

# The Policy on disclosure of information on risk, own funds, capital requirements, remuneration policy and other information required by law and KNF recommendations

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VERSION	5
PROCESS	Capital adequacy and CRR disclosures
MACROPROCESS	Risk Management
OWNER	Risk Department

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## Chapter I General provisions

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1. That document (hereinafter: „Policy”) is to ensure compliance by Bank Millennium S.A. (hereinafter: „Bank”) of the requirements set out in the Part Eight “Disclosure of information by institutions” of CRR II<sup>1</sup>, including disclosures of other information required by law or recommendations or guidelines of supervisory authorities, including the Polish Financial Supervisory Authority (hereinafter: KNF) and the European Banking Authority (hereinafter: EBA).
2. The Policy addresses the following issues related to disclosure of information:
  - 1) Non-material, proprietary or confidential information - disclosures’ restrictions,
  - 2) Frequency, scope, deadlines and responsible units,
  - 3) Means of disclosures,
  - 4) Uniform disclosure formats,
  - 5) Rules of verification and approval of disclosed information,
  - 6) Mode of periodical verification of the Policy.
3. The Management Board of the Bank (hereinafter: “Management Board”) is responsible for introducing the Policy and its implementation.
4. The Bank makes every effort to ensure that the disclosed information is up-to-date, reliable, consistent in time and comparable between banks, and that it reflects the actual state of affairs in terms of risk, own funds, capital requirements, remuneration policy and other areas of the Bank’s Group. (hereinafter: Groups), in accordance with applicable law or recommendations or guidelines of supervisory authorities, including KNF.
5. The Bank makes every effort to ensure that the disclosed and announced information is presented in an understandable and transparent manner, and thanks to the information disclosed, market participants (shareholders, customers and other interested parties) receive a comprehensive picture of the Bank’s and Group’s risk profile, with which they can easily read and make the necessary analyzes. This information should also be provided to the public on an ongoing basis or at specified times, in particular by making it available on the Bank’s website.
6. All quantitative disclosures shall be accompanied by a qualitative description and any other supplementary information that may be necessary for their users to understand the quantitative information disclosed, taking into account, in particular, any material changes to the information disclosed as compared to previously disclosed information.
7. As a rule, information disclosed in accordance with CRR II is presented annually in the annual reports on risk, capital and the Bank’s remuneration policy (hereinafter: the Disclosure Document) as well as in the annual financial reports of the Bank and the Group and the annual reports of the Management Board on the Bank’s activities and Groups. More frequent disclosures are included in risk exposure reports.

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<sup>1</sup> Regulation (EU) No 876/2019 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, credit risk counterparty, market risk, CCP exposures, collective investment undertakings exposures, large exposures, reporting and disclosure requirements as well as Regulation (EU) No 648/2012

8. The Bank also publishes the disclosure document of the Banco Comercial Portugues Group (hereinafter: the BCP Group) on the website [www.bankmillennium.pl](http://www.bankmillennium.pl) in the Investor Relations Section. The BCP Group disclosure document is published at least annually, immediately after disclosure by the BCP Group.

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## Chapter II Scope of disclosed information

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9. The Bank publishes the information required in Part Eight of CRR II in the Disclosure Document, based on the highest domestic level of consolidation (Bank Millennium S.A. Group).
10. If the Bank is recognized by KNF as a large institution within the meaning of CRR II, it publishes once a year all information disclosed under Part Eight of CRR II, in accordance with the scope specified in 433a CRR II. This information is published in accordance with the requirements and templates included in the Commission Implementing Regulation (EU) 2021/637<sup>2</sup> and is included in Annex 1 to the Policy.
11. If the Bank is not recognized by the KNF as a large institution within the meaning of CRR II, it publishes information disclosed under Part Eight of CRR II in accordance with the scope specified in Art. 433c CRR II.
12. The Bank publishes and announces information specified in the Banking Act<sup>3</sup>:
  - 1) In art. 111.1, regarding the applied interest rates on deposits in bank accounts, loans and borrowings, the applicable commission rates and the amount of fees charged, interest capitalization dates, applied exchange rates, the balance sheet with the audit report for the last period subject to the audit, the composition of the Management Board and the Supervisory Board, names of persons authorized to incur liabilities on behalf of the Bank or the Bank's organizational units;
  - 2) In art. 111a.1, on the activities broken down into individual Member States and third countries, in which it has subsidiaries on a consolidated basis, information on the rate of return on assets calculated as the quotient of the net profit and the balance sheet total and information on the conclusion of the agreement referred to in article 141t.1, the parties to the contract, its subject and costs, as long as it operates in one of the holding companies referred to in Art. 141f.1, or about the lack of such an agreement;
  - 3) In art. 111a.4, concerning the description of the management system, including the risk management system and the internal control system as well as the remuneration policy, information on the appointment of the remuneration committee, as well as information on the compliance by members of the supervisory board and the management board with the requirements specified in Art. 22aa;

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<sup>2</sup> Commission Implementing Regulation (EU) 2021/637 of 15/03/2021 laying down implementing technical standards with regard to public disclosure by institutions of information referred to in Part Eight, titles II and III of the CRR, and repealing Commission Implementing Regulation (EU) No. 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295

<sup>3</sup> Uniform text - Banking Act, Journal 28.10.2020 r., pos. 1896

- 4) In art. 111b.1, concerning entrepreneurs or foreign entrepreneurs referred to in art. 6a. 1 and 7 of the Banking Act, provided that when performing for an organizational unit of a bank or other entrepreneur or foreign entrepreneur the activities referred to in these regulations, they gain access to information protected by banking secrecy.
13. The Bank publishes and discloses information specified in the recommendations of KNF:
    - 1) Recommendation M on operational risk management in banks, in particular regarding the sum of gross losses due to operational risk in a given year, broken down by event class, and on mitigating actions;
    - 2) Recommendation P on bank financial liquidity risk management, with regard to quantitative and qualitative information on the Bank's liquidity risk management and its liquidity positions;
    - 3) Recommendation Z on the principles of the internal governance of banks, in particular with regard to the adopted policy of managing conflicts of interest and the maximum ratio of the average total gross remuneration of Management Board members in an annual period to the average total gross remuneration of other employees of the Bank, specified in the principles of remuneration at the bank.
  14. The Bank publishes information resulting from the EBA guidelines, in particular the guidelines EBA/GL/2020/12<sup>4</sup> and EBA/GL/2020/07<sup>5</sup>.

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### Chapter III Irrelevant, proprietary, confidential information

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15. The Bank may omit one or more of the disclosures required in accordance with the required scope of disclosures, set out in Part Eight of CRR II, if the information subject to such disclosures is considered immaterial. To deem information to be irrelevant requires a decision of the Bank's Management Board included in the resolution approving the disclosure document.
16. Information is considered immaterial if its omission or incorrect disclosure cannot change or influence the assessment or decision of the user relying on that information when making economic decisions.
17. The Bank may not omit the disclosure of the information specified in Art. 435.2.c (Diversity Policy for the Selection of Members of the Management Body) and Art. 437 (own funds) and 450 CRR II (remuneration policy).
18. The Bank may omit one or more of the disclosures required by the required scope of disclosures, set out in Part Eight of CRR II, if the information subject to such disclosures is considered proprietary or confidential.
19. Information is considered proprietary if disclosing it to the public would weaken the competitive position of the Bank and / or the Group or it results from other regulations.

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<sup>4</sup> Guidelines amending EBA / GL / 2018/01 guidelines on uniform disclosure pursuant to Art. 473a of Regulation (EU) No 575/2013 (CRR) information on the transition period to mitigate the impact of IFRS 9 on own funds to comply with targeted fast-track changes to the CRR in response to the COVID-19 pandemic

<sup>5</sup> Guidelines for reporting and disclosing information about exposures in response to the COVID-19 crisis

20. Information is considered confidential if the Bank and / or the Group have committed themselves to the client or other counterparty to keep the information confidential or it results from separate provisions.
21. The Bank may not omit the disclosure of the information specified in Art. 437 (own funds) and 450 CRR II (remuneration policy)
22. When assessing the materiality, proprietary or confidential nature of the disclosed information, the Bank follows the guidelines EBA/GL/2014/14<sup>6</sup>.
23. The disclosure document contains an appropriate comment also in a situation where the Bank does not have the information required in accordance with the scope of disclosures set out in Part Eight of CRR II (for example due to the fact that a given type of activity is not carried out or a given method of risk measurement is not used), or the information is not applied to the Bank
24. The Bank does not publish information constituting a legally protected secret, i.e. information containing personal data, bank secret or business secret.

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## Chapter IV The frequency and dates of publications and organizational units responsible for publications

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25. As regards information disclosed in accordance with the requirements of Part Eight of CRR II, the Bank discloses information in the form of tables / templates contained in Appendix 1, in accordance with the frequency of disclosure defined therein. Annual disclosures are presented in the Disclosure Document, and quarterly or semi-annually disclosures are presented in risk exposure reports.
26. Disclosures shall be published on or as soon as possible after the date of publication of the financial statements. The Bank strives to ensure that the dates of disclosure of information and publication of financial statements are as close as possible, taking into account the need to comply with the regulatory reporting requirements.<sup>7</sup>
27. The Bank's Risk Department (hereinafter: Risk Department) is responsible for the publication of information in accordance with the requirements of Part Eight of CRR II, in cooperation with other organizational units of the Bank.
28. If during the financial period an event significantly affecting the information subject to disclosure occurs, the Bank will announce the occurrence of such event in the form of a current report, pursuant to other regulations. If the information about the occurrence of such an event does not meet the criteria of information subject to publication in the form of a current report published in accordance with the relevant regulations applicable to public companies, then the Bank will

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<sup>6</sup> Guidelines on the materiality, proprietary nature and confidentiality of the information disclosed and the frequency of disclosure pursuant to Art. 432 paragraph. 1, art. 432 paragraph. 2 and art. 433 of the CRR Regulation

<sup>7</sup> The deadlines for the publication of supervisory reports are set out in Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reports of institutions and repealing Implementing Regulation (EU) No 680/2014

- announce such information on the website [www.bankmillennium.pl](http://www.bankmillennium.pl) in the Investor Relations Section.
29. The information specified in point 12 of the Policy is art. 111.1, 111.a. and 111.b.1 of the Banking Act are published by the responsible units specified in the Instructions for publishing content on the website of Bank Millennium S.A.<sup>8</sup>.
30. The information specified in point 13 of the Policy is applicable:
- 1) Recommendation M on operational risk management in banks - are published and prepared by the Risk Department, and are published in the Disclosure Document;
  - 2) Recommendation P on bank financial liquidity risk management - are published and prepared by the Risk Department, and are published in the Disclosure Document, in quarterly, semi-annual and annual financial reports and in reports on risk exposure;
  - 3) Recommendation Z on the principles of internal governance of banks -
    - a) conflict of interest management policies - are published in a document presenting the management of conflicts of interest, along with a description of the principles of conflict management, including their disclosure. The unit responsible for the preparation and publication of the document is the Compliance Department;
    - b) the maximum ratio of the average total gross remuneration of Management Board members in an annual period to the average total gross remuneration of other employees of the Bank - are published in annual reports on remuneration of Members of the Management Board and Supervisory Board of the Bank and prepared by the Human Resources Department.

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## Chapter V Ways and means of disclosing information

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31. Information disclosed in accordance with Part Eight of CRR II is disclosed by the Bank in the following documents:
- 1) The disclosure document entitled "Report on capital adequacy, risk and remuneration policy of the Bank Millennium SA Capital Group", published once a year on the date connected with the publication date of the annual financial report. The document is published on the Bank's website, in the section "About the Bank", in the subsection "Investor relations", "Capital adequacy";
  - 2) reports on risk exposure included in Annex 1 to the Policy (hereinafter: interim data). Reports are published on the Bank's website, in the section "About the Bank" in the subsection "Investor relations" "Capital adequacy";
  - 3) annual financial reports of the Bank and the Capital Group of Bank Millennium S.A. and annual reports of the Management Board on the activities of the Bank and the Capital Group of Bank Millennium S.A. Reports and statements are published on the Bank's website, in the section "About the Bank" in the subsection "Investor relations" "Financial reports";
  - 4) in other documents, including current or quarterly reports published on the Bank's website.

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<sup>8</sup> The instruction is attached to the Managing Note No. NZ / 97/21

32. The information specified in Art. 111.1 and 111.b.1 of the Banking Act (point 12 of the Policy) are published on the Bank's website, in the section "About the Bank" in the subsection "Information required by law";
33. Information specified in the recommendations of the Polish Financial Supervision Authority (point 13 of the Policy) is published on the Bank's website,
  - 1) Recommendation M - in the Disclosure Document, in accordance with point 31.1 of the Policy;
  - 2) Recommendation P - in the Disclosure Document and in risk exposure reports and financial reports and statements, in accordance with points 31.1, 31.2, 31.3 of the Policy;
  - 3) Recommendation Z:
    - a) with regard to the conflict of interest management policy - in a document presenting the management of conflicts of interest, along with a description of the principles of conflict management, including their disclosure, in the "About the Bank" section in the "Mifid" subsection and in the "Documents" section";
    - b) with regard to the maximum ratio of the average total gross remuneration of the Management Board members in an annual period to the average total gross remuneration of other employees of the Bank - in annual reports on remuneration of Members of the Management Board and Supervisory Board of the Bank, in the "Documents" section.

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## Chapter VI Rules for accepting, reviewing the Policy as well as verifying and approving published information

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34. The Policy is adopted by the Management Board and then approved by the Bank's Supervisory Board (hereinafter: the Supervisory Board).
35. This Policy is subject to review and possible update at least once a year.
36. The Policy Review is performed by Risk Department in cooperation with other units of the Bank.
37. The Policy may be updated by the Management Board more than once a year, in particular in the event of a change in applicable law or the requirements and recommendations, recommendations or guidelines of supervisory authorities.
38. The results of the annual review of the Policy are approved by the Management Board and the Supervisory Board. Any changes to the Policy introduced by the Management Board in accordance with point 37 are approved by the Supervisory Board as part of the annual review.
39. The process of developing and the principles of verification of the Disclosure Document and interim data, including verification of information, are presented in Annex 2 to this Policy. The annex is not subject to publication due to its nature (internal technical procedure).
40. The disclosure document is approved by the Management Board, which declares that the information contained therein is factually correct, and the applied risk management systems are appropriate from the point of view of the Group and the Bank. The disclosure document is approved by the Risk Committee of the Supervisory Board.
41. Interim data are accepted by the Management Board, and the presented for information to Risk Committee of the Supervisory Board.



42. With regard to the information specified in Art. 111.1, 111.a and 111.b.1 of the Banking Act and the recommendations of the KNF, the relevant substantive units of the Bank, indicated in points 29 and 30, as well as in the Instructions on publishing content on the Bank Millennium S.A. website, are responsible for their publication, preparation and verification in terms of correctness and completeness.

## Annex 1 Information published in accordance with the regulatory disclosure requirements under Part Eight of CRR II

No	Name	Title	Frequency of publishing		
			quarterly	semiannually	annually
Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosure by the information institutions referred to in Part Eight, Titles II and III of Parliament's Regulation 575/2013 of the European Parliament and of the Council, and repealing the Commission implementing regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Regulation Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295					
1	EU KM1	Key indicators	X	X	X
2	EU OV1	Overview of total risk exposure amounts	X	X	X
3	EU OVC	ICAAP information			X
4	EU INS1	Insurance participations			X
5	EU INS2	Financial conglomerates - Information on own funds and capital adequacy ratio			X
6	EU OVA	Intitution risk management approach			X
7	EU OVB	Disclosure on governance arrangements			X
8	EU LI1	Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statements categories with regulatory risk categories			X
9	EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements			X
10	EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)			X
11	EU LIA	Explanations of differences between accounting and regulatory exposure amounts			X
12	EU PV1	Prudent valuation adjustments (PVA)			X
13	EU LIB	Other qualitative information on the scope of application			X
14	EU CC1	Composition of regulatory own funds		X	X
15	EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements		X	X
16	EU CCA	Main features of regulatory own funds instruments and eligible liabilities instruments			X
17	EU CCyB1	Geographical distribution of credit exposures relevant for calculation of the countercyclical capital buffer		X	X
18	EU CCyB2	Amounts of institution specific countercyclical capital buffer		X	X
19	EU LR1 - LRSum	Summary reconciliation of accounting assets and leverage ratio exposures		X	X

20	EU LR2 - LRCOM	Leverage ratio common disclosure		X	X
21	EU LR3 - LRSpl	Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		X	X
22	EU LRA	Disclosure of LR qualitative information			X
23	EU LIQA	Liquidity risk management			X
24	EU LIQ1	Quantitative information of LCR	X	X	X
25	EU LIQB	Qualitative information on LCR, which complements template EU LIQ1	X	X	X
26	EU LIQ2	Net Stable Funding Ratio		X	X
27	EU CRA	General qualitative information about credit risk			X
28	EU CRB	Additional disclosure related to the credit quality of assets			X
29	EU CR1	Performing and non-performing exposures and related provisions		X	X
30	EU CR1-A	Maturity of exposures		X	X
31	EU CR2	Changes in the stock of non-performing loans and advances		X	X
32	EU CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries		X	X
33	EU CQ1	Credit quality of forborne exposures		X	X
34	EU CQ2	Quality of forbearance		X	X
35	EU CQ3	Credit quality of performing and non-performing exposures by past due days			X
36	EU CQ4	Quality of non-performing exposures by geography		X	X
37	EU CQ5	Credit quality of loans and advances to non-financial corporations by industry		X	X
38	EU CQ6	Collateral valuation - loans and advances		X	X
39	EU CQ7	Collateral obtained by taking possession and execution processes		X	X
40	EU CQ8	Collateral obtained by taking possession and execution processes - vintage breakdown		X	X
41	EU CRC	Qualitative disclosure requirements related to CRM techniques			X
42	EU CR3	CRM techniques overview: disclosure of the use of credit risk mitigation techniques		X	X
43	EU CRD	Qualitative disclosure requirements related to standardized approach			X
44	EU CR4	Credit risk exposure and CRM effects		X	X
45	EU CR5	Standardised approach		X	X
46	EU CRE	Qualitative disclosure requirements related to IRB approach			X
47	EU CR6	IRB approach - credit risk exposures by exposure class and PD range		X	X

48	EU CR6-A	IRB approach - scope of the use of IRB and SA approaches			X
49	EU CR7	IRB approach - effect of the risk weighted exposure amounts of credit derivatives used as CRM techniques		X	X
50	EU CR7-A	IRB approach - disclosure of the extent of the use of CRM techniques		X	X
51	EU CR8	RWEA flow statements of credit risk exposures under IRB approach	X	X	X
52	EU CR9	IRB approach - back-testing of PD per exposure class			X
53	EU CR9.1	IRB approach - back-testing of PD per exposure class (only for PD estimates in accordance with point (f) of Article 180(1) CRR			X
54	EU CR10	Specialised lending and equity exposure under the simple risk-weighted approach		X	X
55	EU CCRA	Qualitative disclosure related to counterparty credit risk (CCR)			X
56	EU CCR1	Analysis of CCR exposure by approach		X	X
57	EU CCR2	Transactions subject to own funds requirements for CVA risk		X	X
58	EU CCR3	Standardised approach - CCR exposures by regulatory exposure class and risk weights		X	X
59	EU CCR4	IRB approach - CCR exposure by exposure class and PD scale		X	X
60	EU CCR5	Composition of collateral for CCR exposures		X	X
61	EU CCR6	Credit derivatives exposures		X	X
62	EU CCR7	RWEA flow statements of CCR exposures under IMM	X	X	X
63	EU CCR8	Exposures to CCPs		X	X
64	EU SECA	Qualitative disclosure requirements related to securitization exposures			X
65	EU SEC1	Securitisation exposures in the non-trading book		X	X
66	EU SEC2	Securitisation exposures in the trading book		X	X
67	EU SEC3	Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor		X	X
68	EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor		X	X
69	EU SEC5	Exposures securitised by the institution - exposure in default and specific credit risk adjustments		X	X
70	EU MR1	Market risk under the standardized approach		X	X
71	EU MRA	Qualitative disclosure requirements related to market risk			X
72	EU MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models			X
73	EU MR2-A	Market risk under the internal Model Approach (IMA)		X	X

74	EU MR2-B	RWEA flow statement of market risk exposures under the IMA	X	X	X
75	EU MR3	IMA values for trading portfolios		X	X
76	EU MR4	Comparison of VaR estimates with gain/losses		X	X
77	EU ORA	Qualitative information on operational risk			X
78	EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts			X
79	EU REMA	Remuneration policy			X
80	EU REM1	Remuneration awarded for the financial year			X
81	EU REM2	Special payments to Staff whose professional activities have a material impact on institutions' risk profile (identified staff)			X
82	EU REM3	Deferred remuneration			X
83	EU REM4	Remuneration of 1 million EUR or more per year			X
84	EU REM5	Information of Staff whose professional activities have a material impact on institutions; risk profile (identified staff)			X
85	EU AE1	Encumbered and unencumbered assets			X
86	EU AE2	Collateral received and own debt securities issued			X
87	EU AE3	Sources of encumbrance			X
88	EU AE4	Accompanying narrative information			X
EBA/GL/2020/12 from 11.08.2020 r. Guidelines amending EBA / GL / 2018/01 guidelines on uniform disclosure pursuant to Art. 473a of Regulation (EU) No 575/2013 (CRR), information on the transitional period for the mitigating the effects of IFRS 9 on own funds to ensure compliance with the targeted changes to the CRR regulation introduced under the procedure accelerated in response to the COVID-19 pandemic					
89	IFRS 9/Article 468-FL	Comparison of own funds, capital ratios and leverage ratio with and without IFRS 9 transitional application and analogous ECL, with and without interim treatment in accordance with Art. 468 of the CRR Regulation	X	X	X