



**Management Board Report on
the activity of Bank Millennium
S.A. and Capital Group of Bank
Millennium S.A. in 2022**

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Dear Sir/Madam,

I cordially invite you to read the Annual Report for 2022 - a year full of uncertainty and unpredictability, the year of the fifth wave of the pandemic, the war in Ukraine, eleven interest rate hikes, double-digit inflation and unprecedented losses of the sector resulting from the costs of credit holidays. It turned out that regardless of the scale of turbulence, we are able to meet them - we do our job, meet the needs of customers and implement the previously agreed strategy. This would not have been possible without a fantastic team of employees who co-created these achievements with their daily commitment. I sincerely thank them for that.

Satisfactory results. Despite record burdens of regulatory and tax costs and provisions for Swiss franc loans, we achieved good operating and business results in 2022. This shows the strength of the core business and the business model, which allows for consistent revenue generation and development of the Bank. Unfortunately, despite the positive results, the unexpected and unjustifiable new regulation of credit holidays resulted in a big net loss and as a result, in accordance with the applicable legislation and regulations, we decided to launch the Recovery Plan and the Capital Protection Plan.

Recovery Plan and Capital Protection Plans. In the process of rebuilding the Bank's capital position, we use existing internal resources - we pursue business goals, we have made two synthetic securitisations of the portfolio of corporate and SME receivables, we benefit from the reduction of capital requirements by the PFSA. All these initiatives resulted in 4Q22 in the long-awaited positive quarterly net result (+PLN 249 million) and a significant improvement in capital ratios - TCR increased to 14.4% and T1 to 11.3%. This is the beginning of a return to sustainable profitability and the rapid completion of recovery plans.

Continuation of amicable solutions with CHF mortgage borrowers. In 2022, we concluded 7,943 settlements, and since the beginning of 2020, when the process was launched on a large scale, nearly 18,000 settlements. As a result, the number of active foreign currency mortgage loans decreased in 2022 by nearly 9600, which is a very good result in an extremely unfavourable environment. Our goal is to continue to offer amicable settlements to all the customers in and outside the courts and thus gradually reduce the CHF loans portfolio.

Consistent digitalisation of internal processes and customer service appreciated by the market. In this year's edition of Newsweek's Friendly Bank ranking we came 1st in the category "Remote Banking" (we won in all five sub-categories) and second in the main category "Bank for Mr. Kowalski". In as many as 4 categories, we received awards from Global Finance magazine, the most important of which remains the title of "The best consumer digital bank in Poland 2022". This means that we are a technologically advanced organisation that can set and consistently achieve goals.

Solidarity with Ukraine. In a gesture of solidarity towards our eastern neighbours, we provided assistance to Ukrainians seeking refuge in Poland. It was both financial assistance - we donated a total of PLN1 million to organisations providing support and care for refugees in Poland - as well as other aid activities in which the entire banking community joined. The Bank Millennium Foundation has launched inter alia a special edition of the #sluchaMYwspieraMY grant programme for employee initiatives addressed to refugees from Ukraine. 147 volunteers took part in the actions, and 8,252 beneficiaries received support.

What lies ahead? Uncertainty and instability, which we have already become familiar with, and new challenges related to the deterioration of the economic environment in Poland. Just as in 2022 credit holidays had the greatest impact on the sector, in 2023 the process of changing the WIBOR reference rate to WIRON may be a problem. The legal environment related to mortgage loans in Swiss francs will remain uncertain, and the introduction by the government of further taxes and benefits having a specific financial impact on banks cannot be ruled out.

Bank Millennium is fully prepared to face-up to these challenges. After a year of work on the implementation of the 2022-24 strategy, the vast majority of indicators monitoring the implementation of KPIs, strategic initiatives and projects, indicated a positive trend, which means

that we are on the right track to keep our promises. We still want to be a leader in innovation, take care of customer satisfaction and successfully complete the recovery process.

A handwritten signature in red ink, reading "Joao Bras Jorge".

Joao Bras Jorge

Chairman of the Management Board of Bank Millennium

1. BRIEF DESCRIPTION OF BANK MILLENNIUM/BANK MILLENNIUM GROUP

Bank Millennium S.A. ('Bank Millennium', 'Bank') was established in 1989 as one of the first Polish commercial banks. It is now one of the top 7 commercial banks in Poland in terms of assets and offers its services to all market segments via a network of branches, a network of personal advisors as well as electronic and mobile banking.

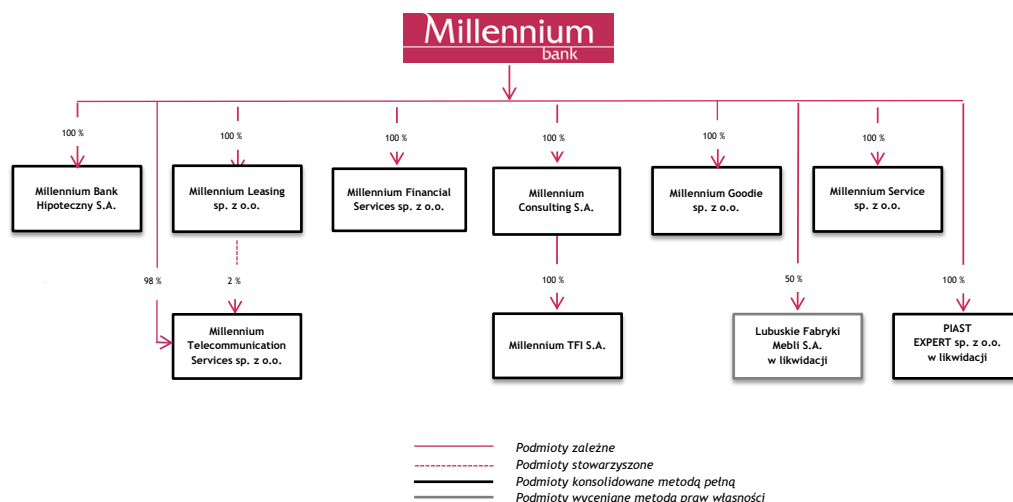
Ever since the start of its activity it has been a trendsetter in Polish banking. For example it was the first Bank to be listed on the Warsaw Stock Exchange and issued the first payment card on the Polish market. The bank satisfies most stringent standards of corporate governance; it implements social programmes to support culture development as well as education of the youth.

Bank Millennium is a market leader in the area of innovations understood to mean state-of-the-art technology and process improvements. Innovation in Bank Millennium is part of its business strategy.

Bank Millennium, together with its subsidiaries, forms Bank Millennium Group ('BM Group', 'Group') - one of the most innovative and comprehensively developing financial groups in Poland - employing in total 6,860 persons (FTE).

Its most important companies are: Millennium Leasing (leasing business), Millennium TFI (mutual funds) and Millennium Bank Hipoteczny (a mortgage bank set up in order to obtain long-term financing through the issue of covered bonds). Since 2016, Millennium Goodie Sp. z o.o. together with the Bank has been operating a smartshopping platform based on advanced technology. The offering of the above-mentioned companies complements the services and products offered by the Bank.

In 2022, the company Millennium Dom Maklerski S.A., fully owned by the Bank, was divided by separating and transferring an organized part of the enterprise related to the performance of brokerage activities, constituting the assets of MDM, to Bank Millennium. From 29 July 2022, i.e. from the date of registration of the MDM division, the company operates under the name Millennium Consulting S.A. and conducts consulting activities, which is currently the main source of its revenues.

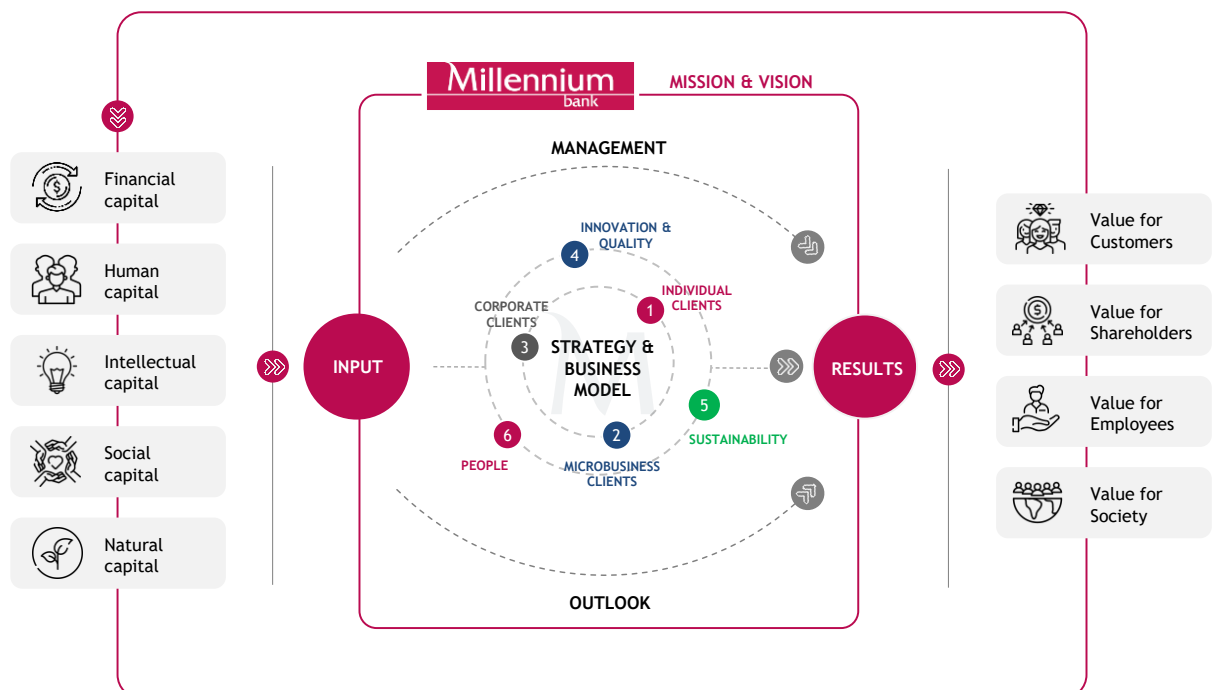


Business model

Bank Millennium operates according to a business model centered on six pillars:

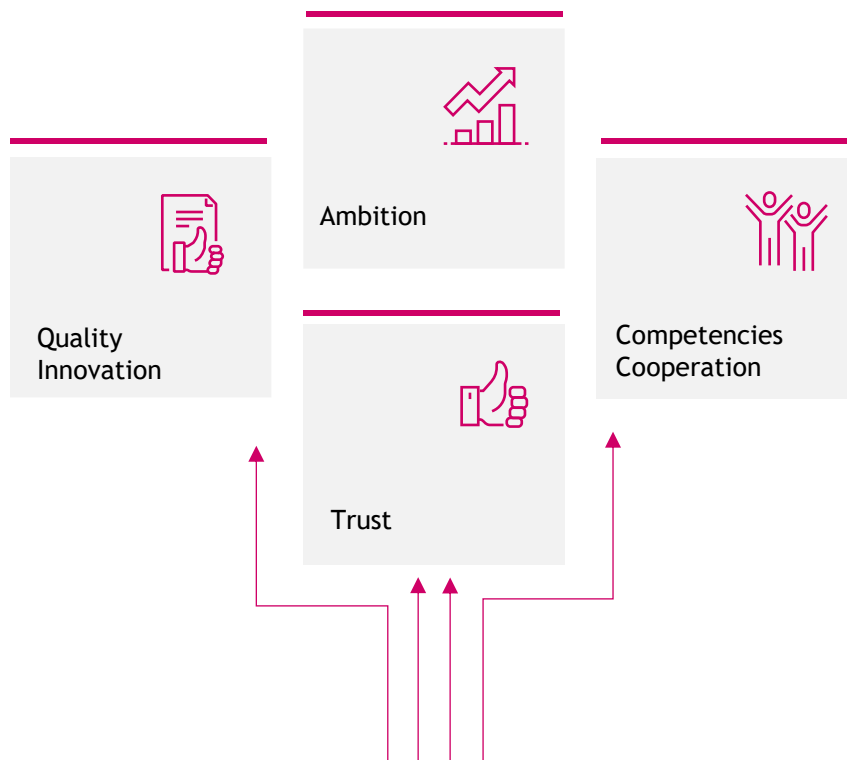
- Top quality and **extended offering for individual clients** - we are continuously strengthening the range of financial services offered to Customers, aiming also to constantly offer a best-in-class Customer Experience in all the channels, what makes us one of the fastest growing banks in loyal individual customers
- Bank of the **1st choice for new micro-business clients** - taking advantage of the well-established retail sales and service model, we are building high innovative and efficient model for micro businesses
- Strategic **partner supporting corporate clients development** - we are developing corporate banking segment leveraging on long-term partnerships providing to our clients personalized and digitalized services, as well as professional expertise to address challenges of the future, i.e. green transformation
- Services supported by **innovative solutions with top tech User Experience** in digital channels (mobile-first approach) - we are among digital banking leaders, with one of the highest levels of mobile banking application penetration, setting trends in innovative financial and non-financial (Value Added Services) solutions and taking care on the best possible User Experience, hiper-personalization and cybersecurity
- **Sustainable organization** on the climate neutrality path -we keep our engagement for environment and society, now even scaled by dedicated strategy with defined ESG goals
- **Great place to work** for our people and for top talents - cornerstone of the business model and competitive advantage are our people and organizational culture, what is the reason behind continues effort to make us top employer, not only in the banking sector

Bank Millennium's business model



The business model is founded on **key values**: building relationships based on trust, a passion for quality and innovation, people development and promoting cooperation as well as the ambition to always aim higher.

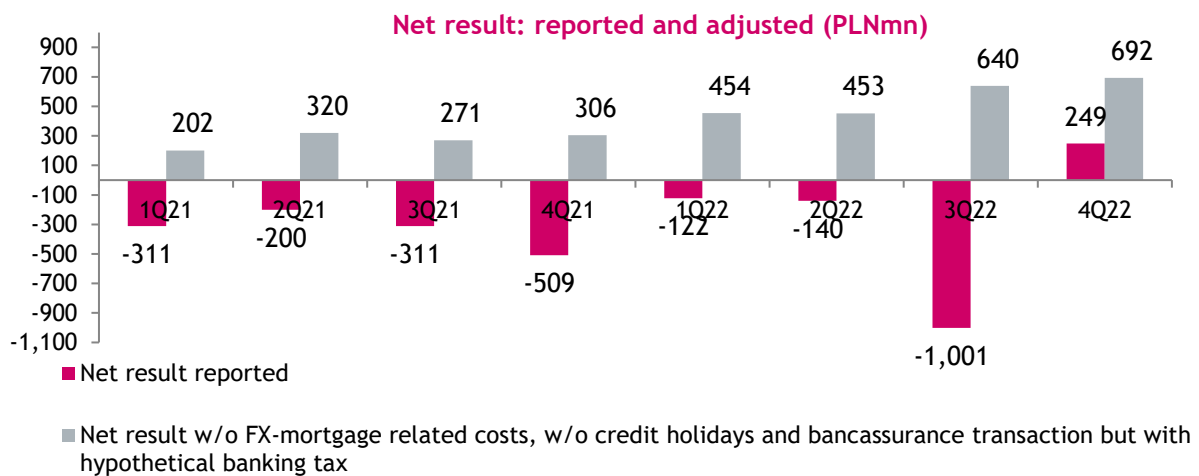
Bank Millennium Group's Values



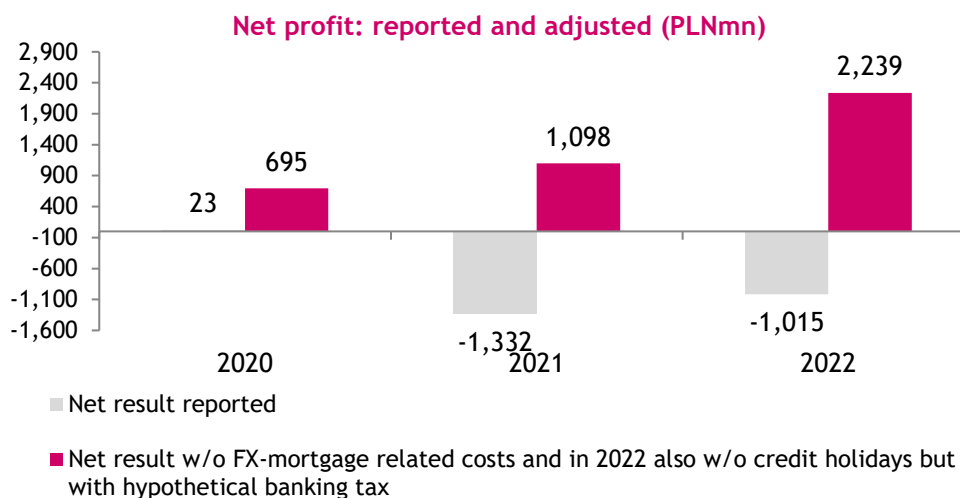
2. SUMMARY OF CONSOLIDATED BM GROUP RESULTS IN 2022

In 2022, Bank Millennium S.A. Capital Group ('BM Group') posted consolidated net loss of PLN1,015 million. Despite the more challenging coincidence of sizeable negative factors, the loss was lower than the PLN1,332 million loss reported in 2021. While in 2022, FX-mortgage costs were comparable to these in 2021 (PLN 2,361 million after tax vs. PLN2,430 million), the results in 2022 were additionally negatively impacted by massive cost of credit holidays (PLN1,073 million after tax) and significant cost of IPS (PLN224 million after tax).

Against all the odds, 4Q22 brought the long awaited black ink at the bottom line. The PLN249 million net profit in the period was achieved by the BM Group despite continuing high costs related to FX-mortgages (PLN615 million after tax), demonstrating the strength of the core business. The positive quarterly result marks, we believe, a return to sustainable profitability as well as a start of a steady process of capital recovery and improvement of capital ratios, assuming no other extraordinary events.



Excluding both the impact of FX-mortgage related costs and credit holidays and adding a hypothetical level of banking tax in 2H22, net profit in 2022 would amount to PLN2,239 million.



BM Group's annual results (management perspective)

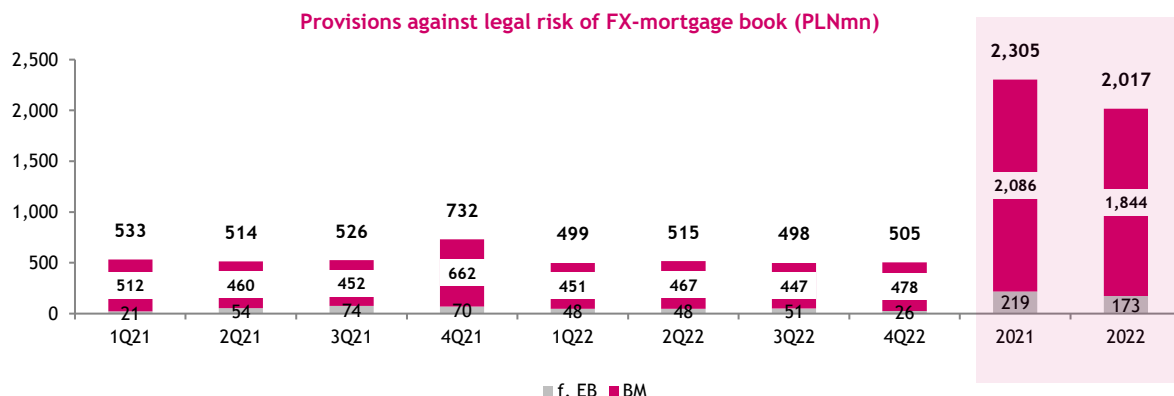
(PLNmn)	2020	2021	2022	y/y
NII*	2,549	2,713	4,661	72%
Net fees	746	831	808	-3%
Other income**	283	14	-137	-
o/w FX mortgage related costs	-11	-162	-282	73%
Operating income w/o FX-mortgage related costs	3,589	3,720	5,614	51%
Operating income	3,578	3,558	5,333	50%
Operating expenses	-1,753	-1,642	-2,093	27%
o/w operating expenses w/o BFG/IPS/FX-mortgage related costs	-1,560	-1,474	-1,638	11%
o/w BFG and IPS (2022)	-167	-118	-397	236%
o/w FX-mortgage related costs	-25	-50	-58	17%
Operating result before risk charges w/o FX-mortgage related costs	1,861	2,128	3,579	68%
Operating result before risk and other charges	1,825	1,916	3,240	69%
Risk charges	-621	-299	-358	20%
Cost of FX-mtg. settlements (modifications)	-	-	-102	-
FX-mortgage legal risk (w/o f. EB)	-677	-2,086	-1,844	-12%
FX-mortgage legal risk (f. EB)	-36	-219	-173	-21%
Credit holidays	-	-	-1,324	-
Bank tax	-279	-313	-169	-46%
Pre-tax	211	-1,001	-731	-27%
CIT	-188	-331	-284	-14%
Net result reported	23	-1,332	-1,015	-24%
Net profit w/o FX-mortgage related costs	695	1,098	1,347	23%
Net profit w/o FX-mortgage related costs and credit holidays in 2021	695	1,098	2,239	104%
Loans net	73,639	78,603	76,565	-3%
Deposits	81,511	91,448	98,039	7%
Equity	9,091	6,697	5,494	-18%

*NII/other income on pro-forma basis with interest in derivatives presented in NII and in 2022 w/o credit holiday cost; **w/o result on FV portfolio (added to risk cost)

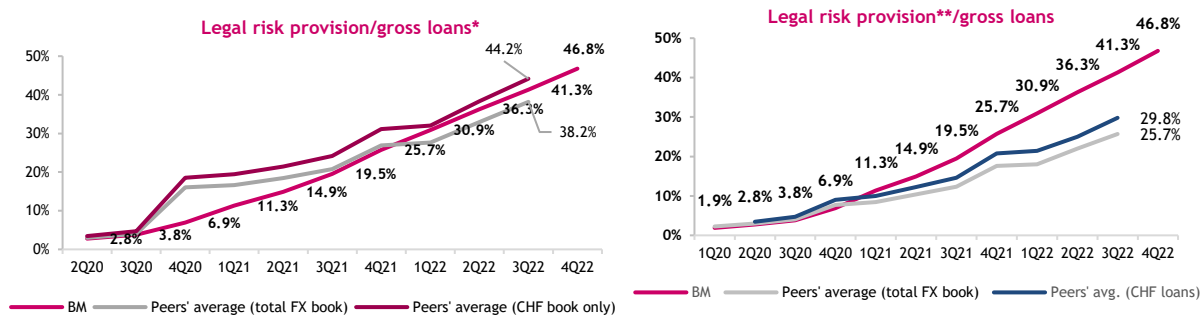
FX-mortgage related costs remained a heavy burden to our core-business

Similarly to 2021, costs related to FX-mortgage portfolio (legal risk provisions, costs of amicable settlements and legal costs) remained elevated in 2022 and continued to be a material drag on the increasingly profitable core business of the Group.

In 2022, total provisions against legal risk related to FX-mortgage portfolio ('FX-mortgage provisions') amounted to PLN2,017 million (pre-tax) with PLN1,844 million attributable to FX-mortgages originated by the Bank. The further increase of FX-mortgage provisions in 2022 resulted from updated inputs into the Bank's provisioning methodology, reflecting, inter alia, the inflow of court claims and higher proportion of cases lost by banks.



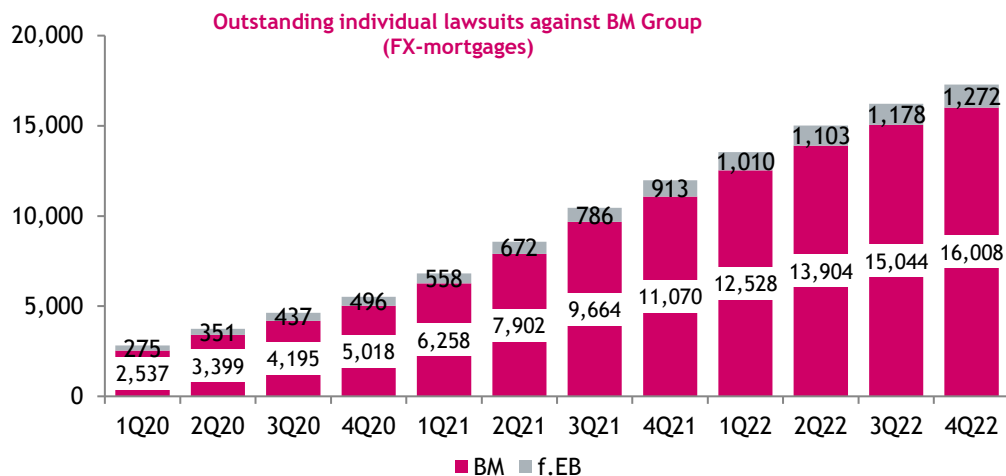
At the end of December 2022, provisions for the portfolio originated by Bank Millennium were at the level of PLN4,986 million (an equivalent of 46.8% of the grossed-up FX-mortgage book) and at PLN409 million for the portfolio originated by former Euro Bank.



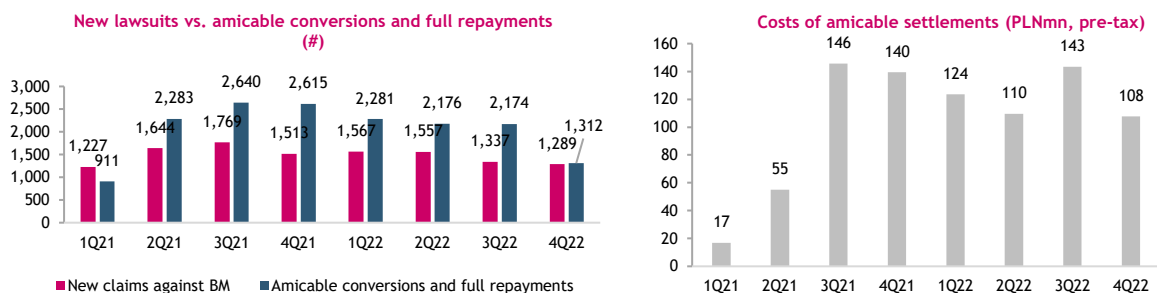
(*) including provisions for settlements, (**) w/o provisions for settlements

Note: legal risk provisions/gross FX mortgage book (post IFRS9 adjustments where necessary); ex-EB portfolio in case of BM;

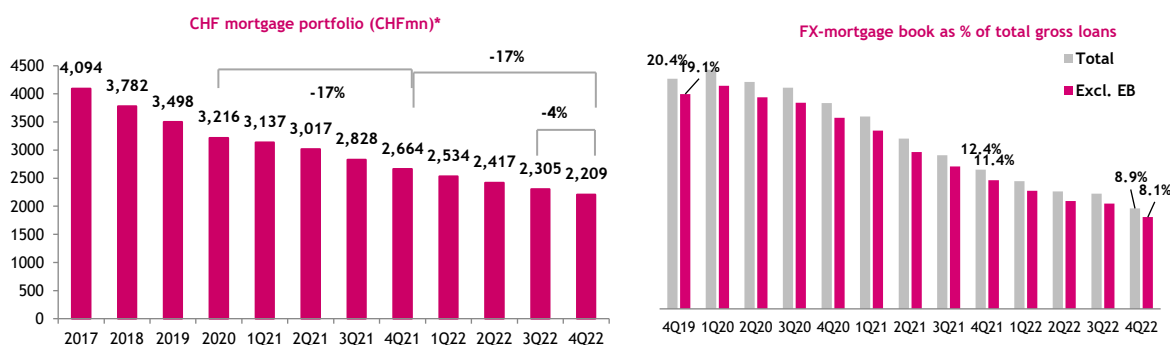
On December 31, 2022, the Bank had 16,008 loan agreements and additionally 1,272 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by the Bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the court.



The Bank is highly focused on reduction of its FX-mortgage portfolio and the related risk and therefore continues to actively offer its customers amicable solutions (i.a. conversions to Polish zloty, pre-payments, early repayments or collectively 'amicable settlements') regarding FX-mortgages on negotiated terms. In 2022, the number of amicable settlements totalled 7,943 compared to 8,449 in 2021. Since early 2020 when more intensive effort was launched, nearly 18,000 amicable settlements took place. Since 2Q21, the quarterly reduction of the number of active FX-mortgage loans (and the number of amicable settlements) was higher than the inflow of new individual court cases against the Bank. In 2022, P&L costs related to amicable settlements totalled PLN484 million (pre-tax, with PLN 382 million booked in FX-result and PLN 102 million in result on modifications). Legal costs, booked in admin costs and other operating cost, totalled PLN131 million in 2022.



As a result of these trends, the BM's FX-mortgage portfolio contracted 17% in 2022 (in CHF terms, gross, w/o impact of allocated legal risk provisions). The share of total FX-mortgage book (gross loans less allocated legal risk provisions) in total Group's gross loans dropped to 8.9% at YE22, while the share of FX-mortgage loans originated by BM dropped to 8.1%.



(*) Originated by Bank Millennium

Note: the share of gross FX-mortgages not deducting legal risk provisions was 13.1% at YE22

Excluding all FX-mortgage related costs (in 2022: PLN 2,459 million before tax, PLN 2,361 million after tax), in 2022 the BM Group would post net profit of PLN 1,347 million, compared to PLN 1,098 million in 2021. Even including these costs, the net result in 2022 would be positive, if not the cost of credit holidays.

More details on the FX-mortgage portfolio related risks are presented in separate section in this report as well as in Annual Consolidated Financial Report of the Bank Millennium S.A. Capital Group for the 12-month period ending 31st December 2022.

Credit holidays

On July 7, 2022 the Parliament approved and on July 14, the President of the Republic of Poland signed a bill on crowdfunding for business ventures and assistance to borrowers ('the Act'). The Act, among others, introduced credit holidays for PLN mortgage borrowers. Eligible borrowers, i.e. those who took a loan for own housing purposes before July 1, 2022, were offered an ability to suspend up to eight instalments (capital + interest) in 2022 and 2023 (up to two instalments in 3Q22 and 4Q22 each and one instalment in each quarter of 2023). Borrowers can apply for credit holidays with regards to one loan only. Instalments are to be suspended not annulled, thereby credit repayment period is to be extended respectively.

The Bank initially estimated the maximum financial impact (cost) of the implementation of this Act at PLN1,779 million at the Group level (PLN1,731 million at the solo level) if all eligible Group's borrowers were to use such an opportunity.

In 3Q22 results the Group/Bank recognised an upfront cost of credit holidays in the amount of PLN1,423 million/PLN 1,385 million, equivalent to assumption of 80% participation rate of eligible borrowers. These costs were the direct reason for the significant net loss in 3Q22, consequently a breach of the regulatory minimum capital requirements and the launch of recovery plan by the Bank (see separate section for details).

In 4Q22, the BM Group lowered its estimate of cost of credit holidays by PLN99 million (pre-tax; PLN 80 million after tax) based on effective take-up in 2H22 and the expected participation rate of eligible borrowers in 2023.

As a result, in 2022 overall, the cost of credit holidays, recognised in interest income, burdened the results by PLN1,324 million pre-tax/PLN 1,073 million after tax.

IPS costs

In June 2022, Bank Millennium along with seven other large Polish commercial banks established an institutional protection scheme ('IPS'). The Bank became an 8.5% shareholder in the entity managing the scheme. In 2Q22 and 3Q22 it paid in contributions totalling PLN276 million pre-tax (PLN 224 million post tax). As a result of the establishment of the IPS, the Bank Guarantee Fund ('BGF') suspended deposit guarantee funds fees for 2Q22-4Q22. Additionally, it is expected that no contributions to deposit guarantee fund will be required in 2023.

Capital ratios recovered from a temporary breach of minimum required levels

The Bank's consolidated and solo capital ratios dropped below minimum required levels in July 2022, following the upfront recognition in the P&L of the above mentioned estimated cost of credit holidays. The Bank pre-emptively launched recovery plan in July 2022, while in August it filed a capital protection to Polish Financial Supervision Authority ('PFSa') plan as required by the regulations (details in separate section later in this report).

Organic capital protection and replenishment initiatives introduced by the Bank as a part of the above mentioned plans combined with the improving profitability (positive net result in 4Q22) bore fruits and capital ratios returned clearly above the required minimum required levels already in 4Q22.

Consolidated TCR increased to 14.4% at YE22 from 12.4% at the end of September'22, while consolidated T1 ratio to 11.3% from 9.4% respectively. This was a an outcome of a combination of higher regulatory capital (positive net result in 4Q22, improved valuation of bond portfolio) with lower RWAs and consequently lower capital requirement. The latter was chiefly an outcome of reduction of the loan portfolio (i.a. repayments/write-offs/disposals of some credit exposures) and a securitisation transaction.

At the same time, minimum required ratios for Bank Millennium were lowered by the regulator during 4Q22, as a result of the reduction of the P2R buffer in December'22. Consolidated minimum required TCR ratio stood at 12.7% at YE22, while consolidated T1 ratio at 10.2%.

More details on the capital ratios are presented in a separate section in this report

Quarterly trends/operating dynamics

Following the pandemic year 2020 and year 2021 which will be remembered as a year of significant economic volatility, 2022 proved to be an even more challenging one with the outbreak of war in Ukraine in February setting off an avalanche of global consequences. Of these, a dramatic increase of uncertainty among consumers and corporates, global sell-off of most of assets, soaring inflation and in response an unprecedentedly quick and abrupt monetary tightening by central banks, were probably key from the banks' perspective in 1H22. 2H22 was not easy either as the economies (and banks in tandem), in turn, grappled with consequences of energy crisis, further growth in inflation (and as a result worsening consumer confidence) and, last but not least, the interference of increasingly interventionistic governments.

While this incredibly volatile background did adversely impact business conditions, results of Bank Millennium and its peers largely defied the gravity. Bar the impact of extraordinary elements such as contributions to IPS and credit holidays as well as external factors such as growing number of claims from FX-mortgage borrowers (and consequently increasing legal risk provisions at banks), the results were in a strong upward trend.

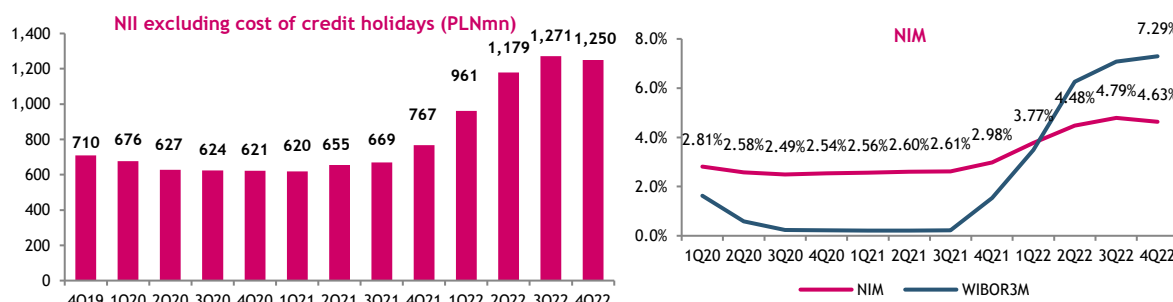
This was chiefly due to the fast increasing interest rates which provided fuel to strong improvement of NIM and strong growth of NII. 2022 brought an increase of Poland's base interest rate by 500bps in eight moves, adding to 125bps rate hikes in 2H21. WIBOR 3M reached its peak of 7.5% in October 2022 compared to YE21 level of just above 2.5%. BM Group's NII grew 54% y/y in 1Q22, 80% in 2Q22, 90% in 3Q22 (excluding cost of credit holidays) and 63% in 4Q22 with full year 2022 bringing 72% y/y growth (before cost of credit holidays). This contrasted with decelerating loan growth, undermined, among others, by the fast decelerating origination of PLN mortgages (down 10% y/y in 1Q22 and down 67% in

4Q22 with PLN6.6 billion disbursements, down 34% y/y, in full year 2022) and generally slowish origination of consumer loans (down 3% in full year 2022). Other revenue lines did not see the uplift from higher interest rates and, in fact, mostly suffered from low consumer confidence and decelerating economic activity (2022 fees down 3% y/y at BM Group). At the same time, cost lines started to reflect growing inflation with full year opex ex-BFG/IPS and FX-mortgage related costs up 11% y/y in 2022.

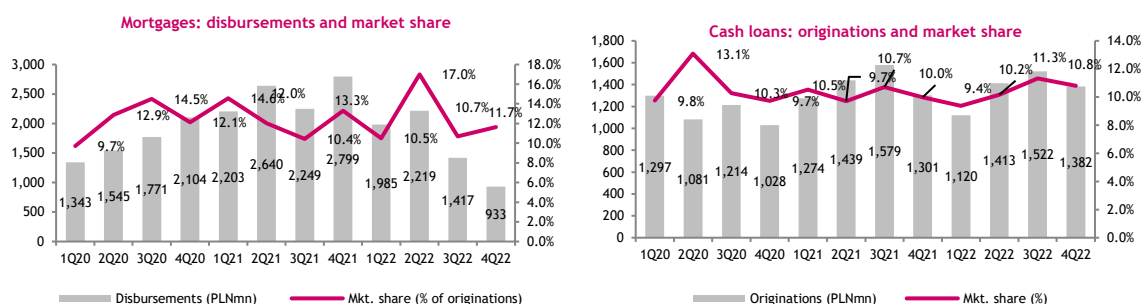
Key points of BM Group results in 2022

The key developments in the last twelve months were as follows:

- **NII grew 23% y/y (or 72% y/y without considering the cost of credit holidays) ;**
- **NIM averaged 443bps compared to 270bps in 2021 with quarterly NIM reaching a peak of 479bp in 3Q22 (without considering the cost of credit holidays);**

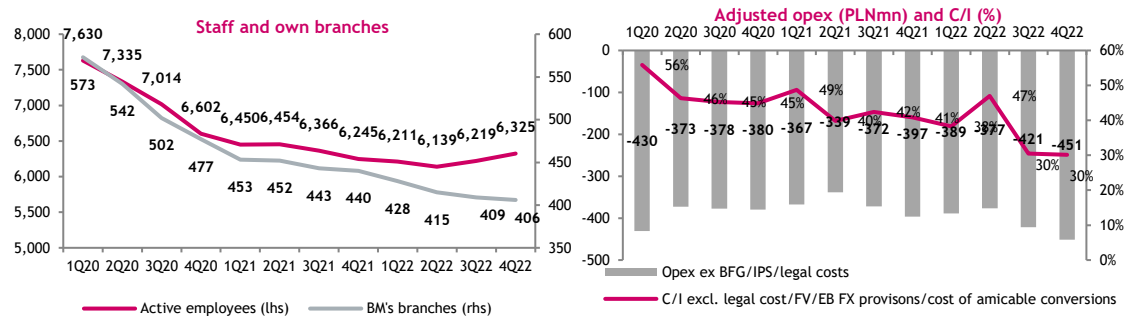


- **loan portfolio contracted slightly (net/gross loans: -3%/-2% y/y) with net retail loans down 3% y/y with falling FX-mortgages being the reason (-30% y/y, on a combination of FX movements, repayments, legal risk provisioning - in line with IFRS9 most of legal risk provisions are booked against gross value of loans under court proceedings - and amicable settlements); PLN mortgages increased 4% y/y on a combination of credit holidays, lower origination (2022: PLN6.6bn, down 34% y/y) and early repayments, while the non-mortgage retail portfolio was flat owing partly to relatively stable production of cash loans (2022: PLN5.4bn, down 3% y/y); corporate loans was down 2% y/y due to generally lower risk appetite, amplified in 4Q22 by early repayments, disposals and write-offs;**



- **cost efficiency remained high** owing to a combination of a steady increase in the digitalisation of our business and well as relations with clients with strong cost response to revenue pressures; stable headcount (number of active employees up 80 or 1% since YE21), ongoing optimisation of the physical distribution network (own branches down by 34 units or 8% during the year) complemented the increasing share of digital services (digital customers: 2.52 million, up 11% y/y, number of active mobile customers: 2.24 million, up 17% y/y); cost optimisation initiatives helped to control inflation driven growth in opex but also translated into much improved cost efficiency; reported C/I ratio (excl. cost of credit holidays) was below 40% in 2022 compared to

46% in 2021 while adjusted C/I ratio (excl. credit holidays and costs related to FX-mortgages) remained low at close to 36% compared to 43% in 2021;



- **broadly stable loan book quality** (NPL ratio of 4.5% at YE22 vs. 4.4% at YE21) with cost of risk remaining moderate (44bps in 2022 vs. 37bps in 2021) owing partly to higher NPL sales (2022: PLN87mn positive contribution to risk cost vs. PLN56mn in 2021); trends in quality differed somewhat in the main segments but the denominator effect (decreasing value of gross loans) played more significant role this time; retail segment saw an uptick of the NPL ratio with increase of stage 3 in PLN mortgages contributing the most; in contrast, corporate segment saw NPL ratio dropping further to 3.1% from 3.9% at the end of December'21 following a repayments/disposals and write-offs of credit exposures; NPL coverage improved to 70% from 69% at the end of 2021;
- **customer deposits were up 7% y/y** with retail deposits up 4% and corporate ones up 15%; retail deposit mix continued to gradually change with term deposits accounting for 29% at the end of December'22 vs. 15% at YE21; the liquidity of the Bank remained very comfortable with L/D ratio easing further to 78%;
- **capital ratios were above required minimum levels although lower than at YE21** (Group TCR: 14.4%/T1: 11.3% vs. 17.1%/14.0% respectively at the end December 2021) on a combination of negative result and higher revaluation losses on bond portfolio;
- **AuM of Millennium TFI and third party funds combined were down 28% y/y** but 4Q22 saw a stabilisation.

3. INFORMATION FOR INVESTORS

3.1. SHARE PRICE PERFORMANCE

Following strong equity returns in 2021, beginning of the year brought an abrupt end with an outbreak of war in Ukraine on February 24 sending prices of equities, bonds, FX and many other asset classes spiralling down. On the day of the Russian attack on Ukraine, WIG index lost 11% and the WIG-Banks index lost 15%. Equity markets started to recover in early March with recovering CEE currencies and somewhat lessened risk aversion towards the whole CEE region. The uptrend lasted until the end of March, when heightened stagflation (or GDP growth slowdown risk at the very least) risks started to outweigh seemingly attractive valuations and Polish equities returned to their downward trend. 4Q22, brought mixed performance of Polish equities with recovery of indices in November and December.

During the twelve months ending 31 December 2022, WIG broad market index fell 17%, WIG20 index of largest companies fell 21% while WIG Banks index decreased by 28%. At the same time, the share price of Bank Millennium decreased 44%.

Annual change of Bank Millennium share performance vs. WIG Banks indeks



In 2022, daily turnover of Bank Millennium shares averaged at PLN7.2 million and was 12% lower than in the preceding year.

Market ratios	30.12.2022*	30.12.2021*	Change y/y
Number of Bank's shares ('000)	1 213 117	1 213 117	0.00%
Average daily turnover in annual terms (in PLN'000)	7 234	8 177	-11.5%
Bank's share price (PLN)	4.580	8.195	-44.1%
Market capitalisation of the Bank (PLNm)	5 556	9 941	-44.1%
WIG Banki	6 297	8 640	-27.6%
WIG20	1 802	2 267	-20.5%
WIG30	2 197	2 765	-20.5%
WIG - main index	57 638	69 296	-16.8%

(*) last day of listing in 2022 and 2021

Bank Millennium's shares are included in following indexes on the Warsaw Stock Exchange: WIG, WIG Banks, WIG 30, mWIG 40, WIG Poland and WIG-ESG.

3.2. BANK MILLENNIUM'S RATINGS

On 27 January 2022, rating agency Moody's affirmed Bank Millennium S.A.'s (BM) long and short-term bank deposit ratings at Baa1/Prime-2, both the Baseline Credit Assessment (BCA) and Adjusted BCA at baa3, the Counterparty Risk Assessment (CRA) at A3(cr)/Prime-2(cr) and the Counterparty Risk Ratings (CRR) at A3/Prime-2. Concurrently, Moody's maintains a stable outlook on BM's long-term deposit ratings. The rating affirmation reflects Moody's expectation that the bank will be able to absorb adverse impacts from its legacy Swiss franc mortgages exposure over the next 12 to 18 months, based on the bank's strong financial flexibility, a result of above-peer efficiency and revenue generation (details in CR 3/2022, [Current reports - Investor relations - Bank Millennium](#)).

On April 7, 2022, rating agency Moody's Investors Service (Moody's Deutschland GmbH) has assigned (P)Baa3 junior senior unsecured EMTN program ratings to the Bank. All other ratings and assessments remained unaffected by this rating action ([Rating of EUR3bn EMTN programme by Moody's](#)).

On July 20, 2022 Moody's rating agency downgraded Bank's long-term and short-term ratings to following levels:

Long-term Bank Deposits Rating: Baa3 (previously Baa1),

Baseline Credit Assessment (BCA) and adjusted BCA: ba2 (previously baa3),

Long-term Counterparty Risk Assessment: (CRA): Baa2(cr) (previously A3(cr)),

Long-term Counterparty Risk Ratings (CRR): Baa2 (previously A3),

Short-term Bank Deposit Rating: P-3 (previously P-2),

Junior senior unsecured MTN program rating: (P)Ba2 (previously (P)Baa3).

As a part of the rating action, Moody's also placed all long-term and short-term ratings and assessments of the Bank on review for further downgrade (details in CR 22/2022, [Current reports - Investor relations - Bank Millennium](#)). In their report, Moody's stated, among others, that 'The rating action follows BM's (Bank's) announcement that it expects its capital ratios to drop below regulatory minimum capital requirements as a result of the implementation of new borrower-friendly legislation in Poland, the key component of which is a loan moratorium scheme for Polish Zloty (PLN) mortgage borrowers'.

On December 20, 2022 Moody's extended the review for downgrade on all long-term and short-term ratings and assessments of Bank Millennium S.A., which was initiated on 20 July 2022.

On August 5, 2022 Fitch rating agency downgraded Bank's long-term and short-term ratings to following levels:

Long-term Issuer Default Rating (IDR) to 'BB' (previously 'BBB-'). The Outlook is Stable,

Short-term Issuer Default Rating (IDR) to 'B' (previously 'F3'),

Bank's Viability Rating (VR) to 'bb' (previously 'bbb-'),

National Long-term Rating to 'BBB+(pol)' (previously 'A(pol)').

The National Short-term Rating has been affirmed at 'F1(pol)'.

Fitch has withdrawn Millennium's Support Rating as it is no longer relevant to the agency's coverage following the publication of its updated Bank Rating Criteria on 12 November 2021. In line with the updated criteria, Fitch has assigned the Bank a Shareholder Support Rating (SSR) of 'b' (details in CR 25/2022, [Current reports - Investor relations - Bank Millennium](#)). In their report Fitch stated, among others, that: 'Millennium's ratings reflect capital pressures predominantly from above-average exposure of the bank to products which have become the subject of government or judicial intervention negatively impacting reported profitability. At the same time, they are supported by solid franchise, reasonable core profitability and asset quality as well as strong funding and liquidity profile.'

The Bank's corporate ratings, as at 31 December 2022, were as follows:

Rating	MOODY'S
Long-term deposit	Baa3
Short-term deposit	Prime-3
Baseline Credit Assessment (BCA)/Adj. BCA	ba2
Counterparty Risk Assessment (CRA)	Baa2(cr)/Prime-2(cr)
Rating outlook	Rating(s) under review*

(*) under review for downgrade

Rating	FITCH
Long-term deposit Issuer Default (IDR)	BB
National Long-term	BBB+ (pol)
Short-term Issuer Default Rating (IDR)	B
Viability (VR)	bb
Shareholder Support Rating (SSR)	b
Rating Outlook	stable

3.3. INVESTOR RELATIONS

Communicating with the investors' community the Bank assures a high level of transparency and proper access to information for all its recipients. Accurate and up-to-date information is provided in keeping with relevant legal regulations. The list of information published by the Bank, defining the frequency and place of publication, is available on the Bank's website in the Investor Relations section - in section of Information Policy [Information policy of Bank Millennium - Bank Millennium](#)

The investor relations website [Investor relations - About the Bank - Bank Millennium](#) always provides up-to-date information, including Bank Millennium share prices on the WSE, shareholding structure, details of General Meetings, dividend payment history or credit ratings. There are also current and periodic reports, financial results presentations, Excel sheets with key financial information and other important information about the Bank. It is worth noting that the website is responsive, which means that it is adapted to mobile devices - tablets and smartphones.

The Bank makes use of diverse communication channels to reach current and potential Shareholders, primarily such channels as:

- Periodic conferences with the Management Board about quarterly results of the Bank's Capital Group (four during 2022),
- Participation in conferences organised for Investors in Poland and abroad (7),
- Face-to-face and group meetings with capital market participants (368 persons),
- Current reports (30) and press releases,
- Dedicated website in the Bank's portal on investor relations,
- Encouraging participation in annual General Meetings of the Bank,
- Day-to-day contacts with market participants (via e-mail or phone).

In keeping with best practice on equal access to information from 2006 the Bank has been assuring unrestricted access to results conferences online with the Management Board (video streaming in Polish and in English) and by phone. A recording of each conference is available on the Bank's website. The Bank also provides video streaming of General Meetings. A recording of the deliberations and the resolutions adopted are also available on the website.

Bank Millennium is covered by 12 analysts representing local and international brokerage houses who publish their reports and recommendations for Bank Millennium shares. The full list can be found on the Bank's website [Analysts - Investor relations - Bank Millennium](#)

In 2022, brokerage houses issued, to the knowledge of the Bank, 44 recommendations regarding Bank Millennium shares, of which 20 were "Buy", 12 "Hold", 2 "Neutral" and 10 "Sell". As at 31 December 2022, the structure of recommendations (not older than 6 months) was as follows:

Buy	Hold	Sell
4	4	1

3.4. DIVIDEND POLICY

Bank Millennium's dividend policy assumes distribution of between 35% to 50% of its net profit, provided that recommendations of the PFSA regarding the payment of dividends are met.

The Bank recorded a net loss in 2021, resulting from the creation of provisions for legal risk related to FX mortgage loans, hence there was no basis for the payment of dividends. The Management Board of the Bank presented a proposal and the Ordinary General Meeting of the Bank, held on March 30, 2022, decided to allocate the amount of PLN 1,357 million from the reserve capital to cover the loss incurred in 2021.

The Bank also posted a net loss in 2022, although this time due to an upfront recognition of estimated cost of credit holidays. Consequently, following the necessary corporate approvals, the Management Board intends to recommend shareholders at 2023 AGM, an allocation of a part of reserve capital to cover the loss incurred in 2022.

4. MARKET CONDITIONS AND MACRO RISK FACTORS

4.1. MACROECONOMIC ENVIRONMENT

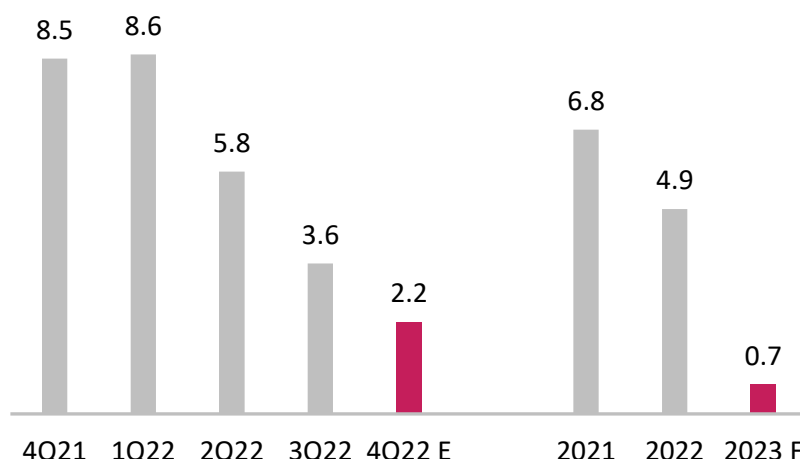
The year 2022 was dominated by the Russian attack on Ukraine. It has triggered a humanitarian crisis that has not been seen in Europe for a long time and has left its mark on the global economy. The economic sanctions imposed on Russia and Belarus as well as the disruptions of energy and food commodities' supply have caused a very rapid increase in their prices. In 2022, the increase in gas prices in Europe exceeded temporarily 600% y/y, and the food price index immediately after the outbreak of the war was 40% higher than a year earlier. As a result, inflation in many economies reached multi-year highs in 2022, and central banks began or continued the cycle of monetary policy tightening. Rapid price increases, higher interest rates and uncertainty slowed down global economic growth, to which the radical anti-epidemic policy in China additionally contributed. The turn of 2022 and 2023 brought the beginning of disinflationary tendencies in the world, and the process of tightening monetary policy in many economies was coming to an end. Nevertheless, 2023 will continue to be a period of high inflation and high interest rates, hampering global economic growth.

In 2022 the outbreak of war in Ukraine had also a strong impact on the domestic economy. The supply shock on commodities markets and the increase in uncertainty intensified inflation, which in Oct'22 in terms of CPI reached its peak of 17.9% y/y, the highest value since 1996. A strong increase in cost pressure in the economy fell however on the ground of solid domestic demand, which gave producers room for price increases. Finally, CPI inflation on average in the whole 2022 amounted to 14.4% y/y compared to 5.1% y/y in 2021. Average annual core inflation measured as a CPI index excluding food and energy prices increased to 9.1% y/y from 4.1% y/y in 2021, i.e. to the highest value in the history of available data. It should be emphasised that these numbers turned out to be much higher than the forecasts and market expectations from the beginning of 2022, i.e. before the Russian invasion on Ukraine. In the conditions of rapidly rising inflation, the Monetary Policy Council continued the cycle of interest rate increases started in Oct'21. In Sep'22, the reference rate reached 6.75%, and the Council went into "wait-and-see" mode. Taking into account the outlook for inflation and economic activity as well as the Council's reaction function, in the opinion of Bank Millennium, the cycle of monetary policy tightening has already been completed.

The tightening of monetary policy has slowed down credit creation in the economy in 2022, especially in its second half. The total value of new loans granted for households and non-financial corporations in 2H22 was 22.1% lower than in the corresponding period of 2021. This change is particularly due to the value of newly granted loans for housing, which decreased in that period by 66.8% y/y. The scale of the reduction in lending was limited by the demand from households for consumer loans. Their value between Jul'22 and Dec'22 was 5.3% lower than a year earlier. In the case of value of new loans to non-financial enterprises in 2H22, a decrease of 4.5% y/y was recorded. The year 2022 was a period of growth in the value of deposits in the economy. The corporate sector was mainly responsible for this, which was associated with good results of enterprises. Households' deposits also increased, which was supported by higher interest rates, increased propensity to save and still quickly growing wage bill in nominal terms in the economy.

1H22 was still a period of strong economic recovery in Poland resulting from the lifting of anti-epidemic restrictions, as well as increased demand due to the influx of refugees from Ukraine. However, in 2H22 economic growth significantly slowed down. Falling wages in real terms and a higher propensity to save contributed to lower growth rate in consumption of the household sector. Uncertainty, high price inflation of capital goods, as well as a strong downturn in construction and weakening economic growth abroad slowed down the growth in investments. Growth in the economy was also limited by net exports. Ultimately GDP growth slowed down in 2022 to 4.9% from 6.8% in 2021.

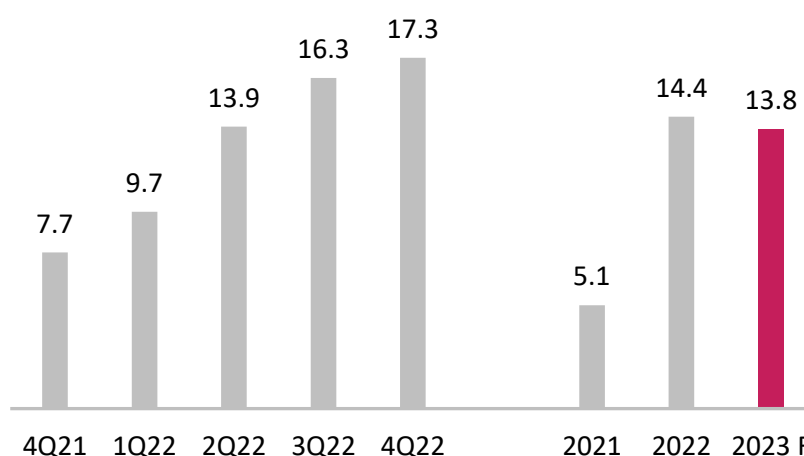
GDP growth rate and its forecasts for Poland (%)



Source: Bank Millennium, Macrobond, E-estimate, F-forecast

According to the baseline macroeconomic scenario of Bank Millennium, at the beginning of 2023 there will be an increase in inflation, mainly caused by the expiry of temporary reductions in VAT rates, which were part of the governmental Anti-Inflation Shield. After peaking in Feb'23, CPI inflation is expected to decline as commodity markets and supply chains in industry further normalise and due to an effect of high statistical base. However, this decline will be slow, i.a. due to cost pressure on the labour market resulting from the expected still high wage growth, including strong increase in the minimum wage. In the Bank's basic scenario, it has been assumed that CPI inflation would decrease to single-digit values at the end of 2023, which may open a discussion about NBP interest rate cuts. In the Bank's opinion, however, the monetary policy easing phase will start only in 2024.

CPI inflation and its forecasts for Poland (% y/y)



Source: Bank Millennium, Macrobond, F-forecast

The economic downturn will continue in 2023, as its most important determinants - high inflation and interest rates - are going to stay for longer. GDP growth will slow-down to 0.7% in the Bank's baseline scenario from 4.9% in 2022, i.e. it will be the weakest (excluding 2020) in history of available data. The source of the slowdown should be the subdued consumption of households, whose disposable income for almost the whole of 2023 is expected to decrease in real terms. At the same time, a reduced propensity for consumer spending should continue, especially as demand for labour is

forecasted to decline. The investment outlook is also pessimistic, given uncertainty in the economic environment, higher borrowing costs, strong inflation in capital goods' prices and the expected weakness in the construction sector. Furthermore, the recovery of investment demand in the economy in 2023 will not be supported by the transitional period between the old and the new perspective of the European Union budget. The Bank's basic scenario also assumes a noticeable impact of the National Recovery Plan only in 2024. The scale of the economic slowdown in 2023 will most likely be limited by net exports, which, according to the Bank, will have a positive contribution to GDP growth. The year 2023 will be difficult for the domestic economy, although medium-term expectations are still optimistic, due to the high competitiveness of domestic exports, expected only a moderate correction in the labour market and the intensifying trend of *near-shoring*, of which Poland may be one of the largest beneficiaries. It should be emphasised that there is a high uncertainty regarding economic forecasts for both the domestic economy and its environment.

4.2. FACTORS OF UNCERTAINTY FOR THE ECONOMY AND BANK MILLENNIUM GROUP

The summary list below presents the most important, in the Bank's opinion, negative risk factors for the economy and the Bank Millennium Group, connected with the macroeconomic situation.

- Deterioration of the geopolitical situation. This concerns in particular the intensification of hostilities between Russia and Ukraine. This would result again in an increase in uncertainty and risk premium, which would translate into a deterioration in the valuation of domestic assets, as well as a weaker zloty exchange rate. Its result would be higher inflation in the prices of imported goods and services. Geopolitical uncertainty would adversely also affect the prospects for investments in the country and the global economy.
- Cessation or stronger disruptions of energy resources supply from Russia, which would result in strong increases in their prices on international markets and the possible need to suspend or reduce the scale of economic activity, although mainly abroad.
- Suboptimal economic policy in Poland in connection with the elections in the years 2023-2024. It could perpetuate inflationary pressures and foster the build-up of disequilibria in the economy, including external and fiscal imbalances. This would result in higher debt servicing costs, a weaker exchange rate, higher inflation and a stronger than expected tightening of monetary policy.
- More persistent than expected inflation in the world, resulting in a stronger than assumed tightening of monetary policy by the monetary authorities of the most important economies, which would translate into weaker growth in the global economy.
- A stronger than expected economic slowdown in Poland and abroad as a result of higher-than-expected inflation and a stronger deterioration in business and household sentiment. This would entail a greater than expected decline in labour demand and an increase in unemployment.
- Rapid expansion of COVID-19 pandemic e.g. vaccine-resistant mutations of SARS-CoV-2.

As a result of materialisation of these negative risk factors, the financial standing of the BM Group's clients would deteriorate, reducing the demand for its offer and increasing credit risk. At the same time, disturbances on the financial markets could result in a deterioration in the valuation of assets in the Group's portfolio.

There is also a possibility of better economic results in Poland than in the Bank's baseline scenario, which could result, among others, from a faster than expected abatement of military operations in Ukraine, causing lower pressure on the prices of raw materials, increasing their supply, unlocking of congestion in supply chains in industry as well as stronger investment demand. In such conditions, the risk premium would decrease and the zloty's exchange rate strengthen in reference to the baseline scenario. The stabilisation of the economy could also be facilitated by an increase in the number of foreign workers and a faster inflow of funds from the European Union for the National Recovery Plan and as part of the new EU budgetary perspective.

5. OTHER IMPORTANT CONSIDERATIONS

5.1. MREL REQUIREMENTS

On April 1, 2022 the Bank received a letter from the Banking Guarantee Fund ('BGF') regarding the joint decision of the resolution authorities, i.e. the Single Resolution Board and BGF obliging the Bank to meet the communicated MREL (minimum requirement for own funds and eligible liabilities) requirements (details here: [Current report on updated MREL requirements](#)).

Pursuant to the above decision, at the consolidated level the Bank is obliged to meet by December 31, 2023, the minimum MRELTrea requirement of 20.42% and MRELtem of 5.91%. At the individual level, the Bank is obliged the requirements of 20.32% and 5.91% respectively. These targets represent a decrease compared to most targets set in November 2021 (the minimum consolidated MRELTrea requirement of 21.41% and MRELtem of 5.91%; Bank only requirements of 21.13% and 5.88% respectively), reflecting chiefly a drop in the P2R ([Current report on initial MREL requirements](#)).

Additionally, the above-mentioned decision sets the path to achieve the target MREL level. As a part of mid-term objectives, at the moment of communication of the decision the Bank was obliged to meet the minimum consolidated MRELTrea requirement of 15.60% and MRELtem of 3.00%. At the individual level, the Bank was obliged to meet the minimum MRELTrea requirement of 15.55% and MRELtem of 3.00%. The Bank expects an update (reduction) of the requirements during 2023, following the decrease of the P2R capital buffer for the Bank at the end of December 2022.

The Bank is still to meet these due to the net loss booked in 2021 (higher-than-initially planned provisions against legal risk related to FX-mortgage portfolio), 2022 (unexpected introduction of costly credit holidays for PLN mortgage borrowers) and the fact that an issue of senior non-preferred bonds on the Polish market initially planned for 4Q21 and was not possible to execute due to a gap in the Polish bond law.

As a result, the Bank decided to alternatively prepare and launch a new Euro Medium Term Note Programme ('EMTN Programme') programme (details here: [Current report on EMTN programme](#)) that is expected to allow the international issue of senior non-preferred bonds ('SNP bonds'). On April 6, 2022, the Luxembourg Commission de Surveillance du Secteur Financier, the authority supervising the capital markets in Luxembourg approved the Bank's base prospectus for the EMTN Programme established by the Bank, which was published on the website of the Luxembourg Stock Exchange. Due to the combination of unfavourable market conditions (for most of 2022, markets were effectively shut for issuers of SNP bonds from the CEE region) and looming risk of Poland's government enforcement of costly extraordinary measures on the banking sector (credit holidays and replacement of Wibor, among others) and finally, the temporary breach of minimum capital ratios by the Bank in 3Q22, the offer of SNPs bonds could not be started in 2022.

Following the changes in the Polish bond law in May, the Bank started preparations for a domestic issue, but due to the above mentioned external factors, the decision to officially start the domestic offering was also put on hold.

The Bank intends to close the MREL gap by the end of 2023 through a combination of organic capital generation and issuance of debt instruments, if required and market conditions allow.

5.2. LAUNCHING OF RECOVERY AND CAPITAL PROTECTION PLANS

In the current report of July 15, 2022 ([Information on expected negative impact of credit holidays on 3rd quarter 2022 results of Bank Millennium S.A. Capital Group and on launching of the Recovery Plan](#)), the Bank informed that due to costs generated as a result of the above mentioned Act, it could be reasonably assumed that the Bank will post a negative net result for the 3rd quarter of 2022 and as a result its capital ratios may fall below the current minimum requirements set by Polish Financial

Supervision Authority ('PFSA'). As the emergence of risk of a breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended), on July 15, 2022 the Management Board of the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSA and Bank Guarantee Fund. Additionally, the Bank has elaborated and submitted to PFSA the Capital Protection Plan, pursuant to the Article 60 sec. 1 of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system (Journal of Laws of 2022, item 963, i.e. of 6 May 2022, as amended). PFSA approved this plan on 28th October 2022.

Both the Recovery Plan and Capital Protection Plan, foresee the increase of capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations). Launching of both plans, triggered various actions aimed at the increase of capital ratios and operational profitability. As presented in the chapter regarding capital adequacy ratios, in 4Q22 the Bank/BM Group improved capital ratios, bringing them clearly above the updated regulatory requirements. Assuming no other extraordinary factors, the Bank plans to keep capital ratios above the minimum required levels throughout the year of 2023. The Bank monitors, on the current basis, the financial situation and, if needed, will undertake actions to launch additional remedial activities.

As soon as all Recovery Plan leading indicators will become green ('business as usual' zone), the Bank will complete the key milestones of the Recovery Plan. The Bank anticipates that this may occur around the end 2023 or in the first half of 2024 at the latest, assuming no significant negative extraordinary events.

More details are available in the risk section of this report

5.3. FX-MORTGAGE LEGAL RISK

On December 31, 2022, the Bank had 16,008 loan agreements and additionally 1,272 loan agreements from former Euro Bank 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 (78% loans agreements before the courts of first instance and 22% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN2,758.4 million and CHF 201.9 million (Bank Millennium portfolio: PLN2,536 million and CHF 197.3 million and former Euro Bank portfolio: PLN222.5 million and CHF 4.6 million).

The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of paid principal and interest instalments as undue performance, due to the abusive nature of indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor.

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 directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3 273. On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. Both parties requested a written justification of the judgment. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022. The appeal has not been served yet to the Bank's counsel.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,982 individual claims were filed against the Bank (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,006 (265), in 2021 the number increased by 6,153 (422), while in 2022 the number increased by 5,750 (408).

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. As far as the Bank itself is concerned, since from 2015 and until the end of 2022, 1,173 cases were finally resolved (1,111 in claims submitted by clients against the Bank and 62 in claims submitted by the Bank against clients i.e. debt collection cases) out of which 354 were settlements, 46 were remissions, 53 rulings were favorable for the Bank and 720 were unfavorable including both invalidation of loan agreements as well as conversions into PLN+LIBOR. The Bank files appeals against negative judgements of the courts of 1st instance as well as submits cassation appeals to the Supreme Court against unfavourable for the Bank legally binding verdicts. Currently, the statistics of first and second instance court decisions are much more unfavourable and its number is also increasing.

The outstanding gross balance of the loan agreements under individual court cases and class action against the Bank on 31.12.2022 was PLN5,576 million (of which the outstanding amount of the loan agreements under the class action proceeding was PLN897 million).

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without proper compensation for the use of capital, the pre-tax cost could reach PLN5,499 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

During 2022 the Bank created PLN1,844 million provisions and PLN173 million for former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of December 2022 was at the level of PLN4,986 million, and PLN409 million for former Euro Bank originated portfolio.

The Bank is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations and other natural drivers, the number of active FX mortgage loans decreased by 8,449 in 2021 and 7,943 in 2022. As of end 2022, the Bank had 38,011 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN364.5 million in 2021 and PLN515.2 million in 2022 is presented mainly in 'Result on exchange differences' in the profit and loss statement, and in 2022 also in 'Result on modification' (the values of costs charged to particular items of the Income Statement due to settlements are presented in Note 14 in Chapter 13 of the Notes to the Financial Statements).

Finally it should also be mentioned, that the Bank, as at 31.12.2022, 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 1.95 p.p. (1.94 p.p. at the Group level), part of which is allocated to operational/legal risk.

Detailed data on the number and value of FX mortgage cases and other aspects related to risks related to this portfolio are presented in Annual Consolidated Financial Report of the Bank Millennium S.A. Capital Group for the 12-month period ending 31st December 2022.

6. POLISH BANKING SECTOR AND BM/BM GROUP'S POSITION

Polish banking sector

While 2021, though still disrupted and influenced by next waves of the pandemic, was a year of recovery and adaption to 'new pandemic' reality, 2022 started strong with commercial banks reporting in 1Q22, a +130% y/y growth of net profit (PFSA's data for commercial banks segment used in this section). NII, growing 44% y/y was the main driver. IPS related costs in June'22 (sector overall: PLN3.2 billion) dented 2Q22 profits, but nonetheless 1H22 net profits (PLN8.8bn) remained well above these in the respective period of the prior year (up 48% y/y). 3Q22 brought a definite end to this good performance as significant cost of credit holidays resulted in commercial banks' 3Q22 net loss of PLN5.8bn. Consequently 1-3Q22 net profit dropped to a mere PLN3 billion. The previously positive y/y earnings momentum, turned negative and stood at -66%. Cumulative net profit for Jan-Nov'22 (latest available data; Jan-Nov'22 used throughout this section when referring to 2022 results) period amounted to PLN9.9 billion and were down 15% y/y.

Bar the significant extraordinary factors, underlying operating trends of the banking sectors continued to improve during the year 2022. The pace of y/y revenue growth accelerated to 29% in Jan-Nov'22 from 9% in 2021 overall. Interest income, which again became the main source of revenue growth, was up 55% y/y after the 1% drop in 2021. NIM improved significantly (3,08% vs. 2,07% in 2021). In contrast, net fees grew 9% y/y following the 16% growth in 2021, while their share in total income decreased to 22% from 26% in 2021. Banks continued cost containing initiatives (additional headwind from IPS costs) but fast increasing inflation and wage pressure translated into 25% y/y growth of opex after the 1% growth in 2021. Nonetheless, the cost/income ratio for commercial banks combined improved to 55% from 60% in 2021. The pandemic accelerated sector digitalisation which, among others, manifested itself through continued branch closures and staff reduction. At the end of November 2022, the number of banking branches was 4% lower than at YE21, while the number of staff was flat (staff at branches down 4% y/y though). Risk charges were flat y/y in contrast to 2021 when their 48% y/y drop was one of the main reasons behind the substantial improvement the results of the sector. Risk charges in Jan-Nov'22 were equivalent of less than 20% of operating profit compared to over 23% the year before. The share of stage 3 loans decreased to 5.5% from 5.8% at YE21, while the coverage ratio remained broadly stable at 61%. Sector's ROE for the 12-months trailing to November 2022 stood at 4.4% vs. the peak of May at 6.7% and 3.1% at YE21. According to PFSA's data, in Jan-Nov 2022, eleven commercial banks posted combined net loss of PLN4.6 billion (nine banks posted combined loss of nearly PLN4.0 billion in 2021) while their share in total sector's assets stood at 16%.

Banking balance sheets grew less than in 2021 (+7% vs. +10% y/y) and much less than in 2020 (+18%) with inflow of deposits remaining the key driver. The latter again largely came from the corporate sector but the gap between the growth of corporate deposits (+13% y/y) and retail ones (2%) widened again from 12%/7% respectively in the preceding year. The over-liquidity of the sector increased further as evidenced by a further drop of loan/deposit ratio to 70% from 74% YE21 or increase of NSFR ratio to 145% (end of September 2022 data) from 135% at the end of September'21. The significant change of deposit mix, with the much increased share of term deposits (30% of total after nearly 100% growth in y/y in nominal terms) was a peculiar feature of 2022.

The Polish banking sector maintained a very strong capital position, yet all metrics dropped y/y. At end of September 2022, the equity of Polish commercial banks stood at PLN200 billion (YE21: PLN206bn) while capital ratios dropped compared to YE21 levels (TCR at 18.1% at the end of September'22 vs. 19.4% while Tier 1 ratio at 16.2% vs. 17.3%).

2022 brought a continuation of concentration and sector consolidation processes. At end of November 2022, the share of top five largest banks in total sector's assets was 58% vs. 57% at YE21. The number of commercial banks remained unchanged at 30 units.

The Bank's and BM Group' position on the market

At end of 2022, Bank Millennium ranked 7th among top commercial banks in Poland by total assets and deposits. The Bank's market share in deposits was 5.9% (5.5% at end of 2021) and 5.9% (6.1%) in loans. Bank Millennium Group had a relatively stronger position in the household segment (loans at 8.2% vs. 8.2% at YE21, deposits unchanged at 6.8%, in particular in mortgage loans segment (8.9% vs. 8.7%), non-mortgage loans (8.8% vs. 8.6%) or transactions made with cards (8.0% in September '22 vs. 7.8% at YE21). In the companies' segment, where the Group has a lower share than in the retail segment (4.0% in deposits and 3.9% in loans), the Group maintains a traditionally above-average position in factoring products (c.5.9% at YE22). The Group continues to distribute its products and services via a network of 635 branches (own and franchise ones), as well as through electronic channels, including cash machines, the Internet, phone and mobile apps.

BM's market share in key segments/products



7. STRATEGY AND BUSINESS DEVELOPMENT PROSPECTS

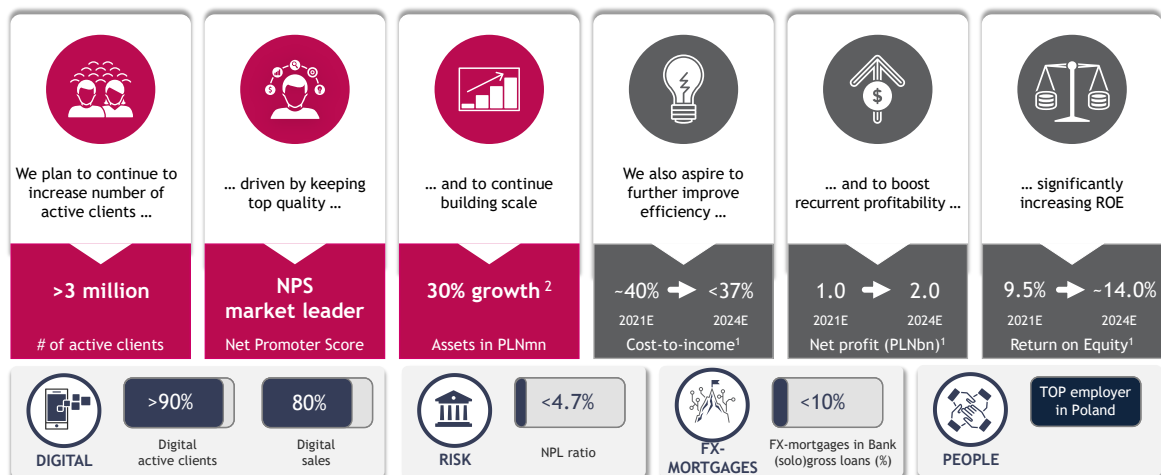
7.1. 2022 - 2024 STRATEGY AND ITS DELIVERY

In the 2022 - 2024 strategy ('Strategy') announced by the BM Group on December 6, 2021 (details here: [2022-24 Strategy outline](#) and [2022-2014 Strategy presentation](#)), the BM Group concentrates on its response to growing post-pandemic expectations of customers and shareholders. By 2024, we aspire to reach PLN2 billion net profit (excluding costs related to FX mortgage loans portfolio) and ROE before such costs of around 14%. The improvement of efficiency ratios and business growth are to be driven by a continued increase of the number of active customers (to more than 3 million in 2024) as well as enhancements to cost-effective and scalable operational platform (cost-to-income ratio below 37% in 2024).

STRATEGY 2024 AMBITIONS IN BRIEF

Profitable growth, doubling Bank Millennium's recurrent profit while driving scale, strong customer recognition

Ambitions by 2024:



1. C/I, net profit and ROE excluding FX-mortgage book related costs
2. Asset growth ambition temporarily suspended in the context of capital management (optimization of risk weighted assets)








At the beginning of Strategy execution, the Bank developed intensive operationalization plan consisting of interlinked strategic projects and activities grouped in 17 areas ('Strategic Portfolio'), together contributing to reach the abovementioned strategic goals. In addition, Strategic Portfolio is covered by continued monitoring program that is a part of internal management system.

The Bank is also monitoring carefully external factors (i.e. market and business environment), that can affect the Strategy. The most significant and identified factors are described in other chapters of this report. However, as these factors represents both potential positive as well negative impacts, the Bank, as for now, maintains assumptions and goals adopted in the Strategy.

In terms of Strategic Portfolio development, all the 17 areas started to work in 2022. Some of the products are already implemented and communicated to the market:

- successful FX mortgage negotiations process,
- new Millennium 360 offer for retail clients,
- constant development of the services range provided to microbusiness clients,
- new sales and service model for affluent clients,
- Buy-Now-Pay-Later service developed with BLIK, or
- cash loan process for new-to-bank clients based on PSD2 mechanisms.

Ongoing activities, supported by external environment (without extraordinary items, i.e. credit holidays) are contributing to the achievement of expected results in most of the defined strategic goals. Worth to highlight is the above-plan increase in number of retail active clients than expected in Strategy (in one year the Bank achieved 63% of expected growth), accelerated after the launch of Millennium 360 offer.

STRATEGIC GOALS:		2021	2022	2024
	Number of active retail clients (thsnd.)	2 694	2 887	>3 000
	Share of digital active clients	84.0%	87.3%	>90%
	Net profit* (PLNbn)	1.10	2.24	>2.00
	Cost-to-income*	42.8%	36.2%	<37%
	Return on Equity*	11.0%	21.5%	~14%
	NPL ratio Non-performing loans	4.4%	4.5%	<4.7%
	Share of FX-mortgage loans in gross portfolio	14.6%**	13.1%**	<10%

(*) Excluding FX-mortgage book related costs (for 2022 excluding also 'mortgage holidays' effect and incorporating hypothetical banking tax effect in 2H22), (**) share of gross loans w/o deduction of allocated legal risk provisions

7.2. STRATEGIC OBJECTIVES FOR 2023

2023 will be crucial for the Strategy execution in terms of undertaken activities. In particular, following initiatives are in advanced stage implementation, in line with plan:

- transformation of branch network, incl. expansion of ACS (Automatic Cash Service) format
- new mobile application for corporate clients,
- voice-bot and chat-bot solution in Contact Center processes,
- new AML (Anti Money Laundering) solution and operational model,
- extended offer supporting green transformation for corporate clients.

7.3. BUSINESS OUTLOOK FOR 2023

As mentioned at the beginning of this report, after a period of negative reported results, 4Q22 brought the long awaited black ink at the bottom line. This positive result marks, we believe, a return to sustainable profitability and steady process of capital recovery as well as improvement of capital ratios, assuming no other extraordinary events.

2023 will for the BM Group be a year of a balancing act between focus on capital ratios, MREL and risk management on the one hand and maintenance of growth on the other. We plan to further increase capital ratios through a combination of profit generation and tight RWA management, including further loan securitisations.

We expect further growth of active customers, in line with our mid-term strategic objectives. Loan growth is likely to remain moderate given the meagre near-term outlook for PLN mortgages and the Bank's tight control of RWAs. We expect further growth in revenues with NII likely to benefit from the relatively low base of 1H22. Opex should remain broadly flat owing to the expected drop of regulatory costs, while admin and HR expenses will likely continue to be driven by double digit inflation. In contrast, risk cost is expected to increase with retail segment, particularly the non-mortgage part likely to see most of the impact of the more challenging macro backdrop.

8. FINANCIAL SITUATION

8.1. PROFIT AND LOSS ACCOUNT

Group's operating income (PLNmn)	2022	2021	Change y/y
Net interest income	3 337.3	2 713.1	23.0%
<i>Impact of credit holidays on net interest income</i>	<i>(1 324.2)</i>	<i>0.0</i>	<i>-</i>
<i>Net interest income without credit holidays</i>	<i>4 661.5</i>	<i>2 713.1</i>	<i>71.8%</i>
Net commission income	808.3	830.6	-2.7%
Core income	4 145.6	3 543.8	17.0%
<i>Core income without credit holidays</i>	<i>5 469.8</i>	<i>3 543.8</i>	<i>54.4%</i>
Other non-interest income*	-137.1	14.4	-
Total operating income*	4 008.5	3 558.1	12.7%
<i>Total operating income without credit holidays*</i>	<i>5 332.7</i>	<i>3 558.1</i>	<i>49.9%</i>

(*) Without fair value adjustment of credit portfolio (PLN12.5mn in 2022 and PLN39.9mn in 2021), which is included in the cost of risk line

Net interest income in 2022 reached PLN3 337mn, which means a considerable growth by 23% y/y. This item was materially affected by the burden resulting from credit holidays for mortgage loans borrowers imposed by the amended regulations for the banking sector (Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers). The total cost of credit holidays estimated for 2022 and 2023 and booked by the Group in 2H22 amounted to PLN1 324mn. Net interest income without the cost of credit holidays would amount PLN4 146mn which means a very high growth of 72% y/y.

Significant improvement of NII throughout the year with quarterly values reaching the levels not witnessed earlier in the Bank's history was mostly correlated with higher market interest rates reflected in higher Bank's interest margin.

The series of interest rate hikes (11) by Monetary Policy Council starting from October 2021 materially improved conditions for banking revenues (base rate increased from 0.1% to 6.75% in September 2022, i.e. by 665 bps) from very low levels in the first three quarters of 2021 during the period of ultra-loose monetary policy.

Net interest margin (over average interest earning assets) (NIM) maintained its strong upward trend until achieving its peak in 3Q22 of 4.79% and it levelled off in 4Q22 reaching 4.63% (without the cost of credit holidays). The NIM for the whole 2022 reached 4.43% so it was 173 bps higher compared to 2.70% in 2021.

Net commission income in 2022 amounted to PLN808mn and showed a slight decrease of 3% y/y following considerable contraction of the item in 3Q22 (-13% q/q) resulting mainly from a negative impact (PLN18.5mn) of provision for reimbursement the clients the commissions for temporary (bridge) insurance as a collateral of a mortgage loan. The mentioned reimbursement resulted from amendments to Act on mortgage loan and supervision over mortgage loans intermediaries and agents, in force from 17 September 2022.. Also on the negative side, fees on management and distribution of mutual funds and other investment products contracted strongly as a result of unfavourable conditions on capital markets. On the other hand, the main source of the improvement in the income line was growing commissions from banking transactions and cards supported by strongly growing fees from bancassurance activity (+15% y/y).

Core income, defined as a combination of net interest and net commission income, reached PLN4 146mn in 2022 and grew by 17% y/y. When adjusted by the impact of credit holidays, core income reached PLN 5 470mn showed strong growth of 54% y/y pointing to high Group's recurrent income dynamics.

Other non-interest income, which comprises FX result, results on financial assets and liabilities (without fair value adjustment on credit portfolio) and net other operating income and costs turned negative in 2022 and amounted to PLN -137mn. The negative value reflects first of all significant part of the costs related to amicable settlements negotiated with FX mortgage borrowers charged against FX income (PLN382mn) and other operating costs lines.

Total operating income of the Group reached PLN4 009mn in 2022 and showed an increase of 13% y/y and without the cost of credit holidays it reached PLN5 333mn which means a significant increase by 50% y/y, mainly thanks to strong dynamics of net interest income, becoming the key factor of the Group's efficiency improvement.

Total costs amounted to PLN2 093mn in 2022, translating into high 27% increase y/y, mainly due to much higher contribution to Banking Guarantee Fund (BFG) funds and to the institutional protection scheme ('IPS') established by eight Polish banks. IPS cost for the Bank amounted to PLN276.1mn (pre-tax), most of which was booked in 2Q22, translating into a 236% y/y growth of BFG/IPS in 2022. Total costs excluding BFG/IPS fees grew 11% y/y.

Operating costs (PLNmn)	2022	2021	Change y/y
Personnel costs	(916.1)	(815.3)	12.4%
Other administrative costs	(1 177.0)	(827.0)	42.3%
<i>of which Banking Guarantee Fund (BFG) fees and IPS contribution</i>	(397.2)	(118.2)	236.0%
Total operating costs	(2 093.2)	(1 642.3)	27.5%
<i>Total costs without BFG/IPS</i>	<i>(1 695.9)</i>	<i>(1 524.1)</i>	<i>11.3%</i>
Cost/income - reported	39.3%	46.2%	-6.9 pp
<i>Cost/income - adjusted *</i>	<i>36.2%</i>	<i>42.5%</i>	<i>-6.2 pp</i>

(*) without one-off income or cost

Personnel costs amounted to PLN916mn in 2022 and increased by 12% y/y, mainly as a result of higher base salaries and bonuses compared to the corresponding period of the previous year, which reflects high inflationary pressure and growing salaries in the Polish economy during the reported period. The Group adjusts the number of its branches and personnel according to its current needs reflecting the growing importance of online channels while simultaneously keeping strong geographical presence in traditional outlets. At the end of December 2022, the total number of outlets was 635 and their number was reduced by 20 outlets vs. the end of December 2021. The number of Group's employees amounted to 6 860 FTEs at the end of December 2022 and in annual terms it was reduced slightly by 82 FTEs (-1% y/y). Without employees absent due to long leaves, the headcount was much lower ('active FTEs'), i.e. at 6 325 staff.

Employment (FTEs)	31.12.2022	31.12.2021	Change y/y
Bank Millennium S.A.	6 578	6 598	-0.3%
Subsidiaries	282	345	-18.2%
Total Bank Millennium Group	6 860	6 942	-1.2%
Total BM Group (active* FTEs)	6 325	6 245	1.3%

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

Other administrative costs (including depreciation) reached PLN1 177mn in 2022 and recorded high increase by 42% y/y due to higher contribution to BFG and the Protection Scheme mentioned above. Other administrative costs without contributions to BFG or the costs of IPS increased by 10% y/y, mostly due to higher legal and advisory costs and IT and telecommunication costs, compared to the corresponding period of the previous year. Legal costs resulting from negotiations and litigations with FX mortgage borrowers are additional burden to this cost group (PLN58.6mn in the reporting period, not including PLN72.5mn booked additionally in other operating costs).

Cost-to-income ratio for 2022 amounted to 39.3% and was lower by 6.9 percentage points vs. the level for 2021 (46.2%). Cost-to-income ratio without extraordinary items mentioned above (mainly legal costs and FX losses related to litigations/settlements with FX mortgage borrowers), reached record low level of 36.2% in 2022 and was 6.2 percentage points lower compared to 2021 level.

Net profit (PLNmn)	2022	2021	Change y/y
Operating income without credit holidays	5 332.7	3 558.1	49.9%
Cost of credit holidays	(1 324.2)	0.0	-
Operating costs	(2 093.2)	(1 642.3)	27.5%
Impairment provisions and other cost of risk *	(357.6)	(299.0)	19.6%
Other modifications**	(102.2)	0.0	-
FX legal risk related provision	(2 017.3)	(2 305.2)	-12.5%
Banking tax	(169.1)	(312.6)	-45.9%
Pre-tax profit	(730.8)	(1 000.9)	-
Income tax	(283.8)	(330.9)	-14.2%
Net profit - reported	(1 014.6)	(1 331.9)	-
Net profit - adjusted***	2 239.1	1 124.3	99.1%

(*) impairment provisions for financial and non-financial assets including also fair value adjustment on loans (PLN12.5mn in 2022 and PLN39.9mn in 2021) and loans modification effect (PLN-24.5mn in 2022 and PLN-12.8mn in 2021)

(**) the value of modification booked in 3Q22 and 4Q22 resulting from amicable settlements with FX mortgage borrowers and referring to a specific group of such agreements. (PLN-49.7mn in 3Q22 and -52.5mn in 4Q22)

(***) without extraordinary items, i.e. cost (and its adjustments) of credit holidays, FX-mortgage related costs, linear distribution of BFG resolution fund fee and hypothetical banking tax in 2H22;

Total cost of risk, which comprised net impairment provisions, fair value adjustment of a part of credit portfolio and result on modifications (excluding the part related to settlements with FX mortgage borrowers), bore by the Group amounted to PLN358mn in 2022 and was 20% higher than in 2021.

Risk charges for retail segment were the main driver of cost of risk increase and amounted to PLN351mn in 2022. Risk charge for corporate and other segments amounted to PLN7mn. In relative terms, the cost of risk (i.e. net charges to average gross loans) for 2022 reached 44 basis points, so it was 7 basis points higher vs. 2021 (37 basis points).

In 2022 the Group booked in modifications line a part of costs related to settlements with FX mortgage borrowers in the amount of PLN102mn.

In 2022, the Bank continued to create provisions for legal risk related to FX-mortgage portfolio, which were a significant item in P&L statement. In 2022 they reached PLN2 017mn (PLN1 844mn excluding loans generated by former Euro Bank as they are subject to indemnity clauses and guarantees from Societe Generale). The balance of provisions increased to PLN5 395mn or PLN4 986mn excluding loans originated by Euro Bank, the latter being an equivalent of 46.8% of the FX-mortgage portfolio originated by Bank Millennium.

Pre-income tax result in 2022 was negative and amounted to PLN731mn so the loss was by PLN270mn lower vs. PLN1 001mn loss in 2021. This loss was mostly the result of the above-mentioned considerably high negative items such as: credit holidays provision, FX-mortgage provisions and one-off contribution to the IPS. The pre-provision profit (without credit holidays) in the analysed period amounted to PLN3 240mn and was up 69% y/y.

Banking tax was another burden to operating profit of the Group and in 2022 it amounted to PLN169mn. On July 15, 2022, in connection with emergence of risk of a breach of required level of capital ratios, the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSA and Bank Guarantee Fund. As a result, during the time of recovery process, the Bank is not due to pay banking tax.

In 4Q22, the Group reported net profit of PLN249mn for the first time after eight consecutive quarters of net losses. The quarterly profit allowed to reduce the net loss for the whole 2022 to PLN1 015mn, so it was much lower (by PLN317mn) than the loss for 2021 of PLN1 332mn. The net loss was higher than operating loss and pre-tax loss in 2022 due to negative impact of banking tax and corporate income tax (in the amount of PLN331mn, as most of FX-mortgage legal risk provisions and BFG costs are not tax deductible). Adjusted for the abovementioned extraordinary items (i.a. cost of credit holidays and FX-mortgage related costs) the Group would achieve the net profit of PLN2 239mn in 2022, 99% above the adjusted 2021 net profit of PLN1 124mn.

Reported 2022 return on equity (ROE) stood at -17.5% but when adjusted for extraordinary items it reached 21.5% compared to adjusted 2021 ROE of 11.0%. Reported Return on Assets (ROA) was -0.9%

The breakdown of Group's Net Profit by the Group's companies is presented in the table below:

Group's profit structure <i>(PLN million)</i>	2022
Bank Millennium	(1 029.9)
Millennium Bank Hipoteczny (mortgage bank)	(29.7)
Millennium Leasing	42.2
Millennium Dom Maklerski	26.0
Millennium TFI (mutual fund)	11.1
Other consolidated companies	28.9
Summarised profits	(951.4)
Consolidation adjustments	(63.2)
Consolidated Net Profit of the Group	(1 014.6)

Bank's Profit and Loss Account

Changes of particular key items of the Bank's Profit and Loss Account in 2022 are shown in the table below.

Bank's operating income (PLNmn)	2022	2021	Change y/y
Net interest income	3 237.8	2 614.2	23.9%
<i>Impact of credit holidays on net interest income</i>	<i>(1 291.6)</i>	0.0	-
<i>Net interest income without credit holidays</i>	4 529.4	2 614.2	73.3%
Net commission income	715.0	716.1	-0.2%
Core income	3 952.7	3 330.3	18.7%
Core income without credit holidays	5 244.3	3 330.3	57.5%
Other non-interest income*	(92.8)	70.4	-
<i>of which dividends</i>	45.6	52.4	-13.0%
Total operating income*	3 859.9	3 400.7	13.5%
Total operating income without credit holidays*	5 151.5	3 400.7	51.5%

(*) Without fair value adjustment of credit portfolio (PLN12.5mn in 2022 and PLN39.9mn in 2021), which is included in the cost of risk line

The Bank's 2022 net interest income amounted to PLN3 238mn and increased by 24% y/y, similar scale as in the Group's case. The total cost of credit holidays booked by the Bank in 2H22 amounted to PLN1 292mn. Net interest income without the cost of credit holidays would amount PLN4 529mn which means a very high growth of 73% y/y and at similar scale as for the Group.

Net commission income stayed flat vs. the value for the previous year. In view of the above, core income grew 19% year-on-year to reach PLN3 953mn in 2022.

Other non-interest income of the Bank in 2022 was negative and amounted to PLN-93mn first of all due to the impact of similar extraordinary items as it was described above for the Group (mostly costs related to FX mortgage loans and settlements with the borrowers). This item includes dividends, largely from the Capital Group's subsidiaries (eliminated in reports on the Group level). Dividend income in 2022 reached PLN46mn, which means a decrease by 13% y/y.

As a result of the evolution of the abovementioned items the Bank's total **operating income** in 2022 amounted to PLN3 860mn and grew by 14% y/y (an increase by 51% without credit holidays).

Bank's net profit (PLN million)	2022	2021	Change y/y
Operating income	3 859.9	3 400.7	13.5%
Operating costs	(2 019.9)	(1 573.7)	28.4%
Impairment provisions and other cost of risk *	(316.2)	(257.2)	22.9%
Other modifications**	(102.2)	0.0	-
Provision for legal risk related to FX mortgage loans	(2 017.3)	(2 305.2)	-12.5%
Banking tax	(169.1)	(312.6)	-45.9%
Pre-income tax profit	(764.7)	(1 047.9)	-
Income tax	(265.2)	(309.5)	-14.3%
Net profit	(1 029.9)	(1 357.5)	-

(*) impairment provisions for financial and non-financial assets including also fair value adjustment on loans (PLN12.5mn in 2022 and PLN39.9mn in 2021) and loans modification effect (PLN-24.5mn in 2022 and PLN-12.8mn in 2021)

(**) the value of modification booked in 3Q22 and 4Q22 resulting from amicable settlements with FX mortgage borrowers and referring to a specific group of such agreements. (PLN-49.7mn in 3Q22 and -52.5mn in 4Q22)

The Bank's **operating costs** reached the total amount of PLN2 020mn in 2022 and was 28% higher compared to 2021. The reasons for the annual increase of costs are the same as in case of the consolidated data for the whole Capital Group (mainly higher contribution to Banking Guarantee Fund (BFG) funds and to the institutional protection scheme ('IPS') as well as higher inflation-driven personnel and other administrative costs).

Impairment write-offs and other costs of risk of the Bank were PLN316mn in 2022, which means 23% increase y/y - the similar scale as in the Group's case.

Besides provisions for credit risk, in 2022 the Bank created a provision for legal risk related to FX mortgage loans in the amount of PLN2 017mn, which was explained above in the part referring to the whole Group.

The Bank reported pre-tax loss for 2022 of PLN 765mn and net loss of PLN1 030mn.

Return on the Bank's assets (ROA) reached -0.96%.

8.1. RESULTS OF BUSINESS SEGMENTS

Bank Millennium recent financial performance is significantly influenced by the costs related to managing legacy FX mortgage portfolio of loans. To isolate these costs and other financial results related to this portfolio Bank decided to isolate a new segment from Retail and present it in financial statements as "FX mortgage". Such change impacts only results presentation and is not triggering any organizational changes in the Bank. New segment includes loans separated based on active FX mortgage contracts for a given period and is applying to portfolios of retail mortgages originated in Bank Millennium and Eurobank in foreign currencies. This portfolio is expected to run-off in line with repayments of FX loans and conversions to PLN loans.

Presented below are data regarding the Profit and Loss Account for the Group's four business segments: retail segment, corporate segment, FX mortgage loans segment and treasury operations, assets/liabilities management and the other segment. The retail segment comprises services provided to individual customers on the mass market, affluent customers, sole traders as well as services to small companies (with annual turnover below PLN5mn). The corporate segment involves services to medium and large companies as well as public sector entities. The treasury operations, assets/liabilities management and other business comprises the Group's treasury investments,

interbank market transactions, taking positions in debt securities, brokerage activity as well as other transactions not classified in the first three segments.

Retail segment (PLN million)	2022	2021	Change y/y
Net interest income *	3 088.6	1 847.1	67.2%
Net commission income	597.2	640.0	-6.7%
Other income**	114.3	91.7	24.7%
Total operating income	3 800.1	2 578.7	47.4%
Total operating costs	(1 620.8)	(1 246.4)	30.0%
Pre-provision income	2 179.3	1 332.4	63.6%
Impairment provisions and other cost of risk**	(386.3)	(298.0)	29.6%
Operating profit	1 793.0	1 034.4	73.3%

(*) Part of interest income generated by this segment (so called liquidity premium) has been recognized in the third segment of "Treasury, ALM and other" in accordance to Recommendation P of the Polish regulator (KNF)

(**) Fair value adjustment of credit portfolio (PLN12.5mn in 2022 and PLN39.9mn in 2021) has been moved to pro-forma cost of risk. Cost of risk includes also result from modification.

Total operating income of the retail segment in 2022 was PLN3 800mn million, which represents a very strong increase by 47% y/y. Net interest income of the retail segment recorded a very high growth by 67% y/y as a result of higher business volumes and improvement in spreads, mostly supported by interest rate hikes mentioned earlier in the text. Net commission income decreased 7% y/y due to reimbursement of some commissions to clients and negative trends in fees from investment products, which was commented earlier with respect to the Group's net fee and commission income. Operating costs of the retail segment grew by 30% y/y as a result of higher contribution to BFG/IPS and other cost items, which was commented earlier in the text.

As a result of the abovementioned evolution of operation income and costs, total retail segment pre-provision income increased very strongly by 64% vs. the level of 2021. The cost of risk of the segment presented a material increase by 30% y/y.

Operating profit of the retail segment for 2022 - after consideration of the provisions - amounted to PLN1 793mn and showed an exceptionally high growth of 73% y/y.

Corporate segment (PLN million)	2022	2021	Change y/y
Net interest income *	836.1	335.3	149.3%
Net commission income	197.0	186.4	5.7%
Other income	93.8	70.0	34.0%
Total operating income	1 126.9	591.8	90.4%
Total operating costs	(268.0)	(235.4)	13.9%
Pre-provision income	858.9	356.4	141.0%
Impairment provisions and other cost of risk**	(3.2)	(1.2)	160.3%
Operating profit	855.7	355.1	140.9%

(*) Part of the interest income generated by this segment (so called liquidity premium) has been recognized in the segment of "Treasury, ALM and other" in accordance to Recommendation P of the Polish regulator (KNF)

(**) Cost of risk includes also result from modification.

Total operating income of the corporate segment in 2022 stood at PLN1 127mn and recorded a very high growth by 90% compared to the level of 2021. This was the result of much higher all the income items presented above, of which net interest income grew exceptionally strongly: +149% y/y, net

commission income: + 6% y/y and other non-interest income: +34% y/y. Operating costs of the corporate segment saw a 14% increase y/y.

As a result of the above pre-provision income grew very strongly by 141% y/y. Value of net impairment write-offs regarding loans to companies presented a low value of PLN3mn in 2022. Taking all above factors together, the operating profit of the corporate segment saw a very strong increase of +141% y/y to the level of PLN856mn in 2022.

Treasury, ALM and other segment <i>(PLN million)</i>	2022	2021	Change y/y
Net interest income*	(681.1)	431.0	-
Net commission income	0.0	4.2	-
Other income	(47.5)	7.4	-
Total operating income	(728.5)	442.7	-
Total operating costs	(145.7)	(110.9)	31.5%
Pre-provision income	(874.2)	331.8	-363.5%
Impairment provisions and other cost of risk	(3.5)	(7.7)	-54.2%
Operating profit	(877.7)	324.1	-

(*) Part of the interest income generated by other segments (so called liquidity premium) has been recognized in the segment of "Treasury, ALM and other" in accordance to Recommendation P of the Polish regulator (KNF)

Total operating income of the Treasury, ALM and other segments in 2022 decreased to a negative value of PLN-728mn, first of all as a result of fund transfer pricing specifics. The income from ALM operations including from the bond portfolio was also lower. Operating costs grew by 31% y/y. Operating loss of the entire segment amounted to PLN878mn for 2022.

FX Mortgage <i>(PLN million)</i>	2022	2021	Change y/y
Net interest income*	93.6	99.7	-6.1%
Net commission income	14.1	0.0	-
Other income	(297.7)	(154.7)	92.4%
Total operating income	(190.0)	(55.0)	245.4%
Total operating costs	(58.6)	(49.7)	17.9%
Pre-provision income	(248.6)	(104.7)	137.5%
Impairment provisions and other cost of risk	(2 084.0)	(2 297.3)	-9.3%
Operating profit	(2 332.6)	(2 402.0)	-2.9%

(*) Part of the interest income generated by other segments (so called liquidity premium) has been recognized in the segment of "Treasury, ALM and other" in accordance to Recommendation P of the Polish regulator (KNF)

Total operating loss of the FX Mortgage segment in 2022 was PLN2 333mn, due to high provisions for legal risk related to the loan book and costs of settlements presented in modifications (total cost of risk amounted to PLN2 084mn). Moreover, the impact of cost of amicable settlements with clients in FX income and legal costs in operating costs had additional adverse effect on the financial result. Operating loss in 2022 was PLN69mn lower vs. the previous year.

8.2. BALANCE SHEET AND OFF-BALANCE SHEET ITEMS

Assets

The Group's assets as at 31 December 2022, amounted to PLN110 942mn, and were higher by 7% vs. the 31 December 2021. Structure of the Group's assets as well as changes of their particular components have been presented in the table below:

Group's Assets (PLN million)	31.12.2022		31.12.2021		Change y/y
	Value	Structure	Value	Structure	(%)
Cash and operations with the Central Bank	9 536.1	8.6%	3 179.7	3.1%	199.9%
Loans and advances to banks	733.1	0.7%	770.5	0.7%	-4.9%
Loans and advances to clients	76 565.2	69.0%	78 603.3	75.6%	-2.6%
Receivables from securities bought with sell-back clause	4.9	0.0%	268.8	0.3%	-98.2%
Debt securities	20 470.7	18.5%	18 220.0	17.5%	12.4%
Derivatives (for hedging and trading)	475.0	0.4%	100.3	0.1%	373.7%
Shares and other financial instruments*	153.5	0.1%	167.3	0.2%	-8.2%
Tangible and intangible fixed assets**	1 009.4	0.9%	942.2	0.9%	7.1%
Other assets	1 994.1	1.8%	1 661.7	1.6%	20.0%
Total assets	110 942.0	100.0%	103 913.9	100.0%	6.8%

(*) including investments in associates

(**) excluding fixed assets for sale

The most visible moves within assets in 2022 were growth of cash and balances with the Central Bank (+PLN6.4bn) and of debt securities (+PLN 2.3bn) whereas loans to customers contracted by c.a. PLN2bn.

Loans and advances to Clients

Total net loans of Bank Millennium Group reached PLN76 565mn as at the end of December 2022 and fell by 3% y/y but the loans without foreign currency mortgage portfolio grew 1% y/y. FX mortgage loans net of provisions decreased visibly during the last twelve months (down 30%) and the share of FX mortgage loans (excluding these taken over with Euro Bank) in total gross loans has dropped visibly during the year to 8.1% from 11.4% a year ago (partly due to the fact that most of legal risk provisions lower the gross value of the loans apart from standard amortisation and earlier repayments).

The net value of loans to households amounted to PLN57 859mn as at 31 December 2022, showing a decrease of 3% y/y. Within this line, PLN mortgages grew by 4% y/y, although the growth decelerated visibly in 2H22 as quarterly disbursements decreased materially in high interest rates environment. In 2022 disbursements of mortgage loans reached PLN6.6bn and fell by 33% y/y.

The net value of consumer loans reached PLN15 911mn and grew by merely 0.5% compared to the balances one year ago. Origination of cash loans in 2022 reached the value of PLN5.4bn i.e. 3% decrease vs. the accumulated value for 2021 (PLN5.6bn).

Net value of loans to companies amounted to PLN18 706mn as at the end of December 2022 and decreased by 2% y/y in line with focus on risk weighted assets (RWA) optimisation following capital constraint.

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

Loans and advances to clients <i>(PLN million)</i>	31.12.2022	31.12.2021	Change y/y
Loans to households	57 859.4	59 545.8	-2.8%
- <i>PLN mortgage loans</i>	35 107.7	33 915.8	3.5%
- <i>FX mortgage loans</i>	6 840.5	9 797.1	-30.2%
- <i>of which Bank Millennium loans</i>	6 240.3	9 046.6	-31.0%
- <i>of which ex-Euro Bank loans</i>	600.1	750.6	-20.0%
- <i>consumer loans</i>	15 911.2	15 832.8	0.5%
Loans to companies and public sector	18 705.8	19 057.5	-1.8%
- <i>leasing</i>	7 029.6	6 805.5	3.3%
- <i>other loans to companies and factoring</i>	11 676.2	12 252.0	-4.7%
Net loans & advances to clients	76 565.2	78 603.3	-2.6%
<i>Net loans and advances to clients excluding FX mortgage loans</i>	<i>69 724.7</i>	<i>68 806.2</i>	<i>1.3%</i>
Impairment write-offs	2 459.8	2 440.6	0.8%
Gross* loans and advances to clients	79 025.0	81 043.9	-2.5%

(*) 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.

Average interest rate on the Bank's portfolio in 2022 was 6.8%. This rate reflects net interest income on hedging derivatives (mainly FX and interest rate SWAPs) regarding loans granted in foreign currencies, which offsets the nominally lower interest rate on these loans.

Debt securities

Value of debt securities reached PLN 20 471mn at the end of December 2022, which means a visible increase of 12% y/y. A dominant part of the debt securities portfolio (80.6%) were bonds and bills issued by the Polish State Treasury and National Bank of Poland (Central Bank). The increase of debt securities portfolio was a consequence of assets/liabilities and interest margin management policy and was correlated with the changes of loans and deposits. The share of this group of debt securities in the Group's total assets was at 15% at end of December 2022 reflecting a satisfactory liquidity position of the Group.

More information on debt securities and liquidity management of the Bank can be found in Chapter 8.5. "Liquidity Risk" of the Consolidated Financial Statements of Bank Millennium S.A. Capital Group for the period of 12 months ending on 31 December 2022.

Derivative instruments

The value of derivatives (for trading and hedging) totalled PLN475mn at end of December 2022 (increase by 374% y/y), and refer to positive valuation of derivatives whereas negative valuation of derivative instruments is presented on liabilities side. The main component of derivatives are FX swaps and cross-currency swaps concluded for hedging risks related to foreign currency loans. The valuation of those instruments depend on changes in FX rates and interest rates level.

More information on derivative transactions of the Bank can be found in the Note 24 and in the Chapter 8.5. "Liquidity Risk" of the Consolidated Financial Statements of Bank Millennium S.A. Capital Group for the period of 12 months ending on 31 December 2022.

Loans and advances to banks

Loans and advances to banks (including interbank deposits) stood at PLN733.1mn at the end of December 2022, which means a decrease by 5% y/y. *Shares/equities and other financial instruments*

Value of equities/shares and other financial instruments amounted to PLN153mn at the end of December 2022, so it was a minor item in the balance sheet (0.1% of assets) and it decreased by 8% y/y.

Tangible fixed assets and intangibles and goodwill (investment outlays)

Tangible fixed assets and intangibles and goodwill of the Group amounted to PLN1 009mn at the end of December 2021 and increased by 7% y/y due to the growth of both tangible and intangible fixed assets.

Total investment of the Group in 2022 amounted to PLN 179.9mn. Outlays for the Bank's physical infrastructure (headquarter modernization, branches, ATMs etc.) amounted to PLN57.2mn and PLN119.8mn for software and IT infrastructure. Value of other outlays i.e. PLN2.9mn, relates to Bank's subsidiaries. The Bank Millennium Group plans investment capital expenditures in 2023 in the amount of PLN208mn, out of which ca. 71% will be allocated to IT projects (i.e. further internet and mobile banking developments, capacity extensions as well as regulatory & security projects).

Bank's unconsolidated assets, as on 31 December 2022 reached the value of PLN110 643mn and were 7% higher compared to the level as at the end of 2021. Structure of the Bank's assets and changes of individual components are presented in table below:

Bank's Assets (PLN million)	31.12.2022		31.12.2021		Change y/y (%)
	Value	Structure	Value	Structure	
Cash and operations with the Central Bank	9 536.1	8.6%	3 179.7	3.1%	199.9%
Loans and advances to banks	1 410.2	1.3%	943.3	0.9%	49.5%
Loans and advances to clients	75 855.6	68.6%	78 237.6	75.7%	-3.0%
Receivables from securities bought with sell-back clause	4.9	0.0%	268.8	0.3%	-98.2%
Debt securities	20 403.5	18.4%	18 175.1	17.6%	12.3%
Derivatives (for hedging and trading)	475.1	0.4%	101.0	0.1%	370.2%
Shares and other financial instruments	401.3	0.4%	375.7	0.4%	6.8%
Tangible and intangible fixed assets*	990.4	0.9%	913.8	0.9%	8.4%
Other assets	1 566.2	1.4%	1 193.0	1.2%	31.3%
Total assets	110 643.3	100.0%	103 388.1	100.0%	7.0%

* excluding fixed assets for sale

The key difference between the level of assets of Bank standalone and the consolidated Group is the value of loans to customers. In the first place it relates to receivables due from leasing company customers in the amount of PLN7 161mn (although significant part of the said receivables was acquired by the Bank) and relates to elimination of mutual transactions between the Bank and other companies from the Capital Group in consolidated financial statements.

Total Loans to customers in the Bank amounted to PLN75 856mn at the end of December 2022 and decreased by 3% y/y (similar scale as for the Group). Except for leasing receivables, values and annual changes of other key components of Bank credits are similar or exactly the same as for the Capital Group.

Value of debt securities in the Bank's assets reached PLN20 403mn at the end of December 2022. Both the portfolio dynamics and structure remained similar as in the case of the Group (as described above).

Equities/shares and other financial instruments presented in the Bank's financial statements, unlike in the case of Group reports, incorporated valuation of shares in subsidiaries. The value of this item, as on 31 December 2022, amounted to PLN401mn, recording an increase by 7% y/y.

The Bank's fixed assets and intangibles amounted to PLN990mn at the end of December 2022 and increased by 8% vs. the previous year.

Values and annual changes to other asset groups presented in the table above are similar to the corresponding items of consolidated Group, as described earlier in this document.

Liabilities

The structure of Group's liabilities and equity and the changes of their particular components are presented in the table below:

Group's Liabilities and Equity (PLN million)	31.12.2022		31.12.2021		Change y/y
	Value	Structure	Value	Structure	(%)
Deposits from banks	727.6	0.7%	539.4	0.6%	34.9%
Deposits from customers	98 038.5	93.0%	91 447.5	94.1%	7.2%
Liabilities from securities sold with buy-back clause	0.0	0.0%	18.0	0.0%	-100.0%
Financial liabilities valued at fair value through P&L and hedging derivatives	939.6	0.9%	757.6	0.8%	24.0%
Liabilities from issue of debt securities	243.8	0.2%	39.6	0.0%	516.0%
Provisions	1 016.2	1.0%	595.5	0.6%	70.6%
Subordinated debt	1 568.1	1.5%	1 541.1	1.6%	1.7%
Other liabilities*	2 913.9	2.8%	2 277.9	2.3%	27.9%
Total liabilities	105 447.6	100.0%	97 216.7	100.0%	8.5%
Total equity	5 494.4		6 697.2		-18.0%
Total liabilities and equity	110 942.0		103 913.9		6.8%

* including tax liabilities

At the end of December 2022 liabilities accounted for 95%, while equity of the Group - for 5% of total liabilities and equity capitals.

As on 31 December 2022 Group's total liabilities amounted to PLN105 448mn and were higher by 8% relative to their value as on 31 December 2021. The main change to liabilities resulted from material increase of deposits by PLN6 591mn during the reported year.

Customers' deposits

Customer deposits constituted the main line item under the Group's accounting for, as on 31 December 2022, 93% of total liabilities. Customer deposits constitute the main source of financing of Group's activities and incorporate, primarily, customer funds on current and saving accounts as well as on term deposit accounts.

The evolution of Clients Deposits is presented in the table below:

Customer deposits <i>(PLN million)</i>	31.12.2022	31.12.2021	Change y/y
Deposits of individuals	68 787.0	66 022.1	4.2%
Deposits of companies and public sector	29 251.5	25 425.4	15.0%
Total deposits	98 038.5	91 447.5	7.2%

Total deposits amounted to PLN98 039mn as at 31 December 2022 and presented an increase by 7% y/y.

The main driver of this growth were deposits of companies and public sector, which reached PLN29 252mn as at the end of 31 December 2022 translating into a strong growth of 15% y/y.

Deposits of individuals reached PLN68 787mn as on 31 December 2022, and increased 4% y/y. Out of this item, term deposits grew strongly to double their value year-on-year as they became more attractive to clients along with growing market interest rates whereas current and saving accounts of individuals fell by 13% y/y.

Average interest rate on all deposits in the Bank in 2022 amounted to 1.49%

Deposits from banks

Deposits of banks, including credits received, as on 31 December 2022, amounted to PLN728mn. Value of this item increased by PLN188mn (or by 35%) relative to the balance as on 31 December 2021, mainly in effect of higher, by PLN482mn, term deposits whereas the balance of credits received from financial institutions decreased by PLN263mn. In 4Q22 the Group took a decision on the earlier repayment of outstanding loan (in the amount of EUR30mn) granted by European Investment Bank in 2018 to the Bank's subsidiary Millennium Leasing.

Financial liabilities valued at fair value through Profit and Loss Account and derivative instruments

Financial liabilities valued at fair value through Profit and Loss Account and derivative instruments included, primarily, negative valuation of derivatives for trading or hedging and liabilities resulting from securities subject to short sale. Value of this item, as on 31 December 2022, amounted to PLN940mn, recording an increase by 24% relative to the balance as on 31 December 2021, mainly due to increasing negative valuation of derivatives for trading by PLN254mn y/y. The changes of valuation (positive and negative) of derivatives has been described in above comments regarding Group's assets.

Provisions

The value of provisions as on 31 December 2022 was PLN1 016mn which signifies strong growth by PLN421mn or 71% y/y. The reason for the increase was mostly creating new provisions for legal issues, especially claims related to FX mortgage loan agreements (increase of the balance sheet value by PLN407mn not including the value of provisions directly allocated to the loans portfolio).

Debt securities issued

Securities issued by the Group amounted to PLN244mn as on 31 December 2022 recording significant increase by PLN204mn (or 516%) relative to the balance as on 31 December 2021. The increase resulted from the issue of bonds by the Bank. In 2022 the Bank issued Credit Link Notes in the amount of PLN242.5mn within a synthetic securitisation transaction related to corporate loans. On the other hand the bank's subsidiary Millennium Leasing repurchased its securities worth PLN39mn.

Subordinated debt

The value of subordinated debt amounted to PLN1 568mn as on 31 December 2022, and increased by 2% vs. the end of 2021 (a slight difference results from interest accrued and paid). The subordinated debt line includes ten-year subordinated bonds in PLN at the total nominal value of PLN830mn

maturing in January 2029 and ten-year bonds in PLN at the total nominal value of PLN700mn maturing in December 2027.

Equity

As on 31 December 2022, equity capital of the Group amounted to PLN 5 494mn and recorded a material decrease by PLN1 203mn or 18% y/y. Apart from the net loss incurred in 2022 the main factor of the decline of equity was a negative valuation of debt securities of PLN165mn and hedging derivative instruments of PLN22mn since 31 December 2021.

Information on capital adequacy was presented in Chapter 8 of this document and will also be available in a separate report titled 'Report on capital adequacy, risk and remuneration policy in the Bank Millennium Capital Group for 2022' to be published at a later stage.

The non-consolidated Bank's liabilities as at 31 December 2022 reached the value of PLN105 239mn million and were 9% higher compared to the end of 2021. Structure of the Bank's liabilities and own equity capitals as well as changes of their particular components are presented in the table below:

Bank's Liabilities and Equity (PLN million)	31.12.2022		31.12.2021		Change y/y
	Value	Structure	Value	Structure	(%)
Deposits from banks	625.1	0.6%	186.2	0.2%	235.7%
Deposits from customers	98 264.8	93.4%	91 672.3	94.7%	7.2%
Liabilities from securities sold with buy-back clause	0.0	0.0%	18.0	0.0%	-100.0%
Financial liabilities at fair value through P&L and hedging derivat.	939.5	0.9%	758.0	0.8%	23.9%
Liabilities from issue of debt securities	243.8	0.2%	0.0	0.0%	-
Provisions	1 015.3	1.0%	594.4	0.6%	70.8%
Subordinated debt	1 568.1	1.5%	1 541.1	1.6%	1.7%
Other liabilities*	2 582.3	2.5%	1 985.8	2.1%	30.0%
Total liabilities	105 238.8	100.0%	96 755.9	100.0%	8.8%
Total equity	5 404.5		6 632.2		-18.5%
Total liabilities and equity	110 643.3		103 388.1		7.0%

(*) including tax liabilities

The value of customer deposits of the Bank reached PLN98 265mn as on 31 December 2022 and was higher by PLN226mn than the balance for the Group (mainly effect of intra-group elimination). Deposits, similar to the Group's case, grew by 7% y/y.

The values and annual changes of other key items of non-consolidated Bank's liabilities are similar to those of their equivalents in the consolidated reports for the Group, as discussed above in this part of the report.

Bank's equity, as on 31 December 2022, amounted to PLN5 404mn and recorded a decrease by 19% y/y (similar level of decline as in the case of Group's consolidated equity).

Contingent liabilities

The structure of contingent liabilities of the Group is presented in the table below:

Group's Contingent Liabilities <i>(PLN million)</i>	31.12.2022	31.12.2021	Change y/y (%)
Total contingent liabilities	15 162.3	16 007.9	-5.3%
1. Liabilities granted:	12 830.5	13 882.1	-7.6%
a) financial	10 782.6	12 034.7	-10.4%
b) guarantees	2 047.9	1 847.4	10.8%
2. Liabilities received:	2 331.9	2 125.8	9.7%
a) financial	6.9	40.0	-82.8%
b) guarantees	2 325.0	2 085.8	11.5%

Through these operations the Group executes transactions generating conditional liabilities. The main items under conditional liabilities (granted) are as follows: (i) financial liabilities mainly relative to loan prolongation (including, inter alia, not utilised credit card limits, not utilised overdraft facilities, not utilised tranches of investment loans) and (ii) guarantees, including mainly guarantees and letters of credit issued by the Group (to secure performance of obligations undertaken by Group's customers vis a vis third parties). Granted conditional liabilities result in Group's exposures to various risks, including credit risk. The Group creates provisions against irrevocable risk based conditional liabilities booked in the line item "Provisions" on the liability side of the balance sheet.

As on 31 December 2022, the total value of conditional liabilities of the Group amounted to PLN15 162mn, including liabilities granted by the Group at the level of PLN12 830mn. In 2022, the value of conditional financial liabilities granted by the Group decreased by 8%, mainly financial liabilities, which fell by 10% due to lower value of commitments related to lending activity, whereas guarantees grew by 11%.

More information on the issue of conditional liabilities can be found in Chapter 12 of the Financial Statements of Bank Millennium S.A. Capital Group for the period of 12 months ending on 31 December 2022.

9. PRESENTATION OF BUSINESS ACTIVITY

9.1. INNOVATION AND HIGHEST QUALITY OF POSITIVE CUSTOMER EXPERIENCE

The rapidly changing environment had a major impact on the Bank's activities in 2022 in the customer service area, scope and quality of products and services. The starting point was a thorough analysis of market trends, new needs of customers and approach to banking.

2022 was a time for Bank Millennium to further increase the availability of services in remote channels. The bank focused on strengthening customer self-service while providing employee support. Effectively and in line with customers' needs, the Bank combines modern ways of banking through a mobile application or online banking with permanent access to highly qualified branch and telephone advisors in all business lines. We also increased the availability of Voicebot and chat to support customers, thus complementing other contact channels. The dynamic development of remote advisor services, also in the affluent customer area, has increased the convenience of access to the bank's services and products.

Bank Millennium makes sure that a customer's transition to the world of electronic banking brings a positive experience and a well-founded confidence in the right choice and the benefits.

The Bank is paying a lot of attention to proper education of customers and employees about the possibilities of electronic tools. We also focus on the risks that users may encounter in the digital world. We make sure that both customers and employees are well prepared for the new challenges behind digitalization. Bank Millennium is implementing projects focused on the customer perspective in the area of security.

Another factor influencing the improvement of customer service in remote channels was the integration of contact channels and an even better flow of information about customer needs. The solutions developed on the branch service - remote service line, allow customers to move seamlessly between service channels and to complete a transaction, including one started in another contact channel. Increasing flexibility and a comfortable transition between contact channels, provides customers with a sense of consistent service and, therefore, comfortable banking.

The outbreak of the war in Ukraine was extremely challenging for the bank, especially for branch employees and remote contact channels.

Bank Millennium has taken measures to make it easier for Ukrainian citizens to open a relationship with the bank fast. We simplified account opening procedures and prepared materials and communication in Ukrainian. This enables convenient and fast use of banking products.

In addition to support at branches, customers can also count on the assistance of helpline consultants who speak Ukrainian.

The Bank has strengthened the standard of the branch host. It is important for the proper organization of the customer's visit to the branch - time and comfort of service, but also in the process of digitalization and self-service. The task of the host is to redirect the customer appropriately - to a specific employee or digital channel and to educate properly.

Bank Millennium has introduced a new offer of the Millennium 360 account, which meets the current needs and expectations of our customers. The model for opening a relationship with the bank in standard branches and at Millennium Mini stands has changed accordingly.

Bank Millennium is continuing its efforts in the area of increasing customer satisfaction also in terms of clarity of communication and simplification of language.

We aim to make plain language a standard in Bank Millennium. The activities focus not only on new texts, but also on after-sales communication to current customers. We are simplifying the texts communicated to customers at different stages of the relationship - from account opening to information on products they already own.

In 2022, Bank Millennium conducted quantitative and qualitative research in the area of market trends and specific product and service topics. Information was also provided by projects using the **service design method**, in which a full understanding of customer needs is key. These projects supported improvement of the service quality and the development of the product offer.

The research was carried out on samples of retail customers, corporate customers, affluent customers (Prestige) and micro-enterprises (Small Business):

- - 31 research projects conducted,
- - 3,890 Mystery Shopping visits.

Building processes and solutions based on the customers' perspective translates into customer loyalty and satisfaction as well as positive banking experience. According to the results of the internal satisfaction survey, 93% of retail customers were satisfied with their cooperation with Bank Millennium, and the level of willingness to recommend Millennium among retail customers remained stable - the NPS indicator in 2022 was 50. Satisfaction and loyalty of corporate customers is also at a stable level - NPS was 46 (compared to 49 in 2021).

Bank Millennium's quality measures were recognized in one of the most prestigious rankings of service quality - the Newsweek survey. Bank Millennium took first place in the remote module and second place in the traditional banking category. The bank was also ranked on the podium in the 'Bank most appreciated by customers' survey conducted by ARC Rynek i Opinia.

9.2. RETAIL BANKING

Current Accounts

A key project of 2022 was the launch of the new Millennium 360° account, created on the basis of years of experience and research with customers.

The Millennium 360° account responds to customers' digital and technology needs. It offers a wide range of opportunities for people who, above all, value high quality service and the ability to use one of the best and fastest growing mobile applications on the market.

Millennium 360° account is unconditionally free in terms of maintenance. In addition, after fulfilling a simple condition, debit card service, BLIK contactless payments are also for 0 PLN, also withdrawals from all ATMs in Poland and abroad are commission-free. An important new element of the account is currency services - Currency Limit, under which the customer can pay in any currency without the bank's margin for currency conversion up to PLN 1k, at an attractive rate of the payment organization, and Currency Package, which the customer can turn on conveniently in the mobile app.

Another important factor was the implementation of the "Shopping Refunds" service to the account, which helps customers save during ecommerce purchases. Through the bank's mobile app or Millenet, customers have access to 800 online stores where they can receive up to 25% of the purchase value refunds.

Sales of current accounts in 2022 amounted to 464k. The number of accounts in the Bank's portfolio exceeded 3.39 million, the largest part of which is Konto 360°. After Q3 2022, the Bank achieved a market share measured by the number of accounts at the level of 9.10% (according to the PRNews/Puls Biznesu report).

The promotion and acquisition of Millennium 360° Accounts in 2022 was supported by:

- advertising campaigns on television and the Internet;
- activities using the goodie shopping application and in cooperation with external web portals
 - nearly 30% of Millennium 360 accounts were opened online;

new editions of the "Like it? Share it!" recommendation program.

Saving and Investment Products

Year 2022 was a period of fast increase of market interest rates and dynamic changes in terms of retail deposits. War in Ukraine outbreak in 1st half of the year increased uncertainty and made part of the clients to withdraw money from the bank system whereas ease of pandemic restrictions increased clients' expenditures. These factors resulted in drop of retail deposits on the market by almost PLN14bn during first 6 months of 2022. During 2nd half of the year market interest rates were still increasing which caused increase of rates on saving products on the market which became more and more attractive to clients. During July-November 2022 retail deposits on the market increased by over PLN42bn. During whole 2022 volumes were transferred from current deposits to time deposits. Volume of current deposits on the market decreased during Jan-Nov 2022 by PLN113bn whereas time deposits increased by PLN142bn.

Given the market environment, Bank Millennium focused on enhancing deposit offer both on saving accounts and on time deposits with support of many marketing campaigns. We have continued to acquire new volumes mainly on Profit saving account but also on new money time deposits. Furthermore we have improved retention offers both in digital channels and branches.

Since many years we work to improve digitalization of our clients. In 2022 this process was supported among others by introducing opening of new money time deposit Horyzont Zysku to mobile application or enabling clients to use mobile authorization for opening time and structured deposits.

Total retail deposits in Bank Millennium in 2022 increased by PLN2.7bn while 1st half of the year finished with drop of PLN1.1bn (due to war in Ukraine mainly). At the end of 2022 retail deposits (individual clients and microbusiness) were at PLN73.3bn and market share at the end of December 2022 was 6.8%.

In terms of investment products year 2022, especially 1H22, was time of deterioration on global capital markets. All asset classes, apart from some commodity funds, recorded very severe value depreciation and provoked clients to increased redemptions.

The Bank continued its strategy to offer diversified portfolio of investment products including both own solutions and products offered by external partners. Depending on client segment the offer included structured products, mutual funds and bonds.

Due to negative and unstable situation on financial markets Bank concentrated on developing solutions regarding regular investments. In Feb'22, the Bank introduced new investment advisory service based on selected and adjusted Millennium TFI funds which in easy and convenient way enables customers entrance to investment products especially through regular investments even of small amounts. This service was enhanced during 2022. Additionally, new functionalities facilitating regular investing in participation units of mutual funds were also added.

The Bank, in cooperation with Millennium TFI, refreshed the basic product offer by including ESG aspects. Investment goals of three Millennium TFI funds (offered also within the investment advisory service) have been extended by adding a new goal regarding promoting environmental and social aspects and including those aspects in the criteria of selecting investments and applied investment constraints.

In order to make the offer more attractive, during the year the Bank launched cyclical promotions of funds with regard to the fee for their purchase. A special strategy was also continued to reward use of remote channels by reducing to 0% the handling fee rates for purchase of selected TFI funds through Millenet and Mobile Application.

Due to difficult situation on capital markets and seek for stability by clients, Bank strengthened the offer of structured deposits and introduced products with full capital protection and guaranteed minimal profit irrespectively of market situation. This resulted in doubling structured deposit portfolio in 2022.

The Bank continued the process of digitizing its investment product offering and optimizing sales processes using modern tools. The Bank extended also a list of saving and investment products for which there is a possibility to conclude transactions using the customer's phone and Mobile Application i.e. in fully paperless process.

Cash Loan

In 2022, cash loan sales reached PLN5.4bn. Estimated by the Bank sales of cash loan on the Polish market in 2022 decreased by over 2% as compared to 2021. Despite the decline in sales on the market, the Bank managed to increase its market share to nearly 11% and also increased its market share in the portfolio of active loans. Portfolio market share at the end of November amounted to 9.1%.

The bank introduced many improvements promoting innovation, digitization and automation of its offer and customer service.

In November 2022, Bank launched an innovative option of granting online cash loan to new customers without any relationship with the Bank before. This process, from the creation of the application to the disbursement of funds, is handled only digitally and automatically, without the involvement of the Bank's employee. This process is adapted both to more traditional users using a PC and a standard browser, as well as mobile-only customers. Additionally, the process uses a possibility to identify both the client and his income through PSD2 and to download the history of the client's account kept in another bank. This feature significantly shortens and simplifies processes of granting a loan on-line.

Significant and growing role of remote channels confirms further successes in the digitization of credit processes. Already 2/3 of loan agreements are signed in remote channels, and compared to the previous year, this is an increase of nearly 23%. This also proves that the Bank's customers willingly take advantage of such a possibility, it is convenient, useful for them, saves time, and electronic loan documents are becoming a standard.

The Bank also dynamically developed the sale of loans in the franchise channel, reaching to customers outside large urban agglomerations. The year-on-year increase in sales in this channel amounted to almost 20%.

Overdraft

In 2022, both the portfolio of customers with an overdraft limit and the total debt balance were in line with market trends and did not change significantly.

Bank maintained a stable market share of 13%. The source of this result was an attractive offer, with a 7-day grace period appreciated by customers.

Active sales were supported by marketing campaigns addressed to new customers. This offer gave customers possibility to use the product in the first year without additional costs, thanks to the PLN 0 commission for setting up the limit. The terms of this offer were among the most attractive on the market.

Insurance products (bancassurance)

In 2022, the Bank continued to offer life and non-life insurance in branches and digital channels. Adjusting insurance product offer to meet customer expectations observed in the post COVID pandemic period. The Bank's customers were able to use a wide range of insurance products offered by Bank Millennium in cooperation with many Insurers. The distribution of insurance related to cash loans and mortgage products had a significant share in the revenues from bancassurance.

Bank Millennium initiated also analysis and preparations for the business model adjustments resulting from publication of a draft of the Recommendation U amendment by the regulator.

Payment cards

2022 was another year of significant growth in the payment card portfolio, in terms of the number of cards issued and transactions, as well as further development of the product offer.

The debit card offer includes new VISA and Mastercard cards issued to the new Millennium 360 account. These cards are distinguished by a modern design, attractive multi-currency solutions and support for people with disabilities (a special notch on the card facilitates its use by visually impaired people). The currency package added to the cards enables the conversion of foreign transactions in any currency at attractive exchange rates of payment organizations. For transactions up to PLN 1,000 per month, the user does not pay additional currency conversion commissions, and for higher expenses, one can activate an additional paid package that provides unlimited spending without currency conversion commissions.

The Bank's debit card portfolio at the end of 2022 amounted to 3.2 million cards and increased by approx. 200,000 cards during the year (+6.5%). At the same time, spend made with debit cards increased by over 17% y/y, reaching the level of nearly PLN70bn.

The currency package described above has also been introduced for credit cards, and is available for all types of cards. Customers were also provided with extended installment options, enabling installments for all types of transactions made with credit cards.

The credit card portfolio remained at the level of 485 thousand. cards, which, with the declining number of credit cards on the market, allowed Bank Millennium to increase its market share to 8.38%. Market share for credit card sale amounted to approx. 12% on average. Thanks to intensive portfolio activities, portfolio spend increased by over 15% y/y, and Bank Millennium's market share in this respect increased to nearly 10%.

Mortgage

2022 was a difficult year for the area of mortgage loans. Number of applications on the market for new mortgage loans decreased significantly (down by over 50% y/y) and the value of granted loans (down by over 46% y/y). Sales of Bank Millennium were subject to similar trends, however, the decrease of its originations was smaller than the decrease of the market overall. The Bank maintained one of the leading positions on the market (ranked #4) with a market share of almost 12.8% in sales. The Bank concluded nearly 17.8 thousand contracts with a total value of PLN5.53bn, with value of loans disbursed at the level of almost PLN6.6bn.

Bank focused on implementing several regulatory projects. In accordance with the assumptions and deadlines defined in legal regulations the Bank implemented the "Statutory credit holidays", enabling its customers to suspend mortgage repayments by applying for the credit holidays in digital channels - Milenet or at any branch of the Bank. Customers were also offered the process of submitting an applications for support from the Borrower Support Fund in digital channels.

Throughout the year, the Bank worked on increasing the attractiveness of the mortgage loan offer and continued streamlining the credit granting process. Bank introduced a mortgage credit with a periodically fixed interest rate for credits disbursed in tranches. This allowed for increase the share of credits with a periodically fixed interest rate in new sales to over 67%.

Thanks to these activities and an attractive price offer, the Bank took leading positions in many comparisons and rankings of mortgage loans, including: Bank Millennium placed in the 1st League in the contest "Moje Bankowanie - The Best Mortgage Service".

The Bank's lending campaign, similarly to the previous year, was based on the offer of unconditional 0% commission for granting a loan and 0% commission for early and full repayment of the loan.

The Bank continued its efforts to further reduce the portfolio of loans in CHF. It offered customers with loans in CHF individual terms, negotiated with the customer, which favored currency conversions and partial and full repayment of these loans.

Prestige and Private Banking segment - offer for an affluent clients

Prestige is an offer addressed to customers with min. PLN200 thousands assets or PLN10 thousands monthly inflow. In 2022, the Bank continued its strategy of serving affluent customers via remote channels. Both traditional and remote service models offer access to an individual expert, supporting clients in daily banking and important financial decisions with parallel digitalization process. The offer includes advanced investment products, provided by Polish and foreign investment funds, as well as structured products with a guarantee of capital protection. In 2022, the bank, in cooperation with Franklin Templeton, offered Prestige customers access to new global solutions based on investment funds. Wealthy clients also have wide access to convenient forms of financing their needs.

The condition for entering the Private segment is PLN1 million assets. Private Banking customers can use Millennium MasterCard® World / Elite™ credit cards with access to the World / Elite Privileges Program, insurance package as well as Assistance and Concierge packages. In the Private segment, the number of clients at the end of December 2022 was stable at the level of 4 thousands.

At the end of 2022, the Bank was covering almost 94 thousands clients under the affluent service model.

Biznes Client segment

Business offer is addressed to individuals running sole proprietorship businesses, partnerships and commercial law companies with annual revenues up to PLN5 million.

In 2022, 32 thousands business current accounts were opened as result of:

- the possibility of opening company accounts in the Millenet for existing customers and the possibility of setting up a company account remotely using open banking for new customers of the Bank.
- functioning of special offers for customers opening accounts online and new Biznes customers
- increase in the level of cross-selling of business accounts in the Bank's branches.

In 2022, 52% company accounts were opened in digital channels.

In the end of 2022 was launched a new service - Company Opening in Mobile and Millenet. Individual clients can register an own company without necessity of visiting office. For each newly created company Bank opens a company account with debit card.

The Bank offers a broad range of transaction banking and credit products to Biznes clients, in particular an attractive leasing offer as well as modern internet and mobile banking services.

Mid 2022 Bank Millennium introduced to the offer Millennium POS application. It is a digital tool for Biznes segment, which replace a traditional terminal. Application allows to accept cashless payments anywhere and anytime.

The value of loans granted in 2022 for Biznes segment customers increased by 49% compared to 2021 and reached the level of PLN639 million as result of:

- further increase in the use of de minimis guarantees. In 2022 87% of loans Was covered by de minimis guarantee from Bank Gospodarstwa Krajowego.

- launching the process of selling cash loans in digital, in which customers apply and sign loans agreements in pre-approved model.
- creating an Team of Remote Biznes Experts, which deals with active sales and customer support in the process of granting loans in digital banking

In 2022 over 50% of all credits agreements were signed in Millenet or Mobile.

Mobile and online banking

Bank Millennium's electronic channels, especially the mobile app, are steadily gaining importance and are already the primary channel for customers to access the bank's service. Over the past five years, the number of customers active in digital channels has doubled. We ended 2022 with more than 2.5 million such active users. Of these, more than 2.2 million users log into the bank on mobile devices, which shows the growing importance of the mobile app over the past few years. Throughout 2022, customers logged into the app as many as 732.3 million times.

Active users of digital channels

	2022	2021	change
Active digital users	2 519 181	2 263 233	+11%
Active mobile banking users	2 240 077	1 920 883	+17%
BLIK payments users	1 675 000	1 326 946	+26%

The banking app, not long ago still seen as a product or service, today is gaining a much larger role of creating experiences and supporting the image of the entire bank. The constant competition for banks in the area of mobile banking are fin-techs, whose applications offer simple and quick solutions, and “non-bankish” communication. Therefore, in the strategy for the development of electronic channels, Bank Millennium focus on the mobile channel and supports solutions that allow the customer to make a payment from start to finish in one place, without logging into external services or applications. In 2022, we put even more emphasis on simplifying processes accessible remotely and creating communications according to the Plain Language standard. In digital channels, we provide easy access to non-banking services (VAS). At the same time, we make sure that remote channels work seamlessly with traditional channels, where the consultant plays the main role.

The year 2022 also brought new challenges related to the outbreak of war in Ukraine and the influx of refugees. Ukrainian citizens have become a new and large group of customers who use banking on a daily basis. And we are aware that this group requires a special approach and even greater attention.

Building a positive experience in daily banking

We live in a time when a smartphone filled with apps is always with us. Nowadays, users, especially those of the Millennials or Generation Z, evaluate a bank primarily through the mobile app, its design, ease of use or availability of services. Simple and transparent processes, self-service, and, in case of difficulties, quick contact with a consultant via chat - these elements determine the popularity of Bank Millennium's mobile appl, which scores high ratings in app stores (4.8 in Google Play and App Store, and 4.9 in Huawei AppGallery).

PERSONALISATION. Through a mobile app, the bank can accompany the customer in almost every moment of life. Customers today expect solutions tailored to their expectations and lifestyles, and it means - personalization of services. To make this possible, we try to learn as much as possible about them. We collect and analyse data, and based on it we can tailor services and communication content to the customer. Through analytics, we anticipate needs and respond to changes in user habits. We

pay special attention to present offers that can really interest them. If we see that a customer is planning a trip, we offer him travel insurance. If she has children, we remind her of the deadlines for applying for family benefits. When he runs out of funds, we adjust the overdraft limit offer. In 2022, we also expanded onboarding processes for new customers to make their first weeks after account opening as easy as possible.

USER EXPERIENCE. At Bank Millennium, we don't just observe, but first and foremost listen to our users. We know that customer experience today is what determines the advantage of a solution over other similar ones. Several years ago, as the first bank in Poland, we built our own UX Lab and UX and UI design team. Together with clients, we design and test our solutions to make the use of banking products and services as convenient and intuitive as possible. We make sure that the interaction and graphical interface are in line with their expectations. At Bank Millennium, we design our digital services taking into account that most users will use them on the phone screen (mobile first design). We use AWD technology, so that new services can be easily adapted for use on smartphones, at the same time without putting additional strain on the application itself. We are currently working on the Design System, which will allow us to design interfaces more and more efficiently and provide users with the ability to customize the view according to individual or special needs (dark theme, font size, contrast).

SECURITY. We have added a process in the app for securely recovering a forgotten login PIN. We also introduced additional safeguards for the passwords chosen: customers cannot set their date of birth or PESEL number as a password. The mobile app was used in the design of the anti-vishing mechanism, which was made available to customers in May 2022. During a conversation with a bank consultant, customers can easily verify their identity. All he has to do is ask for a push notification in the app. In the notification, he will find the name of the bank employee and the exact date of the contact. We also conduct regular education campaigns on cyber security in digital channels, and in 2022, as part of the "Spr@wdzam" campaign, we provided quizzes and videos on the bank's website where customers can test and expand their knowledge in this area.

PAYMENTS. In the past year, we have encouraged customers to use biometrics-based solutions, paying with their phone or confirming transactions directly in the app. In 2022, more than one million customers were registered for services that enable contactless payments by phone. Bank Millennium customers can use three technologies: Apple Pay, BLIK contactless payments and HCE technology. We have also implemented additional anti-fraud mechanisms to react to suspicious transactions using Apple Pay.

A positive experience in using the app makes customers want to return to it. This is how we build their loyalty and foster openness to the innovations we offer them.

Bank Millennium's digital channels are also recognized in independent rankings. In 2022, the undisputed biggest success was winning the main award in the Newsweek magazine ranking (Przyjazny Bank Newsweeka) in the "Remote Banking" category, as well as the top position in all five subcategories.

Digital channels share in sales and acquisition is growing

Bank Millennium's electronic channels provide access to the bank's key processes, such as opening an account. In the mobile application and Millenet, the customer will also easily use credit products, deposit or invest his savings.

ACCOUNTS. New customers can use a selfie process in the app and a process on the website, based on open banking, in which identity is confirmed by logging into another bank. The 2022 "selfie" process has been embedded directly into the app and improved in cooperation with Onfido, a global leader in verification and authentication. In 2H22, growth in the number of current accounts opened online was 47% compared to the same period a year earlier. Customers can also open another current account, savings account, foreign currency account, business account or junior account through electronic channels.

In April 2022, Bank Millennium introduced the new Millennium 360°, a personal account closely linked to services in digital channels. The account and add-ons can be easily managed online:

- **Cashback** - the new launch of the goodie program. After logging into the account, in the Cashback tab, the customer will easily go to his favourite online store and shop with cashback. More about the service in the e-commerce section.
- **Currency Limit** - payments of up to PLN 1,000 per month in any currency without the bank's additional margin for currency conversion. After logging into the account, the customer will easily check the level of the used limit.
- **Currency Package** - unlimited transactions in other currencies without currency conversion margins. The package works like a subscription and renews automatically. It is valid on a weekly basis, so customers can conveniently use it, for example, during holiday trips, and when they return they can turn off the service on their own in the mobile app or Millenet. Both the limit and the currency package can be used in stationary stores (card and phone payment) and online.

CREDIT PRODUCTS. The share of electronic channels in the volume of loans sold exceeded 81% in 3Q22, and remained at this level in 4Q22 as well. This figure has grown steadily for several months, thanks in part to a hybrid sales model in which electronic and traditional channels complement and support each other. In 2022, we also implemented an application process on the bank's website for new customers and linked credit processes even more strongly to open banking.

MORTGAGE LOAN. A challenging project for the bank in 2022 was the application for statutory credit vacations. We offered customers an intuitive and transparent application that they could fill out in Millenet. In addition, we made available online the application for assistance from the Borrower Support Fund (Fundusz Wsparcia Kredytobiorców), which previously could only be submitted at a bank branch.

SAVINGS. We support customers in multiplying their savings, so in 2022 we offered customers new opportunities in this area. The bank has prepared a special interest rate on the savings account for customers who bank actively. The Lokata Horyzont Zysku Deposit - previously available in Millenet - has appeared in the mobile app. We also introduced a special term deposit offer available only through electronic channels. The share of digital channels in term deposit sales was as high as 96% in 4Q22.

INVESTMENTS. At the beginning of 2022, we made the investment advisory service available in electronic banking. Thanks to it, customers who have not invested before can take advantage of the recommendations and start their investing adventure in the app and Millenet. Customers can also set up or change a standing order for their investment within the Millennium Investment Plans and Investment Objectives they have set up through the investment advisory service. In 2022, we implemented new tools that facilitate flexible investment management. Customers can respond to changes in the environment - conveniently change investment funds and modify their investment strategy on their own.

Value Added Services

Access to an account in an app anytime, anywhere - this is already a market standard. Bank Millennium's strategy is to build an application that will become the customer's constant companion and the centre of managing everyday life. Finance permeates many spheres of our lives, which is why we have been offering customers value-added services in the mobile app for years and adding new ones every year. Directly through the app they can already, among other things, pay for parking, buy insurance, and even choose movie and theatre seats when buying tickets.

TOP-UP CODES. In May 2022, we made the purchase of recharge codes for online services, games, streaming and sales platforms available in the app. The codes are divided into categories: games, multimedia, shopping and office applications. The customer chooses not only the service provider, but, depending on availability, also the product variant (e.g. recharge for PLN20). Customers do not have to add payment card in external services and have codes from multiple sources in one place,

and during the transaction they use only one, secure and familiar bank application. We also made recharge codes available in the app for children 7-12 years old. This solution made it to the finals of the Informa Banking Tech Awards ranking.

E-TOLL. In November, in cooperation with Blue Media SA, we expanded the Motorways service with purchase of e-tickets for sections of state highways: A2 Stryków-Konin and A4 Wrocław-Sośnica. The toll payment is simple and intuitive, and customers do not need to install additional applications. Bank Millennium is one of the few that has made this service available to customers.

E-ADMINISTRATION. In 2022, the mobile application was enriched with the MilleAdministration tab, previously available only in Millenet. In this section, customers can use services such as Millennium ID (a service based on mojID solution), which allows them to confirm identity and sign contracts with commercial providers online, as well as manage official matters remotely. In addition, in the application customers can fill out and send applications for family benefits: Family 500+, Good Start 300+, Family Care Capital (RKO), nursery subsidy.

In December 2022, in the MilleAdministration tab we added another important option - the ability to set up a sole proprietorship and a business account on one simple online form.

Open banking

For the past 3 years, we have been intensively developing our open banking services. We started by providing a production API and a number of sales processes, which brought the bank international recognition in 2020-2021 (Global Finance magazine and Celent Model Bank awards). Currently, in addition to the account aggregation and payment initiation service, we use open banking services in 5 sales processes (including individual and corporate account opening) and in personalized campaigns to customers.

EXPANDING EXISTING SERVICES. In 2022, we added two new banks - Credit Agricole and Getin Bank (now VeloBank) - to our account aggregation service and in our sales processes with AIS. After these changes, our account aggregation service, Finance 360°, includes 11 of the largest Polish banks (Alior Bank, ING Bank Śląski, mBank, Bank Pekao, PKO BP, Santander, BNP Paribas, Inteligo, Citibank, Credit Agricole, VeloBank). The Finance 360° service has also been expanded with option to read recent transfer recipients, based on a specially designed algorithm that analyses transactions on accounts at other banks. In order to personalize the offer as accurately as possible, based on the history of aggregated accounts, we prepare sales campaigns for cash loan, cards, investment products.

NEW SERVICE. In Q4 2022, we launched on the website a cash loan application for people who were not previously customers of Bank Millennium. The loan is granted based on verification of identity and income in an account at another bank where the customer's salary is received. This is another friendly process in which we use open banking.

Omnichannel, phygital & human touch in digital channels

Despite the growing importance of electronic channels, we are aware that there are still customers who prefer personal contact with a consultant. We want to provide them with a consistent customer experience in the channel they choose, so we are developing our services with an omnichannel approach. Customers want to feel special - whether they are being served by a bank employee or using a mobile app. That's why Bank Millennium's goal is to create processes in which electronic channels complement traditional channels and all channels support each other.

The branch continues to be the place for many customers to start a relationship with the bank, and there they can, with the help of a bank employee, activate the app for the first time and log in to their account. The app, in turn, supports stationary processes - customers can confirm many operations ordered at the branch in the app. Not insignificant for digital channels is the contact center. Phone or chat consultants effectively support customers in a little more difficult online

processes, such as setting up a business or applying for a loan. Customers can use co-browsing in Millenet or contextual chat in the app. It is a web of dependencies in which electronic channels play a dominant role at one time and a supporting role in other processes.

The bank also has a network of ATMs that already offer mobile solutions, such as BLIK cash withdrawal. The role of ATMs and deposit machines in the context of omnichannel solutions will grow.

Presence in e-commerce

As a bank inspired by people, we are where our customers are. We see how e-commerce is growing rapidly, we are recording record growth in online transactions, so we are exploring this area.

CASHBACK PROGRAM. In 2022, we offered customers a cashback service in the bank's digital channels. The program allows smart shoppers to save money while shopping online. The service is linked to goodie smart-shopping platform, but the customer sees the stores' offers after logging into the bank account. More than 800 online stores participate in the cashback program, so to make it easier to choose the right offer, we show the customer the ones that really fit their interests and needs. The service is based on data analytics, machine learning and artificial intelligence. Thanks to the customers activity on the account, we suggest stores and offers that they already like and those that might interest them. We also help them shop wisely. Online shoppers, after logging into their account, can see how much they would gain if they used our cashback program.

END-TO-END TRANSACTIONS. Another aspect of e-commerce presence is to provide customers with solutions that allow them to complete transactions from start to finish in a single application. Such an experience is provided by the bank's in-app purchase of recharge codes service described a few paragraphs above. The customer has access to the offerings of various companies in a single application. Customers make the payment securely in one place - an app they know well and trust. In the same app they can store the purchased codes or send them directly to the person they would like to bestow, for example, with a card for Empik or Allegro stores. Buying tickets in the app (for public transport or cinema) or car insurance works similarly. The customer does not need to use other applications, the entire purchase process is carried out in one place.

BUY NOW, PAY LATER. Bank Millennium is also involved in projects that respond to new trends in payments. Such a project is BLIK Pay Later (BLIK Płać Później), a solution that uses the idea of deferred payments. In September 2022, together with Polish Payment Standard (Polski Standard Płatności), we were the first bank on the market to start piloting this solution. We plan to make it widely available in 2023.

Digital channels supporting Ukrainian citizens

With the outbreak of war in Ukraine, the bank became involved in helping refugees and actively included digital channels in this effort. A few days after the outbreak of war, a website in Ukrainian was launched on the bank's portal, where we gathered the most important information for refugees coming to Poland - including how to open an account, what documents are needed to do so, and how to use the bank's channels. In the following months, we launched additional campaigns in the bank's digital channels in Ukrainian. In this language we convey key information and messages related to cyber-security.

We have also made it easier for Ukrainian citizens residing in Poland to access e-government and applications for family benefits. In online banking, we provided the possibility to set up a Trusted Profile for this group. In Millenet and the mobile app, they can apply for 500+ and 300+ benefits in Ukrainian.

In March 2022, we implemented a new defined transfer in the mobile application - Charity Transfer. The customer only enters the amount, and the account number of the selected charity is substituted by the system. The transfer was used to support organizations helping refugees from Ukraine: PAH

(Polska Akcja Humanitarna), Caritas Poland, PCK (Polish Red Cross), "Ocalenie" Foundation. The new functionality gives the bank the opportunity to engage in other charitable actions, which we also want to do in 2023.

Growing potential of business clients

Developing our offer for self-employed customers is one of the important elements of our electronic channel development strategy. We see huge potential in this segment and want to respond to the needs that arise in it. The bank's comprehensive offer available online and additional tools for running a business are the answer to the needs of this group at every stage of building a competitive business. We are aiming for a model in which electronic channels will have a dominant role in serving this customer segment, but will be supported by remote advisors.

STARTING A BUSINESS. Bank Millennium supports entrepreneurial customers from the moment they start a business through the next stages of business development. At the end of 2022, we offered customers a process in which on one online application a customer can register a business and open a business account with a debit card. The process is simple and transparent, and was built on the basis of in-depth analysis and research with users. More difficult terms have been adequately explained, and what's more, customers can receive expert support via chat with co-browsing. Customers can also use informational materials on the bank's website.

Customers who already have a company and want to set up a business account - can also do so through digital channels, without having to visit a branch. We provide processes for both bank customers and new customers without an existing relationship with us.

DAILY PAYMENTS. In 2022, we have launched a number of functionalities that support entrepreneurs in daily banking. They can use split payments - VAT invoice payment is automatically divided into 2 parts: the net amount for the seller and the tax due on the transaction, which goes to a separate VAT account. In addition, the entrepreneur, before paying the invoice, can check at the time of ordering the transfer whether the service provider is an active VAT taxpayer.

Also in 2022, together with PayTel, we released the Millennium POS app, which allows a business customer to use a smartphone like a payment terminal and accept contactless payments anywhere. This is a convenient alternative to traditional POS terminals, especially when the entrepreneur commutes to customers or does not have a fixed service point.

BUSINESS DEVELOPMENT. In 2022, we have been developing credit offerings available online - from the lead process to the full application in electronic channels. The new cash loan application consists of one simple page, and customer data is pulled automatically from a central registry. Funds can be disbursed even in minutes after signing online.

Customers can also apply online for a loan with a de minimis guarantee. The customer fills out an online application, receives a credit decision in a few minutes and can sign the contract. Finalizing the agreement at the bank's branch is just a formality.

Customers in the business segment can also benefit from Millennium Leasing's offer and manage their leases online by logging in to eBOK service.

Awards for digital banking in 2022

GLOBAL FINANCE MAGAZINE'S BEST DIGITAL BANK - four awards:

- The Best Consumer Digital Bank in Poland for 2022
- The Best Integrated Consumer Bank Site in Central and Eastern Europe for 2022
- The Best Integrated Corporate Bank Site in Central and Eastern Europe for 2022

- The Best Information Security and Fraud Management in Central and Eastern Europe for 2022

INFORMA BANKING TECH AWARDS - 3 projects in finals:

- Digitization of processes for corporate clients in Best Use of IT in Corporate Banking category
- Installment loan in e-commerce in Best Use of IT for Consumer Lending category
- In-app top-up codes purchase in Best Mobile Initiative in Payments category

NEWSWEEK'S FRIENDLY BANK (PRZYJAZNY BANK NEWSWEEKA) - Grand Prize in the "Remote Banking" category and first place in five subcategories: service quality, customer acquisition and retention, communication channels, operation channels, mobile banking.

INSTITUTION OF THE YEAR (Moжебankowanie.pl) - second place in the Best Mobile Application category. Bank Millennium's mobile app was also awarded as the most user-friendly in the subjective assessment of customers.

MOBILE TRENDS AWARDS - Bank Millennium mobile app in the finals of the competition in two categories: Mobile Banking and Banking and Finance for Children.

9.3. CORPORATE BANKING

As part of the Corporate Banking business line, we provide comprehensive services to companies with annual sales revenues exceeding PLN5 million as well as public sector institutions and entities.

CORPORATE BANKING PERFORMANCE

In view of the Bank's capital constraints, the Bank decided to reduce the volume of the corporate banking loan portfolio. As a result of this decision, we reduced the volume of credit products by PLN800 million (5%) to PLN15.4 billion at the end of 2022.

Despite reduced credit production, we increased corporate banking profitability by 85%. The main share in the growth was interest income, however, thanks to the development of client relations, the increase in the number and volume of transactions carried out by them, we increased income from non-credit products by 21% y/y - 16% in transaction banking and 27% on treasury products, respectively. On the other hand, the sum of funds of corporate banking clients accumulated on accounts and deposits amounted to PLN24.6 billion and was higher by 14% compared to the previous year.

DEVELOPMENT OF THE PRODUCT OFFER

The offer is constantly modified and adapted to client requirements, market environment and changes in legal regulations. Our goal is to make access and use of services simple, convenient and secure. We focus on providing comprehensive solutions based on modern technologies as well as on digitisation of business processes. We keep developing digital channels and paths of electronic document flow. In order to support the financial situation of entrepreneurs who have been affected by the Covid-19 pandemic, we provide assistance mechanisms and their service in cooperation with BGK and under the PFR Financial Shield as an Anti-Crisis Shield instrument for companies.

Access to financing with BGK guarantee support

Our offer still included financing in the form of: loans, lines for guarantees and letters of credit and reverse factoring, secured by guarantees of Bank Gospodarstwa Krajowego (BGK). Clients could take advantage of the guarantees provided under guarantee programmes:

- **Biznesmax** available to micro, small and medium-sized enterprises under two types of state aid: regional aid or de minimis aid,
- **de minimis** dedicated to entrepreneurs from the SME segment,
- **Liquidity Guarantee Fund** addressed to medium-sized and large business entities - until 30 June 2022,
- **Liquidity Guarantee Programme for reverse factoring** addressed to SMEs and large enterprises - until 30 June 2022.

Since July, we have introduced the possibility of securing loans and reverse factoring with a **crisis guarantee** under the new programme. The guarantee can cover loans of medium and large enterprises and reverse factoring for SMEs and large enterprises. The maximum amount of the guarantee is PLN200 million. The maximum guarantee period is 39 months for loans to finance current operations, 72 months for investment loans and 27 months for reverse factoring. The guarantee can be used for financing in PLN and foreign currency.

Other warranty programs implemented in cooperation with BGK were continued on the so-called "covid conditions":

- **Biznesmax guarantees** are free guarantees supporting the investment and liquidity needs of companies and allow you to obtain a subsidy for credit interest. The guarantee may cover revolving loans (also overdrafts) and non-revolving loans not related to the investment granted to ensure financial liquidity. In addition to innovative entities, the guarantee can also be used by ecologically efficient companies that have implemented ecological solutions.
- In the case of the **de minimis guarantee scheme**, the lack of commission for the first year of using the guarantee and the 80% level of protection and the extended guarantee period to 75 months for a working capital loan and up to 120 months for an investment loan and an increased guarantee amount from PLN3.5 million to the equivalent of EUR1.5 million were maintained.

The crisis and Biznesmax guarantee programmes were extended until the end of 2023 and the de minimis guarantee until mid-2023.

The process of applying for financing with security in the form of a guarantee is carried out using digital channels and a qualified signature.

Loans

We introduced changes in the process of granting investment loans, shortening the waiting time for a credit decision and limiting the number of required documents.

On the other hand, the credit offer for companies has been expanded with new products - the first of them is intended for financing investment projects with public support. The product enables flexible and comprehensive financing of an investment project. One of the benefits is the separation of part of the financing repaid by a grant, without own contribution required.

We also made available the loan for photovoltaics in two variants:

- **Loan for photovoltaics - self-consumption**, with which we can finance 100% of the net construction costs of micro and small photovoltaic installations up to 1 MWp, intended for the production of renewable energy entirely for a company's own needs. The maximum loan amount is PLN2 million.
- **Loan for photovoltaics - a mix** with which we can finance 80% of the total net construction costs of a photovoltaic installation with the production of renewable energy for sale and own

needs, with a minimum level of 50% self-consumption. The investment may also include the purchase and installation of an energy storage facility up to and including 10 MW. The maximum loan amount in this variant is PLN20 million.

In addition, thanks to our **cooperation with the EIB Group**, we expanded our offer addressed to small and medium-sized enterprises, which, if they have been qualified for the program, can benefit from a reduction in the margin when financing with credit or leasing.

Factoring and trade finance

After the completion of the pilot program, we included the **receivable financing service** in the Bank's standard offer. Receivable financing is offered to clients who have signed commercial agreements with their contractors containing a contractual prohibition of assignment.

We also expanded the offer of non-recourse factoring with insurance with a **new policy - KUKE S.A.**, which allows us to include domestic and foreign contractors for whom insurance limits have been granted under the new policy concluded by the Bank with KUKE S.A.

There is still a very strong interest of clients in electronic guarantee orders and letters of credit opening on the trade finance platform. In 2022, on average, as much as 92% of orders to grant a bank guarantee and open a documentary letter of credit within the line were submitted by clients electronically. Every third guarantee issued was in the form of an e-guarantee, i.e. the electronic version of the guarantee with a qualified electronic signature of the guarantor.

Transactional banking and electronic corporate banking

We provide our clients with advanced payment solutions and consistently implement a strategy of digitising processes directly supporting our clients.

In the past year, we have been working hard on a new mobile application, preparing its launch in mid-2023. We also carried out further implementations in Millenet for Companies online banking:

Document sharing module

In cooperation with Asseco Data Systems, we made available in the processes of remote services for enterprises the possibility of an automated, qualified validation and preservation of electronic signatures and seals. Thanks to these services, we have enabled an ongoing verification and confirmation of the validity of the electronic signature and electronic seal, as well as their long-term durability. This ensures that the documents have not been altered after their signing and that a valid qualified certificate has been used at the time of signing. This is in order to provide the legal and technical protection of the evidentiary value of the signatures and seals associated with a specific electronic document. Qualified validation and maintenance services complement the entire life cycle of an electronic document, from the moment of submitting an e-signature or e-seal to archiving with full security. In these processes, we use trust services in accordance with the eIDAS Regulation. The new services are fully integrated with the document flow in the Millenet for Companies electronic banking system. Currently, 62% of financing agreements (including factoring and treasury) are signed electronically using a qualified electronic signature and delivered via the Millenet system.

Online payment card support

We serve clients who have up to tens of thousands of payment cards, which is why in Millenet for Companies we have implemented solutions that increase the efficiency of solutions related to card handling. We provide a wide range of features in the trading system that allow, among others, searching for individual cards, changing their limits and settings, and generating reports. We introduced the possibility of ordering prepaid cards in foreign currencies: GBP, USD, EUR. Thus, clients can apply for all cards available in the offer - debit, charge, prepaid - through the Millenet for Companies system in an easy, convenient and environmentally friendly way. We also introduced the possibility of managing daily limits for cards in the currency of the account associated with the card without the need to convert to PLN. In addition, we provided a service of charge card account

statements in the MT940 format. Statements in the new format have been launched for all active cards and made available for download by Millenet. For each newly issued card, the MT940 statement is defined automatically. The statement in the MT940 format, by processing in the client's financial and accounting system, allows for the automatic settlement of expenses made by card.

Forex platform

On the Millennium Forex Trader platform, we provided the possibility to place conditional orders for FX Spot transactions such as Take Profit, Stop Loss and Call for Today, Tomorrow or SPOT (in two business days) vale dates. Companies have the option to place orders from a minimum amount of EUR 1,000 (or its equivalent) with a specified validity period or indefinite for all currency pairs available in the system. The possibility of concluding transactions in the digital channel enjoyed a steadily growing interest of clients. In 2022, 70% of FX trades were executed through the Millennium Forex Trader platform.

MillenetLink - systems integration

We regularly introduce improvements for clients using MillenetLink - a solution that enables direct data interchange between electronic banking and clients' financial and accounting systems. We expanded the service with the feature of downloading data on prepaid cards, we also automated the notification system about the approaching expiration date of communication certificates that authenticate the client during transmission.

Sign-in facilitation

We introduced a new way of logging into the factoring system. Users of Millenet for Companies have access to the factoring system without an additional login, using SSO (single sign on) authentication.

eBOK Millennium Leasing

In cooperation with Millennium Leasing, we introduced new features related to services for clients using leasing products. We provided our clients with mobile applications, which will enable them to report in a standardized way matters related to the handling of concluded contracts. The applications make it easier for clients to report contract handling issues by providing all the fields necessary to process a particular case, client-friendly explanations, and the ability to view the status of the application. From the end of June, Millennium Leasing clients can also use the module previously made available to banking clients, which facilitates the sharing of electronic documents.

Shield 2.0 support

Through electronic banking, clients from the SME and micro-enterprise segments had the possibility to submit an application for writing off a subsidy received under Shield 2.0. This process was completed on 15 January 2022 for Small and Medium-sized Enterprises and on 28 February for Micro-enterprises. In July, decisions on their settlement were made available.

Housing escrow account - integration with UFG

In July, we adjusted the housing escrow account offer to the requirements of the so-called new development act. An important element of the implementation was integration with the Insurance Guarantee Fund (UFG) system, ensuring that information on changes in accounts is sent to UFG. Together with the Polish Association of Developers and the Polish Bank Association, we organized a webinar for our clients, during which we discussed the changes in the rules of maintaining housing escrow accounts introduced by the new act.

EDUCATIONAL ACTIVITIES AND QUALITY OF CORPORATE BANKING CUSTOMER SERVICE

Bank Millennium supports clients through educational activities and provides information about important changes affecting business operations.

Webinars for Corporate Banking Clients

We support our clients through educational activities which have an impact on conducting business activity and work methods employed, in particular by webinars carried out on our own or together with external partners.

In 2022, webinars for the financial departments of companies were held on:

- prospects of the Polish economy in 2022,
- cybersecurity
- preparing a company to participate in calls for co-financing investments: available forms of financing and good practices preparing the company for future calls, effective preparation of a grant application, correct settlement of investments with EU funding,
- changes resulting from the new Development Act.

More than 70% of registrants then attend dedicated events for our corporate clients. During the meetings, the number of participants remains close to the maximum values throughout the duration of the webinars, and the participants themselves are very active during the Q&A sessions. These observations testify to the great interest and high specialist standard of the meetings that we offer to clients and potential clients of the bank.

Cooperation with ICAN Institute

We have had a long-term cooperation with the CFO Club of ICAN Institute. CFO Club is a development and networking initiative bringing together financial directors (CFOs) of companies operating in Poland. The CFO Club provides access to state-of-the-art knowledge, it is also a platform for sharing experience and networking. In 2022, in addition to webinars with the participation of experts and practitioners of leading companies representing various sectors of the economy, face-to-face meetings also returned. The topics discussed during the meetings concerned the most current challenges faced by financial directors and people responsible for a company's finances: modern methods of financial and team management, data management, changes in the legal environment, automation and digital transformation. Webinars and meetings were very popular among entrepreneurs.

Together with ICAN Research, we prepared the report "Investments in difficult times" published at the beginning of October. The aim of the study was to check the investment sentiment of medium-sized and large companies and to learn about the reasons and motivations associated with these plans. The report is available to Club members and among others on the CFO Club website.

Forbes Family Business Forum

We are a co-initiator and strategic partner of the Forbes Family Business Forum. In 2022, as part of the 5th edition of the Family Business Forum, 9 regional meetings were held. They were not only an opportunity to honour the most valuable family businesses, but also a platform to share knowledge and experience. The main topics of this year's edition were the situation of family businesses in conditions of economic uncertainty and the challenges associated with the green transformation of business.

Training for Corporate Banking Department advisors

Employees of the corporate banking area participated in a number of training courses improving their qualifications and supplementing their knowledge in the field of changing products and procedures.

The most important business training courses concerned the process for an investment loan, a new module in the system for handling the credit process and changes in the conditions of opening and maintaining accounts. Equally important were training courses in counteracting money laundering and terrorist financing (AML/CFT) and in the area of Know Your Client (KYC), including on the identification of the beneficial owner (KYC).

The key event are the meetings inaugurated in June as part of the Public Assistance Pulse initiative. Cyclical meetings of experts of the state assistance competence centre with sales network advisors involve mainly a comprehensive discussion of the current possibilities of receiving state aid.

The Bank regularly provides advisors with knowledge about the current macroeconomic situation and its impact on the markets and the activities of companies. We do this in the form of monthly webinars conducted by employees of the Bank's Macroeconomic Analysis Office. The information is supplemented by industry analyses made available on the intranet.

Client satisfaction survey

In the 3rd quarter, we conducted an annual customer satisfaction survey in the corporate banking area. In the survey, lasting several weeks, corporate banking clients answered questions related to product evaluation and service quality. Currently, as many as 95% of our clients are very and fairly satisfied with the relationship with the advisor. Particularly noteworthy is the high rating of consultants, for as many as 99% of clients are very and fairly satisfied with their work.

Simple language project

We also started a training in simple language. It was attended by product managers, process owners and employees responsible for marketing and internal communication of the corporate banking area. This is a phase of change aimed at using simple, transparent and fully understandable communication in all channels of contact with our clients.

DEVELOPMENT OF THE PRODUCT OFFER IN MILLENNIUM LEASING

We were actively developing our offer, including "green" leasing products, supporting among others the development of photovoltaics and the availability of electric vehicles.

1. Leasing of MilleSun photovoltaic systems

We were actively developing MilleSun - a program dedicated to financing investments in photovoltaics. Leasing of solar panels is a solution intended for entrepreneurs oriented to reducing energy costs and changing the social awareness of environmental protection and keen on building their ecological image. The programme has been extended to include the financing of heat pumps.

2. Leasing with subsidy for electric cars

We provided leasing with a subsidy from Bank Ochrony Środowiska for the purchase of new electric cars under the *My electric* program. The aim of the project is to promote activities aimed at reducing air pollutant emissions. The program consists in supporting projects reducing CO2 emissions in road transport by co-financing the leasing of zero emission vehicles. The program is to be implemented until mid-2026. Thanks to our cooperation with BOŚ and the National Fund for Environmental Protection and Water Management, we enable clients to take advantage of a subsidy to a down payment whose amount depends on the category of the vehicle financed.

3. Support from Millennium Leasing for SMEs thanks to BGK guarantees

In 2022, we continued to actively offer clients lease agreements secured by a guarantee from Bank Gospodarstwa Krajowego. The offer is addressed to clients from the SME sector leasing vehicles showing low CO2 emissions, machines, especially those less marketable. In 2022, the company concluded agreements secured by a BGK guarantee for the amount of PLN311 million.

As part of the portfolio agreement with BGK, in 2022 we had a guarantee line in the amount of PLN400 million. We prepared this instrument in cooperation with the European Investment Fund from the Pan-European Guarantee Fund to support and protect entrepreneurs against the effects of the COVID-19 pandemic.

4. MilleFlota programme - maintenance services for vehicles up to 3.5 t

The MilleFlota programme is a solution thanks to which Millennium Leasing clients can purchase spare parts and maintenance services at attractive (the same throughout Poland) prices with a fleet discount, also at Authorized Vehicle Service Stations. In addition, users gain access to the convenient MOTO Flota Manager system. It allows you to view the service history of the vehicle, as well as arrange services and report service costs. A unique part of the programme is the call centre, providing consulting services in the field of the type of

maintenance services and the time of their implementation, as well as the management of even a small fleet of vehicles.

5. Digital leasing

We continue the process of digitisation of services, actively promoting electronic handling of settlements with clients via eBOK. More than 84% of clients have already activated their access to this service. The service has been extended with the possibility of submitting applications, thanks to which the client can order most matters regarding leasing agreements online. We also implement further functionalities and improvements, transforming eBOK into a convenient platform for comprehensive operational cooperation with clients.

Brokerage activity in the Bank Millennium Group

Until, 29 July 2022, the brokerage activity in the Bank Millennium Group was conducted by Millennium Dom Maklerski S.A. According to the Division Plan adopted on 10 May 2022 and in accordance with the decisions of the Management Boards of Bank Millennium S.A. and Millennium Dom Maklerski S.A. of 31 March 2021, the process of dividing Millennium Dom Maklerski S.A. was initiated. On 29 March 2022, General Meeting of Millennium Dom Maklerski S.A. and on 30 March 2022 General Meeting of Bank Millennium approved the division of Millennium Dom Maklerski S.A.. The part of Millennium Dom Maklerski business regarding brokerage services, after registration by the registry court on 29 July 2022, was transferred to Bank Millennium and currently operates as an organizationally separated Bank unit under the name Biuro Maklerskie Banku Millennium S.A.

The entity, which remained after the division of Millennium Dom Maklerski and the transfer of brokerage activity to Bank Millennium, continues its activities under the name Millennium Consulting S.A. and provides analytical and advisory services both to external clients and companies from the Bank Millennium Group.

The main goal of the integration was to increase the quality and complexity of the brokerage services offer, as well as to improve its availability, mainly by using modern, remote distribution channels. For this purpose, the Bank's knowledge and experience will be used, especially in the field of digitization of financial services. Thanks to the integration, Bank Millennium Group will be able to offer customers financial services in banking and brokerage area, provided in one institution.

Currently, work is focused, among others, on providing brokerage services to Bank Millennium clients, including the possibility of concluding brokerage agreements electronically using channels and technology available at Bank and using consistent rules of customer evaluation, offering a new online and mobile application, as well as integration of Biuro Maklerskie website with Bank Millennium web page.

Under the authorization granted by KNF, Biuro Maklerskie provides following brokerage services: execution of buy or sell orders for financial instruments for the principal's account, buying and selling financial instruments for its own account, investment advisory services, offering financial instruments, providing services in the performance of concluded underwriting agreements or agreements of a similar nature, the storage or recording of financial instruments, including the maintenance of securities accounts, derivatives, collective accounts and cash accounts for serve them, preparing investment and financial analyses and other general recommendations for transactions related to financial instruments.

In 2022, Millennium Dom Maklerski and then Biuro Maklerskie generated PLN2.7 billion turnover on the equity market, which accounted for 0.5% market share according to the Warsaw Stock Exchange's data. In the Individual Clients sector, it was 1.8% share. On 31 December 2022 Biuro Maklerskie had provided services to 24.5 thousand investment accounts and acted as a market maker and as an issuer's market maker for nine companies listed on the Warsaw Stock Exchange.

In 2022, it also acted as an intermediary, carried out four buyback of public companies shares and registered new shares for a few companies listed on the Warsaw Stock Exchange. Moreover, it also participated in two new issues of shares.

9.4. SUBSIDIARIES' ACTIVITY

Millennium Goodie

In 2022 the goodie app, which has already been downloaded by more than 3.1 million people, saw further record-breaking interest of users in online shopping and the goodie cashback programme. Since the beginning of the goodie cashback service, users have made purchases through it in the amount of over PLN1.7 billion, making over 13 million transactions and obtaining almost 37 million accrued cashback.

During all of 2022 more than 5.2 million online transactions were made in goodie with cashback (+20% y/y) amounting to almost PLN750 million (+30% y/y). Almost PLN14 million were accrued on goodie cashback user accounts (+20% y/y).

A special period for goodie cashback was 4Q22. The cashback service saw record-setting performance in the value of transactions in that period and reached almost PLN230 million (+21% y/y). The number of transactions made was also growing steadily, reaching over 1.5 million in this period (+23% y/y). This resulted in accrual of more than PLN4.3 million cashback on Users' accounts (+25% y/y).

The cashback service is being developed to include additional functionalities. In 3Q22, Superoffers were introduced, thanks to which goodie can grant users temporarily increased cashback in specific brands.

In addition, in 2Q22, the "Refunds for purchases" service was implemented in the Bank Millennium app and in Millenet, which is very popular among the Bank's Customers. From the moment of implementation of the service, new customers can receive PLN20 in the promotion for making their first transaction through the "Returns for Purchases" service. The service also includes offers with temporarily increased cashback, the so-called Superoffers.

Good results in 2022 were also brought by the sale of gift eCards, the number of which increased by 15% y/y.

Millennium Leasing

Millennium Leasing sp. z o.o., a subsidiary of Bank Millennium, was established in 1991 and is one of the longest operating leasing companies on the Polish market. Its activities cover the financing of all types of fixed assets: cars and vans, machinery and equipment for most industries, heavy transport (including: road, rail, water and air), as well as real estate.

The value of leasing arrangements released by the Company in 2022 amounted to a total of PLN3.54 billion, down 8.6% compared to 2021, as a result of the economic situation of the country, including rapidly increasing interest rates and inflation. As at 31 December 2022, the value of capital involved in active leasing agreements amounted to PLN6.96 billion, i.e. 3.2% above the level at the end of 2021.

For the first three quarters of 2022, the Company achieved a 4.9% share in the leasing market compared to 5.0% in 2021.

Among the leased assets, Millennium Leasing recorded a 3% increase in sales in 2022 in the machinery and equipment group.

Millennium Leasing has been actively developing its "green" leasing product portfolio. In the third quarter, the portfolio was enriched by financing of heat pumps. The product is offered under a simplified procedure, and an additional facilitation in obtaining financing is the possibility for the customers to choose an authorised Millennium Leasing supplier. In the third quarter, the Company joined "My Electric Car" ("Mój Elektryk") program, so that customers can benefit from leasing with a

subsidy to buy new electric cars. The aim of the project is to promote efforts to reduce air pollution emission. The program is scheduled to run by mid-2026.

The company continued to actively offer customers a leasing agreement with a guarantee from Bank Gospodarstwa Krajowego (BGK), thanks to which entrepreneurs from the SME sector may use financing on more attractive terms, including: with regard to margins, financing amount, agreement term and required collateral. The offer is addressed to the customers representing the SME sector, who lease vehicles with low CO2 emissions, machinery, especially with lower marketability. Millennium Leasing, under the portfolio agreement with BGK in 2022, had a guarantee line of PLN400 million. The instrument was prepared in cooperation with the European Investment Fund from the Pan-European Guarantee Fund to support and protect entrepreneurs from the effects of the COVID-19 pandemic.

The Company actively promoted the MilleFlota service among its customers, which allows for convenient, fast and cost-effective servicing of vehicles up to 3.5 t. Under the programme, customers can purchase parts and services at attractive (and fixed throughout Poland) prices, also at Authorised Service Stations, and furthermore receive a special fleet discount.

In 2022, Millennium Leasing continued the possibility of signing documents with electronic signatures, which was introduced in 2020.

The Company continued the process of digitization of its services, actively promoting the electronic handling of leasing agreements via the Electronic Customer Service Centre (eBOK). At the end of 2022, more than 85% of customers use eBOK. The service was upgraded to allow customers to submit applications, so they can now commission most tasks related to leasing agreements online. Millennium Leasing is also implementing additional features and improvements, making eBOK a convenient platform for comprehensive operational cooperation with customers.

Millennium Leasing services are sold by leasing advisors in 81 locations throughout Poland. Moreover, the Company actively cooperates with banking advisors in retail branches and in the corporate banking service network of Bank Millennium. This allows the Company to offer entrepreneurs a full range of financial services, including both leasing and banking products.

Millennium TFI investment funds

Millennium TFI S.A is a licensed financial institution operating since 2001 as an entity creating and managing investment funds. At the end of the year 2022, the company managed customer assets worth PLN3.7 billion. The number of Millennium funds participants at the end of 2022 amounted to over 140 thousands.

The main goal of Millennium TFI's activity is delivering to Clients an attractive and effective investment solutions and providing professional investment customer service. The fund managers are professionals with long years of experience and excellent insight into financial markets.

During the year 2022, Millennium TFI has experienced significant decrease of assets under management of 28.9%, slightly higher than the market average in non-dedicated funds for retail clients. This has been a consequence of supply shock for energy products, sharp increase of inflation and following increases of central bank rates which negatively impacted the performance of bonds and equity markets all over the world. As the government bond yields in Poland continued to increase in 2022 to a 20 year-high level of 9% in October - we have observed significant negative performance and continuous outflows from bond funds in the whole market.

The equity markets have been also under pressure with major equity indices dropping of more than 20%. Polish stock exchange noted a spectacular dropdown of 40% from its peak in early 2022 but rebounded significantly in the 4 quarter of 2022, reducing more than 50% of the losses. However the negative equity performance had also a negative impact on the flows to equity and balanced funds and the value of the assets under management of Millennium TFI and the whole market.

Summarizing, the performance of the capital markets in the 2022, for both bonds and equities, has been one of the worst in the history which resulted in the high level of risk aversion of retail clients and the level of outflows comparable to the ones during the COVID-19 shock in 1st half of 2020.

Millennium TFI has managed to face up the threats related to this hard market environment. Millennium funds carried out all transactions of the participants without any problems, while maintaining the full liquidity of portfolios throughout the period.

Millennium TFI S.A. currently manages three umbrella funds: the Open-End Investment Fund with 6 separate sub-funds investing on the Polish market (Millennium FIO), Specialist Open-End Investment Fund with 6 separate sub-funds investing on the global markets (Millennium SFIO) and Millennium PPK Specialist Investment Fund with 9 target date sub-funds. In 2022 Millennium TFI offered participation units in 21 investment sub-funds with different investment strategies and different risk levels.

The company's broad offering includes also various savings products based on the investment funds it manages. Its most popular products include PPK and Individual Retirement Accounts (IKE). Millennium TFI currently manages IKE programs for 27 thousand customers, with the total asset value of PLN330 million. The assets under management of the PPK subfunds for nearly 14 thousand of participants reached PLN93 million at the end of 2022.

Millennium Bank Hipoteczny

Millennium Bank Hipoteczny Spółka Akcyjna ("MBH") was established by a founding act by Bank Millennium S.A. on 9 July 2020 with the initial capital of PLN120 million. MBH commenced its operating activities on 14 June 2021. The purpose of establishing MBH and its mission is to ensure to the Group a stable and long-term financing of mortgage loans in the form of covered bonds secured by mortgage receivables.

In 2022, another transfer of receivables under mortgage loans granted by Bank Millennium was carried out. All loans transferred met a number of criteria defined by MBH, the most important of which were:

- loan currency in PLN,
- intended for housing purposes,
- ownership legal title with a first-rank mortgage established for the Bank,
- without impairment triggers,
- loan value lower than the mortgage lending value (MLV).

The transfer of the loans was preceded by an increase in MBH's equity by PLN51 million through the issue of series B shares fully subscribed for by Bank Millennium.

Preparations for obtaining the ability to issue covered bonds, which began at the end of 2021, were completed with the PFSA approving the base prospectus for the first covered bond issue programme on 29 April 2022.

The difficult situation on the financial markets, caused by the outbreak of war in Ukraine, and then by rising inflation and yields on debt securities (including an unprecedented depreciation of Polish treasury bonds with variable interest rates), made it impossible to carry out the first issue of covered bonds in 2022. An additional reason was the entry into force of the act introducing "credit holidays", which caused, among others, the postponement of the planned next transfer of receivables from Bank Millennium.

Despite this, work was under way to prepare further transfers, consisting primarily in determining the mortgage lending value (MLV) of the properties to be transferred.

The accounting in 2022 of the total (for two years) cost of credit holidays estimated at PLN32.6 million resulted in MBH showing a loss for the entire 2022 in the amount of PLN29.7 million. Net interest income, excluding the negative credit holidays effect, amounted to PLN10.9 million and was similar

to administrative expenses incurred in 2022 in the amount of PLN11.9 million. Total impairment losses on mortgage loans in the MBH portfolio amounted to PLN2.1 million throughout the year.

The balance sheet total of MBH as at 31 December 2022 amounted to PLN817.7 million. The main source of financing for the Bank's operations in the reporting period were equity in the amount of PLN135.8 million, as well as loans granted by Bank Millennium in the amount of PLN677.2 million (both values at the end of the year).

The MBH's mortgage portfolio in the amount of PLN737.6 million is characterized by high quality. The share of stage 3 loans accounted for 0.5% of the total portfolio value at the end of the year, with the vast majority of these loans included in stage 3 due to the use of support under the Borrowers Support Fund (FWK). In addition to the value of collateral on real estate, the stage 3 loan portfolio is additionally covered by total impairment provisions of 59%.

The Bank maintains liquidity and solvency ratios at very high, safe levels. At the end of the reporting period, the Total Capital Ratio (TCR) was 28.1% and the leverage ratio was 16.4%.

10. MAIN AWARDS AND ACHIEVEMENTS in 2022



CSR Golden Leaf

The Bank's activities for sustainable development and making them an integral part of the business strategy have once again been appreciated with the CSR Golden Leaf from Polityka weekly. This award is given to companies, which implement the most stringent standards of corporate social responsibility - they have ethics management systems, are good corporate citizens, introduce actions in response to the needs of clients and staff and minimise their impact on the natural environment.



Bank Millennium is the best bank in Poland according to Global Finance Magazine

Bank Millennium was hailed Best Bank in Poland in the Best Bank Awards competition organised by Global Finance Magazine. The winning banks were selected by the editors of Global Finance after consultations with financial directors of enterprises, bankers, consultants and analysts from all over the world. When choosing the best banks, Global Finance took into quantitative objective factors as well as subjective factors based on information.



2nd place in the ranking of the Best Employers Poland 2022 in the category "Banks and financial services"

Bank Millennium again came second on the ranking list of best employers in banking and financial services and 44th among all companies on the Best Employers Poland 2022 ranking list. The ranking of 300 companies operating in Poland, achieving success in HR, was prepared by Forbes Polska magazine and Statista.



2nd place of the Impresja Credit Card in the Golden Banker plebiscite

Impresja credit card took 2nd place in the competition for the best designed payment card in the Golden Banker Ranking, organised by the "Puls Biznesu" daily and the bankier.pl portal. 11 banks submitted their cards to the competition, and 7,000 Internet users took part in the voting. In the same competition, the bank's Contact Center was recognised as the best in Poland in its sector. (telephone service won the first place, and via chat and e-mail - the third place).



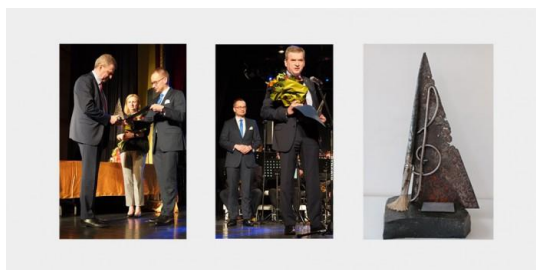
Service Quality Star

The Bank was again awarded the title of Service Quality Star. The Service Quality Star is an award granted by consumers who, via a multi-platform consisting of the jakoscobslugi.pl portal and the SecretClient® website, all year round share their opinions and the organisers keep updating service quality indicators for more than 40.000 companies representing close to 200 sectors.



Bank Millennium is Star of Banking

Bank Millennium was third in the category of #Customer relations of the Stars of Banking competition, organised for the eighth time by Dziennik Gazeta Prawna in cooperation with PwC. The position of banks was determined by the results of an opinion survey conducted among 12,000 customers. The survey concerned issues related to the bank's activity, customer attitudes and customer assessment.



The title of Patron of Culture for supporting local culture

By decision of the Mayor of Itawa, Bank Millennium received the title of Patron of Culture for supporting local culture, in particular the International Old Jazz Meeting "Złota Tarka", one of the most important events on the jazz map of Poland. The award and the congratulatory letter were presented on 30 May.



The Bank Millennium application was considered the most friendly in the subjective opinion of customer

The MojeBankowanie.pl portal has announced the results of the 7th edition of the Institution of the Year ranking. Customers indicated the Bank Millennium application as the most user-friendly. In the overall assessment, the Bank itself was in a high third place. In total, awards were won in as many as 6 categories. "Institution of the Year" is the largest ranking of the quality of service for individual customers and entrepreneurs on the market, and most comprehensive in terms of multi-product and multi-channel.



Kantar Polska Award for the most effective brand communication 2021

Kantar Polska research agency awarded banks that in 2021 implemented the most effective marketing communication. Bank Millennium was 3rd. Effectiveness was measured as recognition in relation to expenditure on communication. Awards based on the Awareness Index calculated for each bank and insurance company, defined as the increase in ad awareness per 100 GRPs spent.



1st place of the team of economists in the Refinitiv ranking

In the Refinitiv (previously Reuters) ranking the team of economists consisting of Grzegorz Maliszewski, Andrzej Kamiński and Mateusz Sutowicz came first in the summary of macroeconomic forecasts for 2021. Over the last five years the Bank's economists on no less than four occasions have been among the top three forecasters in the Refinitiv ranking, taking first place in 2019 and 2021.



Bank Millennium among top three in retail customers' ranking

Millennium was once again on the podium in the ranking of satisfaction of individual customers, according to the report "Banks' retail customer satisfaction monitor" by ARC Rynek i Opinia research institute. Millennium became leader in the Contact Points category (hotline, branch visit, electronic banking and mobile application, website), while in the customers' referral as well as satisfaction and loyalty ranking it came second.



Economists of the Bank among the best forecasters of the "Parkiet" daily

The Bank's team of economists also got to the top of the ranking of best forecasters of the „Parkiet” daily. Grzegorz Maliszewski, Mateusz Sutowicz and Andrzej Kamiński have for years correctly analysed what is happening in the economy. The ranking awarded them among others for the highest versatility of the team and most stable forecasted form (over the last 5 years they were only twice outside the podium).



Bank Millennium among top three in Gazeta Bankowa competition

Millennium took 3rd place in the competition for the "Best Bank of 2022" organised by "Gazeta Bankowa". In the Large Commercial Bank category, we were overtaken by the two largest Polish banks controlled by the State Treasury. In the 30th edition of the competition, not only financial results were evaluated, but also Customer Experience broadly understood as well as matters of corporate social responsibility.



Bank Millennium is the best digital bank in Poland and winner in 3 other categories according to Global Finance

The Bank was hailed The Best Consumer Digital Bank in Poland for 2022 in the competition organised by Global Finance Magazine and 3 other awards. Altogether, in 2022, Bank Millennium received awards in as many as 4 categories:

- The Best Consumer Digital Bank in Poland
- The Best Integrated Consumer Banking Site in Central and Eastern Europe
- The Best Integrated Corporate Banking Site in Central and Eastern Europe
- The Best Information Security and Fraud Management in Central and Eastern Europe



Contact Center employees stood on the podium of the Polish Contact Center Awards 2022 7 times

PCCA is the largest event of the contact center and customer care/service industry in Poland. It was created as a result of the merger of two industry competitions (Telemarketer of the Year and Golden Handset), organised by the Polish Marketing Association SMB. Once again, the employees of Bank Millennium dominated the awards and knocked out the competition.



Millenet online banking at the top of the BANK Monthly ranking

Bank Millennium was awarded in the customer satisfaction survey carried out as part of the Ranking of Banks of the BANK Financial Monthly. We were 1st in the online banking category. In the general classification we took the medal-winning 3rd position. The ranking has been compiled for 27 years



Bank Millennium is the best digital bank in Newsweek's Friendly Bank ranking!

In this year's edition of Newsweek's Friendly Bank ranking, Bank Millennium was:

- 1st in the "Remote Banking" category
- 2nd in the "Bank for Mr. Kowalski" main category

The Bank proved to be unrivalled in remote banking, winning in all five subcategories, which, as the organisers comment, is a rarity in the history of the ranking. The bank excelled over others both in the quality of remote service as well as in mobile banking.



Bank Millennium with the title of Reliable Employer 2022

The Reliable Employer of the Year award is granted to companies that care for safety, working conditions and employee development. This year, the awards were granted for the twentieth time - for Bank Millennium it is the 9th title in a row. The nationwide Reliable Employer of the Year programme is a research project in the field of HR, which distinguishes the best employers in terms of personnel policy and employee solutions.



Millennium with the title of “Europe’s Diversity Leader 2023” from the Financial Times

We were awarded the title of “Europe’s Diversity Leader 2023” in a ranking prepared by the Financial Times and Statista. Thus, once again we found ourselves among the employers from Europe who support and promote diversity in their organisations. The companies distinguished in the ranking were selected on the basis of the recommendations of their employees. The Financial Times and Statista ranking is based on the results of an independent survey of over 100,000 employees of institutions and companies from 16 European countries.



Beata Krupińska - Marketing Director of the year 2021/2022

The publisher of Mediarun.com has been informing the market about the most important trends and changes in the digital and marketing industry in Poland for years. This year, for the eleventh time, they awarded the best marketing experts from various industries and positions. The award in the special category - Long Time Marketing Excellence went to Beata Krupińska, Director of the Marketing Communication Department at Bank Millennium.



Jarek Hermann is market visionary of Bank Financial Monthly

The Member of the Management Board of Bank Millennium received the prestigious award at the conference IT@Bank challenges of the future. The award was granted for active support and building initiatives for the banking sector on the Polish market. Jarek Hermann's activities raise awareness and knowledge about digitalisation, cloud platforms and adoption of modern technologies in Poland. The award jury also appreciated his activities in the field of equality of women and men in business.



Bank Millennium near the podium in the Forbes “Business-Friendly Bank” ranking

The strategy of strong focus on development in the segment of corporate clients is bearing fruit. We took the honourable 4th place in the “Company-Friendly Bank” ranking. We also distinguished ourselves with the biggest move up, compared to last year. We are ahead of competitors who have been perceived as “banks for entrepreneurs” for years.

Bank Millennium
z tytułem Spółki Świadomej Klimatycznie

Bank Millennium with the title of "Climate Aware Company 2022"

Bank Millennium was awarded the title of "Climate Awareness Company 2022" as part of the Climate Awareness Survey of Companies conducted on the basis of the reports for 2021. The Bank received 8.17 points and thus was ranked 7th out of 152 companies listed on the Warsaw Stock Exchange. The Corporate Climate Awareness Survey is a joint project of the Reporting Standards Foundation, the Association of Stock Exchange Issuers and Bureau Veritas, conducted in substantive cooperation with MATERIALITY.



First place in the Excellence in Workforce Engagement category

During the international Verint Innovate Awards 2022 gala, the award was received by Monika Jawor and Marta Karpińska from the Direct Banking Department. The jury recognised the Bank for the effective implementation of the speech analytics technology project, which enables analytics and automatic assessment of conversations by the telephone call system based on the words of customers and consultants.

11. RISK MANAGEMENT

11.1. RISK MANAGEMENT

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

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

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

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

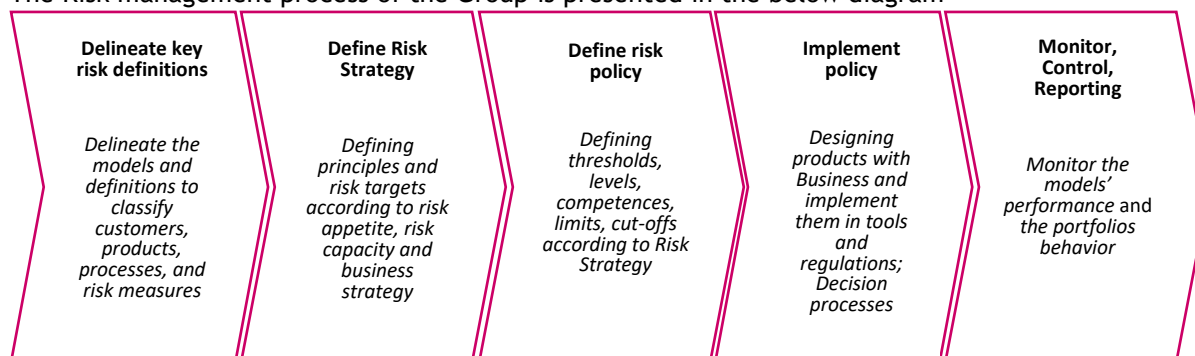
When defining the business and profitability targets, the Group considers the specified risk framework (risk appetite) to ensure that business structure and growth will respect the risk profile that is targeted and that will be reflected in several indicators such as:

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

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

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

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



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

- The Supervisory Board is responsible for overseeing the compliance of the Group's risk-taking policy with the Group's strategy and its financial plan. Within the Supervisory Board acts the Committee for Risk Matters, which supports it in realization of those tasks, among others, issuing opinion on the Group's Risk Strategy, including the Group's Risk Appetite;
- The Management Board is responsible for the effectiveness of the risk management system, internal capital estimation process, for reviewing the internal capital calculation and maintenance process and the internal control systems;
- The Credit Committee, the Capital, Assets and Liabilities Committee, and the Liabilities at Risk Committee are responsible for current management of different areas of banking risk, within the framework determined by the Management Board;
- The Risk Committee and the Processes and Operational Risk Committee are responsible for defining the policy and for monitoring and control of different areas of banking risk, within the framework determined by the Management Board;
- The AML Committee is responsible for supervision of anti-money laundering and terrorism financing in the Bank and cooperation in the area of combating financial crime;
- The Validation Committee is responsible for confirmation of risk models' validation results and follow-up in the implementation of the measures defined by the Models Validation Office;
- The Sustainability Committee is responsible for making key decisions regarding sustainable development in the Bank Millennium S.A. Group, in relation to environmental, social and governance factors.
- The Sub-Committee for Court Cases is responsible for expressing opinions and taking decisions in matters regarding court proceedings, for the cases when value of the dispute or direct effect for assets value as a consequence of court verdict exceeds PLN1mn or as result of multiple cases with the same nature, excluding most of the cases belonging to the restructuring and recovery portfolio of Bank's receivables managed by the Corporate Recovery Department and Retail Restructuring and Debt Collection Department;
- The Risk Department is responsible for risk management, including identifying, measuring, analysing, monitoring, and reporting on risk within the Bank. The Risk Department also prepares risk management policies and procedures as well as provides information and proposes courses of action necessary for the Capital, Assets and Liabilities Committee, Risk Committee, and the Management Board to make decisions with respect to risk management;
- The Rating Department is mainly responsible for risk rating assignment for Corporate clients (based on the evaluation of clients' creditworthiness) as well as for rating monitoring and potential revision during the period of its validity. Rating assignment process is independent from credit decision process;
- The Corporate Credit Underwriting Department, Mortgage Credit Underwriting Department and Consumer Finance Credit Underwriting Department have responsibility, within the Corporate Customer segment and Retail Customer segment, respectively, for the credit decision process, including analysing customers' financial situation, preparing credit proposals for the decision-making levels, and making credit decisions within specified limits;
- The Retail Liabilities Monitoring and Collection Department and Retail Liabilities Restructuring and Recovery Department have responsibility for monitoring repayment of overdue debts by retail customers and their collection;

- The Corporate Recovery Department develops specific strategies with respect to each debtor from recovery portfolio, which aims to maximize timely collection of the outstanding debt and minimize the risk incurred by the Group. This approach is constantly revised to reflect updated information, and the best practices and experiences regarding collection of overdue debts;
- The Treasury Control and Analyses Office has responsibility for monitoring the use of part of the Group's limits, including counterparty and stop-loss limits, the Group's FX position, results of active trading and control of operations of the treasury segment;
- The Models Validation Office has responsibility for qualitative and quantitative models' analysis and validation, independent from the function of models' development; development of the models' validation and monitoring tools; activities connected with issuing opinions on the adequacy of the models for the segment, for which they were developed; preparing reports for the Validation Committee needs;
- The Sustainability Office is responsible for supervising and coordination of the process of implementing the principles of sustainable development in the Bank and the Group.
- The Anti-fraud Sub-unit has responsibility for implementation and monitoring Bank policy execution in the scope of fraud risk management in cooperation with others Bank units. The Sub-unit constitutes a competence centre for anti-fraud process;
- The Compliance Department has the responsibility to ensure compliance with legal regulations, related regulatory standards, market principles and standards as well as internal organization regulations and codes of conduct;
- The Legal Department has responsibility for handling the litigation cases of the Bank, with support of external legal offices and legal experts whenever necessary.

The Group has prepared a comprehensive guideline document for the risk management policy/strategy: "Risk Strategy for 2023-2025". The document takes a 3-year perspective and is reviewed and updated annually. It is approved by the Bank's Management Board and Supervisory Board. The risk strategy is inextricably linked to other strategic documents, such as: Budget, Liquidity Plan, and Capital Plan.

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

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

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

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

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

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

- a. Capital Management and Planning Framework
- b. Credit Principles and Guidelines

- c. Rules on Concentration Risk Management
- d. Principles and Rules of Liquidity Risk Management
- e. Principles and Guidelines on Market Risk Management on Financial Markets
- f. Principles and Guidelines for Market Risk Management in Banking Book
- g. Investment Policy
- h. Principles and Guidelines for Management of Operational Risk
- i. Policy, Rules, and Principles of the Model Risk Management
- j. Stress tests policy
- k. Sustainability Policy
- l. Program of counteracting Anti-Money Laundering and financing terrorism.

Within risk appetite, the Group has defined tolerance zones for its measures (build up based on the “traffic lights” principle). As for all tolerance zones for risk appetite, it has been set:

- Risk appetite status - green zone means a measure within risk appetite, yellow zone means an increased risk of risk appetite breach, red zone means risk appetite breach
- Escalation process of actions/decisions taken - bodies/organizational entities responsible for decisions and actions in a particular zone
- Risk appetite monitoring process.

The Group pays particular attention to continuous improvement of the risk management process. One measurable effect of this is a success of the received authorization to the further use of the IRB approach in the process of calculating capital requirements.

11.2. 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, 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, considering established risk appetite.

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

Regulatory capital adequacy

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

- P2R buffer (Pillar II FX mortgage loans buffer) - KNF decision regarding order to maintain additional own funds to secure risk resulting from FX mortgage loans granted to households, under the art. 138.2.2 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 the decisions issued in the end of 2022 in the level of 1.95pp (Bank) and 1.94pp (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 1.47pp in Bank and of 1.46pp in Group, and which corresponds to capital requirements over CET 1 ratio of 1.10pp in Bank and 1.09pp in Group¹;

- 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 year²;
 - Systemic risk buffer at the level of 0% in force from March 2020, in line with Regulation of Ministry of Development and Finance;
 - Countercyclical buffer at the 0% level.

In accordance to binding legal requirements and recommendations of Polish Financial Supervisory Authority (KNF), the Group defined regulatory minimum levels of capital ratios, being at the same time the base of defining capital limits.

The below table presents these levels as of 31 December 2022. The Bank will inform on each change of required capital levels in accordance with regulations.

¹ That decision replaces the previous recommendation from 2021, to maintain own funds for the coverage of additional capital requirements at the level of 2.82 pp (Bank) and 2.79 pp (Group) as for TCR, which should have consisted of at least 2.11 pp (Bank) and 2.09 pp (Group) as for Tier 1 capital and which should have consisted of at least 1.58 pp (Bank) and 1.56 pp (Group) as for CET1 capital

² In November 2020 KNF issued the decision on identification the Bank as other systemically important institution and imposing OSII Buffer

Capital ratio	31.12.2022	
CET1 ratio	Bank	Group
Minimum	4.50%	4.50%
P2R Buffer	1.10%	1.09%
TSCR CET1 (Total SREP Capital Requirements)	5.60%	5.59%
Capital Conservation Buffer	2.50%	2.50%
OSII Buffer	0.25%	0.25%
Systemic risk buffer	0.00%	0.00%
Countercyclical capital buffer	0.00%	0.00%
Combined buffer	2.75%	2.75%
OCR CET1 (Overall Capital Requirements CET1)	8.35%	8.34%
T1 ratio	Bank	Group
Minimum	6.00%	6.00%
P2R Buffer	1.47%	1.46%
TSCR T1 (Total SREP Capital Requirements)	7.47%	7.46%
Capital Conservation Buffer	2.50%	2.50%
OSII Buffer	0.25%	0.25%
Systemic risk buffer	0.00%	0.00%
Countercyclical capital buffer	0.00%	0.00%
Combined buffer	2.75%	2.75%
OCR T1 (Overall Capital Requirements T1)	10.22%	10.21%
TCR ratio	Bank	Group
Minimum	8.00%	8.00%
P2R Buffer	1.95%	1.94%
TSCR TCR (Total SREP Capital Requirements)	9.95%	9.94%
Capital Conservation Buffer	2.50%	2.50%
OSII Buffer	0.25%	0.25%
Systemic risk buffer	0.00%	0.00%
Countercyclical capital buffer	0.00%	0.00%
Combined buffer	2.75%	2.75%
OCR TCR (Overall Capital Requirements TCR)	12.70%	12.69%

In December 2022, the Bank received a recommendation to maintain, own funds to cover an additional capital charge (“P2G”) to absorb potential losses resulting from the occurrence of stresses, at the level of 1.72 pp and 1.75 (on an individual and consolidated level) over the OCR value. According to the recommendation, the additional capital charge should consist fully of common equity Tier 1 capital (CET1 capital).

Capital risk, expressed in the above capital targets/limits, is measured, and monitored in a regular manner. Capital limits were defined based on the minimum regulatory capital levels. They are the basis of setting safety zones and risk appetite. Capital ratios in each zone determine the need to make appropriate decisions or management actions. Regular monitoring of capital risk is based on the classification of capital ratios into appropriate zones, and then the assessment of trends and factors influencing the level of capital adequacy is carried out.

Own funds capital requirements

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

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

In the end of 2014, the Bank received another decision by Regulatory Authorities regarding the IRB process. According to its content, for the RRE and QRRE loan portfolios, the minimum own funds requirements calculated using the IRB approach had to be temporarily maintained at no less than 70 per cent ('Regulatory floor') of the respective capital requirements calculated using the Standardized approach until the Bank fulfils further defined conditions. In July 2017 the Bank received the decision of Competent Authorities (ECB cooperating with KNF) on approval the material changes to IRB LGD models and revoking the 'Regulatory floor'.

Since 2018, the Bank has been successively implementing a multi-stage process of changes to the IRB method, related to the requirements regarding the new definition of default. In the first phase, in line with the "two-step approach" approved by Competent Authorities, the Bank in 2020 successfully implemented solutions for the new definition of default in the production environment. The Bank is obliged to include an additional conservative charge on the estimates of the RWA value for exposures classified under the IRB approach. The level of this add-on, calculated based on the supervisory algorithm, was set at 5 per cent above the value resulting from the IRB method.

In 2021, all credit risk models included in the rating system subject to the current regulatory approval were recalibrated and rebuilt. In 2021 the Bank also obtained a decision from Competent Authorities to approve significant changes to the IRB models used (LGD, LGD in-default and ELBE) for rating systems subject to the IRB approval.

In 2022, further work was carried out on credit risk models for the remaining credit portfolios covered by the IRB method roll-out plan: other retail exposures and corporate exposures.

Internal capital

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

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

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

In 2022, both above capital targets were met with a surplus. A surplus of own funds over internal capital supports a further increase of banking activity, in areas with a higher risk-adjusted return.

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

Capital adequacy evaluation

Capital adequacy evolution of the Group and the Bank during 2022 was as follows:

Capital adequacy measures (PLN million)	31.12.2022 Group	31.12.2021 Group	31.12.2022 Bank	31.12.2021 Bank
Risk-weighted assets	48 497.3	49 442.8	48 046.0	48 895.7
Own Funds requirements, including:	3 879.8	3 955.4	3 843.7	3 911.7
- Credit risk and counterparty credit risk	3 380.6	3 479.8	3 386.7	3 477.7
- Market risk	18.0	32.3	18.0	32.3
- Operational risk	474.5	433.0	432.3	391.4
- Credit Valuation Adjustment CVA	6.7	10.3	6.7	10.3
Own Funds, including:	6 991.1	8 436.3	6 980.1	8 397.1
- Common Equity Tier 1 Capital	5 469.9	6 906.3	5 458.9	6 867.1
- Tier 2 Capital	1 521.2	1 530.0	1 521.2	1 530.0
Total Capital Ratio (TCR)	14.42%	17.06%	14.53%	17.17%
Minimum required level	12.69%	13.54%	12.70%	13.57%
Surplus (+) / Deficit (-) of TCR ratio (pp)	+1.73	+3.52	+1.83	+3.60
Tier 1 Capital ratio (T1)	11.28%	13.97%	11.36%	14.04%
Minimum required level	10.21%	10.84%	10.22%	11.31%
Surplus (+) / Deficit (-) of T1 ratio (pp)	+1.07	+3.13	+1.14	2.73
Common Equity Tier 1 Capital ratio (CET1)	11.28%	13.97%	11.36%	14.04%
Minimum required level	8.34%	8.81%	8.35%	8.83%
Leverage ratio	4.72%	6.46%	4.74%	6.45%

As at 2022 end, capital adequacy, measured by Common Equity Tier 1 Capital ratio and Total Capital Ratio, decreased in one year period by ca 2.69pp and by ca 2.64pp respectively.

In 2022, risk-weighted assets (RWA) went down by ca PLN945 mn (by 1.9%). The biggest yearly change was credit risk RWA (fall by ca PLN1,240mn, by 2.9%). One of the drivers of that fall were completed loans securitisation transactions which were partly offset by an operational risk RWA rise (by ca PLN519mn), what stems from including in calculation higher operational results from the last three years (without provisions). Changes of market risk and CVA (credit valuation adjustment) RWA were not so material.

In March 2022, the Bank concluded synthetic securitization transaction with the participation of European Investment Bank (EIB) and European Investment Fund (EIF). The portfolio covered by the transaction concerned receivables from small and medium-sized enterprises (SME) worth ca PLN 1.5 billion PLN. The Bank obtained the EIF guarantee for the senior tranche (ca PLN 1.2 billion) and the junior tranche (ca PLN 300 million), which is unfunded credit protection within the meaning of the CRR. The selected loan portfolio covered by the securitization remained in the Bank's balance sheet.

In December 2022 Bank settled a synthetic securitisation transaction executed on a portfolio of corporate and SME receivables worth PLN 2.5 billion. The selected loan portfolio securitised remained on the bank's balance sheet. The risk transfer was affected by a recognised credit protection instrument in the form of Credit Linked Notes (CLNs). The issued bonds with a total nominal value of PLN242.5mn were acquired by the Christofferson Robb & Company, LLC fund.

In 2022, Own Funds fell by ca PLN1,445mn (by 17.1%), mainly because of net financial loss caused by created provisions for legal risk and provisions for assistance program “Credit holidays”, and a decrease of revaluation reserve resulted from the fall of value of securities measured at fair value though other comprehensive income (FVOCI).

Minimum required by KNF capital ratios in terms of overall capital requirements were achieved at the end of 2022.

In the second half of 2022 (till December), Bank and Group did not meet some of the capital limits in terms of overall capital requirements and combined buffer requirements what was announced in the current report no 21/2022. In accordance with the regulations, Bank developed the Capital Protection Plan, which was delivered to KNF and approved on 28th October 2022. The Plan assumed a restoration of capital adequacy until the 2nd half of 2023.

Leverage ratio stood at the safe level of 4.72% (4.74% for Bank), and it visibly exceeds the regulatory minimum (3%).

The Bank received the joint decision of the resolution authorities obliging to meet MREL requirements. At the moment of communication of the decision, the Bank at the consolidated level is obliged to meet the minimum MRELTrea requirements of 15.60% and MRELtem of 3.00%. At the individual level, the minimum MRELTrea was set at 15.55% and MRELtem 3.00%. Additionally, the above-mentioned decision sets updated minimum requirements that must be met by December 31, 2023, along with mid-term objectives.

The Bank is still to meet MREL requirements due to the net loss booked in recent periods and the fact that an issue of senior non-preferred bonds on the Polish market initially planned for 4Q21 was not possible to execute due to a gap in the Polish bond law and later due to the combination of unfavourable market conditions (markets were effectively shut for issuers of SNP bonds from the CEE region) and looming risk of Poland’s government enforcement of costly extraordinary measures on the banking sector (credit holidays and replacement of WIBOR, among others). Following the changes in the Polish bond law in May, the Bank also started preparations for a domestic issue, but due to the above-mentioned external factors, the decision to officially start the domestic offering was also put on hold.

The Bank prepared a Eurobond Issue Programme of the total nominal value not higher than EUR3bn, what was communicated in a current report in January 2022.

The Bank monitors the developments on the bond market that will allow for the issue.

Restoring capital ratios to minimum required ratios is currently the Bank’s priority and once this is achieved the Bank will take the further needed steps aimed at meeting the MREL requirements.

11.3. CREDIT RISK

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

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

- centralization of the credit decision process;
- using specific scoring/rating models for each Client segment/type of products;
- using IT information (workflow) to support the credit process at all stages;
- existence of specialized credit decisions departments for particular Client segments;
- regular credit portfolio monitoring, both at the level of each transaction in the case of major exposures, and at credit sub-portfolio level (by the Client segment, type of product, distribution channels, etc.);

- using the structure of limits and sub-limits for credit exposure to avoid credit concentration and promote the effects of credit portfolio diversification;
- separate unit responsible for granting rating to corporate Client, thus separating the credit capacity assessment and credit transaction granting from his creditworthiness assessment.

In the area of credit risk, in 2022, the Group focused on adjusting the principles of its credit policy to changing economic conditions and on improving the tools and processes of credit risk management, in particular:

- updated the Risk Strategy for the years 2023-2025;
- optimised the methodology, tools, and processes of credit risk management for retail and corporate clients;
- updating the industry risk classification and industry limits.

In the retail segment, emphasis was placed on assessing and counteracting the risk arising from the economic situation after February 24, 2022. At the same time, the focus on the remnants of the COVID-19 pandemic was maintained. In the area of mortgage loans, development activities were continued to optimize, automate, and digitize the process, while adapting it to the changing market situation and changing of external regulations environment. Similar approach was also undertaken in the area of business customers as part of granting products financing business activities. Processes with increased security based on BGK guarantees were still being developed, considering the threats resulting from changes in the economic situation after February 24, 2022. Further steps have also been taken in general digitization and automation of credit processes.

In the corporate segment, the Group focused on the optimal use of capital while maintaining the current profitability and maintaining a good risk profile. The Group also carried out activities aimed at improving and accelerating credit processes, including decision-making processes. As in previous periods, work continued improving IT tools supporting the credit process. The Group also continued the close monitoring of the loan portfolio as well as the individual monitoring of the largest exposures.

All the above changes in both the retail and corporate segment enabled the Group to maintain the risk at an acceptable level defined in the Risk Strategy as well as prepared the Group to new challenges and to act in changed conditions.

Loan portfolio quality

Share of impaired loans, including stage 3 portfolio and POCI Assets (Purchased or Originated Credit Impaired) in default, in total loan portfolio was at the end of December 2022 at the level of 4.45%. This means a small growth by 6bp from the level of 4.39% a year ago, which was achieved largely due to the Group's sales and write-offs policy of impaired portfolio. The Group still enjoys one of the best asset quality among Polish banks. Share of loans past-due more than 90 days in total portfolio decreased during last year from 2.27% in December 2021 to 2.03% in December 2022.

Coverage ratio of impaired loans, now defined as relation of all risk provisions to total value of stage 3 loans and POCI in default, has slightly increased during the year from 68.62% in December 2021 to 69.91%. Coverage by total provisions of loans past-due more than 90 days also increased from 133% one year ago to 154% at the end of 2022. In 2022 both these ratios improved despite the write-off from the Group's loans portfolio of approx. PLN293mn of receivables covered of provisions with 100% and sale of approx. PLN338mn of highly covered receivables.

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

Group loans quality indicators	31.12.2022	31.12.2021
Total impaired loans (PLN million)	3 518	3 557
Total provisions (PLN million)	2 460	2 441
Impaired over total loans ratio (%)	4.45%	4.39%
Loans past-due over 90 days /total loans (%)	2.03%	2.27%
Total provisions/impaired loans (%)	69.91%	68.62%
Total provisions/loans past-due (>90d) (%)	153.58%	132.56%

Impaired loan ratio for retail clients increased from 4.55% to 4.86% (being an outcome of drop in other retail of 0.44pp and growth in mortgage portfolio of 0.48pp) and at the same time the ratio decreased in the corporate portfolio from 3.86% to 3.07% (growth in leasing portfolio of 0.78pp compensated by drop in the rest of corporate portfolio of 1.78pp). Last year, the value of foreign currency mortgage loans (deducted by allocated provisions) decreased by as much as approx. 29.7% year-on-year (in PLN terms) as a result of amortization of this portfolio as well as increasing provisions created for legal risk. Additionally, it should be noted that ex-Euro Bank mortgage portfolio, in the amount of approx. PLN613mn, enjoys a guarantee and indemnity from Société Générale. Excluding this portfolio, the share of FX mortgage loans in the total loan portfolio decreases from 11.4% to 8.1%. The improvement in the currency structure of the mortgage loan portfolio was supported by the increase in value of loans in PLN.

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

Portfolio quality by products:	Loans past-due > 90 days ratio		Impaired loans ratio	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
<i>Mortgage</i>	0.98%	0.90%	2.65%	2.17%
<i>Other retail*</i>	5.73%	6.57%	9.93%	10.37%
Total retail clients*	2.42%	2.54%	4.86%	4.55%
<i>Leasing</i>	0.74%	1.29%	3.94%	3.16%
<i>Other loans to companies</i>	0.65%	1.42%	2.49%	4.27%
Total companies	0.69%	1.38%	3.07%	3.86%
Total loan portfolio	2.03%	2.27%	4.45%	4.39%

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

The Group's portfolio is characterized by appropriate diversification, both due to the concentration of the largest exposures and due to the concentration in sectors of the economy. Participation of The 10 largest exposures remain at a safe, low level of 4.7% (increase in 2022 from 4.5% at the end of 2021).

The distribution of the portfolio by Stage 1/2 and PD ranges as well as the distribution by Stage3/POCI and months in default is presented below separately for the following homogenous portfolios: Mortgage, Other retail, Other Corporate and Leasing.

Compared to the previous year, the average 12-month PD for Mortgage Stage1/2 portfolio increased from 0.86% to 1.06%, which reflects slight deterioration of the quality of the portfolio also translating into the growth of Stage 2 portfolio from PLN1.16bn to PLN2.82bn. The average LGD for Stage1/2 decreased from 18.01% to 16.4%, which indicates improvement of recovery activity.

Mortgage (PLN million)

31.12.2022									
	PD scale	Gross balance exposure	Off-balance exposure	Number of exposures	Average maturity (yrs)	EAD*	Average PD (%)	Average LGD (%)	ECL**
Stage 1	0% - 0.14%	0.6	0.0	332	0.4	0.8	0.11%	18.34%	0.0
	0.15% - 0.24%	4.9	21.7	450	27.4	25.9	0.22%	17.03%	0.0
	0.25% - 0.49%	22 138.6	646.8	113 950	22.2	23 627.9	0.43%	16.76%	16.4
	0.50% - 0.74%	10 259.0	80.0	49 693	22.1	10 641.1	0.57%	14.67%	8.8
	0.75% - 2.49%	5 148.2	58.3	24 484	22.3	5 329.6	1.32%	18.10%	12.8
	2.50% - 9.99%	1 025.5	5.7	4 329	22.9	1 062.5	4.39%	19.40%	9.2
	10.00% - 44.99%	60.1	0.0	247	23.4	63.3	12.49%	18.52%	1.4
	45.00% - 100.00%	0.1	0.0	1	21.1	0.9	82.69%	15.37%	0.1
	Total Stage 1	38 637.2	812.5	193 486	22.2	40 751.9	0.71%	16.46%	48.7
Stage 2	0% - 0.14%	0.0	0.0	3	0.1	0.0	0.08%	14.54%	0.0
	0.15% - 0.24%	0.0	0.0	1	0.7	0.0	0.17%	42.82%	0.0
	0.25% - 0.49%	62.4	2.5	322	21.4	66.9	0.44%	15.59%	0.3
	0.50% - 0.74%	186.7	0.9	830	20.2	193.2	0.66%	14.51%	1.6
	0.75% - 2.49%	1 333.9	10.5	5 384	22.3	1 384.9	1.47%	14.84%	24.0
	2.50% - 9.99%	807.4	4.9	3 314	22.4	833.2	5.05%	15.79%	37.5
	10.00% - 44.99%	379.3	0.3	1 659	22.1	387.8	19.69%	17.94%	37.1
	45.00% - 100.00%	46.8	0.0	213	21.8	49.2	66.20%	19.24%	8.4
	Total Stage 2	2 816.4	19.1	11 726	22.1	2 915.3	5.93%	15.59%	109.0
Total Stage 1+2	41 453.6	831.6	205 212	22.2	43 667.2	1.06%	16.40%	157.7	
31.12.2021									
Stage 1	0% - 0.14%	6 524.4	0.1	40 281	19.1	7 853.3	0.11%	27.68%	2.3
	0.15% - 0.24%	3 709.1	0.1	20 654	20.2	3 925.8	0.18%	16.52%	1.2
	0.25% - 0.49%	885.7	194.0	5 645	21.8	1 183.9	0.37%	22.76%	1.0
	0.50% - 0.74%	24 967.5	1 537.5	114 545	23.8	26 696.8	0.60%	14.86%	23.6
	0.75% - 2.49%	4 859.2	221.8	21 010	23.3	5 296.2	1.32%	18.07%	13.3
	2.50% - 9.99%	1 125.7	13.5	4 283	22.4	1 257.9	4.54%	25.11%	14.6
	10.00% - 44.99%	78.5	0.0	279	23.5	84.6	11.17%	22.33%	2.1
	45.00% - 100.00%	0.4	0.0	1	22.1	0.9	47.54%	13.77%	0.1
	Total Stage 1	42 150.4	1 967.1	206 698	22.5	46 299.4	0.68%	18.04%	58.1
Stage 2	0% - 0.14%	5.9	0.0	43	18.6	6.5	0.11%	24.71%	0.0
	0.15% - 0.24%	1.2	0.0	13	19.2	1.3	0.17%	15.41%	0.0
	0.25% - 0.49%	4.3	0.0	26	19.1	4.6	0.40%	20.11%	0.0
	0.50% - 0.74%	20.6	0.0	100	22.1	20.7	0.65%	14.55%	0.2
	0.75% - 2.49%	539.1	19.0	2 096	23.9	561.5	1.60%	14.77%	11.6
	2.50% - 9.99%	370.0	13.5	1 420	22.9	394.4	5.41%	16.93%	17.7
	10.00% - 44.99%	197.2	0.5	799	21.6	213.5	23.40%	22.85%	23.0
	45.00% - 100.00%	21.4	0.0	101	20.8	23.7	60.15%	23.34%	4.4
	Total Stage 2	1 159.7	33.0	4 598	23.1	1 226.2	7.73%	17.10%	57.0
Total Stage 1+2	43 310.1	2 000.1	211 296	22.5	47 525.6	0.86%	18.01%	115.0	

* EAD after credit risk mitigation and application of the credit conversion factor

** For Stage 2 - ECL Lifetime

31.12.2022					
	Time in default	Number of exposures	EAD*	Average LGD (%)	ECL**
Stage 3	<12 months	1 771	426.6	21.01%	89.6
	13 - 24 months	591	135.1	30.57%	41.3
	25 - 36 months	413	90.3	37.46%	33.8
	37 - 48 months	386	81.8	47.42%	38.8
	49 - 60 months	662	143.9	52.75%	75.9
	61 - 84 months	289	87.3	63.52%	55.5
	> 84 months	528	117.8	77.93%	91.8
	Total Stage 3	4 640	1 082.7	39.41%	426.7
POCI	Non-Default	165	28.4	30.53%	12.4
	<12 months	28	6.4	34.23%	2.2
	13 - 24 months	12	3.3	47.94%	1.6
	25 - 36 months	30	9.4	81.51%	7.6
	37 - 48 months	347	119.6	89.48%	107.1
	49 - 60 months	6	2.1	81.64%	1.7
	61 - 84 months	6	2.7	94.83%	2.5
	> 84 months	13	3.8	93.74%	3.5
	Total POCI	607	175.6	76.80%	138.6
Total Stage 3+POCI		5 247	1 258.3	44.63%	565.3
31.12.2021					
Stage 3	<12 months	1 007	272.7	25.38%	69.2
	13 - 24 months	495	128.4	31.95%	41.0
	25 - 36 months	435	104.4	39.06%	40.8
	37 - 48 months	753	199.3	46.77%	93.2
	49 - 60 months	188	73.5	48.27%	35.5
	61 - 84 months	310	120.0	57.06%	68.5
	> 84 months	484	99.0	73.41%	72.7
	Total Stage 3	3 672	997.4	42.20%	420.9
POCI	Non-Default	191	34.3	30.61%	14.4
	<12 months	19	4.1	37.41%	1.5
	13 - 24 months	38	10.5	73.77%	7.7
	25 - 36 months	387	121.8	83.40%	101.6
	37 - 48 months	10	3.4	78.70%	2.7
	49 - 60 months	2	0.2	83.84%	0.2
	61 - 84 months	7	3.0	87.79%	2.7
	> 84 months	15	3.2	89.78%	2.9
	Total POCI	669	180.6	71.87%	133.8
Total Stage 3+POCI		4 341	1 178.0	46.75%	554.6

* EAD after credit risk mitigation and application of the credit conversion factor

** For POCI - current ECL value (not provisions)

The growth of Stage 2 by PLN718mn (compared to 2021) due to shift of exposures towards higher PD ranges was also observed in Other Retail portfolio. For Stage 1/2 the average 12-month PD increased from 3.44% to 4.32% whereas the average LGD improved from 47.26% to 42.35%. Due to the recoveries and sales the structure of Stage 3 in terms of months in default improved, which translated also into drop of Stage 3 LGD from 59.74% to 54.15%.

Other retail (PLN million)

31.12.2022									
	PD scale	Gross balance exposure	Off-balance exposure	Number of exposures	Average maturity (yrs)	EAD*	Average PD (%)	Average LGD (%)	ECL**
Stage 1	0% - 0.14%	328.8	1 685.7	319 441	9.8	1 888.6	0.06%	38.71%	0.4
	0.15% - 0.24%	101.0	247.0	63 342	9.6	334.4	0.20%	37.87%	0.2
	0.25% - 0.49%	505.7	628.2	175 055	8.8	1 090.8	0.36%	38.81%	1.5
	0.50% - 0.74%	476.1	146.8	68 542	6.6	606.2	0.68%	41.75%	1.6
	0.75% - 2.49%	5 163.0	241.8	824 841	4.7	5 294.6	1.73%	40.21%	35.2
	2.50% - 9.99%	5 775.9	78.0	323 539	5.9	5 879.9	4.29%	45.53%	109.1
	10.00% - 44.99%	722.9	6.6	32 738	6.5	738.5	15.93%	46.00%	51.0
	45.00% - 100.00%	0.0	0.0	2	3.3	0.0	69.74%	46.09%	0.0
	Total Stage 1	13 073.4	3 034.1	1 807 500	6.3	15 833.1	2.98%	42.19%	199.1
Stage 2	0% - 0.14%	0.2	1.4	440	9.4	1.4	0.06%	38.48%	0.0
	0.15% - 0.24%	1.5	3.0	1 086	9.3	3.9	0.19%	37.89%	0.0
	0.25% - 0.49%	33.8	56.2	15 154	9.5	86.8	0.41%	39.26%	1.6
	0.50% - 0.74%	32.2	31.2	8 704	9.4	61.5	0.69%	39.38%	1.8
	0.75% - 2.49%	474.4	63.3	47 088	6.6	532.2	1.80%	43.55%	17.5
	2.50% - 9.99%	1 016.3	35.1	71 476	6.1	1 045.3	4.78%	44.73%	62.3
	10.00% - 44.99%	585.0	8.0	49 057	5.4	585.6	21.09%	41.30%	82.6
	45.00% - 100.00%	223.1	1.8	13 893	6.2	226.8	61.08%	44.49%	74.6
	Total Stage 2	2 366.4	200.0	206 898	6.3	2 543.5	12.67%	43.34%	240.3
Total Stage 1+2									
15 439.8 3 234.1 2 014 398 6.3 18 376.6 4.32% 42.35% 439.5									
31.12.2021									
Stage 1	0% - 0.14%	583.3	1 458.7	395 346	9.1	1 933.0	0.09%	44.94%	0.8
	0.15% - 0.24%	1 447.4	250.6	199 829	5.8	1 667.0	0.16%	46.13%	1.2
	0.25% - 0.49%	1 987.6	277.2	252 679	6.1	2 227.0	0.34%	48.64%	3.5
	0.50% - 0.74%	2 532.0	202.1	316 737	5.2	2 665.4	0.64%	45.09%	7.3
	0.75% - 2.49%	3 435.0	215.1	315 175	5.9	3 596.6	1.53%	48.30%	25.5
	2.50% - 9.99%	2 852.2	78.3	185 184	6.0	2 909.1	5.02%	49.06%	68.8
	10.00% - 44.99%	559.5	5.7	24 869	6.3	564.5	18.87%	49.92%	51.2
	45.00% - 100.00%	0.4	0.0	14	4.9	0.4	51.05%	48.49%	0.1
	Total Stage 1	13 397.5	2 487.8	1 689 833	6.2	15 563.1	2.16%	47.35%	158.5
Stage 2	0% - 0.14%	0.6	1.5	1 587	6.9	1.9	0.09%	44.55%	0.0
	0.15% - 0.24%	5.2	3.7	3 255	7.5	8.5	0.19%	43.06%	0.0
	0.25% - 0.49%	29.0	18.6	10 846	8.1	46.6	0.34%	44.30%	0.6
	0.50% - 0.74%	114.4	34.2	18 794	7.2	145.6	0.61%	48.08%	3.1

0.75% - 2.49%	284.3	49.5	40 323	7.0	327.6	1.50%	46.88%	12.5
2.50% - 9.99%	551.6	38.0	61 194	6.2	575.7	5.50%	46.17%	40.9
10.00% - 44.99%	484.2	5.2	37 834	5.4	481.6	22.73%	45.55%	75.7
45.00% - 100.00%	179.6	1.0	11 134	5.8	180.0	62.65%	48.90%	60.4
Total Stage 2	1 648.8	151.7	184 967	6.2	1 767.6	14.70%	46.50%	193.3
Total Stage 1+2	15 046.3	2 639.4	1 874 800	6.2	17 330.7	3.44%	47.26%	351.8

* EAD after credit risk mitigation and application of the credit conversion factor

** For Stage 2 - ECL Lifetime

31.12.2022					
	Time in default	Number of exposures	EAD*	Average LGD (%)	ECL**
Stage 3	<12 months	45 230	677.6	44.55%	301.8
	13 - 24 months	21 498	357.5	55.34%	197.8
	25 - 36 months	14 818	287.5	65.45%	188.2
	37 - 48 months	8 441	123.7	66.12%	81.8
	49 - 60 months	3 797	42.3	62.79%	26.6
	61 - 84 months	1 870	19.3	71.37%	13.8
	> 84 months	1 607	16.0	94.61%	15.1
	Total Stage 3	97 261	1 523.9	54.15%	825.1
POCI	Non-Default	2 892	49.8	40.90%	14.5
	<12 months	344	9.5	52.05%	4.9
	13 - 24 months	315	9.0	66.99%	6.0
	25 - 36 months	676	17.5	75.88%	13.3
	37 - 48 months	7 922	235.7	78.92%	186.0
	49 - 60 months	305	10.5	78.21%	8.2
	61 - 84 months	417	11.4	90.15%	10.3
	> 84 months	269	6.1	87.69%	5.3
	Total POCI	13 140	349.5	72.81%	248.6
Total Stage 3+POCI		110 401	1 873.4	57.63%	1 073.8
31.12.2021					
Stage 3	<12 months	39 630	625.4	48.62%	304.1
	13 - 24 months	28 203	470.3	65.41%	307.6
	25 - 36 months	14 735	206.3	67.14%	138.5
	37 - 48 months	8 356	102.2	72.45%	74.0
	49 - 60 months	2 165	24.8	71.63%	17.8
	61 - 84 months	2 307	24.1	80.16%	19.3
	> 84 months	2 064	19.2	95.06%	18.2
	Total Stage 3	97 460	1 472.2	59.74%	879.4
POCI	Non-Default	4 034	71.1	40.74%	19.7
	<12 months	662	17.6	53.29%	9.4
	13 - 24 months	2 117	33.2	73.91%	24.6
	25 - 36 months	19 670	478.4	77.19%	369.2
	37 - 48 months	531	18.3	75.32%	13.8

49 - 60 months	400	9.1	73.98%	6.7
61 - 84 months	408	9.2	74.70%	6.9
> 84 months	512	9.8	83.85%	8.2
Total POCI	28 334	646.6	72.33%	458.5
Total Stage 3+POCI	125 794	2 118.8	63.58%	1 337.9

* EAD after credit risk mitigation and application of the credit conversion factor

** For POCI - current ECL value (not provisions)

Although the average 12-month PD for Stage 1/2 portfolio of Other Corporate was at the stable level (1.71% vs. 1.72% in 2021) it was observed an increase of Stage 2 portfolio by PLN384mn. The average LGD for Stage 3 increased from 36.28% to 47.15%.

Other corporate (PLN million)

31.12.2022									
	PD scale	Gross balance exposure	Off-balance exposure	Number of exposures	Average maturity (yrs)	EAD*	Average PD (%)	Average LGD (%)	ECL**
Stage 1	0% - 0.14%	48.0	140.3	3 150	5.4	180.9	0.03%	47.53%	0.0
	0.15% - 0.24%	55.9	20.9	1 242	4.8	75.4	0.17%	49.02%	0.1
	0.25% - 0.49%	411.7	1 318.4	2 006	1.0	1 354.2	0.45%	48.62%	3.0
	0.50% - 0.74%	2 986.7	2 798.4	68 914	1.8	4 499.5	0.64%	47.95%	13.7
	0.75% - 2.49%	4 998.6	2 831.9	11 163	2.0	6 447.3	1.42%	45.25%	41.0
	2.50% - 9.99%	2 060.4	749.5	8 610	2.5	2 244.2	3.90%	44.29%	38.1
	10.00% - 44.99%	56.5	1.7	914	4.9	57.7	15.92%	48.30%	4.3
	45.00% - 100.00%	0.0	0.0	0	0.0	0.0	0.00%	0.00%	0.0
	Total Stage 1	10 617.9	7 861.3	95 999	2.0	14 859.3	1.50%	46.29%	100.1
Stage 2	0% - 0.14%	1.3	2.9	74	5.7	4.1	0.05%	47.00%	0.0
	0.15% - 0.24%	5.4	2.0	57	8.1	7.3	0.17%	34.05%	0.1
	0.25% - 0.49%	41.7	145.3	223	0.6	161.2	0.46%	45.30%	0.5
	0.50% - 0.74%	84.8	126.3	163	0.4	180.8	0.60%	38.54%	0.4
	0.75% - 2.49%	344.3	357.6	2 101	1.1	568.5	1.25%	44.28%	4.8
	2.50% - 9.99%	303.6	169.7	1 117	2.2	333.5	5.34%	39.65%	10.9
	10.00% - 44.99%	79.1	4.3	1 229	4.3	79.9	18.68%	48.74%	11.1
	45.00% - 100.00%	17.1	0.0	360	4.0	16.9	65.98%	50.07%	6.3
	Total Stage 2	877.2	808.2	5 324	1.5	1 352.2	3.91%	42.78%	34.1
Total Stage 1+2		11 495.1	8 669.5	101 323	1.9	16 211.5	1.71%	46.00%	134.2
31.12.2021									
Stage 1	0% - 0.14%	130.1	170.6	5 313	5.2	287.0	0.06%	50.39%	0.1
	0.15% - 0.24%	6.1	1.1	138	8.3	6.9	0.19%	25.70%	0.0
	0.25% - 0.49%	1 758.9	2 622.1	4 933	2.7	3 390.8	0.46%	49.57%	7.7
	0.50% - 0.74%	2 743.4	1 929.4	6 220	1.5	3 681.9	0.62%	48.01%	10.8
	0.75% - 2.49%	5 111.1	2 796.4	63 979	2.1	6 686.6	1.55%	46.09%	47.8
	2.50% - 9.99%	1 443.5	747.0	3 957	1.9	1 634.6	4.05%	37.28%	25.1
	10.00% - 44.99%	193.0	11.3	688	4.8	194.4	16.04%	51.71%	16.0

	45.00% - 100.00%	0.0	0.0	0	0.0	0.0	0.00%	0.00%	0.0
	Total Stage 1	11 385.9	8 277.9	85 228	2.2	15 882.1	1.51%	46.51%	107.4
Stage 2	0% - 0.14%	5.2	6.3	121	6.5	11.1	0.09%	45.62%	0.2
	0.15% - 0.24%	0.0	0.0	0	0.0	0.0	0.00%	0.00%	0.0
	0.25% - 0.49%	11.1	18.9	212	1.9	28.4	0.43%	48.22%	0.3
	0.50% - 0.74%	20.0	30.7	2 382	2.5	41.2	0.62%	37.14%	0.3
	0.75% - 2.49%	126.6	111.8	763	1.4	198.3	1.45%	34.51%	1.4
	2.50% - 9.99%	180.0	77.4	468	2.0	184.4	5.53%	36.64%	4.9
	10.00% - 44.99%	142.6	33.4	723	2.0	144.0	17.13%	49.60%	14.4
	45.00% - 100.00%	8.0	0.0	246	4.1	7.8	74.08%	51.37%	3.1
	Total Stage 2	493.5	278.5	4 915	1.9	615.3	7.14%	39.90%	24.6
	Total Stage 1+2	11 879.3	8 556.3	90 143	2.2	16 497.4	1.72%	46.26%	132.0

* EAD after credit risk mitigation and application of the credit conversion factor

** For Stage 2 - ECL Lifetime

31.12.2022					
	Time in default	Number of exposures	EAD*	Average LGD (%)	ECL**
Stage 3	<12 months	1 306	108.8	40.99%	44.6
	13 - 24 months	587	34.2	44.75%	15.3
	25 - 36 months	263	77.1	43.50%	33.5
	37 - 48 months	204	55.6	58.47%	32.5
	49 - 60 months	115	14.0	29.53%	4.1
	61 - 84 months	61	20.7	23.96%	5.0
	> 84 months	113	32.0	82.55%	26.4
	Total Stage 3	2 649	342.4	47.15%	161.4
POCI	Non-Default	0	0.0	0.00%	0.0
	<12 months	1	21.4	14.64%	3.1
	13 - 24 months	1	0.4	71.87%	0.3
	25 - 36 months	0	0.0	0.00%	0.0
	37 - 48 months	1	0.0	80.50%	0.0
	49 - 60 months	0	0.0	0.00%	0.0
	61 - 84 months	0	0.0	0.00%	0.0
	> 84 months	0	0.0	0.00%	0.0
	Total POCI	3	21.8	15.74%	3.4
	Total Stage 3+POCI	2 652	364.2	45.27%	164.9
31.12.2021					
Stage 3	<12 months	831	112.1	23.97%	26.9
	13 - 24 months	444	258.7	32.83%	84.9
	25 - 36 months	376	83.8	51.52%	43.2
	37 - 48 months	301	56.4	34.75%	19.6
	49 - 60 months	67	6.1	53.67%	3.3
	61 - 84 months	126	60.3	46.98%	28.3
	> 84 months	178	34.0	46.04%	15.6

	Total Stage 3	2 323	611.3	36.28%	221.8
POCI	Non-Default	0	0.0	0.00%	0.0
	<12 months	0	0.0	0.00%	0.0
	13 - 24 months	0	0.0	0.00%	0.0
	25 - 36 months	8	1.1	72.87%	0.8
	37 - 48 months	0	0.0	0.00%	0.0
	49 - 60 months	0	0.0	0.00%	0.0
	61 - 84 months	0	0.0	0.00%	0.0
	> 84 months	0	0.0	0.00%	0.0
	Total POCI	8	1.1	72.87%	0.8
	Total Stage 3+POCI	2 331	612.4	36.34%	222.6

* EAD after credit risk mitigation and application of the credit conversion factor

** For POCI - current ECL value (not provisions)

Compared to the year 2021, the average 12-month PD for Stage 1/2 in Leasing increased from 2.6% to 3.93% which translated into the growth of Stage 2 by PLN93mn. There was observed improvement of the average LGD for Stage 1/2 (23.01% vs. 31.30% in 2021). The average Stage 3 LGD decreased from 41.25% to 23.97% which is the effect of better recoveries as well as portfolio sales.

Leasing (PLN million)

31.12.2022									
	PD scale	Gross balance exposure	Off-balance exposure	Number of exposures	Average maturity (yrs)	EAD*	Average PD (%)	Average LGD (%)	ECL**
Stage 1	0% - 0.14%	330.1	0.0	3 894	2.9	330.1	0.08%	23.30%	0.1
	0.15% - 0.24%	61.0	0.0	870	2.6	61.0	0.17%	19.35%	0.0
	0.25% - 0.49%	586.9	0.0	4 287	3.5	586.9	0.36%	23.90%	0.5
	0.50% - 0.74%	73.3	0.0	1 780	1.5	73.3	0.64%	20.33%	0.1
	0.75% - 2.49%	1 280.7	0.0	11 458	3.0	1 280.7	1.55%	24.94%	4.7
	2.50% - 9.99%	3 715.0	0.0	36 508	3.3	3 715.0	3.47%	22.65%	27.8
	10.00% - 44.99%	3.7	0.0	58	3.6	3.7	15.16%	18.12%	0.1
	45.00% - 100.00%	4.1	0.0	4	4.7	4.1	62.18%	31.42%	0.7
	Total Stage 1	6 054.7	0.0	58 859	3.2	6 054.7	2.56%	23.23%	34.0
Stage 2	0% - 0.14%	1.0	0.0	33	0.9	1.0	0.07%	6.80%	0.0
	0.15% - 0.24%	1.6	0.0	41	1.6	1.6	0.18%	9.65%	0.0
	0.25% - 0.49%	10.1	0.0	156	2.4	10.1	0.33%	16.72%	0.0
	0.50% - 0.74%	5.7	0.0	129	1.3	5.7	0.57%	19.61%	0.0
	0.75% - 2.49%	81.3	0.0	859	2.4	81.3	1.40%	18.67%	0.4
	2.50% - 9.99%	369.1	0.0	3 134	3.1	369.1	3.76%	21.85%	6.5
	10.00% - 44.99%	37.3	0.0	499	2.9	37.3	27.52%	21.06%	2.4
	45.00% - 100.00%	126.0	0.0	1 281	2.9	126.0	65.34%	20.12%	18.2
	Total Stage 2	632.1	0.0	6 132	2.9	632.1	17.04%	20.89%	27.5
31.12.2021									
Sta	0% - 0.14%	660.5	0.0	6 900	3.1	660.5	0.07%	31.69%	0.1

	0.15% - 0.24%	54.8	0.0	916	1.8	54.8	0.18%	29.32%	0.0
	0.25% - 0.49%	383.1	0.0	4 080	2.9	383.1	0.30%	32.18%	0.3
	0.50% - 0.74%	588.5	0.0	4 803	3.3	588.5	0.62%	32.63%	1.1
	0.75% - 2.49%	3 741.1	0.0	39 913	3.2	3 741.1	1.40%	30.32%	14.6
	2.50% - 9.99%	492.9	0.0	3 555	4.2	492.9	4.68%	38.32%	8.1
	10.00% - 44.99%	69.5	0.0	208	4.4	69.5	18.91%	29.34%	3.5
	45.00% - 100.00%	0.0	0.0	0	0.0	0.0	0.00%	0.00%	0.0
	Total Stage 1	5 990.3	0.0	60 375	3.3	5 990.3	1.57%	31.46%	27.8
Stage 2	0% - 0.14%	3.7	0.0	101	1.6	3.7	0.10%	20.33%	0.0
	0.15% - 0.24%	0.7	0.0	37	1.6	0.7	0.17%	11.39%	0.0
	0.25% - 0.49%	15.5	0.0	216	2.9	15.5	0.34%	18.27%	0.0
	0.50% - 0.74%	7.3	0.0	299	1.3	7.3	0.65%	18.15%	0.0
	0.75% - 2.49%	188.9	0.0	2 280	2.7	188.9	1.43%	29.41%	1.4
	2.50% - 9.99%	62.8	0.0	336	3.1	62.8	5.44%	39.21%	1.6
	10.00% - 44.99%	258.7	0.0	2 666	2.6	258.7	26.46%	28.37%	18.8
	45.00% - 100.00%	1.4	0.0	10	3.8	1.4	88.39%	36.43%	0.5
	Total Stage 2	539.0	0.0	5 945	2.7	539.0	14.08%	29.51%	22.4
	Total Stage 1+2	6 529.3	0.0	66 320	3.2	6 529.3	2.60%	31.30%	50.1

* EAD after credit risk mitigation and application of the credit conversion factor

** For Stage 2 - ECL Lifetime

31.12.2022					
	Time in default	Number of exposures	EAD*	Average LGD (%)	ECL**
Stage 3	<12 months	2 966	262.5	22.02%	57.8
	13 - 24 months	164	7.9	62.74%	5.0
	25 - 36 months	95	1.8	70.69%	1.3
	37 - 48 months	245	1.6	100.00%	1.6
	49 - 60 months	0	0.0	0.00%	0.0
	61 - 84 months	0	0.0	0.00%	0.0
	> 84 months	0	0.0	0.00%	0.0
	Total Stage 3	3 470	273.8	23.97%	65.6
POCI	Non-Default	0	0.0	0.00%	0.0
	<12 months	0	0.0	0.00%	0.0
	13 - 24 months	0	0.0	0.00%	0.0
	25 - 36 months	0	0.0	0.00%	0.0
	37 - 48 months	0	0.0	0.00%	0.0
	49 - 60 months	0	0.0	0.00%	0.0
	61 - 84 months	0	0.0	0.00%	0.0
	> 84 months	0	0.0	0.00%	0.0
	Total POCI	0	0.0	0.00%	0.0
	Total Stage 3+POCI	3 470	273.8	23.97%	65.6
31.12.2021					
Stage 1	<12 months	1 845	175.3	32.91%	57.7

	13 - 24 months	437	18.0	68.66%	12.3
	25 - 36 months	601	10.6	86.33%	9.2
	37 - 48 months	600	8.4	100.00%	8.4
	49 - 60 months	0	0.0	0.00%	0.0
	61 - 84 months	0	0.0	0.00%	0.0
	> 84 months	0	0.0	0.00%	0.0
	Total Stage 3	3 483	212.2	41.25%	87.5
POCI	Non-Default	0	0.0	0.00%	0.0
	<12 months	0	0.0	0.00%	0.0
	13 - 24 months	0	0.0	0.00%	0.0
	25 - 36 months	0	0.0	0.00%	0.0
	37 - 48 months	0	0.0	0.00%	0.0
	49 - 60 months	0	0.0	0.00%	0.0
	61 - 84 months	0	0.0	0.00%	0.0
	> 84 months	0	0.0	0.00%	0.0
	Total POCI	0	0.0	0.00%	0.0
	Total Stage 3+POCI	3 483	212.2	41.25%	87.5

* EAD after credit risk mitigation and application of the credit conversion factor

** For POCI - current ECL value (not provisions)

11.4. OTHER RISKS

Market Risk and Interest Rate Risk in the Banking Book (IRRBB)

The market risk encompasses current and prospective impact on earnings or capital, arising from changes in the value of the Group's portfolio due to adverse market movement (prices).

The interest rate risk arising from Banking Book activities (IRRBB) encompasses current or prospective impact to both the earnings and the economic value of the Group's portfolio arising from adverse movements in interest rates that affect interest rate sensitive instruments. The risk includes gap risk, basis risk and option risk.

The framework of market risk and interest rate risk management and its control are defined on a centralized basis with the use of the same concepts and metrics which are used in all the entities of the BCP Group.

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 (holding period) with a required probability (confidence level) due to an adverse market movement. The market risk measurement is carried out daily, both on an individual basis for each of the areas responsible for risk taking and risk management, and in consolidated terms for Global Bank, Banking Book and Trading Book considering the effect of the diversification that exists between the portfolios.

Within the current market environment, the Group continued to act very prudently. The strong market volatility in connection with the war in Ukraine as well as with Monetary Policy Council's (MPC's) series of decisions to increase interest rates in Poland resulted in increased Group's market risk.

Due high market volatility and relatively low levels of internal limits, the VaR for the Group that is jointly Trading Book and Banking Book reminded above limits in place between January 2022 and August 2022. The VaR limits were not breached in Trading Book. All excesses of market risk limits are always reported, documented, and ratified at the proper competence level.

In 2022, open positions included just interest-rate instruments and FX risk instruments. The VaR indicators for the Group remained on average at the level of PLN456.6mn (124 per cent of the limit) and PLN372.7mn (67 per cent of the limit) as of the end of December 2022. However, at the end of 2022, the VaR limits remained very conservative - nominal level for Global Bank were equivalent to no more than 7.9 per cent and for Trading Book to 0.34 per cent of Own Funds. FX open position (Intraday as well as Overnight) remained below 2 per cent of The Own Funds and well below the maximum limits in place.

Apart from daily measurement at the level of each book and market risk area, the VaR model is mainly applicable and analysed at the Trading Book level, where the policy intention is to trade positions on the regular basis (mostly daily). On contrary, following the supervisory guidelines, the interest rate risk in Banking Book is mainly covered by both earnings-based and economic value measures, by measuring:

- the impact on the net interest income over a time horizon of next 12 months resulting from one-off interest rate shock of upward/downward yield curve shift by 100 basis points,
- the impact on the economic value of equity (EVE) resulting from different upward/downward basis points shocks, including scenarios defined by the supervisor (standard, supervisory test assuming sudden parallel +/-200 basis points shift of the yield curve as well supervisory outlier test - SOT with set of six interest rate risk stress scenarios).

Exposure to interest rate risk in the Banking Book are primarily generated by the differences in repricing dates of assets and liabilities as well as its reference indexes, if contractually existing. It is specifically affected by the unbalance between assets and liabilities that have fixed rate, especially by the liabilities which cannot have interest rate lower than 0. Consequently, the level of sensitivity to interest rate changes is influenced by the level of interest rates taken as a reference. Additionally, due to specificity of the Polish legal system, the interest rate of 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. On the other hand, assumptions regarding the timing and size of deposits repricing are also very important when assessing the interest rate sensitivity and risk.

The results of the IRRBB measurement as of the end of December 2022 indicate that the Group remains the most exposed to the scenario of interest rates decrease. The supervisory outlier stress tests result as of December 2022 show that even under the most severe outlier test scenario, the decline of EVE for Banking Book is far below supervisory limit of 15 per cent 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 per cent of Own Funds.

The results of sensitivity of NII for the next 12 months after 31st December 2022 and for position in Polish Zloty in Banking Book are carried out under the following assumptions:

- static balance sheet structure as of that reference date (no change during the following 12 months),
- reference level of net interest income assuming that all assets and liabilities with variable interest rate already reflect market interest rates levels as of 31st December 2022 (for example, the NBP Reference rate at the end of 2022 was set at 6.75%),
- application of a parallel move of 100 bps in the yield curve up and down is an additional shock to all market interest rates levels as of 31st December 2022 and is set at the repricing date of the assets and liabilities that happens during the 12 following months

In a scenario of parallel decrease of interest rates by 100 bps, the results are negative and equal to - PLN174mn or -3.7% of the Group's NII reference level. In a scenario of parallel increase of interest rates by 100 bps, the results are positive and equal to PLN174mn or +3.7% of the Group's NII reference level. The results show that the Group is now in balanced situation regarding strength in the scenario of a decline or increase in interest rates. The degree of asymmetry that existed in previous reporting dates is not observable as interest rates were significantly above 0% as of 31st December 2022.

More information on market risk and interest rate risk management can be found in chapter 8.4 of the Annual Consolidated Report of the Bank Millennium S.A. Capital Group for the 12-month period ending 31st December 2022.

Liquidity risk

Liquidity risk reflects the possibility of incurring significant losses because of deteriorated financing conditions (financing risk) and/or of the sale of assets for less than their market value (market liquidity risk) to meet the funding needs arising from the Group's obligations.

The process of the Group's planning and budgeting covers the preparation of a Liquidity Plan to make sure that the growth of business will be supported by an appropriate liquidity financing structure and supervisory requirements in terms of quantitative liquidity measures will be met.

In 2022, the war in Ukraine had an impact on global financial markets, however the Bank did not observe any threat to its liquidity position. The Group continued to be characterized by solid liquidity position.

In 2022, the Group's Loan-to-Deposit ratio decreased and was equalled to 78 per cent at the end of December 2022 (comparing to level of 86 per cent as of end of December 2021).

The liquid assets portfolio is treated by the Group's as liquidity reserve, which will help to overcome crisis situations. This portfolio consists of liquid debt securities issued or guaranteed by Polish government, other EU's sovereigns, and multilateral development banks', supplemented by the cash and exposures to the National Bank of Poland. At the end of 2022, the share of liquid debt securities (including NBP Bills) in total securities portfolio amounted to 99% and allowed to reach the level of approx. PLN20.4bn (18 per cent of total assets), whereas at the end of December 2021 was at the level of approx. PLN18.0bn (17 per cent of total assets).

Main liquidity ratios	31.12.2022	31.12.2021
Loans/Deposits ratio (%)	78%	86%
Liquid assets portfolio (PLNmn)*	24 349	18 793
Liquidity Coverage requirement, LCR (%)	223%	150%
Net Stable Funding Ratio, NSFR (%)	156%	144%

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

Consequently, the large, diversified, and stable funding from retail, corporate and public sector Clients remains the main source of financing of the Group. The source of medium-term funding remains also medium-term loans, subordinated debt, own bonds issue and bank's securities.

The Group manages its FX liquidity using FX-denominated bilateral loans as well as subordinated debt, FX swaps and cross-currency interest rate swaps transactions. The importance of swaps has been decreasing because of the reduction of the FX mortgage loan portfolio and the hedge in foreign currency of the provisions for legal risk. The swaps portfolio is diversified in term of counterparties and maturity dates. For most counterparties, the Bank has signed a Credit Support Annex to the master agreements.

The estimation of the Group's liquidity risk is carried out both with the use of the ratios defined by the supervisory authorities and own indicators, for which exposure limits were also established.

According to the final provisions of CRD V/CRR II package, the Group is calculating the liquidity coverage requirement (LCR) and the net stable funding ratio (NSFR). The regulatory minimum of 100% for both LCR and NSFR was met by the Group. LCR reached the level of 223% at the end of December 2022 (150% as of the end of December 2021). The increase was mainly connected with increase of deposit from Clients, which was invested in liquid assets portfolio. The measure is calculated daily

and has been reported on the monthly basis to NBP since March 2014. Internally, the LCR is estimated daily and reported to the areas responsible for the management and control of the liquidity risk in the Group. NSFR is monitored and reported quarterly. In each of the quarter of 2022, the NSFR was above the supervisory minimum of 100% (supervisory minimum valid since June 2021). NSFR reached the level of 156% at the end of December 2022 (144% as of the end of December 2021).

Additionally, the Group employs an internal structural liquidity analysis based on cumulative behaviour liquidity gaps. In 2022 all the liquidity gaps were maintained positive. The Group adopted very conservative limits of 12 per cent of the balance sheet total for the short-term gaps. Hence, exceeding the limits for the liquidity gap should not be equated with any liquidity risk.

Liquidity stress tests are performed at least quarterly, to understand the Group's liquidity-risk profile and to ensure that the Group can fulfil its obligations in the event of a liquidity crisis and to update the Liquidity Contingency Plan and management decisions. As of December 2022, the results of the stress test analysis demonstrated that liquidity position is not threaten as even in the most severe scenario the survival period is still above the limit of 3 months.

The liquidity risk management process is regulated in the internal policy that is a subject of the Bank's Management Board approval.

The Group has also emergency procedures for situations of increased liquidity risk - the Liquidity Contingency Plan. The Liquidity Contingency Plan establishes the concepts, priorities, responsibilities, and specific measures to be taken in the event of a liquidity crisis. The Liquidity Contingency Plan is tested and revised at least once a year. The revised Plan was approved by the Supervisory Board in December 2022.

More information on liquidity risk management can be found in chapter 8.5 of the Annual Consolidated Report of the Bank Millennium S.A. Capital Group for the 12-month period ending 31st December 2022.

Operational risk

Operational risk management is based on the processes structure implemented in the Group and overlapping the traditional organizational structure. Current management of the specific processes, including the management of the profile of process operational risk, is entrusted to Process Owners, who report to all other units participating in the risk management process and are supported by these units.

To manage the fraud risk, the Group has in its structure a special organizational unit to develop, implement and monitor the Group's policy for management of this risk in cooperation with other organizational units of the Group and in accordance with its internal regulations. Fraud Risk Management Sub-unit in the Security Department is a centre of competence for the fraud prevention process.

Non-compliance risk

Lack of compliance of the Bank's operations with binding laws, internal regulations, and market standards, which is linked with the risk of material or reputation losses. It's one of the areas threatening the banking activity. By monitoring compliance with both internal and external regulations, Bank Millennium considers it to be particularly important:

- Preventing money laundering and financing of terrorism,
- Ensuring consistency of Bank Millennium's internal normative acts with generally binding laws as well as recommendations issued by supervisory authorities,
- Counteracting and managing conflicts of interest,
- Counteracting corruption,
- Observance of ethical principles,

- Monitoring personal transactions and protecting confidential information related to Bank Millennium, financial instruments issued by the Bank as well as information connected with purchase/sale of such instruments,
- Monitoring and ensuring compliance of the investment products covered by MiFID II.

Bank Millennium undertakes appropriate actions for the purpose of ongoing and continuous tracking of changes occurring in generally binding legal regulations as well as recommendations and guidance given by supervisory authorities, both national as well as of the European Union. To ensure compliance of the Bank's operation with the generally applicable laws, the Compliance Department undertakes several activities such as:

- 1) informing about changes in law,
- 2) periodically reviewing all internal normative acts binding at the Bank in terms of compliance with applicable laws and standards,
- 3) analysing new products and services,
- 4) measuring compliance risk in processes operating at the Bank,
- 5) issuing opinions,
- 6) participating in key implementation projects, and
- 7) staff training.

The Bank's operations may generate a conflict of interest between Bank's interests and the interests of Customers. The Bank's main principle is to take all reasonable steps to identify a conflict of interest between the Bank and its Customers, as well as between individual Customers, and to establish rules ensuring that such conflicts have no adverse impact on Customers' interests.

The Bank Millennium Group undertakes also appropriate actions to ensure conduct concerning personal transactions, which is compliant with standards and laws. These actions and measures are meant to, according to the circumstances, to restrict or prevent performance of personal transactions by relevant persons in situations, which may cause a conflict of interest or be involved with access to confidential information or to data about Customers' transactions.

Shares of Bank Millennium are admitted to public trading on the Warsaw Stock Exchange. Such status requires special attention and observance of the obligation to maintain highest standards for transparency of financial markets. The policy of Bank Millennium is to maintain strict control as regards protection of the flow of confidential information (including in accordance with the requirements of Regulation No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on abuses on the market abuse, MAR). The Bank prohibits the use and disclosure of confidential information in any form. Purchasing and selling by persons discharging managerial responsibilities, of the Bank's shares, debt instruments of the Bank or derivatives or other financial instruments linked to them is forbidden during closed periods.

The Anti-Money Laundering and Counter Terrorism Financing programme (AML/CTF), applied by the Bank Millennium, is a comprehensive system of identification of threats related to money laundering crimes.

Actions launched under this programme include in particular:

- application of financial security measures to Customers, depending on the degree of risk and based on „*Know your Client*” or (KYC) principle - the key concept of the program,
- transaction registration and reporting,
- identification of suspicious transactions,
- cooperation with the General Inspector of Financial Information.

Bank Millennium adjusts its reports to the analysis of suspected transactions on the on-going basis, considering up-to-date patterns (sectors, cash-flow routes, Customer behaviour) for effective

identification and reporting of transactions suspected of money laundering. Implemented internal procedures, organizational solutions and employee training programmes ensure efficient operation of the programme.

Bank Millennium, with view to protecting Customers who invest their funds in investment products with varied degree of risk, strictly monitors compliance of these products, their offering and handling process with relevant internal regulations, laws, and external guidelines - on the domestic and European Union level. A specific compliance monitoring programme also covers consumer loans and insurance products (including insurance - investment products) addressed to consumers.

Bank Millennium has mechanisms and internal regulations allowing for anonymous reporting of violations of law and internal regulations and ethical standards (the so-called whistleblowing) to the Chairman of the Management Board, and in the case of notification concerning a Member of the Management Board - to the Supervisory Board. The Bank Millennium will verify each application, ensuring that the reporting person will be protected by acts of repressive, discriminatory, and unfair nature.

12. HUMAN RESOURCES MANAGEMENT

12.1. PERSONNEL POLICY

The Bank Millennium Group implements a Human Resources Policy, which sets out the general principles related to employee recruitment, evaluation, development and retention. Based on this policy and business assumptions, the Bank has developed a Human Resources strategy. The strategy regulates all areas of human resources management, including employment and remuneration.

The Human Resources Policy and the HR Management Strategy based on it support the business needs of the Bank Millennium Group and create a friendly, supportive and safe workplace.

Friendly workplace

Bank Millennium creates a good working environment for employees regardless of gender, age, race, religion, nationality, ethnic origin, disability, political beliefs, union membership and sexual orientation, who find here conditions for professional development in an atmosphere of cooperation and mutual respect.

Bank Millennium was the winner of a number of awards in 2022:

- **2nd place in the Best Employers Poland 2022 ranking in the "Banks and financial services" category**
Bank Millennium again took second place in the ranking of the best employers of banking and financial services and 44th among all companies included in the Best Employers Poland 2022 ranking. The ranking of 300 successful HR companies operating in Poland was prepared by Forbes Polska magazine and Statista.
- **Golden CSR Leaf**
Bank Millennium's actions for sustainable development and making them an integral part of its business strategy have once again been recognised with the Golden CSR Leaf of the Polityka weekly. It is awarded to companies that implement the highest standards of social responsibility - have ethical management systems, engage socially, introduce measures to respond to the needs of customers and employees and minimise their impact on the environment.
- **Millennium named "European Diversity Leader 2023" Financial Times**
In 2022, we are once again among the employers from Europe who support and promote diversity. In a ranking prepared by the Financial Times and Statista, Bank Millennium was named "European Diversity Leader 2023". The companies honoured in the ranking were selected on the basis of recommendations from their employees. The Financial Times and Statista ranking is based on the results of an independent survey of more than 100,000 employees of institutions and companies in 16 European countries.
- **Bank Millennium with the title of Solid Employer 2022**
In 2022, Bank Millennium received the Solid Employer of the Year award. This is an award given to companies that are driven by concern for safety, working conditions and employee development. In 2022, the awards were given for the 20th time - for Bank Millennium it is the 9th title in a row. The nationwide Solid Employer of the Year programme is an HR research project that recognises the best employers in terms of personnel policy and employee solutions.
- **Bank Millennium on the podium in the Gazeta Bankowa competition**
Bank Millennium took 3rd place in the competition for the 'Best Bank 2022' organised by 'Gazeta Bankowa'. The 30th edition of the competition assessed not only financial results, but also the broadly understood Customer Experience and corporate social responsibility issues.
- **The Bank Millennium Group also rewards its employees**
The IMPAKT Employee Rewards Programme, in which employees reward their colleagues, continues. The programme integrates the community and builds a culture of cooperation and mutual appreciation. In 2022, 51 employees were recognised for their commitment, quality improvement, innovative solutions and taking on challenges that inspire others. The programme gala and awards ceremony took place at the Intercontinental Hotel in Warsaw and was attended by 120 people.

The best employees and managers are rewarded once a year with the President's Award for above-average professional achievements. In 2022, these went to 12 employees from the head office and the sales network.

Safe working environment

The Bank has a special committee, already set up when the pandemic began, whose task is to monitor staff safety from an epidemiological point of view, to monitor the pandemic situation in the country and the regulations of the competent authorities, to decide on procedures to ensure epidemiological safety in the Bank and to assess the impact of the pandemic on the operation of business areas.

During the period of the pandemic threat, there was a systematic communication campaign to prevent infections, informing on how to deal with infections. Employees were regularly provided with information on safety procedures in place, available protection measures and how to deal with infections. The obligation to keep a distance and use masks was maintained and business trips were limited to what was necessary. Work organisation was also changed. The bank allowed employees to work remotely.

A fund to support the medical costs of COVID-19 employees and their relatives was also in operation from April 2020 to April 2022.

Competence development

The Bank continued to implement extensive training programmes for business lines, in particular those that enable both on-boarding of new employees and ensure their development while working for the organisation. In particular, training was targeted at employees in the retail and franchise network, advisers in corporate banking, affluent customer banking and those involved in the sale of insurance products. They covered a wide variety of issues necessary to perform their tasks effectively, in particular issues related to sales techniques, customer service models and knowledge of the Bank's products and systems.

Specialist training courses for the technology areas are offered extensively. In 2022, employees benefited, among other things, from training within the Cloud DIN Campus, ESI - Cloud oriented e-learning, Pluralsight and DataCamp and many other external training courses.

The Bank attaches particular importance to the quality of management. The M#leaders leadership skills development programme has been consistently implemented for several years. The programme is based on John Maxwell's methodology applied in the Bank Millennium Group and includes several dozen hours of workshops at basic and advanced levels.

A separate managerial certification programme to support managers of retail outlets is implemented in retail banking.

The bank also supports the development of managers through access to Leanovatica.com. Managers develop their competences with access to the streaming service and knowledge in more than 57 subject areas useful to a manager. New series and video courses appear up to several times a month.

The Bank ran the highly acclaimed Millennium Campus lecture programme for its employees. The lecturers in this programme were recognised experts from the world of science and business, as well as high-level specialists from the Bank. The proposal to participate in the programme is addressed to all employees and allows many topics to be viewed from a different perspective. The lectures are conducted online, the recordings together with additional materials are made available on the training platform and on the intranet "Millennium World". In September 2022, we launched a series of lectures related to IT safety in its broadest sense.

The aim of setting up the "Development Fridays" programme was to promote the exchange of knowledge and experience among employees. The speakers are specialists from the Bank Millennium Group and the offer to participate in the programme is addressed to all employees. The lectures are conducted online, the recordings together with additional materials are made available on the training platform and on the intranet "Millennium World".

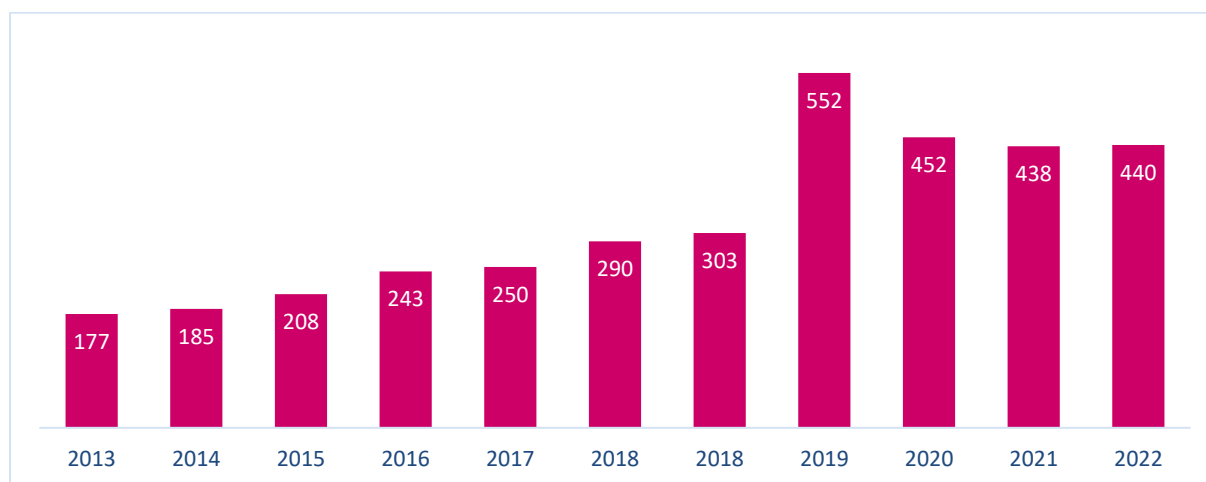
The Bank Millennium Group also supports employee development through a wide range of e-learning courses. The Bank uses a specialised platform, which makes it possible to manage both the content and the course of training processes.

Interested employees can develop their interests using access to the Legimi platform, which allows them to enjoy an offer of more than 75,000 e-books and audiobooks. The platform is available to employees on mobile devices (tablets, e-readers, smartphones) and private computers.

Supporting digital technology development

Bank Millennium is one of the most modern bank on the market and for years has based its development on information technology. They are the basis for the progressive digitalisation of customers through the development of remote customer service systems - electronic and mobile banking. The Bank maintains and develops large teams of IT specialists in various fields.

Staff development of IT area* during recent years (number of employees)



(*) Incl. IT Security, Information Technology, and Communication and Application Development; 2019 increase is caused by the merger of teams with Euro Bank SA.

Diversity policy

In implementing its Diversity Policy, the Bank acts with respect for human dignity and respects the right to equal treatment irrespective of age, gender, ethnic and national origin, religion, creed, family status, sexual orientation, state of health, beliefs, union membership and other grounds that expose discriminatory behaviour. The Bank is also a signatory to the Diversity Charter, which is a pledge signed by organisations that choose to prohibit discrimination in the workplace and work to create and promote diversity. Respect for diversity in the Bank Group is also governed by the "Code of Ethics", the "Work By-laws" and recruitment regulations. The implementation of these policies has resulted in a series of actions:

- All employees receive mandatory training on ethical issues. In addition, managers are trained on anti-bullying and employment discrimination. The bank has anti-bullying and anti-discrimination procedures in place. There is a system for reporting abuse that is independent of the service hierarchy.
- Criteria that expose discriminatory behaviour are not applied when recruiting employees. These rules also apply to termination of employment, conditions of employment, promotion and access to training to improve professional skills. Candidates for employment are selected on the basis of objective criteria, such as in particular: educational background, professional experience, general and specific competences, knowledge of and specific competencies, language skills and overall profile fit.
- The Bank continuously analyses the salary structure and equality in access to salaries and positions by gender, age and nationality. Periodically, interviews are conducted with those leaving the Bank to determine the reasons for leaving.

- Extensive communication and support is directed to parent employees. The Bank informs about their parental rights under the Parents for Yes programme.
- Benefits such as medical care, group insurance, sports and recreation funding sports and leisure activities are offered to all employees, including those working part-time part-time. The bank encourages employees to take holidays.
- The Bank supports people in financial and health difficulties through the existing social assistance system based on the Company Social Benefits Fund.
- People with disabilities can use office infrastructure adapted to their capabilities.
- The Bank systematically conducts managerial training to foster appropriate attitudes - including breaking down stereotypes and promoting openness to the diverse beliefs of employees, as well as shaping their own and their subordinates' responsibility.
- Employees are free to present their opinions in internal online forums.

In Bank Millennium, women constitute the majority of employees - about 66%. Their share in the Bank's broadly understood management staff (starting from the position of branch manager) was about 54%. Although in recent years the share of women among senior management staff has been increasing, they are still under-represented and account for only 31% of this group.

The Bank's strategy, including, for example, building service units for foreigners working in Poland, also serves to increase the diversity of employees in terms of nationality: 52 foreigners were employed in 2022.

The age structure of employees is relatively balanced, hiring people both entering the labour market and those at the end of their careers. The largest group of employees is between 30 and 50 years old - almost 65%. Young people under 30 years old - 23%.

In connection with its long-term development strategy, the Bank will strive in its human resources management policy to further take into account diversity in terms of the competencies and professional experience of its employees. An increase in the number of employees in the areas of new technologies, communications and new marketing strategies with diverse professional experience is expected.

12.2. EMPLOYMENT AND STAFF COSTS

Efficiency of human resources management is an important part of Bank Millennium Group's strategy. The Group monitors particular staff cost items as well as the number of FTEs, for some years now pursuing a policy of stable headcount. Staff rotation is monitored and reported on an ongoing basis. Headcount and efficiency of use of resources are verified against relevant market benchmarks.

Employment in the Group <i>(in FTEs)</i>	31.12.2022	31.12.2021	Change (y/y)
Number of Bank's employees	6 578	6 598	-20
- including key positions	173	156	17
Subsidiaries	282	345	-63
BM Group total	6 860	6 942	-83

Employment in Bank Millennium Group at end of 2022 reached 6,860 FTEs, which means decrease vs end of 2021 by 83 FTEs (i.e. 1.2%). The biggest employer in the Group is Bank Millennium, with a headcount at end of 2022 of 6,578 FTEs. Bank Millennium Group subsidiaries at the end of the year were employing in total 282 FTEs, (Millennium Dom Maklerski was incorporated into the Bank's structure), the most significant of which were: Millennium Leasing, Millennium TFI and, new, Millennium Bank Hipoteczny.

Employment in the Bank <i>(in FTEs)</i>	31.12.2022	31.12.2021	Change (y/y)
Branches and direct sales	4 105	4 213	-108
Head Office	2 473	2 385	88
Total Bank Millennium	6 578	6 598	-20

The structure of employment in Bank Millennium demonstrates a definite majority of persons employed directly in sales of banking products and services, in particular in the network of the Bank's branches located throughout Poland.

Employment in the Bank <i>(in FTEs)</i>	31.12.2022	31.12.2021	Change (y/y)
Direct Banking	814	704	110
Digital	644	645	-1
Retail and corporate banking	3 291	3 509	-218
Support units	1 829	1 740	89
Total Bank Millennium	6 578	6 598	-20

Remuneration policy of Bank Millennium Group aims to assure the staff remuneration is adequate given currently performed tasks, competencies and scope of responsibility. In particular much weight is attached to proper levels of base salary. Remuneration levels are verified with consideration of periodic evaluation of performance as well as possible evolution of the level of skills employed in performance of the organization's tasks. Also remuneration information presented in surveys of salaries on the financial market is analysed.

The total level of staff costs in Bank Millennium Group in 2021 and in the previous year was as follows:

Staff costs <i>(in PLN million)</i>	2022	2021	Change (y/y)
Bank Millennium	865.4	768.8	12.6%
Subsidiaries	50.8	47.4	7.1%
Total Bank Millennium Group	916.1	816.2	12.2%

12.3. REMUNERATION POLICY

The Bank Millennium Group functions the "Employee remuneration policy in the Bank Millennium Group", which formulates the assumptions used to shape fixed and variable remuneration components for all employees of the Group.

According to the policy, the main source of employees' income is the base salary resulting from the employment contract. Variable remuneration is an additional, motivational element of total remuneration. The employee's base salary is shaped in relation to the tasks performed in a given organizational unit, the scope of responsibility, qualifications, impact on the company's risk profile and based on the analysis of payroll information presented in remuneration reports with regards to the financial market.

The Bank regularly reviews salaries and positions. Based on the assessment of the Group's financial condition and business environment, the Bank's Management Board may decide to allocate a pool of funds to change the base salary of employees. Salary levels are verified taking into account periodic assessment of work results, skills and are compared with market remuneration benchmarks information.

Variable remuneration is shaped within various bonus systems, which aim to motivate employees to implement business and organizational targets. Bonus systems and periodic assessment criteria in the Bank Millennium Group are adapted to the specific nature of employees' activities in individual areas of the Group. The amount of bonus budgets is determined after analysis of capital and liquidity ratios and depending on realization of Bank Millennium operational results. In case of business lines staff, the budgets can also be linked to realization of targets of particular lines. It is assumed that individual bonuses may not exceed 100% of the total annual base salary. Individual bonuses are awarded within the variable remuneration pool based on an assessment of the work and the degree of commitment to achieving the goals set for employees.

The Bank Millennium Group pay attention to properly shape the remuneration of employees in managerial positions identified as Risk Takers. The principles of awarding variable remuneration for Members of the Management Board of Bank Millennium and other Risk Takers are included in the "Remuneration policy with respect to Risk Takers in the Bank Millennium SA Group". The policy is reviewed annually.

The bonus pool for *Risk Takers* is determined after prior analysis of the Bank's situation in terms of:

- business results achieved,
- liquidity: loans/deposits ratio, value of liquid assets,
- capital adequacy ratios in relation to the KNF reference level.

The evaluation of the results includes financial and non-financial criteria and takes place over a period of at least three years.

Rules for the payment of variable remuneration paid in 2022 for 2021:

Risk Takers - Members of the Management Board of Bank Millennium (Risk Takers I)

Awarding and payment of 50% of the value of variable remuneration components takes place after the end of the settlement period and after the announcement of the financial results. The payment of 50% of the variable remuneration is deferred for 5 years, payable in equal annual instalments. Members of the Management Board will receive each part of the bonus granted - paid in the year following the accounting period and deferred - after the re-evaluation half in cash and half in own shares. The portion of the bonus paid in own shares is subject to retention for 12 months.

The Risk Takers other than Members of the Management Board (Risk Takers II)

Granting and payment of 60% of the variable remuneration components for previous year takes place after the end of the settlement period. The payment of the remaining 40% of the variable remuneration is deferred for 5 years, payable, after re-evaluation, in equal annual instalments. A minimum of 50% of the variable remuneration as a principle is paid in own shares. The portion of the bonus paid in own shares is subject to retention for 12 months.

The Personnel Committee of the Bank's Management Board may decide not to defer variable compensation below a certain value. When the amount of bonus determined for Risk Taker II for a given calendar year does not exceed the equivalent of EUR 50 thousand and 1/3 of the total annual remuneration, the bonus may be paid in full in cash, in a non deferred form, pursuant to a decision made by the Bank's Management Board Personnel Committee.

Information on own shares acquired in 2022

Justification for the acquisition of own shares

In financial year 2022, Bank Millennium S.A., under implementation of the incentive programme the rules of which are provided for in the Resolution no. 4 of the Extraordinary General Meeting of Shareholders of 27 August 2019 in the matter of establishment of incentive programme and determination of principles governing management thereof, authorisation of the Company Management Board to purchase own shares for purpose of implementation of the incentive programme

and establishment of reserve capital for purchase of such shares (as amended by Resolution of the Extraordinary General Meeting of Shareholders no. 2/2020 of 3 July 2020), as well as in Remuneration Policy with respect to Risk Takers in Bank Millennium S.A. Group and the Incentive Programme Regulations, acquired the Bank's own shares exclusively for the purpose of implementing an incentive programme for employees whose professional activities have a significant impact on the risk profile.

Aggregated data on share purchase transactions in 2022

Period	Total number of acquired shares	Average weighted price in PLN	Total value of transactions in PLN	Share in share capital	Share of votes under shares in the total number of votes
05-10.05.2022	976 881	4.690	4 582 003.98	0.0805265%	0.0805225%

All shares thus acquired, were transferred to employees free of charge during 2022.

Management Board remuneration

Determining the terms of contracts and remuneration for Members of the Management Board is the responsibility of the Supervisory Board, taking into account the recommendations of the Personnel Committee of the Supervisory Board responsible for supervising the remuneration policy. The remuneration framework for Management and Supervisory Board Members is defined in the "Remuneration policy with regard to members of the Management Board and Supervisory Board of Bank Millennium SA " adopted by the Shareholders' General Meeting.

The Policy is one of instruments facilitating implementation of business strategy, long term interests and stability of the Bank and supports proper and effective management of risk and mitigation of conflicts of interests in particular through:

- development of adequate level of remuneration components, in relation to the function performed and the scale of the Bank's operations, including the principle of transparency of their creation,
- rendering parts of remuneration due to Management Board Members conditional upon the financial and business performance of the Bank,
- adoption of the structure of variable and fixed components of remuneration of Management Board Members ensuring that motivation aimed towards receiving variable components of remuneration does not create the incentive to undertake excessive risks,
- ensuring only a fixed component of remuneration for Members of the Supervisory Board, and its independence from the financial and business results of the Bank
- supporting responsible management attitudes relative to long term business objectives of the Bank by way, inter alia, of transparent assessment of performance by the Management Board Members.

The total remuneration of the members of the Management Board consists of a fixed and a variable part. The variable part of the remuneration may be an annual bonus, which depends on the Bank's performance, the result compared to banks of a similar size and the individual assessment of the Management Board Member.

Decisions on granting bonuses to Management Board members are made after analysing the results, taking into account the financial criteria:

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

and non-financial criteria, in particular:

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

Members of the Supervisory Board receive only fixed remuneration for their work in the Supervisory Boards and Committees which is adequate to their function and the scale of operations of the Bank Millennium Group.

The total value of base remuneration of Members of the Management Board for performing this function in 2022 was PLN10 500 thousand. Additionally, Members of the Board were paid part of an annual bonus for years 2018, 2019 and 2020 (in the form of cash, phantom shares and Bank Millennium S.A. own shares) as well as additional benefits.

Fixed remuneration (base salary and benefits) of Members of the Management Board in 2022
(in PLN thousand):

Name and surname	Base salary	Medical care	PPK	Additional benefits *
Joao Bras Jorge	2 280.00	25.07	63.22	1 058.55
Fernando Bicho	1 620.00	25.04	-	65.98
Wojciech Haase	1 320.00	13.31	-	24.60
Andrzej Gliński	1 320.00	25.07	-	-
Wojciech Rybak	1 320.00	3.83	-	-
Antonio Pinto Junior	1 320.00	3.83	35.91	614.15
Jarosław Hermann	1 320.00	3.83	-	-
	10 500.00	99.98	99.13	1 763.28

**The additional benefits are mainly connected with accommodation of foreign members of the Management Board and healthcare benefits.*

Variable remuneration transferred in 2022 to current Members of the Management Board and persons performing functions in previous years

Name and surname	Bonuses paid for the years: 2018, 2019 and 2021 (in PLN thous.)		
	in cash	in shares of Bank Millennium*	in phantom shares
Joao Bras Jorge	711.82	665.22	123.38
Fernando Bicho	527.15	490.15	97.98
Wojciech Haase	429.53	399.38	79.83
Andrzej Gliński	429.53	399.38	79.83
Wojciech Rybak	429.53	399.38	79.83
Antonio Pinto Junior	396.26	399.38	53.22
Jarosław Hermann	371.32	399.38	33.26
Maria Campos	33.26	-	26.61

**Part of the deferred bonus in Bank Millennium shares is subject to Retention for a Period of 12 months counted from the date of acquisition of rights, i.e. from 13.04.2022. The amounts are given according to the transferred value.*

In 2021, no variable remuneration was awarded to the members of the Management Board with respect to 2020.

The decision to award variable remuneration to Management Board Members for 2022 shall be taken after approval of the Bank's results by the General Meeting of Shareholders.

Policy Evaluation

In the annual assessment of the functioning of the remuneration policy of Bank Millennium S.A., the Supervisory Board assessed that it is conducted in a stable manner, based on the continuation of the adopted strategies. In 2022, actions were also taken to adapt to the challenges arising from the current business context.

13. PRINCIPLES OF CORPORATE GOVERNANCE AT BANK MILLENNIUM

13.1. STATEMENT ON THE PRINCIPLES OF CORPORATE GOVERNANCE APPLIED IN 2022

Corporate governance is a set of rules addressed to governing bodies of companies and their members as well as defining relations with shareholders and investors.

The set of rules covering the area of Polish financial institutions and companies listed on the Warsaw Stock Exchange (GPW) are in particular ‘Best Practice for GPW Listed Companies 2016’ (hereinafter referred to also as ‘**Best Practice**’) adopted by the Board of the Warsaw Stock Exchange, the ‘Principles of Corporate Governance for Supervised Institutions’ (hereinafter referred to as the ‘**Principles**’) adopted by the Polish Financial Supervision Authority and Recommendation Z adopted by the Polish Financial Supervision Authority.

On 29 March 2021 the Supervisory Board of the Warsaw Stock Exchange adopted resolution no. 13/1834/2021, by a virtue of which it adopted “*Best Practice for GPW Listed Companies 2021*” (hereinafter referred to also as ‘**Best Practice 2021**’), that entered into force on 1 July 2021. On that date they replaced the current version of the Best Practice. However, in 2021 the Bank was obliged to follow both Best Practice (from 1 January to 30) and Best Practice 2021 (from 1 July to 31 December).

The application of corporate governance principles guarantees the transparency of company operations and strengthens the protection of shareholder rights, also with respect to issues not regulated by generally applicable laws.

The complete text of the document „*Best Practice for GPW Listed Companies 2021*” is published on the GPW website:

https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/en/DPSN2021_EN.pdf,

and on the Bank’s website:

<https://www.bankmillennium.pl/about-the-bank/corporate-bodies-and-governance>.

The most important standard of the above-mentioned Best Practice, Best Practice 2021 and Principles is the ‘*comply or explain*’ rule. This rule means that a company is obliged to apply the principles stipulated in the document, and in the event of deviation from use of a particular principle the company must clarify the causes of such conduct and make this fact publicly known in the form of a report by using the GPW Electronic Information Database (in the case of Best Practice and Best Practice 2021) or by means of a website (in the case of the Principles).

Like in previous years, in 2022 the Bank guided by the principle of transparency of its actions in shaping corporate and investor relations, as well as the highest quality of communication with shareholders, the Bank complied with the principles of Best Practice. The confirmation of employing the recommendations contained in Best Practice is the document ‘*A statement on the company’s compliance with the corporate governance recommendations and principles contained in Best Practice for GPW Listed Companies 2021*’ published on the Bank’s website.

As regards recommendation IV.R.2 item 2 and 3, regarding ensuring for the shareholders the opportunity to participate in a General Meeting of Shareholders (hereinafter, also ‘General Meeting’ or ‘GM’) with the use of real-time two-way electronic communication where shareholders may address a General Meeting of Shareholders from a location other than the General Meeting and exercise, in person or through a plenipotentiary, their voting rights in the course of the General Meeting - in the Bank’s opinion - the implementation of this rule during a General Meeting carries technical and legal risks to the correct and efficient conducting of a General Meeting. Avoiding these risks constitutes a bigger value for the shareholders than the implementation of the rule from part IV, Recommendation IV.R.2, item 2 of Best Practice. The Bank, ever since 2008, has been providing real-time online broadcasts of the proceedings of General Meetings, in accordance with the requirement specified in

part IV, Recommendation IV.R.2 item 1 of Best Practice. At the same time, the Bank, within implementing Best Practice 2021, provided shareholders with a technical possibility of real-time, two-way communication during the proceedings of General Meeting.

The Bank as a financial institution has been subject, since the beginning of 2015, also to the *'Principles of Corporate Governance for Supervised Institutions'* referred to at the outset, which are available on the website of the Polish Financial Supervision Authority https://www.knf.gov.pl/knf/en/komponenty/img/principles_of_corporate_governance_39736.pdf and on the Bank's website <https://www.bankmillennium.pl/about-the-bank/corporate-bodies-and-governance>.

The Bank's Management Board and the Supervisory Board took resolutions on the application of the Principles, with the exception of § 16 sect. 1 and § 24 sect. 1, concerning the holding of meetings of the Bank's governing bodies (Management Board and Supervisory Board) in the Polish language.

The knowledge of the English language by members of the Management Board enables full mutual understanding and a proper level of communication during meetings. Moreover, the practically implemented principle of holding meetings of the Supervisory Board both in Polish and in English, with the assurance of essential assistance of an interpreter, also ensures mutual understanding and a proper level of communication.

The General Meeting in its resolution passed on 21 May 2015 expressed a positive opinion regarding the position of the Management Board and Supervisory Board of the Bank about the scope of application of the Principles.

In successive years General Meetings accepted the assessment of employing the Principles and assessment of the manner of carrying out the information duties relating to the employment of Best Practice. The respective General Meeting's resolution on the application of Best Practice 2021 will be adopted at the first planned shareholders' meeting in 2023.

Bank Millennium has been included in the WIG-ESG index since 2019. Previously, for 12 years, it belonged to the Respect index, which was withdrawn on January 1, 2020 and was replaced by the WIG-ESG index. The companies included in the Index operate on the basis of best standards of corporate governance, information policy and investor relations, including ecological, social and employee issues. Index WIG-ESG comprising 60 companies included in the WIG20 and mWIG40 indices. Weights of companies in WIG-ESG depend on the number of free float shares adjusted for the results of the ESG ranking prepared by Sustainalytics and the assessment of the application of the principles of corporate governance.

13.2. SHAREHOLDERS AND GENERAL MEETING OF SHAREHOLDERS

The General Meeting is the highest governing body of the Bank's operating in particular on the basis of the Code of Commercial Companies and the Banking Law, as well as the Bank's internal regulations, i.e. the Articles of Association and the Regulations of the General Meeting. The Bank's Articles of Association and Regulations of the General Meeting are available from the Bank's website on the tab: "About the Bank > Corporate bodies and governance", link to website <https://www.bankmillennium.pl/about-the-bank/corporate-bodies-and-governance>.

These documents describe in detail the functioning of the General Meeting and scope of its competencies as well as specific rights of the shareholders during the deliberations of a General Meeting. The competencies of the General Meeting include inter alia making amendments to the Articles of Association, including change in the amount of the share capital.

As at 31 December 2022, the Bank's share capital was PLN 1,213,116,777 and was divided into 1,213,116,777 shares (with the nominal value of PLN 1 each). Information is presented below, in accordance with the data held by the Bank, on shareholders holding, directly or indirectly, significant blocks of shares, together with an indication of the number of shares held by these entities, their share in the share capital and in the total number of votes at the General Meeting of the Bank. According to the information available to the Bank, with respect to shareholders holding more than

5% of votes at the General Meeting, as at 31 December 2022, the following entities were the Bank's shareholders:

Banco Comercial Portugues (BCP), one of the largest private Portuguese bank - as the strategic investor - holds 50.10% of all the shares of the Bank. The Bank's significant shareholders are also: Nationale-Nederlanden Otwarty Fundusz Emerytalny, which held 8.90% of the Bank's shares, Drugi Allianz Polska Otwarty Fundusz Emerytalny and Allianz Polska Otwarty Fundusz Emerytalny, jointly held 7.98% of the Bank's shares and Otwarty Fundusz Emerytalny PZU "Złota Jesień", which held 5.56% of the Bank's shares.

The remaining shares, i.e. 27.47% of the share capital, are dispersed among Polish and foreign shareholders, both institutional and private.

Shareholders of the Bank as at 31 December 2022

Shareholders	Number of shares	% stake in share capital	Number of votes	% participation in votes at GM
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	107 970 039	8.90	107 970 039	8.90
Allianz Polska Otwarty Fundusz Emerytalny and Drugi Allianz Polska Otwarty Fundusz Emerytalny (*)	96 792 815 (*)	7.98(*)	96 792 815 (*)	7.98 (*)
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	67 417 542	5.56	67 417 542	5.56

(*) In addition, PTE Allianz Polska S.A. manages the Allianz Polska Dobrowolny Fundusz Emerytalny fund. According to the notification of PTE Allianz Polska S.A., announced by the Bank in Current Report no. 3/2023, Allianz Polska Dobrowolny Fundusz Emerytalny, Allianz Polska OFE and Drugi Allianz Polska OFE as at 30.12.2022 jointly held 96 810 815 shares of the Bank (7.98% of votes), including the Drugi Allianz Polska OFE holding 80 760 035 shares of the Bank (6.66% of votes).

Shareholders of the Bank as at 31 December 2021

Shareholder	Number of shares	% stake in share capital	Number of votes	% participation in votes at GM
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden OFE	99 291 825	8.18	99 291 825	8.18
AVIVA Otwarty Fundusz Emerytalny AVIVA Santander (from 2.01.2023 under the name: Drugi Allianz Polska Otwarty Fundusz Emerytalny)	72 760 035	6.00	72 760 035	6.00
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	69 451 428	5.73	69 451 428	5.73

Data in the tables were ascertained according to the rules described below. With respect to Banco Comercial Portugues S.A. these are data collected in connection with the registration of shareholders authorised entitled to take part in the Bank's Ordinary General Meeting convened for 30 March 2022 and 24 March 2021., and in the Bank's Extraordinary General Meetings convened for 3 July 2020.

However, as regards Nationale-Nederlanden Otwarty Fundusz Emerytalny, Allianz Polska Otwarty Fundusz Emerytalny i Drugi Allianz Polska Otwarty Fundusz Emerytalny (former Aviva Otwarty Fundusz

Emerytalny Aviva Santander) and Otwarty Fundusz Emerytalny PZU „Złota Jesień” the number of shares and their stake in the Bank’s share capital were calculated on the basis of the Annual Structure of Assets of the above-mentioned Funds as at 30 December 2022 and as at 31 December 2021 (as published on the websites: www.nn.pl, www.allianz.pl, www.aviva.pl and www.pzu.pl respectively). and notification of PTE Allianz Polska S.A. (current report No. 3/2023). With regard to calculations made on the basis of the annual structures of the above-mentioned Funds, volume weighted average price (VWAP) of the Bank’s shares was assumed: for 2022 in the amount of PLN 4.6013, and for 2021 in the amount of PLN 8.1658.

Banco Comercial Portugues S.A., as the majority shareholder, exercises a shareholder’s rights specified in the Code of Commercial Companies and in the Bank’s Articles of Association. BCP is a dominate entity with regard to the Bank. By holding a majority of votes at a General Meeting it can exercise decisive influence on GMS over decisions regarding the most important corporate matters such as change of the Bank’s Articles of Association, issue of new shares of the Bank, reduction of the share capital of the Bank, issue of convertible bonds, payment of a dividend and other activities, which in accordance with Code of Commercial Companies require majority of votes at a General Meeting. BCP also holds a sufficient number of votes to appoint all members of the Supervisory Board, which in turn appoints members of the Management Board. In connection with the above-mentioned corporate rights BCP has the capacity to exercise significant control over the Bank’s activity.

The Bank is not aware of any agreements concluded between its shareholders regarding their mutual cooperation and the Bank is not aware of any agreements that, in future, might cause changes in the proportions of shares held by existing shareholders.

The Bank’s shareholders exercise their corporate rights in the way and within the limits defined by generally applicable laws, the Articles of Association of the Bank, as well as the By-laws of the General Meeting of Shareholders. Each share of the Bank entitles to one vote, however registered founder shares in the outstanding number of 61,600 items are preferential in as much as one share entitles to two votes at a General Meeting. Registered founder shares in total accounted for 0.0051% of the Bank’s share capital and 0.0102% of the total number of votes at a General Meeting, as at 31 December 2022.

Registered founder shares are subject to disposal restrictions, i.e. their disposal subject to the consent of, at least, three fourths of the founders, to other founders does not result in their loss of preferential status. A disposal of registered founder shares in all other cases causes loss of their preferential status. There are no restrictions on exercising voting rights under the Bank’s shares and none of the holders of securities issued by the Bank has any special controlling rights with respect to the Bank.

Bank Millennium shares have been listed on the Warsaw Stock Exchange since 13 August 1992 (first bank to be listed). Currently 1,213,009,169 shares with the code ISIN PLBIG0000016 (GPW symbol: MIL; Reuters: MILP.WA; Bloomberg: MIL PW) are traded on the stock exchange.

Shareholders have 107.608 registered shares, of which 61,600 are preferential founder shares (right to two votes at a General Meeting). Thus, the total number of Bank Millennium shares is 1,213,116,777 and total number of votes at a General Meeting of Shareholders is 1,213,178,377.

13.3. SUPERVISORY BOARD

The Supervisory Board exercises constant supervision over the activity of the Bank operating under legal regulations, including the Articles of Association of the Bank, resolutions of the General Meeting as well as the Bylaws of the Supervisory Board available from the Bank’s website on the “*About the Bank > Corporate bodies and governance*” tab, link to website <https://www.bankmillennium.pl/about-the-bank/corporate-bodies-and-governance>.

Meetings of the Supervisory Board are convoked once a quarter and if such need arises. The competences of the Supervisory Board comprise, in particular, the appointment and recalling of Members of the Management Board (by a simple majority of votes) and determination of their

remuneration principles. Resolutions are adopted by a simple majority of votes with at least half of its members present. In the case of an equal number of votes the Chairman of the Supervisory Board has a decisive vote.

The Supervisory Board of the Bank consists of at least five Members, of whom at least a half, including the Chairman, are of Polish nationality. Members of the Supervisory Board are appointed at a General Meeting for a three-year term of office.

The composition of the Supervisory Board between 1 January 2022 and 31 December 2022 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 Jędryś - Member of the Supervisory Board,
- Alojzy Nowak - Member of the Supervisory Board,
- José 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.

1. Bogusław Kott - Chairman of the Supervisory Board

Mr Bogusław Kott graduated from the Foreign Trade Faculty at SGPiS (present name SGH - Warsaw School of Economics) in Warsaw. For many years he worked at the Ministry of Finance, specializing in foreign trade financing.

He co-founded and co-organised Bank Millennium S.A., and from 1989 when the Bank was established, till 24 October 2013 was the Chairman of the Management Board. Since 24 October 2013 he has been the Chairman of the Supervisory Board of Bank Millennium S.A. From 31 May 2019 to the day of merger with Bank Millennium S.A. i.e. 1 October 2019, also the Chairman of the Supervisory Board of Euro Bank S.A.

Mr Bogusław Kott has been a Member of the Polish Business Roundtable since 1994 and since May 2020 Honorary Member. Since 1 September 2018 he has been a Member of Board of Trustees of Kozminski University in Warsaw.

2. Nuno Manuel da Silva Amado - Deputy Chairman of the Supervisory Board

Mr Nuno Manuel da Silva Amado has a Business Degree from ISCTE (Instituto Superior de Ciencias do Trabalho e da Empresa) and attended the Advanced Management Programme at INSEAD (France).

From 1980 he worked in auditing (KPMG) and in international banks (Citibank, Deutsche Bank and Banco Santander) in Portugal. Between 2006 - 2012 he was Vice-Chairman of the Board of Directors and CEO of Banco Santander Totta (Portugal). From 2012 to 2018 he was Vice-Chairman of the Board of Directors and CEO of Banco Comercial Portugues (BCP), Portugal. Since July 2018 he has been Chairman of the Board of Directors of BCP.

Since 20 April 2012 Deputy Chairman of the Supervisory Board of Bank Millennium S.A.

3. Dariusz Rosati - Deputy Chairman and Secretary of the Supervisory Board

Mr Dariusz Rosati graduated in International Trade from the Main School of Planning and Statistics - SGPiS (now the SGH Warsaw School of Economics) in Warsaw. Professor Emeritus of Economic Sciences, Institute of International Economic Policy at SGH.

In 1978 - 1979 he was a consultant at Citibank in New York. In 1985 - 1986 and 1987 - 1988 - founder and Director of the World Economy Research Institute at SGH. In 1986 - 1987 he was a Fulbright scholar at the University of Princeton (USA). In 1988 - 1991 he was the director of the Foreign Trade Research

Institute. Since 1990 Professor of Economic Sciences at SGH. In 1991 - 1995 he worked in the UN Economic Commission for Europe in Geneva (Switzerland) as Head of the Central and Eastern European Section. In 1995 - 1997 he was Minister of Foreign Affairs of the Republic of Poland. In 1998 - 2004 Member of the Monetary Policy Council of the National Bank of Poland.

In 1978 - 1991, UNIDO consultant and member of numerous missions to developing countries. In 1988 - 1991 many times worked as an expert of the World Bank, the United Nations University World Institute for Development Economics Research (WIDER), International Labour Organisation and European Commission. Member of the Economic Reform Commission (1987 - 1989), team of the economic advisors to the Prime Minister (1988 - 1989), the Socio-Economic Strategy Council at the Council of Ministers (1994 - 1998). Since 1997 Member of the Committee of Economics at the Polish Academy of Sciences. In 2001 - 2004 he was a member of the Group of Economic Policy Advisors to the President of the EU Commission. From 2003 to 2005 Rector of Lazarski University in Warsaw.

In years 2004 - 2009 and 2014 - 2019 Member of the European Parliament. Member of Parliament of the Republic of Poland of 7th term in 2011 - 2014 - he was the Chairman of the Public Finance Committee - and of 9th term, elected in 2019. Author of more than 200 scientific papers and publications, including six books on economic policy.

Since 27 May 2004 Member of the Supervisory Board of Bank Millennium S.A.

Author of over 250 scientific and journalistic works, including eight books on topics related to economic policy and finance.

4. Miguel de Campos Pereira de Bragança - Member of the Supervisory Board

Mr Miguel de Campos Pereira de Bragança has a Degree in Management and Administration from the Catholic University of Portugal and an MBA from INSEAD (France).

Started his career in 1989 in capital markets and investment banking, being since 1993 executive board member of Financial Institutions in Portugal, Brazil (Santander Brazil) and Great Britain (Abbey National). Between 2008-2012 he was Director, responsible for the Financial, Accounting and Management Control, Marketing and Products Areas, at Banco Santander Totta and Banco Santander de Negócios (Portugal). Since 2012 is Chief Financial Officer, board member and Vice-Chairman of the Executive Committee of Banco Comercial Português (BCP), Portugal.

Since 20 April 2012 he has been a Member of the Supervisory Board of Bank Millennium S.A. and since 2019 Vice-Chairman of the Board of Directors of Aktivobank.

Since 2018 Non-executive Director of SIBS, SGPS, SA and of SIBS Forward Payment Solutions, SA and Non-executive Director of the BofD of UNICRE- Instituição Financeira de Crédito, SA, as representative of Banco Comercial Português, SA.

5. Olga Grygier-Siddons - Member of the Supervisory Board (independent member)

Ms Olga Grygier-Siddons graduated from the University of Manchester, Computer Science and Accounting. She is also Fellow Chartered Accountant, Institute of Chartered Accountants of England and Wales.

After having graduated in Great Britain, she pursued her professional career in the advisory sector. In 1991, she joined PwC in the Corporate Finance area. In 1998, she was promoted to the position of Partner and was responsible for the delivery of diverse projects for the public and private sectors around the world. In 2004, she decided to relocate to Poland and in 2014, she assumed the position of Managing Partner for Central and Eastern Europe at PwC. For 15 years she was responsible for business development and overseeing projects in 29 countries, in a company with 12,000 employees. She became the first female member of the PwC Strategy Council which comprises 20 top leaders of the PwC Network.

She retired from PwC in 2019 and currently serves as a strategic advisor and Mentor.

Moreover, until today she performs among other the following functions: Member of the Council of the Silesian University, Member of the Supervisory Board of Zabka Group; founder and CEO of the Experiential Learning Hub - Villa Poranek.

Since 24 March 2021 Member of the Supervisory Board of Bank Millennium S.A.

6. Anna Jakubowski - Member of the Supervisory Board (independent member)

Ms Anna Jakubowski graduated with a Bachelor of Business Administration (1990) from Wilfrid Laurier University, Waterloo, Ontario. Canada.

Her professional career started with Procter & Gamble Canada (1991 - 1993), where she was the National Account Manager. Between 1993 and 1998 she held different positions, from Pharmacy Channel Manager to Trade Marketing Manager and Area Sales Manager in P&G Poland. In 1998 she became Regional Customer Business Development Manager in P&G Central Eastern Europe while between 1999 and 2007 she was New Business Development Manager and (from 2002) Strategy, Business Development Director in P&G Western Europe. She continued her career in Switzerland in the P&G the Fabric Care Division (2007 - 2009) as an Associate Director: Marketing. Between 2011 and 2016 she connected her professional career with The Coca-Cola Company where she held the following positions: the International Group Marketing/Strategy Director in Coca-Cola Hellenic Bottling Company (2011 - 2013), Business Capability Director in the Coca-Cola Company (2013) and from 2013 - 2016 Management Board Member - Managing Director in Coca-Cola Poland Services Sp. z o.o. and Franchise General Manager - Poland/Baltics in The Coca-Cola Company, Management Board Member in Multivita Sp. z o.o., Management Board Member - Managing Director in Coca-Cola Balti Jookide AS. In 2018 she held the role of General Manager for Poland and Baltics for Marie Brizard Wine & Spirits Sp. z o.o. In 2019-2020, she held the role of General Manager of Avon Cosmetics Polska Sp. z o.o. and is currently the Managing Director and investor in Life Institute Sp. z o.o. Sp. k. She is an independent Supervisory Board member of Artic Paper S.A.

She has also been involved with the following organizations and associations: Women's International Networking Leadership Forum - Board of Advisors (2004 - 2012), Organization of Women in International Trade - Board of Directors (2005 - 2010) and in 2008 as an Executive Vice President as well as in 2009 as the President (2005 - 2010) in Geneva Women in International Trade, across 2015 - 2016 she served also as a Member of the Board of Directors of the American Chamber of Commerce in Poland, 2015 - 2018 as a Management Board Member, Vice President International Association of Advertising (IAA) in Poland (Warsaw, Poland). Currently is a Member of the Board of the Polish - Canadian Chamber of Commerce, an Adviser and Mentor in the Global Shapers - Mentor4Starters initiative, and a mentor of the CFA Society Poland.

In 2011 she was awarded the TIAW - The World of Difference 100 Award (Recognizes individuals whose efforts have advanced the economic empowerment of women) and in 2016 she was awarded Woman of Charisma: Business & Social Enterprise Award (Poland).

Since 21 May, 2015 Member of the Supervisory Board of Bank Millennium S.A. From 31 May 2019 to the day of merger with Bank Millennium S.A. i.e. 1 October 2019, also Member of the Supervisory Board of Euro Bank S.A.

7. Grzegorz Jędrys - Member of the Supervisory Board (independent member)

Mr Grzegorz Jędrys graduated from the Production Economics Faculty of the Warsaw School of Economics and from a post-graduate course at the Warsaw School of Economics in Strategic Marketing Management as well as real estate agency operation. Moreover, Mr G. Jędrys attended many courses and training sessions, i.a. for candidates for members of supervisory boards of State Treasury companies (2008).

He began his professional career in 1994 in the Housing Finance and Municipal Advisory Programme for Poland/PADCO - a joint Poland-USAID programme. In 1996 he worked as Manager of the Building Projects Financing Team in Polsko-Amerykański Bank Hipoteczny S.A. From 1997 to 1999 he was employed in Jedenasty Narodowy Fundusz Inwestycyjny S.A., initially as an Investment Analyst, then as Project Director. Between 1999 and 2005 he was Investment Director in Trinity Management Sp. z

o.o. - a company which managed the assets of Jupiter NFI S.A. as well as Pekao Fundusz Kapitałowy Sp. z o.o. From 1997 to 2005 he was a Member of Supervisory Boards of many companies. Starting from 2005 he has been Head of the Poland's Representative Office of the Polish American Freedom Foundation.

Since 11 April 2013 Member of the Supervisory Board of Bank Millennium S.A. From 31 May 2019 to the day of merger with Bank Millennium S.A., i.e. 1 October 2019, also Member of the Supervisory Board of Euro Bank S.A. Since July 9, 2020, acting as a Member of the Supervisory Board of Millennium Bank Hipoteczny S.A.

8. Alojzy Nowak - Member of the Supervisory Board (independent member)

Mr Alojzy Nowak in 1984 graduated from the Warsaw School of Economics; earned a Ph.D. in 1991 and Habilitation in 1995. Moreover in 1992 - as part of an annual scholarship from the A. Mellon Foundation - he studied economics at the University of Illinois at Urbana-Champaign, USA; in 1993, as a scholarship holder of the United Kingdom Government under the Know-How Fund, he studied banking, finance and capital markets at the University of Exeter; in 1996, as part of a semester scholarship from the German Government, he studied economics at Freie Universität in Berlin, and in 1997 as part of a semester scholarship of the Belgian Government, he studied international economics at the RUCA University in Antwerp.

In 2002 he became Professor of Economics.

He has won a number of prestigious awards, including the Rector's Award for Scientific Achievements (annually since 1997), Award of the Minister of Education for the book "Integracja europejska. Szansa dla Polski?" and the book „Banki a gospodarstwa domowe - dynamika rozwoju”. Member of many scientific organizations and professional editorial boards of periodicals, among others "Foundations of Management" (member of the editorial board), "Journal of Interdisciplinary Economics" (editor-in-chief), "Yearbook on Polish European Studies", "Mazovia Regional Studies", "Gazeta Bankowa" and a reviewer in PWE SA Warszawa publishing company. For many years committee member of "Teraz Polska" Award and scientific council member of "Studia Europejskie". Author of over 300 publications in Poland and abroad.

He gained his professional experience working among others as Head of the International Business Relations Section at the Management Faculty, University of Warsaw, Head of National Economy Chair at the Management Faculty UW, Director of European Center at the University of Warsaw, Deputy Dean in charge of foreign cooperation at the Management Faculty, University of Warsaw, next as Dean at the Management Faculty, University of Warsaw and Vice-Rector for Research and Liaison, University of Warsaw. Since June 2020 he has become the rector of the University of Warsaw. He is a lecturer at the University of Warsaw, and also in France, UK, USA, Russia, China and Korea.

Further, he worked and still works as: advisor to the Prime Minister, to the Minister of Agriculture, CEO of the University Sports Association in Poland and at the University of Warsaw, member of the NewConnect advisory committee at the Management Board of the Warsaw Stock Exchange, member of the Foundation Council of the National Bank of Poland, chairman of the Council of the Scientific of the National Bank of Poland.

Over the years he sat on supervisory boards of various institutions, including among others: PZU S.A., PTE WARTA S.A., PKO BP S.A., Cyfrowy Polsat S.A., ZE PAK S.A., JSW S.A., Chairman and Deputy Chairman of the Supervisory Board in EUROLOT S.A.

He was a member of the National Development Council appointed by President Andrzej Duda. Currently in the Council for Higher Education, Science and Innovation within the NRR. Since December 2018 he has been a member of the Scientific Council of the Institute of New Structural Economics at the University of Beijing, where he is among 22 outstanding scientists from around the world, including 4 Nobel laureates in the field of economic sciences.

Since 26 March 2018 Member of the Supervisory Board of Bank Millennium S.A.

9. José Miguel Bensliman Schorcht da Silva Pessanha - Member of the Supervisory Board

Mr José Miguel Bensliman Schorcht da Silva Pessanha has a Master's Degree in Economics from Université Catholique de Louvain and a Master's Degree in Operational Research (academic portion) from Instituto Superior Técnico and also has a Licentiate Degree in Economics, Universidade Católica Portuguesa. He attended the PADE (Corporate Senior Management Programme) at Associação de Estudos Superiores de Empresa (AESE), the Eureka Program in INSEAD, he had a Scholarship from Invotan (NATO) and received a scholarship linked to the Award Joseph Bech, granted by the Government of Luxembourg for commitment to the European Union.

From 1982 to 1989 he worked as a financial services advisor - Banco Português do Atlântico, Banco Nacional Ultramarino, Banco Espírito Santo, Manufacturers Hannover Trust, between 1982 - 1995 he was Professor in charge of the courses of Statistics I and II and Econometrics - Universidade Católica Portuguesa. He was responsible for risk control, ALM, financial markets research and capital markets areas in the Financial Division - Banco Português do Atlântico, S.A. from 1989 to 1995 and Advisor to the Chairman of the Plan National Council from 1990 to 1993. Between 1993 and 2002 he was a Member of the Board of Directors of Corretora Atlântico - Soc. Financeira de Corretagem S.A. and of Servimédia - Sociedade Mediadora de Capitais, S.A. and Chairman of the Board of Directors of Servimédia - Sociedade Corretora S.A. and Head of the Assets and Liabilities Management Division of BPA (1995 - 1998), and of BCP (1998 - 2000). At Banco Comercial Português, S.A. he was Head for the "Year 2000" Project of Group BCP (1999 - 2000) and was responsible for the design, development and launching of the "cidadebcp" bank website (2000 - 2002). From 1998 to 2003 he coordinated the Investment Products Unit of Banco Comercial Português, S.A. From 2003 to 2015 he was the Group Risk Officer of Banco Comercial Português, S.A. In 2014 he was a lecturer responsible for the banking in a global context course at Universidade Católica Portuguesa.

Currently he is a Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A., Vice-Chairman of the Board of Directors and Chairman of the Audit Board of Millennium bcp Ageas Grupo Segurador, SGPS, S.A., Vice-Chairman of the Board of Directors and Chairman of the Audit Board of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ageas - Sociedade Gestora de Fundos de Pensões, S.A. (formerly Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.).

He is also Member of the Board of Directors and Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A., and Member of the Board of Directors and Chairman of the Audit Committee of Banco Millennium Atlântico, S.A.

Since 26 March 2018 Member of the Supervisory Board of Bank Millennium S.A.

10. Miguel Maya Dias Pinheiro - Member of the Supervisory Board

Mr Miguel Maya Dias Pinheiro graduated from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE) with a bachelor's degree in Business Organization and Management, having also completed a Senior Management Programme (PADE) at AESE, an Advanced Management Programme at INSEAD and a Corporate Governance Programme - at AESE.

From 1987 to 1990 he held commercial and financial functions in a manufacturing SME company. Joined Banco Português do Atlântico in 1990, institution where he assumed functions in the corporate banking area and led the coordination of the Economic and Financial Research Office.

Between 1996 and 2007 he assumed several senior management positions within BCP Group both in Portugal and Spain, namely head of the Corporate Banking Marketing Division of BCP, Coordinator of the retail banking network of NovaRede, CEO of Manager Land in Barcelona, head of Innovation and Commercial Division of BCP. From 2007 to 2009 he was Chief of Staff for the Chairman of the Executive Board of Directors of BCP.

In 2009 Mr Miguel Maya was appointed Member of the Executive Board of Directors of BCP and Member of the Board of Directors of Fundação Millennium BCP.

Between 2012 and 2016 he was Chairman of the Board of Directors of Banco Millennium Angola, S.A. and in 2016, following the merger of this institution with Banco Privado Atlantico, S.A. which resulted in the creation of Banco Millennium Atlantico, S.A., Mr Miguel Maya was appointed Vice-Chairman and Member of the Board of Directors of the new entity - position that he held until 2022 .

From 2012 to 2019 Mr Miguel Maya was Chairman of the Board of Directors of Interfundos - Gestao de Fundos de Investimento Imobiliario, S.A.

Currently Mr Miguel Maya holds the following positions in BCP's Group governing bodies: Chief Executive Officer (CEO) and Vice-Chairman of the Board of Directors of BCP, Chairman of the Board of Directors of ActivoBank, S.A., Manager of BCP Africa, SGPS, Lda. and Member of the Board of Directors of Banco Internacional de Moçambique, S.A.

Since 21 May 2015 he has been a Member of the Supervisory Board of Bank Millennium S.A.

11. Beata Stelmach - Member of the Supervisory Board (independent member)

Ms Beata Stelmach is a graduate of the Finance and Statistics Faculty at the Warsaw School of Economics, she also holds an MBA from Calgary University and an MBA at INSEAD.

For many years she was involved with the capital and financial markets - from the start of economic transformation she worked in the Securities and Exchange Commission, then she held management functions in capital market entities, including MCI Capital TFI SA, Intrum Justitia TFI SA, she stood at the head of the Polish Association of Listed Companies (currently chairing the supervisory board). Ms B. Stelmach also has management experience in other industries: during 2001 - 2005 she sat on the governing bodies of Prokom Software SA; in 2013 she became the CEO and Director General of General Electric (Poland and Baltics). During 2018 - 2020 she was the President of PZL Świdnik SA.

Moreover she held advisory functions in the World Bank and also sat on the Supervisory Boards i.a. of Bank BPH SA and HSBC BANK POLSKA SA; currently also an independent member of Supervisory Board of KRUK SA.

During 2011 - 2013 she was Undersecretary of State in the Ministry of Foreign Affairs, responsible for global economic policy as well as public and cultural diplomacy.

Ms B. Stelmach was decorated with the Knight's Cross of Polonia Restituta Order for outstanding contribution in the Foreign Service and work achievements undertaken for the benefit of the country and diplomatic activity.

Since 24 March 2021 Member of the Supervisory Board of Bank Millennium S.A.

12. Lingjiang Xu - Member of the Supervisory Board

Mr Lingjiang Xu has a Bachelor's Degree in German from the Foreign Studies University of Beijing, a Master's Degree in World Economics from the Nan Kai University, Tianjin and a Master's Degree in Finance from the London Business School.

From July 1993 to February 1995 he worked as Desk Officer at the European Affairs Department of the Chinese Ministry of Foreign Trade and Economic Cooperation in Beijing. He was Third Secretary of the Commercial Office of the Chinese Consulate General in Hamburg from February 1995 to October 1998. Between October 1998 and February 2006 he was the Division Director of the European Affairs Department of Chinese Ministry of Commerce in Beijing. From February 2006 to January 2010 he was the First Secretary of the Commercial Office of the Chinese Embassy in London. In September 2011 he was elected Associate Director of Vermilion Partner LLP (London) (to March 2012). From March 2012 to December 2013 was Partner to RH Regent Investment Management Co Ltd (Shanghai). During the years of 2015 to 2017, he was Non-Executive Director of Luz Saúde, S.A. and Non-executive Director of Multicare - Seguros de Saúde, S.A., as well as Non-executive Director of the Board of Directors of Fidelidade Assistência - Companhia de Seguros S.A. From 18 October 2016 to 31 March 2017 he held the position of Non-executive Member of the Board of Directors of Chiado (Luxembourg) S.à.r.l. From 2015 to 2018 he also held the managerial position in Fosun Management (Portugal), Lda. Currently he is Non-executive Member of the Board of Directors, Member of the Committee for

Nominations and Remunerations and Member of the Committee for Corporate Governance, Ethics and Professional Conduct of Banco Comercial Português, S.A. He is also Non-executive Member of the Board of Directors of Fidelidade - Companhia de Seguros, S.A., Chairman of the Board of Directors of Longrun Portugal, SGPA, S.A. and since November 2019 Non-executive Member of the Board of Directors of Luz Saude, S.A.

Since 26 March 2018 Member of the Supervisory Board of Bank Millennium S.A.

Standing Committees of the Supervisory Board

The Supervisory Board may establish standing or ad hoc committees, composed of members of the Supervisory Board, to carry out specific supervisory tasks. The Standing Committees of the Supervisory Board are: the Audit Committee, Personnel Committee, Strategic Committee and Risk Committee for Risk Matters.

Detailed information regarding the composition of the committees and the issues raised during the meetings of the Committees in 2022 is to be found in the „Report on activities of the Supervisory Board of Bank Millennium S.A. in 2021” “Annual Report of the Supervisory Board for the financial year 2022”, published on Bank Millennium’s website.

Audit Committee

The Audit Committee is a standing committee of the Supervisory Board, established in 2000 and supporting the Supervisory Board in supervision over the execution of the internal audit function in the Bank. Furthermore, the Audit Committee focuses on financial reporting, internal control and risk management at the Bank.

Pursuant to the Act of 11 May 2017 on statutory auditors, audit firms and public oversight the Audit Committee consists of at least three Members. The Members of the Audit Committee have knowledge and skills in accounting or auditing of financial statements, as well as in the banking sector, which is confirmed by the history of their professional career and the duties hitherto performed by them. The majority of the Members of the Audit Committee, including its Chairman, are independent of the Bank. The Audit Committee meets on a regular basis (once every quarter) upon the initiative of the Chairman of the Committee and in the extraordinary mode it is convened by the Chairman of the Supervisory Board on his own initiative or at the request of a Member of the Supervisory Board or a Member of the Management Board.

The main responsibilities of the Audit Committee include specifically:

- (I) monitoring the process of financial reporting,
- (II) monitoring the effectiveness of the internal control systems and risk management systems, and internal audit, including in the area of financial reporting,
- (III) monitoring financial audit activities,
- (IV) preparing for the Supervisory Board opinions providing the basis of performing by the Supervisory Board assessments of the adequacy and effectiveness of the internal control system, including the annual review of the adequacy and effectiveness of the control function, Compliance Department and Internal Audit Department, and
- (V) controlling and monitoring the independence of a statutory auditor and audit firm, particularly in the case when other services than audit of financial statements are provided for the Bank by an audit firm.

In 2022 six meetings of the Audit Committee of the Supervisory Board took place, at the following dates: 27 January 2022, 18 February 2022, 21 April 2022, 21 July 2022, 20 October 2022, 15 December 2022.

Detailed information regarding the issues raised during the meetings of the Committee in 2022 is to be found in the „*Report on activities of the Supervisory Board of Bank Millennium S.A. in 2022*” in the chapter „*Activities of the Audit Committee in the reporting period*”.

In the period from 01.01.2022 to 31.12.2022 the Audit Committee of the Supervisory Board of Bank Millennium S.A. functioned in the following composition:

Chairman of Committee: Mr. Grzegorz Jędrys	independent member
Member of Committee: Mr. Miguel de Campos Pereira de Bragança	
Member of Committee: Ms. Olga Grygier-Siddons	independent member
Member of Committee: Ms. Anna Jakubowski	independent member
Member of Committee: Mr. Alojzy Nowak	independent member
Member of Committee: Mr. José Miguel Bensliman Schorcht da Silva Pessanha	

The composition of the Audit Committee satisfied the criteria stipulated in Art. 129 section 1 and 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight.

Personnel Committee

The Personnel Committee has existed at the Bank since 2000. Its responsibilities include in particular:

- (I) evaluating candidates for Members of the Bank’s Management Board,
- (II) defining and conditions of employment of newly appointed Members of the Bank’s Management Board,
- (III) negotiating change of terms and conditions of employment of Members of the Bank’s Management Board,
- (IV) with respect to Members of the Management Board defining evaluation criteria, evaluating work as well as deciding on annual bonuses,
- (V) determining terms and conditions of termination of employment of Members of the Bank’s Management Board,
- (VI) evaluating policy on variable components of remuneration, and issuing recommendations regarding:
 - a) remuneration amount and components, guided by prudential and stable risk, capital and liquidity management as well as long-term benefit of the Bank,
 - b) variable remuneration of persons occupying management positions in the Bank involved with risk management and with compliance of the Bank’s activity with legal and internal regulations.

During the period from 1 January 2022 to 31 December 2022 the composition of the Committee was as follows:

1. Alojzy Nowak - Chairman
2. Miguel de Campos Pereira de Bragança
3. Bogusław Kott
4. Olga Grygier-Siddons
5. Anna Jakubowski

Strategic Committee

The Strategic Committee has existed at the Bank since 2013. The tasks of the Strategic Committee are in particular:

- (I) study of macroeconomic trends,
- (II) study new trends, developments and new solutions in the banking industry,
- (III) analyse Bank competitive position and benchmarking,
- (IV) analyse and recommend long-term strategy, goals and objectives for the Bank.

During the period from 1 January 2022 to 31 December 2022 the Committee worked in the following composition:

- 1. Bogusław Kott - Chairman
- 2. Nuno Manuel da Silva Amado
- 3. Miguel de Campos Pereira de Bragança
- 4. Anna Jakubowski
- 5. Miguel Maya Dias Pinheiro
- 6. Dariusz Rosati
- 7. Lingjiang Xu

Committee for the Risk Matters

The Committee for the Risk Matters was set up on 4 December 2015. Its competences include the tasks stipulated for such committee in the Banking Law and allocated to it in other regulations applicable to banks as well as supervisory recommendations implemented by the Bank ,in particular:

- (I) provision of opinions on overall, current and future readiness of the Bank to undertake risk,
- (II) provision of opinions on the strategy of management of risk inherent in the Bank operations, as developed by the Bank Management Board and on information regarding implementation of the said strategy, as submitted by the Bank Management Board,
- (III) provision of support to the Bank Supervisory Board in supervision of implementation of the risk management strategy relative to the Bank operations by the Bank's senior management staff,
- (IV) provision of opinions on the assessment Risk Management Function and Validation Function as well as on exceptional transactions that may impact the Bank risk profile;
- (V) provision of opinion on whether incentives provided by the remuneration policies and practices take into consideration the institution's risk, capital and liquidity and the likelihood and timing of earnings.
- (VI) verification whether prices of assets and liabilities offered to Clients fully take into account the Bank's business model, its risk strategy and in case the prices fail to reflect types of risk appropriately and in keeping with the said model and strategy, submission of proposals to the Bank Management Board to ensure adequacy of prices of assets and liabilities relative to relevant types of risk.

During the year 2022, the composition of the Committee was as follows:

1. Mr. Dariusz Rosati - Chairman,
2. Mrs. Beata Stelmach,
3. Mr. Miguel de Campos Pereira de Bragança,
4. Mr. Grzegorz Jędryś,
5. Mr. José Miguel Bensliman Schorcht da Silva Pessanha.

According to the „Policy of Remuneration of Members of the Supervisory Board of Bank Millennium S.A.”, adopted by the General Meeting, members of the Supervisory Board of the Bank are entitled to monthly remuneration for sitting on the Supervisory Board. The amount of the remuneration is defined by a resolution adopted by the General Meeting with the consideration of the principles stipulated in the Policy, including the principle of its adequacy to the scale of the Bank’s operation. The remuneration may be diversified in view of the function performed in the Supervisory Board and should be correlated with the involvement in the work of the Supervisory Board and the level of remuneration received by members of supervisory bodies of institutions with a similar scope and scale of operation. Irrespective of the remuneration for sitting on the Supervisory Board, members of standing committees of the Supervisory Board are entitled to separate remuneration in connection with the tasks performed by them as part of these committees. If the Supervisory Board delegates its member to individually exercise supervision on a permanent basis, the Supervisory Board may assign to such Supervisory Board member additional remuneration for the duration of the delegation, however its monthly amount cannot exceed 100% of the base remuneration for sitting on the Supervisory Board. In case of standing committees of the Supervisory Board the remuneration is payable for participation in their meetings. The total remuneration due to a Supervisory Board member for participation in meetings of committees of the Supervisory Board in a given accounting year cannot exceed 100% of his base remuneration for sitting on the Supervisory Board of the Bank. In connection with remuneration paid, the Bank shall make appropriate deductions under relevant legal regulations. Each of the Supervisory Board members may make a declaration to refrain from collection of all or part of the remuneration. Declarations to such effect shall be submitted to the Chairman of the Supervisory Board.

Remuneration paid to members of the Supervisory Board in 2022 (in PLN thousand):

Name and surname	Remuneration for performing functions in the Supervisory Board	Remuneration for participation in Committees	Other benefits	Total
<i>Bogusław Kott</i>	240	15	41.06	296.06
<i>Nuno Manuel Da Silva Amado</i>	120	0	0	120
<i>Dariusz Rosati</i>	120	50	0	170
<i>Miguel De Campos Pereira De Bragança</i>	120	60	0	180
<i>Anna Jakubowski</i>	120	45	0	165
<i>Grzegorz Jędryś</i>	120	90	0	210
<i>Alojzy Nowak</i>	120	60	0	180
<i>José Miguel Bensliman Schorcht da Silva Pessanha</i>	120	55	0	175
<i>Miguel Maya Dias Pinheiro</i>	120	0	0	120
<i>Lingjiang Xu</i>	120	0	0	120
<i>Olga Grygier-Siddons</i>	120	45	0	165
<i>Beata Stelmach</i>	120	30	0	150
TOTAL	1 560	450	41.06	2 051.06

In 2022, Members of the Supervisory Board received additional remuneration from the Bank's subsidiary companies (in PLN thousand):

Name and surname	Remuneration for performing functions in the Supervisory Board	Remuneration for participation in Committees	Other benefits	Total
Grzegorz Jedrys	120	20	0	140

The Bank's shares held by Supervisory Board Members (performing their functions on 31 December 2022):

Name and surname	Function	Number of shares 31.12.2022	Number of shares 31.12.2021
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	0
Anna Jakubowski	Member of the Supervisory Board	0	0
Grzegorz Jędryś	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	0
Lingjiang Xu	Chairman of the Supervisory Board	0	0

13.4. MANAGEMENT BOARD

The Management Board is the management body of the Bank and manages the entirety of the Bank's operations. In legal terms, the Management Board operates pursuant to the Code of Commercial Companies and other regulations, the Bank's Articles of Association, resolutions of the General Meeting of Shareholders and the Supervisory Board, as well as provisions of the "*Bank Millennium S.A. Management Board's Operations bylaws*" adopted by the Supervisory Board, which are available from the Bank's website on the "*About the Bank > Corporate Bodies and Governance*" tab, link to website <https://www.bankmillennium.pl/about-the-bank/corporate-bodies-and-governance>.

The competences of the Management Board include all matters that are not reserved for other bodies of the Bank.

The Management Board makes decisions collectively. Resolutions of the Management Board are adopted by ordinary majority of votes of the Management Board Members participating in the voting. In the case of equal votes the Chairman of the Management Board has a decisive vote. Resolutions of the Management Board may be adopted, if at least half of the Management Board Members participate in the voting.

The following persons are authorized to make declarations of will regarding the Bank's property rights and obligations and to sign documents on behalf of the Bank:

- (I) the Chairman of the Management Board individually,
- (II) two other Members of the Management Board acting jointly or one Member of the Management Board acting jointly with a registered proxy or two registered proxies; or,

Attorneys-in-fact may be appointed to perform specified activities, and shall act individually within the scope of their authorization.

The Management Board of the Bank is composed of at least three persons, including the Chairman of the Management Board. At least half of the Members of the Management Board should be Polish nationals. The Management Board is appointed by the Supervisory Board. The term of office of a Management Board is 3 years. A Member of the Management Board may be recalled by the Supervisory Board at any time.

The Bank's Management Board during the period from 1 January 2022 to 31 December 2022 remained unchanged and consisted of the following persons:

- 1) Joao Nuno Lima Bras Jorge - Chairman of the Management Board
- 2) Fernando Maria Cardoso Rodrigues Bicho - Deputy Chairman of the Management Board
- 3) Wojciech Haase - Member of the Management Board
- 4) Andrzej Gliński - Member of the Management Board
- 5) Wojciech Rybak - Member of the Management Board
- 6) António Pinto Júnior - Member of the Management Board
- 7) Jarosław Hermann - Member of the Management Board

1. Joao Bras Jorge - Chairman of the Management Board



Mr Joao Nuno Lima Bras Jorge, graduate of the Management Studies at Universidade Catolica Portuguesa and PADE Advance Management Programme under AESE.

He started his professional career as a stockbroker in 1990. In the ensuing 10 years he worked in investment banking, inter alia, as Member of the Management Board at an investment bank. He also sat on the Board of the Lisbon Stock Exchange.

During the 5 years prior to his move to Poland he held the position of Head of the Retail Banking Customer Division and Coordinator of the Retail Network at Millennium bcp.

Since 19 July 2006 - Member of the Management Board of Bank Millennium S.A., in the years 2006-2008 Head of the Retail Banking Division and from 2009 - Head of the Corporate Banking Area. From 22 April 2010 - Deputy Chairman of the Management Board and since 24 October 2013 - Chairman of the Management Board of Bank Millennium S.A. From 3 June 2019 until the day of merger with Bank Millennium S.A. i.e. 1 October 2019, also First Deputy Chairman of the Management Board of Euro Bank S.A., Acting Chairman of the Management Board.

He is responsible for the work of the Management Board, internal audit, compliance, legal support, HR, marketing communication and public relations, personal data protection and sustainability.

2. Fernando Bicho - Deputy Chairman of the Management Board



Mr Fernando Maria Cardoso Rodrigues Bicho graduated from the Economic Department at Universidade Catolica Portuguesa in 1984. In 1993 he obtained an MBA from Universidade Catolica Portuguesa.

He gained his professional experience inter alia in the Portuguese Foreign Investment Institute, Lloyds Bank Plc in Lisbon and Uniao de Banco Portugueses (UBP), later renamed to Banco Mello. He performed duties as fund manager and later in the bank, as Head of the Financial Division, he was in charge of inter alia the treasury and capital markets, securities operations, asset and liabilities management, issues on international capital markets, capital management and investor relations. After the purchase of Banco Mello by Banco Comercial Portugues (BCP) in 2000, Mr Fernando Bicho worked in the BCP Corporate Centre and from June 2001 he was Head of the Asset and Liabilities Management Department of the BCP Group.

Since 1 August 2002 Member of the Management Board of Bank Millennium S.A. (CFO - Chief Financial Officer) and since 20 April 2012 Deputy Chairman of the Management Board. From 3 June 2019 until the day of merger with Bank Millennium S.A., i.e. 1 October 2019, also Deputy Chairman of the Management Board of Euro Bank S.A.

He supervises treasury, accounting, financial reporting and control, taxes, capital investments, relations with investors and financial institutions, management information and central acquisition, as well as coordination of Group entities (other than leasing, brokerage, related to investment funds and startups).

3. Wojciech Haase - Member of the Management Board



Mr Wojciech Haase graduated from the Faculty of Production Economics at Gdańsk University.

He worked at the National Bank of Poland in Gdańsk to be then transferred to the group organising Bank Gdański S.A. In 1989-1997 he worked at Bank Gdański S.A. - first in the Credit Department and then in the Treasury Department. From 1993 he was Deputy Chairman of the Management Board of Bank Gdański S.A. and, next, acting Chairman of the Management Board of that Bank.

Since 27 June 1997 Member of the Management Board of Bank Millennium S.A. Since 4 December 2015 the Bank's material risk management supervisor. Moreover, he supervises risk management, risk models, credit and ratings processes, liabilities collection and treasury control.

4. Andrzej Gliński - Member of the Management Board



Mr Andrzej Gliński graduated from the Poznań University of Technology (1994) and completed his post-graduate studies in banking and finance at the Warsaw School of Economics.

From the beginning of his professional career associated with the financial sector: in 1994 he started working at Bank Handlowy S.A. in Warsaw - initially in the Capital Operations Center, from 1995 in the part of the Bank responsible for servicing enterprises, then in managerial positions as a branch director and sales director in the Asset Financing Department. In the years 2001-2004 he was the Vice-President of the Management Board of Handlowy Leasing S.A. Since 2004 he has been associated with the Bank Millennium S.A. Capital Group, initially as the Chairman of Millennium Leasing Sp. z o.o., and then as the Head of the Corporate Banking Area of Bank Millennium S.A.

Member of the Management Board since 22 April 2010. He supervises corporate banking and its support (excluding corporate banking marketing), factoring and trade financing, structured finance, custody, brokerage as well coordination of the Group's entity conducting leasing activity.

6. Wojciech Rybak - Member of the Management Board



Mr Wojciech Rybak graduated in economics from the University of Szczecin (1993) and Tempus - Portassist Programme of the University of Antwerp (1992).

Since the beginning of his professional career, he has been associated with banking.

Since May 1996 he has been working in the Bank Millennium S.A. Group.

From August 2003 he was a Member of the Management Board of Millennium Leasing Sp. z o.o., supervising, inter alia, the sales network and from June 2009 until June 2016 - Chairman of the Management Board of Millennium Leasing Sp. z o.o. In 2011 - 2016 a member of the Executive Committee of the Polish Leasing Association, including its Chairman in 2015 - 2016.

Member of the Management Board of Bank Millennium S.A. since 6 June 2016. From 3 June 2019 until the day of merger with Bank Millennium S.A., i.e. 1 October 2019, also Deputy Chairman of the Management Board of Euro Bank S.A.

He supervises the retail sales network, its optimization and support, private banking and direct banking.

6. António Pinto Júnior - Member of the Management Board

Mr António Pinto Júnior graduated in Economics (1985-1990) from Oporto University and Corporate Finance from Minho University (1993-1994).

He started his professional career in Banco Português do Atlântico (1990), since 1994 part of Millenniumbcp Group, gaining experience in Retail and Corporate Banking by holding managerial positions in the marketing and sales support areas.

Between 2002 and 2011 he worked in Bank Millennium, S.A., as Head of Departments in charge of Marketing, Quality, Processes and Operations, and, from April 2010, as a Member of the Management Board. In the following 7 years he held the position of Head of Retail Banking Marketing Department in Millenniumbcp in Portugal, and between July 2016 and May 2018 was also a non-executive Member of the Management Board of ActivoBank.

Since 20 April 2018 Member of the Management Board of Bank Millennium S.A. From 3 June 2019 until the day of merger with Bank Millennium S.A., i.e. 1 October 2019, also Deputy Chairman of the Management Board of Euro Bank S.A.

He supervises electronic banking, sales campaigns, retail and corporate banking marketing, processes support management, administration and infrastructure, complaints and quality of services, coordination of Group entities from the area of investment funds and startups.

7. Jarosław Hermann - Member of the Management Board

Mr Jarosław Hermann graduated from the Applied Mathematics and Physics Faculty at the Warsaw University of Technology in 1994 and Carlson School of Management MBA program in 2002.

He gained broad IT & Operations practice working on managerial positions in PepsiCo, Pioneer Financial Services and Accenture, where he conducted mid / large scale projects in the banking sector in Poland and CEE countries.

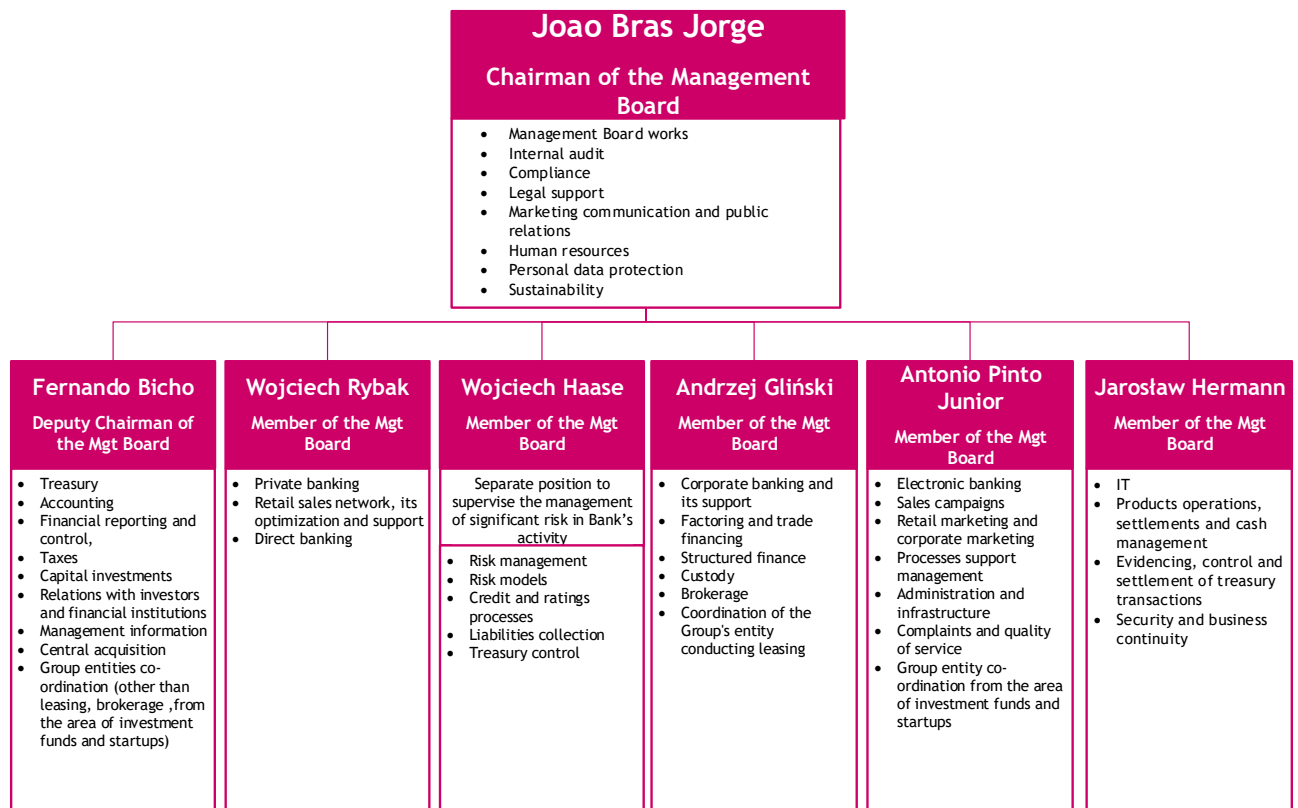
Between 2005-2010 he was Board Member of First Data Poland responsible for providing IT and operational services for card acquiring and financial solutions business lines.

Between 2010-2016 he was Board Member of AXA companies in Poland responsible for IT & Operations.

From 2016 to 2018 he was Vice President of Polskie ePłatności, emerging card acquirer.

Since 1 August 2018 Member of the Management Board of Bank Millennium S.A. He supervises IT, products operations, settlement and cash management, evidencing, control and settlement of treasury transactions, security and business continuity.

The organisational structure of the Bank is consistent with the strategy, modern approach to business and complies with the principles of corporate governance for financial institutions. The division of the tasks between the members of Management Board of the Bank is presented on the following diagram:



The principles of remuneration of the Management Board Members with the amount of salaries, bonuses and other benefits received in 2022 can be found in chapter 9 of this report, part 9.3 entitled "*Remuneration policy*".

In accordance with the above-mentioned principles of remuneration, in 2022 Members of the Bank's Management Board were granted Bank's shares as part of the implementation of the incentive program. Therefore, the status of shares owned by the Management Board Members who performed their functions on 31 December 2022 was as follows:

Name and surname	Function	Number of shares 31.12.2022	Including received under the incentive program (*)	Number of shares 31.12.2021
Joao Bras Jorge	Chairman of the Management Board	380 259	101 359	278 900
Fernando Bicho	Deputy Chairman of the Management Board	176 252	74 684	101 568
Wojciech Haase	Member of the Management Board	151 107	60 854	90 253
Andrzej Gliński	Member of the Management Board	113 613	60 854	52 759
António Pinto Júnior	Member of the Management Board	143 613	60 854	82 759
Wojciech Rybak	Member of the Management Board	143 613	60 854	82 759
Jarosław Hermann	Member of the Management Board	98 613	60 854	37 759

(*) shares blocked on investment accounts until 13 April 2023.

13.5. INTERNAL CONTROL SYSTEM AND EXTERNAL AUDITOR

Internal Control System

The Bank's internal control system is organised in the framework of the so-called three independent lines of defence, which comprise:

- 1st line - the Bank's operating units not belonging to the 2nd and 3rd line of defence,
- 2nd line - Compliance Department and other units managing particular risks,
- 3rd line - Internal Audit Department.

The internal control system covers all organisational units of the Bank and subsidiaries belonging to the capital group.

The main objectives of the internal control system are to ensure:

- effectiveness and efficiency of the Bank's operations,
- credibility of financial information (including: completeness, correctness and comprehensiveness of administrative and accounting procedures and fair and true internal and external reporting),
- observance of risk management principles at the Bank,
- compliance of the Bank's activity with laws, internal regulations and market standards.

Based on the developed selection criteria the Bank identified material processes, and then linked them to the general and specific objectives of the internal control system. For material processes the Bank selected controls (control mechanisms) functioning within such processes and selected out of them certain controls of key importance for achieving the objectives of the internal control system assigned to a given process. Key controls have been covered by the monitoring of their observance, such monitoring performed independently by organisational units belonging to the 1st and the 2nd line of defence in the internal control system.

The linking of the general objectives of internal control and specific objectives isolated as part of them with material processes functioning at the Bank and key controls and principles of independent monitoring of their observance is documented in the form of the Control Function Matrix. The Bank in the Matrix also specified the responsibility of particular organizational units for employing control mechanisms, as well as their independent monitoring.

The Bank has a formalized path of reporting about the results of monitoring controls, ascertained irregularities and status of implementing remedial and disciplining measures. From time to time this information is also transferred to the Internal Audit Department, the Bank's Management Board and Audit Committee of the Supervisory Board.

The Bank's Management Board is responsible for the implementation and functioning of an adequate, effective and efficient internal control system.

The Bank's Supervisory Board exercises supervision and performs the annual evaluation of the implementation and ensuring that the internal control system is adequate and effective, as a whole and in its parts (including the control function, Compliance Department, Internal Audit Department).

Internal Audit (3rd line of defence)

The Internal Audit Department is within the internal control system a specialized unit of the 3rd line of defence which carries out an independent review of processes and internal control in the Bank and the capital group, verifying the implementation of tasks assigned to the 1st and 2nd line of defence.

The aim of the activities is providing the Bank's management with an assessment of the effectiveness and adequacy of the risk management system and the internal control system, as well as adding value and streamlining processes in the Bank and the capital group. When implementing its mission Internal Audit takes into account the strategic objectives and tasks of the organization, as laid down by the Management Board and Supervisory Board of the Bank. The audit process is performed according to the Audit Charter and Internal Audit Methodology, fostering international standards of internal audit and good banking practices.

The Internal Audit Department is an independent unit, directly reporting to the Chairman of the Management Board of the Bank and the results of its activities are reported to the Management Board, Audit Committee of the Supervisory Board and the Supervisory Board of the Bank.

The activity of Internal Audit is a planned and continuous activity, resulting from the implementation of the mission and objectives, as well as the adopted Department Strategy and based on an annual audit plan. The basis of the planning process is the assessment of the risk of particular areas and processes of the Bank in order to identify increased risk and support the specification of priorities and resources for the implementation of tasks. The planning process takes into account consultations with senior management and owners of key processes. The annual audit plan is approved by the Bank's Supervisory Board and implemented on a quarterly basis by experienced and highly qualified professionals.

Internal Audit performs independent and objective assurance and consulting activities. Assurance activity is carried out as part of process audits, independent review function, branch audits, preventive audits and investigations. Assurance activity includes assessment of the adequacy and effectiveness of the risk management system and internal control system in all areas of banking activity. Advisory services are aimed at supporting the organization in achieving its goals and are provided, as far as their nature does not put under threat the independence, effectiveness and objectivity of Internal Audit's assurance activity, nor is related to the designing of control mechanisms and risk management system.

In 2022 Internal Audit Department performed audit tasks in the Bank, its subsidiaries, external entities to which the Bank, to the extent permitted by regulations, outsourced banking and bank-related operations, as well as within the BCP Capital Group. The planned activity of the Department covered among others audits of key business and support processes and also branch audits and those of

compliance with external regulatory requirements. The tasks performed by the Internal Audit Department also included investigations and prevention audits.

The results of the review of the functioning of the entire internal control system as well as its selected components, carried out by the Internal Audit Department in cooperation with the External Auditor of the BCP Group, are presented cyclically and are subject to evaluation by the Audit Committee of the Bank's Supervisory Board and once a year to the Bank's Supervisory Board.

Internal Control System with respect to the Process of Preparing Financial Reports

Implemented solutions regarding the internal control system protect to a significant extent the Bank from financial reporting errors and provide the Bank's Management with information which helps evaluate the correctness, efficiency and security of the functioning of the process of preparing financial reports, also in order to ensure the highest possible effectiveness in managing identified types of risks accompanying the process.

The internal control system, introduced by the Management Board of the Bank and incorporating the financial report preparation process, has been designed to facilitate the control of process risk while maintaining appropriate supervision over the correctness of gathering, processing and presentation of data necessary for the preparation of financial reports in keeping with effective laws.

An important element of the internal control system in the process of preparing financial reports is the cooperation of the Audit Committee of the Bank's Supervisory Board with an audit firm providing financial audit services. The Bank prepared the policy of selecting an audit firm for carrying out an audit and policy for providing by an audit firm carrying out an audit, by entities connected with such audit firm and by a member of an audit firm network - permitted services not being an audit. The above-mentioned policies are captured in the document *„Policy of Selecting and Cooperation with Audit Firms”*, which was approved by the Audit Committee of the Supervisory Board on 26 October 2017 and it was last updated on 21 July 2022. The policy specifies:

- 1) The principles of selecting the audit firm to conduct statutory audit and voluntary audit,
- 2) Principles of providing permitted services not being a statutory or voluntary audit by Audit Firm, entities connected with Audit Firm or member of an Audit Firm network,
- 3) Procedure of accepting performance by Other Audit Firms of services other than the statutory audit and the voluntary audit,
- 4) Principles of the Bank's cooperation with audit firms, entities connected with an audit firm or members of the audit firm network with respect to conducting statutory or voluntary audits and providing permitted services.

The external auditor is selected by the Supervisory Board on the basis of a recommendation issued by the Audit Committee of the Supervisory Board. In addition, in the interest of the quality of financial data presented in the remaining published quarterly reports, the Bank, together with the external auditor, has implemented cooperation procedures ensuring - on an on-going basis - the consultation of important issues connected with the recognition of economic events in the books and financial reports. At meetings of the Audit Committee of the Supervisory Board the external auditor presents key findings relative to financial reporting, consults with the Audit Committee of the Supervisory Board draft reports and proposes an approach to the audit of the annual financial report.

The Bank is covered by the consolidated financial report of the Millennium BCP capital group. In this connection, the annual review of the Bank's internal control system supporting the process of preparing and disclosure of financial information is also subject to the terms and requirements of consolidated supervision, which is performed by the Bank of Portugal and the European Central Bank. The external auditor of the Millennium BCP capital group participated in 2022 in review of the adequacy and effectiveness of the part of the Bank's internal control system supporting the process of preparing and disclosure of financial information (financial reporting) and issued an appropriate opinion in this respect.

Information on the agreements with the entity authorised to audit financial reports

On 22 February 2021 the Supervisory Board of the Bank approved the selection of Deloitte Audyt Sp. z o.o. sp. k. as an entity authorised to perform audits of financial reports of Bank Millennium S.A. and the Bank's capital group for the years 2021, 2022 and 2023. The audit agreement was concluded on 6 May 2021.

Remuneration received by the auditor on account of services provided to the Capital Group of Bank Millennium S.A.

Auditor's Remuneration <i>(in PLN'000)</i>	2022		2021	
	Bank	Subsidiaries	Bank	Subsidiaries
Statutory audit within the meaning of art. 2 point 1 of the Act on Statutory Auditors	1 925	537	1 142	517
Other assurance services	1 519	239	1 170	268
Tax advisory services	-	-	-	-
Other services	-	-	-	-

Services other than statutory audit:

- a review of the stand-alone and consolidated interim condensed financial reports of Bank Millennium S.A. drawn up as at June 30, 2022,
- review of the interim condensed financial reports of Millennium TFI SA investment funds prepared as at June 30, 2022,
- audit of the consolidation documentation and the reporting package of Bank Millennium S.A. capital group for the period of 6 months, ended on 30 June 2022, and for the period of 12 months, ended on 31 December 2022, prepared in accordance with instructions and group rules of BCP capital group,
- procedures for verification of consolidation documentation and the reporting package of the Bank Millennium S.A. capital group for the period of 3 months, ended on 31 March 2022, prepared in accordance with group principles,
- procedures for verification of consolidation documentation and the reporting package of the Bank Millennium S.A. capital group for the period of 9 months, ended 30 September 2022, prepared in accordance with group principles,
- assurance service concerning requirements for safekeeping of customers' assets for 2022 for Bank Millennium S.A.,
- assurance service concerning evaluation of adequacy of the risk management system in 2022 in Millennium TFI S.A.,
- assurance service in accordance with MSUA 3000, concerning verification of the internal control system of Bank Millennium S.A. and Millennium Leasing, in accordance with instructions of the group auditor for the period from 1 June 2020 to 31 January 2022 and for the period from 1 February 2022 to 30 November 2022,
- assurance service in accordance with MSUA 3000, concerning verification of the remuneration report of Bank Millennium S.A. for 2022
- assurance service in accordance with MSUA 3000: Statement of the independent auditor issued on behalf of the entity authorized to audit financial statements on the conformity of methods and principles of valuation of the Fund's assets described in the prospectus with the regulations on accounting of investment funds, as well as on the conformity and completeness of these principles with the investment policy adopted by the Fund,

- assurance service in accordance with MSUA 3000: independent verification of the non-financial data presented within CSR Report,
- Issuance of Comfort Letter in accordance with the National Standard on Related Services 4401 “Engagements to perform agreed-upon procedures regarding transactions in securities which require preparation of a prospectus”

14. ACTIVITIES IN THE ESG AREA: ENVIRONMENT, SOCIETY AND GOVERNANCE

ESG (*Environmental, Social, Governance*) issues have been an integral part of the Bank Millennium Group's business strategy for years. At Bank Millennium, we believe that environmental, social and management issues concern many areas and areas of the Bank's activity, constituting an integral part of business. We believe that achieving the goals set in the strategy is as important as the way of achieving them, with commitment to society and the natural environment, in accordance with high standards of quality and ethics in sales and services.

In 2022 the "ESG Strategy of Bank Millennium Group for 2022-2024" was adopted and published. The Strategy is a development and specification of environmental, social and corporate governance objectives presented in the Strategy for 2022 - 2024 "Millennium 2024: Inspired by People".

SUSTAINABLE DEVELOPMENT POLICIES

In 2022 Bank Millennium implemented documents, which define the main principles related to sustainable development at the level of the entire Bank Millennium Group. These principles are defined in the "Sustainable Development Policy of Bank Millennium S.A." adopted by the Management Board of the Bank, of which the following documents are an integral part published on the Bank's website (<https://www.bankmillennium.pl/o-banku/esg#zasady-esg>):

- Principles of sustainable development
- Principles of preventing corruption
- Principles of social impact
- Principles of respect for human rights
- Principles of diversity
- Principles of corporate volunteering
- Principles of responsible financing

The principles of sustainable development adopted by Bank Millennium Group, which integrate the environmental, social and management dimensions, include:

- Adapting the decision-making process, in all areas of the Bank Millennium Group, to the implementation of the United Nations Sustainable Development Goals ("UN Sustainable Development Goals"), as well as generally applicable laws and national and international standards in the field of sustainable development
- Taking into account the UN Sustainable Development Goals in the development and offering of financial products
- Transparency of disclosed information regarding implementation by the BM Group of activities in the area of sustainable development
- Building awareness of employees, clients and other stakeholders of the Group in the field of sustainable development
- Adhering to the highest standards in the conducted business, including the Principles of Corporate Governance for Supervised Institutions and Best Practices for WSE Listed Companies, as well as striving to constantly ensure full compliance with generally applicable laws and business standards
- Building partnership relations and constant involvement in cooperation with communities - both external and internal - in the search for opportunities to create social value, by supporting initiatives related to culture, education and financial knowledge, as well as activities within the framework of employee volunteering.

ESG matters were discussed in detail in the ESG Report of Bank Millennium and Bank Millennium Group for 2022, published on 15 February 2023. The ESG Report comprises non-financial information, as mentioned in art. 49b of Accounting Act.

ENVIRONMENT

Based on the UN Sustainable Development Goals, as well as the commitments resulting from the Diversity Charter signed by the Bank, as well as internal concerns and good practices, we have made inter alia the following commitments:

- Integrating environmental and social risks into the customer risk assessment process and taking into account ESG risk factors in sectoral policies with respect to corporate customers
- Defining the list of sectors and activities not financed by the Bank Millennium Group - the Group identifies sectors of economic activity or projects whose financing is inconsistent with the Bank Millennium Group's commitment to protect the environment, promote sustainable development, combat climate change and preserve biodiversity. For this reason, the Bank Millennium Group has identified sectors excluded from financing or sectors of conditional financing (financing of activities or projects in these sectors is possible under additional conditions)
- Financing of environmentally friendly and energy-efficient projects, including projects related to the replacement of coal-fired energy with low-emission energy sources
- Carrying out activities aimed at reducing the carbon footprint.

Environmentally friendly products

In the Strategy for 2022-2024, Bank Millennium has defined goals regarding actively supporting clients in their decarbonisation efforts and as regards providing 2 billion PLN in 2022-2024 in financing to the Bank's and the Bank Capital Group's clients for sustainable and transformational projects.

In 2022, work was carried out to expand the range of products financing sustainable activities. Observing the dynamically developing trend of basing investment decisions on sustainable development criteria by investors in Europe and around the world, and taking into account the Group's business strategy, a change was made to the product offering of Millennium TFI. Millennium TFI has transformed three Sub-funds separated under the Millennium Specialist Open Investment Fund in accordance with the requirements of Article 8 of the SFDR Regulation³. They promote environmental, social and corporate governance compliance aspects (as light green products) by including them in the criteria for the selection of investments and in the investment restrictions applied.

Reduction of own emissions of greenhouse gases

The ESG Strategy sets targets for greenhouse gas emissions. In 2022 the Bank reached its planned objective to reduce its own greenhouse gas emissions by 50% in scope 1 and 2 compared to 2020. Achieving climate neutrality in relation to the Bank's own emissions is planned by 2027, full climate neutrality by 2050.

All the electricity purchased in 2022 has certificates confirming the origin of renewable energy sources - from wind, water and solar sources.

In 2022 the Bank carried out many actions aimed at reducing consumption of electricity, water, fuels and other materials and also was introducing further environmentally-friendly solutions in its offices.

Building environmental awareness

Pro-environmental activities are also about building awareness. One of the examples of such activities carried out in 2022 were the events focused on the premiere of the Report "Millennium Eco-index -

³ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation)

eco-innovation potential of regions”, which was created in cooperation with substantive partners: the Patent Office of the Republic of Poland, the AGH University of Science and Technology in Kraków and the Warsaw School of Economics. Bank Millennium has developed an eco-innovation index to check the degree of involvement of individual Polish regions in green transformation. The report contributed to the creation of a kind of platform for discussion on the importance and development of green innovations in our country, and also aimed to encourage cooperation, because as the results of our study show, it is conducive to eco-innovation. The study shows that regulations related to ecology can act as stimulants for innovation, and the implementation of ecological solutions, especially innovative ones, is an investment that brings benefits in the long run.

SOCIETY

Banking without barriers

It is the Bank’s aim to eliminate digital and physical barriers in access to financial and non-financial services. Bank Millennium is not only a financial services centre for customers, but also the first channel of access to other services, e.g. in the mobile application, the customer has the opportunity to buy public transport tickets, pay for a parking space or drive on the motorway without having to stop at the gates. Through electronic banking, it is also possible to use digital identity and remote contact with Polish government offices. The Bank wants all customers, including persons with disabilities, to have convenient access to financial services. Therefore, numerous improvements were introduced for the blind, persons with impaired vision and persons on wheelchairs.

After the outbreak of the war in Ukraine, a page in Ukrainian was created on the portal with the most important information about the possibility of opening an account and the rules of using the bank’s services. Ukrainian-speaking customers can also fill-out applications for 500+ and 300+ benefits in their own language and receive communication in this language regarding important matters, e.g. cybersecurity.

Bank Millennium extends its concept of a world without barriers to other areas, in which it is active, including culture sponsoring. By providing cinema films with audiodescription during Millennium Docs Against Gravity, Poland’s biggest documentary films festival, it facilitates access to the world of culture for persons with sight impairments.

The Bank’s representatives also take part in work of Polish Bank Association on improving accessibility of places and services to persons with disabilities.

Education activities targeted at customers

The Bank conducts educational activities in the area of cybersecurity. Communication is addressed to various groups of customers, including seniors, teenagers, parents of younger children. In addition, the Bank publishes warnings about new methods of criminals on its website and in electronic channels. In addition to educational activities, technical solutions are also being introduced to further protect customers from criminals. In May 2022, the bank implemented an anti-vishing solution - the customer can confirm the data of the bank employee who called him thanks to the push message in the banking app.

We support our clients through educational activities which have an impact on conducting business activity and work methods employed, in particular by webinars carried out on our own or together with external partners.

In the Millenet for Companies transactional system, we have made available to our clients the Inspirations Zone - a new section in which we publish useful information and educational materials. Clients will find there, among others, articles about grant programs, weekly market and macroeconomic analyses, information about tax changes, practical advice on cybersecurity and invitations to educational webinars.

Responsible employer

Bank Millennium creates a good working environment for employees regardless of gender, age, race, religion, nationality, ethnic origin, disability, political beliefs, trade union membership and sexual orientation, so that everyone can find conditions for professional development in an atmosphere of cooperation and mutual respect. The Bank provides attractive conditions for work, development and social support. It offers programmes for working parents, as well as encourages participation in charity events, employee volunteering, sports and cultural activities.

In 2022 Bank Millennium received a number of awards, such as:

Reliable Employer 2022

This award is granted to companies that care for safety, working conditions and employee development. In 2022, the awards were granted for the twentieth time - for Bank Millennium it is the 9th title in a row. The nationwide Reliable Employer of the Year programme is a research project in the field of HR, which distinguishes the best employers in terms of personnel policy and employee solutions.

"European Diversity Leader 2023" by Financial Times

In 2022 once again we found ourselves among the employers from Europe who support and promote diversity. Bank Millennium was awarded the title of "Europe's Diversity Leader 2023" in a ranking prepared by the Financial Times and Statista. The companies distinguished in the ranking were selected on the basis of the recommendations of their employees. The Financial Times and Statista ranking is based on the results of an independent survey of over 100,000 employees of institutions and companies from 16 European countries.

2nd place in the Best Employers Poland 2022 ranking in the category "Banks and financial services"

Bank Millennium again came second on the ranking list of best employers in banking and financial services and 44th among all companies on the Best Employers Poland 2022 ranking list. The ranking of 300 companies operating in Poland, achieving success in HR, was prepared by Forbes Polska magazine and Statista.

CSR Golden Leaf

Bank Millennium's activities for sustainable development and making them an integral part of the business strategy have once again been appreciated with the CSR Golden Leaf from Polityka weekly. This award is given to companies, which implement the highest social responsibility standards - they have in place ethics management systems, engage socially, introduce actions in response to the needs of clients and staff and minimise their impact upon the natural environment.

Involvement of the Bank's employees in social activities

The Bank attaches great importance to engaging employees in social campaigns. In 2022, the Bank Millennium Foundation implemented the next edition of its main employee volunteering programme #śluchaMYwspieraMY.

#śluchaMYwspieraMY is a programme dedicated to all bank employees who want to help the most needy, verify their needs themselves and submit initiatives under the programme in order to obtain a grant for their implementation. Thanks to this, help is provided to beneficiaries - local communities, aid organisations, non-governmental organisations and individuals throughout Poland.

In connection with with Russia's attack on Ukraine, **contributing to aid activities for refugees arriving from Ukraine is the entire Community of the Bank and the Bank Millennium Foundation**, which has launched a special edition of the #śluchaMYwspieraMY programme of grants for employee initiatives directed at refugees from Ukraine. As part of the programme employees could implement their social initiatives and help refugees from Ukraine in their local community. When selecting initiatives what counted was not merely the idea, but also the number of volunteers taking part in the project, but above all the long-term impact of the activities on the life of a person or its family. 147 volunteers took part in the actions, and 8252 beneficiaries received support - small and large

citizens of Ukraine, pupils of social institutions, people with disabilities, orphans, homeless people, women, including single mothers, seniors.

Fostering Culture

Activity in the field of culture has been an important part of the social activities pursued by Bank Millennium for over 30 years now. The Bank supports national as well as local cultural projects.

Bank Millennium is a long-term patron of the Millennium Docs Against Gravity Film Festival. It is the largest film festival in Poland and an important documentary film festival in the world.

In 2022 the Bank also patronised the exhibition of Polish photographers "Solidarity", showing the drama of refugees from war-torn Ukraine and the extraordinary solidarity of Poles towards them. The exhibition was presented in Gdańsk, Warsaw and Chełm.

CORPORATE GOVERNANCE

The Bank operates on the basis of good ESG (Environmental, Social, Governance) practices and complies with the principles of corporate governance. The company is listed in WIG-ESG - an index of socially responsible companies on the WSE and has been reporting issues related to responsible business for several years.

The basis for defining the approach to sustainable development management is the **Agenda formulated by the UN, comprising 17 goals, 169 targets and 304 indicators. Bank Millennium signed the declaration for the implementation of the UN Sustainable Development Goals in 2017.**

Taking into account the growing importance of sustainable development for the operations of Bank Millennium Group, in 2022 the Bank established the Sustainability Committee and the Sustainability Office.

The Chairman of the Sustainability Committee is the Chairman of the Bank's Management Board. The Committee comprises all Members of the Bank Management Board as well as representatives of units performing tasks related to sustainable development in the Bank and the Bank's Capital Group. Meetings of the Committee are held not less often than once a quarter. The scope of the Committee's tasks includes recommending a sustainable development strategy to the Bank's Management Board, adopting operational plans related to the implementation of this strategy and monitoring the implementation of planned activities, assessing the impact of sustainability principles on the Bank's operations, approving and monitoring KPIs and KRIs in the area of sustainable development, providing the Bank's Management Board with periodic information on key aspects related to sustainable development.

The Sustainability Office is supervised directly by the Chairman of the Bank Management Board. The Office is responsible for supervising and coordinating the process of implementing the principles of sustainability in the Bank and the Bank's Capital Group. The scope of the Office's tasks includes inter alia the following: coordination of work related to the sustainability strategy, cooperation with other units of the Bank and entities of the Bank's Capital Group in the implementation of sustainability principles, ensuring identification of risks related to climate change in the Bank's operations, cooperation with other units of the Bank in the implementation of sustainable products, conducting activities aimed at promoting sustainability principles among the Bank's employees.

15. ADDITIONAL INFORMATION

Other information regarding:

- Guarantees and sureties granted,
- Transactions with related companies,
- List of the relevant court cases, arbitration proceedings before an authority or public administration,

can be found in the Annual Consolidated Report of the Bank Millennium S.A. Capital Group for the 12-month period ending 31st December 2022.

As above mentioned, the Bank prepares the separate report comprising non-financial information, which will be published on the Bank's web site on February 15, 2023.

16. STATEMENTS OF MANAGEMENT BOARD

Presentation of asset and financial position of the Bank and Capital Group in the financial reports

According to the best knowledge, the Annual Financial Statements of Bank Millennium and Capital Group of Bank Millennium S.A. as at 31 December 2022 and the comparable data, were prepared in line with the accounting principles, and reflect, truly, reliably, and clearly, the asset and financial position of the Bank and Capital Group of Bank Millennium and their financial results. This Annual Management Board Report on the activity of Bank Millennium and the Group contains a true picture of development, achievements and condition of Bank Millennium and the Capital Group of Bank Millennium.

Selection of an entity authorized to audit financial reports

The entity authorized to review financial reports that audits Annual Financial Statements of Bank Millennium and the Capital Group of Bank Millennium SA as at 31 December 2022, was selected in accordance with the regulations of law. The entity and chartered accountants, who performed the audit, satisfied all the conditions required to issue an unbiased and independent audit report, as required by the national law.

SIGNATURES:

Date	Name and surname	Position/Function	Signature
15.02.2023	Joao Bras Jorge	Chairman of the Management Board	signed with a qualified electronic signature
15.02.2023	Fernando Bicho	Deputy Chairman of the Management Board	signed with a qualified electronic signature
15.02.2023	Wojciech Haase	Member of the Management Board	signed with a qualified electronic signature
15.02.2023	Andrzej Gliński	Member of the Management Board	signed with a qualified electronic signature
15.02.2023	Wojciech Rybak	Member of the Management Board	signed with a qualified electronic signature
15.02.2023	António Pinto Júnior	Member of the Management Board	signed with a qualified electronic signature
15.02.2023	Jarosław Hermann	Member of the Management Board	signed with a qualified electronic signature