Consolidated report
of the Bank Millennium S.A. Capital Group
for 1st quarter of 2021

Consolidated Financial Highlights

	Amount '000 PLN		Amount '000 EUR	
	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Interest income and other of similar nature	652 138	927 731	142 634	211 025
Fee and commission income	245 994	247 669	53 803	56 336
Profit (loss) before income tax	(245 030)	77 798	(53 593)	17 696
Profit (loss) after taxes	(311 338)	18 129	(68 095)	4 124
Total comprehensive income of the period	(403 640)	73 977	(88 283)	16 827
Net cash flows from operating activities	(3 137 601)	849 153	(686 249)	193 152
Net cash flows from investing activities	2 035 786	(663 727)	445 263	(150 974)
Net cash flows from financing activities	(1 064 540)	(26 829)	(232 834)	(6 103)
Net cash flows, total	(2 166 355)	158 598	(473 821)	36 075
Earnings (losses) per ordinary share (in PLN/EUR)	(0.26)	0.01	(0.06)	0.00
Diluted earnings (losses) per ordinary share	(0.26)	0.01	(0.06)	0.00
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
Total Assets	104 041 257	97 771 785	22 325 013	21 186 570
Liabilities to banks and other monetary institutions	825 526	1 057 652	177 140	229 187
Liabilities to customers	88 254 606	81 510 540	18 937 538	17 662 854
Equity	8 687 335	9 090 976	1 864 115	1 969 961
Share capital	1 213 117	1 213 117	260 309	262 875
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN/EUR)	7.16	7.49	1.54	1.62
Diluted book value per share (in PLN/EUR)	7.16	7.49	1.54	1.62
Total Capital Ratio (TCR)	19.37%	19.49%	19.37%	19.49%
Pledged or paid dividend per share (in PLN/EUR)	-	-	-	-

Exchange rates accepted to convert selected financial data into EUR				
for items as at the balance sheet date	-	-	4.6603	4.6148
for items for the period covered by the report (exchange rate calculated as the average of exchange rates at the end of individual months of the period)	-	-	4.5721	4.3963

INFORMATION ABOUT THE ACTIVITY OF BANK MILLENNIUM AND CAPITAL GROUP OF BANK MILLENNIUM S.A. DURING 1Q21

Bank Millennium S.A. Capital Group (the 'Bank', the 'BM Group', the 'Group') posted consolidated net loss of PLN311 million in 1Q21. Substantial provisions against legal risk related to FX-mortgage portfolio ('FX-provisions') totalling PLN 533 million (portfolio originated by the Bank PLN512 million, portfolio of former Euro Bank PLN21 million) were the main drag on the results. More conservative inputs into the risk model, reflected, inter alia, more challenging environment - higher inflow of court claims and lower proportion of cases won by banks. At the end of March 2021, the balance of provisions for the portfolio originated by the Bank stood at PLN1,432 million, an equivalent of 10.8% of exposure. Excluding FX-provisions, the Group would post net profit of PLN182 million (up 24% vs. adjusted 1Q20 net profit). Moreover, reported operating profit amounted to PLN444 million, marginally below this in 4Q19, while operating profit before FX-provisions would amount to PLN363 million, only 7% below this in 4Q19, indicating that the Group has largely weathered the direct and indirect impacts of the pandemic.

What we are particularly proud of this quarter

- stabilisation of NII with NIM and core income in a steady uptrend
- new quarterly record of mortgage loan disbursements (1Q21: PLN2.2 billion, up 5% q/q and up 64% y/y) translating into 14.6% market share in new agreements (1Q20: 10%)
- origination of cash loans at PLN1.3 billion, only marginally below the 1Q20 level with market share in origination increasing to 10.5% from 9.9%
- record high net fees (PLN205 million, up 5% y/y)
- digital customers crossing the 2.1 million mark (up 10% y/y), number of active mobile customers exceeding 1.7 million (up 16%) and over 2.3 million downloads of goodie application
- AuM of Millennium TFI and third party funds combined grew 6% q/q to nearly PLN9.0 billion with y/y growth at 37%

Substantial extraordinary P&L items

Apart from the above mentioned FX-provision and an annual fee for BFG resolution fund (PLN36 million booked in 1Q21 out of PLN49 million total 2021 charge), it was a relatively clean quarter with no major extraordinaries on both income and cost side. While reported ROE was negative, extraordinaries-free ROE stood of 9.3%.

1Q21 results highlights

Although the third wave of Covid-19 pandemic brought much higher-than-expected number of new cases and fatalities, the economy proved much more resilient than during spring and autumn waves. This helped to partly offset the negative impact of last year's interest rate cuts, lower number of open branches or a higher number of quarantined staff.

Key highlights of the results were:

- **stabilisation of NII** (flat q/q after 2% drop in 4Q20) **with NIM and core income in a steady uptrend**; interest income from bonds contracted q/q but was offset by a further drop in deposit cost;
- **NIM's gradual improvement continued** and despite the much higher denominator (IEA up +6% q/q) it widened by further 3bps to 2.56%; marginally higher loan margin and lower deposit cost (0.08% vs. 0.11% in 4Q20) more than offset narrower margin on bonds;
- **net fees were up 5% and up 6% y/y** with accounts/deposits as well as card business driving the growth; the former benefited from annual deposit fee, while card fees benefitted from annual settlements with card organisations (lowered card fee cost);
- **contribution from other income** was very low this time with solid q/q improvement of FX-income but no major revaluation/capital gains; there were no provisions against 'small TSUE' either;
- **operating jaws were positive with** 4% y/y drop of total revenues comparing against 17% drop of opex (14% ex-BFG charges) with reported C/I ratio of 49.3% (adjusted 46.2% vs. 45.7% in 4Q20 and 48.2% in 1Q20); both HR (down 16% y/y on 14% lower FTEs) and non-HR opex (down 19% y/y on 15% fewer branches and other cost efficiencies);
- **risk charge was relatively light** at PLN76 million or 39bp benefitting from stable loan book quality, no Covid-19 provisions *per se* and contribution from the sale of NPLs (PLN13 million); the split between retail and corporate segments was almost even this time; loan book quality marginally improved with share of Stage 3 loans at 4.85% vs. 5.0% at YE20 (corporate segment the main driver), the share of DPD90+ and the share of Stage 2 also down (2.61% from 2.7% and 5.42% from 5.6% respectively); quality of loans coming out of credit moratoria remained good with mere 2.8% of such loans in arrears;
- **build-up of provisions against legal risks related to FX-mortgages** continued with 1Q21 charge of PLN 512 million (Bank originated loan book only) increasing it to PLN 1,432 million or 10.8% of the gross FX-mortgage book excluding loans originated by Euro Bank (subject to indemnity clauses and guarantees issued by Societe Generale); the number of individual lawsuits filed against the Bank in relation to indexation clauses reached 6,816 at the end of March (including 558 cases relating to f.Euro Bank originated loans);
- **y/y loan growth remained above the market (+5% net)** with PLN mortgages (up 9%), the main driver, benefitting from strong originations (see below for details); cash loans were up 2% owing to improving originations while corporate loans were down 3% amidst low demand for funding; **q/q dynamic was solid** (+2% q/q or +3% ex-FX mortgages) with PLN mortgages up 6%, cash loans up 1% and corporate book almost flat; **FX-mortgage portfolio continued to contract** (down 12% y/y) and its share in total loans decreased to 17.8% (16.6% ex-Euro Bank portfolio);
- **growth of deposits accelerated significantly (+8% q/q)** following the reduction in 4Q20 with corporate deposits (+22% q/q) generating the bulk of the 'swings', while the retail deposits grew more moderately (+4%); **L/D lowered again (85%** from 91% at YE20) while the deposit mix was broadly stable with share of current accounts and savings deposits at 81%;
- **capital ratios remained strong** with consolidated TCR/T1 ratios at 19.4%/16.3% respectively; surplus over the regulatory minimum ratios remained substantial (5.3ppt/5.1ppt); **consolidated FX Pillar 2 buffer** of 3.4%, covering risk connected with FX-mortgage loans (including legal risk among others), **was equivalent to PLN1.6 billion of absorption capacity.**

Business trends and highlights

Economic activity remained strong in 1Q21 despite the more severe-than-expected third wave of the pandemic. A relatively lacklustre performance of the corporate segment on the one hand and high activity of retail customers on the other hand were the features of the quarter.

As for the details of business trends, **1Q21 brought a continuation of strong mortgage originations with disbursements crossing PLN2.2 billion mark for the first time** (up 5% q/q and up 64% y/y) and market share in originations at 14.6% vs.10% in 1Q20. As a result, PLN mortgage portfolio at the end of March was up 6% q/q and up 25% y/y.

Originations of cash loans were less linear but the quarter overall brought solid nearly PLN1.3 billion worth of sales, well above the PLN1.0 billion in 4Q20 and only slightly below 1Q20. As a result, the non-mortgage retail loan portfolio grew 1% q/q, while margin on the stock continued to gradually improve. Customer acquisition continued although it was admittedly slower than before the outbreak of the pandemic. All key metrics - number of active retail customers (2,611 thousand, LFL up 23 thousand y/y), Konto 360 current account (1,728 thousand, up 7%), active micro-business clients (106 thousand, up 10%) as well as cards (debit cards: 2,991 thousand up 3%, credit cards: 479 thousand, up 3%) continued to show healthy y/y growth.

Mutual funds managed by Millennium TFI as well as the third-party ones saw continuation of inflows (partly a result of conversion of deposits at the Bank) resulting in a 6% q/q growth in AuM in both categories combined. At nearly PLN9.0 billion at the end of March, total AuM well exceeded the pre-Covid of level of PLN8.2 billion (YE19).

Growth trend in sales closed through digital channels continued and new important milestones were reached in digital banking: the number of active digital customers crossing the 2.1 million mark (up 10% y/y), number of active mobile customers exceeding 1.7 million (up 16%) and over 2.3 million downloads of goodie application.

Developments in the corporate business were less spectacular but customer activity picked visibly, to name factoring, leasing or transactional banking, as few examples. Corporate loans were down 2% q/q and down 3% y/y with some repayments and low use of overdrafts being the main culprits. Spreads were stable however. Turnover in factoring was solid (up 25% y/y), though shy of the record PLN7 billion in 4Q20, while the portfolio was 8% up y/y. New volumes in leasing were strongly up y/y (+23%), particularly those in March, but portfolio overall was still down y/y (-5%). Transactional banking saw a revival of business with number of guarantees and LoCs issued increasing 6% y/y, while the y/y growth in the number of transactions reached solid 7%.

Quality and Innovations

- **Bank Millennium was among the TOP10 of the most digitally advanced banks in Europe** according to the latest ranking by the consulting company Bain & Company. Bain studied the degree of digitization of 50 leading retail banks in Europe. When assessing the sector, Bain experts took into account factors such as development vision, product offer, modern sales channels, customer experience, level of satisfaction, operating model, and the use of technology and data.
- **Institution of the Year 2021**. In the Moje Bankowanie ranking, Millennium was recognized as the best bank in mortgage services. It was also among the winners of the categories: Best Bank in Poland, Best service in a branch, Best service in remote channels, Best Internet banking, Best mobile application and Best account opening process. 11 branches appeared on the list of the best banking branches in Poland.
- The bank won the **Celent Model Bank** award for its open banking services, implemented systematically in 2020. The bank's solutions were assessed as an excellent example of good practices in project implementation, having a significant impact on business results and the entire industry.
- Millennium came **second in the ranking of the best banking and financial services employers 2021 in the Forbes and Statista ranking** - Poland's Best Employers 2021 is a list of 300 companies operating in Poland, whose achievements in the field of HR have been honoured with the title of the best employer. In the category of banks and financial services, Millennium came second.
- SRP European Awards 2021 in the Best Performance Poland category - the most prestigious competition for the structured products industry. The authors and organizers of the ranking are the creators of the StructuredRetailProducts.com (SRP) portal, a leading website for issuers and distributors of structured products and for investors.

Important corporate events

On 24 March, 2021 the Ordinary General Shareholders' Meeting ('GM') of Bank Millennium took place. 109 shareholders took part in the meeting, representing 77.12% the Bank's shareholders equity, including BCP (50.10%), NN OFE (8.24%), PZU „Złota Jesień" OFE (6.59 %) and Aviva OFE (6.00%).

Among others (full details: https://www.bankmillennium.pl/en/about-the-bank/investor-relations/current-reports/-/r/29643731), the GM approved 2020 financial statements and non-financial report, report on activity of the Supervisory Board, performance of assessment of remuneration policy in BM, Supervisory Board's report on remuneration of the members of the Management and Supervisory Boards, adopted resolutions of the remuneration policy for members of the Management Board and the Supervisory Board of the Bank, Policy of selection and assessment of the suitability of BM Supervisory Board members as well as changes to the Bank's by-laws. The GM also approved a 100% retention of 2020 net profit, discharged members of the Management and Supervisory Boards from performance of their duties in 2020. Finally, a new Supervisory Board, consisting mostly of reappointed members of the Supervisory Board of the previous term, was appointed for a new three-year term of office. Two new independent members joined the Supervisory Board: Mrs. Olga Grygier-Siddons and Mrs. Beata Stelmach.

On the same day, the Supervisory Board appointed Messrs. Bogusław Kott as its Chairman, Nuno Manuel da Silva Amado as its Deputy Chairman Board and Dariusz Rosati as its Deputy Chairman and a Secretary. The Supervisory Board also reappointed the Management Board of the Bank for the new three-year term of office.

Banking amid Covid-19 pandemic

The pandemic situation continued to surprise negatively in 1Q21. After restriction period in January, certain restrictions were lifted in February, but fast growing number of new cases and fatalities results in restrictions being reintroduced in March. At the end of the month they were actually more severe than in the autumn of 2020 and at the beginning of 2021. Nationwide lockdown was reinstated from 20 March to 9 April with further extensions thereafter.

Traffic at banking branches moderated amidst the third wave of the pandemic and was generally lower than in late 2020. This was due to a combination of much more popular use of remote access but also more difficult access to on premise service due to restrictions regarding shopping centres (most of the Bank's mini branches impacted). While the vast majority of branches functioned normally (occasional closures or shortened working hours), vast majority of HQ employees continued to work remotely.

The Bank continued to facilitate multichannel access to its services and products and to limit paper documents. In 1Q21 the Bank in co-operation with BGK continued the deployment of three guarantee programs for corporate clients: the de minimis guarantee program, the guarantee program under the Liquidity Guarantee Fund and the Biznesmax guarantee program. Smaller firms and larger companies interested in BGK guarantees may obtain them on special terms also in 2021. The aid package has been extended until 30 June of this year and, on top of this, part of the guarantee is available on even more favourable terms. In January, the Bank offered an opportunity to submit an application for support under Financial Shield 2.0 through its online banking platform. The submission of applications is convenient and intuitive. In order for every eligible commercial undertaking to be able to conveniently apply for a grant, Bank Millennium made the application form available both in Millenet for Companies and on its internet banking platform for retail clients, which is also used by sole proprietors. The whole process may be completed entirely online. The status of the application and the confirmation of the granting or refusal of aid, prepared on the basis of a decision received by the Bank from the Polish Development Fund, may also be viewed on the Bank's website. In retail banking, the Bank made available to its clients an intuitive application for a new benefit period under the Family 500+ program on its website. The application submission process is quick and convenient, and does not require a visit to any government office or the provision of large amounts of data.

On March 31, there were only 661 active ‘Covid-19 credit holidays’ schemes relating to outstanding cash loans and 148 active holidays schemes on mortgage loans with respective loan volumes of PLN22 million and PLN48 million. The public credit moratoria introduced in June last year by the so called ‘Anti-crisis shield 4.0’ continued to enjoy little take up with 753 applications filed by the end of 1Q21 (total value outstanding PLN45 million). The number of active credit holidays for corporate customers fell to 6 with outstanding value of PLN7 million, while the number of leasing agreements subject to moratoria stood at 102 with the value of deferred financing totalling PLN7 million. Loans that had ‘returned to service’ thus far performed well with only 2.8% of loans breaching the payment terms. Consumer loans were the segment with the highest proportion of delinquencies (7.0%), while in mortgages this proportion was the lowest (0.8%).

MACROECONOMIC SITUATION

One year after the outbreak of the COVID-19 pandemic, in 1Q21, the epidemic situation continued to be a major determinant of global economic activity. Over this period, the number of infections gradually increased resulting in prolonged or more severe restrictions on business activity. Despite the escalating epidemic situation, the outlook for the global economy in the upcoming years has improved significantly. It was mostly driven by the implementation of the COVID-19 vaccination programs launched at the end of 2020 which in some developed economies have been running smoothly thus resulting in the gradual lifting of the restrictions in 2Q21. Improved expectations are also the effect of new fiscal easing programmes, primarily in the USA, where they have assumed a massive scale. At the same time, the data show growing resilience of economies to the coronavirus restrictions. Industry has been improving faster than expected, benefiting from the expanding global trade. The recovery in this sector has been so strong that there are some difficulties and delays in production due to the reduced throughput of international supply chains. Along with the commodity prices sharply growing in annual terms, this factor propels the increase in global inflation, which, however, has not resulted in modification of the ultra-loose rhetoric of the world's major central banks.

The data confirm the growing resilience to the development of the epidemic situation also in the Polish economy. In February, the retail trade restrictions were relaxed, but the record severity of the pandemic in March and the risk of overloading the health care system prompted their return. Following the rising pessimism about the outlook for the domestic economy, surprisingly good data in March improved the balance of risk factors for the 2021 GDP projections. In fact, industrial production grew by 18.9% y/y - the fastest rate in the history. In spite of low base effect from March 2020, the reading confirms high activity in this sector of the economy which could already be observed earlier. Also, retail sales, which grew by 15.2% y/y in March, indicate that businesses and consumers are adapting to the new conditions, which has been supported by the still good situation on the labour market. In 1Q21, the government continued its support for businesses and employees under the Sectoral Shield. The data indicate that in 1Q21, GDP in Poland increased versus 4Q20 which means that the economy avoided a technical recession. According to Bank Millennium, the annual growth rate still remained negative, slightly above -1.0% y/y, however, this estimate is better than the forecasts formulated at the end of 2020.

A significant year-on-year increase in the global commodity prices has been driving CPI inflation in Poland, following its temporary slowdown at the turn of 2020 and 2021. In March, this indicator amounted to 3.2% y/y. Also in March, the core inflation calculated as CPI excluding energy and food prices increased to 3.9% y/y, thus exceeding the upper limit (3.5% y/y) of the band of permissible deviations from the inflation target. In 1Q21 and early 2Q21 this year, the Monetary Policy Council did not modify the parameters of the monetary policy. The main interest rate of the National Bank of Poland remains at its historic low of 0.10% and the bond repurchase program is continued. Also, the rhetoric of most of the Council members remained unchanged except for the zloty exchange rate. At the turn of 2020 and 2021, when the National Bank of Poland intervened in the currency market, it was emphasized that the Polish currency was too strong. Currently the Council assesses the valuation of the zloty as comfortable.

Given a relatively stable economic situation and no changes in the parameters of the monetary policy, 1Q21 saw a continuation of the already visible trends in deposits in the banking sector. Household deposits and, although on a smaller scale, deposits of non-financial enterprises continued to grow substantially. In 1Q21, also the trends in most types of loans did not change. In the case of loans to households, the low demand for consumer loans continued, with housing loans still growing dynamically. According to the Credit Information Bureau, in 1Q21, the number of credit applications in this category of loans amounted to 56 thousand and was the highest in the last ten years. The demand of companies for investment loans is still low. In 1Q21 the volume of current account loans for enterprises increased slightly compared to 4Q20, although the annual growth rate remains strongly negative, which is largely due to the good liquidity situation of companies, some of which use the support within financial shields of Polish Development Fund.

The foundations of the domestic economy remain strong, while the pace of its recovery will mainly depend on the development of the COVID-19 pandemic at home and abroad, implementation of the vaccination program and the policy of sanitary restrictions. In April, the restrictions on some services and retail trade continued but thanks to the effect of low statistical base, in the whole 2Q21 GDP growth rate should exceed 8.0% y/y. Baseline macroeconomic scenario of Bank Millennium assumed that the progress of COVID-19 vaccinations will support increase in collective immunity against COVID-19 and by June this year, the majority of restrictions will have been lifted permanently. Therefore, 2H21 should be a period of strong economic recovery mostly driven by household consumption, likely to be supported by such highly favourable conditions as a stable labour market with accelerating growth of salaries and improving consumer sentiment. It will allow rebuilding the deferred demand for goods and services using savings accumulated in the period of restrictions. Also, with decreasing uncertainty about the economic situation, companies' investment demand should increase, especially in industry, which according to the Bank, will continue its pivotal role for the domestic economy. The Bank maintains its 2021 GDP growth forecast of 4.4%, although due to the inflow of new information and data, the assessment of the balance of risks to these expectations changes vs the one from the beginning of this year. In spite of the record high severity of the pandemic in 1Q21, the expectations of accelerated vaccination, high degree of adoption of economy to restriction policies, and an improved outlook for the global recovery shift the balance of uncertainty factors for this forecast from downside to tilted to the upside.

Data from 1Q21 demonstrate some risk factors also for increased inflation in Poland. In the Bank's assessment, driven by strong y/y growth of prices of energy commodities, in the upcoming months the inflation of consumer prices will surpass 4.0% y/y, after which it should decrease. The Bank's 2021 forecast of average annual CPI inflation is 3.3% y/y, which means stabilisation at the level close to the 2020 data. Risks for inflation are tilted to the upside as in the environment of solid demand following unfreezing of the economy, entrepreneurs may intend to make up for some of the losses caused by the pandemic, raising the prices of goods and services they offer. Moreover, manufacturers' difficulties in getting their semi-products and raw materials continue. In the Bank's assessment, despite piling up risks to not achieving in 2021 the inflation target, the Monetary Policy Council will not change interest rates until the end of its term in mid-2022. Hence, in 2021 Poland's economy will be operating in an environment of almost zero NBP interest rates. According to the Bank, the fiscal policy will also remain very loose this year.

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

In 2021, the main risk factor for the economy and the Bank Millennium Group, as indicated in previous reports i.e. strong spreading of the COVID-19 pandemic and implementation of new restrictions, was materialising. However, also the risk factors that are positive for the economic situation occurred, such as growing resilience to restrictions, weaker impact of the pandemic on the labour market and improved global economic outlook. Hence, over the recent months, the balance of uncertainties for the Polish economy shifted from the negative to the positive one. Nonetheless, in 2021, the economic activity in Poland may be lower than the Bank's baseline scenario. The COVID-19 pandemic remains the most important risk factor, resulting in the long-term sustaining of administrative restrictions at home and at the most important trade partners of Poland. A worse-than-expected development of the macroeconomic situation could impact the BM Group through:

- stronger increase of unemployment and slower growth of household income, which would limit the demand for banking products;
- continuing uncertainty limiting companies' demand for investment loans;
- deterioration of the income situation of households and businesses which could translate into a decrease in quality of BM Group's loans portfolio;
- stronger growth of consumer and manufacturer price inflation limiting the household income space and impeding companies' investment decisions;
- further interest rate cuts in Poland, although recently, their probability has decreased significantly.

There is also a growing chance that in 2021, the economic situation will be more favourable than in the Bank's current baseline scenario:

- it predominantly involves faster acquiring herd immunity to coronavirus and lifting the restrictions for business activity at home and abroad;
- economic growth higher than the Bank's forecasts would be supported by a larger scale of fiscal easing aimed at mitigating the economic effects of the pandemic, and especially by the earlier-than-expected implementation of the European Union's pandemic recovery plan;
- the effective implementation of these actions would help prevent occurrence of the above-mentioned main negative uncertainty factors or mitigate their impact on BM Group's results.

GROUP PROFIT AND LOSS ACCOUNT

Group's operating income *(PLN million)*	1Q21	1Q20	Change y/y	4Q20	Change q/q
Net interest income *	622.3	689.6	-9.8%	624.6	-0.4%
Net commission income	204.8	194.5	5.3%	192.7	6.3%
Core income	827.1	884.2	-6.5%	817.4	1.2%
Other non-interest income */**	39.9	36.6	9.1%	92.1	-56.7%
Total operating income **	867.0	920.7	-5.8%	909.5	-4.7%

(*) Pro-forma data: Net Interest Income includes margin from all derivatives. From 1st January 2006 the Bank started to apply hedge accounting principles. Starting from that date, the margin from these operations is reflected in Net Interest Income. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides pro-forma data, which presents all margin from derivatives in Net Interest Income caption, whereas in accounting terms part of this margin (PLN2.8mn in 1Q21 and PLN13.9mn in 1Q20) is presented in Other Non-Interest Income. In the Bank's opinion, such approach allows better understanding of the real evolution of this item from economic point of view.

(**) Without fair value adjustment of credit portfolio (PLN4.1mn in 1Q21 and PLN-11.9 mn in 1Q20), which is included in the pro-forma cost of risk

Net interest income (pro-forma) in 1Q21 reached PLN622mn and decreased 10% compared to the level recorded in the corresponding period of the previous year due to unprecedented interest rates cuts by the MPC (down 140 basis points in March through May 2020) and leveraged impact of the maximum interest rate (cut by 280 basis points from 10% to 7.2%). The change vs 4Q20 was not material (-0.4%) pointing to stabilisation of the quarterly trend of net interest income.

Net interest margin (over average interest earning assets) (NIM) in 1Q21 reached 2.56% and was slightly higher than in 4Q20 (2.54%) but lower, i.e. by 25 basis points than in 1Q20 due to much lower market interest rates mentioned above.

Net commission income in 1Q21 amounted to PLN205mn, growing 5% y/y and 6% q/q thanks to growing commissions from banking transactions (accounts, loans, cards etc.) supported by fees on deposits. Management fees on mutual funds and transactional fees decreased due to the lowered regulatory cap.

Core income, defined as a combination of net interest and net commission income, reached PLN827mn in 1Q21, translating into an increase of 1% q/q and decrease of 6% y/y owing to above mentioned net interest income evolution.

Other non-interest income, which comprises FX result, results on financial assets and liabilities (without interest margin on derivatives and fair value adjustment on credit portfolio) and net other operating income and costs, amounted to PLN37mn in 1Q21 and increased by 9% y/y. The non-interest income decreased strongly in quarterly terms due to a number extraordinary items booked in 4Q20.

Total operating income (pro-forma) of the Group reached PLN867mn in 1Q21 showing a decrease by 6% y/y (-5% q/q).

Total costs amounted to PLN427mn in 1Q21 translating into 17% decrease vs. the corresponding period of 2020 mainly due to administrative costs directly related to Euro Bank acquisition, merger and integration process incurred in 2020 (PLN66mn in 2020, of which PLN41.4mn for staff restructuring) and lower contribution to Banking Guarantee Fund (BFG) funds. Total costs excluding BFG fees and integration costs also showed a material decrease by 7% y/y.

In quarterly terms the costs grew slightly by 2% because of some seasonal lower base from 4Q20 and booking the major part (PLN36mn) of annual BFG resolution fund fee in 1Q21.

Operating costs *(PLNmn)*	1Q21	1Q20	Change y/y	4Q20	Change q/q
Personnel costs	(205.6)	(243.8)	-15.7%	(193.6)	6.2%
Other administrative costs *	(221.7)	(274.2)	-19.1%	(224.1)	-1.1%
– *of which Banking Guarantee Fund (BFG) fees*	*(53.1)*	*(85.1)*	*-37.5%*	*(26.8)*	*98.3%*
Total operating costs	(427.3)	(517.9)	-17.5%	(417.7)	2.3%
- *of which Euro Bank integration costs* **	*0.0*	*(29.9)*	*-100.0%*	*(13.7)*	*-100.0%*
Total costs without BFG	*(374.2)*	*(432.8)*	*-13.5%*	*(390.9)*	*-4.3%*
Total costs without integration costs **	*(427.3)*	*(488.0)*	*-12.4%*	*(404.0)*	*5.8%*
Total costs without integr. costs and BFG **	*(374.2)*	*(403.0)*	*-7.1%*	*(377.2)*	*-0.8%*
Cost/income - reported	49.3%	56.2%	-7.0 pp	45.9%	3.4 pp
Cost/income - adjusted ***	*46.2%*	*48.2%*	-2.0 pp	*45.7%*	0.4 pp

(*) including depreciation

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

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

Personnel costs amounted to PLN206mn and decreased by 16% y/y (an increase by 6% q/q). After incorporating employees coming from Euro Bank (2.4 thousand FTEs in May 2020) the Group gradually reduced its personnel to 7,238 FTEs at the end of March 2021 which translates into an annual reduction of 1,174 FTEs (-14% y/y). Without employees absent due to long leaves, the number of so called active FTEs was much lower, i.e. at 6,450. Without allocated costs resulting from integration and restructuring in 1Q20, the personnel costs decreased by 7% y/y.

Employment *(FTEs)*	**31.03.2021**	**31.03.2020**	**Change y/y**	**31.12.2020**	**Change q/q**
Bank Millennium S.A. (with Euro Bank)	6 914	8 075	-14.4%	7 164	-3.5%
Subsidiaries	325	337	-3.7%	329	-1.3%
Total Bank Millennium Group	7 238	8 412	-14.0%	7 493	-3.4%
Total BM Group (active* FTEs)	6 450	7 630	-15.5%	6 602	-2.3%

(*) active FTEs denote employees not on long-term leaves

Other administrative costs (including depreciation) reached PLN222mn in 1Q21 and decreased by 19% y/y (-1% q/q). The costs without BFG and integration costs decreased by 8% y/y.

Euro Bank acquisition resulted in an initial very strong increase in the number of outlets which subsequently saw a reduction in line with the Bank's branch network optimization policy. At the end of December 2019 the total number of branches (including Euro Bank) was 830 and has since been reduced (mostly Bank's own branches) to 678 outlets at the end of March 2021 (annual reduction of 121 outlets).

Cost-to-income ratio without extraordinary items mentioned above and with equal distribution of BFG costs throughout the year, reached 46.2% in 1Q21 and was 2 percentage points lower compared to 1Q20 level.

Net profit *(PLNmn)*	**1Q21**	**1Q20**	**Change y/y**	**4Q20**	**Change q/q**
Operating income	867.0	920.7	-5.8%	909.5	-4.7%
Operating costs *	(427.3)	(517.9)	-17.5%	(417.7)	2.3%
Impairment provisions and other cost of risk **	(76.2)	(197.0)	-61.3%	(108.1)	-29.5%
- of which Covid-19 risk related provision	0.0	(60.0)	-	(57.3)	-
FX legal risk related provision	(533.4)	(55.3)	864.1%	(415.9)	28.2%
Banking tax	(75.0)	(72.7)	3.2%	(70.1)	7.0%
Pre-income tax profit	(245.0)	77.8	-	(102.4)	-
Income tax	(66.3)	(59.7)	11.1%	(6.7)	890.8%
Net profit - reported	(311.3)	18.1	-	(109.1)	-
Net profit - adjusted*	209.3	141.5	47.8%	203.5	2.8%

(*) without impairment provisions for financial and non-financial assets
(**) including fair value adjustment on loans (PLN4.1mn in 1Q21 and PLN-11.9 mn in 1Q20) and loans modification effect (PLN-3.5mn in 1Q21 and PLN-1.9mn in 1Q20)
(***) without extraordinary items, i.e. provisions for FX mortgage legal risk and with linear distribution of BFG resolution fund fee; in 2020 additionally without Euro Bank integration costs and provisions for the return of commissions from loans repaid earlier

Total cost of risk, which comprised net impairment provisions, fair value adjustment (of a part of credit portfolio) and result on modifications, bore by the Group amounted to PLN76mn in 1Q21 and was 61% lower than in 1Q20. The higher level of provisions one year ago resulted from additional provisions for risk related to COVID-19 impact amounting to PLN60mn in 1Q20 as well as changes in the risk model in the retail segment with introduction of more conservative default definition.

Risk charges for retail segment in 1Q21 stood at PLN39mn, while for the corporate segment and other they amounted to PLN37mn. In relative terms, the cost of risk (i.e. net charges to average gross loans) for 1Q21 reached 39 basis points compared to 108 basis points in 1Q20 (75 bps without COVID-19 charge).

In 1Q21, the Bank sold portfolios of consumer NPLs. The transaction generated PLN13.5mn positive pre-tax result.

Additionally, in 1Q21 the Bank continued to create provisions for legal risk related to FX-mortgage portfolio which were high in the reported quarter and reached PLN533mn (PLN512mn excluding loans generated by former Euro Bank as they are subject to indemnity clauses and guarantees). The balance of provisions increased to PLN1,490mn or PLN1,432mn excluding loans originated by Euro Bank, the former being an equivalent of 10.8% of the FX-mortgage portfolio originated by Bank Millennium.

Pre-income tax result in 1Q21 was negative and amounted to PLN245mn. This was mostly the result of the above mentioned high FX-mortgage provisions as the pre-provision profit amounted to PLN440mn and was up 9% y/y.

In 1Q21 the Group reported the net loss of PLN311mn. Adjusted for the abovementioned extraordinary items (first of all, extra provisions for FX mortgage legal risk) the Group would achieve the net profit of PLN209mn in 1Q21, which is 48% higher compared to adjusted net profit for 1Q20 of PLN142mn.

Loans and advances to clients

Total **net loans** of Bank Millennium Group reached PLN75,311mn as at the end of March 2021 and grew 5% y/y (+2% q/q). The growth of loans without foreign currency mortgage portfolio was clearly higher, at 9% y/y. FX mortgage loans decreased visibly during one year time by 12% and the share of FX mortgage loans (excluding these taken over with Euro Bank) in total gross loans has dropped during the year to 16.6% on 31 March 2021 from 19.8% a year ago.

The net value of loans to households amounted to PLN56,837mn as at the end of March 2021, showing a growth of 7% y/y (+2% q/q). Within this line PLN mortgages grew strongly by 25% y/y but growth rate of consumer loans slowed to 2% y/y.

In 1Q21, origination of mortgage loans achieved a new record of PLN2.2bn, a natural consequence of continuously growing trend in mortgage underwriting by the Group. The annual growth of quarterly sale of the loans in 1Q21 was exceptionally high – it jumped to 64%.

The net value of consumer loans reached PLN15,375mn growing +2% y/y. Origination of cash loans decelerated during 2020 since the beginning of COVID-19 pandemic but the quarterly sale rebounded in 1Q21 and was only 2% below the level of 1Q20.

Net value of loans to companies amounted to PLN18,474mn as at the end of March 2021 and decreased by 3% y/y as the COVID-19 pandemic had a considerable adverse effect on new lending to companies. The loans to companies showed a growth of 0.5% q/q.

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

Loans and advances to clients *(PLN million)*	31.03.2021	31.03.2020	Change y/y	31.12.2020	Change q/q
Loans to households	56 837.0	52 995.2	*7.2%*	55 697.4	*2.0%*
- PLN mortgage loans	*27 851.1*	*22 357.9*	*24.6%*	*26 273.9*	*6.0%*
- FX mortgage loans	*13 610.6*	*15 551.4*	*-12.5%*	*14 127.9*	*-3.7%*
- of which Bank Millennium loans	*12 651.7*	*14 501.3*	*-12.8%*	*13 139.8*	*-3.7%*
- of which ex-Euro Bank loans	*959.0*	*1 050.1*	*-8.7%*	*988.1*	*-3.0%*
- consumer loans	*15 375.2*	*15 086.0*	*1.9%*	*15 295.6*	*0.5%*
Loans to companies and public sector	18 473.8	19 050.3	*-3.0%*	18 390.9	*0.5%*
- leasing	*6 277.9*	*6 629.1*	*-5.3%*	*6 303.5*	*-0.4%*
- other loans to companies and factoring	*12 195.9*	*12 421.2*	*-1.8%*	*12 087.4*	*0.9%*
Net loans & advances to clients	**75 310.7**	**72 045.6**	*4.5%*	**74 088.3**	*1.6%*
Net loans and advances to clients excluding FX mortgage loans	*61 700.1*	*56 494.2*	*9.2%*	*59 960.4*	*2.9%*
Impairment write-offs	2 424.5	2 173.0	*11.6%*	2 489.4	*-2.6%*
Gross* loans and advances to clients	**77 735.2**	**74 218.6**	*4.7%*	**76 577.7**	*1.5%*

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

Customers' deposits

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

Customer deposits *(PLN million)*	31.03.2021	31.03.2020	Change y/y	31.12.2020	Change q/q
Deposits of individuals	64 263.6	63 328.3	1.5%	61 874.9	3.9%
Deposits of companies and public sector	23 991.0	20 255.3	18.4%	19 635.6	22.2%
Total deposits	88 254.6	83 583.6	5.6%	81 510.5	8.3%

Total deposits amounted to PLN88,255mn as at 31 March 2021 and increased by 6% y/y (+8% q/q). The main driver of this growth were deposits on companies' current accounts which increased by PLN5.6bn vs. 31 March 2020 (or by 45%), whereas term deposits dropped by 23% y/y at the same time. Total deposits of companies reached PLN23,991mn as at the end of March 2021 and grew by 18% y/y (+22% q/q)

Deposits of individuals reached PLN64,264mn as at 31 March 2021, growing 1% y/y and 4% vs the end of the previous quarter. Similar to deposits of companies, current accounts of individuals continued to grow at a high pace (up 51% y/y) and term deposits dropped 37% y/y. The Bank did not compete actively for retail term deposits and had to make significant cuts in the deposit interest rates after strong Monetary Policy Council interest rates cut. The share of current accounts and saving accounts in total deposits of individuals increased to 84% as at the end of March 2021.

LIQUIDITY, ASSET QUALITY AND SOLVENCY

The liquidity position of Bank Millennium Group remained very strong during 1Q21. LCR ratio at 178% as at the end of March 2021 was materially above the 100% minimum. Loan-to-deposit ratio remained at low level of 85% and the share of liquid securities (mainly treasury bonds and NBP bills) in Group's total assets remained considerable at 22%.

Group loans quality and liquidity indicators *(PLNmn)*	**31.03.2021**	**31.12.2020**	**31.03.2020**
Total impaired loans	3 773	3 792	3 528
Impairment provisions	2 313	2 373	2 076
FV correction	111	117	97
Total impairment provisions and FV correction	**2 425**	**2 489**	**2 173**
Impaired over total loans ratio (%)	**4.85%**	**4.95%**	**4.75%**
Loans past-due over 90 days /total loans (%)	2.61%	2.74%	2.75%
Coverage ratio (Total provisions + FV correction/impaired loans) (%)	**64.3%**	**65.7%**	**61.6%**
Pro-forma coverage (without PPA effect)*	*69.8%*	*71.8%*	*70.4%*
Total provisions and FV correction/loans past-due (>90d) (%)	119.7%	118.8%	106.6%
Liquidity Coverage Ratio (LCR) for Group	**178%**	**161%**	**162%**

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

The Group continued to exhibit one of the best asset quality among Polish banks: the share of impaired loans in total loan portfolio remained at the low level of 4.85%. The share of loans past-due more than 90 days in total portfolio decreased from 2.75% in March 2020 to 2.61% at the end of March 2021.

Coverage ratio of impaired loans increased during the year from 61.6% at the end of March 2020 to 64.3% at the end of March 2021. The analysed comparative period was no longer burdened with the impact resulting from the consolidation of Euro Bank's portfolio at fair value after PPA* valuation at the acquisition date. However, it is worth showing that without this effect the coverage ratio would amount to 69.8% (at the end of March 2020 it was 70.4%). The coverage of loans past-due by more than 90 days increased during the year from 106.6% up to 119.7%, as a result of, on the one hand, the sale and write-off of significant past-due portfolio, and, on the other hand, an increase of provisions due to high dynamics of total portfolio development.

The dynamics of the impaired loan ratio shows a differentiation of trends between product segments. In the retail portfolio, there was an improvement y/y for mortgage loans - a decrease from 2.70% through 2.48% at the end of 2020 to 2.45%, while other retail products showed an increase from 10.10% to 10.70% at the end of 2020 and to 11.00% at the end of March 2021. An improvement was observed in the leasing portfolio (from 4.34% to 3.97%) due to, among other things, a large write-off of receivables against provisions. In the corporate portfolio, the ratio deteriorated from 4.08% to 4.89%.

The Bank and the Group are obliged by law to meet minimum own funds requirements, set in art. 92 of the EU Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending EU Regulation No. 648/2012 (CRR).

In 1Q21 compared to the previous quarter, Group TCR slightly decreased (by 12bp), and regarding T1 and CET1 the change was similar (decrease by 18bp).

Main capital adequacy ratios:

Main capital indicators* *(PLNmn)*	31.03.2021	30.12.2020	31.03.2020
Risk-weighted assets (RWA) for Group	50,078.1	51,138.0	50,675.0
Risk-weighted assets (RWA) for Bank	49,572.7	50,757.4	49,714.1
Own funds requirements for Group	4,006.2	4,091.0	4,054.0
Own funds requirements for Bank	3,965.8	4,060.6	3,977.1
Own funds for Group	9,701.0	9,969.0	9,896.8
Own funds for Bank	9,478.8	9,726.6	9,655.9
Total Capital Ratio (TCR) for Group	**19.37%**	**19.49%**	**19.53%**
Minimum required level TCR	14.10%	14.10%	15.37%
Total Capital Ratio (TCR) for Bank	19.14%	19.16%	19.42%
Tier 1 ratio for Group	**16.32%**	**16.50%**	**16.51%**
Minimum required level T1	11.27%	11.27%	12.15%
Tier 1 ratio for Bank	16.05%	16.15%	16.35%
Common Equity Tier 1 (=T1) ratio for Group	**16.32%**	**16.50%**	**16.51%**
Minimum required level CET1	9.13%	9.13%	9.73%
Common Equity Tier 1 (=T1) ratio for Bank	16.05%	16.15%	16.35%
Leverage Ratio (LR) for Group	**7.62%**	**8.30%**	**7.99%**

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

The drop of capital ratios was driven mainly by the fall of own funds by PLN268m (by 2.7%), being first of all a result of a negative net profit in 1Q 2021. From the other hand, a reduction of risk-weighted assets by PLN1,060m (by 2.1%) eased a negative effect of capital base decrease.

Minimum required level of capital includes:

- Pillar II RRE FX buffer - KNF recommendation to maintain additional own funds for the coverage of additional capital requirements in order to secure the risk resulting from FX mortgage loans granted to households, in line with art. 138.1.2a of Banking Act. A value of that buffer is defined for particular banks by KNF every year as a result of Supervisory review and Evaluation process (SREP) and relates to risk that is - in KNF's opinion - inadequately covered by minimum own funds requirements, set in CRR art. 92. At present, the buffer was set by KNF in recommendations issued in November and December 2020 in the level of 3.41pp (Bank) and 3.35pp (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 2.56pp in the Bank and of 2.52pp in the Group, and which corresponds to capital requirements over CET 1 ratio of 1.91pp in the Bank and 1.88pp in the Group;
- Combined buffer – defined in Act on macro prudential supervision over the financial system and crisis management – that consists of:
  - Capital conservation buffer at the level of 2.5%;
  - Other systemically important institution buffer (OSII) – at the level of 0.25%, and the value is set by KNF every year;
  - Systemic risk buffer at the level of 0%, reduced from 3% in March 2020;
  - Countercyclical buffer at the 0% level.

LEGAL RISK RELATED TO FX-MORTGAGES

As of 31st of March 2021, the Bank had 6 258 loan agreements and additionally 558 loan agreements from former Euro Bank (97% loans agreements before the Court of first instance and 3% loans agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by the bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 709.5 million and CHF 49.2 million (Bank Millennium portfolio: PLN 649.2 million and CHF 48.2 million and former Euro Bank portfolio: PLN 60.3 million and CHF 1.0 million). The outstanding amount of the loan agreements under individual court cases as of 31.03.2021 was PLN 2,099 million.

Until 31.03.2021 only 79 cases were finally resolved (56 in claims submitted by clients against the Bank and 23 in claims submitted by the Bank against clients i.e. debt collection cases)

The claims formulated by the Clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of allegedly undue performance, due to the abusive nature of indexation clauses. The pushy advertising campaign observed in the public domain affects the number of court disputes.

In addition, the Bank is a party to the group proceedings (class action) subject matter of which is to determine the Bank's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3 281. At the current stage, the composition of the group has been established and confirmed by the court. The proceedings entered the phase of reviewing the case on the merits. On 11 August 2020, the claimant requested granting interim measures to secure the claims against the Bank. In a decision of 18 August 2020, the request for granting interim measures was dismissed. On 26 October 2020, the claimant filed another application for granting interim measures to secure claims against the Bank concerning two group members. By decision of 6 November 2020, the application was rejected. During the session on 26 of October 2020 the Court conducted a hearing of parties' position and afterwards postponed the session without setting the next term. The outstanding amount of the loan agreements under the class action proceeding was 971 million PLN as of 31.03.2021.

The Bank continues to be open to its customers in order to reach amicable solutions on negotiated terms. Bank Millennium undertakes number of actions at different levels towards different stakeholders in order to mitigate legal and litigation risk as regard FX mortgage loans portfolio. The Bank is open to negotiate case by case favourable conditions for early repayment (partial or total) or conversion of loans to PLN. On the other hand, the Bank will continue to take all possible actions to protect its interests in courts while at the same time being open to find settlement with customers in the court under reasonable conditions. The Bank has already reached agreement and settlement with 137 borrowers that participated in the class action.

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved in favour of banks until 2019 year. However, after the Court of Justice of the European Union (CJEU) judgment issued on 3 October 2019 (Case C-260/18) the proportion have adversely changed and vast majority of court cases have been lost by banks.

Taking into consideration the increased legal risk related to FX mortgages, in I quarter 2021 Bank Millennium created PLN 512.3 million provisions and PLN 21.1 million for ex-Euro Bank originated portfolio. (respectively in year 2020: PLN 677 million and PLN 36.4 million). The methodology developed by the Bank is based on the following main parameters: (1) the number of current (including class action) and potential future court cases that will appear within a specified (three-year) time horizon, (2) the amount of the Bank's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account), (3) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

As of 31 March 2021, the balance sheet value of provisions set aside for FX mortgage legal risk for the portfolio originated by Bank Millennium reached PLN 1,432.5 million, and PLN 57.5 million for the portfolio originated by ex-Euro Bank. Legal risk from ex-Euro Bank portfolio is fully covered by Indemnity Agreement with Societe Generale.

The Bank analyzed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against the Bank	PLN 45 million
Change in the probability of winning a case	The probability of the Bank winning a case is lower by 1 p.p	PLN 26 million

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

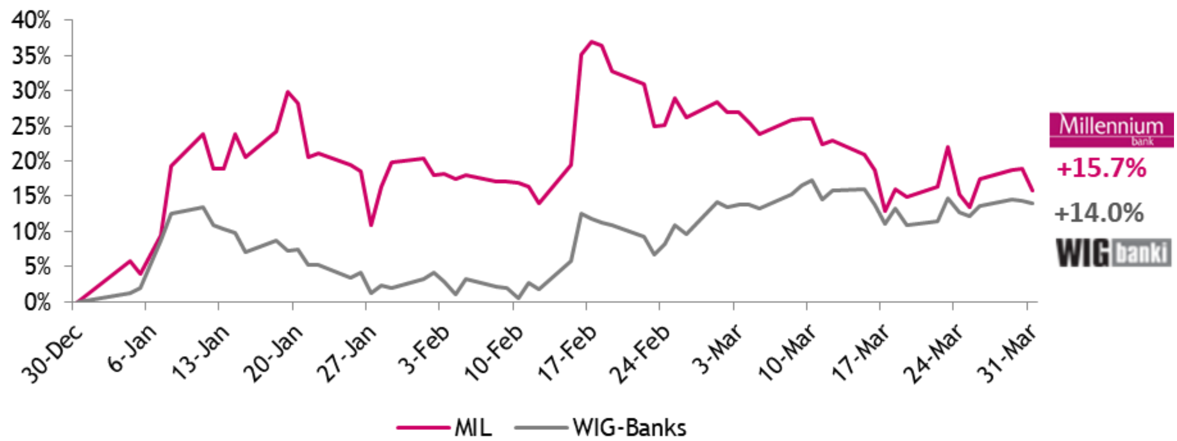
If all Bank Millennium loan agreements currently under individual and class action court proceedings would be declared invalid, the pre-tax cost could reach PLN 2,676 million.

INFORMATION ON SHARES AND RATINGS

In 1Q21 investors' sentiment towards banking stocks improved markedly. Rotation to 'value' companies, improving macro forecasts, accelerating pace of coronavirus vaccination supported bank share prices all over Europe. In Poland, an additional impulse was provided by the positive market sentiment towards potential settlements which, in accordance with the PFSA Chairman's proposal, would be made between banks and FX borrowers, as well as rising inflation, as a result of which the interest rate market started to price in relatively imminent interest rate increases.

The main WIG index increased 2%, while the stock prices of Polish banks (WIG Banks) 14%. At the same time Bank Millennium shares gained nearly 16%. In y/y terms, Bank Millennium shares were up 17%.

Bank Millennium: ytd share price performance vs. WIG Banks



In 1Q21 the daily turnover of Bank Millennium shares averaged PLN9.5 million and was 94% higher than in the same period last year.

	31.03.2021	31.12.2020	Change	31.03.2020	Change y/y
Number of the Bank's shares (th)	1 213 117	1 213 117	0.0%	1 213 117	0.0%
Average daily turnover ('000PLN)	9 469			4 889	93.7%
Bank's share price (PLN)	3.78	3.27	15.7%	3.222	17.4%
Market capitalisation of the Bank (PLNmn)	4 590	3 967	15.7%	3 909	17.4%
WIG Banks	5 432	4 765	14.0%	4 155	30.7%
WIG20	1 939	1 984	-2.3%	1 513	28.2%
WIG30	2 298	2 313	-0.6%	1 737	32.3%
WIG - main index	58 082	57 026	1.9%	41 625	39.5%

Bank Millennium shares are constituents of the following WSE indices: WIG, WIG Banks, WIG 30, mWIG 40, WIG Poland and WIG-ESG.

On 16 March 2021, Fitch Ratings placed the Bank's ratings: IDRs (issuer default rating), Viability Rating and national ratings on Rating Watch Negative / RWN (details in CR 8/2021, Current reports - Investor relations - Bank Millennium).

The Bank's ratings, as at 31 March 2021, please find in the table below.

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

CONSOLIDATED REPORT OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR 1 QUARTER OF 2021

CONTENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE 3 MONTHS ENDED 31 MARCH 2021

CONTENTS

1. General Information about Issuer

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

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

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

The Bank is a parent company of a Bank Millennium Capital Group (the Group) with over 7,200 employees with core business comprising banking (including mortgage bank), leasing, factoring, brokerage, capital operations, investment fund management and web portals activity.

Supervisory Board and Management Board of Bank Millennium S.A. as at 31 March 2021

Composition of the Supervisory Board as at 31 March 2021 was as follows:

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

Composition of the Management Board as at 31 March 2021 was as follows:

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

Capital Group of Bank Millennium S.A.

The Group's parent entity is Bank Millennium S.A. while the ultimate parent entity of the Bank Millennium S.A. is the Banco Comercial Portugues - company listed on the stock exchange in Lisbon. The companies that belong to the Capital Group as at 31 March 2021, are presented by the table below:

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

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

2. Introduction and Accounting Policy

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed consolidated interim financial statement do not include all of the information which is presented in full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2020.

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the three months ending March 31, 2021.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2021 to 31 March 2021:

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

The Management Board approved these condensed consolidated interim financial statements on 10th May 2021.

Change of applied accounting principles introduced in 2020

In the annual financial statement 2020, the Group changed the presentation of provisions for legal risk connected with FX mortgage loans which in the financial statements for year 2019 were recognized as provisions for pending legal issues. Having in mind that part of these provisions relates to the new estimation of cash flows from the mortgage loan portfolio, the Group commencing from I quarter 2020 allocated these provisions to individual credit exposures and presents in financial statements as a decrease in the gross value of mortgage loans for which contractual cash flow are expected to reduce according to IFRS9. In order to ensure comparability, the Group made appropriate cash flow adjustments to the data presented in I quarter 2020 report and the initial (opening) balance presented in note 23c. as illustrated in the tables below.

Balance sheet	Data as at 31 December 2019 presented in consolidated financial statements for I quarter 2020	Value of adjustment	Data as at 31 December 2019 presented in consolidated financial statements for I quarter 2021
Provisions for pending legal issues (note 23c)	251 333	(139 548)	111 785

Consolidated cash flow	Data for I quarter 2020 as presented in consolidated financial statements for I quarter 2020	Value of adjustment	Data for I quarter 2020 as presented in consolidated financial statements for I quarter 2021
Cash flows from operating activities			
Change in loans and advances to customers	(3 025 982)	(139 548)	(3 165 530)
Changes in provisions	(32 560)	139 548	106 988

3. Consolidated Financial Data (Group)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Net interest income		619 500	675 767
Interest income and other of similar nature	1	652 138	927 731
Income calculated using the effective interest method		635 303	895 187
Interest income from Financial assets at amortised cost		598 294	793 067
Interest income from Financial assets at fair value through other comprehensive income		37 009	102 120
Income of similar nature to interest from Financial assets at fair value through profit or loss		16 835	32 544
Interest expenses	2	(32 638)	(251 964)
Net fee and commission income		204 777	194 533
Fee and commission income	3	245 994	247 669
Fee and commission expenses	4	(41 217)	(53 136)
Dividend income		136	243
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	863	13 747
Results on financial assets and liabilities held for trading	6	(1 014)	9 734
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	8 116	(11 679)
Result on hedge accounting		890	(4 514)
Result on exchange differences		23 155	43 684
Other operating income		43 636	12 593
Other operating expenses		(29 020)	(25 060)
Administrative expenses	8	(375 885)	(464 566)
Impairment losses on financial assets	9	(74 370)	(121 565)
Provisions for COVID-19		0	(60 000)
Impairment losses on non-financial assets		(2 377)	(1 764)
Provisions for legal risk connected with FX mortgage loans		(533 403)	(55 325)
Result on modification		(3 545)	(1 949)
Depreciation		(51 448)	(53 340)
Share of the profit of investments in subsidiaries		0	0
Banking tax		(75 041)	(72 741)
Profit before income taxes		**(245 030)**	**77 798**
Corporate income tax	10	(66 308)	(59 669)
Profit after taxes		**(311 338)**	**18 129**
Attributable to:			
Owners of the parent		(311 338)	18 129
Non-controlling interests		0	0
Weighted average number of outstanding ordinary shares (pcs.)		1 213 116 777	1 213 116 777
Profit (loss) per ordinary share (in PLN)		(0.26)	0.01

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Profit after taxes	(311 338)	18 129
Other comprehensive income items that may be (or were) reclassified to profit or loss	(113 955)	68 982
Result on debt securities at fair value through other comprehensive income	(86 101)	48 793
Hedge accounting	(27 854)	20 189
Other comprehensive income items that will not be reclassified to profit or loss	1	(34)
Actuarial gains (losses)	0	0
Result on equity instruments at fair value through other comprehensive income	1	(34)
Total comprehensive income items before taxes	**(113 954)**	**68 948**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	21 652	(13 107)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	6
Total comprehensive income items after taxes	**(92 302)**	**55 848**
Total comprehensive income for the period	**(403 640)**	**73 977**
Attributable to:		
Owners of the parent	(403 640)	73 977
Non-controlling interests	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	31.03.2021	31.12.2020	31.03.2020
Cash, cash balances at central banks		2 360 647	1 460 289	2 477 540
Financial assets held for trading	11	389 800	423 846	795 572
Derivatives		225 639	154 188	189 809
Equity instruments		280	245	50
Debt securities		163 881	269 413	605 713
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers		255 143	251 107	169 610
Equity instruments		203 707	200 772	66 609
Debt securities		51 436	50 335	103 001
Financial assets at fair value through other comprehensive income	12	22 755 127	18 642 615	22 124 985
Equity instruments		29 547	29 538	29 631
Debt securities		22 725 580	18 613 077	22 095 354
Loans and advances to customers	13	75 310 727	74 088 342	72 045 583
Mandatorily at fair value through profit or loss		1 632 385	1 615 753	1 475 514
Valued at amortised cost		73 678 342	72 472 589	70 570 069
Financial assets at amortised cost other than Loans and advances to customers	14	668 273	730 598	2 179 225
Debt securities		38 902	38 818	48 355
Deposits, loans and advances to banks and other monetary institutions		605 247	625 430	2 018 927
Reverse sale and repurchase agreements		24 124	66 350	111 943
Derivatives – Hedge accounting	15	33 301	21 795	22 195
Investments in subsidiaries, joint ventures and associates		0	0	0
Tangible fixed assets		555 651	571 813	637 057
Intangible fixed assets		373 624	384 781	335 935
Income tax assets		682 678	665 174	554 727
Current income tax assets		2 690	3 883	10 801
Deferred income tax assets	17	679 988	661 291	543 925
Other assets		632 833	509 035	546 794
Non-current assets and disposal groups classified as held for sale		23 452	22 390	41 583
Total assets		**104 041 257**	**97 771 785**	**101 930 807**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	31.03.2021	31.12.2020	31.03.2020
LIABILITIES				
Financial liabilities held for trading	11	83 964	168 553	312 949
Derivatives		74 513	103 775	247 274
Liabilities from short sale of securities		9 451	64 778	65 675
Financial liabilities measured at amortised cost		91 052 766	84 915 527	88 802 162
Liabilities to banks and other monetary institutions	18	825 526	1 057 652	1 516 541
Liabilities to customers	19	88 254 606	81 510 540	83 583 600
Sale and repurchase agreements	20	9 980	248 566	1 056 303
Debt securities issued	21	423 600	558 560	1 101 040
Subordinated debt	22	1 539 054	1 540 209	1 544 678
Derivatives – Hedge accounting	15	485 502	738 850	1 277 724
Provisions	23	1 148 259	607 650	272 166
Pending legal issues		1 094 653	555 922	156 261
Commitments and guarantees given		53 606	51 728	55 905
Provisions for COVID-19		0	0	60 000
Income tax liabilities		35 012	30 843	20 095
Current income tax liabilities		35 012	30 843	20 095
Deferred income tax liabilities	17	0	0	0
Other liabilities		2 548 419	2 219 386	2 230 216
Total Liabilities		**95 353 922**	**88 680 809**	**92 915 311**
EQUITY				
Share capital		1 213 117	1 213 117	1 213 117
Own shares		(21)	(21)	0
Share premium		1 147 502	1 147 502	1 147 502
Accumulated other comprehensive income		107 554	199 857	125 941
Retained earnings		6 219 183	6 530 521	6 528 936
Total equity		8 687 335	9 090 976	9 015 496
Total equity and total liabilities		**104 041 257**	**97 771 785**	**101 930 807**

Book value of net assets	8 687 335	9 090 976	9 015 496
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	7.16	7.49	7.43

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total consolidated equity	Share capital	Own shares	Share premium	Accumulated other comprehensive income	Retained earnings	
						Unappropriated result	Other reserves
01.01.2021 - 31.03.2021							
Equity at the beginning of the period	**9 090 976**	**1 213 117**	**(21)**	**1 147 502**	**199 857**	**156 258**	**6 374 263**
Total comprehensive income for period (net)	(403 641)	0	0	0	(92 303)	(311 338)	0
net profit/ (loss) of the period	(311 338)	0	0	0	0	(311 338)	0
valuation of debt securities at fair value through other comprehensive income	(69 742)	0	0	0	(69 742)	0	0
valuation of shares at fair value through other comprehensive income	1	0	0	0	1	0	0
hedge accounting	(22 562)	0	0	0	(22 562)	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	(15 636)	15 636
Equity at the end of the period	**8 687 335**	**1 213 117**	**(21)**	**1 147 502**	**107 554**	**(170 716)**	**6 389 899**
01.01.2020 - 31.12.2020							
Equity at the beginning of the period	**8 941 519**	**1 213 117**	**0**	**1 147 502**	**70 093**	**692 065**	**5 818 742**
Total comprehensive income for period (net)	152 581	0	0	0	129 764	22 817	0
net profit/ (loss) of the period	22 817	0	0	0	0	22 817	0
valuation of debt securities at fair value through other comprehensive income	142 788	0	0	0	142 788	0	0
valuation of shares at fair value through other comprehensive income	(105)	0	0	0	(105)	0	0
hedge accounting	(12 582)	0	0	0	(12 582)	0	0
actuarial gains (losses)	(337)	0	0	0	(337)	0	0
Purchase and transfer of own shares to employees	(3 124)	0	(21)	0	0	0	(3 103)
Transfer between items of reserves	0	0	0	0	0	(558 624)	558 624
Equity at the end of the period	**9 090 976**	**1 213 117**	**(21)**	**1 147 502**	**199 857**	**156 258**	**6 374 263**
01.01.2020 - 31.03.2020							
Equity at the beginning of the period	**8 941 519**	**1 213 117**	**0**	**1 147 502**	**70 093**	**692 065**	**5 818 742**
Total comprehensive income for period (net)	73 977	0	0	0	55 848	18 129	0
net profit/ (loss) of the period	18 129	0	0	0	0	18 129	0
valuation of debt securities at fair value through other comprehensive income	39 523	0	0	0	39 523	0	0
valuation of shares at fair value through other comprehensive income	(28)	0	0	0	(28)	0	0
hedge accounting	16 353	0	0	0	16 353	0	0
Transfer between items of reserves	0	0	0	0	0	(558 624)	558 624
Equity at the end of the period	**9 015 496**	**1 213 117**	**0**	**1 147 502**	**125 941**	**151 570**	**6 377 366**

CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Profit (loss) after taxes	(311 338)	18 129
Total adjustments:	5 667 833	831 024
Interest received	639 047	894 112
Interest paid	(37 496)	(228 844)
Depreciation and amortization	51 448	53 340
Foreign exchange (gains)/ losses	0	54 991
Dividends	(136)	(243)
Changes in provisions	540 609	106 988
Result on sale and liquidation of investing activity assets	(1 685)	(12 645)
Change in financial assets held for trading	(40 090)	140 288
Change in loans and advances to banks	231 664	(944 937)
Change in loans and advances to customers	(1 833 756)	(3 165 530)
Change in receivables from securities bought with sell-back clause (loans and advances)	42 227	87 571
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(337 937)	810 826
Change in deposits from banks	(174 787)	(103 137)
Change in deposits from customers	6 780 343	2 344 512
Change in liabilities from securities sold with buy-back clause	(238 581)	971 893
Change in debt securities	(134 229)	(79 773)
Change in income tax settlements	66 554	50 559
Income tax paid	(56 741)	(93 442)
Change in other assets and liabilities	180 872	(71 271)
Other	(9 493)	15 767
Net cash flows from operating activities	**5 356 495**	**849 154**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Inflows:	29 648	1 645
Proceeds from sale of property, plant and equipment and intangible assets	29 512	1 402
Proceeds from sale of shares in related entities	0	0
Proceeds from sale of investment financial assets	0	0
Other	136	243
Outflows:	(1 828 446)	(665 372)
Acquisition of property, plant and equipment and intangible assets	(10 822)	(4 674)
Acquisition of shares in related entities	0	0
Acquisition of investment financial assets	(1 817 624)	(660 698)
Other	0	0
Net cash flows from investing activities	**(1 798 798)**	**(663 727)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Inflows from financing activities:	0	0
Long-term bank loans	0	0
Issue of debt securities	0	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(67 651)	(26 829)
Repayment of long-term bank loans	(55 000)	(5 000)
Redemption of debt securities	0	0
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other outflows from financing activities	(12 651)	(21 829)
Net cash flows from financing activities	(67 651)	**(26 829)**

D. Net cash flows. Total (A + B + C)	**3 490 046**	**158 598**
- including change resulting from FX differences	3 986	10 178
E. Cash and cash equivalents at the beginning of the reporting period	**1 586 434**	**3 752 789**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**5 076 480**	**3 911 387**

4. Notes to Consolidated Financial Data

1) INTEREST INCOME AND OTHER OF SIMILAR NATURE

	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Interest income from Financial assets at fair value through other comprehensive income	37 009	102 120
Debt securities	37 009	102 120
Interest income from Financial assets at amortised cost	598 294	793 067
Balances with the Central Bank	100	3 637
Loans and advances to customers	569 973	718 199
Debt securities	151	371
Deposits, loans and advances to banks	15	522
Transactions with repurchase agreements	0	5 925
Hedging derivatives	28 055	64 413
Income of similar nature to interest, including:	16 835	32 544
Loans and advances to customers mandatorily at fair value through profit or loss	16 670	30 128
Financial assets held for trading - debt securities	165	2 416
Total	**652 138**	**927 731**

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

Interest income for the I quarter 2021 contains interest accrued on impaired loans in the amount of PLN 24,793 thous. (for corresponding data in the year 2020 the amount of such interest stood at PLN 24,539 thous.).

2) INTEREST EXPENSES AND OTHER OF SIMILAR NATURE

	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Financial liabilities measured at amortised cost	(32 637)	(251 958)
Liabilities to banks and other monetary institutions	(1 916)	(6 333)
Liabilities to customers	(17 700)	(215 765)
Transactions with repurchase agreement	(5)	(6 302)
Debt securities issued	(1 332)	(6 045)
Subordinated debt	(9 641)	(15 586)
Liabilities due to leasing agreements	(2 043)	(1 927)
Other	(1)	(6)
Total	**(32 638)**	**(251 964)**

3) Fee and commission income

	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Resulting from accounts service	39 152	24 333
Resulting from money transfers, cash payments and withdrawals and other payment transactions	18 480	16 472
Resulting from loans granted	50 876	50 317
Resulting from guarantees and sureties granted	3 229	3 759
Resulting from payment and credit cards	51 735	53 979
Resulting from sale of insurance products	38 710	55 542
Resulting from distribution of investment funds units and other savings products	17 153	14 432
Resulting from brokerage and custody service	5 070	4 431
Resulting from investment funds managed by the Group	15 189	17 565
Other	6 400	6 839
Total	245 994	247 669

In 2020, as a result of updating the source data, which made it possible to determine the turnover in the accounts, a new methodology for presenting data in the field of income and commission expense notes was implemented. The current grouping of values to individual items is carried out at the transaction level, taking into account the division into revenues and costs. Relevant adjustments were made to the comparative data, but the net values of individual items of the commission result were not significantly adjusted.

4) Fee and commission expense

	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Resulting from accounts service	1 628	(5 363)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(1 148)	(1 046)
Resulting from loans granted	(7 309)	(9 113)
Resulting from payment and credit cards	(21 459)	(26 019)
Resulting from brokerage and custody service	(875)	(794)
Resulting from investment funds managed by the Group	(2 685)	(3 068)
Resulting from insurance activity	(4 936)	(3 786)
Other	(4 433)	(3 946)
Total	(41 217)	(53 136)

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

	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Operations on debt instruments	1 526	14 150
Costs of financial operations	(663)	(403)
Total	863	13 747

6) Results on financial assets and liabilities held for trading

	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Result on debt instruments	(1 709)	(3 333)
Result on derivatives	716	13 054
Result on other financial operations	(21)	13
Total	(1 014)	9 734

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

	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Loans and advances to customers	4 079	(11 679)
Result on equity instruments	2 935	0
Result on debt instruments	1 102	0
Total	8 116	(11 679)

8) ADMINISTRATIVE EXPENSES

	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Staff costs:	(205 599)	(243 752)
Salaries	(168 410)	(204 672)
Surcharges on pay	(30 007)	(34 347)
Employee benefits, including:	(7 182)	(4 733)
- provisions for retirement benefits	(1 512)	(1 172)
- provisions for unused employee holiday	(5)	(8)
- other	(5 665)	(3 553)
Other administrative expenses:	(170 286)	(220 814)
Costs of advertising, promotion and representation	(12 767)	(14 101)
IT and communications costs	(29 658)	(34 854)
Costs of renting	(15 907)	(21 081)
Costs of buildings maintenance, equipment and materials	(10 248)	(13 846)
ATM and cash maintenance costs	(6 322)	(7 541)
Costs of consultancy, audit and legal advisory and translation	(11 230)	(5 583)
Taxes and fees	(8 468)	(8 615)
KIR - clearing charges	(2 147)	(1 970)
PFRON costs	(1 832)	(2 158)
Banking Guarantee Fund costs	(53 136)	(85 075)
Financial Supervision costs	(3 166)	(2 501)
Other	(15 405)	(23 489)
Total	**(375 885)**	**(464 566)**

9) IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Impairment losses on loans and advances to customers	(72 668)	(119 476)
Impairment charges on loans and advances to customers	(471 393)	(499 151)
Reversal of impairment charges on loans and advances to customers	372 258	365 347
Amounts recovered from loans written off	13 042	14 304
Sale of receivables	13 453	0
Other directly recognised in profit and loss	(27)	24
Impairment losses on securities	(6)	0
Impairment charges on securities	(6)	0
Reversal of impairment charges on securities	0	0
Impairment losses on off-balance sheet liabilities	(1 696)	(2 089)
Impairment charges on off-balance sheet liabilities	(30 751)	(31 841)
Reversal of impairment charges on off-balance sheet liabilities	29 055	29 752
Total	**(74 370)**	**(121 565)**

10) Corporate income tax

10a. Income tax reported in income statement

	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Current tax	(62 618)	(83 017)
Current year	(62 618)	(83 017)
Adjustment to previous years	0	0
Deferred tax:	(3 690)	23 348
Recognition and reversal of temporary differences	486	23 429
Recognition / (Utilisation) of tax loss	(4 176)	(81)
Total income tax reported in income statement	**(66 308)**	**(59 669)**

10b. Effective tax rate

	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Profit before tax	(245 030)	77 798
Statutory tax rate	19%	19%
Income tax according to obligatory income tax rate of 19%	46 556	(14 782)
Impact of permanent differences on tax charges:	**(112 864)**	**(44 887)**
- Non-taxable income	4 365	74
Dividend income	0	0
Release of other provisions	4 362	40
Settlement with SG due to adjustment of Euro Bank S.A. purchase price	0	0
Other	3	34
- Cost which is not a tax cost	(117 229)	(44 961)
Write-down of unrealized deferred tax assets	0	0
Loss on sale of receivables	0	0
PFRON fee	(348)	(410)
Fees for Banking Guarantee Fund	(10 096)	(15 719)
Banking tax	(14 258)	(13 821)
Income/cost of provisions for factoring and leasing receivables	(1 354)	(1 202)
Receivables written off	(7 255)	(516)
Costs of litigations and claims	(83 173)	(11 468)
Depreciation and insurance costs of cars (in excess of PLN 150,000)	(243)	(425)
Other	(502)	(1 400)
Deduction of the tax paid abroad	0	0
Adjustment resulted from Article 38a of CIT	0	0
Total income tax reported in income statement	**(66 308)**	**(59 669)**
Effective tax rate	/-/*	76.70%

* In the first quarter of 2021, the Group recorded a negative gross financial result and at the same time a tax burden of a cost nature, therefore the Group did not calculate the effective tax rate.

10C. DEFERRED TAX REPORTED IN EQUITY

	31.03.2021	31.12.2020	31.03.2020
Valuation of securities at fair value through other comprehensive income	(39 671)	(56 027)	(31 822)
Valuation of cash flow hedging instruments	13 732	8 439	1 652
Actuarial gains (losses)	708	708	628
Deferred tax reported directly in equity	(25 231)	(46 880)	(29 542)

Withholding tax audit for years 2015-16

On February 2019 the Head of Western Pomeranian Customs & Tax Office (Zachodniopomorski Urząd Celno-Skarbowy w Szczecinie, ZUCS) commenced tax audits regarding the correctness of withholding tax (WHT) settlements for years 2015 and 2016. On 17 December 2019 the Bank received audit results as of 13 December 2019, in which ZUCS questioned WHT-exemption on coupon interest from bonds paid to MB Finance AB with the seat in Sweden constituting a collateral to 10Y subordinated bonds with a par value of EUR 150 mio. issued by this company in December 2007 (fully amortized in December 2017). WHT arrear for these years is ca. PLN 6.7 mio. Bank does not agree with these findings, did not correct its WHT settlements for years 2015-16 and tax audits transformed by the virtue of law into tax proceedings. On 13 October 2020 the Bank received negative decisions issued by Head of ZUCS “sustaining” adverse audit’s findings. Total withholding tax arrear determined for years 2015-16 is PLN 6 580 618 to be increased by penalty interests (8% p.a.). Bank does not agree with decisions and have already appealed, subsequently will lodge complaints to the administrative court, if sustained in the second instance. Bank received an expert opinion as of January 29, 2020 of tax professors from the Public Finances Law Department of the Faculty of Law and Administration at Nicolaus Copernicus University in Torun, according to which ZUCS’s statement violates binding tax law provisions.

11) FINANCIAL ASSETS HELD FOR TRADING

11A. FINANCIAL ASSETS HELD FOR TRADING

	31.03.2021	31.12.2020	31.03.2020
Debt securities	**163 881**	**269 413**	**605 713**
Issued by State Treasury	163 881	269 413	605 713
a) bills	0	0	0
b) bonds	163 881	269 413	605 713
Other securities	0	0	0
a) quoted	0	0	0
b) non quoted	0	0	0
Equity instruments	**280**	**245**	**50**
Quoted on the active market	280	245	50
a) financial institutions	136	97	0
b) non-financial institutions	144	148	50
Adjustment from fair value hedge	0	0	0
Positive valuation of derivatives	225 639	154 188	189 809
Total	**389 800**	**423 846**	**795 572**

11B. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING - VALUATION OF DERIVATIVES, ADJUSTMENT FROM FAIR VALUE HEDGE AND SHORT POSITIONS AS AT:

	Fair Values 31.03.2021		
	Total	Assets	Liabilities
1. Interest rate derivatives	14 880	24 737	9 857
Forward Rate Agreements (FRA)	136	136	0
Interest rate swaps (IRS)	14 954	23 537	8 583
Other interest rate contracts: options	(210)	1 064	1 274
2. FX derivatives	135 945	184 193	48 248
FX contracts	22 203	36 495	14 292
FX swaps	113 742	147 698	33 956
Other FX contracts (CIRS)	0	0	0
FX options	0	0	0
3. Embedded instruments	(16 081)	0	16 081
Options embedded in deposits	(15 030)	0	15 030
Options embedded in securities issued	(1 051)	0	1 051
4. Indexes options	16 382	16 709	327
Total	**151 126**	**225 639**	**74 513**
Valuation of hedged position in fair value hedge accounting	-	0	0
Liabilities from short sale of debt securities	-	-	9 451

	Fair Values 31.12.2020			Fair Values 31.03.2020		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	21 976	35 184	13 208	(5 893)	38 108	44 001
Forward Rate Agreements (FRA)	133	133	0	0	0	0
Interest rate swaps (IRS)	21 839	34 966	13 127	(5 875)	38 033	43 908
Other interest rate contracts: options	4	85	81	(18)	75	93
2. FX derivatives	28 085	98 631	70 547	(55 507)	95 479	150 986
FX contracts	19 095	34 360	15 265	13 454	33 899	20 445
FX swaps	8 990	64 271	55 282	(62 504)	55 765	118 269
Other FX contracts (CIRS)	0	0	0	(6 457)	5 815	12 272
FX options	0	0	0	0	0	0
3. Embedded instruments	(19 559)	0	19 559	(45 120)	4 583	49 703
Options embedded in deposits	(17 815)	0	17 815	(43 724)	0	43 724
Options embedded in securities issued	(1 744)	0	1 744	(1 396)	4 583	5 979
4. Indexes options	19 911	20 373	462	49 055	51 639	2 584
Total	**50 413**	**154 188**	**103 775**	**(57 465)**	**189 809**	**247 274**
Valuation of hedged position in fair value hedge accounting	-	0	0	-	0	0
Liabilities from short sale of debt securities	-	-	64 778	-	-	65 675

12) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.03.2021	31.12.2020	31.03.2020
Debt securities	**22 725 580**	**18 613 077**	**22 846 528**
Issued by State Treasury	19 759 103	18 235 189	22 364 004
a) bills	0	0	0
b) bonds	19 759 103	18 235 189	22 364 004
Issued by Central Bank	2 299 994	0	399 942
a) bills	2 299 994	0	399 942
b) bonds	0	0	0
Other securities	666 483	377 888	82 582
a) listed	666 483	377 888	82 582
b) not listed	0	0	0
Shares and interests in other entities	29 547	29 538	29 315
Other financial instruments	0	0	0
Total financial assets at fair value through other comprehensive income	**22 755 127**	**18 642 615**	**22 875 843**

13) LOANS AND ADVANCES TO CUSTOMERS

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

Balance sheet value:	31.03.2021	31.12.2020	31.03.2020
Mandatorily at fair value through profit or loss *	1 632 385	1 615 753	1 475 514
Companies	12 609	12 889	15 653
Individuals	1 619 705	1 602 752	1 459 789
Public sector	71	112	72
* The above data includes the fair value adjustment, in the amount of:	(111 262)	(116 761)	(97 070)

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

The Bank writes down the gross carrying amount of a financial asset when there is no reasonable probability that it will be fully (total writes off) or partially (partial writes off) recovered. Following the recorded partial writes off the Bank transferred to off-balance sheet evidence (deducting the carrying value of gross receivables) penalty interest amounting to PLN 460 million as at 31.03.2021.

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

	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Valued at amortised cost, as at 31.03.2021	68 295 995	4 025 115	3 670 481	(381 953)	(170 400)	(1 760 896)	73 678 342
Companies	15 590 752	2 230 751	927 923	(124 670)	(52 302)	(376 671)	18 195 783
Individuals	52 443 687	1 793 880	2 737 497	(256 036)	(118 084)	(1 383 685)	55 217 259
Public sector	261 556	484	5 061	(1 247)	(14)	(540)	265 300
Valued at amortised cost, as at 31.12.2020	67 152 309	3 994 527	3 698 388	(365 159)	(230 339)	(1 777 137)	72 472 589
Companies	16 146 941	1 561 156	1 026 032	(118 205)	(41 408)	(468 866)	18 105 650
Individuals	50 736 368	2 433 193	2 667 041	(245 411)	(188 930)	(1 307 577)	54 094 684
Public sector	269 000	178	5 315	(1 543)	(1)	(694)	272 255
Valued at amortised cost, as at 31.03.2020	66 063 173	3 147 017	3 435 785	(290 518)	(182 564)	(1 602 824)	70 570 069
Companies	17 016 034	1 390 902	884 845	(135 341)	(34 405)	(437 314)	18 684 721
Individuals	48 702 086	1 756 057	2 544 911	(153 980)	(148 159)	(1 165 174)	51 535 741
Public sector	345 053	58	6 029	(1 197)	0	(336)	349 607

13C. LOANS AND ADVANCES TO CUSTOMERS

	31.03.2021	
	Valued at amortised cost	Mandatorily at fair value through profit or loss *
Loans and advances	68 889 291	793 734
▪ to companies	12 252 649	
▪ to private individuals	56 538 491	793 734
▪ to public sector	98 151	
Receivables on account of payment cards	79 223	838 651
▪ due from companies	154	12 680
▪ due from private individuals	79 069	825 971
Purchased receivables	207 505	
▪ from companies	207 505	
▪ from public sector	0	
Guarantees and sureties realised	7 303	
Debt securities eligible for rediscount at Central Bank	121	
Financial leasing receivables	6 423 965	
Other	3 865	
Interest	380 318	
Total:	**75 991 591**	**1 632 385**
Impairment allowances	(2 313 249)	-
Total balance sheet value:	**73 678 342**	**1 632 385**
* The above data includes the fair value adjustment in the amount of	-	(111 262)

Commenncing from first quarter of 2020, the Group allocates part of the provisions created for legal risk connected with FX mortgage loans to the loan portfolio (more information on the issue is presented in **Chapter 2 Introduction and Accounting Policy**).

	31.12.2020		31.03.2020	
	Valued at amortised cost	Mandatorily at fair value through profit or loss *	Valued at amortised cost	Mandatorily at fair value through profit or loss *
Loans and advances	67 667 285	771 780	65 181 723	666 703
▪ to companies	12 188 367	0	12 480 708	
▪ to private individuals	55 381 397	771 780	52 550 494	666 703
▪ to public sector	97 521	0	150 521	
Receivables on account of payment cards	83 121	843 973	92 038	808 811
▪ due from companies	187	13 002	69	15 725
▪ due from private individuals	82 934	830 971	91 969	793 086
Purchased receivables	214 385		175 287	
▪ from companies	214 385		175 287	
▪ from public sector	0		0	
Guarantees and sureties realised	7 419		2 560	
Debt securities eligible for rediscount at Central Bank	2 748		3 181	
Financial leasing receivables	6 471 831		6 794 394	
Other	3 618		4 039	
Interest	394 817		392 753	
Total:	**74 845 224**	**1 615 753**	**72 645 975**	**1 475 514**
Impairment allowances	(2 372 635)	-	(2 075 906)	-
Total balance sheet value:	**72 472 589**	**1 615 753**	**70 570 069**	**1 475 514**
* The above data includes the fair value adjustment in the amount of	-	(116 761)	-	(97 070)

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

	31.03.2021	31.12.2020	31.03.2020
Loans and advances to customers (gross)	75 991 591	74 845 224	72 645 975
impaired	3 670 481	3 698 389	3 435 785
not impaired	72 321 110	71 146 835	69 210 190
Impairment write-offs	(2 313 249)	(2 372 635)	(2 075 906)
for impaired exposures	(1 760 896)	(1 777 137)	(1 602 824)
for not impaired exposures	(552 353)	(595 498)	(473 082)
Loans and advances to customers (net)	**73 678 342**	**72 472 589**	**70 570 069**

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

	31.03.2021	31.12.2020	31.03.2020
Loans and advances to customers (gross)	75 991 591	74 845 224	72 645 975
case by case analysis	935 477	1 015 366	873 253
collective analysis	75 056 114	73 829 858	71 772 722
Impairment allowances	(2 313 249)	(2 372 635)	(2 075 906)
on the basis of case by case analysis	(288 902)	(362 318)	(352 566)
on the basis of collective analysis	(2 024 347)	(2 010 317)	(1 723 340)
Loans and advances to customers (net)	**73 678 342**	**72 472 589**	**70 570 069**

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

	31.03.2021	31.12.2020	31.03.2020
Loans and advances to customers (gross)	75 991 591	74 845 224	72 645 975
corporate customers	19 016 527	19 008 622	19 642 921
individuals	56 975 064	55 836 602	53 003 054
Impairment allowances	(2 313 249)	(2 372 635)	(2 075 906)
for receivables from corporate customers	(555 444)	(630 717)	(608 593)
for receivables from private individuals	(1 757 805)	(1 741 918)	(1 467 313)
Loans and advances to customers (net)	**73 678 342**	**72 472 589**	**70 570 069**

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

	01.01.2021 - 31.03.2021	01.01.2020 - 31.12.2020	01.01.2020 - 31.03.2020
Balance at the beginning of the period	2 372 635	1 961 618	1 961 618
Change in value of allowances:	(59 386)	411 017	114 288
Impairment allowances created in the period	471 393	1 667 413	499 151
Amounts written off	(129 326)	(220 681)	(52 968)
Impairment allowances released in the period	(372 258)	(1 038 000)	(365 347)
Sale of receivables	(34 691)	(59 662)	0
KOIM created in the period*	7 131	37 798	9 375
Changes resulting from FX rates differences	(2 276)	20 250	21 447
Other	641	3 899	2 630
Balance at the end of the period	**2 313 249**	**2 372 635**	**2 075 906**

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

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

The value of POCI assets is as follows:

	Gross balance sheet value	Accumulated impairment	Net balance sheet value
31.03.2021			
- Companies	59	245	303
- Individuals	350 408	(30 563)	319 845
- Public sector	0	0	0
31.12.2020			
- Companies	59	255	313
- Individuals	399 392	(26 607)	372 784
- Public sector	0	0	0
31.03.2020			
- Companies	101	(23)	78
- Individuals	501 536	(45 914)	455 622
- Public sector	0	0	0

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

	31.03.2021	31.12.2020	31.03.2020
in Polish currency	58 222 786	56 794 474	52 692 601
in foreign currencies (after conversion to PLN)	17 768 805	18 050 750	19 953 374
currency: USD	128 444	115 866	240 542
currency: EUR	3 815 221	3 586 164	3 971 202
currency: CHF	13 817 909	14 344 610	15 733 235
other currencies	7 231	4 110	8 395
Total gross	**75 991 591**	**74 845 224**	**72 645 975**

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

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

31.03.2021	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	38 910	0	0	(8)	0	0	38 902
Deposits, loans and advances to banks and other monetary institutions	605 247	0	0	0	0	0	605 247
Repurchase agreements	24 124	0	0	0	0	0	24 124

31.12.2020	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	38 821	0	0	(3)	0	0	38 818
Deposits, loans and advances to banks and other monetary institutions	625 430	0	0	0	0	0	625 430
Repurchase agreements	66 350	0	0	0	0	0	66 350

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

14B. Debt securities

	31.03.2021	31.12.2020	31.03.2020
credit institutions	0	0	0
other companies	0	0	0
public sector	38 902	38 818	48 355
Total	38 902	38 818	48 355

14C. Deposits, loans and advances to banks and other monetary institutions

	31.03.2021	31.12.2020	31.03.2020
Current accounts	143 327	102 748	289 856
Deposits	461 780	522 532	1 728 445
Interest	140	150	626
Total (gross) deposits, loans and advances	605 247	625 430	2 018 927
Impairment allowances	0	0	0
Total (net) deposits, loans and advances	**605 247**	**625 430**	**2 018 927**

14D. Repurchase agreements

	31.03.2021	31.12.2020	31.03.2020
credit institutions	24 124	66 351	88 326
other customers	0	0	23 614
interest	0	(1)	3
Total	24 124	66 350	111 943

15) DERIVATIVES – HEDGE ACCOUNTING

15A. HEDGE RELATIONS

Detailed information on cash flow hedge relations applied by the Group, items designated as hedged and hedging and presentation of the result (as at 31.03.2021) is shown in a table below:

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

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

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

15B. HEDGE ACCOUNTING - BALANCE SHEET VALUATION

	Fair values 31.03.2021		
	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate			
CIRS contracts	(372 233)	33 301	405 534
IRS contracts	(74 008)	0	74 008
FXS contracts	0	0	0
2. Derivatives used as interest rate hedges related to interest rates			
IRS contracts	(5 960)	0	5 960
3. Total hedging derivatives	(452 201)	33 301	485 502

	Fair values 31.12.2020			Fair values 31.03.2020		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(632 447)	21 795	654 242	(1 189 792)	0	1 189 792
IRS contracts	(45 903)	0	45 903	0	0	0
FXS contracts	(29 116)	0	29 116	(46 739)	22 195	68 934
2. Derivatives used as interest rate hedges related to interest rates						
IRS contracts	(9 588)	0	9 588	(18 998)	0	18 998
3. Total hedging derivatives	(717 055)	21 795	738 850	(1 255 529)	22 195	1 277 724

16) IMPAIRMENT WRITE-OFFS FOR SELECTED ASSETS

Impairment write-offs:	Investment securities	Property. plant and equipment	Intangibles	Non-current assets held for sale	Other assets
As at 01.01.2021	5 007	8 875	3 988	3 697	22 700
- Write-offs created	5	0	0	0	6 210
- Write-offs released	0	0	0	0	(3 388)
- Utilisation	0	0	0	0	(958)
- Other	0	0	0	(3 560)	3 560
As at 31.03.2021	5 012	8 875	3 988	137	28 124
As at 01.01.2020	5 058	8 875	3 988	136	12 812
- Write-offs created	(51)	0	0	0	32 927
- Write-offs released	0	0	0	0	(23 024)
- Utilisation	0	0	0	0	(14)
- Other	0	0	0	3 561	0
As at 31.12.2020	5 007	8 875	3 988	3 697	22 700
As at 01.01.2020	5 058	8 875	3 988	136	12 812
- Write-offs created	0	0	0	0	10 176
- Write-offs released	0	0	0	0	(8 412)
- Utilisation	0	0	0	0	(59)
- Other	0	0	0	0	0
As at 31.03.2020	5 058	8 875	3 988	136	14 517

17) DEFERRED INCOME TAX ASSETS AND LIABILITY

	31.03.2021		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	26 991	(31 022)	(4 031)
Balance sheet valuation of financial instruments	106 742	(107 394)	(652)
Unrealised receivables/ liabilities on account of derivatives	8 937	(7 676)	1 261
Interest on deposits and securities to be paid/ received	23 933	(33 022)	(9 089)
Interest and discount on loans and receivables	0	(74 144)	(74 144)
Income and cost settled at effective interest rate	179 385	(1 089)	178 296
Impairment of loans presented as temporary differences	451 537	0	451 537
Employee benefits	19 278	0	19 278
Rights to use	8 116	0	8 116
Provisions for future costs	104 140	0	104 140
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	14 607	(39 838)	(25 231)
Valuation of shares	1 273	(24 477)	(23 204)
Tax loss deductible in the future	52 929	0	52 929
Other	2 591	(1 809)	782
Net deferred income tax asset	1 000 459	(320 471)	679 988

	31.12.2020			31.03.2020		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	27 195	(19 806)	7 389	75 354	(26 371)	48 983
Balance sheet valuation of financial instruments	138 727	(150 000)	(11 273)	261 022	(259 613)	1 409
Unrealised receivables/ liabilities on account of derivatives	12 285	(14 486)	(2 201)	12 927	(16 051)	(3 124)
Interest on deposits and securities to be paid/ received	31 410	(33 021)	(1 611)	33 777	(33 430)	347
Interest and discount on loans and receivables	0	(77 272)	(77 272)	1	(76 799)	(76 798)
Income and cost settled at effective interest rate	188 794	(1 221)	187 573	171 661	(1 080)	170 581
Impairment of loans presented as temporary differences	454 771	0	454 771	394 401	0	394 401
Employee benefits	20 398	0	20 398	22 987	0	22 987
Rights to use	8 501	0	8 501	7 530	0	7 530
Provisions for future costs	87 013	0	87 013	21 735	0	21 735
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	9 315	(56 197)	(46 882)	2 449	(31 991)	(29 542)
Valuation of shares	1 273	(23 710)	(22 437)	1 273	(22 608)	(21 335)
Tax loss deductible in the future	57 105	0	57 105	9 262	0	9 262
Other	1 078	(861)	217	1 694	(4 205)	(2 511)
Net deferred income tax asset	1 037 865	(376 574)	661 291	1 016 073	(472 148)	543 925

18) LIABILITIES TO BANKS AND OTHER MONETARY INSTITUTIONS

	31.03.2021	31.12.2020	31.03.2020
In current account	155 596	57 220	36 149
Term deposits	205 152	481 490	262 290
Loans and advances received	464 179	517 283	1 214 447
Interest	599	1 659	3 655
Total	825 526	1 057 652	1 516 541

19) Liabilities to customers

	31.03.2021	31.12.2020	31.03.2020
Amounts due to private individuals	64 263 556	61 874 920	63 328 296
Balances on current accounts	53 768 804	50 825 949	46 610 922
Term deposits	10 247 989	10 807 126	16 461 371
Other	207 323	188 369	147 482
Accrued interest	39 440	53 476	108 521
Amounts due to companies	21 050 259	16 802 448	17 942 285
Balances on current accounts	15 318 477	12 883 222	10 433 235
Term deposits	5 401 100	3 579 089	7 134 142
Other	320 629	327 586	349 078
Accrued interest	10 053	12 551	25 830
Amounts due to public sector	2 940 791	2 833 172	2 313 019
Balances on current accounts	2 504 337	2 707 625	1 821 998
Term deposits	430 416	105 079	482 573
Other	6 029	20 461	7 477
Accrued interest	9	7	971
Total	**88 254 606**	**81 510 540**	**83 583 600**

20) Liabilities from securities sold with buy-back clause

	31.03.2021	31.12.2020	31.03.2020
to the Central Bank	0	0	0
to banks	9 980	248 566	1 055 588
to customers	0	0	0
interest	0	0	715
Total	9 980	248 566	1 056 303

21) Change of debt securities

	01.01.2021 - 31.03.2021	01.01.2020 - 31.12.2020	01.01.2020 - 31.03.2020
Balance at the beginning of the period	558 560	1 183 232	1 183 232
Increases, on account of:	1 491	43 339	6 807
issue of Banking Securities	159	29 549	762
Purchase of Euro Bank S.A. bonds	0	0	0
issue of bonds by the Bank	0	0	0
issue of bonds by the Millennium Leasing	0	0	0
interest accrual	1 332	13 790	6 045
Reductions, on account of:	(136 451)	(668 011)	(88 999)
repurchase of Banking Securities	(101 570)	(246 582)	(33 910)
repurchase of Euro Bank S.A. bonds	0	0	0
repurchase of bonds by the Bank	0	(299 440)	0
repurchase of bonds by the Millennium Leasing	(34 150)	(105 650)	(52 670)
interest payment	(731)	(16 339)	(2 419)
Balance at the end of the period	**423 600**	**558 560**	**1 101 040**

22) CHANGE OF SUBORDINATED DEBT

	01.01.2021 - 31.03.2021	01.01.2020 - 31.12.2020	01.01.2020 - 31.03.2020
Balance at the beginning of the period	1 540 209	1 546 205	1 546 205
Increases, on account of:	9 641	51 441	15 586
issue of subordinated bonds	0	0	0
Merger with Euro Bank S.A.	0	0	0
interest accrual	9 641	51 441	15 586
Reductions, on account of:	(10 796)	(57 437)	(17 113)
Settlement of subordinated debt of Euro Bank S.A.	0	0	0
interest payment	(10 796)	(57 437)	(17 113)
Balance at the end of the period	**1 539 054**	**1 540 209**	**1 544 678**

During 2020 and 2021 the Group did not have any delays in the payment of principal and interest instalments, nor did it infringe any contractual provisions resulting from its subordinated liabilities.

23) PROVISIONS

23A. PROVISIONS

	31.03.2021	31.12.2020	31.03.2020
Provision for commitments and guarantees given	53 606	51 728	55 905
Provision for pending legal issues	1 094 653	555 922	156 261
Provisions for COVID-19	0	0	60 000
Total	1 148 259	607 650	272 166

* Considering the high uncertainty about the impact of COVID-19 on the behavior of loan portfolios of the Group (including the impact of economic slowdown and assistance programs), the Group decided to create in I quarter 2020 an additional reserve of PLN 60 million to cover the risk arising from the epidemic situation and its impact on the economy. During next reporting periods, as more reliable information is obtained, the Group allocated the provision to credit exposures.

23B. CHANGE OF PROVISION FOR COMMITMENTS AND GUARANTEES GIVEN

	01.01.2021 - 31.03.2021	01.01.2020 - 31.12.2020	01.01.2020 - 31.03.2020
Balance at the beginning of the period	51 728	53 393	53 393
Charge of provision	30 750	73 356	31 841
Release of provision	(29 055)	(75 357)	(29 752)
Merger with Euro Bank S.A.	0	0	0
FX rates differences	183	336	423
Balance at the end of the period	53 606	51 728	55 905

23C. CHANGE OF PROVISION FOR PENDING LEGAL ISSUES

	01.01.2021 - 31.03.2021	01.01.2020 - 31.12.2020	01.01.2020 - 31.03.2020
Balance at the beginning of the period	555 922	111 785	111 785
Charge of provision	2 873	17 223	1 131
Release of provision	(1 876)	(13 440)	(210)
Utilisation of provision	0	(489)	(489)
Creation of provisions for legal risk connected with FX mortgage loans *	533 403	713 617	55 325
Allocation to the loans portfolio**	7 823	(296 207)	(23 475)
Reclassification	0	138	0
FX differences	(3 492)	23 295	12 194
Balance at the end of the period	1 094 653	555 922	156 261

* Creation of provisions for legal risk related to foreign currency mortgage loans is described in more detail in **Chapter 10 Costs of provisions for legal risk related to foreign currency mortgage loans.**

** In 2020, the Group changed its accounting policy and allocated a part of provisions created for legal risk connected with FX mortgage loans to the loans portfolio (more information on this topic is presented in **Chapter 2. Introduction and Accounting Policy**).

5. Changes in Risk Management process

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

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

Credit risk

In the first quarter of 2021 the Bank Millennium Group, both in the corporate and retail segments, continued to implement initiatives aimed at mitigating the negative effects of COVID-19 outbreak. As a result of analytical works the Group implemented several changes in the Credit Policy which were targeted on assurance of proper quality of portfolio under new more demanding economic environment e.g.:

- Modification of Credit Policy rules for populations of customers with high sensitivity on negative economic evolutions: changes to the required levels of collateralization, change of balance between automatic / analyst decision;
- take advantage of usage of governmental supporting programs e.g. new BGK programs: de minimis and liquidity credit guarantees, PFR support funds.

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

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

In the area of credit risk, in the first quarter of 2021, the Group has focused on adapting regulations, credit processes and monitoring to changed conditions.

In the corporate segment The Group has focused on portfolio and industry analyses to identify major risks, namely focusing on the clients with the highest exposures and on the economic sectors more exposed to impacts of the COVID-19 pandemic. The other area of Bank's interest was analyses of legal regulations, as well as adaptation of internal regulations, credit processes and monitoring to changed conditions, including also the broad range of support measures announced by the local authorities.

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

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

Changes in the loan portfolio of the Group after 3 months of 2021 are summarized below:

	31.03.2021		31.12.2020	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Not overdue and without impairment	72 161 021	605 247	71 098 923	625 430
Overdue*, but without impairment	1 801 567	0	1 687 228	0
Total without impairment	73 962 588	605 247	72 786 151	625 430
With impairment	3 772 650	0	3 791 587	0
Total	**77 735 238**	**605 247**	**76 577 738**	**625 430**
Impairment write-offs	(2 313 249)	0	(2 372 635)	0
Fair value adjustment**	(111 262)	0	(116 761)	0
Total, net	**75 310 727**	**605 247**	**74 088 342**	**625 430**
Loans with impairment / total loans	4.85%	0.00%	4.95%	0.00%

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

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

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

Loans and advances subject to legislative and non-legislative moratoria Gross carrying amount	TOTAL	Performing		
		Performing Gross carrying amount	Of which: grace period of capital and interest	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)
Loans and advances subject to moratorium	**39 389**	**38 045**	**28 723**	**6 281**
of which: Households	24 825	23 981	23 981	1 227
of which: Collateralized by residential immovable property	12 864	12 281	12 281	602
of which: Non-financial corporations	14 564	14 064	4 742	5 055
of which: Small and Medium-sized Enterprises	8 037	8 037	4 014	3 679
of which: Collateralized by commercial immovable property	882	882	0	763

Loans and advances subject to legislative and non-legislative moratoria Gross carrying amount	Non-performing Non-performing Gross carrying amount	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium	**1 344**	**760**	**795**
of which: Households	844	260	795
of which: Collateralized by residential immovable property	584	0	584
of which: Non-financial corporations	500	500	0
of which: Small and Medium-sized Enterprises	0	0	0
of which: Collateralized by commercial immovable property	0	0	0

Information on loans and advances subject to legislative and non-legislative moratoria, Accumulated impairment	TOTAL	Performing Performing Accumulated impairment	Of which: grace period of capital and interest	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)
Loans and advances subject to moratorium	**(1 250)**	**(795)**	**(667)**	**(218)**
of which: Households	(784)	(468)	(468)	(75)
of which: Collateralized by residential immovable property	(322)	(113)	(113)	(29)
of which: Non-financial corporations	(467)	(327)	(198)	(143)
of which: Small and Medium-sized Enterprises	(201)	(201)	(144)	(78)
of which: Collateralized by commercial immovable property	(26)	(26)	0	(25)

Information on loans and advances subject to legislative and non-legislative moratoria, Accumulated impairment	Non-performing		
	Non-performing Accumulated impairment	Of which: grace period of capital and interest	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratorium	**(455)**	**(315)**	**(246)**
of which: Households	(315)	(315)	(106)
of which: Collateralized by residential immovable property	(209)	(209)	0
of which: Non-financial corporations	(140)	0	(140)
of which: Small and Medium-sized Enterprises	0	0	0
of which: Collateralized by commercial immovable property	0	0	0

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria, Gross carrying amount	Number of obligors	TOTAL	Of which: legislative moratoria	Of which: expired
Loans and advances for which moratorium was offered	**65 803**	**8 646 600**		
Loans and advances subject to moratorium (granted)	**65 569**	**8 400 784**	**15 259**	**8 361 396**
of which: Households		7 015 216	15 259	6 990 391
of which: Collateralized by residential immovable property		5 105 542	13 380	5 092 678
of which: Non-financial corporations		1 385 568	0	1 371 004
of which: Small and Medium-sized Enterprises		735 732	0	727 694
of which: Collateralized by commercial immovable property		88 257	0	87 375

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria, Gross carrying amount	Residual maturity of moratoria				
	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances subject to moratorium (granted)	**38 437**	**879**	**73**	**0**	**0**
of which: Households	24 825	0	0	0	0
of which: Collateralized by residential immovable property	12 864	0	0	0	0
of which: Non-financial corporations	13 612	879	73	0	0
of which: Small and Medium-sized Enterprises	8 037	0	0	0	0
of which: Collateralized by commercial immovable property	882	0	0	0	0

Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	Gross carrying amount		Gross carrying amount
	TOTAL	of which: forborne	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	**652 040**	**0**	**290**
of which: Households	0		0
of which: Collateralized by residential immovable property	0		0
of which: Non-financial corporations	652 040	0	290
of which: Small and Medium-sized Enterprises	277 691		290
of which: Collateralized by commercial immovable property	0		0

Market risk

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

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

The market risk limits are revised at least once a year and in order to take into account, inter alia, the change of the consolidated Own Funds, current and projected balance sheet structure as well as the market environment. The current limits in place have been valid since 1st January 2020 and the nominal levels were confirmed to be valid also in 2021 by the annual revision carried out and approved by the Risk Committee in December 2020.

Within the current market environment, the Group continued to act very prudently. In 1Q2021, none of the established market risk limits were breached - neither for the total Group nor for the Banking Book and Trading Book separately.

Open positions contain mainly interest rate and FX risk instruments. According to the Risk Strategy approved in the Group, the FX open position is allowed, however should be kept at low levels. For this purpose, the Group has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows keeping FX open positions only in Trading Book. In the 1Q2021, the FX Total open position (Intraday as well as Overnight) remained below 2% of Own Funds and well below the maximum limits in place.

The VaR indicators in the period under consideration for the Group, that is jointly Trading Book and Banking Book, increased due to market volatility caused by the COVID-19 pandemic but still were below maximum limits in place. In 1Q2021, the VaR remained on average at the level of approx. PLN 84.4 m for the Group (34% of the limit) and at approx. PLN 2.3 m for Trading Book (8% of the limit). Similarly, as of the end March 2021 the market risk exposure was approx. PLN 68.0 m for Global Bank (29% of the limit) and approx. PLN 0.9 m for Trading Book (3% of the limit).

The market risk exposure in 1Q2021 in terms of value at risk for Trading Book, together with risk type division, is presented in the table below (PLN thousands).

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

	31.03.2021		VaR (Q3 2020)			31.12.2020	
	Exposure	Limit usage	Average	Maximum	Minimum	Exposure	Limit usage
Total risk	**902**	**3%**	**2 359**	**5 860**	**518**	**1 239**	**4%**
Generic risk	899	3%	2 357	5 858	516	1 237	4%
Interest Rate VaR	897	3%	2 344	5 850	510	1 190	4%
FX Risk	64	1%	103	930	16	183	2%
Diversification Effect	6.9%					11.0%	
Specific risk	2	0%	0	0	0	2	0%

In addition to above mention market risk limits, the stop loss limits are introduced for the financial markets portfolios. The aim is to limit the maximum losses of the trading activity of the Group. In case of the limit is reached, a review of the management strategy and assumptions for the positions in question must be undertaken. In 1Q2021 none of the stop loss limits were reached.

Interest rate risk in Banking Book (IRRBB)

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

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

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

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

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

The results of COVID-19 pandemic and its highly negative impact on the economic environment, as well as the reductions of the reference rates by the Monetary Policy Council in 2020 to its historical minimum (decrease reference rate to 0.1% and the Lombard rate to 0.50%) have a negative impact on the activity and financial results of Group.

In such a low interest rate environment in Poland, the results of sensitivity of NII for the next 12 months after 31st March 2021 and for position in Polish Zloty in Banking Book in a scenario of further decrease of interest rates by 100 bps, is negative and equal to -17.5% of the annualized 1Q2021 net interest income (+10.7% for a 100 bps increase). The asymmetrical impact is connected mainly with the specificity of the polish legal system mentioned above with simultaneous limitation on further decrease on deposits side (minimum interest rate is set at 0%).The NBP Reference rate is currently set at 0.10%, so that in case of decrease by 100 bps the maximum interest rate for loan portfolio could not exceed 5.2% annually in comparison to currently valid 7.2%. In order to limit negative impact on NII sensitivity in case of further interest rate decrease, the Bank continues to hedge the risk by the interest rate swaps.

Sensitivity of NII for PLN to changes of interest rates	31.03.2021	31.12.2020
Parallel yield curve increase by 100 b.p.	+10.7%	+9.9%
Parallel yield curve decrease by 100 b.p.	-17.5%	-16.7%

When it comes to impact of interest rate changes to economic value at equity (EVE) in the long term, the supervisory stress tests results as of 31st March 2021 show that even under the most severe outlier test scenario, the decline of EVE for Banking Book is far below supervisory limit of 15% of Tier 1. Similarly, decline of EVE under standard scenario of sudden parallel +/-200 basis points shift of the yield curve also stayed far below supervisory maximum of 20% of Own Funds.

Liquidity risk

The liquidity risk measurement, monitoring and reporting is carried out daily with the use of both measures defined by the supervisory authorities and internally, for which limits were established.

The liquidity risk limits are revised at least once a year in order to take into account, inter alia, the change of the size of the consolidated own funds, current and expected balance sheet structure, historical limits' consumption, as well as current market conditions and supervisory requirements. The current limits in place have been valid since 1st January 2021.

The pandemic has an impact on global financial markets resulting in depreciation of Polish Zloty, limited confidence among market participants through decrease in financing possibilities as well as a sharp decline in activity on the treasury securities market. Despite COVID-19's implications observed in the market mentioned above, the Bank did not observe any threat to its liquidity position due to the spread of COVID-19. The Group continued to be characterized by solid liquidity position. All the supervisory and internal liquidity indicators were monitored and controlled with the frequency formally approved. . The steps taken as part of standard and binding risk management procedures have proved sufficient for managing liquidity in the current market environment.

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

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

In 1Q2021, the Group to maintained Loan-to-Deposit ratio well below 100%. This ratio was equaled 85% at the end of March 2021 (91% at the end of December 2020). The Group continues the policy of investing the liquidity surplus in the portfolio of liquid assets, especially in the debt securities with low specific risk (Polish Government Bonds, Treasury and NBP Bills) of which the share in total debt securities amounted to 99% at the end of March 2021. During 1Q 2021 this portfolio increased to the level of approx. PLN 22.2 billion at the end of March 2021 (22% of total assets) from PLN 18.4 billion at the end of December 2020 (19% of total assets). Those assets are Central Bank eligible and are characterized with high liquidity and can be easily used as collateral or sold without material loss on its value. The portfolio, supplemented by the cash and exposures to the National Bank of Poland, is liquid assets portfolio and is treated as the Group's liquidity reserve, which can overcome crisis situations.

Main liquidity ratios	31.03.2021	31.12.2020
Loans/Deposits ratio (%)	85%	91%
Liquid assets portfolio (PLN million) *	23 673	18 250
Liquidity Coverage requirement, LCR (%)	178%	161%

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

Total Clients' deposits of the Group reached the level of PLN 88.3 billion (PLN 81.5 billion at the end of December 2020). The share of funds from individuals in total Client's deposits equaled to approx. 72.8% at the end of March 2021 (75.9% at the end of December 2020). The maintenance of high share of funds from individuals had a positive impact on the Group's liquidity and supported the safe compliance of the supervisory measures.

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

The level of deposit concentration is regularly monitored and did not have any negative impact on the stability of the deposit base in 1Q2021. However, in case of significant increase of the share of the largest depositors, the additional funds from the depositors are not treated as stable. Despite of that, in order to prevent deposit base fluctuations, the Group maintains the reserves of liquid assets in the form of securities portfolio as described above.

According to the Regulation of European Parliament and Council no 575/2013 on prudential requirements for credit institutions and investment firms (CRR), the Group is daily calculating the liquidity coverage requirement (LCR). The regulatory minimum of 100% for LCR requirement was fulfilled by the Group. The LCR reached the level of 178% at the end of March 2021 (161% at the end of December 2020). The increased of LCR was mainly caused by growth of stable funding from retail and corporate customers with simultaneous increase of the position in Polish government bonds and NBP bills.

In 1Q2021, the Group also regularly calculated net stable funding requirement (NSFR). In 1Q2021, the NSFR was above planned supervisory minimum of 100% (supervisory minimum will be valid in June 2021).

Additionally, the Group employs an internal structural liquidity analysis based on cumulative liquidity gaps calculated on an actuarial basis (i.e. assuming a certain probability of cash flow occurrence). In 1Q 2021 the internally defined limit of 12% total assets was not breached and the liquidity position was confirmed as solid.

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

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

Operational risk

In the first quarter of 2021 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with legal provisions in force and the best practice of national and international financial institutions.

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

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

In the first quarter of 2021 the registered level of operational risk losses was at the acceptable level.

Capital management

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

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

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

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

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

- Pillar II FX mortgage buffer (RRE FX) - KNF recommendation to maintain additional own funds for the coverage of additional capital requirements in order to secure the risk resulting from FX mortgage loans granted to households, in line with art. 138.1.2a of Banking Act. At present, the buffer was set by KNF in recommendations issued in November and December 2020 in the level of 3.41 p.p. (the Bank) and 3.35 p.p. (the Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements for Tier 1 ratio of 2.56 p.p. (the Bank) and of 2.52 p.p. (the Group), and which corresponds to capital requirements for CET 1 ratio of 1.91 p.p. (the Bank) and 1.88 p.p. (the Group);
- Combined buffer – defined in Act on macro prudential supervision over the financial system and crisis management – that consists of:
  - Capital conservation buffer at the level of 2.5%;
  - Other systemically important institution buffer (OSII) – at the level of 0.25% and the value is set by KNF every year;
  - Systemic risk buffer at the level of 0%, reduced from 3% in March 2020;
  - Countercyclical buffer at the 0% level.

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

Capital adequacy	31.03.2021	31.12.2020	31.03.2020
Risk-weighted assets	50 078.1	51 138.0	50 675.0
Own Funds requirements, including:	4 006.2	4 091.0	4 054.0
- Credit risk and counterparty credit risk	3 539.1	3 677.0	3 641.9
- Market risk	29.7	26.7	24.3
- Operational risk	433.0	382.6	382.6
- Credit Valuation Adjustment CVA	4.5	4.8	5.2
Own Funds, including:	9 701.0	9 969.0	9 896.8
Common Equity Tier 1 Capital	8 171.0	8 439.0	8 366.8
Tier 2 Capital	1 530.0	1 530.0	1 530.0
Total Capital Ratio (TCR)	**19.37%**	**19.49%**	**19.53%**
Minimum required level	14.10%	14.10%	15.37%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	5.27 pp	5.39 pp	4.16 pp
Tier 1 Capital ratio (T1)	**16.32%**	**16.50%**	**16.51%**
Minimum required level	11.27%	11.27%	12.15%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	5.05 pp	5.23 pp	4.36 pp
Common Equity Tier 1 Capital ratio (CET1)	**16.32%**	**16.50%**	**16.51%**
Minimum required level	9.13%	9.13%	9.73%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	7.19 pp	7.37 pp	6.78 pp
Leverage ratio (LR)	**7.62%**	**8.30%**	**7.99%**

Capital adequacy ratios in 1Q 2021 compared to the end of 2020 slightly decreased – TCR by 12 bps and T1 and CET1 ratios by 18 bps. In the one year perspective, the extent of the fall was almost the same (decrease of TCR by 16 bps and T1/CET1 by 19 bps). The drop of capital ratios was driven mainly by the fall of own funds by PLN 268m (by 2.7%), being first of all a result of a negative net profit in 1Q 2021. From the other hand, a reduction of risk-weighted assets by PLN 1,060m (by 2.1%) eased a negative effect of capital base decrease.

According to the announcement of the Bank Guarantee Fund, the mid-term MREL targets set for the end of 2020 are not considered obligatory by the Fund, and in the next planning cycle the Fund will apply both the extended target date, i.e. January 1, 2024, as well as indicate the date of meeting the first binding mid-term target - January 1, 2022. The Bank expects to receive updated MREL requirements in the second or third quarter of 2021.
In order to fulfil and maintain required MREL limits, the Group may issue MREL eligible instruments that could cause increase of financing costs for the Group.

6. Operational Segments

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

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

Retail Customer Segment

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

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

Corporate Customer Segment

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

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

Treasury, ALM (assets and liabilities management) and Other

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

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

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

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

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

Income statement 1.01.2021 – 31.03.2021

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	410 603	72 333	136 564	619 500
Net fee and commission income, including:	150 768	52 060	1 949	204 777
Fee and commission income	187 269	53 735	4 990	245 994
Fee and commission expenses	(36 501)	(1 675)	(3 041)	(41 217)
Dividends, other income from financial operations and foreign exchange profit	20 135	16 927	(13 032)	24 030
Result on non-trading financial assets mandatorily at fair value through profit or loss	4 079	0	4 037	8 116
Other operating income and cost	(4 984)	(1 180)	20 780	14 616
Operating income	580 601	140 140	150 298	871 039
Staff costs	(160 834)	(36 641)	(8 124)	(205 599)
Administrative costs	(112 138)	(15 868)	(42 280)	(170 286)
Depreciation and amortization	(43 376)	(6 836)	(1 236)	(51 448)
Operating expenses	(316 348)	(59 345)	(51 640)	(427 333)
Impairment losses on assets	(39 522)	(34 841)	(2 384)	(76 747)
Results on modification	(3 540)	(5)	0	(3 545)
Operating Profit	**221 191**	**45 949**	**96 274**	**363 414**
Share in net profit of associated companies				0
Provisions for COVID-19				0
Provisions for legal risk connected with FX mortgage loans				(533 403)
Banking tax				(75 041)
Profit / (loss) before income tax				**(245 030)**
Income taxes				(66 308)
Profit / (loss) after taxes				**(311 338)**

Balance sheet items as at 31.03.2021

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Loans and advances to customers	58 993 158	16 317 569	0	75 310 727
Liabilities to customers	67 761 622	20 295 774	197 210	88 254 606

Income statement 1.01.2020 – 31.03.2020

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	487 138	87 334	101 295	675 767
Net fee and commission income, including:	153 981	40 064	488	194 533
Fee and commission income	201 534	42 883	3 252	247 669
Fee and commission expenses	(47 553)	(2 819)	(2 764)	(53 136)
Dividends, other income from financial operations and foreign exchange profit	25 250	18 059	19 585	62 894
Result on non-trading financial assets mandatorily at fair value through profit or loss	(11 679)	0	0	(11 679)
Other operating income and cost	(4 688)	(3 189)	(4 590)	(12 467)
Operating income	650 002	142 268	116 778	909 048
Staff costs	(199 972)	(36 554)	(7 226)	(243 752)
Administrative costs	(140 340)	(15 963)	(64 511)	(220 814)
Depreciation and amortization	(48 641)	(3 968)	(731)	(53 340)
Operating expenses	(388 953)	(56 485)	(72 468)	(517 906)
Impairment losses on assets	(73 119)	(48 446)	(1 764)	(123 329)
Results on modification	(2 613)	664	0	(1 949)
Operating Profit	**185 317**	**38 001**	**42 546**	**265 864**
Share in net profit of associated companies				0
Provisions for COVID-19				(60 000)
Provisions for legal risk connected with FX mortgage loans				(55 325)
Banking tax				(72 741)
Profit / (loss) before income tax				**77 798**
Income taxes				(59 669)
Profit / (loss) after taxes				**18 129**

Balance sheet items as at 31.12.2020

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Loans and advances to customers	57 819 969	16 268 373	0	74 088 342
Liabilities to customers	65 413 189	15 919 233	178 118	81 510 540

7. Transactions with Related Entities

All and any transactions between entities of the Group in 1 quarter of 2021 resulted from the current operations.

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

7.1. Transactions with the Parent Group

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

	With parent company		With other entities from parent group	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
ASSETS				
Loans and advances to banks - accounts and deposits	50 600	1 237	0	0
Financial assets held for trading	0	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	0	0
LIABILITIES				
Loans and deposits from banks	82 066	23 601	126 338	127 903
Debt securities	0	0	0	0
Financial liabilities held for trading	292	333	0	0
Hedging derivatives	0	0	0	0
Other liabilities	0	0	65	122

	With parent company		With other entities from parent group	
	2021	2020	2021	2020
Income from:				
Interest	(61)	(27)	0	0
Commissions	16	35	0	0
Financial assets and liabilities held for trading	0	0	0	0
Expense from:				
Interest	0	4	(79)	(82)
Commissions	0	0	0	0
Financial assets and liabilities held for trading	333	420	0	0
Other net operating	3	2	0	0
Administrative expenses	0	0	4	178

	With parent company		With other entities from parent group	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
Conditional commitments	101 043	100 774	0	0
granted	100 250	100 000	0	0
obtained	793	774	0	0
Derivatives (par value)	15 791	15 938	0	0

7.2. Balance of the Bank's shares held by the Bank's supervisory and management board members

Name and surname	Position/Function	Number of shares as of delivery date of quarterly report prepared as at 31.03.2021	including received under the incentive program (*)	Number of shares as of delivery date of report prepared as at 31.12.2020	including received under the incentive program (*)
Joao Nuno Lima Bras Jorge	Prezes Zarządu	247 021	96 021	247 021	96 021
Fernando Maria Cardoso Rodrigues Bicho	Wiceprezes Zarządu	76 252	76 252	76 252	76 252
Wojciech Haase	Członek Zarządu	69 625	62 131	69 625	62 131
Andrzej Gliński	Członek Zarządu	62 131	62 131	62 131	62 131
Wojciech Rybak	Członek Zarządu	62 131	62 131	62 131	62 131
Antonio Ferreira Pinto Junior	Członek Zarządu	62 131	62 131	62 131	62 131
Jarosław Hermann	Członek Zarządu	62 131	62 131	62 131	62 131

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

Name and surname	Position/Function	Number of shares as of delivery date of quarterly report prepared as at 31.03.2021	Number of shares as of delivery date of report prepared as at 31.12.2020
Bogusław Kott	Chairman of the Supervisory Board	1 000	1 000
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Dariusz Rosati	Deputy Chairman and Secretary of the Supervisory Board	0	0
Miguel de Campos Pereira de Bragança	Member of the Supervisory Board	0	0
Olga Grygier-Siddons	Member of the Supervisory Board	0	/-/
Anna Jakubowski	Member of the Supervisory Board	0	0
Grzegorz Jędrys	Member of the Supervisory Board	0	0
Alojzy Nowak	Member of the Supervisory Board	0	0
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Supervisory Board	0	0
Miguel Maya Dias Pinheiro	Member of the Supervisory Board	0	0
Beata Stelmach	Member of the Supervisory Board	0	/-/
Lingjiang Xu	Member of the Supervisory Board	0	0

8. Fair Value

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

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

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

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

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

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

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

Receivables and liabilities with respect to banks

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

Loans and advances granted to customers valued at amortised cost

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

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

The fair value of instruments with defined maturity is estimated by discounting related cash flows on contractual dates and under contractual conditions with the use of current zero-coupon rates and credit risk margins.
In case of mortgage loans due to their long-term nature estimation of the future cash flows also includes: the effect of early repayment and liquidity risk in foreign currencies.

Liabilities to customers

The fair value of such instruments without maturity or with maturity under 30 days is considered by the Group to be close to balance-sheet value.
Fair value of instruments due and payable in 30 days or more is determined by discounting future cash flows from principal and interest (including the current average margins by major currencies and time periods) using current interest (including the original average margins by major currencies and time periods) in contractual terms.

Liabilities from the issuance of structured debt securities

Liabilities from the issuance of structured debt securities - bank's securities (BPW) are stated/priced at fair value in accordance with Bank's model. In this model, zero coupon bond price is calculated, which afterwards is increased by the option price, which was basis for a strategy built in a given structured bond.
The fair value of other liabilities arising from debt securities issued by the Bank (bonds (BKMO)) was estimated based on the expected cash flows using current interest rates taking into account the margin for credit risk. The current level of margins was appointed on the basis of recent transactions of similar credit risk.

Subordinated liabilities and medium term loans

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

The table below presents results of the above-described analyses as at 31.03.2021 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	14	38 902	40 570
Deposits, loans and advances to banks and other monetary institutions	14	605 247	605 249
Loans and advances to customers*	13	73 678 342	71 484 705
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	18	825 526	826 102
Liabilities to customers	19	88 254 606	88 266 152
Debt securities issued	21	423 600	423 810
Subordinated debt	22	1 539 054	1 539 330

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

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

The table below presents data as at 31.12.2020 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	14	38 818	39 559
Deposits, loans and advances to banks and other monetary institutions	14	625 430	625 430
Loans and advances to customers*	13	72 472 589	70 992 415
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	18	1 057 652	1 057 991
Liabilities to customers	19	81 510 540	81 545 397
Debt securities issued	21	558 560	560 714
Subordinated debt	22	1 540 209	1 540 491

8.2. Financial instruments recognized at fair value in the balance sheet

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

Data in PLN'000, as at 31.03.2021

	Note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	11			
Valuation of derivatives			208 930	16 709
Equity instruments		280		
Debt securities		163 881		
Non-trading financial assets mandatorily at fair value through profit or loss	13			
Equity instruments			137 098	66 609
Debt securities				51 436
Loans and advances				1 632 385
Financial assets at fair value through other comprehensive income	12			
Equity instruments		321		29 226
Debt securities		22 725 580		
Derivatives – Hedge accounting	15		33 301	
LIABILITIES				
Financial liabilities held for trading	11			
Valuation of derivatives			58 104	16 408
Short positions		9 451		
Derivatives – Hedge accounting	15		485 502	

Data in PLN'000, as at 31.12.2020

	Note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	11			
Valuation of derivatives			133 815	20 373
Equity instruments		245		
Debt securities		269 413		
Non-trading financial assets mandatorily at fair value through profit or loss	13			
Equity instruments			134 163	66 609
Debt securities				50 335
Loans and advances				1 615 753
Financial assets at fair value through other comprehensive income	12			
Equity instruments		320		29 218
Debt securities		18 613 077		
Derivatives – Hedge accounting	15		21 795	
LIABILITIES				
Financial liabilities held for trading	11			
Valuation of derivatives			83 754	20 021
Short positions		64 778		
Derivatives – Hedge accounting	15		738 850	

Using the criterion of valuation techniques as at 31.03.2021 Group classified into the third category following financial instruments:

- credit exposures with a leverage / multiplier feature inbuilt in the definition of interest rate (these are credit card exposures and overdraft limits for which the interest rate is based on a multiplier: 4 times the lombard rate). To estimate the fair value of loans, due to the lack of availability of the market value, an internal valuation model was used, taking into account the assumption that at the time of granting the loan the fair value is equal to the carrying value. The fair value of loans without recognized impairment is equal to the sum of future expected cash flows discounted at the balance sheet date. The discounting rate is the sum of: the cost of risk, the cost of financing, the value of the expected return. The fair value of impaired loans is equal to the sum of future expected recoveries discounted using the effective interest rate, recognizing that the average expected recoveries fully take into account the element of credit risk. In case of an increase in the discount rate by 1 p.p. valuation of the portfolio would have been reduced by -0.1% (sensitivity analysis: based on the FV model for the portfolio of credit cards);
- index options, option transactions are measured at fair value with use of option measurement models, the model measurement is supplemented with impact on fair value of the estimated credit risk parameter;
- VISA Inc. engagement shares in the number of 23,798; the method of fair value calculation of this instrument considers the time value of money, the time line for conversion of preferred stock in common stock of VISA and adjustments resulting from litigations (on-going or potential) against VISA and the Bank.;
- other equity instruments measured at fair value (unquoted on an active market).

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

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 31.12.2020	**19 911**	**(19 559)**	**95 827**	**50 335**	**1 615 753**
Settlement/sell/purchase	(1 917)	896	3	0	(4 118)
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	16 670
Results on financial assets and liabilities held for trading	(1 612)	2 583	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	1 101	4 079
Result on exchange differences	0	0	4	0	0
Balance on 31.03.2021	**16 382**	**(16 081)**	**95 835**	**51 436**	**1 632 385**

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

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 31.12.2019	**61 294**	**(60 944)**	**95 976**	**103 001**	**1 498 195**
Settlement/sell/purchase	(34 996)	34 697	0	0	90 544
Change of valuation recognized in equity	0	0	(175)	0	0
Interest income and other of similar nature	0	0	0	0	69 934
Results on financial assets and liabilities held for trading	(6 387)	6 688	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	(52 666)	(42 920)
Result on exchange differences	0	0	26	0	0
Balance on 31.12.2020	**19 911**	**(19 559)**	**95 827**	**50 335**	**1 615 753**

9. Contingent liabilities and assets

9.1. Lawsuits

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

Court cases brought up by the Group

Value of the court litigations, as at 31.03.2021, in which the companies of the Group were a plaintiff, totalled PLN 381.8 million.

Proceedings on infringement of collective consumer interests

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

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

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

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

The Bank lodged an appeal within the statutory time limit.

On January 7, 2020, the first instance court dismissed the Bank's appeal in its entirety. The bank appealed against the judgment within the statutory deadline. The court presented the view that the judgment issued in the course of the control of a contractual template (in the course of an abstract control), recognizing the provisions of the template as abusive, determines the abusiveness of similar provisions in previously concluded contracts. Therefore, the information provided to consumers was incorrect and misleading. As regards the penalty imposed by UOKiK, the court pointed out that the policy of imposing penalties by the Office had changed in the direction of tightening penalties and that the court agrees with this direction.
In the Bank's assessment, the Court should not assess the Bank's behaviour in 2015 from the perspective of today's case-law views on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the President of UOKiK was published), the more penalties for these behaviours should not be imposed using current policy. The above constitutes a significant argument against the validity of the judgment and supports the appeal which the Bank submitted to the Court of second instance.
According to current estimates of the risk of losing the dispute, the Bank has not created a provision.

Proceedings on competition-restricting practice

The Bank (along with other banks) is also a party to the dispute with UOKiK, in which the President of UOKiK recognized the practice of participating banks, including Bank Millennium, in an agreement aimed at jointly setting interchange fee rates charged on transactions made with Visa and Mastercard cards as restrictive of competition, and by decision of 29 December 2006 imposed a fine on the Bank in the amount of PLN 12.2 million. The Bank, along with other banks, appealed the decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of November 23, 2020, the case is currently pending before the court of first instance - the Court of Competition and Consumer Protection. The Bank has created a provision in the amount equal to the imposed penalty.

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

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

Penalty was imposed upon the Bank in the amount of 10.5 million PLN. Penalty amount takes account of two mitigating circumstances: cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of provisions in question.

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

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

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

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

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

Court cases against the Group

As at 31.03.2021, the most important proceedings, in the group of the court cases where the Group's companies were defendant, were following:

- The Bank is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, the Bank was sued jointly and severally with another bank, and in one with another bank and card organizations. The total value of claims submitted in these cases is PLN 729,580,027. The proceedings with the highest value of the submitted claim are brought by PKN Orlen SA, in which the plaintiff demands payment of PLN 635,681,381. The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2006-2014. In the other two cases, the charges are similar to those raised in the case brought by PKN Orlen SA, while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, the Bank did not create a provision. In addition, we point out that the Bank participates as a side intervener in three other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2008-2014.
- A lawsuit brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium S.A., worth of the dispute 521.9 million PLN with statutory interest from 05.04.2016 until the day of payment. The plaintiff filed the suit dated 23.10.2015 to the Regional Court in Warsaw; the suit was served to the Bank on 04.04.2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by the Bank and consisting in the wrong interpretation of the Agreement for working capital loan concluded between the Bank and PCZ S.A., which resulted in placing the loan on demand. In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of 250.0 million PLN. The petition was dismissed on 5.09.2016 with legal validity by the Appellate Court. The Bank is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Supporting the position of the Bank, the Bank's attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to the Bank, issued in the same legal state in the action brought by PCZ SA against the Bank. At present, the Court of first instance is conducting evidence proceedings.
- On January 19, 2018 the Bank received the lawsuit petition of First Data Polska SA requesting the payment of 186.8 mln PLN. First Data claims a share in an amount which the Bank has received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its request on an agreement with the Bank on co-operation in scope of acceptance and settlement of operations conducted with the usage of Visa cards. In accordance with the judgment of June 13, 2019, the Bank won the case before the Court of first instance. By the judgment of March 10, 2021, the Court of Appeal in Warsaw upheld the judgment of the first instance court, which dismissed the claim of Fist Data SA. The Bank has won the case. First Data SA has the right to submit a cassation appeal to the Supreme Court.

As at 31.03.2021, the total value of the subjects of the other litigations in which the Group appeared as defendant, stood at PLN 1,024.7 million (excluding the class actions described below and in the **Chapter 10)**. In this group the most important category are cases related with FX loans mortgage portfolio and cases related to forward transactions (option cases).

The class action related to the LTV insurance:

On the 3rd of December 2015 a class action was served on the Bank. A group of the Bank's debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million, claiming that the clauses of the agreements, pertaining to the low down payment insurance, are unfair and thus not binding. Plaintiff extended the group in the court letter filed on the 4th of April 2018, therefore the claims increased from PLN 3.5 million to over PLN 5 million.
Actual status:
On the 1st of October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94.
By the resolution of 1 April 2020 the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing and called on the parties to submit questions to the witnesses.

As at 31 March 2021, there were also 387 individual court cases regarding LTV insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

Lawsuits filed by Financial Ombudsman for discontinuation of unfair market practices

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

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

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

FX mortgage loans legal risk

FX mortgage loans legal risk is described in the **Chapter 10.** "Costs of provisions for legal risk related to foreign currency mortgage loans".

9.2. OFF - BALANCE ITEMS

Amount '000 PLN	31.03.2021	31.12.2020	31.03.2020
Off-balance conditional commitments granted and received	**16 214 002**	**15 722 748**	**12 858 613**
Commitments granted:	14 386 839	14 177 193	12 310 327
loan commitments	12 659 877	12 420 910	10 616 011
guarantee	1 726 961	1 756 283	1 694 316
Commitments received:	1 827 163	1 545 555	548 286
financial	16 520	0	0
guarantee	1 810 643	1 545 555	548 286

10. Costs of provisions for legal risk related to foreign currency mortgage loans

10.1. CURRENT PROVISIONS ON LEGAL RISK

As of 31st of March 2021, the Bank had 6 258 loan agreements and additionally 558 loan agreements from former Euro Bank (97% loans agreements before the Court of first instance and 3% loans agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by the bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 709.5 million and CHF 49.2 million (Bank Millennium portfolio: PLN 649.2 million and CHF 48.2 million and former Euro Bank portfolio: PLN 60.3 million and CHF 1.0 million). The outstanding amount of the loan agreements under individual court cases as of 31.03.2021 was PLN 2,099 million.

Until 31.03.2021 only 79 cases were finally resolved (56 in claims submitted by clients against the Bank and 23 in claims submitted by the Bank against clients i.e. debt collection cases)

The claims formulated by the Clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of allegedly undue performance, due to the abusive nature of indexation clauses. The pushy advertising campaign observed in the public domain affects the number of court disputes.

In addition, the Bank is a party to the group proceedings (class action) subject matter of which is to determine the Bank's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3 281. At the current stage, the composition of the group has been established and confirmed by the court. The proceedings entered the phase of reviewing the case on the merits. On 11 August 2020, the claimant requested granting interim measures to secure the claims against the Bank. In a decision of 18 August 2020, the request for granting interim measures was dismissed. On 26 October 2020, the claimant filed another application for granting interim measures to secure claims against the Bank concerning two group members. By decision of 6 November 2020, the application was rejected. During the session on 26 of October 2020 the Court conducted a hearing of parties' position and afterwards postponed the session without setting the next term. The outstanding amount of the loan agreements under the class action proceeding was 971 million PLN as of 31.03.2021.

The Bank continues to be open to its customers in order to reach amicable solutions on negotiated terms. Bank Millennium undertakes number of actions at different levels towards different stakeholders in order to mitigate legal and litigation risk as regard FX mortgage loans portfolio. The Bank is open to negotiate case by case favourable conditions for early repayment (partial or total) or conversion of loans to PLN. On the other hand, the Bank will continue to take all possible actions to protect its interests in courts while at the same time being open to find settlement with customers in the court under reasonable conditions. The Bank has already reached agreement and settlement with 137 borrowers that participated in the class action.

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved in favour of banks until 2019 year. However, after the Court of Justice of the European Union (CJEU) judgment issued on 3 October 2019 (Case C-260/18) the proportion have adversely changed and vast majority of court cases have been lost by banks.

Taking into consideration the increased legal risk related to FX mortgages, in I quarter 2021 Bank Millennium created PLN 512.3 million provisions and PLN 21.1 million for ex-Euro Bank originated portfolio. (respectively in year 2020: PLN 677 million and PLN 36.4 million). The methodology developed by the Bank is based on the following main parameters: (1) the number of current (including class action) and potential future court cases that will appear within a specified (three-year) time horizon, (2) the amount of the Bank's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account), (3) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

As of 31 March 2021, the balance sheet value of provisions set aside for FX mortgage legal risk for the portfolio originated by Bank Millennium reached PLN 1,432.5 million, and PLN 57.5 million for the portfolio originated by ex-Euro Bank. Legal risk from ex-Euro Bank portfolio is fully covered by Indemnity Agreement with Societe Generale.

The Bank analyzed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against the Bank	PLN 45 million
Change in the probability of winning a case	The probability of the Bank winning a case is lower by 1 p.p	PLN 26 million

On 3 October 2019, the Court of Justice of the European Union ('the CJEU') issued the judgment in Case C-260/18 in connection with the preliminary questions formulated by the District Court of Warsaw in the case against Raiffeisen Bank International AG. The judgment of the CJEU, as regards the interpretation of European Union law made therein, is binding on domestic courts. The judgment in question interpreted Article 6 of Directive 93/13. In the light of the subject matter judgment the said provision must be interpreted in such a way that (i) the national court may invalidate a credit agreement if the removal of unfair terms detected in this agreement would alter the nature of the main subject-matter of the contract; (ii) the effects for the consumer’s situation resulting from the cancellation of the contract must be assessed in the light of the circumstances existing or foreseeable at the time when the dispute arose and the will of the consumer is decisive as to whether he wishes to maintain the contract; (iii) Article 6 of the Directive precludes the filling-in of gaps in the contract caused by the removal of unfair terms from the contract solely on the basis of national legislation of a general nature or established customs; (iv) Article 6 of the Directive precludes the maintenance of unfair terms in the contract if the consumer has not consented to the maintenance of such terms. It can be noticed the CJEU found doubtful the possibility of a credit agreement being performed further in PLN while keeping interest calculated according to LIBOR.

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

On 29th April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., CJEU said that:

(i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term is unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it.

(ii) the national court may remove only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by Council Directive 93/13 is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. At the same time, provisions of the Directive preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance.

(iii) the consequences of a judicial finding that a term if a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions.

(iv) the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, shall inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On 7th May 2021, the Supreme Court composed of 7 judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

1. An abusive contractual clause (art. 3851 § 1 of the Civil Code), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively.

2. If without the ineffective clause the loan agreement cannot bind, the consumer and the lender shall be eligible for separate claims for return of monetary performances made in exercising this agreement (art. 410 § 1 in relation to art. 405 of the Civil Code). The lender may demand return of the performance from the moment the loan agreement becomes permanently ineffective.

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

If all Bank Millennium loan agreements currently under individual and class action court proceedings would be declared invalid, the pre-tax cost could reach PLN 2,676 million.

10.2. EVENTS THAT MAY IMPACT PROVISION FOR LEGAL RISK

On 29 January 2021 it was published a set of questions addressed by the First President of the Supreme Court to the full Civil Chamber of the Supreme Court which may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court has been requested for answering the questions concerning key matters related to FX mortgage agreements: (i) is it permissible to replace - with the law provisions or with a custom - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of impossibility of determining the exchange rate of a foreign currency in the indexed/denominated credit agreement - is it permissible to keep the agreement still valid in its remaining scope; as well as (iii) if in case of invalidity of the CHF credit there would be applicable the theory of balance (i.e. does arise a single claim which is equal to the difference between value of claims of bank and the customer) or the theory of two condictions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court has also been requested for answering the question on (iv) from which point in time there shall be starting the limitation period in case of bank's claim for repayment of amounts paid as a loan and (v) whether banks and consumers may receive remuneration for using their pecuniary means by another party. The date of the meeting of the Supreme Court is scheduled for 11 May 2021. The Bank will assess in due time the implications of the potential decisions of the Supreme Court on the level of provisions for the legal risk.

On December 8, 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority (‘PFSA’) proposed a ‘sector’ solution to address the sector risks related to FX mortgages. The solution would consist in offering by banks to their clients a voluntary possibility of concluding arrangements based on which a client would conclude with the bank a settlement as if his/her loan from the very beginning had been a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loan.

Following that public announcement, the idea has been subject of consultations between banks under the auspices of the PFSA and Polish Banking Association. Banks in general have been assessing the conditions under which such solution could be implemented and consequent impacts.

In the view of the Management Board of the Bank, important aspects to take into consideration when deciding on potential implementation of such program are : a) favourable opinion or at least non-objection from important public institutions; b) support from National Bank of Poland to the implementation; c) level of legal certainty of the settlement agreements to be signed with the borrowers; d) level of the financial impact on a pre- and after tax basis; e) capital consequences including regulatory adjustments in the level of capital requirements associated with FX mortgage loans.

At the time of publishing this report, neither the Management Board nor any other corporate body of the Bank took any decision regarding implementation of such program. If / when a recommendation regarding the program would be ready, the Management Board would submit it to the Supervisory Board and General Shareholders meeting taking into consideration the relevance of such decision and its implications.

According to preliminary calculations, implementation of a solution whereby loans would be voluntarily converted to Polish zloty as if from the very beginning they had been a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the current portfolio would be converted) with a pre-tax impact between PLN 4 100 million to PLN 5 100 million (not audited data). The impacts can significantly change in case of variation of the exchange rate and several assumptions. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk weighted assets and the decrease or elimination of Pillar 2 buffer. The above mentioned impact would be substantially higher than the estimated impact of PLN 500 million to PLN 600 million (not audited data) in the scenario of replacing the exchange rate applied in the contracts by the average NBP exchange rate. Finally it should be mentioned, that the Bank, as at 31.03.2021, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 3.41 p.p. (3.36 p.p. at the Group level), part of which is allocated to operational/legal risk.

Due to the complexity and uncertainty regarding the outcome of court cases, as well as from potential implementation of KNF Chairman solution or from potential Supreme Court decisions, it is difficult to reliably estimate potential impacts of such different outcomes and their interaction as at the date of publication of the financial statements.

11. Additional Information

11.1. Data about assets, which secure liabilities

As at 31.03.2021 r. (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds OK0722	Held to Collect and for Sale	Lombard credit granted to the Bank by the NBP	130 000	129 948
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	310 000	309 876
3.	Treasury bonds PS0123	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	93 500	98 037
4.	Treasury bonds PS0123	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	71 000	74 445
5.	Cash	receivables	initial settlement deposit in KDPW CCP (MARI)	4 600	4 600
6.	Cash	receivables	ASO guarantee fund (PAGB)	3 137	3 137
7.	Cash	receivables	right settlement deposit in KDPW CCP (MARS)	608	608
8.	Cash	receivables	payment to the OTC Guarantee Fund - KDPW_CCP	5 420	5 420
9.	Cash	receivables	Settlement on transactions concluded	51 808	51 808
10.	Deposits	Deposits in banks	Settlement on transactions concluded	413 275	413 275
11.	Leasing receivables	Loans and advances	Loans granted to Millennnium Leasing	256 134	256 134
		TOTAL		1 339 481	1 347 287

Additionally, as at March 31, 2021, 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 9,983 thousand.

As at 31.12.2020 r. (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds OK0722	Held to Collect and for Sale	Lombard credit granted to the Bank by the NBP	130 000	129 922
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 PS0123	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	88 000	94 473
4.	Treasury bonds PS0123	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
		TOTAL		1 775 548	1 800 264

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.

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

As at 31 March 2021 following securities (presented in the Group's balance-sheet) were underlying Sell-buy-back transactions (PLN'000):

Type of security	Par value	Balance sheet value
Treasury bonds	8 823	9 983
TOTAL	8 823	9 983

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

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

Type of security	Par value	Balance sheet value
Treasury bonds	233 004	248 429
TOTAL	233 004	248 429

11.3. 2020 DIVIDEND

Bank Millennium has a dividend policy of distributing between 35% to 50% of the Bank's net profit, assuming that the recommendations of the Polish Financial Supervision Authority (PFSA) regarding the payment of dividends will be implemented.
On December 16, 2020, the PFSA published its position on the dividend policy of commercial banks in 2021. Given the significant uncertainty about the further developments related to the COVID19 pandemic, the temporary nature of solutions used by banks to improve the capital situation during the pandemic, persistently cautious supervisory positions in the EU with regard to dividend restrictions and other forms of lowering capital resources and changing the EBA guidelines extending moratoria, the PFSA deemed it necessary for commercial banks to suspend dividends. On January 13, the Bank received a similar individual recommendation of the PFSA regarding the suspension of payments by the Bank in the first half of 2021.
Based on the above recommendations, uncertainty as to the operating conditions caused by the COVID-19 pandemic, the existing legal / operational risk, as well as taking into account the need to provide appropriate capital support to increase the scale of business operations, the Bank's Management Board presented a proposal and the Ordinary General Meeting of the Bank held on March 24, 2021 decided to retain the entire net profit generated during the year 2020 in the Bank's equity.

11.4. EARNINGS PER SHARE

Loss per share calculated for 1 quqrter of 2021 (and diluted loss per share) on the basis of the consolidated data amounts to -PLN 0.26.

11.5. SHAREHOLDERS HOLDING NO LESS THAN 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL SHAREHOLDERS MEETING OF THE GROUP'S PARENT COMPANY - BANK MILLENNIUM S.A.

Because the Bank is a public company whose shares are traded on the WSE primary market, the Bank has no detailed information about the shareholding structure as of March 31, 2021. Information on shareholders, contained in the table below, is provided on the basis of data collected in connection with the registration of shareholders entitled to participate in the Ordinary General Meeting of the Bank convened for March 24, 2021.

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

Shareholder as at 31.03.2021	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	100 000 000	8.24	100 000 000	8.24
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	80 000 000	6.59	80 000 000	6.59
Aviva Otwarty Fundusz Emerytalny Aviva Santander	72 760 000	6.00	72 760 000	6.00

Shareholder as at 31.12.2020	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	109 924 704	9.06	109 924 704	9.06
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	85 697 263	7.06	85 697 263	7.06
Aviva Otwarty Fundusz Emerytalny Aviva Santander	76 760 035	6.33	76 760 035	6.33

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

In the 1 quarter, the Group did not grant any sureties or guarantees for a loan or bank loan which would cause the Group's exposure on this account as at 31 March 2021 to be significant.

11.7. Seasonality and business cycles

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

11.8. Other additional information and events after the balance sheet date

As at 31 March 2021, the Group has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed consolidated statements, Group did not:

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

Mortgage Bank

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

Group layoffs (as part of the restructuring process after the merger with Euro Bank)

In the period between February 1 and March 31, 2020, approximately 211 employees were made redundant. The costs of severance pay and damages in this respect did not exceed PLN 13 million. The layoffs resulted from mergers of organizational structures, namely: liquidation of duplicate organizational units, standardization and optimization of processes. The Bank's branches were also reviewed - based on the conducted economic and market analyzes, decisions were made to close some of them. The rules for carrying out these layoffs, the criteria and the amount of severance pay have been developed and agreed with the trade unions operating at the Bank.

Between the date of the report and the date of its publication, there were no significant events (except for those described in **Chapter 10 "Costs of provisions for legal risk related to foreign currency mortgage loans"**) that could have a significant impact on the financial statements and future results of the Group.

Date	Name and surname	Position/Function	Signature
10.05.2021	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
10.05.2021	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
10.05.2021	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
10.05.2021	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
10.05.2021	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
10.05.2021	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
10.05.2021	Jarosław Hermann	Member of the Management Board	Signed by a qualified electronic signature

Condensed Interim Standalone Financial Statements of the Bank Millennium S.A. for the 3 months ended 31 March 2021

Contents

1. Introduction and Accounting Policy

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed consolidated interim financial statement do not include all of the information which is presented in full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2020.

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the three months ending March 31, 2021.

Condensed interim financial statements of the Bank:

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

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

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank's economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the three months period ended 31 March 2021. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the three months period ended 31 March 2021 contain all important information, which also serves as explanatory data to these standalone statements of the Bank.

The Management Board approved these condensed interim financial statements on 10th May 2021.

Change of applied accounting principles introduced in 2020

In the annual financial statement 2020, the Bank changed the presentation of provisions for legal risk connected with FX mortgage loans which in the financial statements for year 2019 were recognized as provisions for pending legal issues. Having in mind that part of these provisions relates to the new estimation of cash flows from the mortgage loan portfolio, the Bank commencing from I quarter 2020 allocated these provisions to individual credit exposures and presents in financial statements as a decrease in the gross value of mortgage loans for which contractual cash flow are expected to reduce according to IFRS9. In order to ensure comparability, the Bank made appropriate cash flow adjustments to the data presented in I quarter 2020 report and the initial (opening) balance presented in note "Provisions for pending legal issues" as illustrated in the tables below.

Balance sheet	Data as at 31 December 2019 presented in Bank's financial statements for I quarter 2020	Value of adjustment	Data as at 31 December 2019 presented in Bank's financial statements for I quarter 2021
Provisions for pending legal issues	250 433	(139 548)	110 885

Consolidated cash flow	Data for I quarter 2020 as presented in Bank's financial statements for I quarter 2020	Value of adjustment	Data for I quarter 2020 as presented in Bank's financial statements for I quarter 2021
Cash flows from operating activities			
Change in loans and advances to customers	(3 130 191)	(139 548)	(3 269 739)
Changes in provisions	(31 759)	139 548	107 789

2. Standalone Financial Data (Bank)

INCOME STATEMENT

Amount '000 PLN	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Net interest income	596 699	650 657
Interest income and other of similar nature	628 087	899 490
Income calculated using the effective interest method	611 252	866 945
Interest income from Financial assets at amortised cost	574 241	764 804
Interest income from Financial assets at fair value through other comprehensive income	37 011	102 140
Income of similar nature to interest from Financial assets at fair value through profit or loss	16 835	32 545
Interest expenses	(31 388)	(248 833)
Net fee and commission income	179 363	166 992
Fee and commission income	213 064	210 493
Fee and commission expenses	(33 701)	(43 501)
Dividend income	48 799	35 908
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	750	13 647
Results on financial assets and liabilities held for trading	(891)	8 931
Result on non-trading financial assets mandatorily at fair value through profit or loss	8 116	(11 679)
Result on hedge accounting	890	(4 514)
Result on exchange differences	22 950	44 335
Other operating income	34 109	7 398
Other operating expenses	(17 160)	(16 103)
Administrative expenses	(363 201)	(452 170)
Impairment losses on financial assets	(58 425)	(104 457)
Provisions for COVID-19	0	(60 000)
Impairment losses on non-financial assets	(2 377)	(1 764)
Provisions for legal risk connected with FX mortgage loans	(533 403)	(55 325)
Result on modification	(3 545)	(1 949)
Depreciation	(48 793)	(49 653)
Share of the profit of investments in subsidiaries	0	0
Banking tax	(75 041)	(72 741)
Profit before income taxes	**(211 160)**	**97 513**
Corporate income tax	(63 080)	(55 156)
Profit after taxes	**(274 240)**	**42 357**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Profit after taxes	(274 240)	42 357
Other comprehensive income items that may be (or were) reclassified to profit or loss	(113 949)	69 836
Result on debt securities at fair value through other comprehensive income	(86 095)	49 647
Hedge accounting	(27 854)	20 189
Other comprehensive income items that will not be reclassified to profit or loss	0	0
Actuarial gains (losses)	0	0
Result on equity instruments at fair value through other comprehensive income	0	0
Total comprehensive income items before taxes	**(113 949)**	**69 836**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	21 650	(13 269)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0
Total comprehensive income items after taxes	**(92 299)**	**56 567**
Total comprehensive income for the period	**(366 539)**	**98 924**

BALANCE SHEET

ASSETS

Amount '000 PLN	31.03.2021	31.12.2020	31.03.2020
Cash, cash balances at central banks	2 360 647	1 460 289	2 477 540
Financial assets held for trading	390 358	424 777	796 370
Derivatives	226 477	155 365	190 657
Equity instruments	0	0	0
Debt securities	163 881	269 412	605 713
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	255 143	251 107	169 610
Equity instruments	203 707	200 772	66 609
Debt securities	51 436	50 335	103 001
Financial assets at fair value through other comprehensive income	22 754 802	18 626 366	22 101 958
Equity instruments	29 222	29 219	29 389
Debt securities	22 725 580	18 597 147	22 072 569
Loans and advances to customers	74 833 173	73 501 432	71 254 042
Mandatorily at fair value through profit or loss	1 632 385	1 615 753	1 475 514
Valued at amortised cost	73 200 788	71 885 679	69 778 528
Financial assets at amortised cost other than Loans and advances to customers	668 259	730 534	2 179 176
Debt securities	38 902	38 818	48 355
Deposits, loans and advances to banks and other monetary institutions	605 233	625 366	2 018 878
Reverse sale and repurchase agreements	24 124	66 350	111 943
Derivatives – Hedge accounting	33 301	21 795	22 195
Investments in subsidiaries, joint ventures and associates	208 874	208 874	88 874
Tangible fixed assets	531 759	541 326	596 455
Intangible fixed assets	366 436	373 720	325 366
Income tax assets	552 222	534 013	418 466
Current income tax assets	0	0	0
Deferred income tax assets	552 222	534 013	418 466
Other assets	392 060	341 393	381 543
Non-current assets and disposal groups classified as held for sale	0	0	0
Total assets	**103 347 034**	**97 015 626**	**100 811 595**

LIABILITIES AND EQUITY

Amount '000 PLN	31.03.2021	31.12.2020	31.03.2020
LIABILITIES			
Financial liabilities held for trading	83 964	168 559	313 106
Derivatives	74 513	103 781	247 431
Liabilities from short sale of securities	9 451	64 778	65 675
Financial liabilities measured at amortised cost	90 866 719	84 669 783	88 160 215
Liabilities to banks and other monetary institutions	380 799	563 882	759 852
Liabilities to customers	88 552 983	81 832 471	83 825 155
Sale and repurchase agreements	9 980	248 566	1 056 303
Debt securities issued	383 903	484 655	974 227
Subordinated debt	1 539 054	1 540 209	1 544 678
Derivatives – Hedge accounting	485 502	738 850	1 277 724
Provisions	1 147 254	607 371	272 530
Pending legal issues	1 093 262	554 643	155 361
Commitments and guarantees given	53 992	52 728	57 169
Provisions for COVID-19	0	0	60 000
Income tax liabilities	32 849	28 704	19 683
Current income tax liabilities	32 849	28 704	19 683
Deferred income tax liabilities	0	0	0
Other liabilities	2 261 582	1 966 656	1 979 326
Total Liabilities	**94 877 870**	**88 179 923**	**92 022 584**
EQUITY			
Share capital	1 213 117	1 213 117	1 213 117
Own shares	(21)	(21)	0
Share premium	1 147 241	1 147 241	1 147 241
Accumulated other comprehensive income	104 710	197 009	123 415
Retained earnings	6 004 117	6 278 357	6 305 238
Total equity	8 469 164	8 835 703	8 789 011
Total equity and total liabilities	**103 347 034**	**97 015 626**	**100 811 595**

Book value of net assets	8 469 164	8 835 703	8 789 011
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	6.98	7.28	7.24

STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total equity	Share capital	Own Shares	Share premium	Accumulated other comprehensive income	Retained earnings	
						Unappropriated result	Other reserves
01.01.2021 - 31.03.2021							
Equity at the beginning of the period	**8 835 703**	**1 213 117**	**(21)**	**1 147 241**	**197 009**	**18 579**	**6 259 778**
Total comprehensive income for the period (net)	(366 539)	0	0	0	(92 299)	(274 240)	0
net profit/ (loss) of the period	(274 240)	0	0	0	0	(274 240)	0
valuation of debt securities at fair value through other comprehensive income	(69 737)	0	0	0	(69 737)	0	0
hedge accounting	(22 562)	0	0	0	(22 562)	0	0
Transfer between items of reserves	0	0	0	0	0	(18 579)	18 579
Equity at the end of the period	**8 469 164**	**1 213 117**	**(21)**	**1 147 241**	**104 710**	**(255 661)**	**6 259 778**
01.01.2020 - 31.12.2020							
Equity at the beginning of the period	**8 690 087**	**1 213 117**	**0**	**1 147 241**	**66 848**	**560 727**	**5 702 154**
Total comprehensive income for the period (net)	148 740	0	0	0	130 161	18 579	0
net profit/ (loss) of the period	18 579	0	0	0	0	18 579	0
valuation of debt securities at fair value through other comprehensive income	143 476	0	0	0	143 476	0	0
valuation of shares at fair value through other comprehensive income	(142)	0	0	0	(142)	0	0
hedge accounting	(12 582)	0	0	0	(12 582)	0	0
actuarial gains (losses)	(591)	0	0	0	(591)	0	0
Purchase and transfer of own shares to employees	(3 124)	0	(21)	0	0	0	(3 103)
Transfer between items of reserves	0	0	0	0	0	(560 727)	560 727
Equity at the end of the period	**8 835 703**	**1 213 117**	**(21)**	**1 147 241**	**197 009**	**18 579**	**6 259 778**
01.01.2020 - 31.03.2020							
Equity at the beginning of the period	**8 690 087**	**1 213 117**	**0**	**1 147 241**	**66 848**	**560 727**	**5 702 154**
Total comprehensive income for the period (net)	98 924	0	0	0	56 567	42 357	0
net profit/ (loss) of the period	42 357	0	0	0	0	42 357	0
valuation of debt securities at fair value through other comprehensive income	40 214	0	0	0	40 214	0	0
hedge accounting	16 353	0	0	0	16 353	0	0
Transfer between items of reserves	0	0	0	0	0	(560 727)	560 727
Equity at the end of the period	**8 789 011**	**1 213 117**	**0**	**1 147 241**	**123 415**	**42 357**	**6 262 881**

CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Profit (loss) after taxes	(274 240)	42 357
Total adjustments:	5 570 231	755 467
Interest received	614 997	865 864
Interest paid	(35 923)	(224 606)
Depreciation and amortization	48 793	49 653
Foreign exchange (gains)/ losses	0	24 495
Dividends	(48 799)	(35 908)
Changes in provisions	539 883	107 789
Result on sale and liquidation of investing activity assets	(106)	(13 513)
Change in financial assets held for trading	(39 717)	140 225
Change in loans and advances to banks	231 615	(944 917)
Change in loans and advances to customers	(1 917 997)	(3 269 739)
Change in receivables from securities bought with sell-back clause (loans and advances)	42 227	87 571
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(337 943)	810 979
Change in deposits from banks	(177 057)	(107 972)
Change in deposits from customers	6 754 740	2 403 796
Change in liabilities from securities sold with buy-back clause	(238 581)	971 893
Change in debt securities	(100 021)	(28 182)
Change in income tax settlements	63 080	46 612
Income tax paid	(54 726)	(91 309)
Change in other assets and liabilities	216 126	(52 856)
Other	9 641	15 591
Net cash flows from operating activities	**5 295 991**	**797 824**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Inflows:	53 782	38 305
Proceeds from sale of property, plant and equipment and intangible assets	4 983	2 397
Proceeds from sale of shares in related entities	0	0
Proceeds from sale of investment financial assets	0	0
Other	48 799	35 908
Outflows:	(1 843 865)	(655 192)
Acquisition of property, plant and equipment and intangible assets	(10 205)	(4 400)
Purchase of of shares in related entities	0	0
Acquisition of investment financial assets	(1 833 660)	(650 792)
Other	0	0
Net cash flows from investing activities	**(1 790 083)**	**(616 887)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Inflows from financing activities:	0	0
Long-term bank loans	0	0
Issue of debt securities	0	0
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(15 862)	(22 339)
Repayment of long-term bank loans	(5 000)	(5 000)
Redemption of debt securities	0	0
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other outflows from financing activities	(10 862)	(17 339)
Net cash flows from financing activities	**(15 862)**	**(22 339)**

D. Net cash flows. Total (A + B + C)	**3 490 046**	**158 598**
including change resulting from FX differences	3 986	10 178
E. Cash and cash equivalents at the beginning of the reporting period	**1 586 434**	**3 752 789**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**5 076 480**	**3 911 387**

3. Supplementary information for standalone financial data

As at 31 March 2021, the Bank has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed statements, Bank did not:

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

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

Mortgage Bank

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

Group layoffs (as part of the restructuring process after the merger with Euro Bank)

In the period between February 1 and March 31, 2020, approximately 211 employees were made redundant. The costs of severance pay and damages in this respect did not exceed PLN 13 million. The layoffs resulted from mergers of organizational structures, namely: liquidation of duplicate organizational units, standardization and optimization of processes. The Bank's branches were also reviewed - based on the conducted economic and market analyzes, decisions were made to close some of them. The rules for carrying out these layoffs, the criteria and the amount of severance pay have been developed and agreed with the trade unions operating at the Bank.

Between the date of the report and the date of its publication, there were no significant events (except for those described in **Chapter 10 "Costs of provisions for legal risk related to foreign currency mortgage loans"** of the Consolidated Report for Q1 2021) that could have a significant impact on the financial statements and future results of the Bank.

Impairment losses on financial assets

	1.01.2021 - 31.03.2021	1.01.2020 - 31.03.2020
Impairment losses on loans and advances to customers	(57 338)	(101 567)
Impairment charges on loans and advances to customers	(426 185)	(458 375)
Reversal of impairment charges on loans and advances to customers	342 583	342 889
Amounts recovered from loans written off	12 838	13 895
Sale of receivables	13 453	0
Other directly recognised in profit and loss	(27)	24
Impairment losses on securities	(5)	0
Impairment charges on securities	(5)	0
Reversal of impairment charges on securities	0	0
Impairment losses on off-balance sheet liabilities	(1 082)	(2 890)
Impairment charges on off-balance sheet liabilities	(30 137)	(32 642)
Reversal of impairment charges on off-balance sheet liabilities	29 055	29 752
Total	**(58 425)**	**(104 457)**

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

	1.01.2021 - 31.03.2021	1.01.2020 - 31.12.2020	1.01.2020 - 31.03.2020
Balance at the beginning of the period	2 204 743	1 801 122	1 801 122
Change in value of provisions:	(36 471)	403 621	111 425
Impairment allowances created in the period	426 185	1 466 595	458 375
Amounts written off	(90 733)	(145 652)	(36 927)
Impairment allowances released in the period	(342 583)	(919 006)	(342 889)
Sale of receivables	(34 691)	(59 662)	0
KOIM created in the period(*)	7 131	37 798	9 375
Changes resulting from FX rates differences	(2 422)	19 510	20 866
Other	642	4 038	2 625
Balance at the end of the period	**2 168 272**	**2 204 743**	**1 912 547**

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

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Investments in subsidiaries, joint ventures and associates	Property. plant and equipment	Intangibles	Other assets
As at 01.01.2021	4 999	6 700	8 856	0	22 514
- Write-offs created	5	0	0	0	6 210
- Write-offs released	0	0	0	0	(3 388)
- Utilisation	0	0	0	0	(958)
- Other	0	0	0	0	0
As at 31.03.2021	5 004	6 700	8 856	0	24 378
As at 01.01.2020	5 050	7 600	8 856	0	12 670
- Write-offs created	0	0	0	0	32 883
- Write-offs released	(51)	0	0	0	(23 024)
- Utilisation	0	(900)	0	0	(14)
- Other	0	0	0	0	0
As at 31.12.2020	4 999	6 700	8 856	0	22 514
As at 01.01.2020	5 050	7 600	8 856	0	12 670
- Write-offs created	0	0	0	0	10 176
- Write-offs released	0	0	0	0	(8 412)
- Utilisation	0	(900)	0	0	(59)
- Other	0	0	0	0	0
As at 31.03.2020	5 050	6 700	8 856	0	14 375

Change of Provision for commitments and guarantees given

	1.01.2021 - 31.03.2021	1.01.2020 - 31.12.2020	1.01.2020 - 31.03.2020
Balance at the beginning of the period	52 728	53 856	53 856
Charge of provision	30 137	73 893	32 642
Release of provision	(29 055)	(75 357)	(29 752)
FX rates differences	182	336	423
Balance at the end of the period	**53 992**	**52 728**	**57 169**

Change of Provision for pending legal issues

	1.01.2021 - 31.03.2021	1.01.2020 - 31.12.2020	1.01.2020 - 31.03.2020
Balance at the beginning of the period	554 643	110 885	110 885
Charge of provision	2 761	16 874	1 131
Release of provision	(1 876)	(13 331)	(210)
Utilisation of provision	0	(489)	(490)
Creation of provision for legal risk connected with FX mortgage loans	533 403	713 617	55 325
Allocation to the loans portfolio	7 823	(296 207)	(23 475)
FX differencies	(3 491)	23 294	12 195
Reclassification	0	0	0
Balance at the end of the period	1 093 263	554 643	155 361

Deferred income tax assets and liability

	31.03.2021		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	1 659	(4 168)	(2 509)
Balance sheet valuation of financial instruments	85 037	(107 390)	(22 353)
Unrealised receivables/ liabilities on account of derivatives	8 937	(7 676)	1 261
Interest on deposits and securities to be paid/ received	22 758	(33 022)	(10 264)
Interest and discount on loans and receivables	0	(73 991)	(73 991)
Income and cost settled at effective interest rate	179 385	0	179 385
Impairment of loans presented as temporary differences	399 267	0	399 267
Employee benefits	18 359	0	18 359
Rights to use	8 045	0	8 045
Provisions for future costs	101 475	0	101 475
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	14 464	(39 026)	(24 562)
Valuation of shares	1 273	(24 477)	(23 204)
Other	3 084	(1 771)	1 313
Total	843 743	(291 521)	552 222

	31.12.2020			31.03.2020		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	1 659	(3 507)	(1 848)	1 659	(2 346)	(687)
Balance sheet valuation of financial instruments	128 219	(149 996)	(21 777)	238 697	(259 609)	(20 912)
Unrealised receivables/ liabilities on account of derivatives	12 285	(14 486)	(2 201)	12 927	(16 051)	(3 124)
Interest on deposits and securities to be paid/ received	30 241	(56 731)	(26 490)	32 287	(56 038)	(23 751)
Interest and discount on loans and receivables	0	(77 075)	(77 075)	0	(76 538)	(76 538)
Income and cost settled at effective interest rate	188 794	0	188 794	171 661	0	171 661
Impairment of loans presented as temporary differences	405 834	0	405 834	350 241	0	350 241
Employee benefits	19 420	0	19 420	21 916	0	21 916
Rights to use	8 432	0	8 432	6 911	0	6 911
Provisions for future costs	83 764	0	83 764	19 030	0	19 030
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	9 172	(55 384)	(46 212)	2 246	(31 195)	(28 949)
Valuation of shares						
Other	4 327	(955)	3 372	6 755	(4 087)	2 668
Total	892 147	(358 134)	534 013	864 330	(445 864)	418 466

4. Transactions with Related Entities

All transactions among members of the Group made in 1st quarter of 2021 and 2020 were driven by current activity. The below table presents major amounts of intergroup transactions, these were transactions with the following entities:

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

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

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

Assets and liabilities from transactions with related parties (data in '000 pln) as at 31.03.2021

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks - accounts and deposits	0	50 600	0
Loans and advances to customers	5 800 754	0	0
Investments in associates	208 874	0	0
Financial assets valued at fair value through profit and loss (held for trading)	838	0	0
Hedging derivatives	0	0	0
Other assets	37 314	0	0
LIABILITIES			
Deposits from banks	0	82 066	126 338
Deposits from customers	495 587	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	0	292	0
Subordinated debt	0	0	0
Other liabilities, including:	88 224	0	65
financial leasing liabilities	80 188	0	0

Assets and liabilities from transactions with related parties (data in '000 pln) as at 31.12.2020

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	0	1 237	0
Loans and advances to customers	5 716 908	0	0
Investments in associates	208 874	0	0
Financial assets valued at fair value through profit and loss (held for trading)	1 177	0	0
Hedging derivatives	0	0	0
Other assets	34 168	0	0
LIABILITIES			
Deposits from banks	0	23 601	127 903
Deposits from customers	500 049	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	5	333	0
Subordinated debt	0	0	0
Other liabilities, including:	96 801	0	122
financial leasing liabilities	88 675	0	0

Profit and loss on transactions with related parties (data in '000 pln) for the period 1.01-31.03.2021

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	16 413	(61)	0
Commissions	6 122	16	0
Financial instruments valued at fair value through profit and loss	0	0	0
Dividends	48 663	0	0
Other net operating	1 578	0	0
Expense from:			
Interest	439	0	(79)
Commissions	1	0	0
Financial instruments valued at fair value through profit and loss	667	333	0
Other net operating	0	3	0
General and administrative expenses	4 707	0	4

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

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

Off-balance transactions with related parties (data in '000 pln) as at 31.03.2021

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	844 199	101 043	0
granted	841 283	100 250	0
obtained	2 916	793	0
Derivatives (par value)	87 027	15 791	0

Off-balance transactions with related parties (data in '000 pln) as at na 31.12.2020

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	866 424	100 774	0
granted	863 550	100 000	0
obtained	2 874	774	0
Derivatives (par value)	100 662	15 938	0

5. Fair Value

The methodology used by the Bank for valuation of assets and liabilities at fair value is described in detail in Chapter 8. Condensed interim consolidated financial statements of Bank Millennium S.A. for the 3 months ended 31 March 2021.

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

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

31.03.2021	Balance sheet value	Fair value
Assets measured at Amortised Cost		
Debt securities	38 902	40 570
Deposits, loans and advances to banks and other monetary institutions	605 233	605 235
Loans and advances to customers (*)	73 200 788	71 010 082
Liabilities measured at Amortised Cost		
Liabilities to banks and other monetary institutions	380 799	380 707
Liabilities to customers	88 552 983	88 564 529
Debt securities issued	383 903	383 583
Subordinated debt	1 539 054	1 539 330

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

31.12.2020	Balance sheet value	Fair value
Assets measured at Amortised Cost		
Debt securities	38 818	39 559
Deposits, loans and advances to banks and other monetary institutions	625 366	625 366
Loans and advances to customers (*)	71 885 679	70 407 960
Liabilities measured at Amortised Cost		
Liabilities to banks and other monetary institutions	563 882	563 835
Liabilities to customers	81 832 471	81 867 328
Debt securities issued	484 655	485 527
Subordinated debt	1 540 209	1 540 491

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

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

Data in PLN'000, as at na 31.03.2021

	Quoted market prices Level 1	Valuation techniques - observable inputs Level 2	Valuation techniques - significant unobservable inputs Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		209 769	16 709
Debt securities	163 881		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments		137 098	66 609
Debt securities			51 436
Loans and advances			1 632 385
Financial assets at fair value through other comprehensive income			
Equity instruments			29 222
Debt securities	22 725 580		
Derivatives - Hedge accounting		33 301	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		58 104	16 408
Short positions	9 451		
Derivatives - Hedge accounting		485 502	

Data in PLN'000, as at 31.12.2020

	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		134 992	20 373
Debt securities	269 412		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments		134 163	66 609
Debt securities			50 335
Loans and advances			1 615 753
Financial assets at fair value through other comprehensive income			
Equity instruments			29 219
Debt securities	18 597 147		
Derivatives - Hedge accounting		21 795	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		83 760	20 021
Short positions	64 778		
Derivatives - Hedge accounting		738 850	

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance as at 01.01.2021	**19 911**	**(19 559)**	**95 827**	**50 335**	**1 615 753**
Settlement/sell/purchase	(1 917)	896	0	0	(4 118)
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	16 670
Results on financial assets and liabilities held for trading	(1 612)	2 583	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	1 101	4 079
Result on exchange differences	0	0	4	0	0
Balance as at 31.03.2021	**16 382**	**(16 081)**	**95 831**	**51 436**	**1 632 385**

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance as at 01.01.2020	**61 294**	**(60 944)**	**95 976**	**103 001**	**1 498 195**
Settlement/sell/purchase	(34 996)	34 697	0	0	90 544
Change of valuation recognized in equity	0	0	(175)	0	0
Interest income and other of similar nature	0	0	0	0	69 934
Results on financial assets and liabilities held for trading	(6 387)	6 688	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	(52 666)	(42 920)
Result on exchange differences	0	0	26	0	0
Balance as at 31.12.2020	**19 911**	**(19 559)**	**95 827**	**50 335**	**1 615 753**

6. Additional Information

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

During the three months ended March 31, 2021, the Bank's total liabilities under the issue of debt securities decreased by PLN 100.8 million. The decrease (approx. PLN 101.5 million) was caused by the redemption of Bank Securities (BPW). Part of the decrease in liabilities (approx. PLN 0.7 million) was offset by the accrual of interest on EBK series C bonds.

6.2. Off balance sheet items

Structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	31.03.2021	31.12.2020	31.03.2020
Off-balance conditional commitments granted and received	**17 058 200**	**16 589 172**	**13 697 520**
Commitments granted:	15 228 121	15 040 743	13 146 288
- financial	12 717 115	12 478 702	10 657 657
- guarantee	2 511 006	2 562 041	2 488 631
Commitments received:	1 830 079	1 548 429	551 232
- financial	16 520	0	0
- guarantee	1 813 559	1 548 429	551 232

Date	Name and surname	Position/Function	Signature
10.05.2021	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
10.05.2021	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
10.05.2021	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
10.05.2021	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
10.05.2021	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
10.05.2021	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
10.05.2021	Jarosław Hermann	Member of the Management Board	Signed by a qualified electronic signature