leverage ratio for institutions, according to CRR
- EBA/GL/2015/22 - EBA guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/Eu and disclosures under Article 450 of CRR
- EBA/GL/2020/07 – EBA guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis
- EBA/GL/2020/11 – EBA guidelines on supervisory reporting and disclosure requirements in compliance with the CRR 'quick fix' in response to the COVID-19 pandemic
- EBA/GL/2020/12 – EBA guidelines amending guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic

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ARTICLE CRR (Part 8) / Table in regulations	CRR text / Title of the table in regulations	Point in the Report / other document
435.1.a	1. Institutions shall disclose their risk management objectives and policies for each separate category of risk. including the risks referred to under this Title. These disclosures shall include: (a) the strategies and processes to manage those risks;	3,6,7,8,9 9 Yearly Report VIII Man.Board Report

435.1.b	(b) the structure and organisation of the relevant risk management function including information on its authority and statute. or other appropriate arrangements;	3 9 Yearly report VIII Man.Board Report
435.1.c	(c) the scope and nature of risk reporting and measurement systems;	3 9 Yearly report VIII Man.Board Report
435.1.d	(d) the policies for hedging and mitigating risk. and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants;	11.4 9 Yearly report VIII Man.Board Report
435.1.e	(e) a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy;	13
435.1.f	435.1.f (f) a concise risk statement approved by the management body succinctly describing the institution's overall risk profile associated with the business strategy. This statement shall include key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk. including how the risk profile of the institution interacts with the risk tolerance set by the management body.	3 9 Yearly report VIII Man.Board Report
435.2.a	2. Institutions shall disclose the following information. including regular. at least annual updates. regarding governance arrangements: (a) the number of directorships held by members of the management body;	3
435.2.b	(b) the recruitment policy for the selection of members of the management body and their actual knowledge. skills and expertise;	12 IX Man.Board Report III Non-financial Report
435.2.c	(c) the policy on diversity with regard to selection of members of the management body. its objectives and any relevant targets set out in that policy. and the extent to which these objectives and targets have been achieved	12 IX Man.Board Report III Non-financial Report
435.2.d	(d) whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	3
435.2.e	(e) the description of the information flow on risk to the management body.	3
436.a-b	Institutions shall disclose the following information regarding the scope of application of the requirements of this Regulation in accordance with Directive 2013/36/EU: (a) the name of the institution to which the requirements of this Regulation apply; (b) an outline of the differences in the basis of consolidation for accounting and prudential purposes. with a brief description of the entities therein. explaining whether they are: (i) fully consolidated; (ii) proportionally consolidated; (iii) deducted from own funds; (iv) neither consolidated nor deducted;	4
436.c	(c) any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries;	4
436.d	(d) the aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries;	4

436.e	(e) if applicable, the circumstance of making use of the provisions laid down in Articles 7 and 9.	4
437.1.a	1. Institutions shall disclose the following information regarding their own funds: (a) a full reconciliation of Common Equity Tier 1 items. Additional Tier 1 items. Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35. 36. 56. 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution;	4
437.1.b	(b) a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	4 Appnedix 1
437.1.c	(c) the full terms and conditions of all Common Equity Tier 1. Additional Tier 1 and Tier 2 instruments;	4 Appendix 1
437.1.d	(d) separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) each deduction made pursuant to Articles 36. 56 and 66; (iii) items not deducted in accordance with Articles 47. 48. 56. 66 and 79;	4 Appendix 1
437.1.e	(e) a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments. prudential filters and deductions to which those restrictions apply;	4
437.1.f	(f) where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation. a comprehensive explanation of the basis on which those capital ratios are calculated.	Not applicable
438.a	Institutions shall disclose the following information regarding the compliance by the institution with the requirements laid down in Article 92 of this Regulation and in Article 73 of Directive 2013/36/EU: (a) a summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities;	5.2 9 Yearly report VIII Man. Board Report
438.b	(b) upon demand from the relevant competent authority. the result of the institution's internal capital adequacy assessment process including the composition of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU;	2
438.c	(c) for institutions calculating the risk-weighted exposure amounts in accordance with Chapter 2 of Part Three. Title II. 8 % of the risk-weighted exposure amounts for each of the exposure classes specified in Article 112;	5.1
438.d	(d) for institutions calculating risk-weighted exposure amounts in accordance with Chapter 3 of Part Three. Title II. 8 % of the risk-weighted exposure amounts for each of the exposure classes specified in Article 147. For the retail exposure class. this requirement applies to each of the categories of exposures to which the different correlations in Article 154(1) to (4) correspond. For the equity exposure class. this requirement applies to: (i) each of the approaches provided in Article 155; (ii) exchange traded exposures. private equity exposures in sufficiently diversified portfolios. and other exposures; (iii) exposures subject to supervisory transition regarding own funds requirements; (iv) exposures subject to grandfathering provisions regarding own funds requirements;	5.1

438.e	(e) own funds requirements calculated in accordance with points (b) and (c) of Article 92(3);	5.1
438.f	(f) own funds requirements calculated in accordance with Part Three. Title III. Chapters 2. 3 and 4 and disclosed separately.	5.1
439.a	Institutions shall disclose the following information regarding the institution's exposure to counterparty credit risk as referred to in Part Three. Title II. Chapter 6: (a) a discussion of the methodology used to assign internal capital and credit limits for counterparty credit exposures;	6.2
439.b	(b) a discussion of policies for securing collateral and establishing credit reserves;	6.2
439.c	(c) a discussion of policies with respect to wrong-way risk exposures;	6.2
439.d	(d) a discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating;	6.2
439.e	(e) gross positive fair value of contracts. netting benefits. netted current credit exposure. collateral held and net derivatives credit exposure. Net derivatives credit exposure is the credit exposure on derivatives transactions after considering both the benefits from legally enforceable netting agreements and collateral arrangements;	6.2 3,8 Yearly Report Note 18e, 23 Yearly Report
439.f	(f) measures for exposure value under the methods set out in Part Three. Title II. Chapter 6. Sections 3 to 6 whichever method is applicable;	6.2
439.g	(g) the notional value of credit derivative hedges. and the distribution of current credit exposure by types of credit exposure;	6.2
439.h	(h) the notional amounts of credit derivative transactions. segregated between use for the institution's own credit portfolio. as well as in its intermediation activities. including the distribution of the credit derivatives products used. broken down further by protection bought and sold within each product group;	6.2
439.i	(i) the estimate of α if the institution has received the permission of the competent authorities to estimate α.	6.2
440.1.a	An institution shall disclose the following information in relation to its compliance with the requirement for a countercyclical capital buffer referred to in Title VII. Chapter 4 of Directive 2013/36/EU: a) the geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer	2
440.1.b	b) the amount of its institution specific countercyclical capital buffer	2
441	1. Institutions identified as G-SIIs in accordance with Article 131 of Directive 2013/36/EU shall disclose. on an annual basis. the values of the indicators used for determining the score of the institutions in accordance with the identification methodology referred to in that Article.	Not applicable
442.a	Institutions shall disclose the following information regarding the institution's exposure to credit risk and dilution risk: (a) the definitions for accounting purposes of 'past due' and 'impaired';	6.3 8,9 Yearly Report
442.b	(b) a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	6.3 7,8 Yearly Report
442.c	(c) the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation. and the average amount of the exposures over the period broken down by different types of exposure classes;	6

442.d	(d) the geographic distribution of the exposures. broken down in significant areas by material exposure classes. and further detailed if appropriate;	6
442.e	(e) the distribution of the exposures by industry or counterparty type. broken down by exposure classes. including specifying exposure to SMEs. and further detailed if appropriate;	6
442.f	(f) the residual maturity breakdown of all the exposures. broken down by exposure classes. and further detailed if appropriate;	6 Yearly Report Note 21i
442.g	(g) by significant industry or counterparty type. the amount of: (i) impaired exposures and past due exposures. provided separately; (ii) specific and general credit risk adjustments; (iii) charges for specific and general credit risk adjustments during the reporting period;	6.3 VIII.3 Man. Board Report
442.h	(h) the amount of the impaired exposures and past due exposures. provided separately. broken down by significant geographical areas including. if practical. the amounts of specific and general credit risk adjustments related to each geographical area;	6.3
442.i	(i) the reconciliation of changes in the specific and general credit risk adjustments for impaired exposures. shown separately. The information shall comprise: (i) a description of the type of specific and general credit risk adjustments; (ii) the opening balances; (iii) the amounts taken against the credit risk adjustments during the reporting period; (iv) the amounts set aside or reversed for estimated probable losses on exposures during the reporting period. any other adjustments including those determined by exchange rate differences. business combinations. acquisitions and disposals of subsidiaries. and transfers between credit risk adjustments; (v) the closing balances.	6.3
443	Unencumbered assets	6.5
444.a	For institutions calculating the risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 2, the following information shall be disclosed for each of the exposure classes specified in Article 112: (a) the names of the nominated ECAIs and ECAs and the reasons for any changes;	6.4
444.b	(b) the exposure classes for which each ECAI or ECA is used;	6.4
444.c	(c) a description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book;	6.4
444.d	(d) the association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in Part Three, Title I, Chapter 2, taking into account that this information needs not be disclosed if the institution complies with the standard association published by EBA;	6.4
444.e	(e) the exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescribed in Part Three. Title II. Chapter 2 as well as those deducted from own funds.	6.4
445	Exposure to market risk	8 9.4 Yearly Report
446	Operational risk	9

447.a	Institutions shall disclose the following information regarding the exposures in equities not included in the trading book: (a) the differentiation between exposures based on their objectives. including for capital gains relationship and strategic reasons. and an overview of the accounting techniques and valuation methodologies used. including key assumptions and practices affecting valuation and any significant changes in these practices;	8
447.b	(b) the balance sheet value. the fair value and. for those exchange-traded. a comparison to the market price where it is materially different from the fair value;	8
447.c	(c) the types. nature and amounts of exchange-traded exposures. private equity exposures in sufficiently diversified portfolios. and other exposures;	8
447.d	(d) the cumulative realised gains or losses arising from sales and liquidations in the period; and	8
447.e	(e) the total unrealised gains or losses. the total latent revaluation gains or losses. and any of these amounts included in the original or additional own funds.	8
448.a	Institutions shall disclose the following information on their exposure to interest rate risk on positions not included in the trading book: (a) the nature of the interest rate risk and the key assumptions (including assumptions regarding loan prepayments and behaviour of non-maturity deposits). and frequency of measurement of the interest rate risk;	8 9.4 Yearly Report
448.b	(b) the variation in earnings. economic value or other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk. broken down by currency.	8 9.4 Yearly Report
449	Exposure to securitisation positions	6.1
450.a	1. Institutions shall disclose at least the following information. regarding the remuneration policy and practices of the institution for those categories of staff whose professional activities have a material impact on its risk profile: (a) information concerning the decision-making process used for determining the remuneration policy. as well as the number of meetings held by the main body overseeing remuneration during the financial year. including. if applicable. information about the composition and the mandate of a remuneration committee. the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	12 VIII.3 Man. Board Report III.2.2 Non-financial Report
450.b	b) information on link between pay and performance;	12
450.c	(c) the most important design characteristics of the remuneration system. including information on the criteria used for performance measurement and risk adjustment. deferral policy and vesting criteria;	12
450.d	(d) the ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU;	12
450.e	(e) information on the performance criteria on which the entitlement to shares. options or variable components of remuneration is based	12
450.f	(f) the main parameters and rationale for any variable component scheme and any other non-cash benefits;	12
450.g	(g) aggregate quantitative information on remuneration. broken down by business area;	12

450.h	(h) aggregate quantitative information on remuneration. broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution. indicating the following: (i) the amounts of remuneration for the financial year. split into fixed and variable remuneration. and the number of beneficiaries; (ii) the amounts and forms of variable remuneration. split into cash. shares. share-linked instruments and other types; (iii) the amounts of outstanding deferred remuneration. split into vested and unvested portions; (iv) the amounts of deferred remuneration awarded during the financial year. paid out and reduced through performance adjustments; (v) new sign-on and severance payments made during the financial year. and the number of beneficiaries of such payments; (vi) the amounts of severance payments awarded during the financial year. number of beneficiaries and highest such award to a single person;	12
450.i	(i) the number of individuals being remunerated EUR 1 million or more per financial year. for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	12
451.a	1. Institutions shall disclose the following information regarding their leverage ratio calculated in accordance with Article 429 and their management of the risk of excessive leverage: (a) the leverage ratio and how the institution applies Article 499(2) and (3);	10
451.b	(b) a breakdown of the total exposure measure as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	10
451.c	(c) where applicable. the amount of derecognised fiduciary items in accordance with Article 429(11);	10
451.d	(d) a description of the processes used to manage the risk of excessive leverage;	10
451.e	(e) a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.	10
452.a	under the IRB Approach shall disclose the following information: (a) the competent authority's permission of the approach or approved transition;	11.1
452.b	(b) an explanation and review of:	
452.b	(i) the structure of internal rating systems and relation between internal and external ratings	11.2
452.b	(ii) the use of internal estimates other than for calculating risk-weighted exposure amounts in accordance with Part Three. Title II. Chapter 3;	11.3
452.b	(iii) the process for managing and recognising credit risk mitigation;	11.4
452.b	(iv) (iv) the control mechanisms for rating systems including a description of independence. accountability. and rating systems review;	11.5
452.c	a description of the internal ratings process. provided separately for the following exposure classes:	11.2
452.c	(i) central governments and central banks;	11.2
452.c	(ii) institutions;	11.2

452.c	(iii) corporate. including SMEs. specialised lending and purchased corporate receivables;	11.2
452.c	(iv) retail, for each of the categories of exposures to which the different correlations in Article 154(1) to (4) correspond;	11.2
452.c	(v) equities;	11.2
452.d	(d) the exposure values for each of the exposure classes specified in Article 147. Exposures to central governments and central banks. institutions and corporates where institutions use own estimates of LGDs or conversion factors for the calculation of risk-weighted exposure amounts shall be disclosed separately from exposures for which the institutions do not use such estimates;	11.2
452.e	(e) for each of the exposure classes central governments and central banks. institutions. corporate and equity. and across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk. institutions shall disclose:	11.2
452.e	(i) the total exposures. including for the exposure classes central governments and central banks. institutions and corporate. the sum of outstanding loans and exposure values for undrawn commitments; and for equities the outstanding amount;	11.2
452.e	(ii) the exposure-weighted average risk weight;	11.2
452.e	(iii) for the institutions using own estimates of conversion factors for the calculation of risk-weighted exposure amounts. the amount of undrawn commitments and exposure-weighted average exposure values for each exposure class;	11.2
452.f	(f) For the retail exposure class and for each of the categories set out in point (c)(iv). either the disclosures outlined in point (e) (if applicable. on a pooled basis). or an analysis of exposures (outstanding loans and exposure values for undrawn commitments) against a sufficient number of EL grades to allow for a meaningful differentiation of credit risk (if applicable. on a pooled basis);	11.2
452.g	(g) the actual specific credit risk adjustments in the preceding period for each exposure class (for retail. for each of the categories as set out in point (c)(iv)) and how they differ from past experience;	11.2
452.h	(h) a description of the factors that impacted on the loss experience in the preceding period (for example. has the institution experienced higher than average default rates. or higher than average LGDs and conversion factors);	11.2
452.i	(i) the institution's estimates against actual outcomes over a longer period. At a minimum. this shall include information on estimates of losses against actual losses in each exposure class (for retail. for each of the categories as set out in point (c)(iv) over a period sufficient to allow for a meaningful assessment of the performance of the internal rating processes for each exposure class (for retail for each of the categories as set out in point (c)(iv). Where appropriate. the institutions shall further decompose this to provide analysis of PD and. for the institutions using own estimates of LGDs and/or conversion factors. LGD and conversion factor outcomes against estimates provided in the quantitative risk assessment disclosures set out in this Article;	11.2

452.j	(j) for all exposure classes specified in Article 147 and for each category of exposure to which the different correlations in Article 154 (1) to (4) correspond: (i) for the institutions using own LGD estimates for the calculation of risk-weighted exposure amounts. the exposure-weighted average LGD and PD in percentage for each relevant geographical location of credit exposures; (ii) for the institutions that do not use own LGD estimates. the exposure-weighted average PD in percentage for each relevant geographical location of credit exposures.	Not applicable
453.a	The institutions applying credit risk mitigation techniques shall disclose the following information: (a) the policies and processes for. and an indication of the extent to which the entity makes use of. on- and off- balance sheet netting;	11.4
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453.c	(c) a description of the main types of collateral taken by the institution;	11.4
453.d	(d) the main types of guarantor and credit derivative counterparty and their creditworthiness;	11.4
453.e	(e) information about market or credit risk concentrations within the credit mitigation taken;	11.4
453.f	(f) for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach. but not providing own estimates of LGDs or conversion factors in respect of the exposure class. separately for each exposure class. the total exposure value (after. where applicable. on- or off-balance sheet netting) that is covered — after the application of volatility adjustments — by eligible financial collateral. and other eligible collateral;	11.4 6.1
453.g	(g) for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach. separately for each exposure class. the total exposure (after. where applicable. on- or off-balance sheet netting) that is covered by guarantees or credit derivatives. For the equity exposure class. this requirement applies to each of the approaches provided in Article 155.	11.2 11.4 6.1
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